IMPORTANT NOTICE

NOT FOR PUBLICATION OR DISTRIBUTION IN CANADA, JAPAN OR ANY OTHER JURISDICTION IN VIOLATION OF THE RELEVANT LAWS OF SUCH JURISDICTION.

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached prospectus following this Notice, whether received by e-mail or otherwise received as a result of electronic communication. You are advised to read this disclaimer carefully before accessing, reading or making any other use of the attached prospectus. In accessing the attached prospectus, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from the issuer (the **Company**) or any of the underwriters (the **Underwriters**) set forth in the attached prospectus as a result of such access.

Confirmation of your representation: In order to be eligible to view this prospectus or make an investment decision with respect to the securities, you must be either: (i) outside the United States; provided that investors resident in a Member State of the European Economic Area must be qualified investors (within the meaning of Article 2(1)(e) of Directive 2003/71/EC and any relevant implementing measure in each Member State of the European Economic Area); or (ii) a Qualified institutional buyers (**QIBs**).

Prospective purchasers that are QIBs are hereby notified that the seller of the securities is relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A under the U.S. Securities Act.

This prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of the Company or the Underwriters or any person who controls, or is a director, officer, employee or agent of either the Company or the Underwriters, nor any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version available to you on request from the Underwriters.

Restrictions: The attached prospectus is being furnished in connection with an offering exempt from registration under the U.S. Securities Act of 1933, as amended (the **U.S. Securities Act**). Nothing in this electronic transmission constitutes an offer of securities for sale in the United States.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. ANY SECURITIES TO BE ISSUED HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES (AS DEFINED IN REGULATION S UNDER THE U.S. SECURITIES ACT) UNLESS REGISTERED UNDER THE U.S. SECURITIES ACT OR PURSUANT TO AN EXEMPTION FROM SUCH REGISTRATION. ANY SECURITIES SOLD IN THE UNITED STATES WILL BE SOLD ONLY TO QIBs IN RELIANCE UNDER RULE 144A OF THE U.S. SECURITIES ACT.

YOU ARE NOT AUTHORIZED TO AND YOU MAY NOT FORWARD OR DELIVER THE ATTACHED PROSPECTUS, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE SUCH PROSPECTUS IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT AND THE ATTACHED PROSPECTUS IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE U.S. SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

The materials relating to the offering are not for release, distribution or publication, whether directly or indirectly and whether in whole or in part, into or in Canada or Japan or any (other) jurisdiction where to do so would constitute a violation of the relevant laws of such jurisdiction.

These materials are for information purposes only and are not intended to constitute, and should not be construed as, an offer to sell or a solicitation of any offer to buy the shares of the Company in Canada or Japan or in any other jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, exemption from registration or qualification under the securities laws of such jurisdiction.

In the United Kingdom, this prospectus and any other materials in relation to the securities described herein is only being distributed to, and is only directed at, and any investment or investment activity to which this document relates is available only to, and will be engaged in only with, "qualified investors" (as defined in section 86(7) of the Financial Services and Markets Act 2000) and who are (i) persons having professional experience in matters relating to investments who fall within the definition of "investment professionals" in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the **Order**); or (ii) high net worth entities falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). Persons who are not relevant persons should not take any action on the basis of this document and should not act or rely on it.

In Australia this prospectus is for distribution only to professional or sophisticated investors (i.e. those persons to whom offers can be made without a disclosure document, in accordance with sections 708(8) and (11) of the Corporations Act 2001 (Cth)) who are "wholesale clients" within the meaning of section 761G of the Corporations Act 2001 (Cth). The entity receiving this document represents and warrants that if it is in Australia it is a wholesale client and either a professional or sophisticated investor and that it will not distribute this document to any person outside Australia. This document is not supplied in connection with any offering of securities. A decision whether to subscribe for the securities should be made on the basis of the information in the relevant disclosure document which will be issued by the Company.

The Company has not authorised any offer to the public of securities in any Member State of the European Economic Area other than the Netherlands. With respect to any Member State of the European Economic Area, other than the Netherlands, and which has implemented the Prospectus Directive (each a **Relevant Member State**), no action has been undertaken or will be undertaken to make an offer to the public of Securities requiring publication of a prospectus in any Relevant Member State. As a result, the securities may only be offered in Relevant Member States (i) to any legal entity which is a qualified investor as defined in the Prospectus Directive; or (ii) in any other circumstances falling within Article 3(2) of the Prospectus Directive. For the purpose of this paragraph, the expression "offer of securities to the public" means the communication in any form and by any means of sufficient information on the terms of the offer and the securities to be offered so as to enable the investor to decide to exercise, purchase or subscribe for the securities, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression **Prospectus Directive** means Directive 2003/71/EC (and amendments thereto, including Directive 2010/73/EU, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State.

You are reminded that the attached prospectus has been delivered to you on the basis that you are a person into whose possession this prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorized to deliver this document, electronically or otherwise, to any other person. If you receive this document by e-mail, you should not reply by e-mail to this announcement. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected. If you receive this document by e-mail, your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

NN Group N.V.

(a public limited liability company (*naamloze vennootschap*) incorporated under the laws of the Netherlands)

Offering of 70,000,000 ordinary shares with a nominal value of EUR 0.12 per share

ING Groep N.V. (**ING Groep**) is offering 70,000,000 ordinary shares (the **Offer Shares**) in the capital of NN Group N.V. (the **Company**) with a nominal value of EUR 0.12 per share. The Offer Shares will constitute 20% of the Ordinary Shares (as defined herein) of the Company (the **Offering**).

The Offering consists of: (a) a public offering to institutional and retail investors in the Netherlands, and (b) a private placement to certain institutional investors in various jurisdictions. The Offer Shares are being offered: (i) within the United States, to persons reasonably believed to be "qualified institutional buyers" (**QIBs**) as defined in, and in reliance on, Rule 144A (**Rule 144A**) under the U.S. Securities Act of 1933, as amended (the **U.S. Securities Act**); and (ii) outside the United States, in "offshore transactions" as defined in, and in compliance with, Regulation S under the U.S. Securities Act (**Regulation S**).

The Company will not receive any proceeds from the sale of the Offer Shares and the Additional Shares (as defined herein), if any, the net amount of which will be received by ING Groep.

Prior to the Offering, there has been no public market for the ordinary shares of the Company (the **Ordinary Shares**). Application has been made to list all the Ordinary Shares under the symbol "NN" on Euronext in Amsterdam (**Euronext Amsterdam**). Subject to acceleration or extension of the timetable for the Offering, trading on an "if-and-when-delivered" basis in the Ordinary Shares on Euronext Amsterdam is expected to commence on or around 2 July 2014 (the **First Trading Date**).

Investing in the Ordinary Shares involves certain risks. See "*Risk Factors*" for a description of the factors one should consider before investing in the Ordinary Shares.

Price of the Offer Shares (the Offer Price): expected to be between EUR 18.50 and EUR 22.00 (inclusive) per Offer Share (the Offer Price Range)

The Offer Price Range is an indicative price range. The Offer Price and the exact number of Offer Shares will be determined after the Offer Period (as defined herein) has ended, and after taking into account the conditions described in "*The Offering*". Prior to allocation of the Offer Shares (**Allocation**), the maximum number of Offer Shares can be increased or decreased and the Offer Price Range can be changed. Any such change in the number of Offer Shares or the Offer Price Range will be announced in a press release on the Company's website. If the top end of the Offer Price Range is increased, the revised Offer Price Range will be published in a press release on the Company's website and the Company will publish a supplement to this Prospectus. The Offer Price and the exact number of Offer Shares will be set out in a pricing statement (the **Pricing Statement**) that will be deposited with the Dutch Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*) (the **AFM**) and published in a press release on the Company's website and on the website of Euronext Amsterdam N.V. (**Euronext**). Printed copies of the Pricing Statement will be made available at the registered office of the Company.

There will be a preferential allocation of Offer Shares to up to 94 eligible employees of the Company and ING Groep (the **Preferential Employee Allocation**). Such eligible employees will be entitled to subscribe for Offer Shares at the Offer Price for a minimum amount of EUR 2,000 up to a maximum amount of EUR 75,000. The preferential allocation of Offer Shares to eligible employees will not exceed 1% of the Offer Shares. The exact number of Offer Shares allocated to eligible employees will be determined after the Offer Period has ended.

ING Groep has granted to the Joint Global Coordinators, on behalf of the Underwriters (as defined herein), an option (the **Over-Allotment Option**), exercisable within 30 calendar days after the First Trading Date, pursuant to which the Joint Global Coordinators, on behalf of the Underwriters, may require ING Groep to sell at the Offer Price up to 10,500,000 additional Ordinary Shares held by it, comprising up to 15% of the total number of Offer Shares sold by it in the Offering (the **Additional Shares**), to cover short positions resulting from any over-allotments made in connection with the Offering or stabilisation transactions, if any.

This document (the **Prospectus**) does not constitute an offer to sell or the solicitation of an offer to buy Offer Shares or Additional Shares to any person in any jurisdiction to whom or in which such offer or solicitation is unlawful. The Offer Shares and the Additional Shares (if any) have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state of the United States, and may not be offered or sold within the United States unless the Offer Shares and the Additional Shares (if any) are registered under the U.S. Securities Act or an exemption from the registration requirements of the U.S. Securities Act is available. The Offer Shares and the Additional Shares (if any) will only be sold in the United States to persons reasonably believed to be QIBs in reliance on Rule 144A of the U.S. Securities Act. Each purchaser of Offer Shares or Additional Shares offered hereby, in making a purchase, will be deemed to have made certain acknowledgements, representations and agreements as set out in "*Selling and Transfer Restrictions*". Potential investors in the Offer Shares or Additional Shares should carefully read "*Selling and Transfer Restrictions*".

Delivery of the Offer Shares is expected to take place on or around 7 July 2014 (the **Settlement Date**) through the book-entry systems of *Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V.* trading as Euroclear Nederland (**Euroclear Nederland**), in accordance with its normal settlement procedures applicable to equity securities and against payment for the Offer Shares in immediately available funds.

If closing of the Offering does not take place on the Settlement Date or at all, the Offering will be withdrawn, all applications to purchase the Offer Shares will be disregarded, any allocations made will be deemed not to have been made and any payments made will be returned without interest or other compensation and transactions in the Ordinary Shares on Euronext Amsterdam may be annulled. All dealings prior to settlement and delivery of the Offer Shares and Additional Shares are at the sole risk of the parties concerned. The Underwriters, the Company, ING Groep, the Listing Agent (as defined herein) and Euronext do not accept any responsibility or liability with respect to any person as a result of the withdrawal of the Offering or the related annulment of any transaction in Ordinary Shares on Euronext Amsterdam. For more information regarding the conditions to the Offering and the consequences of any termination or withdrawal of the Offering, see "*The Offering*".

This Prospectus constitutes a prospectus for the purposes of Article 3 of the European Union (**EU**) Directive 2003/71/EC of the European Parliament and of the Council of the EU (and amendments thereto, including Directive 2010/73/EU to the extent implemented in the relevant member state of the European Economic Area (**Relevant Member State**), including all relevant implementing measures (the **Prospectus Directive**)) and has been prepared in accordance with Chapter 5.1 of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*, the **Dutch Financial Supervision Act**) and the rules promulgated thereunder. This Prospectus has been filed with and approved by the AFM.

Joint Global Coordinators and Joint Bookrunners

J.P. MORGAN **MORGAN STANLEY** **ING** **DEUTSCHE BANK**

Joint Bookrunners

BNP PARIBAS **Citigroup** **COMMERZBANK** **Credit Suisse** **Nomura**

Joint Lead Managers

ABN AMRO **HSBC** **RBC Capital Markets**

Senior Co-Lead Managers

Keefe, Bruyette & Woods
a Stifel Company

Rabobank International

Co-Lead Managers

BBVA **Erste Group** **KBC Securities** **Mediobanca** **Natixis** **Raiffeisen Centrobank** **UniCredit**

Retail Banks Coordinator

ING

This Prospectus is dated 17 June 2014.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED STATES

The Offer Shares and any Additional Shares offered hereby have not been and will not be registered under the U.S. Securities Act, or with any securities regulatory authority of any state or other jurisdiction in the United States, and may not be offered, sold, pledged or otherwise transferred except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in compliance with any applicable state securities laws. The Offering and any offer of any Additional Shares is being extended (a) within the United States, to persons reasonably believed to be QIBs in reliance on Rule 144A, and (b) outside the United States, in "offshore transactions" as defined in, and in compliance with, Regulation S. Any Offer Shares or Additional Shares offered and sold in the United States will be subject to certain transfer restrictions as described in "*Selling and Transfer Restrictions*". The Offer Shares and any Additional Shares offered hereby have not been recommended by any United States federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the United States.

TO ENSURE COMPLIANCE WITH INTERNAL REVENUE SERVICE (IRS) CIRCULAR 230, EACH TAXPAYER IS HEREBY NOTIFIED THAT: (A) ANY TAX DISCUSSION HEREIN IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY THE TAXPAYER FOR THE PURPOSE OF AVOIDING U.S. FEDERAL INCOME TAX PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER; (B) ANY SUCH TAX DISCUSSION WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) THE TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES (RSA 421-B) WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

WHERE TO FIND FURTHER INFORMATION

IF DUTCH RETAIL INVESTORS HAVE QUESTIONS IN RELATION TO THE OFFERING, THEY CAN TELEPHONE THE FOLLOWING EUROPEAN TOLL-FREE NUMBER: 00800 3813 3813. THIS INFORMATION LINE IS AVAILABLE FROM 17 JUNE 2014 FROM 9:00 A.M. TO 5:00 P.M. (CET) MONDAY TO FRIDAY (OTHER THAN PUBLIC HOLIDAYS) AND WILL REMAIN OPEN UNTIL 1 JULY 2014.

PLEASE NOTE THAT, FOR LEGAL REASONS, THIS INFORMATION LINE WILL ONLY BE ABLE TO PROVIDE INFORMATION CONTAINED IN THIS PROSPECTUS AND WILL BE UNABLE TO GIVE ADVICE ON THE MERITS OF THE OFFERING OR PROVIDE FINANCIAL, LEGAL, TAX OR INVESTMENT ADVICE.

1. SUMMARY

Summaries are made up of disclosure requirements known as **Elements.** These Elements are numbered in Sections A-E (A.1-E.7).

This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding this Element. In this case a short description of the Element is included in the summary with the mention of "not applicable". Certain capitalised terms used in this summary are defined in "*Definitions*" and certain terms used to describe the insurance and the investment management industry, are set out in "*Glossary of Insurance and Investment Management Terms*".

Section A – Introduction and warnings		
A.1	**Introduction and warnings**	This summary should be read as an introduction to the Prospectus. Any decision to invest in the Offer Shares should be based on consideration of the Prospectus as a whole by the investor. Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the member states of the EU (the **Member States**), have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary (including any translation thereof), but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus, or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering to invest in the Offer Shares.
A.2	**Consent**	Not applicable; the Company has not granted such consent and the Offer Shares will not be the subject of subsequent resale or final placement by financial intermediaries.

Section B – Issuer		
B.1	**Legal and commercial name**	NN Group N.V. (the **Company**)
B.2	**Domicile, legal form, legislation and country of incorporation**	The Company is a public limited liability company (*naamloze vennootschap*) incorporated under the laws of and domiciled in the Netherlands. The Company has its statutory seat (*statutaire zetel*) in Amsterdam, the Netherlands.

B.3	**Description of, and key factors relating to the nature of NN's operations and its principal activities, stating the main categories of products sold and/or services performed and identification of the principal markets in which NN operates**	NN is an insurance and investment management group with leading positions in life and non-life insurance in the Netherlands, a strong life and pensions presence in a number of other European markets (such as Poland, Hungary and Romania) and in Japan and a growing position in Turkey. NN's insurance business is active in mature markets in Western Europe and Japan as well as growth markets in Central and Eastern Europe (**CEE**) and Turkey. NN's investment management business offers its products and services globally through offices in several countries across Europe, the United States, the Middle East and Asia, with the Netherlands as its main investment management hub. In the Netherlands, NN was the largest life insurer and third largest non-life insurer (excluding healthcare) measured by GWP in 2012 (source: DNB). In Europe, NN was in 2012 the largest provider of life insurance in Romania and Hungary, had top-four positions in the Czech Republic and Greece, in each case measured by GWP, and was the largest provider of mandatory pensions in Poland, Romania and Hungary and voluntary pensions in the Slovak Republic and Romania, in each case measured by AuM (see "*Business—Business Segments*" for individual sources). NN offers a comprehensive range of retirement, life insurance, non-life insurance, investment management and, in the Netherlands, banking services to its retail, small or medium sized enterprises (**SME**), corporate and institutional customers. The product offering and the type of customers serviced within each country varies. See "*Business—Business Segments*" for further information on NN's specific product offerings and the type of customers serviced in each relevant jurisdiction. NN predominantly utilises a multi-channel approach to distribute its products and service its customers, allowing it to tailor the marketing and distribution of its products across different markets and customer segments. NN commits significant resources throughout its businesses to: (a) ensure strong partnerships with brokers, independent agents and banks, including ING Bank, (b) strengthen its tied agents network in most of the countries in which it operates outside of the Netherlands and (c) build up direct channel capabilities. In 2013, NN recorded GWP of EUR 9,530 million and an operating result (before tax) from ongoing business of EUR 905 million. As at 31 December 2013, NN's investment management business had EUR 174,124 million of AuM. NN is organised along the following seven segments: • ***Netherlands Life***: NN's life insurance business in the Netherlands is NN's largest segment. It accounted for 55% of NN's total operating result (before tax) from ongoing business (excluding the Other segment (see "*Business—Business Segments—Other*")) in 2013. NN offers a range of group life and individual life insurance products. NN's life insurance business is organised along the following two product lines: Pensions and Individual Life Closed Block. Within NN's Pensions product line, NN offers group life products and individual pension products. Group life products are life insurance products under which employers offer certain pension and other insurance benefits to their employees, typically as part of larger benefit packages. NN's group life products are primarily group pension products. NN's group pension products include general account products, separate account products and unit-linked products. NN's Individual Life Closed Block product line primarily consists of the closed block operation of the individual life portfolios (comprising a range of discontinued products sold prior to 2012) of: Nationale-Nederlanden, RVS and ING Verzekeringen Retail (IVR) (formerly Postbank Insurance). Approximately 40% of the policies in the individual life closed block are expected to still be in-force by

		2025. The remaining part of NN's Individual Life Closed Block product line relates to the sale of individual life insurance policies in the form of new term life insurance and immediate annuity products introduced in 2012. NN's Pension products are distributed through actuarial consulting firms (acting as advisers to mid- and large-sized corporations) and through independent agents and brokers (acting as advisers to SMEs). NN's active individual life products are primarily distributed through intermediaries (such as independent agents and brokers) and, to a lesser extent, through bancassurance (by ING Bank) and NN's direct channel. NN also provides pension administration and management services to company- and industry-wide pension funds under its AZL brand. In the Netherlands, NN was the second largest provider of group life insurance and the largest provider of individual life insurance measured by GWP with a market share of 20.6% and 19.9%, respectively, in 2012 (source: DNB). In 2013, the Netherlands Life segment recorded EUR 3,240 million GWP, representing 34% of NN's total GWP in 2013, and EUR 224 million of new business (measured by APE), representing 18% of NN's total APE in 2013. As at 31 December 2013, the equity allocated to the Netherlands Life segment was EUR 9,491 million. • ***Netherlands Non-life***: NN's non-life insurance business in the Netherlands (including NN's wholly owned insurance brokers Zicht and Mandema) accounted for 6% of NN's total operating result (before tax) from ongoing business (excluding the Other segment) in 2013. NN offers a broad range of non-life insurance products under the NN brand and the ING brand. Under the Movir brand, NN offers individual disability insurance to specific target groups amongst medical and business professionals. NN's non-life insurance products can be categorised as follows: (a) income/accident, comprising disability and accident (D&A) and travel insurance, and (b) property and casualty (P&C), comprising fire, motor and transport insurance and other insurances. These products are offered to retail, self-employed, SME and corporate customers in stand-alone as well as bundled form. NN's non-life insurance products are distributed primarily through regular brokers and, to a lesser extent, through mandated brokers, NN's direct channel and bancassurance (by ING Bank). In the Netherlands, NN (including Movir) was the third largest provider of non-life insurance products (excluding healthcare insurance) measured by GWP with a market share of 10.1% in 2012. In D&A insurance, NN (including Movir) was the second largest provider measured by GWP with a market share of 19.1% in 2012. In P&C insurance, NN was the fourth largest provider measured by GWP with a market share of 7.3% in 2012 (source: DNB). Movir by itself was the second largest provider of individual disability insurance in the Netherlands measured by GWP with a market share of 13.1% in 2012 (source: Verbond van Verzekeraars). In 2013, the Netherlands Non-life segment recorded EUR 1,582 million GWP, representing 17% of NN's total GWP in 2013. As at 31 December 2013, the equity allocated to the Netherlands Non-life segment was EUR 734 million. • ***Insurance Europe***: NN's European insurance business (outside the Netherlands), accounted for 16% of NN's total operating result (before tax) from ongoing business (excluding the Other segment) in 2013. This segment comprises NN's business in CEE (which includes, for purposes of the Insurance Europe segment, Poland, the Czech Republic, the Slovak Republic, Romania, Hungary, Bulgaria and

		Turkey) and in the rest of Europe (which includes, for the purposes of the Insurance Europe segment, Belgium, Spain, Greece and Luxembourg). NN primarily offers life insurance products (which includes healthcare insurance in Greece) through Insurance Europe. NN also offers pension products, in particular mandatory and voluntary pension funds in CEE and Spain as well as non-life insurance products in Belgium and Spain. The life insurance and pension products are offered to retail, self-employed, SME and corporate customers and the non-life insurance products are offered to retail customers and corporate customers. In Europe, NN was in 2012 the largest provider of life insurance in Romania and Hungary and had top-four positions in the Czech Republic and Greece, in each case measured by GWP, and NN was the largest provider of mandatory pensions in Poland, Romania and Hungary and voluntary pensions in the Slovak Republic and Romania, in each case measured by AuM (see "*Business—Business Segments*" for individual sources). NN's Insurance Europe distribution channels have been adapted to accommodate distribution trends and country-specific dynamics, with tied agents being the principal distribution channel in most CEE countries and bancassurance the sole distribution channel in Belgium. In 2013, the Insurance Europe segment recorded EUR 2,344 million life insurance GWP, representing 25% of NN's total GWP in 2013, and EUR 510 million of new business (measured by APE), representing 42% of NN's total APE in 2013, which was primarily attributable to the voluntary pension market in Turkey, the life insurance market in Poland and Spain and Belgium as a whole. As at 31 December 2013, the equity allocated to the Insurance Europe segment was EUR 1,898 million. • ***Japan Life***: NN's life insurance business in Japan accounted for 13% of NN's total operating result (before tax) from ongoing business (excluding the Other segment) in 2013. In Japan, NN primarily offers a range of COLI (corporate-owned life insurance) products to SMEs and owners and employees of SMEs through independent agents and bancassurance. COLI products are traditional life insurance policies that a company, typically an SME, takes out on the lives of executives or employees, whereby the company is both the policyholder and the beneficiary of the policy. COLI products are designed to address the protection, savings and retirement preparation needs of SMEs and owners and employees of SMEs in a tax-efficient manner. In Japan, NN was the third largest provider of COLI products measured by APE with a market share of 9% in the financial year ended 31 March 2013 (source: internal estimate NN). In 2013, the Japan Life segment recorded EUR 2,322 million GWP, representing 24% of NN's total GWP in 2013, and EUR 493 million of new business (measured by APE), representing 40% of NN's total APE in 2013. As at 31 December 2013, the equity allocated to the Japan Life segment was EUR 1,259 million. • ***Investment Management***: NN's investment management business, which will operate under the brand NN Investment Partners, accounted for 10% of NN's total operating result (before tax) from ongoing business (excluding the Other segment) in 2013. NN Investment Partners offers a wide variety of actively managed investment products and advisory services to retail and institutional customers in all major asset classes and investment styles. In addition, NN Investment Partners manages the assets of NN's insurance businesses. NN Investment Partners offers its products and

services globally through offices in several countries across Europe, the United States, the Middle East and Asia, with the Netherlands as its main investment hub. In the Netherlands, NN Investment Partners was the largest retail investment management company measured by AuM with a market share of 13.8% in 2012 (source: AF Advisors). In Poland, NN Investment Partners was the fifth largest retail investment management company measured by AuM, with a market share of 8.5% as at 31 December 2013 (source: IZFiA, Analizy online). In Belgium, NN Investment Partners had a 9.9% market share measured by AuM on the retail investment management market as at 31 December 2013 (source: Beama). As at 31 December 2013, NN Investment Partners had EUR 174,124 million of AuM, of which EUR 74,857 million was managed for third party retail and institutional customers and the remaining EUR 99,267 million for the general account of NN's insurance businesses and NN's other affiliate business. As at 31 December 2013, the equity allocated to the Investment Management segment was EUR 359 million.

- ***Other***: This segment comprises the business of NN Bank and NN Re (NN's internal reinsurer), the result of the holding company and other results.
  - *NN Bank*: NN Bank offers a range of banking products to retail customers in the Netherlands. In addition, NN Bank coordinates the distribution of NN's individual life and retail non-life insurance products in the Netherlands to enable a comprehensive product offering to retail customers in the Netherlands. NN Bank distributes these products through intermediaries and NN's direct channel.
  - *NN Re*: NN Re is NN's internal reinsurer located in the Netherlands. NN Re primarily offers reinsurance to NN's insurance businesses. NN Re manages its risks through ceding excess insurance risk to external reinsurers and hedging (a major part of) its market risks. NN Re reinsures, amongst others, the minimum guarantee obligations of the Japan Closed Block VA and (part of) the life insurance business of NN Czech Republic, Nationale-Nederlanden Poland and NN Hungary. In the segment reporting, the results from the reinsurance arrangement regarding the Japan Closed Block VA portfolio are reported under the Japan Closed Block VA segment and the results from certain reinsurance arrangements regarding the life insurance business of NN Czech Republic, Nationale-Nederlanden Poland and NN Hungary are reported under the Insurance Europe segment (whilst the rest of the NN Re results are reported under the Other segment).
  - *Result of the holding company*: the result of the holding company includes the interest paid on hybrids and debt, interest received on loans provided to subsidiaries and on cash and liquid assets held at the holding company, the amortisation of intangibles and the head office expenses that are not allocated to the business segments.
  - *Other results*: other results are results that are not allocated to the business segments, including (a) the results of claims and lawsuits (i) concerning the performance of certain interest-sensitive products that were sold by a former subsidiary of NN in Mexico, and the costs of which are indemnified by ING

		Groep under the indemnification and allocation agreement; see "*Major Shareholder and Related Party Transactions—Related Party Transactions—Relationship with ING following the Offering—Indemnification and allocation agreement*", and (ii) filed by former employees of an Argentinean subsidiary, whose employment was terminated as a result of the Republic of Argentina's nationalisation of the pension fund system, by some former clients of this subsidiary and by a few third parties, and (b) the results of Nationale-Nederlanden Overseas Finance and Investment Company in relation to a guarantee provided to the Institute of London Underwriters (**ILU**) with respect to two legacy insurance subsidiaries of the Company, Orion and L&O, see "*Risk Factors—Financial Reporting Risks—NN's technical reserves reflected in its IFRS financial statements to pay insurance and other claims, now and in the future, could prove inadequate, which could require that NN strengthen its reserves, which may have a material adverse effect on NN's results of operations and financial condition.*". • ***Japan Closed Block VA***: This segment comprises NN's closed block single premium variable annuity (SPVA) individual life insurance portfolio in Japan. This portfolio consists of SPVA products with substantial minimum guarantee obligations sold predominantly from 2001 to 2009. In 2009, NN ceased the sale of these products and placed this portfolio in run-off. This portfolio has been classified as a closed block and is managed as a separate segment. The majority of the closed block SPVA portfolio is projected to run off relatively quickly due to the short-term maturity profile and short outstanding policy life of the SPVA products. Approximately 90% of all SPVA policies are expected to have matured by the end of 2019. NN Japan expects that most policyholders will elect to receive their maturity proceeds as a lump sum payment, but some may elect to receive their maturity proceeds in the form of an annuity. Based on NN Japan's recent experience, the percentage of customers electing an annuity is expected to be less than 10%. This segment also includes the results from the reinsurance of the minimum guarantee risk associated with this portfolio by NN Re. NN Re manages this risk through a hedging programme which seeks to (partially) offset market-related movements in the IFRS reserves, while simultaneously mitigating market-related impacts on the capital position of NN Re. As at 31 December 2013, the remaining AuM of the closed block SPVA portfolio were EUR 14,698 million. As at 31 December 2013, the equity allocated to the Japan Closed Block VA segment was EUR 1,236 million. **Strengths** NN's management believes that NN has the following strengths: • NN has a diversified platform, with a leading position in the Netherlands and a strong presence in a number of European markets and Japan • NN maintains a strong balance sheet under a conservative regulatory regime • NN has an experienced and diverse leadership team.

		Strategy NN's management (**Management**) has set the following targets for the overall Company: • Over time and assuming normal markets, current regulatory framework and no material special items, the Company expects to generate free cash available to Shareholders in a range around NN's net operating result of the ongoing business. NN will follow a disciplined capital management policy. This means a base case of capital in excess of the Company's capital ambition being returned to Shareholders in the most efficient form. However, excess capital may also be used for corporate purposes should these be judged to create value for Shareholders. • Management's aim is to achieve an annual operating result before tax of the ongoing business growth rate on average of 5-7% in the medium term; • Management's aim is to reduce administrative expenses in Netherlands Life, Netherlands Non-life and corporate/holding entities by EUR 200 million by 2016, compared with 2013; and • Management's aim is to increase the Net Operating Return On Equity of the ongoing business (from a pro-forma 7.1% in 2013), in the medium term.
B.4a	**Trends**	**Industry trends/developments for life insurance in the Netherlands** • ***Defined contribution pension schemes are replacing defined benefit pension schemes***: Traditional Dutch group pension schemes are defined benefit pensions offering investment guarantees to employees. As a result of demographic change, new legislation and financial pressure, defined benefit pension schemes are under pressure and defined contribution pensions are becoming an increasingly attractive alternative. • ***Pension reform***: The Netherlands, like many other mature markets, is facing the economic consequences of an ageing population. To address this issue, the government extended the retirement age for occupational pensions to 67 in 2014, and linked it to life expectancy thereafter. In addition, the fiscal support for the accumulation of pension benefits has been reduced. The changes in pension regulations require insurers to modify their existing product portfolio and administrative systems, which can be costly. The decrease of the tax deductibility of premiums is expected to negatively impact premium inflows for pension providers. **Industry trends/developments for non-life insurance in the Netherlands** • ***Rising claims***: The profitability of non-life insurance has deteriorated in recent years. For example, the net combined ratio (claims and operational costs in relation to net earned premiums (excluding reinsurance)) in income protection increased from 85% in 2008 to 118% in 2012. This increase was driven by increased frequency and duration of reported illness and disability of employees and self-employed. **Industry trends/developments for Central and Eastern Europe (CEE)** • ***Pension reform in Poland***: In February 2014 new legislation entered into force reforming the Polish pension fund regime. Amongst others, under this legislation, open pension funds were required to transfer

		51.5% of the open pension funds' members' assets, to the public social security institution for no consideration. The Polish pension reforms will significantly reduce the AuM in Poland and thus its fee income, as well as the fee income of pension fund managers generally, including NN. As a result of the Polish pension reform, the Polish industry of mandatory (second pillar) personal pension plans reduced from EUR 66 billion (PLN 269.6 billion) measured by AuM in 2012 (source: KNF) to EUR 29 billion (PLN 120 billion) as of 28 February 2014 (source: Polish Press Agency). • ***Developments in respect of unit-linked products***: In Poland, a self-regulatory initiative was approved by the Polish Insurance Association in final version on 14 April 2014, to provide clients with detailed information about unit-linked products in terms of cost, fees and product structure. In Hungary, the insurance sector has adopted self-regulation guidelines on capping the cost for unit-linked products. On 1 January 2014, the Czech Republic adopted new legislation related to unit-linked products, Act No. 89/2012 Coll, Civil Code under which insurers are required to provide customers with more detailed information on unit-linked products, especially the risks, guarantees, expected yields, fees and costs associated with the investment prior to selling the unit-linked products. Under this new legislation, insurers are also required to highlight certain special provisions included in their general terms and conditions. Such special provisions are also generally included in the general terms and conditions related to unit-linked products. If an insurer does not meet this requirement, the policyholder has the right to annul the policy and, as a result, the insurer is required to repay the premiums paid by the policyholder. **Industry trends/developments for corporate owned life insurance in Japan** • ***Corporate taxation***: Set at 35.6% for a large Tokyo-based corporation, Japan's corporate tax rate is well above the global average of 24% (source: KPMG). The corporate tax rate decreased from 38% in April 2014 following the abolition of a special reconstruction corporation tax (a surcharge for rebuilding earthquake hit areas). The possibility of further reductions to the corporate tax rate is currently being discussed and, as COLI products represent a tax-efficient way to purchase protection, savings and retirement preparation solutions, any further reductions to the corporate rate may have an impact on COLI sales. • ***Change in market shares distribution channels***: SMEs are increasingly expecting a higher level of advice and service from insurance companies and distribution channels. Intermediaries and the bancassurance channel in Japan are expected to benefit from the market shift towards greater professionalism since intermediaries and banks are generally capable of offering a higher level of expertise and more comprehensive customer support than tied agents. **Industry trends/developments for investment management** • ***New regulations offer new business opportunities***: While investment management companies must on the one hand adjust to comply with the new regulations, in some cases new regulations offer new opportunities for investment managers. For example, in the past, banks were the main source of long-term financing and the facilitation of loans. Their withdrawal from certain areas of capital

		markets is creating opportunities for asset managers to fill the gaps, as other investors, such as pension funds and insurance companies, are showing an interest in providing such loans and can use asset managers to manage such portfolios. The EC intends to facilitate this transition with new regulations regarding European long-term investment funds. Moreover, the new regulation for European insurers, Solvency II, is creating an opportunity for asset managers with the capability of fulfilling such customer needs with new products and services. • ***Prohibition of rebate payments***: In the Netherlands and the United Kingdom, the legislation has gone beyond what is required under the MiFID by banning rebate payments from fund management companies to distributors from 1 January 2013 (United Kingdom) and 1 January 2014 (the Netherlands). This prohibition on rebates will force fund distributors to change their business models in order to charge customers directly. The legislation may also affect fund management companies, as in their current business model, fund management companies pay part of their management fee to the distributor of the product. At the European level, the next version of the MiFID Directive, MiFID II, is also expected, which will presumably include new measures affecting rebate payments from fund management companies to distributors. **Industry trends/developments for the banking sector in the Netherlands** • ***Legislation to temper interest-only and high loan-to-value (LTV) lending***: In January 2013, certain measures were implemented to dampen interest-only and high LTV mortgage lending in order to help stabilise the Dutch housing and mortgage market, and reduce the government deficit. These measures included, among other things, that new mortgage loans must be repaid on an annuity or linear basis within 30 years to qualify for tax relief on mortgage interest and that the maximum LTV ratio for new mortgage loans has been set at 105% from 2013 and will be reduced annually by 1% to 100% in 2018. Tax conditions have also changed for mortgage-related capital insurances. As of 1 January 2013, the favourable tax regime for mortgage-related capital insurances no longer applies and new mortgage-related capital insurances are taxed as part of the individual's income from savings and investments.

B.5 — **Description of NN and the Company's positioning within NN**

The Company is the holding company of a group that includes the following material subsidiaries (held directly or indirectly by the Company) as at the date of this Prospectus, all of which are engaged in the Company's business:

Material subsidiaries

	Country of incorporation	Field of activity	Shareholding and voting percentage held by the Company (directly or indirectly)
Nationale-Nederlanden Levensverzekering Maatschappij N.V.	The Netherlands	life insurance	100%
Nationale-Nederlanden Schadeverzekering Maatschappij N.V.	The Netherlands	non-life insurance	100%
Parcom Capital B.V.	The Netherlands	private equity	100%
Nationale-Nederlanden Services N.V.	The Netherlands	life insurance	100%
Movir N.V.	The Netherlands	non-life insurance	100%
ING Re (Netherlands) N.V.	The Netherlands	reinsurance	100%
Nationale-Nederlanden Bank N.V.	The Netherlands	bank-related activities	100%
ING Investment Management Holdings N.V.	The Netherlands	investment management	100%
ING Pojistovna, a.s.	Czech Republic	non-life insurance	100%
ING Uslugi Finansowe S.A.	Poland	financial services	100%
ING Biztosító Zártkörûen Mûködõ Részvénytársaság	Hungary	life insurance	100%
ING Pensionno-Osigoritelno Druzestvo EAD	Bulgaria	pension-related activities	100%
ING Životná poist'ovna, a.s.	Slovak Republic	life insurance	100%
ING Asigurari de Viata S.A	Romania	life insurance	100%
ING Powszechne Towarzystwo Emerytalne S.A.	Poland	pension-related activities	80%[1]
ING Life Belgium NV	Belgium	life insurance	100%
ING Non Life Belgium NV	Belgium	non-life insurance	100%
ING Life Luxemburg S.A.	Luxembourg	life insurance	100%
Nationale-Nederlanden Vida, Compania de Seguros y Reaseguros S.A.	Spain	life insurance	100%
Nationale Nederlanden Generales, Compania de Seguros y Reaseguros S.A.	Spain	non-life insurance	100%
ING Greek Life Insurance Company S.A.	Greece	life insurance	100%
ING Emeklilik A.S.	Turkey	pension-related activities	100%
ING Life Insurance Company, Ltd.	Japan	life insurance	100%

(1) In May 2014, ING Bank Śląski S.A. and ING Continental Europe Holdings B.V., a wholly-owned subsidiary of the Company, entered into a non-binding agreement regarding the proposed acquisition by ING Continental Europe Holdings B.V. of 20% of the shares in ING Powszechne Towarzystwo Emerytalne S.A.

B.6 — **Persons who, directly and indirectly, have a notifiable interest in the Company's capital or voting rights**

As at the date of this Prospectus, the Company has one shareholder: ING Groep. ING Groep currently holds 100% of the Company's total nominal issued share capital.

Voting rights

ING Groep has the same voting rights per Ordinary Share as other holders of Ordinary Shares.

B.7 — **Selected historical key financial information**

The summary financial information of NN set out below includes certain consolidated financial information as at and for the years ended 31 December 2013, 2012 and 2011, which has been extracted from NN's audited consolidated financial statements for the financial year ended 31 December 2013 (the **2013 Annual Accounts**); certain consolidated financial information as at and for the three months ended 31 March 2014

		and 2013, which has been extracted from NN's interim consolidated financial statements; and other data and key performance indicators as at and for the years ended 31 December 2013, 2012 and 2011 and the three months ended 31 March 2014 and 2013. In order to provide comparable information across periods, the information in this section for the years 2012 and 2011 is extracted from NN's audited consolidated profit and loss account of NN's continuing business for the years ended 31 December 2012 and 2011; and NN's reclassified consolidated balance sheet for the years ended 31 December 2012 and 2011. The information provided below should be read in conjunction with the section entitled "*Important Information—Presentation of financial and other information*" and the 2013 Annual Accounts.

SUMMARY CONSOLIDATED PROFIT AND LOSS INFORMATION OF NN

	For the three months ended 31 March		**For the year ended 31 December**		
	(*unaudited*)				
(in millions of EUR)	**2014**	**2013**	**2013**	**2012**	**2011**
Gross premium income	3,491	3,633	9,530	10,705	11,292
Investment income	855	893	3,619	3,739	3,483
Result on disposals of group companies	—	—	-45	—	-4
Commission income	164	147	626	593	637
Valuation results on non-trading derivatives	141	-1,342	-2,891	-2,574	1,025
Foreign currency results and net trading income	-44	249	186	539	-117
Share of result from associates	79	25	97	37	190
Other income	6	7	39	-22	110
Total income	4,692	3,612	11,161	13,017	16,616
Underwriting expenditure	3,839	2,583	8,585	10,277	13,157
Intangible amortisation and other impairments	1	2	11	69	42
Staff expenses	843	310	1,178	1,037	1,128
Interest expenses	110	152	591	605	728
Other operating expenses	183	209	848	1,274	1,093
Total expenses	4,976	3,256	11,213	13,262	16,148
Result before tax from continuing operations	-284	356	-52	-245	468
Taxation	-83	78	-50	-113	15
Net result from continuing operations (before attribution to minority interests)	**-201**	**278**	**-2**	**-132**	**453**

SUMMARY OPERATING RESULT INFORMATION BY SEGMENT OF NN

(in millions of EUR)	For the three months ended 31 March (unaudited) 2014	2013	For the year ended 31 December 2013	2012	2011
Operating result[1]					
Netherlands Life	153	138	709	623	768
Netherlands Non-life	22	-3	79	103	186
Insurance Europe	45	42	199	219	266
Japan Life	66	83	161	196	119
Investment Management	39	31	131	109	124
Other[2]	-31	-115	-373	-399	-313
Operating result ongoing business[3]	**295**	**175**	**905**	**852**	**1,150**
Non-operating items ongoing business[4]	-27	15	-229	-779	-660
Japan Closed Block VA[5]	-36	162	-669	105	138
Insurance Other[6]	—	-5	-18	-22	-28
Special items before tax[7]	-572	-29	-126	-451	-214
Result on divestments[8]	56	37	84	50	83
Result before tax	**-284**	**356**	**-52**	**-245**	**468**
Taxation	-83	78	-50	-113	15
Net result from continuing operations (before attribution to minority interests)	**-201**	**278**	**-2**	**-132**	**453**

(1) Result before tax in accordance with IFRS, excluding the impact of non-operating items, divestments, discontinued operations and special items.

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

(3) Ongoing business includes all segments of NN which are consolidated as at 31 December 2013, excluding Japan Closed Block VA and Insurance Other.

(4) The non-operating items for the ongoing business comprise i) realised gains and losses as well as impairments on financial assets that are classified as available for sale, ii) revaluations on assets marked-to-market through the profit and loss account and iii) market and other impacts which is primarily the change in the provision for guarantees on separate account pension contracts (net of hedging) in the Netherlands.

(5) Result before tax of Japan Closed Block VA.

(6) Insurance Other comprises the costs of the claims filed by the purchaser of certain Mexican subsidiaries and corporate expenses of ING Groep allocated to NN. NN's share in the result of SulAmérica and the net result from disposal of SulAmérica are included in "result on divestments".

(7) Special items represent (material) items of income or expense that arise from events or transactions that are clearly distinct from the ordinary activities of the company.

(8) Result on divestments comprises the result before tax from NN's share in the result of SulAmérica and results from the settlement of a pension portfolio in the Netherlands.

SUMMARY CONSOLIDATED BALANCE SHEET INFORMATION OF NN

	As at 31 March[1]	As at 31 December		
(*in millions of EUR*)	(*unaudited*) 2014	2013	2012 reclassified[2]	2011 reclassified[2]
Assets				
Cash and cash equivalents	8,114	7,155	4,347	9,707
Available-for-sale investments	63,684	61,014	68,316	60,646
Financial assets at fair value through profit or loss	42,360	43,933	51,764	48,765
Loans and advances to customers	25,905	25,319	17,676	20,870
Reinsurance contracts	275	252	266	373
Investments in associates	1,243	1,028	1,265	1,435
Real estate investments	743	764	799	865
Property and equipment	162	164	203	243
Intangible assets	382	392	437	510
Deferred acquisition costs	1,412	1,353	3,142	3,404
Other assets	3,274	3,754	4,558	5,670
Assets held for sale	180	630	185,981	183,120
Total assets	**147,734**	**145,758**	**338,753**	**335,608**
Equity				
Shareholder's equity (parent)[3]	14,682	14,227	26,423	23,412
Minority interests	72	68	217	62
Total equity	**14,754**	**14,295**	**26,640**	**23,474**
Liabilities				
Subordinated loans	2,890	2,892	2,947	4,367
Debt securities in issue	—	—	773	2,934
Other borrowed funds	4,243	4,817	5,293	5,876
Insurance and investment contracts	113,835	111,551	123,013	121,683
Customer deposits and other funds on deposit	6,190	5,769	—	—
Non-trading derivatives	1,396	1,843	2,610	1,696
Other liabilities	4,408	4,125	5,920	5,808
Liabilities held for sale	18	466	171,558	169,770
Total liabilities	**132,980**	**131,463**	**312,113**	**312,134**
Total equity and liabilities	**147,734**	**145,758**	**338,753**	**335,608**

(1) The shareholder's equity in the balance sheet as at 1 January 2014 decreased by EUR 165 million, reflecting the cumulative impact of the move towards fair value accounting for the GMDB reserves of the Japan Closed Block VA segment. For more information, please see "*Selected Financial Information—Selected Operating Result Information by Segment—Change in Accounting Policy*".

(2) In order to provide comparable information, NN has prepared Reclassified Balance Sheets. See "*Important Information—Presentation of financial and other information*" and Note 54 of the 2013 Annual Accounts.

(3) The decrease in shareholder's equity to EUR 14,227 million as at 31 December 2013 from EUR 26,423 million as at 31 December 2012 was mainly due to EUR 3,793 million unrealised negative revaluations of available-for-sale investments (net of deferred profit sharing) primarily in the bond portfolio due to higher market interest rates and a EUR 8,784 million change in the composition of the Company related to the initial public offering of ING U.S. and the transfer of the remaining stake in ING U.S. to ING Groep on 30 September 2013 through a dividend in kind. These reductions in shareholder's equity were partly offset by a EUR 448 million net capital contribution from ING Groep. For a more detailed explanation of the changes in shareholder's equity, see "Parent company statement of changes in equity of NN Group" in the 2013 Annual Accounts and the 2014 Interim Accounts.

SUMMARY KEY PERFORMANCE INDICATORS AND OTHER KEY FIGURES

NN uses a variety of key performance indicators to assess the Company's financial performance and that of its business segments. The Company believes that each of these measures provides meaningful information with respect to the financial performance of its business and operations. However, certain key performance indicators are non-GAAP financial measures and should not be viewed as a substitute for financial measures in accordance with IFRS. Furthermore, these measures may be defined or calculated differently by other companies, and as a result, NN's key performance indicators may not be comparable to similarly titled measures calculated by other companies.

Disciplined and proactive capital management is a key focus area for NN, with a base case of capital in excess of the Company's capital ambition being returned to shareholders in the most efficient form. As such, in addition to the below KPIs, NN closely monitors the solvency and capital positions of the Company and its subsidiaries and their development over time. This is further described in "*Operating and Financial Review—Liquidity and Capital Resources*", including the movement in the cash capital position of the holding company and the solvency capital movements of key subsidiaries.

	For the three months ended 31 March		For the year ended 31 December		
			(*unaudited*)		
(in millions of EUR)	**2014**	**2013**	**2013**	**2012**	**2011**
Ongoing business					
New business figures					
Single premiums	437	437	1,741	2,456	3,130
Annual premiums	396	354	1,053	1,108	1,120
New sales life insurance (APE)[1]	439	398	1,227	1,353	1,433
Key performance indicators					
Gross premium income[2]	3,489	3,633	9,525	10,713	11,281
Total administrative expenses[3]	437	460	1,807	1,806	1,815
of which staff expenses	302	309	1,181	1,135	1,091
Cost/income ratio (administrative expenses/ operating income)	34.6%	37.3%	37.1%	36.0%	35.2%
Combined ratio Netherlands Non-life[4]	100.2%	106.5%	101.5%	101.5%	97.4%
Investment Management AuM (end of period)	167,658	184,473	174,124	184,795	168,736
Life general account invested assets (end of period)[5]	77,388	76,107	75,043	75,423	74,490
Investment spread (Investment margin[6]/Life general account invested assets) (bps, four quarter rolling average)	92	88	89	92	107
Provision for contracts for risk of policyholders (end of period)[7]	23,617	25,717	24,985	27,023	25,680
Client balances (end of period)[8]	200,733	196,518	208,931	192,500	173,276
Net Operating ROE[9]	9.9%	n.a.	8.9%	n.a.	n.a.
Japan Closed Block VA					
IFRS reserve (end of period)[10]	1,268	2,159	868	3,306	5,195
Account value (end of period)[11]	14,175	17,205	14,687	16,894	17,605
Net amount at risk(end of period)[12]	870	2,497	663	4,187	7,095
Total NN					
Total administrative expenses[3]	441	473	1,842	1,841	1,852
Cost/income ratio (administrative expenses/operating income)	34.1%	37.3%	36.8%	35.7%	34.9%
Client balances (end of period)[8]	214,896	213,355	223,630	209,749	190,866
IGD Solvency I ratio (end of period)[13]	245%	254%	251%	236%	224%

(1) Sum of annual premiums and one tenth of single premiums sold.
(2) Total premiums (whether or not earned) for insurance contracts written or assumed, without deductions for premiums ceded to reinsurers.
(3) That part of operating expenses which is not directly attributable to acquiring new business.
(4) Non-life insurance claims and expenses as percentage of net earned premiums, for Netherlands Non-life and excluding the broker business.
(5) All assets of NN that support its life insurance operations, except those assets designated for a separate account.
(6) The margin between gross investment income (excluding non-operating items) on general account assets and NN's capital and surplus minus interest credited to the general account policyholder liabilities (including profit sharing) and related investment expenses.
(7) Technical provision for contracts that are linked to a specific pool of investment funds / assets and where the investment risk is borne by the policyholders.
(8) All on- or off-balance customer accounts on which NN earns a spread or a fee.
(9) Net operating result divided by average adjusted allocated equity.
(10) The technical reserve established under IFRS by NN to reflect the estimated cost of (guaranteed minimum) policyholder benefits and related expenses in accordance with the terms and conditions of the VA contracts written by Japan Closed Block VA.
(11) The sum of the accumulation values of the assets backing the VA contracts. Account values are equal to client balances for Japan Closed Block VA.
(12) The difference between the guaranteed minimum benefits offered by a VA contract and the account value, for those policies where the guaranteed value exceeds the current account value.
(13) Available solvency capital as percentage of required solvency capital, both as defined in the Insurance Groups Directive (**IGD**) of the EU.

B.7	**Description of significant change to the Company's financial condition and operating results during or subsequent to the period covered by the historical key financial information**	• The operating result ongoing business of NN was EUR 905 million in 2013, a 6.2% increase compared with EUR 852 million in 2012, mainly driven by higher operating results for Netherlands Life and Investment Management. This improvement was partially offset by lower operating results for Insurance Europe and Japan Life, respectively, and a lower operating result for Netherlands Non-life. Netherlands Life showed an improved operating result in 2013 due to a higher technical margin compared with the previous year. The lower operating result of Netherlands Non-life was caused by an increased number of claims in the P&C business, only partially offset by a higher operating result for D&A products. Despite lower expenses, the operating result of Insurance Europe declined due to reduced investment and technical margins. The operating result of Japan Life decreased due to the 22.1% depreciation of the Japanese yen against the euro in 2013. The operating result of Investment Management increased in 2013, due to increased fee income as a result of higher yielding products as well as lower expenses. • The operating result ongoing business of NN was EUR 852 million in 2012, a 26.0% decrease from EUR 1,150 million in the previous year, as all ongoing business segments of NN saw a decline with the exception of Japan Life. The deterioration was primarily driven by lower operating income, especially in the Netherlands Life and Insurance Europe segments. The lower operating result of Netherlands Non-life was caused by higher claims in the D&A product offering. These negative developments were partly offset by marginally lower administrative expenses (which decreased by 0.5%) in 2012, especially in Netherlands Life, Netherlands Non-life and Insurance Europe, and by higher fees and premium-based revenues, notably in Japan Life. • Against the backdrop of the economic downturn, NN's sales volume (measured by APE) has declined, falling to EUR 1,227 million in 2013 from EUR 1,433 million in 2011. This most recent decline is concentrated in individual life sales in the Netherlands, Belgium and Luxembourg. For Insurance Europe, of which Belgium and Luxembourg are a part, decreasing individual life sales were offset somewhat by more resilient group life sales, which are typically based on longer-term (pension) contracts, as well as strong growth in the life business (including voluntary pensions) in Turkey. • In response to higher credit spreads, impairments and credit defaults following the global financial crisis and Eurozone sovereign crisis, NN adopted a more conservative investment strategy, transferring investments from equities to fixed income and favouring exposure to sovereign bonds issued by countries with high financial stability. In 2011, NN wrote down all of its Greek government bonds to market value, resulting in an impairment of EUR 390 million, and recognised a total impairment of EUR 189 million on subordinated debt from Irish banks. In addition, NN reduced its general account investments in equity securities in the Netherlands by EUR 870 million in 2012 and EUR 150 million in early 2013. These de-risking measures had a negative impact on investment return, as both the direct return (dividends) and indirect return (capital gains) on equity investments decreased. • Negative revaluations of NN's real estate portfolio since 2011 reflect the impact of the financial crisis. Private equity revaluations remained positive in 2011 and 2012, although lower than in prior years, with greater recovery in 2013. During 2011 and 2012, NN held

		equity put options to protect regulatory capital against negative equity market movements. The partial recovery of financial markets in 2012 led to negative revaluations on these equity hedges, which were unwound in the second half of 2012. • In recent years, NN has conducted a range of initiatives aimed at reducing its cost base. In the Dutch market, the goal of the transformation programme has been to create a customer-driven organisation offering low-cost products through standardised processes and systems. EUR 138 million has been saved on a run-rate structural basis as at 31 December 2013, corresponding to a reduction of 818 full time equivalents (**FTEs**). As at the same date, the remaining targeted reduction in the workforce was 532 FTEs for which a provision of EUR 110 million was available to cover restructuring expense. In 2013, investments of EUR 44 million (after tax) were incurred to improve processes and systems. • As part of the functional separation of ING Groep's banking and insurance operations, NN incurred significant project and restructuring expenses between 2010 and 2012. NN established stand-alone arrangements in a wide range of areas, including governance, support functions, payroll services, facility management and IT services, where it previously relied on support and services from ING Groep. Separation expenses incurred by NN amounted to EUR 100 million and EUR 129 million in the years ended 31 December 2012 and 2011, respectively. Of the transformation expenses in the Netherlands, EUR 26 million concerned restructuring provisions, in particular with respect to the reorganisation of WUB, which was partially transferred to NN during 2013. • In 2013, ING Groep provided a capital injection to NN of EUR 1,330 million (EUR 1,000 million to redeem debt and EUR 330 million to acquire part of the operations of WestlandUtrecht Bank N.V. and its subsidiaries (**WUB**)). As a result of this and changes to methodology to improve alignment with Solvency II regulations, the AFR/economic capital ratio for NN (excluding Other) was 193% as at 31 December 2013, an increase of 62 percentage points compared with 131% as at 31 December 2012. • The operating result ongoing business of NN was EUR 295 million in the first quarter of 2014, a 68.6% increase compared with EUR 175 million in the first quarter of 2013, due to improved results in all (ongoing) business segments except Japan Life. The higher operating result for Netherlands Life was driven by a higher investment margin and lower expenses, partly offset by lower fees and premium-based revenues. Netherlands Non-life's operating result improved primarily due to a more favourable claims experience in the income business. The operating result for Insurance Europe increased largely due to higher fees and premium-based revenues. The operating result in Japan Life was EUR 66 million in the first quarter of 2014, a 7.0% decrease compared with EUR 83 million in the first quarter of 2013, mainly as a result of the depreciation of the Japanese yen against the euro. The operating result for Investment Management was higher in the first quarter of 2014 compared with the same quarter in 2013, driven by higher fee income. • On 8 April 2014, the Company issued notional EUR 1,000,000,000 fixed to floating rate subordinated notes due April 2044, which

		qualify as Tier 2 capital under the applicable capital adequacy regulations. The cash proceeds of the subordinated notes issuance were EUR 985 million. In April 2014, these proceeds were used to redeem EUR 585 million subordinated notes from ING Groep and EUR 400 million current senior debt issued by ING Groep to the Company. • On 28 May 2014, ING Groep injected EUR 850 million of capital into the Company and the Company (as borrower) entered into a senior loan agreement with ING Groep (as lender) for an unsecured senior loan in the aggregate amount of EUR 400 million. These funds were used to strengthen the capitalisation of NN Life by EUR 450 million (in the form of a subordinated loan), to repay a EUR 600 million senior loan owed to ING Groep and to strengthen the cash capital position of the Company by EUR 200 million.
B.8	**Selected key *pro forma* financial information**	Not applicable, no *pro forma* financial information is included in this Prospectus.
B.9	**Profit forecast**	Not applicable, no profit forecast or estimate is included in this Prospectus.
B.10	**Historical audit report qualifications**	Not applicable, there are no qualifications.
B.11	**Explanation if insufficient working capital**	The Company believes that its working capital is sufficient for its present requirements; that is: for at least 12 months following the date of this Prospectus.

Section C – Securities		
C.1	**Type and class** **Security identification number**	ING Groep is offering 70,000,000 Ordinary Shares in the capital of the Company with a nominal value of EUR 0.12 per share. Symbol: "NN". The ISIN (International Security Identification Number) is: NL0010773842. The common code is: 107643095.
C.2	**Currency**	The Offering will be carried out in euros. The Offer Shares will be denominated in euros.
C.3	**Number of shares issued, par value per share**	As at the date of this Prospectus, the Company's issued share capital amounts to EUR 45,000, divided into 45,000 Ordinary Shares, each with a nominal value of EUR 1. All outstanding Ordinary Shares are paid up. As a result of the execution of a deed of issuance of 349,625,000 Ordinary Shares, which becomes effective upon the execution of the deed of amendment of the Articles of Association on the Settlement Date, the Company's outstanding capital will amount to EUR 42,000,000, divided into 350,000,000 Ordinary Shares, each with a nominal value of EUR 0.12.
C.4	**Rights attached to the Offer Shares**	Each Offer Share confers the right on the holder to cast one vote at a General Meeting. Each Shareholder shall be authorised to attend the General Meeting, to address the General Meeting and to exercise his/her

		voting rights. They may be represented by a proxy holder authorised in writing. Majority shareholders have the same voting rights per Ordinary Share as other holders of Ordinary Shares. Each holder of Ordinary Shares has a pre-emptive right in proportion to the aggregate nominal value of its shareholding of Ordinary Shares upon the issue of new Ordinary Shares (or the granting of rights to subscribe for Ordinary Shares). Holders of Ordinary Shares have no pre-emptive rights upon (a) the issue of new Ordinary Shares (or the granting of rights to subscribe for Ordinary Shares): (i) against a payment in kind (contribution other than in cash); (ii) to employees of NN; or (iii) to persons exercising a previously-granted right to subscribe for Ordinary Shares and (b) the issue of preference shares in the capital of the Company with a nominal value of EUR 0.12 each (**Preference Shares**). Upon a proposal of the Executive Board which has been approved by the Supervisory Board (including an affirmative vote of the Supervisory Board members nominated by ING Groep for as long as ING Groep directly or indirectly holds 30% or more of the issued Shares (excluding Preference Shares)), the General Meeting may resolve to limit or exclude the pre-emptive rights. The General Meeting may also designate the Executive Board to resolve to limit or exclude the pre-emptive rights with the prior approval of the Supervisory Board (including an affirmative vote of the Supervisory Board members appointed by ING Groep for as long as ING Groep directly or indirectly holds 30% or more of the issued Shares (excluding Preference Shares)). Both resolutions require a majority of at least two-thirds of the votes cast, if less than one-half of the issued share capital is represented at the General Meeting. This designation may be granted for a specified period of time of not more than five years and only if the Executive Board has also been designated or is simultaneously designated the authority to resolve to issue Ordinary Shares. The designation may be extended for no longer than five years at a time and only applies as long as the designation to issue Ordinary Shares is in force. The Offer Shares will be eligible for any dividends which the Company may declare on any Ordinary Shares after the Settlement Date.
C.5	**Restrictions on free transferability of the securities**	There are no restrictions on the free transferability of the Offer Shares in the articles of association. However, the offering of the Offer Shares to persons resident in, or who are citizens of, a particular jurisdiction may be affected by the laws of that jurisdiction. For a description of the restrictions on sale and transfer of the Offer Shares, see "*Selling and Transfer Restrictions*".
C.6	**Listing and admission to trading**	Prior to the Offering, there has been no public market for the Ordinary Shares. Application has been made to list all the Ordinary Shares on Euronext Amsterdam under the symbol "NN". Subject to acceleration or extension of the timetable for the Offering, trading in the Ordinary Shares on Euronext Amsterdam is expected to commence on the First Trading Date.
C.7	**Dividend policy**	The Company has the intention to pay a dividend of EUR 175 million in relation to the second half of 2014, which is to be paid in 2015. This dividend payment is discretionary and not based on the dividend policy that the Company intends to apply for 2015 and beyond, which is set out below.

		For future years, 2015 and beyond, the Company intends to pay an ordinary dividend annually in line with the Company's medium to long term financial performance and envisages an ordinary dividend pay-out ratio of 40-50% of the net operating result from ongoing business. In addition, capital generated in excess of the Company's capital ambition (which may change over time), is expected to be returned to Shareholders unless it can be used for any other appropriate corporate purpose, including investments in value creating corporate opportunities. As to the form in which excess capital may be distributed to Shareholders, the Company is committed to do so in a form which is most appropriate and efficient for Shareholders at that specific point in time, such as special dividends or share buy backs. The Executive Board, with the approval of the Supervisory Board, determines which part of the profits will be added to reserves, taking into account the financial condition, earnings, cash needs, regulatory constraints, capital requirements (including requirements of its subsidiaries) and any other factors that the Executive Board and the Supervisory Board deem relevant in making such a determination. The remaining part of the profits after the addition to reserves will be at the disposal of the General Meeting. The Executive Board, with the approval of the Supervisory Board, makes a proposal for the remaining part of the profits that will be at the disposal of the General Meeting. The Company's intentions in relation to dividends are subject to numerous assumptions, risks and uncertainties, many of which may be beyond the Company's control. Please see "*Important Information—Forward-looking Statements*".

Section D – Risks		
D.1	**Risks specific to the Company or its industry**	**Risks related to general economic and market conditions** • NN's business, revenues, results of operations, financial condition and prospects are materially affected by the condition of global financial markets and economic conditions generally. • The continuing risk that one or more European countries could exit the eurozone could have a material adverse effect on NN's business, results of operations, financial condition and prospects. • A downgrade or a potential downgrade in NN's credit or financial strength ratings could have a material adverse effect on NN's ability to raise additional capital, or increase the cost of additional capital, and could result in, amongst others, a loss of existing or potential business (including losses on customer withdrawals), lower AuM and fee income, and decreased liquidity, each of which could have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects. • Certain of NN's life insurance products (including annuity and pension products) are subject to longevity risk, which is the risk that the insured lives longer than assumed, with the result that the insurer must continue paying out on the relevant policy for longer than was anticipated, which could have a material adverse effect on NN's business, results of operations, financial condition and prospects. • NN has long-term assets and liabilities and is exposed to the risk of a mismatch between the value of the assets and the liabilities resulting

from changes in interest rates and credit spreads, which could have a material adverse effect on NN's results of operations and financial condition.

- Sustained low interest rate levels could have a material adverse effect on NN's revenues, results of operation, financial condition and prospects.
- Rising interest rates could reduce the value of fixed-income investments held by NN, increase policy lapses and withdrawals, and increase collateral requirements under NN's hedging arrangements, which could have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects.
- NN is exposed to currency transaction risks and currency translation risks.
- Certain subsidiaries of the Company may be subject to liquidity risk, which may not be timely resolved by liquidity available elsewhere in the NN group.

Risks related to the business and strategy

- Sales of life insurance products in the Netherlands have been declining since 2008. NN can give no assurance that sales volumes of its life insurance products will increase in the future. Slow growth of, or further declines in, such sales volumes could, over time, have a material adverse effect on NN's revenues, results of operations and prospects.
- If NN is unable to successfully implement its strategy, or if NN's strategy does not yield the anticipated benefits, this may have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects and NN may not achieve its targets. If one or more of the assumptions that NN has made in setting its targets are inaccurate, NN may be unable to achieve one or more of its targets.
- Because NN operates in highly competitive markets, it may lose its competitive position and market share, which may have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects.
- Catastrophes, including natural disasters, may result in substantial losses and could have a material adverse effect on NN's business, results of operations, financial condition and prospects.
- The non-life insurance business has historically been cyclical, characterised by periods of intense competition in relation to price and policy terms and conditions often due to excessive underwriting capacity, resulting in fewer policies written, lower premium rates, increased expenses for customer acquisition and retention, and less favourable policy terms and conditions for NN, and such cycles may occur again.
- In the ordinary course of managing and reporting on its business, NN makes extensive use of assumptions and actuarial models to estimate future revenues and expenditures until the maturity of its insurance portfolios, and to assess the related risks. Differences in experience compared with assumptions, as well as updates of the assumptions and actuarial models, may have a material adverse effect

		on NN's business, revenues, results of operations, financial condition and prospects. • In valuing its insurance liabilities and in pricing its life insurance and pension products, NN uses assumptions to model the impact of future policyholders' behaviour, which may be different from the actual impact of future policyholders' behaviour. A discrepancy between assumed policyholder behaviour and actual experience, as well as changes to the assumptions used in the modelling, may have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects. • Investment guarantees of NN's separate accounts pension business in the Netherlands and the variable annuity products sold in Japan have in the past had, and may in the future have, a material adverse effect on NN's business, results of operations, and financial condition. • Discrepancies between assumed mortality and morbidity and actual mortality and morbidity experience may have a material adverse effect on NN's results of operations and financial condition. • A failure to accurately estimate inflation and factor it into NN's product pricing, expenses and liability valuations could have a material adverse effect on NN's results of operations and financial condition. • NN's primary distribution channel is its network of intermediaries, tied agents and bancassurance. A failure by NN to maintain a competitive distribution network, or to attain a market share of new sales and distribution channels that is comparative to its market share of traditional channels, could have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects. • NN's hedging programmes may prove inadequate or ineffective for the risks they address, which could have a material adverse effect on NN's business, results of operations, financial condition and prospects. • NN is exposed to counterparty risk. Deteriorations in the financial soundness of other financial institutions, sovereigns or other contract counterparties may have a material adverse effect on NN's business, revenues, results of operations and financial condition. • Reinsurance subjects NN to the credit risk of reinsurers, and reinsurance may not be available, affordable or adequate to meet NN's requirements, which may have a material adverse effect on NN's business, revenues, results of operations and financial condition. • The determination of the amount of impairments taken on NN's investment and other financial assets is subjective and could have a material adverse effect on NN's results of operations and financial condition. • NN's residential and commercial mortgage portfolio is exposed to the risk of default by borrowers and to declines in real estate prices; these exposures are concentrated in the Netherlands. • NN is exposed to the risk of damage to its brands and its reputation. • Prolonged investment underperformance of NN's AuM, or the loss of key investment management personnel, may cause existing customers to withdraw funds and potential customers not to grant

		investment mandates, which could have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects. • Previously unknown risks, so-called ''emerging risks'', which cannot be reliably assessed, could lead to unforeseeable claims, which could have a material adverse effect on NN's business, results of operations and financial condition. • NN may not be able to protect its intellectual property rights, and may be subject to infringement claims by third parties, which may have a material adverse effect on NN's business and results of operations. **Regulatory and litigation risks** • NN is subject to comprehensive insurance, investment management, banking, pension and other financial services laws and regulations, and to supervision by many regulatory authorities that have broad administrative powers over NN. These laws and regulations have been and will be subject to changes, the impact of which is uncertain. Failure to comply with applicable laws and regulations may trigger regulatory intervention which may harm NN's reputation, and could have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects. • The impact on NN of recent and ongoing financial regulatory reform initiatives is uncertain. • The EU is adopting a full scale revision of the solvency framework and prudential regime applicable to insurance and reinsurance companies known as 'Solvency II'. The EC is currently in the process of amending Solvency II and preparing level 2 implementing measures and implementing technical standards. The full impact and timing of implementation of Solvency II is uncertain. • NN is subject to stress tests and other regulatory enquiries. Stress tests and the announcement of the results by regulatory authorities can destabilise the insurance sector and lead to a loss of trust with regard to individual companies or the insurance sector as a whole. Such stress tests, and the announcement of the results, could negatively impact NN's reputation and financing costs and trigger enforcement actions by regulatory authorities. • Adverse publicity, claims and allegations, litigation and regulatory investigations and sanctions may have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects. • Holders of NN's products where the customer bears all or part of the investment risk, or consumer protection organisations on their behalf, have filed claims or proceedings against NN and may continue to do so. A negative outcome of such claims and proceedings brought by customers or organisations acting on their behalf, actions taken by regulators or governmental authorities against NN or other insurers in respect of unit-linked products, settlements or any other actions for the benefit of customers by other insurers and sector-wide measures could substantially affect NN's insurance business and, as a result, may have a material adverse effect on NN's business, reputation, revenues, results of operations, solvency, financial condition and prospects. In addition, claims and proceedings may be brought against NN in respect of other products

		with one or more similar product characteristics sold, issued or advised on by NN in and outside the Netherlands. • NN is exposed to the risk of claims from customers who feel misled or treated unfairly because of advice or information received. • The Company and its regulated subsidiaries are required to maintain significant levels of capital and to comply with a number of regulatory requirements relating thereto. If the Company or its regulated subsidiaries were in danger of failing, or fail, to meet regulatory capital requirements or to maintain sufficient assets to satisfy certain regulatory requirements, the supervisory authorities have broad authority to require them to take steps to protect policyholders and other clients and to compensate for capital shortfalls and to limit the ability of the Company's subsidiaries to pay dividends or distributions to the Company. • NN has divested a substantial part of its insurance and investment management businesses over the past several years through private sales and public offerings (including as required by and within the timeframe agreed with the EC as laid down in the EC Restructuring Plan), in respect of which the sellers have given representations, warranties, guarantees, indemnities and other contractual protections to the purchasers of these businesses that may, should claims arise, have a material adverse effect on NN's results of operations, financial condition and prospects. • Changes in tax laws could materially impact NN's tax position which could affect the ability of the Company to make distributions to Shareholders and the ability of the Company's subsidiaries to make direct and indirect distributions to the Company. Changes in tax laws may make some of NN's insurance, pensions, investment management and banking products less attractive to customers, decreasing demand for certain of NN's products and increasing surrenders of certain of NN's in-force life insurance policies, which may have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects. **Operational risks** • NN is subject to operational risks, which can originate from inadequate or failed internal NN processes and systems, the conduct of NN personnel and third parties, and from external events that are beyond NN's control. NN's policies and procedures may be inadequate, or may otherwise not be fully effective. Should operational risks occur they may have a material adverse effect on NN's business, revenues, results of operations and financial condition. • The occurrence of natural or man-made disasters may endanger the continuity of NN's business operations and the security of NN's employees, which may have a material adverse effect on NN's business, results of operations, financial condition and prospects. • The loss of key personnel, and the failure to attract and retain key personnel with appropriate qualifications and experience, could have a material adverse effect on NN's business and impair its ability to implement its business strategy. • NN is exposed to the risk of fraud and other misconduct or unauthorised activities by NN personnel, distributors, customers and other third parties. The occurrence of fraud and other misconduct

and unauthorised activities could result in losses and harm NN's reputation, and may have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects.

- Interruption or other operational failures in telecommunication, IT and other operational systems, or a failure to maintain the security, integrity, confidentiality or privacy of sensitive data in those systems, including as a result of human error, could have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects.
- NN is dependent in part on the continued performance, accuracy, compliance and security of third party service providers who provide certain critical operational support functions to NN. Inadequate performance by these service providers could result in reputational harm and increased costs, which could have a material adverse effect on NN's business, revenues, results of operations and prospects.
- NN's investment management business is complex and a failure to properly perform services could have a material adverse effect on NN's business, revenues, results of operations and prospects.

Financial reporting risks

- Changes in accounting standards or policies, or NN's financial metrics, including as a result of choices made by NN, could adversely impact NN's reported results of operations and its reported financial condition.
- NN's technical reserves reflected in its IFRS financial statements to pay insurance and other claims, now and in the future, could prove inadequate, which could require that NN strengthen its reserves, which may have a material adverse effect on NN's results of operations and financial condition.
- NN's Embedded Value information may not be comparable to the embedded value information reported by its peers. If NN is obliged to change its methodology in determining Embedded Value, or chooses to change that methodology for any reason, or if the assumptions used by NN in determining its Embedded Value prove to be inaccurate, NN's Embedded Value information reported in the future may be materially different, or may be prepared in a materially different manner, from the Embedded Value information contained in this Prospectus.
- Defects and errors in NN's processes, systems and reporting may cause internal and external miscommunication (including incorrect public disclosure), wrong decisions and wrong reporting to customers. Should they occur, such events could harm NN's reputation and could have a material adverse effect on NN's business, revenues, results of operations and financial condition.

Risks related to the separation from, and continuing relationship with, ING

- After completion of the Offering, ING Groep will continue to own a significant number of Ordinary Shares, and will continue to be subject to various restrictions, limitations and undertakings under the EC Restructuring Plan. NN cannot accurately predict whether any such restrictions and limitations will have a negative effect on its business or financial flexibility, or result in conflicts between the interests of ING Groep and the interests of NN.

		• Following termination of certain transitional arrangements with ING, NN will have to meet the relevant operational requirements independently. If NN is unable to do so, it may not be able to operate its business effectively or at comparable costs, and may incur losses, which may have a material adverse effect on NN's business, results of operations and financial condition. • Because its separation from ING means that NN will no longer benefit from ING's strong brand and reputation, amongst other things, NN's ability to attract and retain customers and suitably qualified distributors may be negatively impacted, third parties may re-price, modify or terminate their relationships with NN, and NN may be forced to lower the prices of its products, which may have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects. • As a subsidiary of ING Groep, the Company and its subsidiaries have benefitted, and for so long as the Company and its subsidiaries qualify under the existing arrangements will continue to benefit, from certain contractual arrangements between ING and various third party vendors. NN may be unable to obtain these services through new, independent relationships with third party vendors, or may be unable to replace these services in a timely manner or on comparable terms.
D.3	**Risks specific to the Offer Shares**	**Risk related to the Offering and Offer Shares** • After completion of the Offering, ING Groep will be able to exercise substantial influence over certain corporate matters that require the approval of the General Meeting, and may vote its Ordinary Shares in a way with which other Shareholders do not agree. This concentration of ownership of Ordinary Shares could adversely affect the trading volume and market price of the Ordinary Shares or delay or prevent a change of control that could otherwise be beneficial to the Shareholders. • Future sales, or the possibility of future sales, of a substantial number of Ordinary Shares (including by ING Groep pursuant to its obligations under the EC Restructuring Plan) may adversely affect the market price of the Ordinary Shares. • Under the EC Restructuring Plan, ING Groep is required to divest more than 50% of its shareholding in the Company before 31 December 2015 and the remaining interest before 31 December 2016. The manner and timing of this divestment remains uncertain and could be made through further substantial sales in the market or to a single party or parties acting in concert (including a strategic trade sale), or by Spin-off. • The Company may in the future seek to raise capital by conducting equity offerings, which may dilute investors' shareholdings in the Company. • There has been no public trading in the Ordinary Shares prior to the Offering. The price of the Ordinary Shares may fluctuate substantially due to various factors and investors may not be able to sell the Ordinary Shares at or above the Offer Price or at all. • The market price of the Ordinary Shares may be volatile and may be adversely affected by market conditions and other factors beyond NN's control.

		• Certain holders of Ordinary Shares may not be able to participate in future equity offerings with subscription rights. • If closing of the Offering does not take place on the Settlement Date or at all, purchases of the Offer Shares will be disregarded and Euronext may annul transactions that have occurred. • Influence of the Shareholders on the composition of the Supervisory Board and the Executive Board may differ from other Dutch companies, and from companies in other jurisdictions. • Provisions in national insurance laws, in the Articles of Association and in contracts concluded by the Company or its subsidiaries may delay, deter or prevent takeover attempts that may be favourable to the Shareholders. • The Company's ability to pay dividends to Shareholders may be constrained. • Dealings in the Shares may become subject to a Financial Transactions Tax.

Section E – Offer		
E.1	**Net proceeds and estimated expenses**	The Company will not receive any proceeds from the Offering. ING Groep will receive the net proceeds from the Offering and, if the Over-Allotment Option is exercised, the net proceeds from the sale of the Additional Shares. After deducting the estimated expenses related to the Offering of EUR 66 million, ING Groep expects to receive approximately EUR 1,351,500,000 in net proceeds from the Offering (based on an Offer Price at the mid-point of the Offer Price Range).
E.2a	**Reasons of the Offering and use of proceeds**	**Background and reasons for the Offering** ING Groep, like other major financial institutions in the Netherlands, received aid from the Dutch State in 2008 and 2009. As a condition to receiving approval from the EC for such State aid, ING Groep was required to develop and submit a restructuring plan to the EC. The 2009 Restructuring Plan was approved by the EC in November 2009. The 2009 Restructuring Plan included, *inter alia*, the divestment of the insurance and investment management business, including the Company and its subsidiaries. Following the 2009 Restructuring Plan, the insurance and investment management businesses of ING (including NN) were operationally separated from ING as of 31 December 2010. In November 2012, ING Groep and the Dutch State reached an agreement with the EC on certain amendments to the 2009 Restructuring Plan that were laid down in the 2012 Restructuring Plan. The amendments extended the time horizon, increased the flexibility for the completion of divestments and adjusted other commitments set forth in the 2009 Restructuring Plan in light of the market conditions, economic climate and more stringent regulation. In November 2013, ING Groep and the Dutch State reached an agreement with the EC on certain amendments to the 2012 Restructuring Plan that were set out in the 2013 Restructuring Plan. Pursuant to the 2013 Restructuring Plan, the Japan Life and Japan Closed Block VA businesses are permitted to be divested in line with the divestment timeline for NN and are thus permitted to remain part of NN. Further, the divestment

		timeline for NN was accelerated by two years, as a result of which ING Groep is required to divest more than 50% of its shareholding in the Company before 31 December 2015 and the remaining interest before 31 December 2016. The requirement for ING Groep to divest more than 50% of its interest in the Company includes the requirement for ING Groep to (a) no longer have a majority of representatives on the Executive Board and (b) deconsolidate the Company's financial statements from ING Groep's financial statements in line with IFRS accounting rules. See "*Supervision and Regulation—EC Restructuring Plan*" for further information about the EC Restructuring Plan. ING Groep's current intention for the disposal of its interest in the Company is by way of the Offering and then, subject to (i) market conditions and (ii) the terms of the lock-up provisions that prevent it from disposing of any Ordinary Shares, without the prior written consent of the Joint Global Coordinators, for a period of 180 days after the Settlement Date (subject to certain exceptions, see "*Plan of Distribution—Lock-up arrangements*"), to dispose of the Ordinary Shares that it will continue to hold after the Offering (the **Residual Shares**) in an orderly manner, and in compliance with the EC Restructuring Plan, by a sale of the Residual Shares through a single tranche or multiple tranches, to a single party or multiple parties (including a strategic trade sale), or by Spin-off either before or after the settlement of the Offering. **Use of proceeds** The Company will not receive any proceeds from the Offering. ING Groep will receive the net proceeds from the Offering and, if the Over-Allotment Option is exercised, the net proceeds from the sale of the Additional Shares. After deducting the estimated expenses related to the Offering of EUR 66 million, ING Groep expects to receive approximately EUR 1,351,500,000 in net proceeds from the Offering (based on the Offer Price at the mid-point of the Offer Price Range). The net proceeds from the Offering will be applied by ING Groep to reduce its double leverage.
E.3	**Terms and conditions of the Offering**	***Offer Shares in the Offering*** The Offering consists of: (a) a public offering to institutional and retail investors in the Netherlands and (b) a private placement to certain institutional investors in various other jurisdictions. ING Groep is offering 70,000,000 Offer Shares, representing 20% of the issued Ordinary Shares of the Company immediately following the Settlement Date. In addition, ING Groep has granted the Joint Global Coordinators, on behalf of the Underwriters the Over-Allotment Option. The Offer Shares and the Additional Shares (if any) have not been and will not be registered under the U.S. Securities Act. The Offer Shares are being offered: (a) within the United States to persons reasonably believed to be QIBs, as defined in, and in reliance on, Rule 144A under the U.S. Securities Act and (b) outside the United States in "offshore transactions" as defined in, and in compliance with, Regulation S. ***Over-allotment option*** ING Groep has granted to the Joint Global Coordinators, on behalf of the Underwriters, the Over-Allotment Option, exercisable within 30 calendar days after the First Trading Date, pursuant to which the Joint Global Coordinators, on behalf of the Underwriters, may require ING Groep to sell at the Offer Price Additional Shares held by ING Groep, comprising

up to 15% of the total number of Offer Shares sold in the Offering to cover short positions resulting from any over-allotments made in connection with the Offering or stabilisation transactions, if any.

Expected timetable

The timetable below lists certain expected key dates for the Offering.

Timetable for the Offering	
Event	**Time and date**
Start of Offer Period	10:00 hours CET on 17 June 2014
End of Offer Period	13:00 hours CET on 1 July 2014
Pricing	1 July 2014
Allocation	2 July 2014
First Trading Date (trading on an "if-and-when-delivered" basis)	2 July 2014
Settlement Date	7 July 2014

Offer Period

Subject to acceleration or extension of the timetable for the Offering, prospective investors may apply for Offer Shares during the period commencing on 17 June 2014 at 10:00 CET and ending on 1 July 2014 at 13:00 CET. The Joint Bookrunners may open and close the Offer Period at different dates for each of the retail and institutional investors. In the event of an acceleration or extension of the Offer Period, pricing, Allocation, listing, first trading, payment for and delivery of the Offer Shares may be advanced or extended accordingly.

Any extension of the timetable for the Offering will be published in a press release on the Company's website at least three hours before the end of the original Offer Period, provided that any extension will be for a minimum of one full business day. Any acceleration of the timetable for the Offering will be published in a press release on the Company's website at least three hours before the proposed end of the accelerated Offer Period. In any event, the Offer Period will be at least six business days.

Offer Price and number of Offer Shares

The Offer Price and the actual number of Offer Shares will be determined on the basis of a book-building process. The Offer Price may be set within, above or below the Offer Price Range. The Offer Price Range is between EUR 18.50 and EUR 22.00 per Offer Share. The Offer Price Range is an indicative price range.

The Offer Price and the exact number of Offer Shares and, if applicable, Additional Shares offered will be determined after the Offer Period has ended by ING Groep after consultation with the Company and following recommendations from the Joint Global Coordinators, on behalf of the Underwriters.

The Offer Price and the exact number of Offer Shares offered will be determined after the end of the Offer Period. The Offer Price and the exact number of Offer Shares offered in the Offering will be set out in the Pricing Statement that will be deposited with the AFM and published in a press release on the Company's website as well as on the website of Euronext. Printed copies of the Pricing Statement will be made available at the registered office of the Company.

		Change of Offer Price Range or number of Offer Shares The Offer Price Range is an indicative price range. ING Groep, after consultation with the Company and following recommendations from the Joint Global Coordinators, reserves the right to change the Offer Price Range and/or to increase or decrease the maximum number of Offer Shares being offered prior to the date on which Allocation takes place. Any change in the Offer Price Range and/or the number of Offer Shares being offered will be published in a press release on the Company's website. If the top end of the Offer Price Range is increased, the revised Offer Price Range will be published in a press release on the Company's website, the Company will publish a supplement to this Prospectus and investors who have already agreed to purchase Offer Shares may exercise their withdrawal rights as set out in "*The Offering—Withdrawal rights*" below. ***Allocation*** Allocation is expected to take place on the first business day after the end of the Offer Period. Full discretion will be exercised as to whether or not and how to allocate to investors the Offer Shares applied for. Investors may not be allocated all of the Offer Shares for which they apply. Ultimately, ING Groep, after consultation with the Company following recommendations from the Joint Global Coordinators on behalf of the Underwriters, will determine the number of Offer Shares to be allocated. ***Preferential Employee Allocation*** Up to 94 eligible employees of the Company and ING Groep will be entitled to subscribe for Offer Shares at the Offer Price on a preferential basis for a minimum amount of EUR 2,000 up to a maximum amount of EUR 75,000. Eligible employees are members of the Executive Board and Management Board and certain other eligible (senior) employees of the Company and ING Groep. The preferential allocation of Offer Shares to eligible employees will not exceed 1% of the Offer Shares. ***Anchor investors*** On 30 April 2014, ING Groep entered into an investment agreement with each of RRJ Capital Master Fund II, L.P. (together with four wholly-owned subsidiaries of RRJ Capital Master Fund II, L.P to which RRJ Capital Master Fund II, L.P. has subsequently assigned certain rights under the investment agreement, RRJ Capital), Ossa Investments Pte. Ltd (Ossa Investments), a wholly-owned subsidiary of Temasek Holdings (Private) Limited, and SeaTown Master Fund (SeaTown) (each an **Anchor Investor**, and together, the **Anchor Investors**) who have agreed to invest an aggregate sum of EUR 1,275 million in the Company by participating in the Offering as anchor investors (EUR 150 million) and by acquiring 4% mandatory exchangeable subordinated notes (the **Notes**) from ING Groep (EUR 1,125 million). The Notes are mandatorily exchangeable into Ordinary Shares in three tranches. The Anchor Investors will participate in the Offering for an aggregate amount of EUR 150 million. RRJ Capital agreed to purchase EUR 88.235 million in Offer Shares, Ossa Investments agreed to purchase EUR 50 million in Offer Shares and SeaTown agreed to purchase EUR 11.765 million in Offer Shares. The Offer Shares purchased by the Anchor Investors as anchor investors in the Offering shall not be subject to any lock-up arrangements. The Notes were issued to the Anchor Investors on 16 May 2014 and will be mandatorily exchanged for Ordinary Shares in three tranches. The first tranche (EUR 264.7 million for RRJ Capital, EUR 150 million for Ossa

		Investments and EUR 35.3 million for SeaTown) plus accrued interest will be mandatorily exchanged at the Settlement Date at a discount of 1.5% to the Offer Price. The second tranche (EUR 198.5 million for RRJ Capital, EUR 112.5 million for Ossa Investments and EUR 26.5 million for SeaTown) plus accrued interest will be mandatorily exchanged at any time in 2015 at the discretion of ING Groep at the lower of (i) the closing share price of the Ordinary Shares on the day of the notice of exchange given by ING Groep minus 3%, and (ii) 100% of the Volume Weighted Average Price (VWAP) during the five trading days preceding the notice, inclusive of the day of notice. The third tranche (198.5 million for RRJ Capital, EUR 112.5 million for Ossa Investments and EUR 26.5 million for SeaTown) plus accrued interest will be mandatorily exchanged at any time in 2015 or 2016, after the exchange of the second tranche and at the discretion of ING Groep at the lower of (i) the closing share price of the Ordinary Shares on the day of the notice of exchange given by ING Groep minus 3%, and (ii) 100% of the Volume Weighted Average Price (VWAP) during the five trading days preceding the notice, inclusive of the day of notice. Upon a mandatory exchange, ING Groep has the right to pay any accrued interest in cash to the Anchor Investors. Such Anchor Investors then have the right to to use part or all of the interest amount to be received to purchase from ING Groep further Ordinary Shares using the same pricing methodology as applies to the exchange of the principal amount of the relevant Notes. If the Settlement Date does not take place in 2014 (or an alternative transaction whereby Ordinary Shares will be listed on a major stock exchange resulting in a free float of at least EUR 900 million has not been announced in 2014 and completed before 30 June 2015), the transactions with the Anchor Investors can be terminated, and in such case, the Notes will be redeemed. Based on an Offer Price at the mid-point of the Offer Price Range, the aggregate number of Ordinary Shares subscribed for by the Anchor Investors in the Offering will be 7,407,405 Offer Shares, which represent approximately 2% of the issued and outstanding Ordinary Shares immediately following the Offering, in each case assuming no exercise of the Over-Allotment Option. This investment does not preclude ING Groep from pursuing alternative divestment routes for NN, such as a sale of the Residual Shares through a single tranche or multiple tranches, to a single party or multiple parties (including a strategic trade sale), or by Spin-off either before or after the settlement of the Offering. ***Payment*** Payment for the Offer Shares and payment for Additional Shares pursuant to the Over-Allotment Option, if such option has been exercised prior to the Settlement Date, is expected to take place on the Settlement Date. ***Conditions to the Offering*** The closing of the Offering may not take place on the Settlement Date or at all if certain conditions or events referred to in the Underwriting Agreement are not satisfied or waived on or prior to such date. Such conditions include: (a) execution of the pricing agreement between the Company, ING Groep and the Joint Global Coordinators on behalf of the Underwriters, which will contain the Offer Price (the **Pricing Agreement**), (b) receipt of opinions on certain legal matters from counsel, (c) receipt of customary officers' certificates, (d) the absence of a material adverse effect on the business, financial position, results of operations or prospects of the

		Company and its subsidiaries taken as a whole since the date of the Pricing Agreement, and (e) certain other conditions (see "*Plan of Distribution—Underwriting Arrangement*"). ***Joint Global Coordinators and Joint Bookrunners***: J.P. Morgan Chase & Co. Securities Ltd., Morgan Stanley & Co. International plc., ING Bank N.V. and Deutsche Bank AG, London branch. ***Joint Bookrunners***: BNP PARIBAS, Citigroup Global Markets Limited, COMMERZBANK AG, Credit Suisse Securities (Europe) limited and Nomura International plc. ***Joint Lead Managers***: ABN AMRO Bank N.V., HSBC Bank plc and RBC Europe Limited. ***Senior Co-Lead Managers***: Keefe, Bruyette & Woods Ltd. and Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A (acting as Rabobank International). ***Co-Lead Managers***: Banco Bilbao Vizcaya Argentaria, S.A, Erste Group Bank AG, KBC Securities NV, Natixis, Mediobanca – Banca di Credito Finanziario S.p.A., Raiffeisen Centrobank AG and UniCredit Bank AG, London branch. ***Underwriters:*** the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Senior Co-Lead Managers and the Co-Lead Managers jointly. ***Retail Banks Coordinator***: ING Bank N.V. ***Listing Agent and Paying Agent***: ING Bank N.V.
E.4	**Interests material to the Offering (including conflicting interests)**	The Underwriters and/or their respective affiliates have from time to time been engaged, and may in the future engage, in commercial banking, investment banking and financial advisory and ancillary activities in the course of their business with the Company and/or ING Groep or any parties related to any of them, for which they have received and may in the future receive customary compensation. Additionally, the Underwriters may, in the ordinary course of their business, have held and in the future may hold the Company's securities for investment. In respect of the aforementioned, the sharing of information is generally restricted for reasons of confidentiality by internal procedures or by rules and regulations (including those issued by the AFM). As a result of these transactions, the Underwriters may have interests that may not be aligned, or could potentially conflict, with the interests of investors or with the interests of NN. ING Bank N.V. is one of the Joint Global Coordinators and also a wholly-owned subsidiary of ING Groep.
E.5	**Person or entity offering to sell the securities and lock-up arrangements**	ING Groep is offering 70,000,000 Offer Shares, representing 20% of the issued Ordinary Shares of the Company immediately following the Settlement Date. The Company and ING Groep have agreed with the Underwriters that, for a period of 180 days after the Settlement Date, they will not, subject to certain customary exceptions, without the prior consent of the Joint Global Coordinators on behalf of the Underwriters offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any Ordinary Shares or any securities convertible into or exercisable or exchangeable for Ordinary Shares, or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences

		of ownership of the Ordinary Shares, whether any such transactions are to be settled by delivery of the Ordinary Shares or other securities, in cash or otherwise. Furthermore, each Anchor Investor has agreed on a lock-up provision in favour of ING Groep. The lock-up period for the Ordinary Shares that the Anchor Investors acquire as a result of the exchange of the first tranche shall be until the later of nine months after 16 May 2014 and six months after the Settlement Date. The lock-up period for the Ordinary Shares that the Anchor Investors acquire as a result of the exchange of the second tranche shall be until three months after the exchange date. The Ordinary Shares that the Anchor Investors acquire as a result of the exchange of the third tranche shall not be subject to any lock-up arrangements. See "*The Offering—Anchor investors*" for a description of the different tranches. The Offer Shares purchased by the Anchor Investors as anchor investors in the Offering shall not be subject to any lock-up arrangements. During the respective lock-up periods the Anchor Investors will not, subject to certain customary exceptions, without the prior consent of ING Groep, (a) offer, sell, contract to issue or sell, grant any option, right or warrant to purchase or otherwise transfer or dispose of Ordinary Shares, (b) enter into any swap or any other agreement or any transaction that transfer in whole or in part, directly or indirectly, any economic consequences of ownership of Ordinary Shares or (c) create any charge or security interest over Ordinary Shares, except that RRJ Capital and SeaTown can create a charge or security interest over Ordinary Shares for the benefit of their existing lenders. As described under "*The Offering—Anchor Investors*", under certain circumstances, no lock-up restriction will be applicable. In the Preferential Employee Allocation, the Offer Shares subscribed for by and allocated to members of the Executive Board and Management Board will be subject to a lock-up period of 180 days after the Settlement Date. For Offer Shares subscribed for by and allocated to other eligible (senior) employees of the Company and ING Groep, a lock-up period will apply for 120 days after the Settlement Date.
E.6	**Dilution**	Not applicable.
E.7	**Estimated expenses charged to the investors by the Company**	Not applicable: no expenses have been/will be charged to the investors by the Company or ING Groep in relation to the Offering. Retail investors may be charged expenses by their financial intermediary.

2. SAMENVATTTING

Deze tekst is een Nederlandse vertaling van de Engelstalige samenvatting van het prospectus van 17 juni 2014 (het ***Prospectus****) in verband met de aanbieding (de* ***Aanbieding****) door ING Groep N.V. (****ING Groep****) van 70.000.000 gewone aandelen (de* ***Aangeboden Aandelen****) in het kapitaal van NN Group N.V. (de* ***Vennootschap****). In het geval van mogelijke discrepantie in uitleg van begrippen en definities tussen de Nederlandse vertaling en de Engelstalige samenvatting van het Prospectus, prevaleert de Engelstalige samenvatting.*

Samenvattingen bestaan uit verplichte vermeldingen, die **Elementen** worden genoemd**.** Deze Elementen zijn genummerd ingedeeld in de Afdelingen A-E (A.1-E.7).

Deze samenvatting bevat alle Elementen die in een samenvatting voor dit type effecten en uitgevende instelling verplicht dienen te worden opgenomen. Omdat sommige Elementen niet verplicht zijn, is het mogelijk dat de nummering van de Elementen niet volledig is.

Soms kan er geen relevante informatie worden verstrekt over een Element dat vanwege het type effecten en de uitgevende instelling wel verplicht in de samenvatting dient te worden behandeld. In dat geval is er een korte beschrijving van het Element opgenomen met de vermelding 'niet van toepassing'.

Afdeling A – Inleiding en waarschuwingen

A.1	**Inleiding en waarschuwingen**	Deze samenvatting moet worden gelezen als inleiding op het Prospectus. Iedere beslissing om in de gewone aandelen van de Vennootschap (de **Gewone Aandelen**) te beleggen, dient door de belegger te worden gebaseerd op de bestudering van het Prospectus als geheel. Wanneer een vordering met betrekking tot de informatie in het Prospectus bij een rechterlijke instantie aanhangig wordt gemaakt, zou de als eiser optredende investeerder ingevolge de nationale wetgeving van de lidstaten van de Europese Unie (de **Lidstaten**) kunnen worden verplicht de kosten voor de vertaling van het Prospectus te dragen alvorens de gerechtelijke procedure kan aanvangen. Alleen personen die deze samenvatting (waaronder mede begrepen een vertaling daarvan) hebben opgesteld, kunnen civielrechtelijk aansprakelijk zijn, maar slechts indien a) deze samenvatting misleidend, onjuist of inconsistent is wanneer zij in samenhang met de andere delen van het Prospectus wordt gelezen of b) deze samenvatting, wanneer zij in samenhang met de andere delen van het Prospectus wordt gelezen, niet de kerninformatie bevat die de investeerder nodig heeft voor zijn of haar beslissing om al dan niet in de Aangeboden Aandelen te beleggen.
A.2	**Toestemming van de Vennootschap voor het gebruik van het Prospectus voor de doorverkoop of definitieve plaatsing van effecten bij financiële tussenpersonen**	Niet van toepassing. De Vennootschap heeft een dergelijke toestemming niet verleend en doorverkoop of definitieve plaatsing van de Aangeboden Aandelen door financiële tussenpersonen zal niet plaatsvinden.

Afdeling B – Uitgevende instelling		
B.1	**Statutaire en handelsnaam van de Vennootschap**	NN Group N.V.
B.2	**Vestigingsplaats, rechtsvorm, toepasselijk recht en land van oprichting**	De Vennootschap is een naamloze vennootschap opgericht naar Nederlands recht en met vestigingsplaats in Nederland. De Vennootschap heeft haar statutaire zetel in Amsterdam, Nederland.
B.3	**Kerngegevens betreffende de aard van de bedrijfsvoering van NN en haar belangrijkste activiteiten**	De Vennootschap en haar dochtermaatschappijen (**NN**) zijn een verzekerings- en vermogensbeheergroep. In Nederland is NN marktleider op het gebied van levens- en schadeverzekeringen, en NN heeft een sterke positie in de levensverzekerings- en pensioenmarkt in een aantal andere Europese markten (zoals Polen, Hongarije en Roemenië) en Japan en in Turkije heeft NN een groeiende positie. Het verzekeringsbedrijf van NN bedient zowel volgroeide markten in West-Europa en Japan als groeimarkten in Midden- en Oost-Europa en Turkije. Het vermogensbeheerbedrijf van NN biedt wereldwijd producten en diensten aan via kantoren in diverse Europese landen, de Verenigde Staten, het Midden-Oosten en Azië, waarbij Nederland een spilfunctie vervult. Gemeten naar premieomzet was NN in 2012 de grootste levensverzekeraar en de op twee na grootste schadeverzekeraar (gezondheidszorg niet meegerekend) van Nederland (bron: DNB). In Europa was NN in 2012 marktleider op het gebied van levensverzekeringen in Roemenië en Hongarije en had een top vier positie in Tsjechië en Griekenland (in alle gevallen gemeten naar premieomzet), terwijl NN dat jaar in Polen, Roemenië en Hongarije de grootste aanbieder van verplichte en in Slowakije en Roemenië de grootste aanbieder van vrijwillige pensioenen was (in alle gevallen gemeten naar beheerd vermogen). NN biedt retailklanten, kleine, middelgrote en grote bedrijven alsmede institutionele klanten een breed assortiment diensten op het gebied van pensioenen, levensverzekeringen, schadeverzekeringen, vermogensbeheer en, in Nederland, bankieren. Het productaanbod en de klantsoorten verschillen per land. NN distribueert haar producten en diensten hoofdzakelijk via een *multi-channel* benadering, aangepast aan de marketing- en distributiemogelijkheden van de diverse markten en voorkeuren van klantsegmenten. NN zet binnen haar activiteiten aanzienlijke middelen in om: (a) hechte samenwerkingsverbanden met tussenpersonen, onafhankelijke adviseurs en banken (waaronder ING Bank) te bewerkstelligen, (b) het netwerk van gebonden agenten in het merendeel van haar markten buiten Nederland te versterken en (c) directe kanaal mogelijkheden op te bouwen. In 2013 boekte NN een premieomzet van EUR 9.530 miljoen en een operationeel resultaat (voor belastingen) uit doorlopende activiteiten van EUR 905 miljoen. Per 31 december 2013 had het vermogensbeheerbedrijf van NN een vermogen van in totaal EUR 174.124 miljoen onder beheer.

		De activiteiten van NN zijn verdeeld over de volgende zeven segmenten: • ***Netherlands Life***: NN's levensverzekeringsactiviteiten in Nederland vormen het grootste segment van NN en was in 2013 verantwoordelijk voor 55% van het totale operationeel resultaat (voor belastingen) uit doorlopende activiteiten – het segment Other niet meegerekend. NN biedt een reeks collectieve en individuele levensverzekeringsproducten aan. NN's levensverzekeringsactiviteiten zijn gestructureerd aan de hand van de volgende twee productlijnen: Pensioenen en Closed Block Individuele Levensverzekeringen. Binnen de productlijn Pensioenen worden collectieve levensverzekeringsproducten en individuele pensioenproducten aangeboden. Collectieve levensverzekeringen zijn producten met behulp waarvan werkgevers werknemers van bepaalde pensioen- en andere verzekeringsuitkeringen in het kader van arbeidsvoorwaarden voorzien die gewoonlijk onderdeel zijn van een groter beloningspakket. De collectieve levensverzekeringsproducten van NN betreffen voornamelijk collectieve pensioenproducten: producten voor algemene rekening, producten met gesepareerde beleggingen en beleggingsverzekeringsproducten. De productlijn Closed Block Individuele Levensverzekeringen bestaat voornamelijk uit het gesloten boek van de individuele levensverzekeringsportefeuilles (stopgezette producten die voor 2012 werden verkocht) van Nationale-Nederlanden, RVS en ING Verzekeringen Retail (IVR), voorheen bekend onder de naam Postbank Verzekeringen. Ongeveer 40% van de polissen in de productlijn Closed Block Individuele Levensverzekeringen is naar verwachting in 2025 nog van kracht. Het resterende deel heeft betrekking op de verkoop van individuele levensverzekeringspolissen in de vorm van nieuwe overlijdensrisicoverzekeringen en direct ingaande annuïteiten die in 2012 zijn geïntroduceerd. De distributie van NN's pensioenproducten verloopt via actuariële consultants (die optreden als adviseur voor middelgrote en grote ondernemingen) en onafhankelijke adviseurs en tussenpersonen (die optreden als adviseur voor het midden- en kleinbedrijf (het **MKB**)). De actieve individuele levensverzekeringsproducten van NN worden hoofdzakelijk gedistribueerd via intermediairs (zoals onafhankelijke adviseurs en tussenpersonen) en, in mindere mate, via *bancassurance* (door ING Bank) en NN's directe kanaal. NN verzorgt onder de merknaam AZL tevens pensioenadministratie en pensioenbeheer voor bedrijfspensioenfondsen en bedrijfstakpensioenfondsen. In Nederland was NN in 2012, gemeten naar premieomzet, de op één na grootste aanbieder van collectieve levensverzekeringen en marktleider op het gebied van individuele levensverzekeringen, met een marktaandeel van respectievelijk 20,6% en 19,9% (bron: DNB). In 2013 boekte het segment Netherlands Life een premieomzet van EUR 3.240 miljoen, 34% van NN's totale premieomzet over dat jaar, en EUR 224 miljoen aan nieuwe activiteiten (op basis van *annual premium equivalent*, berekend als het totaal van periodieke premies en 10% van de koopsommen afgesloten gedurende dat jaar (**APE**)), 18% van NN's totale APE in 2013. Per 31 december 2013 bedroeg het aan het segment Netherlands Life toerekenbare eigen vermogen EUR 9.491 miljoen. • ***Netherlands Non-life***: NN's schadeverzekeringsactiviteiten in Nederland (waaronder mede begrepen de verzekeringsmakelaars Zicht en Mandema, 100%-dochterondernemingen van NN) droeg in

		2013 6% bij aan het totale operationeel resultaat (voor belastingen) uit doorlopende activiteiten (exclusief het segment Other). NN biedt onder de merknamen NN en ING een breed assortiment schadeverzekeringsproducten aan. Individuele arbeidsongeschiktheidsverzekeringen, gericht op specifieke doelgroepen binnen medische en zakelijke beroepen, worden verkocht onder de merknaam Movir. De schadeverzekeringsproducten van NN kunnen als volgt worden onderverdeeld: (a) inkomen/ongevallen, hetgeen arbeidsongeschiktheids- en ongevallenverzekeringen (*disability & accident* (**D&A**)) alsmede reisverzekeringen omvat en (b) schade, bestaande uit brand-, motorrijtuigen-, transport- en overige verzekeringen (*property & casualty* (**P&C**)). Deze producten worden aangeboden aan retailklanten, zelfstandigen en kleine, middelgrote en grote bedrijven, zowel los als in pakketvorm. De schadeverzekeringsproducten van NN worden voornamelijk gedistribueerd via reguliere tussenpersonen en, in mindere mate, via gevolmachtigde tussenpersonen, NN's directe kanaal en *bancassurance* (door ING Bank). In Nederland was NN (inclusief Movir) in 2012, gemeten naar premieomzet, de op twee na grootste aanbieder van schadeverzekeringsproducten (exclusief zorgverzekeringen), met een marktaandeel van 10,1%. Op het gebied D&A kende NN (inclusief Movir) dat jaar de op één na hoogste premieomzet en een marktaandeel van 19,1%. Met betrekking tot P&C was NN in 2012 qua premieomzet de op drie na grootste speler, met een marktaandeel van 7,3% (bron: DNB). Het bedrijfsonderdeel Movir genereerde in 2012 in Nederland de op één na hoogste premieomzet uit individuele arbeidsongeschiktheidsverzekeringen, met een marktaandeel van 13,1% (bron: Verbond van Verzekeraars). In 2013 kende het segment Netherlands Non-life een premieomzet van EUR 1.582 miljoen, 17% van NN's totale premieomzet in 2013. Per 31 december 2013 bedroeg het aan het segment Netherlands Non-life toerekenbare eigen vermogen EUR 734 miljoen. • ***Insurance Europe***: NN's Europese verzekeringsactiviteiten (buiten Nederland) hadden in 2013 een aandeel van 16% in NN's totale operationeel resultaat (voor belastingen) uit doorlopende activiteiten (exclusief het segment Other). Dit segment omvat NN's activiteiten in Midden- en Oost-Europa (waartoe, in het kader van het segment Insurance Europe, Polen, Tsjechië, Slowakije, Roemenië, Hongarije, Bulgarije en Turkije worden gerekend) en in de rest van Europa (waartoe, in het kader van het segment Insurance Europe, België, Spanje, Griekenland en Luxemburg worden gerekend). NN biedt via Insurance Europe voornamelijk levensverzekeringen aan (die in Griekenland mede zorgverzekeringen omvatten). NN biedt tevens pensioenproducten aan, met name verplichte en vrijwillige pensioenfondsen in Midden- en Oost-Europa en Spanje, en biedt in België en Spanje ook schadeverzekeringsproducten aan. De levensverzekerings- en pensioenproducten worden aangeboden aan retailklanten, zelfstandigen, het MKB en grote bedrijven, de schadeverzekeringsproducten aan retailklanten en grote bedrijven. In Europa was NN in 2012, gemeten naar premieomzet, de grootste aanbieder van levensverzekeringen in Roemenië en Hongarije en in Tsjechië en Griekenland heeft NN een top vier positie. Gemeten naar beheerd vermogen was NN in 2012 de grootste aanbieder van verplichte pensioenen in Polen, Roemenië en Hongarije en van vrijwillige pensioenen in Slowakije en Roemenië. De

		distributiekanalen van Insurance Europe zijn afgestemd op distributietrends en land specifieke factoren; eigen adviseurs vormen in de meeste Midden- en Oost-Europese landen het belangrijkste kanaal, terwijl bancassurance het enige kanaal in België is. In 2013 boekte het segment Insurance Europe een premieomzet uit levensverzekeringen van EUR 2.344 miljoen, 25% van NN's totale premieomzet over dat jaar, en bedroegen de nieuwe activiteiten op basis van APE EUR 510 miljoen, 42% van NN's totale APE in 2013. Dit kan voornamelijk worden toegeschreven aan de Turkse markt voor vrijwillige pensioenen, aan de Poolse levensverzekeringsmarkt en aan Spanje en België als geheel. Per 31 december 2013 bedroeg het aan het segment Insurance Europe toerekenbare eigen vermogen EUR 1.898 miljoen. • ***Japan Life***: NN's levensverzekeringsactiviteiten in Japan droegen in 2013 13% bij aan NN's totale operationeel resultaat (voor belastingen) uit doorlopende activiteiten (exclusief het segment Other). In Japan biedt NN, via onafhankelijke adviseurs en het *bancassurance*-kanaal, met name *corporate*-*owned life insurance* (**COLI**) producten voor het MKB en de eigenaren en medewerkers van het MKB aan. COLI-producten zijn traditionele levensverzekeringpolissen die ondernemingen, met name het MKB, afsluiten op het leven van hun managers of werknemers. De bedrijven zijn daarbij zowel houder als begunstigde van de polis. COLI producten zijn ontworpen om op een fiscaal aantrekkelijke wijze te voldoen aan spaar, pensioen- en verzekeringswensen van het bedrijf, zijn werknemers en eigenaren. In Japan was NN, gemeten naar APE, in het boekjaar eindigend op 31 maart 2013 de op twee na grootste aanbieder van COLI-producten, met een marktaandeel van 9% (bron: interne schatting NN). In 2013 boekte het segment Japan Life een premieomzet van EUR 2.322 miljoen, 24% van NN's totale premieomzet over dat jaar, en bedroegen de nieuwe activiteiten op basis van APE EUR 493 miljoen, 40% van NN's totale APE in 2013. Per 31 december 2013 bedroeg het aan het segment Japan Life toerekenbare eigen vermogen EUR 1.259 miljoen. • ***Investment Management***: NN's vermogensbeheerbedrijf, dat onder de vlag NN Investment Partners zal gaan opereren, droeg in 2013 10% bij aan NN's totale operationele resultaat (voor belastingen) uit doorlopende activiteiten (exclusief het segment Other). NN Investment Partners biedt zowel retailklanten als institutionele klanten een breed scala van actief beheerde beleggingsproducten en -adviesdiensten aan, binnen alle belangrijke beleggingscategorieën en -stijlen. Daarnaast beheert de onderneming het vermogen van de verschillende verzekeringsonderdelen van NN. NN Investment Partners biedt haar producten en diensten wereldwijd aan, via kantoren in verschillende landen in Europa, de Verenigde Staten, het Midden-Oosten en Azië, waarbij het kantoor in Nederland een spilfunctie vervult voor de vermogensbeheeractiviteiten van NN Investment Partners. In Nederland was NN Investment Partners in 2012, gemeten naar beheerd vermogen, de grootste vermogensbeheerder in de retailbeleggingsmarkt, met een marktaandeel van 13,8% (bron: AF Advisors). In Polen was NN Investment Partners, gemeten naar beheerd vermogen, de nummer vijf in de retailbeleggingsmarkt, met een marktaandeel van 8,5% per 31 december 2013 (bron: IZFiA, Analizy Online). In België had NN Investment Partners per 31 december 2013, gemeten naar beheerd vermogen, een marktaandeel van 9,9% in de retailbeleggingsmarkt (bron: Beama). NN Investment Partners beheerde per 31 december

		2013 een vermogen van in totaal EUR 174.124 miljoen, waarvan EUR 74.857 miljoen beheerd werd voor retailklanten en institutionele klanten en de resterende EUR 99.267 miljoen beheer voor algemene rekening van NN's verzekeringsonderdelen en andere gelieerde activiteiten betrof. Per 31 december 2013 bedroeg het aan het segment Investment Management toerekenbare eigen vermogen EUR 359 miljoen. • ***Other***: Het segment Other omvat de activiteiten van NN Bank en NN Re (NN's interne herverzekeraar), het resultaat van de houdstermaatschappij en andere operationele resultaten. ○ *NN Bank*: NN Bank biedt een assortiment bankproducten aan voor retailklanten in Nederland. Daarnaast coördineert NN Bank de distributie van NN's individuele levens- en schadeverzekeringsproducten in Nederland teneinde de Nederlandse retailconsument een compleet productenpakket te kunnen aanbieden. De distributie verloopt via tussenpersonen en het directe kanaal van NN. ○ *NN Re*: NN Re, gevestigd in Nederland, is de interne herverzekeraar van NN. NN Re verzorgt hoofdzakelijk herverzekeringen voor de verzekeringsonderdelen van NN. NN Re beheert de risico's door excessieve verzekeringsrisico's onder te brengen bij externe herverzekeraars en (een belangrijk deel van) de marktrisico's af te dekken. NN Re herverzekert onder meer de minimumgarantieverplichtingen van Japan Closed Block VA en (een deel van) de levensverzekeringsactiviteiten van NN Tsjechië, Nationale-Nederlanden Polen en NN Hongarije. In de gesegmenteerde rapportage worden de operationele resultaten uit de herverzekeringsovereenkomst inzake de Japan Closed Block VA portefeuille verantwoord onder het segment Japan Closed Block VA. De operationele resultaten uit bepaalde herverzekeringsovereenkomsten rond de levensverzekeringsactiviteiten van NN Tsjechië, Nationale-Nederlanden Polen en NN Hongarije worden verantwoord onder het segment Insurance Europe. De overige operationele resultaten van NN Re worden verantwoord onder het segment Other. ○ *Resultaat van de houdstermaatschappij*: het resultaat van de houdstermaatschappij omvat betaalde rente op hybride leningen en schuldbewijzen, ontvangen rente op aan dochterondernemingen verstrekte leningen en op door de houdstermaatschappij gehouden kasgelden en vlottende activa, afschrijvingen op immateriële activa en niet aan de bedrijfssegmenten toerekenbare (on)kosten in relatie tot het hoofdkantoor. ○ *Andere operationele resultaten*: andere operationele resultaten zijn operationele resultaten die niet aan de bedrijfssegmenten toerekenbaar zijn, waaronder (a) de operationele resultaten uit vorderingen en juridische procedures (i) inzake de prestaties van bepaalde rentegevoelige producten die door een voormalige dochteronderneming van NN in Mexico zijn verkocht en waarvoor ING Groep krachtens een *indemnification and allocation agreement* vrijwaring van kosten verleent, en (ii) die zijn ingesteld door voormalige werknemers van een Argentijnse dochteronderneming die als

gevolg van de nationalisatie van het pensioenfondsstelsel in Argentinië hun dienstbetrekking verloren, door enkele voormalige klanten van deze dochteronderneming en door enkele derden, en (b) de operationele resultaten van Nationale-Nederlanden Overseas Finance and Investment Company in relatie tot een aan het Institute of London Underwriters (**ILU**) afgegeven garantie inzake twee voormalige verzekeringsdochters van de Vennootschap, te weten Orion en L&O.

- ***Japan Closed Block VA***: Dit segment omvat de gesloten Single Premium Variable Annuity (**SPVA**) portefeuille in Japan. Deze individuele levensverzekeringsportefeuille bestaat uit SPVA-producten met substantiële minimumgarantieverplichtingen, die vooral in de periode 2001-2009 werden verkocht. NN heeft de verkoop van deze producten in 2009 stopgezet en bouwt de portefeuille sindsdien af. Deze SPVA-portefeuille wordt gerubriceerd als een '*closed block*' (gesloten portefeuille) en beheerd als een separaat segment. Het merendeel van de gesloten SPVA-portefeuille zal naar verwachting relatief snel zijn afgebouwd, want de looptijd van de SVPA-producten is kort en al voor een belangrijk deel verstreken. Het is dan ook de verwachting dat ongeveer 90% van alle SPVA-polissen ultimo 2019 vervallen zal zijn. NN Japan verwacht dat de meeste polishouders op de vervaldatum voor een eenmalige totaaluitkering zullen kiezen, maar sommige van hen zouden er de voorkeur aan kunnen geven om de opbrengst in de vorm van een annuïteit te ontvangen. Op grond van recente ervaringen verwacht NN Japan dat minder dan 10% van de klanten voor een annuïteit kiest. Het segment Japan Closed Block VA omvat mede de operationele resultaten uit de herverzekering van de minimumgarantieverplichtingen uit hoofde van deze portefeuille door NN Re. NN Re beheert dit risico via een *hedging*programma dat ten doel heeft marktgerelateerde mutaties in de IFRS-reserves (gedeeltelijk) te neutraliseren en tegelijkertijd marktgerelateerde effecten op de vermogenspositie van NN Re te mitigeren. Per 31 december 2013 kende het resterend beheerd vermogen van de stopgezette SPVA-portefeuille een omvang van EUR 14.698 miljoen. Per 31 december 2013 bedroeg het aan het segment Japan Closed Block VA toerekenbare eigen vermogen EUR 1.236 miljoen.

Sterke punten

De kracht van NN ligt volgens het management van NN (het **Management**) vooral in:

- haar gediversifieerde platform; NN kent een leidende positie in Nederland en een sterke aanwezigheid in een aantal andere Europese markten en Japan;
- haar goede balanspositie onder een behoudend toezichtkader;
- haar ervaren en veelzijdige managementteam.

Strategie

Het Management heeft voor de Vennootschap als geheel de volgende doelstellingen bepaald:

- Op den duur en uitgaande van normale marktomstandigheden, het huidige wet- en regelgevingskader en de afwezigheid van materiele bijzondere omstandigheden, verwacht de Vennootschap vrije kasstromen ten behoeve van haar aandeelhouders (de

		Aandeelhouders) te kunnen genereren die qua omvang vergelijkbaar zijn met het operationeel resultaat uit doorlopende activiteiten na belastingen van NN. NN zal een gedisciplineerd kapitaalbeheerbeleid volgen. Het basisscenario daarbij is dat indien de Vennootschap meer kapitaal genereert dan haar kapitaaldoelstelling, dit in de meest efficiënte vorm aan de Aandeelhouders wordt teruggegeven. Een kapitaaloverschot kan echter ook voor bedrijfsdoeleinden worden aangewend indien deze doeleinden worden geacht waarde voor de Aandeelhouders te creëren. • Het Management streeft ernaar om op middellange termijn een jaarlijkse groei van het bedrijfsresultaat (voor belastingen) uit doorlopende activiteiten te realiseren van gemiddeld 5-7%; • Het Management streeft ernaar om in 2016 EUR 200 miljoen te bezuinigen in vergelijking tot 2013 op de administratieve kosten van Netherlands Life, Netherlands Non-life en van ondernemingen uit het segment Other inclusief het hoofdkantoor/ houdstermaatschappijen; en • Het Management streeft ernaar om op middellange termijn de netto rentabiliteit van het eigen vermogen voor doorlopende activiteiten te verbeteren (ten opzichte van een pro-formarentabiliteit van 7,1% in 2013).
B.4a	**Belangrijkste tendensen die een impact hebben op NN en de sectoren waarin zij werkzaam is**	**Tendensen/ontwikkelingen binnen de sector levensverzekeringen in Nederland** • ***In de pensioenmarkt worden gegarandeerde pensioenregelingen steeds vaker vervangen door beschikbare premieregelingen***: Traditionele collectieve pensioenregelingen in Nederland zijn gegarandeerde pensioenregelingen die werknemers beleggingsgaranties bieden. Als gevolg van demografische verschuivingen, nieuwe wetgeving en financiële druk staan gegarandeerde pensioenregelingen onder druk en worden beschikbare premieregelingen een steeds aantrekkelijker alternatief. • ***Pensioenhervormingen***: Net als veel andere volgroeide markten ziet Nederland zich met de economische gevolgen van vergrijzing geconfronteerd. De regering heeft dit probleem aangepakt door de pensioengerechtigde leeftijd voor arbeidsgerelateerde pensioenen in 2014 te verhogen tot 67 jaar en deze daarna te koppelen aan de levensverwachting. Tevens is de fiscale ondersteuning voor de opbouw van pensioenuitkeringen teruggeschroefd. De wijzigingen in de pensioenregelgeving noodzaken verzekeraars tot aanpassingen in hun bestaande productenportefeuille en administratieve systemen, hetgeen kostbaar kan zijn. De verminderde fiscale aftrekbaarheid van premies zal de premie-instroom bij pensioenaanbieders naar verwachting nadelig beïnvloeden. **Tendensen/ontwikkelingen binnen de sector schadeverzekeringen in Nederland** • ***Toename van het aantal schadeclaims***: De winstgevendheid van schadeverzekeringen is in de afgelopen jaren verslechterd. Zo is de netto gecombineerde ratio (schaden en operationele kosten in verhouding tot netto verdiende premies (exclusief herverzekeringen) voor inkomensverzekeringen van 85% in 2008 tot 118% in 2012 gestegen. Deze stijging hield verband met een

verhoogde frequentie en langere duur van gemeld ziekteverzuim en gemelde arbeidsongeschiktheid van werknemers en zelfstandigen.

Tendensen/ontwikkelingen in Midden- en Oost-Europa

- ***Pensioenhervormingen in Polen***: Sinds februari 2014 is in Polen nieuwe pensioenwetgeving van kracht die het regime voor pensioenfondsen ingrijpend heeft gewijzigd. De nieuwe wetgeving verplichtte open pensioenfondsen onder meer om 51,5% van het vermogen van hun particuliere leden zonder tegenprestatie over te dragen aan de pensioeninstantie van het socialezekerheidsstelsel. De pensioenhervormingen zullen het beheerd vermogen en daarmee ook de provisie-inkomsten in de Poolse pensioensector aanzienlijk verminderen, evenals de provisie-inkomsten van pensioenfondsbeheerders in het algemeen, waaronder NN. Onder invloed van de hervormingen daalde het beheerd vermogen in de Poolse sector verplichte (aanvullende) persoonlijke pensioenregelingen van EUR 66 miljard (PLN 269.6 miljard) in 2012 (bron: KNF) naar EUR 29 miljard (PLN 120 miljard) per 28 februari 2014 (bron: Polska Agencja Prasowa).

- ***Ontwikkelingen rond beleggingsverzekeringsproducten***: In Polen stemde het Poolse verbond van verzekeraars op 14 april 2014 in met de definitieve versie van een zelfregulerend initiatief dat ten doel heeft klanten ten aanzien van beleggingsverzekeringsproducten gedetailleerde informatie over de kosten, de provisies en de productstructuur te verstrekken.

  In Hongarije heeft de verzekeringsbranche zelfregulerende richtlijnen over een kostenplafond voor beleggingsverzekeringsproducten aangenomen.

  In Tsjechië is sinds 1 januari 2014 nieuwe wetgeving voor beleggingsverzekeringsproducten (wet nr. 89/2012, burgerlijk wetboek) van kracht uit hoofde waarvan verzekeraars klanten gedetailleerdere informatie over beleggingsverzekeringsproducten dienen te verstrekken – met name ten aanzien van tot de risico's, de garanties, de rendementsverwachting, de provisies en de kosten die samenhangen met de beleggingen – alvorens zij deze beleggingsverzekeringen aan hen verkopen. De nieuwe wetgeving verplicht verzekeraars tevens om klanten te attenderen op enkele bijzondere bepalingen in hun algemene voorwaarden. Dergelijke bijzondere bepalingen zijn gewoonlijk ook opgenomen in de algemene voorwaarden van beleggingsverzekeringsproducten. Indien een verzekeraar niet aan deze verplichting voldoet, is de polishouder gerechtigd de polis te vernietigen en dient de verzekeraar als gevolg daarvan de door de polishouder betaalde premies te retourneren.

Tendensen/ontwikkelingen binnen de sector *corporate-owned life insurance (COLI) in Japan*

- ***Vennootschapsbelasting***: De vennootschapsbelasting voor een grote, in Tokio gevestigde onderneming bedraagt 35,6% en ligt daarmee ruim boven het wereldwijd gemiddelde van 24% (bron: KPMG). Het tarief bedroeg tot april 2014 nog 38% en is verlaagd omdat een bijzondere heffing ten gunste van wederopbouw in door de aardbeving getroffen gebieden geschrapt is. Momenteel zijn besprekingen over eventuele verdere verlagingen van de vennootschapsbelasting gaande. Aangezien COLI-producten een fiscaal efficiënte manier vormen om bescherming te verwerven, te

		sparen en pensioen op te bouwen, zouden verdere verlagingen van de vennootschapsbelasting van invloed kunnen zijn op de verkoop van COLI-producten. • ***Wijzigingen in de marktaandelen van distributiekanalen***: Het Japanse MKB stelt steeds hogere eisen aan de adviezen en diensten van verzekeraars en distributiekanalen. Tussenpersonen en het *bancassurance*-kanaal in Japan zullen naar verwachting van deze professionaliteitslag profiteren, aangezien tussenpersonen en banken over het algemeen een hoger expertiseniveau en een bredere klantondersteuning kunnen bieden dan gebonden agenten. **Tendensen/ontwikkelingen binnen de sector vermogensbeheer** • ***Nieuwe regelgeving creëert nieuwe commerciële mogelijkheden***: Hoewel vermogensbeheerders aanpassingen dienen te doen om aan de nieuwe regelgeving te voldoen, biedt deze nieuwe regelgeving hen in sommige gevallen ook nieuwe kansen. Zo waren banken in het verleden de belangrijkste partij op het gebied van langlopende financieringen en het faciliteren van leningen. Nu zij zich uit bepaalde segmenten van de kapitaalmarkten terugtrekken, hebben vermogensbeheerders de kans de ontstane lacunes op te vullen. Andere investeerders, zoals pensioenfondsen en verzekeraars, tonen namelijk belangstelling voor dergelijke kredieten en kunnen vermogensbeheerders inschakelen om de portefeuilles te beheren. De Europese Commissie is voornemens om deze transitie via nieuwe regelgeving voor Europese beleggingsfondsen met een lange horizon te faciliteren. De nieuwe regelgeving voor Europese verzekeraars, *Solvency II*, schept ook mogelijkheden voor vermogensbeheerders om met nieuwe producten en diensten in dergelijke klantbehoeften te voorzien. • ***Provisieverbod***: In Nederland en het Verenigd Koninkrijk is de wetgeving verder aangescherpt dan de MiFID-richtlijn voorschrijft. Provisies uitbetaald door fondsbeheerders aan distributeurs zijn in het Verenigd Koninkrijk sinds 1 januari 2013 en in Nederlands sinds 1 januari 2014 niet meer toegestaan. Fondsdistributeurs zullen zich door dit provisieverbod tot aanpassing van hun bedrijfsmodel gedwongen zien om rechtstreeks rekeningen aan klanten te kunnen uitbrengen. De wetgeving kan ook gevolgen hebben voor de fondsbeheerders, die in hun huidige bedrijfsmodel een deel van hun beheervergoeding aan de distributeur van het product betalen. Op Europees niveau staat bovendien MiFID II op stapel, de volgende versie van de MiFID-richtlijn. In de herziene richtlijn zullen waarschijnlijk nieuwe bepalingen over provisiebetalingen van fondsbeheerders aan distributeurs opgenomen zijn. **Tendensen/ontwikkelingen binnen de banksector in Nederland** • ***Inperkende wetgeving ten aanzien van aflossingsvrije leningen en de verhouding tussen de hoogte van de lening ten opzichte van de waarde van het onderpand (Loan-to Value (LTV)-ratio)***: In januari 2013 zijn inperkende maatregelen ingevoerd ten aanzien van aflossingsvrije leningen en de *LTV-ratio*. Deze maatregelen hebben ten doel de Nederlandse huizen- en hypotheekmarkt te stabiliseren en het overheidstekort te verminderen. De maatregelen houden onder meer in dat nieuwe hypotheken binnen dertig jaar annuïtair of lineair moeten worden afgelost om voor hypotheekrenteaftrek in aanmerking te komen en dat de maximale *LTV-ratio* voor nieuwe hypotheken in 2013 op 105% is gesteld en jaarlijks met 1% zal worden verlaagd tot 100% in 2018. Ook voor hypotheekgerelateerde

kapitaalverzekeringen is de fiscale behandeling gewijzigd. Sinds 1 januari 2013 is het gunstige belastingregime voor hypotheekgerelateerde kapitaalverzekeringen niet langer van toepassing en worden nieuwe verzekeringen van dit type belast als een deel van de inkomsten uit sparen en beleggen.

B.5 **Omschrijving van NN en de plaats van de Vennootschap daarin**

De Vennootschap is de houdstermaatschappij van een groep met de volgende materiële dochterondernemingen, die per de datum van het Prospectus direct of indirect door de Vennootschap worden gehouden en die betrokken zijn bij de activiteiten van de Vennootschap:

Materiële dochterondernemingen

	Land van oprichting	Aard van de activiteiten	Percentage van aandelen en stemrechten gehouden door de Vennootschap (direct of indirect)
Nationale-Nederlanden Levensverzekering Maatschappij N.V.	Nederland	levensverzekeringen	100%
Nationale-Nederlanden Schadeverzekering Maatschappij N.V.	Nederland	schadeverzekeringen	100%
Parcom Capital B.V.	Nederland	*private equity*	100%
Nationale-Nederlanden Services N.V.	Nederland	levensverzekeringen	100%
Movir N.V.	Nederland	schadeverzekeringen	100%
ING Re (Netherlands) N.V.	Nederland	herverzekeringen	100%
Nationale-Nederlanden Bank N.V.	Nederland	bankgerelateerde activiteiten	100%
ING Investment Management Holdings N.V.	Nederland	vermogensbeheer	100%
ING Pojistovna, a.s.	Tsjechië	schadeverzekeringen	100%
ING Uslugi Finansowe S.A.	Polen	financiële dienstverlening	100%
ING Biztosító Zártkörûen Mûködõ Részvénytársaság	Hongarije	levensverzekeringen	100%
ING Pensionno-Osigoritelno Druzestvo EAD	Bulgarije	pensioengerelateerde activiteiten	100%
ING Životná poist'ovna, a.s.	Slowakije	levensverzekeringen	100%
ING Asigurari de Viata S.A	Roemenië	levensverzekeringen	100%
ING Powszechne Towarzystwo Emerytalne S.A.	Polen	pensioengerelateerde activiteiten	80%[1]
ING Life Belgium NV	België	levensverzekeringen	100%
ING Non Life België NV	België	schadeverzekeringen	100%
ING Life Luxemburg S.A.	Luxemburg	levensverzekeringen	100%
Nationale-Nederlanden Vida, Compania de Seguros y Reaseguros S.A.	Spanje	levensverzekeringen	100%
Nationale Nederlanden Generales, Compania de Seguros y Reaseguros S.A.	Spanje	schadeverzekeringen	100%
ING Greek Life Insurance Company S.A.	Griekenland	levensverzekeringen	100%
ING Emeklilik A.S.	Turkije	pensioengerelateerde activiteiten	100%
ING Life Insurance Company, Ltd.	Japan	levensverzekeringen	100%

(1) In mei 2014 hebben ING Bank Śląski S.A. en ING Continental Europe Holdings B.V., een volle dochteronderneming van de Vennootschap, een niet-bindende overeenkomst gesloten inzake de beoogde verwerving door ING Continental Europe Holdings B.V. van 20% van de aandelen in ING Powszechne Towarzystwo Emerytalne S.A.

B.6	**Personen die moeten melden dat zij een direct of indirect belang in het kapitaal van, of stemrechten in de Vennootschap hebben**	Per de datum van het Prospectus kent de Vennootschap één aandeelhouder: ING Groep. ING Groep houdt momenteel 100% van het totale nominale geplaatste aandelenkapitaal van de Vennootschap.
	Afwijkende stemrechten van aandeelhouders	ING Groep kent dezelfde stemrechten per Gewoon Aandeel als andere houders van Gewone Aandelen.
B.7	**Geselecteerde historische financiële kerngegevens**	De verkorte financiële informatie over NN, zoals hieronder samengevat, omvat mede bepaalde geconsolideerde financiële informatie per en over de jaren eindigend op 31 december 2013, 2012 en 2011, die ontleend is aan NN's gecontroleerde geconsolideerde jaarrekening over het boekjaar eindigend op 31 december 2013 (de **Jaarrekening 2013**), bepaalde geconsolideerde financiële informatie per en over de perioden van drie maanden eindigend op 31 maart 2014 en 2013, die ontleend is aan de tussentijdse geconsolideerde verslaggeving van NN, alsmede andere gegevens en kerncijfers per en over de jaren eindigend op 31 december 2013, 2012 en 2011 en per en over de perioden van drie maanden eindigend op 31 maart 2014 en 2013. Om vergelijkbare informatie over perioden te verstrekken, is de informatie over de jaren 2012 en 2011 in dit onderdeel ontleend aan NN's gecontroleerde geconsolideerde winst-en-verliesrekening van NN's doorlopende activiteiten over de jaren eindigend op 31 december 2012 en 2011 en aan de NN's geherrubriceerde geconsolideerde balans over de jaren eindigend op 31 december 2012 en 2011.

VERKORTE GECONSOLIDEERDE WINST-EN-VERLIESREKENING NN

	Eerste drie maanden eindigend 31 maart		Jaar eindigend 31 december		
	(niet gecontroleerd)				
(in miljoenen EUR)	**2014**	**2013**	**2013**	**2012**	**2011**
Bruto premie-inkomen	3.491	3.633	9.530	10.705	11.292
Opbrengst beleggingen	855	893	3.619	3.739	3.483
Resultaat uit verkoop van groepsmaatschappijen	—	—	-45	—	-4
Provisie-inkomen	164	147	626	593	637
Herwaarderingsresultaat niet-handelsderivaten	141	-1.342	-2.891	-2.574	1.025
Valutaresultaat en netto handelsresultaat	-44	249	186	539	-117
Resultaat deelnemingen	79	25	97	37	190
Overige baten	6	7	39	-22	110
Totaal baten	4.692	3.612	11.161	13.017	16.616
Verzekeringstechnische lasten	3.839	2.583	8.585	10.277	13.157
Afschrijving immateriële vaste activa en overige afwaarderingen	1	2	11	69	42
Personeelskosten	843	310	1.178	1.037	1.128
Rentelasten	110	152	591	605	728
Overige bedrijfsuitgaven	183	209	848	1.274	1.093
Totaal lasten	4.976	3.256	11.213	13.262	16.148
Resultaat voor belastingen uit voortdurende activiteiten	-284	356	-52	-245	468
Belastingen	-83	78	-50	-113	15
Nettoresultaat uit voortdurende activiteiten (voor toerekening aan minderheidsbelangen)	**-201**	**278**	**-2**	**-132**	**453**

VERKORTE OPERATIONEEL RESULTAAT INFORMATIE PER SEGMENT VAN NN

	Eerste drie maanden eindigend 31 maart		Jaar eindigend 31 december		
	(*niet gecontroleerd*)				
(in miljoenen EUR)	**2014**	**2013**	**2013**	**2012**	**2011**
Operationeel resultaat[1]					
Netherlands Life	153	138	709	623	768
Netherlands Non-life	22	-3	79	103	186
Insurance Europe	45	42	199	219	266
Japan Life	66	83	161	196	119
Investment Management	39	31	131	109	124
Other[2]	-31	-115	-373	-399	-313
Operationeel resultaat doorlopende activiteiten3	**295**	**175**	**905**	**852**	**1.150**
Niet-operationele elementen doorlopende activiteiten[4]	-27	15	-229	-779	-660
Japan Closed Block VA[5]	-36	162	-669	105	138
Insurance Other[6]	—	-5	-18	-22	-28
Special elementen voor belastingen[7]	-572	-29	-126	-451	-214
Resultaat uit des-investeringen[8]	56	37	84	50	83
Resultaat voor belastingen	**-284**	**356**	**-52**	**-245**	**468**
Belastingen	-83	78	-50	-113	15
Netto resultaat uit voortdurende activiteiten (voor toerekening aan minderheidsbelangen)	**-201**	**278**	**-2**	**-132**	**453**

(1) Resultaat voor belastingen in overeenstemming met IFRS, met uitzondering van niet-operationele elementen, desinvesteringen, niet verder te continueren activiteiten en speciale elementen.

(2) Other bevat (het operationeel resultaat van) de activiteiten van NN Bank end NN Re, het resultaat van de houdstermaatschappij en bepaalde overige resultaten.

(3) Doorlopende activiteiten bevat alle segmenten van NN die geconsolideerd werden per 31 december 2013, met uitzondering van Japan Closed Block VA en Insurance Other.

(4) De niet-operationele elementen voor de doorlopende activiteiten bevatten i) gerealiseerde winsten en verliezen en ook waardeverminderingen op financiële activa beschikbaar voor verkoop, ii) herwaarderingen op activa tegen reële waarde met waarde-mutaties via de winst- en verliesrekening en iii) resultaten als gevolg van marktbewegingen en andere oorzaken welke voornamelijk de wijziging is in de voorziening voor garanties op pensioencontracten met gesepareerde beleggingen (na aftrek van risicoafdekking) in Nederland.

(5) Resultaat voor belastingen van Japan Closed Block VA.

(6) Insurance Other bevat de kosten van de schade-eisen, ingediend door de koper van bepaalde Mexicaanse dochterondernemingen, en hoofdkantoorkosten van ING Groep die toegerekend zijn aan NN. NN's aandeel in het resultaat van SulAmérica en het netto resultaat uit de verkoop van SulAmérica zijn begrepen in "resultaat uit desinvesteringen".

(7) Speciale elementen omvat (materiële) elementen van inkomsten of kosten die voortvloeien uit gebeurtenissen of transacties die duidelijk buiten de gewone activiteiten van de Onderneming vallen.

(8) Resultaat uit desinvesteringen bevat het resultaat voor belastingen van NN's aandeel in het resultaat van SulAmérica en resultaten uit de afwikkeling van een pensioen portefeuille in Nederland.

VERKORTE GECONSOLIDEERDE BALANS NN

	Per 31 maart[1]	Per 31 december		
(*in miljoenen EUR*)	(*niet gecontroleerd*) **2014**	**2013**	**2012 geherrubriceerd[2]**	**2011 geherrubriceerd[2]**
Activa				
Liquide middelen en kasequivalenten	8.114	7.155	4.347	9.707
Beleggingen beschikbaar voor verkoop	63.684	61.014	68.316	60.646
Financiële activa tegen reële waarde met waardemutaties door het resultaat	42.360	43.933	51.764	48.765
Kredieten	25.905	25.319	17.676	20.870
Herverzekeringscontracten	275	252	266	373
Deelnemingen	1.243	1.028	1.265	1.435
Beleggingen in onroerend goed	743	764	799	865
Gebouwen en bedrijfsmiddelen	162	164	203	243
Immateriële vaste activa	382	392	437	510
Overlopende acquisitiekosten	1.412	1.353	3.142	3.404
Overige activa	3.274	3.754	4.558	5.670
Activa aangehouden voor verkoop	180	630	185,981	183,120
Totaal activa	**147.734**	**145.758**	**338.753**	**335.608**
Eigen vermogen				
Eigen vermogen (moedermaatschappij)[3]	14.682	14.227	26.423	23.412
Minderheidsbelangen	72	68	217	62
Totaal eigen vermogen	**14.754**	**14.295**	**26.640**	**23.474**
Vreemd vermogen				
Achtergestelde leningen	2.890	2.892	2.947	4.367
Uitgegeven schuldbewijzen	—	—	773	2,934
Overige leningen	4.243	4.817	5.293	5.876
Verzekerings- en beleggingscontracten	113.835	111.551	123.013	121.683
Toevertrouwde middelen	6.190	5.769	—	—
Niet-handelsderivaten	1.396	1.843	2.610	1.696
Overige schulden	4.408	4.125	5.920	5.808
Verplichtingen aangehouden voor verkoop	18	466	171.558	169.770
Totaal vreemd vermogen	**132.980**	**131.463**	**312.113**	**312.134**
Totaal eigen en vreemd vermogen	**147.734**	**145.758**	**338.753**	**335.608**

(1) Het eigen vermogen op de balans per 1 januari 2014 geeft een daling weer van EUR 165 miljoen. Deze daling is het gevolg van het cumulatieve effect van de overgang op marktwaardering voor de GMDB-voorzieningen van het segment Japan Closed Block VA.

(2) Om vergelijkbare informatie te verschaffen, heeft NN Geherrubriceerde Balansopstellingen gemaakt. Zie noot 54 van de Toelichting op de Jaarrekening 2013.

(3) De afname van het eigen vermogen, van EUR 26.423 miljoen per 31 december 2012 naar EUR 14.227 miljoen per 31 december 2013, houdt voornamelijk verband met een post van EUR 3.793 miljoen aan niet-gerealiseerde negatieve herwaarderingen van beleggingen beschikbaar voor verkoop (na aftrek van uitgestelde winstdeling), met name in de obligatieportefeuille als gevolg van hogere marktrentes, en een mutatie van EUR 8.784 miljoen in de samenstelling van de Vennootschap in verband met de beursintroductie van ING U.S. en de overdracht van het resterende belang in ING U.S. aan ING Groep op 30 september 2013 in de vorm van dividend in natura. Deze vermindering van het eigen vermogen werd gedeeltelijk gecompenseerd door een netto kapitaalbijdrage van EUR 448 miljoen door ING Groep. Zie "*Parent company statement of changes in equity of NN Group N.V.*" in de Jaarrekening 2013 en NN's ongecontroleerde, gecondenseerde, geconsolideerde tussentijdse financiële staten voor de drie maanden eindigend op 31 maart 2014 voor een nadere toelichting op de mutaties in het eigen vermogen.

VERKORTE KEY PERFORMANCE INDICATORS EN ANDERE KERNCIJFERS

NN beoordeelt de financiële resultaten van de Vennootschap en haar bedrijfssegmenten aan de hand van een reeks *key performance indicators*. De Vennootschap is van mening dat elk van deze maatstaven relevante informatie verschaft over de financiële resultaten van de onderneming en de activiteiten. Bepaalde *key performance indicators* zijn echter geen algemeen aanvaarde financiële maatstaven (*non-GAAP*) en dienen derhalve niet als een substituut voor financiële maatstaven op basis van *International Financial Reporting Standards* (**IFRS**) te worden opgevat. Deze maatstaven kunnen bovendien door andere ondernemingen op een afwijkende wijze worden gedefinieerd of berekend, waardoor NN's *key performance indicators* mogelijk niet vergelijkbaar zijn met identiek genaamde maatstaven die door andere bedrijven berekend zijn.

Gedisciplineerd en proactief kapitaalbeheer neemt binnen NN een belangrijke plaats in, met een basisscenario om kapitaaloverschotten ten opzichte van haar kapitaalambitie op een zo efficiënt mogelijke wijze aan aandeelhouders terug te geven. NN volgt daarom naast hieronder genoemde *key performance indicators*, ook de ontwikkeling van de solvabiliteit en de vermogenspositie van de Vennootschap en haar dochtermaatschappijen op de voet.

	Eerste drie maanden eindigend 31 maart		**Jaar eindigend 31 december**		
(*niet-gecontroleerd*)	(*niet gecontroleerd)*				
(*in miljoenen EUR*)	**2014**	**2013**	**2013**	**2012**	**2011**
Doorlopende activiteiten					
Cijfers nieuwe productie					
Eénmalige koopsommen	437	437	1.741	2.456	3.130
Jaarlijkse premies	396	354	1.053	1.108	1.120
Nieuwe productie levensverzekeringen (APE)[1]	439	398	1.227	1.353	1,433
Key performance indicators					
Bruto premie-inkomen[2]	3.489	3.633	9.525	10.713	11.281
Totaal administratieve kosten[3]	437	460	1.807	1.806	1.815
waarvan personeelskosten	302	309	1.181	1.135	1.091
Kosten/batenverhouding (administratieve kosten/ operationele inkomsten)	34,6%	37,3%	37,1%	36,0%	35,2%
Gecombineerde ratio Netherlands Non-life[4]	100,2%	106,5%	101,5%	101,5%	97,4%
Beheerd vermogen Investment Management (einde periode)	167.658	184.473	174.124	184.795	168.736
Aan levensverzekeringen gerelateerde beleggingen voor algemene rekening (einde periode)[5]	77.388	76.107	75.043	75.423	74.490
Investment spread (Beleggingsmarge[6]/Aan levensverzekeringen gerelateerde beleggingen voor algemene rekening) (4 kwartalen voortschrijdend gemiddeld in basispunten)	92	88	89	92	107
Voorziening contracten voor risico van polishouders (einde periode)[7]	23.617	25.717	24.985	27.023	25.680
Klantentegoed (einde periode)[8]	200.733	196.518	208.931	192.500	173.276
Operationeel nettorendement eigen vermogen[9]	9,9%	n.v.t.	8,9%	n.v.t.	n.v.t.
Japan Closed Block VA					
Voorziening verzekeringsverplichtingen onder IFRS (einde periode)[10]	1.268	2.159	868	3.306	5.195
Opgebouwde waarde (einde periode)[11]	14.175	17.205	14.687	16.894	17.605
Netto risicopositie (einde periode)[12]	870	2.497	663	4.187	7.095
Totaal NN					
Totaal administratieve kosten[3]	441	473	1.842	1.841	1.852
Kosten/batenverhouding (administratieve kosten/ operationele inkomsten)	34,1%	37,3%	36,8%	35,7%	34,9%
Klantentegoed (einde periode)[8]	214.896	213.355	223.630	209.749	190.866
IGD Solvabiliteitsratio I (einde periode)[13]	245%	254%	251%	236%	224%

(1) Het totaal van de jaarlijkse premies en 10% van de eenmalige koopsommen die zijn verkocht.

(2) Het totaal van de geboekte premies (al dan niet verdiend) voor verzekerings- en herverzekeringscontracten, onder aftrek van de afgestane herverzekeringspremies.

(3) Dat deel van de operationele kosten dat niet rechtstreeks toerekenbaar is aan het verwerven van nieuwe productie.

(4) Schadelast en kosten uit hoofde van schadeverzekeringen als percentage van de netto verdiende premie, voor het segment Netherlands Non-life en exclusief de tussenpersoon activiteiten.

(5) Alle activa van NN die haar levensverzekeringsactiviteiten ondersteunen, met uitzondering van activa die toegewezen zijn aan een gesepareerde belegging.

(6) De marge tussen de bruto-opbrengst uit beleggingen (exclusief niet-operationele elementen) met betrekking tot activa voor algemene rekening en NN's eigen vermogen minus rente die ten gunste is gebracht van de polishouderverplichtingen voor algemene rekening (inclusief winstdeling) en gerelateerde beleggingskosten.

(7) Technische voorziening voor contracten die verbonden zijn aan een specifieke portefeuille van beleggingsfondsen / activa en waarbij het beleggingsrisico door de polishouders wordt gedragen.
(8) Alle klanttegoeden op of buiten de balans waarvoor NN een spread of een provisie ontvangt.
(9) Netto operationeel resultaat gedeeld door het gemiddelde aangepaste toegewezen vermogen.
(10) De verzekeringstechnische reserve, door NN conform IFRS gevormd, met betrekking tot de geraamde kosten van (gegarandeerde minimum)uitkeringen aan polishouders en daaraan gerelateerde kosten op grond van de voorwaarden van de door het segment Japan Closed Block VA geboekte VA-contracten.
(11) Het totaal van de opgebouwde waarden van de activa waarmee de VA-contracten zijn gedekt. Bij Japan Closed Block VA zijn de rekeningwaarden gelijk aan de klantentegoeden.
(12) Het verschil tussen de gegarandeerde minimumuitkeringen uit hoofde van een VA-contract en de rekeningwaarden, dit betreft polissen waarbij de gegarandeerde waarde hoger is dan de actuele waarde van de activa waarmee het contract is gedekt.
(13) Beschikbaar solvabiliteitskapitaal als percentage van het vereiste solvabiliteitskapitaal, conform de definities van deze begrippen in de *Insurance Groups Directive* (**IGD**) van de EU.

B.7	**Beschrijving van significante veranderingen in de financiële situatie van de Vennootschap en de operationele resultaten gedurende of volgende op de periode waarop de belangrijke historische financiële informatie betrekking heeft**	• In 2013 bedroeg NN's operationeel resultaat uit doorlopende activiteiten EUR 905 miljoen, 6,2% hoger dan het niveau van EUR 852 miljoen in 2012. Deze stijging kan voornamelijk worden toegeschreven aan hogere operationele resultaten van de segmenten Netherlands Life en Investment Management. Lagere operationele resultaten van Insurance Europe en Japan Life deden de toename gedeeltelijk teniet, evenals een lager operationeel resultaat van Netherlands Non-life. Het verbeterde operationeel resultaat van Netherlands Life was te danken aan een hogere technische marge in vergelijking met het jaar ervoor. Het lagere operationeel resultaat van Netherlands Non-life werd veroorzaakt door een toegenomen aantal schaden binnen de P&C-activiteiten, hetgeen slechts gedeeltelijk door een hoger operationeel resultaat van de D&A-producten werd gecompenseerd. Bij Insurance Europe daalde het operationeel resultaat ondanks lagere kosten, hetgeen verband hield met verminderde beleggingen en technische marges. Het operationeel resultaat van Japan Life nam eveneens af, met de forse waardedaling (22,1%) van de Japanse yen tegenover de euro in 2013 als oorzaak. Het operationeel resultaat van Investment Management nam in 2013 toe, waaraan toegenomen provisie-inkomsten als gevolg van hoger renderende producten en lagere kosten ten grondslag lagen. • In 2012 bedroeg NN's operationeel resultaat uit doorlopende activiteiten EUR 852 miljoen, 26,0% lager dan het niveau van EUR 1.150 miljoen in 2011. Alle segmenten met doorlopende activiteiten vertoonden een daling, met uitzondering van Japan Life. De verslechtering werd voornamelijk veroorzaakt door lagere operationele baten, met name in de segmenten Netherlands Life en Insurance Europe. Het lagere operationeel resultaat van Netherlands Non-life hing samen met hogere schaden in het D&A-productassortiment. Deze negatieve ontwikkelingen werden voor een deel geneutraliseerd door een marginale daling (0,5%) van de administratieve kosten in 2012, met name in Netherlands Life, Netherlands Non-life en Insurance Europe, en door hogere provisiebaten en op premie gebaseerde omzet, vooral in Japan Life. • Tegen de achtergrond van de economische recessie daalde het omzetvolume van NN, uitgedrukt in APE, van EUR 1.433 miljoen in 2011 naar EUR 1.227 miljoen in 2013. Deze recente afname concentreert zich in de omzet van individuele levensverzekeringen in Nederland, België en Luxemburg. Bij Insurance Europe, waaronder België en Luxemburg vallen, werd de teruglopende omzet van individuele levensverzekeringen enigszins gecompenseerd door een veerkrachtiger omzet van collectieve levensverzekeringen, die gewoonlijk op langerlopende (pensioen)contracten gebaseerd zijn, en een sterke groei van de levensverzekeringsactiviteiten (met inbegrip van vrijwillige pensioenen) in Turkije. • Hogere *credit spreads*, afwaarderingen en wanbetaling op obligaties na de wereldwijde financiële crisis en de staatsschuldencrisis in de

		eurozone waren voor NN reden om op een meer voorzichtige beleggingsstrategie over te stappen. In dit kader zijn beleggingen in aandelen naar vastrentende effecten overgeheveld en is nadruk gelegd op posities in staatsobligaties van landen met een hoge financiële stabiliteit. In 2011 boekte NN al haar belangen in Grieks staatspapier af tot marktwaarde, hetgeen in een afwaardering van EUR 390 miljoen resulteerde, en werd met betrekking tot achtergestelde leningen van Ierse banken een afwaardering van in totaal EUR 189 miljoen verantwoord. Tevens schroefde NN haar aandelenbeleggingen voor algemene rekening in Nederland terug, in 2012 met EUR 870 miljoen en begin 2013 met nog eens EUR 150 miljoen. Deze risico verlagende maatregelen hadden een negatieve invloed op het beleggingsrendement doordat zowel het rechtstreekse rendement (dividenden) als het indirecte rendement (vermogenswinst) op aandelenbelangen verminderde. • De gevolgen van de financiële crisis kwamen ook tot uitdrukking in de vastgoedportefeuille van NN, die sinds 2011 negatieve herwaarderingen heeft ondergaan. De herwaarderingen van *private equity* bleven in 2011 en 2012 positief, al waren ze lager dan in de jaren daarvoor, met een groter herstel in 2013. Gedurende 2011 en 2012 hield NN putopties op aandelen om het aanwezige solvabiliteitsvermogen te beschermen tegen nadelige bewegingen in de aandelenmarkten. Het gedeeltelijke herstel van de financiële markten in 2012 had negatieve herwaarderingen van deze putopties tot gevolg, die in het tweede halfjaar van 2012 zijn afgewikkeld. • NN heeft in de afgelopen jaren een aantal initiatieven ter vermindering van haar kostenbasis uitgevoerd. Het transformatieprogramma voor de Nederlandse markt had ten doel een klantgedreven organisatie te creëren die door middel van gestandaardiseerde processen en systemen producten met een gunstig prijsprofiel kon aanbieden. Per 31 december 2013 was op een structurele *run-rate* basis EUR 138 miljoen aan besparingen gerealiseerd, hetgeen neerkwam op een vermindering van 818 *full-time equivalents* (**FTE's**). Op voornoemde datum bedroeg het resterende deel van de beoogde personeelsreductie 532 FTE's, waarvoor een voorziening van EUR 110 miljoen ter dekking van de herstructureringskosten beschikbaar was. In 2013 zijn investeringen ter grootte van EUR 44 miljoen (na belastingen) gedaan om processen en systemen te verbeteren. • De functionele scheiding van de bank- en verzekeringsactiviteiten van ING Groep bracht tussen 2010 en 2012 aanzienlijke project- en herstructureringskosten voor NN met zich mee. Op vele gebieden, variërend van *governance*, ondersteunende functies, payrolldiensten en facilitair beheer tot IT-diensten, werden *stand-alone* voorzieningen getroffen, waar het voorheen gebruik kon maken van ondersteuning en diensten van ING Groep. De kosten van de scheiding in NN's boekjaren eindigend op 31 december 2012 en 2011 bedroegen respectievelijk EUR 100 miljoen en EUR 129 miljoen. Van de transformatiekosten in Nederland betrof EUR 26 miljoen herstructureringsvoorzieningen, met name in verband met de reorganisatie van WestlandUtrecht Bank N.V. en haar dochterondernemingen (**WUB**), die gedurende 2013 gedeeltelijk aan NN werd overgedragen. • ING Groep heeft in 2013 een kapitaalinjectie in NN gedaan van EUR 1.330 miljoen (EUR 1.000 miljoen om schulden af te lossen en EUR 330 miljoen om een deel van de activiteiten van WUB te

		acquireren). Als gevolg van deze kapitaalinjectie en een gewijzigde methodiek om de afstemming op de *Solvency II* richtlijnen te verbeteren, bedroeg de verhouding tussen de beschikbare financiële middelen (*available financial resources*; **AFR**) en het economisch kapitaal (exclusief het segment Other) 193% op 31 december 2013, een stijging van 62 procentpunt ten opzichte van het niveau van 131% op 31 december 2012. Economisch kapitaal is het minimale bedrag aan kapitaal dat vereist is om onverwachte verliezen te absorberen in geval van aanzienlijke stress; voor NN is het economische kapitaal gebaseerd op 99.5% waarschijnlijkheidsinterval hetgeen consistent is met de *Solvency II* richtlijnen. • In het eerste kwartaal van 2014 bedroeg NN's operationeel resultaat uit te doorlopende activiteiten EUR 295 miljoen, een toename van 68,6% ten opzichte van het eerste kwartaal van 2013 (EUR 175 miljoen). Deze toename was te danken aan verbeterde resultaten in alle (lopende) bedrijfssegmenten, Japan Life uitgezonderd. Het hogere operationeel resultaat van Netherlands Life kan worden toegeschreven aan een hogere beleggingsmarge en lagere kosten, die ten dele door lagere provisiebaten en op premie gebaseerde omzet werden gecompenseerd. Het operationeel resultaat van Netherlands Non-life steeg voornamelijk door een gunstiger schadeverloop binnen inkomen. Bij Insurance Europe was het verbeterde operationeel resultaat grotendeels aan lagere provisiebaten en op premie gebaseerde omzet te danken. Japan Life kende in het eerste kwartaal van 2014 een operationeel resultaat van EUR 66 miljoen, een daling van 7,0% ten opzichte van het eerste kwartaal van 2013 (EUR 83 miljoen). De waardevermindering van de Japanse yen tegenover de euro was de belangrijkste oorzaak van deze daling. Investment Management behaalde in het eerste kwartaal van 2014 ten opzichte van hetzelfde kwartaal van 2013 een beter operationeel resultaat, dankzij hogere provisie-inkomsten. • Op 8 april 2014 gaf de Vennootschap achtergestelde obligaties met een totale nominale waarde van EUR 1.000.000.000 uit, die na bepaalde tijd van vastrentend in variabel renteprofiel verandert. Deze achtergestelde obligaties vervallen in april 2044 en worden in het kader van kapitaaltoereikendheid als Tier 2 vermogen aangemerkt. De opbrengst van de uitgifte van de obligaties bedroeg EUR 985 miljoen en is in april 2014 aangewend voor de aflossing van EUR 585 miljoen aan achtergestelde obligaties van ING Groep en EUR 400 miljoen van een door ING Groep aan de Vennootschap verstrekte kortlopende senior lening. • Op 28 mei 2014 voorzag ING Groep de Vennootschap van een kapitaalinjectie van EUR 850 miljoen en sloot de Vennootschap (als lenende partij) met ING Groep (als uitlenende partij) een senior leningsovereenkomst inzake een ongedekte senior lening van in totaal EUR 400 miljoen. De betreffende gelden zijn gebruikt om de kapitalisatie van NN Life met EUR 450 miljoen te versterken (door middel van een achtergestelde lening), om een senior lening van EUR 600 miljoen aan ING Groep terug te betalen en om de kaspositie van de Vennootschap met EUR 200 miljoen te verhogen.
B.8	**Geselecteerde *pro forma* financiële gegevens**	Niet van toepassing. In het Prospectus is geen *pro forma* financiële informatie opgenomen.
B.9	**Winstprognose**	Niet van toepassing. In het Prospectus is geen winstprognose of -raming opgenomen.

B.10	**Historische voorbehouden in de verklaring van accountant**	Niet van toepassing. Er zijn geen voorbehouden gemaakt.
B.11	**Verklaring indien het werkkapitaal niet toereikend is**	De Vennootschap acht het werkkapitaal toereikend voor haar huidige behoeften, dat wil zeggen voor een periode van ten minste 12 maanden na de datum van het Prospectus.

Afdeling C – Effecten		
C.1	**Soort en klasse, ISIN-code van de Gewone Aandelen**	ING Groep biedt 70.000.000 Gewone Aandelen in het kapitaal van de Vennootschap aan, met een nominale waarde van EUR 0,12 per aandeel. Symbool: 'NN' International Security Identification Number (ISIN): NL0010773842. Common code: 107643095
C.2	**Munteenheid van de Aangeboden Aandelen**	De Aanbieding wordt uitgevoerd in euro's. De Aangeboden Aandelen luiden in euro's.
C.3	**Aantal uitgegeven Gewone Aandelen en nominale waarde**	Per de datum van het Prospectus bedraagt het geplaatste aandelenkapitaal van de Vennootschap EUR 45.000. Dit aandelenkapitaal is verdeeld in 45,000 Gewone Aandelen, elk met een nominale waarde van EUR 1. Alle geplaatste Gewone Aandelen zijn volgestort. Ingevolge een akte van uitgifte van 349.625.000 Gewone Aandelen die in werking treedt bij het verlijden van de notariële akte van statutenwijziging op de derde werkdag na de eerste handelsdag waarop betaling en levering van de Aangeboden Aandelen zal plaatsvinden (de **Afwikkelingsdatum**), zal het uitstaande aandelenkapitaal van de Vennootschap EUR 42.000.000 gaan bedragen, verdeeld in 350.000.000 Gewone Aandelen elk met een nominale waarde van EUR 0,12.
C.4	**Rechten verbonden aan de Aangeboden Aandelen**	Elk Aangeboden Aandeel geeft de houder het recht om één stem in de algemene vergadering van aandeelhouders van de Vennootschap (de **Algemene Vergadering**) uit te brengen. Elke Aandeelhouder is bevoegd de Algemene Vergadering bij te wonen, daarin het woord te voeren en zijn/haar stemrechten uit te oefenen. Aandeelhouders kunnen zich via een schriftelijke gevolmachtigde laten vertegenwoordigen. Meerderheidsaandeelhouders hebben dezelfde stemrechten per Gewoon Aandeel als andere houders van Gewone Aandelen. Iedere houder van Gewone Aandelen heeft bij de uitgifte van nieuwe Gewone Aandelen (of bij toekenning van rechten om Gewone Aandelen te nemen) een voorkeursrecht naar evenredigheid van de totale nominale waarde van de door hem/haar gehouden Gewone Aandelen. Houders van Gewone Aandelen hebben geen voorkeursrecht bij de uitgifte van nieuwe Gewone Aandelen (of verlening van inschrijvingsrechten op Gewone Aandelen) (i) bij inbreng in natura (anders dan in geld), (ii) aan medewerkers van NN of (iii) aan personen die een hen eerder verleend recht om Gewone Aandelen te nemen. Houders van Gewone Aandelen hebben ook geen voorkeursrecht bij uitgifte van preferente aandelen in het kapitaal van de Vennootschap met een nominale waarde van elk EUR 0,12 (**Preferente Aandelen**).

		Op voorstel van de raad van bestuur van de Vennootschap (de **Raad van Bestuur**), dat is goedgekeurd door de raad van commissarissen van de Vennootschap (de **Raad van Commissarissen**) – mits, zolang ING Groep direct of indirect 30% of meer van de geplaatste Aandelen (exclusief Preferente Aandelen) houdt, de door ING Groep genomineerde leden van de Raad van Commissarissen vóór hebben gestemd – kan de Algemene Vergadering besluiten om de voorkeursrechten te beperken of uit te sluiten. De Algemene Vergadering kan tevens de Raad van Bestuur aanwijzen om, met voorafgaande goedkeuring van de Raad van Commissarissen – mits, zolang ING Groep direct of indirect 30% of meer van de geplaatste Aandelen (exclusief Preferente Aandelen) houdt, de door ING Groep genomineerde leden van de Raad van Commissarissen vóór hebben gestemd – tot beperking of uitsluiting van de voorkeursrechten te besluiten. Voor beide besluiten is een meerderheid van ten minste twee derde van de uitgebrachte stemmen vereist indien minder dan de helft van het geplaatste kapitaal in de Algemene Vergadering vertegenwoordigd is. De voornoemde aanwijzing van de Raad van Bestuur kan worden verleend voor een bepaalde tijdsduur, niet langer dan vijf jaar, en alleen indien de Raad van Bestuur ook aangewezen is of gelijktijdig aangewezen wordt om tot de uitgifte van Gewone Aandelen te besluiten. De aanwijzing kan worden verlengd met ten hoogste vijf jaar per keer en geldt alleen zolang de aanwijzing tot uitgifte van Gewone Aandelen van kracht is. De Aangeboden Aandelen komen in aanmerking voor dividenden die de Vennootschap na de Afwikkelingsdatum op Gewone Aandelen kan vaststellen.
C.5	**Beperkingen van de overdraagbaarheid van de effecten**	De statuten bevatten geen bepalingen die de vrije overdraagbaarheid van de Aangeboden Aandelen beperken. De aanbieding van de Aangeboden Aandelen aan personen die woonachtig zijn in of onderdaan zijn van een bepaald rechtsgebied, kan echter aan de wetgeving die geldt binnen dat rechtsgebied onderworpen zijn.
C.6	**Notering en toelating tot de handel van de Gewone Aandelen**	Voorafgaand aan de Aanbieding bestond er geen openbare markt voor de Gewone Aandelen. Voor alle Gewone Aandelen is notering en toelating tot de handel op Euronext Amsterdam onder het symbool 'NN' aangevraagd. Behoudens verkorting of verlenging van het tijdschema voor de Aanbieding zal de handel in de Gewone Aandelen naar verwachting op 2 juli 2014 aanvangen (de **Eerste Handelsdatum**).
C.7	**Dividendbeleid**	Ten aanzien van het tweede halfjaar van 2014, is de Vennootschap voornemens om in 2015 over deze periode een dividend van EUR 175 miljoen uit te keren. Deze dividenduitkering is discretionair en niet gebaseerd op het hierna beschreven dividendbeleid dat de Vennootschap beoogt voor 2015 en volgende jaren. Vanaf 2015, is de Vennootschap voornemens jaarlijks een gewoon dividend uit te keren dat in lijn is met de financiële resultaten op middellange tot lange termijn. De Vennootschap streeft naar een regulier dividenduitkeringspercentage van 40-50% van het operationeel resultaat na belastingen uit doorlopende activiteiten. Bovendien zal, indien de Vennootschap meer kapitaal genereert dan haar kapitaalambitie (die van tijd tot tijd kan veranderen), het kapitaaloverschot naar verwachting aan de Aandeelhouders worden

		teruggegeven, tenzij dit overschot kan worden aangewend voor een ander passend bedrijfsdoel, waaronder investeringen in waarde creërende mogelijkheden voor het bedrijf. De Vennootschap streeft ernaar om de teruggave van een kapitaaloverschot aan Aandeelhouders de vorm te geven die op het desbetreffende tijdstip voor Aandeelhouders het meest geschikt en efficiënt is, zoals buitengewone dividenden of inkoop van eigen aandelen. De Raad van Bestuur bepaalt, met goedkeuring van de Raad van Commissarissen, welk deel van de winst aan de reserves zal worden toegevoegd, met inachtneming van de financiële situatie, de winst, de liquiditeitsbehoeften, regelgevingsrestricties, de kapitaalvereisten (waaronder begrepen die van haar dochtermaatschappijen) en eventuele andere factoren die de Raad van Bestuur en de Raad van Commissarissen bij het bepalen van de winstbestemming van belang achten. Het gedeelte van de winst dat na de toevoeging aan de reserves resteert, staat ter beschikking van de Algemene Vergadering. De Raad van Bestuur zal, met goedkeuring van de Raad van Commissarissen, een voorstel doen voor de aanwending van het resterende gedeelte van de winst dat de Algemene Vergadering ter beschikking staat. De intenties van de Vennootschap ten aanzien van dividenden zijn gebaseerd op een groot aantal aannames en onderhevig aan vele risico's en onzekerheden, die veelal buiten de invloedssfeer van de Vennootschap kunnen liggen.

Afdeling D – Risico's		
D.1	**Risico's die specifiek zijn voor de Vennootschap of de sectoren waarin zij actief is**	**Risico's in verband met de algemene macro-economische situatie en de marktomstandigheden** • NN's activiteiten, omzet, operationele resultaten, financiële situatie en vooruitzichten kunnen materieel worden aangetast door de situatie op de wereldwijde financiële markten en de economische omstandigheden in het algemeen. • Het aanhoudende risico dat één of meer lidstaten van de EU de eurozone zou kunnen verlaten, kan materiële negatieve gevolgen hebben voor de activiteiten, operationele resultaten, financiële situatie en vooruitzichten van NN. • Een verlaging of mogelijke verlaging van NN's ratings inzake kredietwaardigheid of financiële kracht kan materiële negatieve gevolgen hebben voor NN's mogelijkheden om aanvullend kapitaal aan te trekken, kan de kosten van aanvullend kapitaal verhogen en kan onder andere resulteren in een verlies van bestaande of potentiële activiteiten (met inbegrip van verliezen als gevolg van geldopname door, een lager beheerd vermogen, lagere provisie-inkomsten en een lagere liquiditeit, factoren die elk materiële negatieve gevolgen kunnen hebben voor NN's activiteiten, omzet, operationele resultaten, financiële situatie en vooruitzichten. • Bepaalde levensverzekeringsproducten van NN (waaronder annuïteit- en pensioenproducten) zijn onderhevig aan langlevenrisico: het risico dat de verzekerde langer leeft dan ingecalculeerd is. De polisuitkeringen moeten in dat geval langer worden gecontinueerd dan geraamd, hetgeen aanzienlijke negatieve gevolgen kan hebben voor de activiteiten, operationele resultaten, financiële situatie en vooruitzichten van NN.

		• NN heeft langlopende bezittingen en verplichtingen en staat daardoor bloot aan het risico dat de waarde van de bezittingen als gevolg van wijzigingen in rentetarieven en credit spreads niet meer in overeenstemming is met de hoogte van de verplichtingen, hetgeen materiële negatieve gevolgen kan hebben voor de operationele resultaten en de financiële situatie van NN. • Een aanhoudend lage rentestand kan materiële negatieve gevolgen hebben voor de omzet, operationele resultaten, financiële situatie en vooruitzichten van NN. • Stijgende rentetarieven kunnen de waarde van NN's beleggingen in de vastrentende effecten verlagen, het verval en de afkoop van polissen verhogen en de onderpandvereisten binnen *hedging*structuren van NN opschroeven, hetgeen materiële negatieve gevolgen zou kunnen hebben voor NN's activiteiten, omzet, operationele resultaten, financiële situatie en vooruitzichten. • NN is blootgesteld aan valutatransactierisico's en wisselkoersrisico's. • Bepaalde dochterondernemingen van de Vennootschap kunnen blootgesteld zijn aan liquiditeitsrisico dat niet tijdig door liquiditeit uit andere delen van de NN groep kan worden opgelost. **Risico's in verband met de activiteiten en de strategie** • De verkoop van levensverzekeringsproducten in Nederland loopt sinds 2008 terug. NN kan niet garanderen dat de verkoopvolumes van haar levensverzekeringsproducten in de toekomst zullen stijgen. Een trage groei of een verdere daling van deze verkoopvolumes kan in de loop der tijd materiële negatieve gevolgen hebben voor de omzet, operationele resultaten en vooruitzichten van NN. • Indien NN haar strategie niet succesvol kan implementeren, of indien de strategie van NN niet in de verwachte voordelen resulteert, kan dat materiële negatieve gevolgen hebben voor de activiteiten, omzet, operationele resultaten, financiële situatie en vooruitzichten van NN en zou zij mogelijk haar doelstellingen niet kunnen verwezenlijken. Indien NN bij het bepalen van haar doelstellingen van één of meer onjuiste aannames is uitgegaan, zal zij mogelijk één of meer van haar doelstellingen niet kunnen verwezenlijken. • NN is actief in zeer competitieve markten en zou daardoor haar concurrentiepositie en marktaandeel kunnen verliezen, hetgeen materiële negatieve gevolgen kan hebben voor de activiteiten, omzet, operationele resultaten, financiële situatie en vooruitzichten van NN. • Catastrofes, zoals natuurrampen, kunnen tot substantiële verliezen leiden en materiële negatieve gevolgen hebben voor de activiteiten, operationele resultaten, financiële situatie en vooruitzichten van NN. • De schadeverzekeringsactiviteiten zijn in het verleden cyclisch gebleken, hetgeen tot uitdrukking kwam in perioden met intensieve concurrentie op het gebied van prijzen en polisvoorwaarden, vaak als gevolg van overmatige verzekeringscapaciteit. Dit resulteerde bij NN in een lager aantal uitgegeven polissen, lagere premies, hogere kosten voor acquisitie en behoud van klanten en minder gunstige polisvoorwaarden. Dergelijke cycli kunnen zich opnieuw voordoen. • Bij het beheer van en de rapportage over haar activiteiten maakt NN intensief gebruik van aannames en actuariële modellen om de

toekomstige omzet en kosten van haar verzekeringsportefeuilles tot de vervaldatum te ramen en de daaraan gerelateerde risico's te beoordelen. Discrepanties tussen deze aannames en de werkelijke ontwikkeling kunnen materiële negatieve gevolgen hebben voor de activiteiten, omzet, operationele resultaten, financiële situatie en vooruitzichten van NN. Dat geldt tevens voor actualiseringen van aannames en actuariële modellen.

- Bij de waardering van haar verzekeringsverplichtingen en de prijsvaststelling van haar levensverzekerings- en pensioenproducten maakt NN gebruik van aannames om de effecten van toekomstig gedrag van polishouders te modelleren. De werkelijke effecten van dat gedrag kunnen echter afwijken. Discrepanties tussen aangenomen en werkelijk gedrag van polishouders kunnen, evenals wijzigingen in de aannames waarop de modellering gebaseerd is, materiële negatieve gevolgen hebben voor de activiteiten, omzet, operationele resultaten, financiële situatie en vooruitzichten van NN.
- Beleggingsgaranties met betrekking tot NN's pensioenverzekeringen op basis van gesepareerde belegging in Nederland en de SPVA portefeuille in Japan hebben in het verleden materiële negatieve gevolgen gehad voor de activiteiten, operationele resultaten en financiële situatie van NN en kunnen ook in de toekomst zulke gevolgen hebben.
- Discrepanties tussen aannames over sterfte en invaliditeit en de werkelijke ontwikkeling daarvan kunnen materiële negatieve gevolgen hebben voor de operationele resultaten en financiële situatie van NN.
- Het onvermogen om accurate inflatieramingen op te stellen en te verdisconteren in de prijsvaststelling van producten, uitgaven en passiva waarderingen van NN zouden materiële negatieve gevolgen kunnen hebben voor de operationele resultaten en financiële situatie van NN.
- NN's belangrijkste distributiekanaal is haar netwerk van tussenpersonen, gebonden agenten en *bancassuranc*e. Het onvermogen van NN om een competitief distributienetwerk in stand te houden, of om een marktaandeel in nieuwe verkoop- en distributiekanalen te verkrijgen dat vergelijkbaar is met haar marktaandeel in traditionele kanalen, kan materiële negatieve gevolgen hebben voor de activiteiten, omzet, operationele resultaten, financiële situatie en vooruitzichten van NN.
- NN's *hedging*programma's kunnen ontoereikend of ineffectief zijn voor de risico's waarop ze zijn gericht, wan dat materiële negatieve gevolgen hebben voor de activiteiten, operationele resultaten, financiële situatie en vooruitzichten van NN.
- NN loopt een risico ten aanzien van haar contractspartijen. Verslechteringen in de financiële gezondheid van andere financiële instellingen, nationale overheden of overige partijen waarmee overeenkomsten zijn aangegaan, kunnen materiële negatieve gevolgen hebben voor de activiteiten, omzet, operationele resultaten en financiële situatie van NN.
- Herverzekering stelt NN bloot aan het kredietrisico van herverzekeraars, en herverzekering kan niet beschikbaar, niet betaalbaar of niet toereikend zijn om te voldoen aan NN's vereisten, hetgeen materiële negatieve gevolgen kan hebben voor

de activiteiten, omzet, operationele resultaten en financiële situatie van NN.

- De vaststelling van de mate waarin op beleggingen en andere financiële activa van NN moet worden afgeboekt, is subjectief. Dit kan materiële negatieve gevolgen hebben voor de operationele resultaten en financiële situatie van NN.
- NN's portefeuille woning- en commerciële hypotheken is onderhevig aan het risico dat hypotheekgevers niet aan hun betalingsverplichtingen kunnen voldoen en dat de vastgoedprijzen dalen. Deze risico's concentreren zich in Nederland.
- NN is blootgesteld aan het risico van merk- en reputatieschade.
- Bij een langdurige *underperformance* van door NN beheerd vermogen of bij verlies van belangrijke vermogensbeheerspecialisten zouden bestaande klanten in beheer gegeven vermogen kunnen terugtrekken en potentiële klanten van een beheermandaat kunnen afzien, hetgeen aanzienlijke negatieve gevolgen kan hebben voor de activiteiten, omzet, operationele resultaten, financiële situatie en vooruitzichten van NN.
- Voorheen onbekende risico's (*'emerging risks*' genoemd) welke niet betrouwbaar zijn in te schatten zouden kunnen leiden tot onvoorziene claims, hetgeen materiële negatieve gevolgen kan hebben voor de activiteiten, operationele resultaten en financiële situatie van NN.
- Het is mogelijk dat NN er niet in slaagt haar intellectuele eigendomsrechten te beschermen en is blootgesteld aan inbreukvorderingen ingesteld door derden, hetgeen materiële negatieve gevolgen kan hebben voor de activiteiten en operationele resultaten van NN.

Risico's in verband met regelgeving en juridische procedures

- NN is onderworpen aan uitgebreide wet- en regelgeving op het gebied van verzekeringen, vermogensbeheer, bankieren, pensioenen en andersoortige financiële diensten en staat onder toezicht van een groot aantal toezichthoudende instanties met ruime bestuursrechtelijke bevoegdheden ten aanzien van NN. Deze wet- en regelgeving heeft en zal wijzigingen ondergaan waarvan de gevolgen onzeker zijn. Niet-naleving van toepasselijke wet- en regelgeving kan tot toezichtinterventies leiden die schadelijk zijn voor de reputatie van NN en kan materiële negatieve gevolgen hebben voor de activiteiten, omzet, operationele resultaten, financiële situatie en vooruitzichten van NN.
- Het is onzeker welke gevolgen NN zal ondervinden van recente en voortdurende hervormingen van het toezicht en de regelgeving in de financiële sector.
- De EU voert een grondige herziening van het solvabiliteitsraamwerk en het prudentieel regime voor (her)verzekeraars ('*Solvency II*') door. De Europese Commissie bevindt zich momenteel in de amenderingsfase van *Solvency II* richtlijn, van voorbereiding van "level 2" uitvoeringsmaatregelen en van implementatie van technische standaarden. De volledige gevolgen van de invoering van *Solvency II* zijn onzeker, evenals het tijdstip waarop de invoering plaatsvindt.

		• NN is onderworpen aan stresstests en andere onderzoeken in het kader van toezicht. Stresstests, en de bekendmaking van de uitkomsten daarvan door toezichthoudende instanties, kunnen de verzekeringsbranche destabiliseren en het vertrouwen in afzonderlijke bedrijven of de verzekeringsbranche als geheel ondermijnen. Dergelijke stresstests, en de bekendmaking van de uitkomsten ervan, kunnen negatieve gevolgen hebben voor NN's reputatie en financieringskosten en tot handhavingsacties van toezichthouders leiden. • Negatieve publiciteit, vorderingen en aantijgingen, juridische procedures alsmede onderzoeken en sancties door toezichthouders kunnen materiële negatieve gevolgen hebben voor de activiteiten, omzet, operationele resultaten, financiële situatie en vooruitzichten van NN. • Houders van producten van NN waarbij het beleggingsrisico geheel of gedeeltelijk door de klant wordt gedragen, en consumentenorganisaties ten behoeve van deze klanten, hebben tegen NN klachten of juridische procedures ingesteld en kunnen dat ook in de toekomst doen. Een ongunstige afloop van dergelijke klachten en juridische procedures die door klanten of voor hen optredende organisaties zijn ingesteld, maatregelen van toezichthouders of overheidsinstanties jegens NN of jegens andere verzekeraars inzake beleggingsverzekeringsproducten, schikkingen of andersoortige tegemoetkomingen aan klanten door andere verzekeraars en sectorbrede maatregelen kunnen de verzekeringsactiviteiten van NN substantieel negatieve beïnvloeden en materiële negatieve gevolgen hebben voor de activiteiten, reputatie, omzet, operationele resultaten, solvabiliteit en financiële positie en vooruitzichten van NN. Andere producten met één of meer overeenkomstige producteigenschappen die NN binnen en buiten Nederland heeft verkocht, uitgegeven of geadviseerd, zouden eveneens aanleiding kunnen geven tot vorderingen en juridische procedures tegen NN. • Klanten die zich op grond van ontvangen advies of informatie door NN misleid of onbillijk behandeld voelen, zouden vorderingen tegen haar kunnen instellen. • De Vennootschap en haar onder toezicht staande dochterondernemingen zijn verplicht een significant kapitaalniveau in stand te houden en dienen in dit verband aan een aantal toezichtvereisten te voldoen. Indien de Vennootschap of haar onder toezicht staande dochterondernemingen verzuimen of dreigen te verzuimen om aan deze verplichte kapitaalvereisten te voldoen of om een toereikende vermogenspositie in stand te houden waarmee aan bepaalde toezichtvereisten wordt voldaan, bezitten toezichthouders vergaande bevoegdheden om NN en haar dochterondernemingen te verplichten maatregelen ter bescherming van polishouders en andere klanten te treffen, kapitaaltekorten te compenseren en uitkeringen of dividendbetalingen door dochterondernemingen aan de Vennootschap te beperken. • NN heeft in de afgelopen jaren een aanzienlijk deel van haar verzekerings- en vermogensbeheeractiviteiten gedesinvesteerd, zowel via onderhandse verkopen als via aanbiedingen aan het publiek (mede conform de vereisten en het tijdschema in het herstructureringsplan zoals overeengekomen met de Europese Commissie (**EC Herstructureringsplan**)). De verkopers hebben

daarbij verklaringen, garanties, vrijwaringen en andersoortige contractuele bescherming verstrekt aan de kopers van deze activiteiten die bij beroep daarop materiële negatieve gevolgen kunnen hebben voor de operationele resultaten, de financiële situatie en de vooruitzichten van NN.

- Wijzigingen in belastingwetgeving kunnen voor de fiscale positie van NN materiële gevolgen hebben en een belemmering vormen voor de mogelijkheden van de Vennootschap om uitkeringen aan de Aandeelhouders te doen en voor de mogelijkheden van de dochterondernemingen van de Vennootschap om directe en indirecte uitkeringen aan de Vennootschap te doen. Wijzigingen in belastingwetgeving kunnen sommige verzekerings-, pensioen-, vermogensbeheer en bankproducten van NN voor de consument minder aantrekkelijk maken, hetgeen de vraag naar bepaalde producten van NN zou kunnen drukken en tot verhoogde afkoop van bepaalde levensverzekeringspolissen zou kunnen leiden. Dat kan materiële negatieve gevolgen hebben voor de activiteiten, omzet, operationele resultaten, financiële situatie en vooruitzichten van NN.

Operationele risico's

- NN is onderhevig aan operationele risico's, die kunnen voortvloeien uit ontoereikende of niet functionerende interne processen en systemen, gedragingen van personeelsleden van NN of derden en externe gebeurtenissen buiten de invloedssfeer van NN. Het beleid en de procedures van NN kunnen inadequaat of in een ander opzicht niet volledig effectief zijn. Indien operationele risico's zich manifesteren, kunnen deze materiële negatieve gevolgen hebben voor de activiteiten, omzet, operationele resultaten en financiële situatie van NN.
- Het ontstaan van natuurrampen of door de mens veroorzaakte rampen kan een bedreiging vormen voor de continuïteit van NN's bedrijfsvoering en de veiligheid van haar medewerkers, hetgeen materiële negatieve gevolgen kan hebben voor de activiteiten, operationele resultaten, financiële situatie en vooruitzichten van NN.
- Het verlies van personeelsleden op sleutelposities, en het onvermogen om voor dergelijke posities mensen met de juiste kwalificaties en ervaring aan te trekken en vast te houden, kan materiële negatieve gevolgen hebben voor de activiteiten van NN en een belemmering vormen voor de implementatie van de bedrijfsstrategie.
- NN staat bloot aan het risico van fraude en andersoortige misdragingen of ongeoorloofde activiteiten door personeelsleden van NN, distributeurs, klanten en andere externe partijen. Gevallen van fraude en andere misdragingen of ongeoorloofde activiteiten kunnen tot verliezen leiden en de reputatie van NN schaden, hetgeen materiële negatieve gevolgen kan hebben voor de activiteiten, omzet, operationele resultaten, financiële situatie en vooruitzichten van NN.
- Onderbrekingen of andersoortige operationele uitval op het gebied van telecommunicatie-, IT- en andere operationele systemen, of onvermogen om de veiligheid, integriteit, vertrouwelijkheid of geheimhouding van gevoelige informatie in die systemen te handhaven, mede als gevolg van menselijke fouten, kunnen materiële negatieve gevolgen hebben voor de activiteiten, omzet, operationele resultaten, financiële situatie en vooruitzichten van NN.

		• NN is gedeeltelijk afhankelijk van de voortdurende prestaties, accuratesse, compliance en beveiliging van externe dienstaanbieders die voor NN bepaalde cruciale operationele ondersteuningsfuncties vervullen. Ontoereikende prestaties van deze externe dienstaanbieders kunnen reputatieschade en hogere kosten veroorzaken, hetgeen materiële negatieve gevolgen kan hebben voor de activiteiten, omzet, operationele resultaten en vooruitzichten van NN. • De vermogensbeheeractiviteiten van NN zijn complex en een gebrekkige uitvoering van de ermee verbonden diensten kan materiële negatieve gevolgen hebben voor de activiteiten, omzet, operationele resultaten en vooruitzichten van NN. **Risico's in verband met financiële verslaggeving** • Wijzigingen in de grondslagen of het beleid voor de financiële verslaggeving, of in de financiële indicatoren van NN, mede als gevolg van eigen keuzes, kunnen negatieve gevolgen hebben voor de gerapporteerde operationele resultaten en de gerapporteerde financiële situatie van NN. • De technische voorzieningen die NN ter betaling van verzekerings- en andere claims in haar IFRS-jaarrekening opgenomen heeft, zouden nu en in de toekomst ontoereikend kunnen blijken. In dat geval is aanvulling van deze voorzieningen nodig, hetgeen materiële negatieve gevolgen kan hebben voor de operationele resultaten en de financiële situatie van NN. • De informatie over NN's *Embedded Value* (**EV**) is mogelijk niet vergelijkbaar met de informatie die sectorgenoten over hun EV verschaffen. EV is een waarderingsmethodiek voor aandeelhouders welke de economische waarde benadert van de bestaande levensverzekeringsactiviteiten, exclusief de waarde van nieuwe productie. Indien NN tot een andere methodiek voor de bepaling van de EV verplicht wordt of daartoe om enigerlei reden zelf besluit, of indien NN bij de bepaling van de EV uitgegaan is van aannames die onjuist blijken, kan toekomstige verslaggevingsinformatie over de EV aanzienlijk verschillen van of op wezenlijk andere wijze opgesteld zijn dan de informatie over de EV in het Prospectus. • Fouten en gebreken in de processen, systemen en verslaglegging van NN kunnen resulteren in interne en externe miscommunicatie (met inbegrip van onjuiste publieke informatievoorziening), verkeerde beslissingen en verkeerde verslaggeving aan klanten. Indien dergelijke fouten en gebreken zich voordoen, kunnen ze de reputatie van NN schaden en materiële negatieve gevolgen hebben voor de activiteiten, omzet, operationele resultaten en financiële situatie van NN. **Risico's in verband met de afsplitsing van en voortdurende relatie met ING** • ING Groep zal na de voltooiing van de Aanbieding nog steeds een aanzienlijk aantal Gewone Aandelen houden en uit hoofde van het EC Herstructureringsplan aan diverse beperkingen en toezeggingen moeten blijven voldoen. NN kan niet nauwkeurig voorspellen of deze beperkingen negatieve gevolgen zullen hebben voor haar activiteiten of financiële flexibiliteit of dat zij zullen resulteren in tegenstrijdige belangen tussen ING Groep en NN. • Nadat bepaalde overgangsafspraken met ING beëindigd zijn, dient NN op eigen kracht aan de benodigde operationele vereisten te

		voldoen. Indien NN daar niet in slaagt, zou zij niet in staat kunnen zijn om de bedrijfsvoering effectief of tegen vergelijkbare kosten uit te oefenen en zou zij verliezen kunnen lijden, hetgeen materiële negatieve gevolgen kan hebben voor de activiteiten, operationele resultaten en financiële situatie van NN. • De afsplitsing van ING betekent dat NN niet langer kan profiteren van ING's sterke merknaam en reputatie. Dat kan onder meer tot gevolg hebben dat het voor NN moeilijker wordt om klanten en voldoende gekwalificeerde distributeurs aan te trekken en te behouden, dat derden prijzen herzien, of anderszins de relatie met NN herzien of beëindigen en dat NN zich gedwongen ziet de prijzen van haar producten te verlagen, hetgeen materiële negatieve gevolgen kan hebben voor de activiteiten, omzet, operationele resultaten, financiële situatie en vooruitzichten van NN. • Als dochteronderneming van de ING Groep profiteerden de Vennootschap en haar dochterondernemingen van bepaalde contractuele regelingen tussen ING en diverse externe leveranciers. Dat voordeel duurt voort zolang de Vennootschap en haar dochterondernemingen voor de bestaande regelingen in aanmerking blijven komen. Wanneer dat niet langer het geval is, zou NN er niet in kunnen slagen zich via nieuwe onafhankelijke relaties met externe leveranciers van deze diensten te verzekeren of om tijdig of tegen vergelijkbare voorwaarden in de vervanging van de diensten te voorzien.
D.3	**Risico's die specifiek zijn voor de Aangeboden Aandelen**	**Risico's in verband met de Aanbieding en de Aangeboden Aandelen** • Na voltooiing van de Aanbieding kan ING Groep een substantiële invloed uitoefenen op bepaalde bedrijfsaangelegenheden die de goedkeuring van de Algemene Vergadering behoeven en zou zij haar stemrechten op Gewone Aandelen kunnen aanwenden op een wijze die niet de instemming van andere Aandeelhouders heeft. Deze eigendomsconcentratie van Gewone Aandelen kan het handelsvolume en de marktprijs van de Gewone Aandelen nadelig beïnvloeden of een voor de Aandeelhouders gunstige wijziging in de zeggenschapsverhoudingen vertragen of verhinderen. • Toekomstige verkopen van materiële aantallen Gewone Aandelen (mede door ING Groep ingevolge haar verplichtingen uit hoofde van het EC Herstructureringsplan), of de mogelijkheid van dergelijke toekomstige verkopen, kunnen materiële negatieve gevolgen hebben voor de marktprijs van de Gewone Aandelen. • Op grond van het EC Herstructureringsplan is ING Groep verplicht om meer dan 50% van haar aandelenbelang in de Vennootschap vóór 31 december 2015 te desinvesteren en het resterende deel van dat belang vóór 31 december 2016. De wijze en het tijdschema van deze desinvestering zijn nog steeds onzeker. De desinvestering zou kunnen geschieden in de vorm van verdere substantiële verkopen in de markt, in de vorm van verkoop aan één partij of meerdere partijen die gezamenlijk optreden (waaronder begrepen een strategische handelsverkoop) of in de vorm van een verdeling van de resterende aandelen aan de aandeelhouders van ING tegen terugbetaling in natura (een ***Spin-off***). • De Vennootschap zou in de toekomst nieuwe aandelen kunnen uitgeven om kapitaal te verwerven. Het aandelenbelang van bestaande investeerders in de Vennootschap zou daardoor kunnen verwateren.

		• Voorafgaand aan de Aanbieding heeft geen openbare handel in de Gewone Aandelen plaats gevonden. De koers van de Gewone Aandelen zou onder invloed van uiteenlopende factoren aanzienlijk kunnen fluctueren en het is mogelijk dat investeerders de Gewone Aandelen niet tegen of boven de Uitgifteprijs (zoals in *E.3* gedefinieerd) kunnen verkopen of hoe dan ook niet kunnen verkopen. • De marktprijs van de Gewone Aandelen kan volatiel zijn en nadelig worden beïnvloed door de marktomstandigheden en andere factoren buiten de invloedssfeer van NN. • Bepaalde houders van Gewone Aandelen kunnen mogelijk niet participeren in toekomstige emissies van aandelen op basis van inschrijvingsrechten. • Indien de Aanbieding niet op de Afwikkelingsdatum gesloten wordt of in het geheel niet gesloten wordt, zullen aankopen van Aangeboden Aandelen als niet gedaan worden beschouwd en kan Euronext gedane transacties nietig verklaren. • De invloed van de Aandeelhouders op de samenstelling van de Raad van Commissarissen en de Raad van Bestuur kan verschillen van die bij andere bedrijven, zowel uit Nederland als uit andere rechtsgebieden. • Bepalingen in nationale verzekeringswetgeving, in de statuten en in door de Vennootschap of haar dochterondernemingen aangegane overeenkomsten kunnen overnamepogingen vertragen, ontmoedigen of verhinderen die voor de Aandeelhouders mogelijk gunstig zijn. • De Vennootschap kan worden belemmerd in haar mogelijkheden om dividend aan Aandeelhouders uit te keren. • De handel in de Aandelen kan aan een heffing op financiële transacties worden onderworpen.

Afdeling E – Aanbieding		
E.1	**Netto-opbrengsten en geraamde kosten**	De Vennootschap zal geen opbrengsten uit de Aanbieding ontvangen. De netto-opbrengst van de Aanbieding en, indien de Overtoewijzingsoptie (zoals in *E.5* gedefinieerd) uitgeoefend wordt, de netto-opbrengst uit de verkoop van de Additionele Aandelen (zoals in *E.3* gedefinieerd) komen ten bate van ING Groep. ING Groep verwacht – na aftrek van de kosten van de Aanbieding, die op EUR 66 miljoen worden geraamd – circa EUR 1.351.500.000 aan netto-opbrengsten uit de Aanbieding te ontvangen (gebaseerd op een Uitgifteprijs in het middenpunt van de Bandbreedte voor de Uitgifteprijs).
E.2a	**Redenen voor de Aanbieding en bestemming van de opbrengsten**	**Achtergrond en redenen voor de Aanbieding** ING Groep ontving in 2008 en 2009 staatssteun van de Nederlandse overheid, net als andere grote financiële instellingen in Nederland. Als voorwaarde om de goedkeuring van de Europese Commissie voor deze staatssteun te verkrijgen, werd ING Groep verplicht een herstructeringsplan op te stellen en bij de Europese Commissie in te dienen. Het herstructureringsplan werd in november 2009 door de Europese Commissie goedgekeurd (het **Herstructureringsplan van 2009**). Dit herstructureringsplan voorzag onder meer in desinvestering van de verzekerings- en vermogensbeheeractiviteiten, waartoe ook de

		Vennootschap en haar dochterondernemingen behoorden. Na het Herstructureringsplan van 2009 werden de verzekerings- en vermogensbeheeractiviteiten van ING (met inbegrip van NN) per 31 december 2010 operationeel van ING gescheiden. In november 2012 bereikten ING Groep en de Staat der Nederlanden overeenstemming met de Europese Commissie over bepaalde wijzigingen in het Herstructureringsplan van 2009, neergelegd in het **Herstructureringsplan van 2012**. Deze wijzigingen verruimden het tijdschema, verhoogden de flexibiliteit met betrekking tot de voltooiing van de desinvesteringen en stelden ook andere afspraken in het Herstructureringsplan van 2009 bij. De marktomstandigheden, het economisch klimaat en de aangescherpte regelgeving vormden de achtergrond van deze wijzigingen. In november 2013 bereikten ING Groep en de Staat der Nederlanden overeenstemming met de Europese Commissie over bepaalde wijzigingen in het Herstructureringsplan van 2012, neergelegd in het Herstructureringsplan van 2013. Het Herstructureringsplan van 2013 bood de ruimte om de activiteiten Japan Life en Japan Closed Block VA in lijn met het tijdschema voor de desinvestering van NN af te stoten, waardoor ze deel konden blijven van NN. Het tijdschema voor de desinvestering van NN werd bovendien met twee jaar verkort, waardoor ING Groep verplicht is om meer dan 50% van haar aandelenbelang in de Vennootschap vóór 31 december 2015 en het resterende deel van dat belang vóór 31 december 2016 af te stoten. De verplichting dat ING Groep meer dan 50% van haar aandelenbelang in de Vennootschap moet desinvesteren, behelst mede dat ING Groep (a) niet langer een meerderheidsvertegenwoordiging in de Raad van Bestuur mag hebben en (b) de jaarrekening van de Vennootschap in overeenstemming met de IFRS-regels deconsolideert uit de jaarrekening van ING Groep. De huidige intentie van ING Groep is om haar belang in de Vennootschap eerst te desinvesteren via de Aanbieding en om de Gewone Aandelen die zij na de Aanbieding nog houdt (de **Resterende Aandelen**) vervolgens, afhankelijk van (i) de marktomstandigheden en (ii) de voorwaarden van de *lock-up* bepalingen op grond waarvan zij zonder schriftelijke toestemming vooraf van de Joint Global Coordinators (zoals in *E.3* gedefinieerd) gedurende een periode van 180 dagen na de Afwikkelingsdatum geen Gewone Aandelen mag afstoten (behoudens enkele uitzonderingen), overeenkomstig het EC Herstructureringsplan op ordelijke wijze af te stoten door de Resterende Aandelen in één of meer tranches te verkopen, door de Resterende Aandelen aan één of meer partijen te verkopen (met inbegrip van verkoop in het kader van een strategische transactie) of door een *Spin-off* voor ofwel na de afwikkeling van de Aanbieding. **Bestemming van de opbrengsten** De Vennootschap ontvangt geen opbrengsten uit de Aanbieding. ING Groep ontvangt de netto-opbrengst van de Aanbieding en, indien de Overtoewijzingsoptie uitgeoefend wordt, de netto-opbrengst uit de verkoop van de Additionele Aandelen. ING Groep verwacht – na aftrek van de kosten van de Aanbieding, die op EUR 66 miljoen worden geraamd – circa EUR 1.351.500.000 aan netto-opbrengsten uit de Aanbieding te ontvangen (gebaseerd op een Uitgifteprijs in het middenpunt van de Bandbreedte voor de Uitgifteprijs). De netto-opbrengsten uit de Aanbieding zullen door ING Groep worden aangewend om haar dubbele schuldenpositie te reduceren.

E.3	Voorwaarden van de Aanbieding	Aangeboden Aandelen in de Aanbieding

E.3 **Voorwaarden van de Aanbieding**

Aangeboden Aandelen in de Aanbieding

De Aanbieding bestaat uit: (a) een openbare aanbieding aan institutionele en particuliere investeerders in Nederland en (b) een onderhandse plaatsing bij bepaalde institutionele investeerders in meerdere andere rechtsgebieden. ING Groep biedt 70.000.000 Aangeboden Aandelen aan, die onmiddellijk na de Afwikkelingsdatum tezamen 20% van de geplaatste Gewone Aandelen van de Vennootschap vertegenwoordigen. Tevens heeft ING Groep de Joint Global Coordinators namens de Underwriters (zoals in *E.3* gedefinieerd) de Overtoewijzingsoptie verleend.

De Aangeboden Aandelen en de Additionele Aandelen (indien van toepassing) zijn en worden niet geregistreerd op basis van the U.S. Securities Act. De Aangeboden Aandelen worden (a) binnen de Verenigde Staten aangeboden aan personen die redelijkerwijs kunnen worden beschouwd als een "*Qualified Institutional Buyer*" (QIB) zoals gedefinieerd in en uitgaande van Rule 144A van de U.S. Securities Act en (b) buiten de Verenigde Staten aangeboden in 'offshore transactions' zoals gedefinieerd in en in overeenstemming met Regulation S.

Overtoewijzingsoptie

ING Groep heeft aan de Joint Global Coordinators namens de Underwriters een overtoewijzingsoptie verleend (de **Overtoewijzingsoptie**). De Overtoewijzingsoptie is binnen 30 kalenderdagen na de Eerste Handelsdatum uitoefenbaar; de Joint Global Coordinators kunnen bij uitoefening ING Groep namens de Underwriters gelasten door haar gehouden additionele Gewone Aandelen (de **Additionele Aandelen**), tot een maximum van 15% van het totale aantal verkochte Aangeboden Aandelen in de Aanbieding, tegen de Uitgifteprijs te verkopen ter dekking van short-posities die zijn ontstaan door overtoewijzingen in samenhang met de Aanbieding of eventuele stabilisatietransacties.

Verwacht tijdschema

Het tijdschema hierna geeft een overzicht van verwachte belangrijke data voor de Aanbieding.

Tijdschema voor de Aanbieding

Gebeurtenis	Tijdstip en datum
Begin Aanbiedingsperiode	10:00 uur CET op 17 juni 2014
Einde Aanbiedingsperiode	13:00 uur CET op 1 juli 2014
Prijsvaststelling	1 juli 2014
Toewijzing	2 juli 2014
Eerste Handelsdatum (handel op '*if-and-when-delivered*' basis)	2 juli 2014
Afwikkelingsdatum	7 juli 2014

Aanbiedingsperiode

Behoudens versnelling of verlenging van het tijdschema voor de Aanbieding kunnen geïnteresseerde investeerders vanaf 17 juni 2014 10.00 uur CET tot 1 juli 2014 13.00 uur CET op de Aangeboden Aandelen inschrijven. De Joint Bookrunners zijn bevoegd de Aanbiedingsperiode voor particuliere en institutionele investeerders op verschillende data te openen en te sluiten. Bij een versnelling of verlenging van de Aanbiedingsperiode kunnen de prijsvaststelling, de Toewijzing (zoals hieronder gedefinieerd), de notering, de aanvang van de handel en de betaling en levering van de Aangeboden Aandelen navenant worden vervroegd of verlaat.

		Een verlenging van het tijdschema voor de Aanbieding wordt ten minste drie uur voor het einde van de oorspronkelijke Aanbiedingsperiode in de vorm van een persbericht op de website van de Vennootschap gepubliceerd, mits de verlenging ten minste één volledige handelsdag bedraagt. Een verkorting van het tijdschema voor de Aanbieding wordt ten minste drie uur voor het voorgestelde einde van de verkorte Aanbiedingsperiode in de vorm van een persbericht op de website van de Vennootschap gepubliceerd. De Aanbiedingsperiode zal in elk geval tenminste zes handelsdagen zijn. ***Uitgifteprijs en aantal Aangeboden Aandelen*** De prijs van de Aangeboden Aandelen en, indien van toepassing, Additionele Aandelen (de **Uitgifteprijs**) en het exacte aantal Aangeboden Aandelen worden op basis van een *bookbuilding*proces bepaald. De Uitgifteprijs kan binnen, boven of onder de bandbreedte voor de Uitgifteprijs worden gesteld (de **Bandbreedte voor de Uitgifteprijs**). De Bandbreedte voor de Uitgifteprijs bedraagt EUR 18,50 tot EUR 22,00 per Aangeboden Aandeel. De Bandbreedte voor de Uitgifteprijs is indicatief. De Uitgifteprijs en het exacte aantal Aangeboden Aandelen en, indien van toepassing, Additionele Aandelen worden na het einde van de Aanbiedingsperiode door ING Groep bepaald, na overleg met de Vennootschap en op grond van aanbevelingen door de Joint Global Coordinators namens de Underwriters. De bepaling van de Uitgifteprijs en het exacte aantal Aangeboden Aandelen vindt plaats na afloop van de Aanbiedingsperiode. De Uitgifteprijs en het exacte aantal Aangeboden Aandelen in de Aanbieding worden vastgelegd in een prijsverklaring (de **Prijsverklaring**), die bij de AFM wordt gedeponeerd en in de vorm van een persbericht op zowel de website van de Vennootschap als de website van Euronext bekend wordt gemaakt. Gedrukte exemplaren van de Prijsverklaring zullen ten kantore van de Vennootschap beschikbaar worden gesteld. ***Wijziging van de Bandbreedte voor de Uitgifteprijs of van het aantal Aangeboden Aandelen*** De Bandbreedte voor de Uitgifteprijs is indicatief. ING Groep behoudt zich het recht voor om voorafgaand aan de datum van de Toewijzing, na overleg met de Vennootschap en op grond van aanbevelingen door de Joint Global Coordinators, de Bandbreedte voor de Uitgifteprijs te wijzigen en/of het maximumaantal Aangeboden Aandelen te verhogen of te verlagen. Een wijziging in de Bandbreedte voor de Uitgifteprijs en/of in het aantal Aangeboden Aandelen wordt in de vorm van een persbericht op de website van de Vennootschap gepubliceerd. Indien de bovengrens van de Bandbreedte voor de Uitgifteprijs wordt verhoogd, wordt de herziene Bandbreedte voor de Uitgifteprijs in de vorm van een persbericht op de website van de Vennootschap gepubliceerd, geeft de Vennootschap een supplement bij het Prospectus uit en kunnen investeerders die al een aankoop van Aangeboden Aandelen waren overeengekomen gebruikmaken van hun terugtrekkingsrechten. ***Toewijzing*** De toewijzing van de Aangeboden Aandelen en, indien van toepassing, de Additionele Aandelen, aan investeerders (de **Toewijzing**) zal naar verwachting op de eerste handelsdag na het einde van de Aanbiedingsperiode plaatsvinden. Of en in hoeverre door investeerders ingediende inschrijvingen voor Aangeboden Aandelen worden gehonoreerd, zal in volledige discretie worden bepaald. Het is mogelijk dat investeerders niet alle Aangeboden Aandelen toegewezen krijgen

		waarvoor zij hebben ingeschreven. ING Groep, na overleg met de Vennootschap en op grond van aanbevelingen door de Joint Global Coordinators namens de Underwriters, bepaalt uiteindelijk hoeveel Aangeboden Aandelen er worden toegewezen. ***Preferente Toewijzing Werknemers*** Maximaal 94 in aanmerking komende medewerkers van de Vennootschap en ING Groep worden gerechtigd om met voorrang tegen de Uitgifteprijs op de Aangeboden Aandelen in te schrijven (de ***Preferente Toewijzing Werknemers)***, voor een bedrag van ten minste EUR 2.000 tot ten hoogste EUR 75.000. In aanmerking komende medewerkers zijn leden van de Raad van Bestuur en het Management Board evenals bepaalde andere in aanmerking komende (hooggeplaatste) medewerkers van de Vennootschap en ING Groep. Voor de voorkeurstoewijzing van Aangeboden Aandelen aan in aanmerking komende medewerkers geldt een maximum van 1% van de Aangeboden Aandelen. ***Anchor Investors*** ING Groep is op 30 april 2014 een beleggingsovereenkomst aangegaan met RRJ Capital Master Fund II, L.P. (samen met vier volledige dochterondernemingen van RRJ Capital Master Fund II, L.P waaraan RRJ Capital Master Fund II, L.P. naderhand krachtens deze beleggingsovereenkomst bepaalde rechten heeft toegekend, **RRJ Capital**), met Ossa Investments Pte. Ltd (**Ossa Investments**), een volle dochteronderneming van Temasek Holdings (Private) Limited en met SeaTown Master Fund (**SeaTown**) (hierna afzonderlijk als een **Anchor Investor** en gezamenlijk als de **Anchor Investors** aangeduid). De Anchor Investors zijn met ING Groep overeengekomen om een bedrag van in totaal EUR 1.275 miljoen in de Vennootschap te investeren door als *anchor investors* te participeren in de Aanbieding (EUR 150 miljoen) en door 4% *mandatory exchangeable subordinated notes* (de **Notes**) van ING Groep te verwerven (EUR 1.125 miljoen). De Notes zijn verplicht inwisselbaar voor Gewone Aandelen in drie tranches. Zoals hierboven vermeld bedraagt de participatie van de Anchor Investors in de Aanbieding in totaal EUR 150 miljoen. RRJ Capital heeft ingestemd met de aankoop van EUR 88.235 miljoen aan Aangeboden Aandelen, Ossa Investments heeft ingestemd met de aankoop van EUR 50 miljoen aan Aangeboden Aandelen en SeaTown heeft ingestemd met de aankoop van tenminste EUR 11,765 miljoen aan Aangeboden Aandelen. Op de Aangeboden Aandelen die de Anchor Investors als *anchor investors* in de Aanbieding aankopen, zijn geen *lock-up* regelingen van toepassing. De Notes zijn op 16 mei 2014 aan de Anchor Investors uitgegeven en zullen in drie tranches verplicht voor Gewone Aandelen worden ingewisseld. De eerste tranche (EUR 264,7 miljoen voor RRJ Capital, EUR 150 miljoen voor Ossa Investments en EUR 35,3 miljoen voor SeaTown) plus opgebouwde rente is tegen een korting van 1,5% op de Uitgifteprijs verplicht inwisselbaar op de Afwikkelingsdatum. De tweede tranche (EUR 198,5 miljoen voor RRJ Capital, EUR 112,5 miljoen voor Ossa Investments en EUR 26,5 miljoen voor SeaTown) plus opgebouwde rente is op een door ING Groep naar eigen inzicht te bepalen moment in 2015 verplicht inwisselbaar tegen ofwel (i) de slotkoers van de Gewone Aandelen op de dag waarop ING Groep de kennisgeving van de inwisseling doet minus 3% ofwel, indien lager, (ii) 100% van de naar volume gewogen gemiddelde koers gedurende de vijf handelsdagen voorafgaand aan de kennisgeving, met mederekening van de dag van de kennisgeving. De derde tranche (EUR 198,5 miljoen voor RRJ Capital, EUR 112,5 miljoen voor Ossa Investments en EUR 26,5 miljoen voor

		SeaTown) plus opgebouwde rente is op een door ING Groep naar eigen inzicht te bepalen moment in 2015 of 2016, na de inwisseling van de tweede tranche, verplicht inwisselbaar tegen ofwel (i) de slotkoers van de Gewone Aandelen op de dag waarop ING Groep de kennisgeving van de inwisseling doet minus 3% ofwel, indien lager, (ii) 100% van de naar volume gewogen gemiddelde koers gedurende de vijf handelsdagen voorafgaand aan de kennisgeving, met inbegrip van de dag van de kennisgeving. Bij een verplichte inwisseling is ING Groep gerechtigd de opgebouwde rente in contanten aan de Anchor Investors te voldoen. De Anchor Investors zijn in dat geval gerechtigd het aan rente te ontvangen bedrag geheel of ten dele aan te wenden voor de verdere aankoop van Gewone Aandelen van ING Groep, waarbij de prijsbepalingsmethodiek zal gelden die bij de inwisseling van de hoofdsom van de desbetreffende Notes wordt toegepast. Indien de Afwikkelingsdatum niet in 2014 valt (of indien een alternatieve transactie uit hoofde waarvan Gewone Aandelen op een vooraanstaande aandelenbeurs worden genoteerd, resulterend in een *free float* van tenminste EUR 900 miljoen, niet in 2014 is bekendgemaakt en niet voor 30 juni 2015 is voltooid), kunnen de transacties met de Anchor Investors worden beëindigd en zullen de Notes in dat geval worden ingekocht. Uitgaande van een Uitgifteprijs in het midden van de Bandbreedte voor de Uitgifteprijs zal het totale aantal Gewone Aandelen waarop de Anchor Investors in de Aanbieding hebben ingeschreven 7.407.405 Aangeboden Aandelen bedragen, hetgeen ongeveer 2% van de uitgegeven en geplaatste Gewone Aandelen onmiddellijk na de Aanbieding zou vertegenwoordigen. Daarbij is in alle gevallen aangenomen dat de Overtoewijzingsoptie niet wordt uitgeoefend. De belegging door de Anchor Investors vormt voor ING Groep geen beletsel om alternatieve desinvesteringsroutes voor NN te volgen, zoals verkoop van de Resterende Aandelen in één of meer tranches, verkoop van de Resterende Aandelen aan één of meer partijen (met inbegrip van verkoop in het kader van een strategische transactie) of door een *Spin-off* ofwel voor ofwel na de afwikkeling van de Aanbieding. ***Betaling*** De betaling voor de Aangeboden Aandelen en de betaling voor Additionele Aandelen uit hoofde van de Overtoewijzingsoptie, indien deze voorafgaand aan de Afwikkelingsdatum uitgeoefend is, zal naar verwachting op de Afwikkelingsdatum plaatsvinden. ***Voorwaarden van de Aanbieding*** De sluiting van de Aanbieding zou niet op de Afwikkelingsdatum kunnen plaatsvinden of in het geheel niet kunnen plaatsvinden indien er op of voorafgaand aan die datum niet voldaan is aan of afgezien is van bepaalde voorwaarden of gebeurtenissen zoals beschreven in de Underwriting Agreement. Deze voorwaarden betreffen onder meer: (a) ondertekening van de prijsvaststellingsovereenkomst tussen de Vennootschap, ING Groep en de Joint Global Coordinators namens de Underwriters waarin de Uitgifteprijs wordt vastgelegd (de **Prijsvaststellingsovereenkomst**), (b) ontvangst van opinies van juristen ten aanzien van bepaalde juridische aangelegenheden, (c) ontvangst van gebruikelijke certificaten van functionarissen, (d) het ontbreken van een materieel nadelig effect op de activiteiten, financiële positie, operationele resultaten of vooruitzichten van de Vennootschap en haar dochtermaatschappijen als geheel sinds de datum van de Prijsvaststellingsovereenkomst, en (e) bepaalde andere voorwaarden.

		Joint Global Coordinators en Joint Bookrunners: J.P. Morgan Chase & Co. Securities Ltd., Morgan Stanley & Co. International plc., ING Bank N.V. en Deutsche Bank AG, London branch. ***Joint Bookrunners***: BNP PARIBAS, Citigroup Global Markets Limited, COMMERZBANK AG, Credit Suisse Securities (Europe) limited en Nomura International plc. ***Joint Lead Managers***: ABN AMRO Bank N.V., HSBC Bank plc en RBC Europe Limited. ***Senior Co-Lead Managers***: Keefe, Bruyette & Woods Ltd. en Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A (optredend als Rabobank International). ***Co-Lead Managers***: Banco Bilbao Vizcaya Argentaria, S.A., Erste Group Bank AG, KBC Securities NV, Natixis, Mediobanca – Banca di Credito Finanziario S.p.A., Raiffeisen Centrobank AG, and UniCredit Bank AG, London branch. ***Underwriters:*** de Joint Global Coordinators, de Joint Bookrunners, de Joint Lead Managers, de Senior Co-Lead Managers en de Co-Lead Managers gezamenlijk. ***Retail Banks Coordinator***: ING Bank N.V. ***Listing Agent en Paying Agent:*** ING Bank N.V.
E.4	**Materiële belangen van betekenis voor de Aanbieding (met inbegrip van tegenstrijdige belangen)**	In het kader van bedrijfsactiviteiten ten behoeve van de Vennootschap en/of ING Groep of ten behoeve van partijen die aan de Vennootschap en/of ING Groep gelieerd zijn, hebben de Underwriters en/of hun aangesloten instellingen zich van tijd tot tijd beziggehouden met, en kunnen zij zich ook in de toekomst bezighouden met, commercial banking, investment banking, financiële advisering en accessoire activiteiten, waarvoor zij marktconforme vergoedingen hebben ontvangen en in de toekomst zouden kunnen ontvangen. Tevens is mogelijk dat de Underwriters in het kader van hun normale bedrijfsuitoefening ter belegging effecten van de Vennootschap hebben gehouden of in de toekomst zullen houden. Met betrekking tot het voorafgaande zij vermeld dat uitwisseling van informatie in verband met vertrouwelijkheid over het algemeen door interne procedures of door wet- en regelgeving (mede van de AFM) wordt beperkt. Als gevolg van voornoemde transacties kunnen de Underwriters belangen hebben die mogelijk niet op één lijn liggen met of die in potentie strijdig zijn met de belangen van investeerders of de belangen van NN. ING Bank N.V. is één van de Joint Global Coordinators en tevens een volle dochteronderneming van ING Groep.
E.5	**Persoon of entiteit die aanbiedt de Aangeboden Aandelen te verkopen en *lock-up* overeenkomsten**	ING Groep biedt 70.000.000 Aangeboden Aandelen aan, 20% van de geplaatste Gewone Aandelen van de Vennootschap onmiddellijk na de Afwikkelingsdatum. De Vennootschap en ING Groep zijn met de Underwriters overeengekomen dat zij gedurende een periode van 180 dagen na de Afwikkelingsdatum, behoudens bepaalde gebruikelijke uitzonderingen, zonder voorafgaande toestemming van de Joint Global Coordinators namens de Underwriters, niet zullen overgaan tot het aanbieden, verpanden, verkopen, sluiten van een overeenkomst tot verkoop van, verkopen van opties op of overeenkomsten tot aankoop van, aankopen van opties op of overeenkomsten tot verkoop van, verlenen van opties, rechten of warrants met betrekking tot aankoop van, uitlenen of anderszins overdragen of vervreemden van, direct noch indirect.

		Gewone Aandelen of van effecten die kunnen worden omgezet in, uitgeoefend voor of ingewisseld tegen Gewone Aandelen, of tot het sluiten van *swap*overeenkomsten of andersoortige overeenkomsten uit hoofde waarvan het economisch eigendom van de Gewone Aandelen geheel of ten dele aan een andere partij wordt overgedragen, ongeacht of dergelijke transacties via levering van de Gewone Aandelen of andere effecten, in geld of anderszins worden afgewikkeld. Elke Anchor Investor heeft ingestemd met een *lock-up* bepaling ten gunste van ING Groep. De *lock-up* periode voor de Gewone Aandelen die de Anchor Investors als gevolg van de inwisseling in de eerste tranche verwerven, duurt ofwel tot negen maanden na 16 mei 2014 ofwel, indien dit een latere datum betreft, tot zes maanden na de Afwikkelingsdatum. De *lock-up* periode voor de Gewone Aandelen die de Anchor Investors als gevolg van de inwisseling in de tweede tranche verwerven, duurt tot drie maanden na de inwisselingsdatum. Op de Gewone Aandelen die de Anchor Investors als gevolg van de inwisseling in de derde tranche verwerven, is geen lock-up regelingen van toepassing. Op de Aangeboden Aandelen die de Anchor Investors als *anchor investors* in de Aanbieding aankopen, zullen geen *lock-up* regelingen van toepassing zijn. Gedurende de *lock-up* perioden zullen de Anchor Investors, behoudens bepaalde gebruikelijke uitzonderingen, zonder toestemming vooraf van ING Groep (a) geen Gewone Aandelen aanbieden of verkopen, geen overeenkomsten tot uitgifte of verkoop van Gewone Aandelen sluiten, geen opties, rechten of warrants met betrekking tot aankoop van Gewone Aandelen verlenen en Gewone Aandelen ook niet anderszins overdragen of vervreemden, (b) geen swapovereenkomsten of andere overeenkomsten of transacties aangaan uit hoofde waarvan het economisch eigendom van de Gewone Aandelen, geheel of ten dele, direct of indirect wordt overgedragen of (c) Gewone Aandelen niet bezwaren of als zekerheid aanwenden, waarbij de uitzondering geldt dat RRJ Capital en SeaTown ten gunste van hun bestaande kredietverleners wel Gewone Aandelen mogen bezwaren of als zekerheid aanwenden. Zoals beschreven in '*The Offering—Anchor Investors*' in het Prospectus zullen er onder bepaalde omstandigheden geen *lock-up* restricties van toepassing zijn. Binnen de Preferente Toewijzing Werknemers worden twee verschillende *lock-up* perioden gehanteerd. Voor Aangeboden Aandelen waarop is ingeschreven door en die zijn toegewezen aan leden van de Raad van Bestuur en het Management Board geldt een *lock-up* periode van 180 dagen na de Afwikkelingsdatum. Voor Aangeboden Aandelen waarop is ingeschreven door en die zijn toegewezen aan andere in aanmerking komende (hooggeplaatste) medewerkers van de Vennootschap en ING Groep, geldt een *lock-up* periode van 120 dagen na de Afwikkelingsdatum.
E.6	**Verwatering**	Niet van toepassing.
E.7	**Geraamde kosten die de Vennootschap aan de investeerders in rekening brengt**	Niet van toepassing. In samenhang met de Aanbieding zijn of worden er aan de beleggers kosten in rekening gebracht door de Vennootschap of ING Groep. Particuliere investeerders zouden wel kosten verschuldigd kunnen zijn aan hun financiële intermediair.

3. RISK FACTORS

Prospective investors should carefully consider the risk factors set out below, together with the other information contained in this Prospectus (including but not limited to the audited consolidated financial statements with the related notes), before making an investment decision with respect to investing in the Ordinary Shares. If any of the following risks should actually occur, NN's business, revenues, results of operations, financial condition and prospects could be materially adversely affected. In that event, the value of the Ordinary Shares could decline and investors could lose all or part of the value of their investment.

Although the Company believes that the risks and uncertainties described below are the material risks and uncertainties, they are not the only ones faced by NN. All of these factors are contingencies which may or may not occur. Additional risks and uncertainties not presently known to the Company or that the Company currently deems immaterial may also have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects and could negatively affect the price of the Ordinary Shares.

Prospective investors should carefully review the entire Prospectus, and should form their own views before making an investment decision with respect to the Ordinary Shares. Before making an investment decision with respect to any Ordinary Shares, prospective investors should also consult their own financial, legal and tax advisers to carefully review the risks associated with an investment in the Ordinary Shares and consider such an investment decision in light of the prospective investor's personal circumstances. The sequence in which the risk factors are presented below, and any quantitative historical impacts and sensitivities included, are not indicative of their likelihood of occurrence or the potential magnitude of their financial consequences in the future.

RISKS RELATED TO GENERAL ECONOMIC AND MARKET CONDITIONS

NN's business, revenues, results of operations, financial condition and prospects are materially affected by the condition of global financial markets and economic conditions generally.

Since the onset of the financial crisis in 2008, which in Europe was followed by the onset of the euro-crisis in 2010, weak macroeconomic conditions, including recessions, and the implementation of austerity measures in many economies, along with global financial market turmoil and volatility, have affected, and if these trends persist or return will continue to affect, the behaviour of NN's customers, and by extension, the demand for, and supply of, NN's products and services. High unemployment levels; reduced consumer and government spending levels; government monetary and fiscal policies; inflation rates; interest rates; credit spreads and credit default rates; currency exchange rates; market indices, equity and other securities prices; real estate prices and changes in customer behaviour have affected and will continue to affect NN. All of these factors are impacted by changes in financial markets and developments in the global and European economies.

Over the past several years, as the Dutch, European and global economies have taken steps to recover from the financial crisis, significant actions by governments, including bail-outs of financial institutions, as well as volatile markets, interest rates and credit spreads, significant changes in asset valuations (including material write-offs and write-downs of impaired assets), have all affected the business of financial institutions, including NN. Continuing weakness or significant deterioration in the Dutch, European and global economies, a failure to return to growth, and continuing volatility in financial markets may affect NN in one or more of the following ways which, should such events occur, could have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects:

- NN provides a number of life insurance, pension, income, investment and banking products that expose it to risks associated with fluctuations in interest rates, market indices, equity and other securities prices, credit default rates, the value of real estate assets, fluctuations in currency exchange rates and credit spreads. The profitability of many of these products depends in part on the value of the general account assets and separate account assets supporting them, which will fluctuate depending on the factors described in the previous sentence.

- Certain of NN's life insurance and pension products contain guaranteed minimum benefits. Financial market declines, decreases in prevailing interest rates, a prolonged period of low interest rates (such as that experienced over the past several years), and high market volatility have resulted, and may result, in the value of these guaranteed minimum benefits being higher than anticipated in the pricing, reserving and valuation assumptions made when the policies were issued, and have resulted, and may result, in a decrease in customer lapses. A decrease in customer lapses increases the costs to NN of these products because NN typically pays out the minimum guaranteed benefits on more policies when investment returns on the underlying assets are lower than the minimum guaranteed benefits, negatively impacting the profitability of those products. Such an impact on profitability would generally be reflected over time through IFRS earnings reflected in NN's consolidated financial statements, and could also result in an immediate decrease in available regulatory capital and in Embedded Value. Conversely, in periods of rapidly increasing interest rates, policy lapses and withdrawals may increase. This could force NN to sell investment assets at reduced prices and realise investment losses to make the cash payments due to its policyholders, having an immediate effect on IFRS earnings, available regulatory capital and Embedded Value.

- Financial market conditions may adversely affect the effectiveness of the hedge instruments used by NN to manage certain risks to which it is exposed. This has resulted, and may result, in the hedge instruments not performing as intended or expected, in turn resulting in higher realised losses and increased cash needs to collateralise or settle these hedge transactions. Such financial market conditions have limited, and may limit, the availability, and increase the costs, of hedging instruments. In certain cases these costs have not been, and may not be, fully recovered in the pricing of the products to which the hedges relate.

- In the ordinary course of its business, NN holds investment portfolios containing a variety of asset classes, including fixed income securities (amongst which, government bonds of the GIIPS countries (being Greece, Italy, Ireland, Portugal and Spain), corporate bonds, mortgages and asset-backed securities (**ABS**)), equities, real estate, and investments in private equity funds. The value of these investment portfolios has been, and may be, negatively impacted by adverse conditions in the financial markets and economies generally, interest rate changes, changes in mortgage prepayment behaviour or declines in the value of underlying collateral, potentially resulting in increased capital requirements and realised or unrealised losses on those portfolios and decreased investment income. The value of NN's investment portfolios has also been, and may be, adversely impacted by reductions in price transparency, changes in the assumptions or methodologies used to estimate fair value and changes in investor confidence or preferences, resulting in higher realised or unrealised losses. A decrease in the value of the investment portfolios has impacted, and could impact, the results of operations and financial condition of certain of the Company's subsidiaries, requiring capital injections and impacting the ability of certain of those subsidiaries to distribute dividends.

- Weak performance of financial markets or underperformance (compared to certain benchmarks or NN's competitors) by funds or accounts that NN manages, or investment products that NN sells, has impacted, and may impact, NN's ability to attract new customers, and has caused, and may cause, customer investments to be withdrawn or reduced, resulting in reduced fee and commission income earned by NN from the management of investment portfolios for third parties, and reduced fee income on certain annuity, pension and investment products. Furthermore, changes in financial market conditions have caused, and may cause, a shift in NN's assets under management (**AuM**) mix from equity towards fixed-income products, potentially contributing towards a decline in the revenues earned by NN from the management of investment portfolios for third parties.

- Adverse economic conditions generally (including high unemployment rates) may reduce the level of savings and investment in insurance, banking and investment products. Furthermore, financial market conditions characterised by decreasing or persistently low interest rates may cause a decline in the benefits NN is commercially able to offer under its insurance products. These effects have reduced, and may reduce, demand for NN's products and services. Adverse economic conditions generally have resulted, and may result, in reductions in numbers of employees of NN's existing corporate customers in its group life insurance business, in turn resulting in a reduction in underlying employee participation levels and thus in the contributions, deposits and premium income attributable to certain of NN's pension products.

- NN holds certain assets that have low liquidity, such as privately placed fixed income securities, commercial and residential mortgage loans, ABS, government bonds of certain countries, private equity investments and real estate. Since the onset of the financial crisis many of these assets have proven to be illiquid resulting in realised losses if such assets were sold and unrealised losses on such assets if they were marked-to-market. Although the liquidity for certain of these assets has improved, a further downturn in the financial markets may exacerbate the low liquidity of these assets and may also reduce the liquidity of assets that are typically liquid, as occurred during the financial crisis in the case of the markets for ABS relating to real estate assets and other collateralised debt and loan obligations. If NN requires significant amounts of cash on short notice in excess of normal cash requirements or is required to post or return collateral in connection with its investment portfolio, derivatives transactions or securities lending activities, NN may be forced to sell assets. If those assets are illiquid, NN may be forced to sell them for a lower price than it otherwise would have been able to realise, resulting in losses.

- Disruptions, uncertainty or volatility in financial markets may limit or otherwise adversely impact NN's ability to access the public markets for debt and equity capital. This may in turn force NN to (a) delay raising additional capital, (b) issue debt securities of different types or under less favourable terms to NN than it would otherwise do, or (c) incur a higher cost of capital than it would otherwise have incurred, each of which may have a material adverse effect on NN's capital and liquidity position. Insufficient liquidity in public markets may force NN to curtail certain operations and strategies, and may adversely impact NN's ability to meet regulatory and rating agency requirements.

- As at 31 December 2013, NN has recognised on its consolidated balance sheet EUR 51 million of deferred tax assets (after netting with deferred tax liabilities that can be offset). Deferred tax assets represent the tax benefit of future deductible differences between the book and tax value of assets and liabilities, operating loss carry-forwards and tax credit carry-forwards. NN periodically evaluates and tests its ability to substantiate deferred tax assets. Deferred tax assets are reduced by a valuation allowance (write-down) if, based on the weight of evidence, it is more likely than not that some portion, or all, of the deferred tax assets will not be realised. In assessing the "more likely than not" criteria, NN considers future taxable income as well as prudent tax planning strategies. Future taxable income and tax planning strategies depend on market conditions and as a consequence the amount of the deferred tax assets can be volatile. Market conditions may result in deferred tax assets that cannot be realised, requiring a write-down (of part) of the deferred tax assets, which may adversely impact NN's results of operations and equity.

The continuing risk that one or more European countries could exit the eurozone could have a material adverse effect on NN's business, results of operations, financial condition and prospects.

Despite recent improvements in the financial position of many European countries, there remains a risk that financial difficulties may result in certain European countries exiting the eurozone. The possible exit from the eurozone of one or more European countries and the replacement of the euro by one or more successor currencies could create significant uncertainties regarding the enforceability and valuation of euro denominated contracts to which NN (or its counterparties) are a party and thereby materially and adversely affect NN's (and/or its counterparties') liquidity, business and financial condition. Such uncertainties may include the risk that (a) a liability that was expected to be paid in euro is redenominated into a new currency (which may not be easily converted into other currencies without significant cost), (b) currencies in some European countries may devalue relative to others, (c) former eurozone member states may impose capital controls that would make it complicated, illegal or more costly to move capital out of such countries, and/or (d) some courts (in particular, courts in countries that have left the eurozone) may not recognise and/or enforce claims denominated in euro (and/or in any replacement currency). The possible exit from the eurozone of one or more European countries and/or the replacement of the euro by one or more successor currencies could also cause other significant market dislocations and lead to other adverse economic and operational impacts that are inherently difficult to predict or evaluate. As a result, the occurrence of one or more of these events could have a material adverse effect on the business, results of operations, financial condition and prospects of NN and its counterparties.

A downgrade or a potential downgrade in NN's credit or financial strength ratings could have a material adverse effect on NN's ability to raise additional capital, or increase the cost of additional capital, and could result in, amongst others, a loss of existing or potential business (including losses on customer withdrawals), lower AuM and fee income, and decreased liquidity, each of which could have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects.

In general, credit and financial strength ratings are important factors affecting public confidence in insurers, and are as such important to NN's ability to sell its products and services to existing and potential customers. Credit ratings represent the opinions of rating agencies regarding an entity's ability to repay its indebtedness. On an operating subsidiary level, financial strength ratings reflect the opinions of rating agencies on the financial ability of an insurance company to meet its obligations under an insurance policy, and are typically referred to ''claims-paying ability'' ratings.

The Company has the following credit ratings: Standard & Poor's: BBB+ (last updated 2 June 2014, when Standard & Poor's regarded the outlook as ''developing''); Moody's: Baa2 (last updated 26 March 2014, when Moody's regarded the outlook as ''negative''); Fitch Ratings Ltd. (**Fitch**): A- (last updated 30 April 2014, when Fitch regarded the outlook as ''stable'').

The following operating subsidiaries of the Company are the only operating subsidiaries with financial strength ratings.

- Nationale-Nederlanden Levensverzekering Maatschappij N.V. (**NN Life**) has the following financial strength rating: Standard & Poor's: A (last updated 2 June 2014, when Standard & Poor's regarded the outlook as ''developing'').

- ING Re (Netherlands) N.V. has the following financial strength rating: Standard & Poor's: A (last updated 2 June 2014, when Standard & Poor's regarded the outlook as ''developing'').

- ING Life Insurance Company, Ltd. (**NN Japan**) has the following financial strength rating: Standard & Poor's: A- (last updated 2 May 2014, when Standard & Poor's regarded the outlook as ''negative'').

Rating agencies review insurers' ability to meet their obligations (including to policyholders and their creditworthiness generally) based on various factors, and assign ratings stating their current opinion in that regard. While most of the factors are specific to the rated company, some relate to general economic conditions, intercompany dependencies and other circumstances outside the rated company's control. Such factors might also include a downgrade of the sovereign credit rating of the Netherlands as rating agencies typically take into account the credit rating of the relevant sovereign in assessing the credit and financial strength ratings of a corporate issuer. Rating agencies have increased the level of scrutiny that they apply to financial institutions, have increased the frequency and scope of their reviews, have requested additional information from the companies that they rate, and may adjust upward the capital and other requirements employed in the rating agency models for maintenance of certain ratings levels. NN may need to take actions in response to changing standards or capital requirements set by any of the rating agencies, which may not otherwise be in the best interests of NN. NN cannot predict what additional actions rating agencies may take, or what actions NN may take in response to the actions of rating agencies. The outcome of such reviews may have adverse ratings consequences, which could have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects.

A downgrade of NN's credit or financial strength ratings, and a deteriorating capital position, in each case relative to NN's competitors, could affect NN's competitive position as comparative ratings are one of the factors typically considered by potential customers and third party distributors, including intermediaries and bancassurance, in selecting an insurer. Tied agents make a similar choice when they agree to become tied to an insurer. A downgrade of an insurer's credit or financial strength ratings may also contribute to the decision of a tied agent to terminate its relationship with that insurer and move to another insurer. Such a downgrade may also lead to increased withdrawals, lapses or surrenders of life insurance policies by existing customers as they may elect to move their business to insurers with higher ratings. A downgrade in NN's credit ratings or in any of its operating subsidiaries' financial strength ratings could thus lead to a decrease in NN's AuM, lower fee income, and decreased liquidity. In addition, a downgrade could reduce public confidence in NN and its operating insurance company subsidiaries and thereby reduce demand for its products and increase the number or amount of policy withdrawals by policyholders. These withdrawals could require the sale of invested assets, including illiquid assets, at a price that may result in investment losses. Cash payments to policyholders could reduce the value of AuM and therefore result in lower fee income. A downgrade in NN's credit ratings could also (a) make it more difficult or more costly to access additional debt and equity capital, (b) increase collateral requirements, give rise to additional payments, or afford termination rights, to counterparties under derivative contracts or other agreements, and (c) impair, or cause the termination of, NN's relationships with creditors, distributors, reinsurers or trading counterparties, each of which may have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects.

Certain of NN's life insurance products (including annuity and pension products) are subject to longevity risk, which is the risk that the insured lives longer than assumed, with the result that the insurer must continue paying out on the relevant policy for longer than was anticipated, which could have a material adverse effect on NN's business, results of operations, financial condition and prospects.

In valuing its insurance liabilities and in establishing its pricing and reserving standards, NN uses assumptions to model the future benefit payments, which may be different from the actual benefit payments that will become due in the future if the insured lives longer than was assumed. To establish these assumptions, NN makes extensive use of industry mortality tables, adjusted to take into account own experience, in the countries in which it sells products that are subject to longevity risk. In the Netherlands, for instance, NN currently uses the Statistics Netherlands (*Centraal Bureau voor de Statistiek*) (**CBS**) mortality tables. Mortality tables are updated periodically (in the case of the CBS mortality tables, every two years) and any such updates may require that NN update its assumptions accordingly. If an updated mortality table reflects lengthened life expectancies, such mortality improvements may increase the expected future benefit payments and thereby decrease the profitability of certain of NN's life insurance products, which could have a material adverse effect on NN's business, revenues, results of operations and prospects. Moreover, a change in assumptions, though it would be reflected over time through IFRS earnings, would result in an immediate change in the present value of the liabilities used to determine Embedded Value and available regulatory capital in the Netherlands, the impact of which is larger when interest rates are low. A change in assumptions could result in a material decrease in available regulatory capital in the Netherlands, which could have a material adverse effect on NN's financial condition.

NN has long-term assets and liabilities and is exposed to the risk of a mismatch between the value of the assets and the liabilities resulting from changes in interest rates and credit spreads, which could have a material adverse effect on NN's results of operations and financial condition.

As a provider of life insurance and guaranteed pension products, NN requires a significant amount of long-term fixed income assets which are mostly matched against its long-term insurance liabilities. Fixed income assets are typically valued at fair market value in accordance with current accounting and solvency regulations and are therefore sensitive to interest rate and credit spread movements. However, corresponding liability valuations do not fluctuate with interest rate and credit spread movements when they are valued using a fixed accrual methodology, which may apply depending on applicable accounting, reporting and regulatory frameworks. Moreover, even if the corresponding liabilities are valued using a market consistent methodology, they may nevertheless have limited or different sensitivity to credit spread and interest rate movements because the discount rate applied in those market consistent valuations (in some cases, including the discount rate prescribed or determined by regulators) typically do not fully reflect sensitivities to credit spread and interest rate movements and therefore the value of the liabilities may not match that of the fixed income assets. For further information on sensitivities to credit spread movements, see "*Risk Management—Market and Credit Risk: General Account—Credit spread risk*". In addition, there may be a mismatch in interest rate sensitivities if the duration of the liabilities of a business unit differs from the fixed income assets.

In all of these cases, there is a mismatch between the valuations of the fixed income assets and liabilities that, depending on applicable accounting, reporting and regulatory frameworks, could have a material adverse effect on NN's available regulatory capital (including in the Netherlands and Japan), Embedded Value, results of operations and financial condition.

Sustained low interest rate levels could have a material adverse effect on NN's revenues, results of operation, financial condition and prospects.

The sustained low interest rate environment in recent years, in particular in Europe and Japan, has impacted NN in various ways, including the following, and will continue to do so if it persists.

- In a period of sustained low interest rates, financial and insurance products with long-term options and guarantees (such as pension, whole-life and disability products) may be more costly to NN. NN may therefore incur higher costs to hedge the investment risk associated with such long-term options and guarantees of these products. Moreover, economic capital NN holds for long-term risks, such as longevity, expense and morbidity risks, is higher in a low interest rate environment. These effects limit the ability of NN to offer these products at affordable prices. Also, the present value impact of assumption changes affecting future benefits and expenses is larger, creating more volatility in NN's results of operations, available regulatory capital and Embedded Value.

- NN holds long-term fixed income assets, which are matched against its long-term liabilities. Over the next several years fixed income assets that were purchased prior to the onset of the financial crisis when interest rates were higher will run off. This will subject NN to an investment risk because, in a low interest rate environment, NN may not be able to reinvest the proceeds from maturing investments or to invest the premiums, which it will continue to receive on recurring premium products with interest rate guarantees, in assets with a comparable return profile.

Sustained low interest rate levels have had, and could continue to have, a material adverse effect on NN's revenues, results of operation, financial condition and prospects.

Rising interest rates could reduce the value of fixed-income investments held by NN, increase policy lapses and withdrawals, and increase collateral requirements under NN's hedging arrangements, which could have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects.

If interest rates rise, the value of NN's fixed income portfolio may decrease. This may result in unrealised losses, which in certain regulatory environments, for instance in Japan, could lead to reductions in available regulatory capital and the distributable earnings of the Company's Japanese subsidiaries. Furthermore, rising interest rates could require that NN post collateral in relation to its interest rate hedging arrangements. In periods of rising interest rates, policy lapses and withdrawals may increase as policyholders may believe they can obtain a higher rate of return in the market place. In order to satisfy the resulting obligations to make cash payments to policyholders, NN may be forced to sell assets at reduced prices and thus realise investment losses. Such a sale of investment assets may also result in a decrease in NN's AuM, which could result in reduced fee income as NN's fee income is typically linked to the value of the AuM.

The occurrence of any of the risks set out above could have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects.

NN is exposed to currency transaction risks and currency translation risks.

The Company's operating subsidiaries may enter into transactions in currencies other than their local currency. Movements in relevant currency exchange rates could adversely affect the revenues, results of operations and financial condition of those operating subsidiaries, and in turn that of the Company. The Company is also subject to currency translation risks as the financial statements of some of its subsidiaries are prepared in currencies other than the euro, the most important of which are the Japanese yen and the Polish zloty. The Company and its subsidiaries also receive dividends and other distributions from subsidiaries in currencies other than the euro. Changes in currency exchange rates between the euro and these currencies, particularly the Japanese yen and the Polish zloty, can cause changes in the value (in euro) of corresponding positions on the consolidated financial statements of NN, even where results as measured in the local currency have remained unchanged, or have even improved. As at 31 December 2013, the currency exchange rate sensitivities measured by the impact of a 10% downward movement of currencies compared to the euro was EUR 58 million for IFRS earnings.

Certain subsidiaries of the Company may be subject to liquidity risk, which may not be timely resolved by liquidity available elsewhere in the NN group.

Most of NN's operating insurance companies will have adequate liquid assets as they have significant holdings of government bonds. However, certain NN entities, such as the Company, NN Re, Nationale-Nederlanden Interfinance B.V., NN Japan and NN Bank could be faced with a lack of liquidity. In addition, the Company is dependent on dividend payments by its subsidiaries to service its debt and expenses. Payments of dividends to the Company by its subsidiaries may be restricted by applicable laws and regulations of their respective jurisdictions, including laws establishing minimum solvency and liquidity thresholds. For instance, dividend distributions by the Company's Dutch insurance subsidiaries may not be permitted by DNB (including pursuant to a breach of the "Theoretical Solvency Criterion" (*Theoretisch Solvabiliteitscriterium*) (**TSC**). See "*—Regulatory and Litigation Risks—The impact on NN of recent and ongoing financial regulatory reform initiatives is uncertain—Theoretical Solvency Criterion regulation in the Netherlands (also known as 'Solvency 1.5')*"). NN Re has a large derivatives portfolio in respect of the variable annuity guarantees it reinsures for certain members of the NN group, which could require it to post (additional) collateral. Nationale-Nederlanden Interfinance B.V. is the legal entity that enters into most of the derivative contracts that NN uses to hedge its insurance portfolios, and could be required to post (additional) collateral if, for instance, equity markets fall and interest rates rise. NN Japan's portfolio of corporate-owned life insurance (**COLI**) could suffer significant surrenders if certain tax benefits on existing business become no longer available to NN's corporate customers following a change in Japanese tax regulations, which could result in liquidity issues if this is combined with a significant increase in Japanese interest rates reducing the value of assets which would need to be sold to satisfy its obligations to customers. NN Bank is exposed to the risk of customer deposit outflows and an inability to attract wholesale funding to fund its illiquid assets, in particular its mortgage portfolio. There can be no assurance that liquidity available elsewhere in the NN group can or may be made available to the Company or affected subsidiary or that any such entity will have access to external sources of liquidity.

RISKS RELATED TO THE BUSINESS AND STRATEGY

Sales of life insurance products in the Netherlands have been declining since 2008. NN can give no assurance that sales volumes of its life insurance products will increase in the future. Slow growth of, or further declines in, such sales volumes could, over time, have a material adverse effect on NN's revenues, results of operations and prospects.

Sales of life insurance products in the Netherlands have declined since 2008. GWP for life insurance products decreased from EUR 26 billion in 2008 to EUR 19 billion in 2012 (source: DNB), mainly due to the continued effects of the global economic crisis and the economic recession in the Netherlands during that period; a depressed Dutch mortgage market against which many life insurance products are linked; negative publicity relating to unit-linked products in the Netherlands; low interest rates; changes in tax laws that have made certain life insurance products less attractive to customers, and a shift in focus of insurance companies, pension funds and employers away from traditional defined benefit pension schemes as low interest rates, and the guarantees that form part of these products, have increased the cost and made these products less attractive for employers providing such benefits. NN can give no assurance that sales volumes of its life insurance products, in the Netherlands and elsewhere, will increase in the future (in particular in relation to NN's individual life insurance business, which is to a large extent in run-off). Slow growth of, or further declines in, such sales volumes could have a material adverse effect on NN's revenues, results of operations and prospects.

If NN is unable to successfully implement its strategy, or if NN's strategy does not yield the anticipated benefits, this may have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects and NN may not achieve its targets. If one or more of the assumptions that NN has made in setting its targets are inaccurate, NN may be unable to achieve one or more of its targets.

NN's strategy aims to generate capital and improve earnings via transformation in the Netherlands, profitable growth and operating leverage in other segments, and diligent management of its Japan Closed Block VA. NN intends to operationally improve and selectively grow its insurance businesses in the Netherlands by (a) executing its multiyear programme to achieve expense reductions through process rationalisation and product redesign, (b) improving capital efficiency through the reduction of liability risks in pensions and releasing capital from its maturing policies in its closed block individual life business, (c) pursuing opportunities to gradually move to higher yielding assets, leading to an optimisation of the risk/return profile in relation to NN's liabilities, consistent with its prudent risk management policies, (d) restoring underwriting profitability in the non-life insurance business through restructuring of certain product portfolios, and (e) leveraging its market position to selectively capture new business opportunities in the market, such as growth in defined contribution pensions. In other segments, NN is focused on utilising its well established platforms to capture profitable growth opportunities and benefit from operating leverage: (a) in Insurance Europe, NN aims to achieve profitable growth driven by market growth in markets where it operates, improvements in productivity of its distribution channels, and disciplined cost management to achieve operating leverage, (b) in Japan Life, NN will seek to benefit from operating leverage from growth fuelled by the recovery of the Japanese economy, by further penetrating its bancassurance network and the SME customer segment, and (c) NN Investment Partners aims to grow its third party business using its existing scalable platform and broadening its distribution relationships while benefitting from operational leverage. NN's strategy for its Japan Closed Block VA is aimed at capital release over time following the run-off profile of the portfolio, while limiting the impacts from volatile markets through hedging.

NN has the intention to pay a dividend of EUR 175 million in relation to the second half of 2014, which is to be paid in 2015, and has set certain targets for each of its reporting segments. In addition, NN has set the following targets for the overall Company: over time and assuming normal markets, current regulatory framework and no material special items, the Company expects to generate free cash available to Shareholders in a range around NN's net operating result of the ongoing business. NN will follow a disciplined capital management policy. This means a base case of capital in excess of the Company's capital ambition being returned to Shareholders in the most efficient form. However, excess capital may also be used for corporate purposes should these be judged to create value for Shareholders. Furthermore, Management's aim is to achieve an annual operating result before tax of the ongoing business growth rate on average of 5-7% in the medium term, to reduce administrative expenses in Netherlands Life, Netherlands Non-life and corporate/ holding entities by EUR 200 million by 2016, compared with 2013, and to increase the Net Operating ROE of the ongoing business (from a *pro forma* 7.1% in 2013), in the medium term. NN's ability to meet its targets depends on the accuracy of various assumptions involving factors that are, in part, significantly or entirely beyond NN's control and are subject to known and unknown risks (including the risks described in this section), uncertainties and other factors that may result in NN being unable to achieve these targets. See "*Business—Strategy*", "*Business—Targets*" and "*Dividends and Dividend Policy—Dividend policy*".

If NN's strategy is not implemented successfully, or if NN's strategy does not yield the anticipated benefits, this could have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects and NN may be unable to achieve its targets. The ability to successfully implement NN's strategy will also be impacted by factors such as general economic and business conditions, many of which are outside the control of NN. If one or more of the assumptions that NN has made in setting its targets are inaccurate, or if one or more of the risks described in this section occur, NN may be unable to achieve one or more of its targets.

Because NN operates in highly competitive markets, it may lose its competitive position and market share, which may have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects.

In each of NN's business lines NN faces intense competition, including from domestic and foreign insurance companies, distributors, financial advisers, banks, asset managers and diversified financial institutions, both for the ultimate customers for NN's products and for distribution through third party distribution channels. NN competes based on a number of factors including brand recognition, reputation, perceived financial strength and credit ratings, scope of distribution, quality of investment advice, quality of service, product features, investment performance of its products and price. A decline in NN's competitive position could have a material adverse effect on its business, revenues, results of operations, financial condition and prospects.

Recent years have seen substantial consolidation among companies in the financial services industry through acquisitions, (forced) takeovers and the formation of new alliances. Increased levels of consolidation have enhanced the competitive position of some of NN's competitors by broadening their product and services ranges, increasing their distribution channels and increasing their access to capital. Consolidation has also created larger competitors with lower (relative) operating costs and an ability to absorb greater risk more competitively, which could adversely affect NN's ability to obtain new, or retain existing customers, or its ability to adjust prices. These competitive pressures could result in increased pressure on product pricing and commissions on a number of NN's products and services, which may adversely affect NN's operating margins, underwriting results and capital requirements, or reduce market share, any of which could have a material adverse effect on NN's business, revenues, results of operations and prospects.

Consumer demand, technological changes, regulatory changes and actions and other factors also affect competition. Generally, NN could lose market share, incur losses on some or all of its activities and experience lower growth, if it is unable to offer competitive, attractive and innovative products and services that are also profitable, does not choose the right product offering or distribution strategy, fails to implement such a strategy successfully or fails to adhere or successfully adapt to such demands and changes.

Developing technologies are accelerating the introduction and prevalence of alternative distribution channels, particularly the internet. Such alternative distribution channels may also increase the possibility that new competitors whose competencies include the development and use of these alternative distribution channels may enter the markets in which NN operates. Although NN has strategies in place to benefit from such alternative distribution channels, it cannot guarantee that it will be able to obtain (and maintain) a competitive share of these distributions channels such that its overall market share and competitive position is protected. Moreover, NN is not able to accurately predict the extent to which such alternative distribution channels will replace or otherwise impact traditional distribution channels (such as intermediaries), or what effect this may have on NN's business.

Regulatory changes and the accelerating introduction of alternative distribution channels, methods and platforms, among other factors, are also blurring the boundaries between several markets in which NN operates (including the insurance, investment management and banking markets). This has led, and may continue to lead, to increased competitive pressures within these markets. Although this may also present new opportunities for NN, those opportunities may require expertise and experience that NN may not have, or may not be able to timely develop or procure. As a result, NN may not succeed in defending its competitive position, or may not succeed in exploiting such new opportunities, each of which may have a material adverse effect on its business, revenues, results of operations, financial condition and prospects.

Catastrophes, including natural disasters, may result in substantial losses and could have a material adverse effect on NN's business, results of operations, financial condition and prospects.

NN is subject to losses from unpredictable events that may affect multiple insured risks. Such events include both natural and man-made events, such as, but not limited to, windstorms, coastal inundation, floods, severe winter weather, and other weather-related events, pandemics, large-scale fires, industrial explosions, earthquakes and other man-made disasters such as civil unrest and terrorist attacks.

The extent of the losses from such catastrophic events is a function of their frequency, the severity of each individual event and the reinsurance arrangements that NN has in place. A catastrophic event that is sufficiently severe could result in one or more reinsurers that have re-insured that event defaulting on their obligations to the relevant insurers, including NN. Some catastrophes, such as explosions, occur in small geographic areas, while others, including windstorms and floods, may produce significant damage to large, heavily populated and widespread areas. The frequency and severity of catastrophes in general are inherently unpredictable and subject to long-term external influences, such as climate change, and a single catastrophe or multiple catastrophes in any period, could have a material adverse effect on NN's business, results of operations, financial condition and prospects.

The non-life insurance business has historically been cyclical, characterised by periods of intense competition in relation to price and policy terms and conditions often due to excessive underwriting capacity, resulting in fewer policies written, lower premium rates, increased expenses for customer acquisition and retention, and less favourable policy terms and conditions for NN, and such cycles may occur again.

Insurers that offer non-life insurance products have historically experienced significant fluctuations in operating results due to competition, the levels of underwriting capacity, general social, legal or economic conditions and other factors. The supply of insurance capacity is related to, amongst other factors, prevailing prices, the level of insured losses and the level of industry profitability and capital surplus which, in turn, may fluctuate in response to changes in inflation rates, the rates of return on investments being earned by the insurance industry, as well as other social, economic, legal and political changes. As a result, the non-life insurance business has historically been cyclical, characterised by periods of intense competition in relation to price and policy terms and conditions often due to excessive underwriting capacity, as well as periods when shortages of capacity have seen increased premium rates and policy terms and conditions that are more advantageous to underwriters. Increases in the supply of insurance (whether through an increase in the number of competitors, an increase in the capitalisation available to insurers, or otherwise) and, similarly, reduction in consumer demand for insurance, could have adverse consequences for NN, including fewer contracts written, lower premium rates, increased expenses for customer acquisition and retention, and less favourable policy terms and conditions for NN, any of which could have a material adverse effect on NN's business, results of operations, financial condition and prospects. Although NN may be able to control certain of these factors, its non-life insurance business will tend to follow this cyclical pattern with profitability increasing during periods of lower underwriting capacity, increased premium rates and/or higher quality insured risk, and profitability declining in periods of higher underwriting capacity, decreased premium rates and/or lower quality insured risk.

In the ordinary course of managing and reporting on its business, NN makes extensive use of assumptions and actuarial models to estimate future revenues and expenditures until the maturity of its insurance portfolios, and to assess the related risks. Differences in experience compared with assumptions, as well as updates of the assumptions and actuarial models, may have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects.

In the ordinary course of managing and reporting on its business, NN makes extensive use of actuarial models to estimate future revenues (including premium income and investment returns) and expenditures (including claims payable, policyholder benefits payable, operating expenses, investment expenses, commissions payable and tax expenses) until the maturity of its insurance portfolios, which are used for various purposes, including pricing, reserving, reserve adequacy testing, solvency, economic capital, and hedging programmes, and uses risk models to assess the related risks.

These actuarial models use, among others, statistics, observed historical market data, insurance policy terms and conditions, and NN's own judgment, expertise and experience, and include assumptions as to, among others, the levels and timing of payment of premiums, benefits, claims, expenses, interest rates, credit spreads, investment portfolio performance (including equity market and debt market returns), longevity, mortality, morbidity and product persistency, and customer behaviour (including with respect to surrenders or extensions). NN's risk models also include assumptions as to regulatory capital and other requirements, which are particularly uncertain in the current regulatory environment, which is undergoing significant, and ongoing, changes. See "—*Regulatory and Litigation Risks—The impact on NN of recent and ongoing financial regulatory reform initiatives is uncertain*". Actuarial and risk models are complex and may not identify all relevant elements, or may not accurately estimate the magnitude of the impact of identified elements. The effectiveness of these models depends on the quality of information used, which may not always be accurate, complete, or up-to-date, or the significance of which may not always be properly evaluated. Actuarial and risk models are inherently uncertain and involve the exercise of significant own judgment. NN therefore cannot determine with precision the amounts that it will pay for, or the timing of payment of, actual benefits, claims and expenses or whether the assets supporting NN's policy liabilities, together with future premiums, will be sufficient.

If actual experience differs from assumptions or estimates, the profitability of NN's products may be negatively impacted, NN may incur losses, and NN's capital and reserves may not be adequate, and the effectiveness of NN's hedging programmes may be adversely affected. See "—*Risks Related to the*

Business and Strategy—NN's hedging programmes may prove inadequate or ineffective for the risks they address, which could have a material adverse effect on NN's business, results of operations, financial condition and prospects''.

From time to time, NN may need to update its assumptions and actuarial and risk models to reflect actual experience and other new information. Changes to assumptions and these models could impact NN by, for instance, requiring that it update its hedge positions, in which case NN may incur losses, or result in a review of, and subsequent changes to, NN's product pricing, which could have a material adverse effect on NN's business, revenues, results of operations and prospects. In addition, the impact of changes to assumptions, actuarial and risk models on NN's financial reporting will differ depending on applicable accounting and regulatory frameworks.

The impact of changes in assumptions for most of NN's life insurance business would be reflected over the remaining life of the policies through IFRS earnings. However, for non-life insurance business and the variable annuity business regular updates are made to the assumptions, with an immediate change in the present value of reserves and therefore on IFRS earnings. Furthermore, updates in assumptions within the life insurance business in the Netherlands would result in an immediate change in the present value of the liabilities used to determine available regulatory capital in the Netherlands and would therefore have an immediate impact on available regulatory capital. Changes in assumptions also have an immediate impact on Embedded Value. Changes in assumptions could therefore have a material adverse effect on NN's results of operations and financial condition.

In valuing its insurance liabilities and in pricing its life insurance and pension products, NN uses assumptions to model the impact of future policyholders' behaviour, which may be different from the actual impact of future policyholders' behaviour. A discrepancy between assumed policyholder behaviour and actual experience, as well as changes to the assumptions used in the modelling, may have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects.

NN is exposed to risks associated with the future behaviour of policyholders which may have an impact on future claims payment patterns. Relevant policyholder behaviours include, among others, policy lapse, withdrawal and surrender decisions, decisions on whether or not to extend the term of a policy, premium payment decisions, discretionary policy top-ups, and choices regarding the underlying fund composition in relation to certain pension and investment products. Risks arise from the discretions afforded to policyholders under the policies, and decisions by customers on whether or not to perform under the policies.

Policyholder behaviours and patterns can be influenced by many factors, including financial market conditions and economic conditions generally. For instance, if an insurance product contains a guaranteed minimum benefit (as do the variable annuity insurance products in NN's Insurance Europe and Japan Closed Block VA books), financial market conditions will determine whether that guarantee is ''in the money'', ''out of the money'' or ''at the money'', depending on whether the guarantee amount is higher, lower or equal to the value of the underlying funds. This in turn may influence the policyholder's decision on whether or not to maintain the policy. By way of example: an equity market decline, decreases in prevailing interest rates, or a prolonged period of low interest rates, could result in the value of the guaranteed minimum benefits being ''in the money'', in which case the policyholder is less likely to surrender the policy (particularly when the timing of receiving the guaranteed minimum benefit amount is known and is not too far in the future). Factors such as customer perception of NN, awareness and appreciation by customers of potential benefits of early surrender, and changes in laws (including tax laws that make relevant products more or less beneficial to customers from a tax perspective) can also affect policyholder behaviour. Other factors, less directly related to the product, such as a change in state pensions, an increase or decrease in the preference of consumers for cash at hand, the existence and terms of competing products, and others, may also have an impact on policyholder behaviour.

In valuing its insurance liabilities and pricing its life insurance and pension products, NN uses assumptions to model the impact of future policyholder behaviour. Where meaningful these assumptions reflect a different behaviour under various economic scenarios. However, the impact of actual policyholder behaviour NN experiences may be different from the impact of assumed policyholder behaviour. This and other insights in the development of policyholder behaviour might result in a change of those assumptions.

Changes in assumptions can affect NN's business in a number of ways. For most of the life insurance business the impact would be reflected over the remaining life of the policies through IFRS earnings, except for the variable annuity business where regular updates are made for fair value calculations, with an immediate change in the present value of reserves, which is immediately reflected in IFRS earnings. The present value impact of changes in assumptions would be immediately reflected in Embedded Value, and changes in assumptions within the life insurance business in the Netherlands would also result in an immediate change in the present value of the liabilities used to determine available regulatory capital in the Netherlands and would therefore have an immediate impact on available regulatory capital in the Netherlands. Changes in assumptions could therefore have a material adverse effect on NN's results of operations and financial condition.

A discrepancy between assumed policyholder behaviour and actual experience, as well as changes to the assumptions used in the modelling, may have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects.

Investment guarantees of NN's separate accounts pension business in the Netherlands and the variable annuity products sold in Japan have in the past had, and may in the future have, a material adverse effect on NN's business, results of operations, and financial condition.

NN's separate account business in the Netherlands consists of large pension contracts sold to employers under which a discretion to choose the funds in which premiums are invested is afforded, while NN offers a guaranteed return ranging from 3% to 4%. As derivative instruments to hedge exposure to the investment options fully reflecting these exposures are not available, NN's obligations under these policies cannot be fully hedged and as a result the capital required for this business, as well as results of operations attributable to this business, is volatile.

NN's Japan Closed Block VA segment consists of variable annuity individual life insurance policies sold primarily from 2001 to 2009, when the block entered into run-off. These products offered policyholders the opportunity, at their discretion but within certain parameters, to invest in a variety of Japanese and international equity, fixed income, and other investment funds. In addition, these products included guaranteed minimum death benefits and provided customers with the option to purchase guaranteed minimum survival benefit riders. In some cases, such products include ratchets, the effect of which is to reset the guaranteed benefit at a higher level in case of positive market performance.

Many of these products permit policyholders to make certain determinations at their discretion, including the discretion to surrender the contract, and in some cases to extend the contract. As a result, NN's liability under these contracts is subject to policyholder behaviour, which is difficult to predict. Moreover, these discretionary characteristics amplify the potential effects of many other factors and risks, including basis risk, market volatility risks, risks arising when policies are close to renewal date, financial market conditions, hedging programme ineffectiveness, differences between assumptions and actual experience, operational risks and regulatory risks, all of which may have significant negative impacts on earnings, require significant adjustments of NN's hedging position that might negatively impact liquidity, and require increases in regulatory reserves and capital requirements, each of which could have a material adverse effect on NN's results of operations and financial condition.

Discrepancies between assumed mortality and morbidity and actual mortality and morbidity experience may have a material adverse effect on NN's results of operations and financial condition.

NN's insurance business is exposed to mortality and morbidity risk. Mortality risk is the risk that a greater number of insured persons die than was assumed, resulting in higher claims. NN's most significant exposure to mortality risk is in its term life and endowment policies. Morbidity risk is the risk that a greater number of insured persons will suffer from insured illnesses and disabilities than was assumed, resulting in higher claims and benefit payments. NN's most significant exposure to morbidity risk is in its COLI business in Japan, healthcare insurance business in Greece and income protection and disability insurance business in the Netherlands sold within NN's non-life insurance business. In the case of the income protection and disability insurance business in the Netherlands, a weak economy and higher unemployment have increased the likelihood that those who are eligible to make a claim do so for longer than was assumed, which has resulted in much higher claims than was anticipated. Discrepancies between assumed mortality and morbidity and actual mortality and morbidity experience may have a material adverse effect on NN's results of operations and financial condition.

A failure to accurately estimate inflation and factor it into NN's product pricing, expenses and liability valuations could have a material adverse effect on NN's results of operations and financial condition.

A failure to accurately estimate inflation and factor it into NN's product pricing and liability valuations with regard to future claims and expenses could result in systemic mispricing of long-term life and non-life insurance products resulting in underwriting losses, and in restatements of insurance liabilities, which could have a material adverse effect on NN's results of operations and financial condition.

In the case of expenses, NN's most significant exposure to inflation risk is in its life insurance business in the Netherlands. With respect to claims, NN's most significant exposure to inflation risk is in its disability and accident insurance policies written by the non-life insurance business in the Netherlands, and health insurance policies written by the life insurance business in Greece.

A sustained increase in inflation may result in (a) claims inflation (which is an increase in the amount ultimately paid to settle claims several years after the policy coverage period or event giving rise to the claim) and expense inflation (which is an increase in the amount of expenses that are paid in the future), respectively, coupled with (b) an underestimation of corresponding reserves at the time of establishment due to a failure to fully anticipate increased inflation and its effect on the amounts ultimately payable, and, consequently, actual claims or expense payments that significantly exceed associated insurance reserves, which could have a material adverse effect on NN's results of operations and financial condition. An increase in inflation may also require NN to update its assumptions. The present value impact of changes in assumptions would be immediately reflected in Embedded Value, and updates in assumptions within the life insurance business in the Netherlands would result in an immediate change in the present value of the claims or expenses, respectively, used to determine available regulatory capital in the Netherlands and would therefore have an immediate impact on available regulatory capital. Changes in assumptions could therefore have a material adverse effect on NN's results of operations and financial condition.

NN's primary distribution channel is its network of intermediaries, tied agents and bancassurance. A failure by NN to maintain a competitive distribution network, or to attain a market share of new sales and distribution channels that is comparative to its market share of traditional channels, could have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects.

NN's primary distribution channel is its network of intermediaries (which includes independent agents and mandated brokers), tied agents and bancassurance through which it sells and distributes its products. In the Netherlands, the principal distribution channels for NN's group life products are actuarial consulting firms that act as advisers to mid-sized and large-sized corporations (to which 43% of the Netherlands Life's group life annual premium equivalent (**APE**) was attributable in 2013), and independent agents and brokers that act as advisers to small and medium enterprises (**SMEs**) (to which, in aggregate, 57% of the Netherlands Life's group life APE was attributable in 2013). In the Netherlands, the principal distribution channels for NN's individual life products are primarily intermediaries, such as independent agents and brokers (to which, in aggregate, 84% of the Netherlands Life's individual life APE was attributable in 2013), and the bancassurance channel through NN's distribution arrangement with ING Bank in the Netherlands (to which 6% of APE was attributable in 2013). In Belgium, bancassurance distribution with ING Bank is the primary distribution channel (to which 100% of APE was attributable in 2013). NN sells and distributes its non-life products in the Netherlands primarily through regular and mandated brokers (to which 84% of the Netherlands Non-Life's GWP was attributable in 2013). In Japan, the corporate owned life insurance business is sold through independent agents (including tax advisers and bank-affiliated corporate agencies) and through bancassurance (including large securities houses). In Central and Eastern Europe, NN's primary distribution channel is tied agents.

The intermediaries and bancassurance parties through whom NN sells and distributes its products are independent of NN, with the exception of NN Bank. Moreover, NN does not have exclusivity agreements with intermediaries or with some of its bancassurance parties, so they are free to offer products from other insurance companies and there is no obligation to favour NN products. The successful distribution of NN products therefore depends in part on the choices an intermediary or bancassurance party may make as regards its preferred insurance company or companies, and as regards its preferred products and services. An intermediary or bancassurance party may determine its preference as to insurer on the basis of suitability of that insurer for its customers and for itself by considering, among other things, the security of investment and prospects for future investment returns in the light of an insurer's product offering, past investment performance, perceived financial strength and stability, credit and other ratings (if applicable), the amount of initial and recurring sales commission and fees paid by the insurer, and the quality of the service provided by the insurer. An intermediary or bancassurance party then determines which products are most suitable for its customers and for itself by considering, among other things, product features and price. An unfavourable assessment of NN or its products based on any of these factors could result in NN generally, or certain of its products, not being actively marketed by intermediaries or bancassurance parties to their customers, with the consequence that NN's sales volumes may decrease, or policy lapses and withdrawals may increase, resulting in reduced fee and premium income. NN's sales volumes may also decrease if a distributor or distribution channel on which a particular NN business unit is dependent sells fewer NN products as a result, for instance, of reputational harm to that distributor or distribution channel.

NN competes with other insurers for the services of tied agents. The tied agents of NN work out of branch offices in units under branch office and unit managers. When a tied agent makes a choice as to insurer, this choice is also connected to the branch and unit managers the tied agent will work with. It is not uncommon for competitors to actively solicit tied agents to terminate their current agreements and enter into new exclusivity undertakings with those competitors, often done through the branch and unit managers resulting in entire sales teams leaving. This soliciting for (teams of) tied agents has been more successful during times of uncertainty about the direction of the Company. In the past, NN has experienced strikes by tied agents in certain countries, which has temporarily disrupted its sales and distribution activities, and thus negatively impacted NN's sales volumes, resulting in reduced fee and premium income in those countries.

NN is also exposed to the risk that distributors may change their business models in ways that affect how they sell NN's products, either in response to changing business priorities or as a result of shifts in regulatory supervision or potential changes in applicable laws and regulations. This may concern, for instance, requirements and standards applicable to the distribution of NN products, as well as changing laws regarding commissions payable. For instance, commissions on the sale of certain insurance, banking, pension and investment services products have been banned in the Netherlands. Each of these factors may result in distributors ceasing to sell NN products, or selling less NN products, and a lowering of the persistency of NN products.

Internet-based sales and distribution platforms are becoming increasingly important distribution channels, negatively impacting NN's market share in relation to the products NN sells through its established sales and distribution channels. For instance, relative to more traditional distribution channels, the sale and distribution of non-life insurance products through comparative price websites has increased. It is possible that NN may experience a similar trend in relation to the sale and distribution of life insurance products.

A failure by NN to maintain a competitive distribution network, including participation in, or the development of, an internet-based platform to maintain its market share of new sales through this distribution channel compared to its market share of traditional channels, could have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects.

NN's hedging programmes may prove inadequate or ineffective for the risks they address, which could have a material adverse effect on NN's business, results of operations, financial condition and prospects.

NN employs hedging programmes with the objective of mitigating risks inherent in its business and operations. These risks include current or future changes in the fair value of NN's assets and liabilities, current or future changes in cash flows, the effect of interest rates, equity markets and credit spread changes, the occurrence of credit defaults, and currency exchange fluctuations. As part of its risk management strategy, NN employs hedging programmes to control these risks by entering into derivative financial instruments, such as swaps, options, futures and forward contracts.

Developing an effective strategy for dealing with the risks described above is complex, and no strategy can completely protect NN from such risks. Each of NN's hedging programmes is based on financial market and customer behaviour models using, amongst others, statistics, observed historical market and customer behaviour, underlying fund performance, insurance policy terms and conditions, and NN's own judgment, expertise and experience. These models are complex and may not identify all exposures, may not accurately estimate the magnitude of identified exposures, or may not accurately determine the effectiveness of the hedge instruments, or fail to update hedge positions quickly enough to effectively respond to market movements. Furthermore, the effectiveness of these models depends on information regarding markets, customers, fund values, NN's insurance portfolio and other matters, each of which may not always be accurate, complete, up-to-date or properly evaluated. Hedging programmes also involve transaction and other costs, and if NN terminates a hedging arrangement, it may be required to pay additional costs, such as transaction fees or breakage costs. NN may incur losses on transactions after taking into account hedging strategies. Although NN has developed policies and procedures to identify, monitor and manage risks associated with these hedging programmes, the hedging programmes may not be effective in mitigating the risk that they are intended to hedge, particularly during periods of financial market volatility.

Furthermore, the derivative counterparty in a hedging transaction may default on its obligations. Although it is NN's policy to fully collateralise derivative contracts, and differences in market value of the collateral are settled between the relevant parties on a daily basis, it is still exposed to counterparty risk. For instance, NN is dependent on third parties for the daily calculation of the market values of the derivative collateral. If these third parties (mostly large institutions) miscalculate the collateral required and the counterparty fails to fulfil its obligations under the derivative contract, it could result in unexpected losses, which could have a material adverse effect on the business, revenues, results of operations and financial condition of NN. NN's inability to manage risks successfully through derivatives (including a single counterparty's default and the systemic risk that a default is transmitted from counterparty to counterparty) could have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects.

NN is exposed to counterparty risk. Deteriorations in the financial soundness of other financial institutions, sovereigns or other contract counterparties may have a material adverse effect on NN's business, revenues, results of operations and financial condition.

Due to the nature of the global financial system, financial institutions, such as NN, are interdependent on other financial institutions as a result of trading, counterparty and other relationships. Other financial institutions with whom NN conducts business act as counterparties to NN in such capacities as issuers of securities, customers, banks, reinsurance companies, trading counterparties, counterparties under swaps and credit and other derivative contracts, clearing agents, exchanges, clearing houses, intermediaries, commercial banks, investment banks, mutual and hedge funds and other financial intermediaries. In any of these capacities, a financial institution acting as counterparty may not perform their obligations due to, among other things, bankruptcy, lack of liquidity, market downturns or operational failures, and the collateral or security they provide may prove inadequate to cover their obligations at the time of the default.

A default by any financial institution, or by a sovereign, could lead to additional defaults by other market participants. The failure of a sufficiently large and influential financial institution or sovereign has in the past, and could in the future, disrupt securities markets or clearance and settlement systems, and could lead to a chain of defaults because the commercial and financial soundness of many financial institutions may be closely related as a result of credit, trading, clearing or other relationships. Even the perceived lack of creditworthiness of one or more counterparties may lead to market-wide liquidity problems and losses or defaults by NN or by other institutions. This risk is sometimes referred to as "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges with which NN interacts on a daily basis. Systemic risk could have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects.

Reinsurance subjects NN to the credit risk of reinsurers, and reinsurance may not be available, affordable or adequate to meet NN's requirements, which may have a material adverse effect on NN's business, revenues, results of operations and financial condition.

NN purchases reinsurance under various agreements that cover defined blocks of business on a yearly renewable, per risk excess of loss or catastrophe excess of loss basis. These reinsurance agreements are designed to spread the risk and mitigate the effect of claims. The amount of the retained risk depends on an evaluation of the specific risk, which is subject, in certain circumstances, to maximum limits based on the characteristics of coverage. Under the terms of these reinsurance agreements, the reinsurer agrees to reimburse NN for the ceded amount in the event that NN has to pay out the ceded claim to a policyholder. A default by a reinsurer to which NN has material exposure could expose NN to significant (unexpected) losses and therefore have a material adverse effect on its business, revenue, results of operations and financial condition.

Market conditions beyond NN's control determine the availability and cost of reinsurance protection. Accordingly, NN may be forced to incur additional expenses for reinsurance or may not be able to obtain sufficient reinsurance on acceptable terms, which could adversely affect the profitability of NN's business and the availability of capital to write future business. In addition, NN determines the appropriate level of primary insurance and reinsurance coverage based on a number of factors and from time to time decides to reduce, eliminate or decline coverage based on its assessment of the costs and benefits involved. Any decreases in the amount of reinsurance coverage may increase NN's risk of loss. Any of these risks, should they materialise, may have a material adverse effect on NN's business, revenues, results of operations and financial condition.

The determination of the amount of impairments taken on NN's investment and other financial assets is subjective and could have a material adverse effect on NN's results of operations and financial condition.

Impairment evaluation of NN's investment and other financial assets is a complex process that involves significant judgments and uncertainties that may have a significant impact on NN's results of operations and financial condition.

All debt and equity securities (other than those carried at fair value through profit and loss) held by NN are subject to impairment testing every reporting period. The carrying value is reviewed in order to determine whether an impairment loss has been incurred. Evaluation for impairment includes both quantitative and qualitative considerations. For debt securities, such considerations include actual and estimated incurred credit losses indicated by payment default, market data on (estimated) incurred losses and other current evidence that the relevant issuer may be unlikely to pay amounts when due. Equity securities are impaired when management believes that, based on (the combination of) a significant or prolonged decline of the fair value below the acquisition price, there is sufficient reason to believe that the acquisition cost may not be recovered. Upon impairment, the full difference between the (acquisition) cost and fair value is removed from equity and recognised in net result.

The identification of impairment is an inherently uncertain process involving various assumptions and factors, including the financial condition of the counterparty, expected future cash flows, statistical loss data, discount rates, and observable market prices. Estimates and assumptions are based on management's judgment and other available information. Significantly different results can occur as circumstances change and additional information becomes known. By way of example, in the financial year ended 2011, an impairment on Greek government bonds in an aggregate amount of EUR 390 million was charged to NN's consolidated statement of income. Any further impairments could have a material adverse effect on NN's results of operations and financial condition.

NN's residential and commercial mortgage portfolio is exposed to the risk of default by borrowers and to declines in real estate prices; these exposures are concentrated in the Netherlands.

As at 31 December 2013, NN's residential and commercial mortgage loan portfolio amounted to EUR 14,218 million, which is primarily held by NN Bank and NN Life. NN is exposed to the risk of default by borrowers under these mortgage loans. Borrowers may default on their obligations due to bankruptcy, lack of liquidity, downturns in the economy generally or declines in real estate prices, operational failure, fraud or other reasons. The value of the secured property in respect of these mortgage loans is exposed to decreases in real estate prices, arising for instance from downturns in the economy generally, oversupply of properties in the market, and changes in tax regulations related to housing (such as the decrease in deductibility of interest on mortgage payments). Furthermore, the value of the secured property in respect of these mortgage loans is exposed to destruction and damage resulting from floods and other natural and man-made disasters. Damage or destruction of the secured property also increases the risk of default by the borrower. For NN, all of these exposures are concentrated in the Netherlands because the mortgage loans have been advanced, and are secured by commercial and residential property, in the Netherlands. As at 31 December 2013, almost all of the aggregate principal amount of mortgage loans advanced in the Netherlands is secured by residential property, and a negligible amount by commercial property. For the purposes of available regulatory capital of the insurance business in the Netherlands and for the purposes of determining Embedded Value, mortgage loans are valued at fair market value and are therefore exposed to interest rate, prepayment, credit spread and credit default risk. For instance, the model valuation of mortgage loans includes both general credit spreads observed in the financial markets and specific credit spreads that are based on mortgage loan-related financial transactions. If these credit spreads increase, the modelled value of the mortgage loans will decrease, which may result in losses under IFRS (if market value decreases result in impairments) and will cause decreases in NN's available regulatory capital and Embedded Value. Furthermore, if economic market conditions in the Netherlands decline (including increases in unemployment and property price declines), the fair value of the mortgage loan portfolio may decrease. An increase of defaults, or the likelihood of defaults under, the mortgage loans, or a decline in property prices in the Netherlands, has had, and could have, a material adverse effect on NN's results of operations and financial condition.

NN is exposed to the risk of damage to its brands and its reputation.

NN's business and results of operations are, to a certain extent, dependent on the strength of its brands and NN's reputation. NN and its products are vulnerable to adverse market perception as it operates in an industry where integrity, customer trust and confidence are paramount. NN is exposed to the risk that litigation (such as in connection with mis-selling), employee fraud and other misconduct, operational failures, the negative outcome of regulatory investigations, press speculation and negative publicity, amongst others, whether or not founded, could damage its brands or reputation. Any of NN's brands or reputation could also be harmed if products or services recommended by NN (or any of its intermediaries) do not perform as expected or do not otherwise meet customer expectations (whether or not the expectations are founded), or the customer's expectations for the product change.

Negative publicity could be based, for instance, on allegations that NN failed to comply with regulatory requirements or result from failures in business continuity or the performance of NN's information technology (**IT**) systems, loss of customer data or confidential information, unsatisfactory service (support) levels, or insufficient transparency or disclosure of cost allocation (cost loading). Negative publicity adversely affecting NN's brands or its reputation could also result from any misconduct or malpractice by intermediaries, business promoters or other third parties linked to NN (such as strategic partners). Furthermore, negative publicity, and damage to NN's brands or reputation, could result from allegations that NN has invested in, or otherwise done business with, entities and individuals that are, or which become, subject to political or economic sanctions or are blacklisted, or which do not meet environmental and social responsibility standards.

Any damage to NN's brands or reputation could cause existing customers or intermediaries to withdraw their business from NN and potential customers or intermediaries to be reluctant or elect not to do business with NN. Furthermore, negative publicity could result in greater regulatory scrutiny and influence market or rating agencies' perception of NN, which could make it more difficult for NN to maintain its credit ratings, which is an important factor for both intermediaries and customers when considering what insurance company to do business with. Any damage to NN's brands or reputation could cause disproportionate damage to NN's business, even if the negative publicity is factually inaccurate or unfounded.

Prolonged investment underperformance of NN's AuM, or the loss of key investment management personnel, may cause existing customers to withdraw funds and potential customers not to grant investment mandates, which could have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects.

As at 31 December 2013, NN's aggregate AuM had a market value of EUR 174,124 million. When buying investment products or selecting an investment manager, customers (including pension funds and intermediaries) typically consider, among others, the historic investment performance of the product and the individual who is responsible for managing the particular fund. This is also true in relation to certain investment products sold by NN's life insurance and pension business. In the event that NN does not provide satisfactory or appropriate investment returns now or in the future, underperforms in relation to its competitors or does not sell an investment product which a customer requires or is deemed suitable, existing customers (including pension funds) may decide to reduce or liquidate their investment, negotiate alterations of their existing agreements with NN, or transfer their mandates to another investment manager. Each of these results may also occur if NN were to lose key investment management personnel, or an entire fund management team, as this may impair customer confidence levels in the particular fund or asset class. In addition, potential customers may decide not to grant investment mandates. As the portfolio management fees charged by NN to its customers are based largely on the value of AuM, a prolonged period of investment underperformance, or a decline in AuM for the other reasons noted above, could have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects.

Previously unknown risks, so-called "emerging risks", which cannot be reliably assessed, could lead to unforeseeable claims, which could have a material adverse effect on NN's business, results of operations and financial condition.

The term ''emerging risks'' is used in the insurance industry to refer to previously unknown risks that could cause substantial future losses and, therefore, are of major concern to insurance companies. Even more so than traditional risks, emerging risks are difficult to analyse because they often exist as hidden risks. Insurance premiums for emerging risks are difficult to calculate due to a lack of historical data about, or experience with, such risks or their consequences. At present, the consequences of potential worldwide climate change are considered emerging risks. There is a wide scientific consensus, and a growing public conviction, that globally increasing emissions of greenhouse gases, especially carbon dioxide, are causing an increase in average worldwide surface temperatures. This increase in average temperatures could increase the frequency of hurricanes, floods, droughts, and forest fires, and could cause sea levels to rise due to the melting of the polar ice caps. Other examples of emerging risks are demographic changes (such as the aging of the population), epidemics and pandemics, and risks that may arise from the development of nanotechnology and genetic engineering.

Despite its efforts at early identification and continuous monitoring of emerging risks, NN cannot give any assurance that it has been or will be able to identify all emerging risks and to implement pricing and reserving measures to avoid or minimise claims exposure to them. Defects and inadequacies in the identification and response to emerging risks could lead to unforeseen policy claims and benefits and could have a material adverse effect on NN's business, results of operations, financial condition and prospects.

NN may not be able to protect its intellectual property rights, and may be subject to infringement claims by third parties, which may have a material adverse effect on NN's business and results of operations.

In the conduct of its business, NN relies on a combination of contractual rights with third parties and copyright, trademark, trade name, patent and other intellectual property rights laws to establish and protect its intellectual property. NN may not be able to obtain adequate protection for all of its intellectual property in all relevant territories, and third parties may infringe or misappropriate NN's intellectual property. NN may have to litigate to enforce and protect its copyrights, trademarks, trade names, patents, trade secrets and know-how or to determine their scope, validity or enforceability. In that event, NN may be required to incur significant costs, and NN's efforts may not be successful. The inability to secure or protect intellectual property could have a material adverse effect on NN's business and its ability to compete.

NN may also be subject to claims by third parties for (a) infringement of intellectual property rights, (b) breach of copyright, trademark or licence usage rights or terms of settlement or co-existence agreements, or (c) misappropriation of trade secrets. Any such claims and any resulting litigation could result in significant expense and liability for damages. If NN were found to have infringed or misappropriated a third party patent or other intellectual property right, NN may in some circumstances be enjoined from providing certain products or services to its customers or from utilising and benefiting from certain methods, processes, copyrights, trademarks, trade names, trade secrets or licences. Alternatively, NN may be required to enter into costly licensing arrangements with third parties or to implement an alternative, which may prove costly. Any of these scenarios could have a material adverse effect on NN's business and results of operations.

REGULATORY AND LITIGATION RISKS

NN is subject to comprehensive insurance, investment management, banking, pension and other financial services laws and regulations, and to supervision by many regulatory authorities that have broad administrative powers over NN. These laws and regulations have been and will be subject to changes, the impact of which is uncertain. Failure to comply with applicable laws and regulations may trigger regulatory intervention which may harm NN's reputation, and could have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects.

NN is subject to comprehensive insurance, investment management, banking, pension and other financial services laws and regulations, and to supervision by many regulatory authorities that have broad administrative and discretionary power over NN. Amongst others, the laws and regulations to which NN is subject concern: capital adequacy requirements; liquidity requirements; permitted investments; the distribution of dividends, product and sales suitability; product distribution; payment processing; employment practices; remuneration; ethical standards; anti-money laundering; anti-terrorism measures; prohibited transactions with countries and individuals that are subject to sanctions or otherwise blacklisted; anti-corruption; privacy and confidentiality; recordkeeping and financial reporting; price controls, and exchange controls. See "*Supervision and Regulation*".

The laws and regulations to which NN is subject are becoming increasingly more extensive and complex and regulators are focusing increased scrutiny on the industries in which NN operates, and on NN itself, placing an increasing burden on NN's resources and expertise, and requiring implementation and monitoring measures that are costly. In some cases, the laws and regulations to which NN is subject have increased because governments are increasingly enacting laws that have an extra-territorial scope. Regulations to which NN is, and may be, subject may limit NN's activities, including through its net capital, customer protection and market conduct requirements, may negatively impact NN's ability to make autonomous decisions in relation to its businesses and may limit the information to which NN has access in relation to those businesses, and result in restrictions on businesses in which NN can operate or invest, each of which may have a material adverse effect on NN's business, results of operations and prospects. As compliance with applicable laws and regulations is time-consuming and personnel-intensive, and changes in laws and regulations have increased, and may further increase, the cost of compliance has increased and is expected to continue to increase.

Laws, regulations and policies currently governing NN have changed, and may continue to change in ways which have had and may have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects. See "*—Regulatory and Litigation Risks—The impact on NN of recent and ongoing financial regulatory reform initiatives is uncertain*". NN cannot predict whether or when future legislative or regulatory actions may be taken, or what impact, if any, actions taken to date or in the future could have.

Financial regulation in the Member States in which NN operates is mainly based on EU directives. However, differences may occur in the regulations of various Member States, and such differences between the regulations of Member States may place NN's business at a competitive disadvantage in comparison to other European financial services groups.

Despite NN's efforts to maintain effective compliance procedures and to comply with applicable laws and regulations, these compliance procedures may be inadequate or otherwise ineffective, including as a result of human or other operational errors in their implementation, and NN might fail to meet applicable standards. NN may also fail to comply with applicable laws and regulations as a result of unclear regulations, regulations being subject to multiple interpretations or being under development, or as a result of a shift in the interpretation or application of laws and regulations (including EU Directives) by regulators. Failure to comply with any applicable laws and regulations could subject NN to administrative penalties and other enforcement measures imposed by a particular governmental or self-regulatory authority, and could lead to unanticipated costs associated with remedying such failures (including claims from NN customers) and adverse publicity, harm NN's reputation, cause temporary interruption of operations, and could cause revocation or temporary suspension of the licence. Each of these risks, should they materialise, could have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects.

The impact on NN of recent and ongoing financial regulatory reform initiatives is uncertain.

Financial regulatory reform initiatives could have adverse consequences for the financial services industry generally, including NN. Recent and ongoing regulatory reform initiatives include, amongst others:

- ***Solvency II***. The EU is adopting a full scale revision of the solvency framework and prudential regime applicable to insurance and reinsurance companies known as 'Solvency II', but the full impact and timing of implementation of Solvency II is uncertain. See "*—Regulatory and Litigation Risks—The EU is adopting a full scale revision of the solvency framework and prudential regime applicable to insurance and reinsurance companies known as 'Solvency II'. The EC is currently in the process of amending Solvency II and preparing level 2 implementing measures and implementing technical standards. The full impact and timing of implementation of Solvency II is uncertain*".

- ***Theoretical Solvency Criterion regulation in the Netherlands (also known as 'Solvency 1.5')***. In anticipation of the more risk-based approach under Solvency II the Dutch legislator has, *inter alia*, subjected Dutch life insurance companies to the TSC (also known as 'Solvency 1.5'), which reflects a minimum solvency margin required in certain stress scenarios. The TSC is calculated on an annual basis, and the scenario analysis is based on specific risks, including interest rate risk, equity risk, spread risk, property risk, longevity risk and mortality risk. The TSC applies to NN's life insurance business in the Netherlands. If the solvency position of the relevant NN life insurance entity is below the TSC, a declaration of no objection from DNB is required before making any distributions of capital (including dividends) and reserves to the Company and DNB is also entitled to require that the relevant entity submit a recovery plan. In determining whether to give the approval to permit distributions, DNB must be satisfied that the life insurance company will have sufficient available regulatory capital for at least the following 12 months. Available regulatory capital can be determined on a market consistent basis under the Dutch Financial Supervision Act and, if so determined, will be volatile. There is a risk that the entities that conduct NN's life insurance business may not meet the TSC and that DNB may not permit those entities to distribute dividends or reserves to the Company. This could affect the Company's ability to meet its obligations to its creditors. In addition, the TSC may make it more difficult for NN to attract capital than those of its peers who are not subject to such similar requirements under their local laws. Under Dutch law DNB can under specific circumstances give instructions on the application of the Company's funds to strengthen the capital position of its Dutch regulated subsidiaries to levels above regulatory capital requirements, which may affect the ability of the Company to make distributions to Shareholders. The TSC is also relatively new legislation and there is uncertainty as to how it will be interpreted and implemented by DNB, with the risk that DNB interprets and implements the requirements in a manner that is more onerous for NN than NN currently anticipates. Moreover, the future application of the TSC is also uncertain following the publication by the Dutch Minister of Finance in March 2014 of a legislative proposal that would remove the TSC as of 1 January 2015, in anticipation of Solvency II. The reason for the removal of the TSC is that for the distribution of dividends an insurance company must look forward 12 months. As such, from 1 January 2015 an insurance company will have to assess whether or not it will comply with the Solvency II requirements, which will apply from 1 January 2016.

- ***Dutch Intervention Act***. In June 2012, the Dutch Intervention Act (*Wet bijzondere maatregelen financiële ondernemingen*) came into force in the Netherlands, with retroactive effect from 20 January 2012. The Dutch Intervention Act grants far-reaching new powers to DNB and the Dutch Minister of Finance to intervene in situations where an institution, including a financial group such as NN, faces financial difficulties or where there is a serious and immediate risk to the stability of the Dutch financial system caused by an institution in difficulty. The Dutch Intervention Act will need to be amended as a result of the entry into force of the EU Directive on the recovery and resolution of credit institutions and investments firms, which was approved by the European Parliament on 15 April 2014 and of which the final text was published on 12 June 2014, (the **Recovery and Resolution Directive**). Under the Dutch Intervention Act, substantial new powers have been granted to DNB and the Dutch Minister of Finance enabling them to deal with ailing Dutch banks and insurance companies prior to insolvency. The measures allow them to commence proceedings which may lead to (a) the transfer of all or part of the business (including, in the case of a bank, deposits) of an ailing bank or insurance company to a private sector purchaser, (b) the transfer of all or part of the business of an ailing bank or insurance company to a "bridge entity", (c) the transfer of the shares in an ailing bank or insurance company to a private sector purchaser or a "bridge entity", (d) immediate interventions by the Dutch Minister of Finance concerning an ailing bank or insurance company, and (e) public ownership (nationalisation) of (i) all or part of the business of an ailing bank or insurance company or (ii) all or part of the shares or other securities issued by an ailing bank or insurance company or its holding company. The Dutch Intervention Act also contains measures that limit the ability of counterparties to invoke contractual rights (such as contractual rights to terminate or to invoke a right of set-off or to require security to be posted) if the right to exercise such rights is triggered by intervention of DNB or the Dutch Minister of Finance based on the Dutch Intervention Act or by a circumstance which is the consequence of such intervention. There is a risk that the exercise of powers by DNB or the Dutch Minister of Finance under the Dutch Intervention Act could have a material adverse effect on the performance by the failing institution, including the Company, of its payment and other obligations under debt securities, or result in the expropriation, write-off, write-down or conversion of securities such as shares and debt obligations issued by the failing institution or its parent, including the Company.

- ***Crisis management***. On 6 June 2012, the EC published the draft Recovery and Resolution Directive. Political agreement was reached on this draft Directive in December 2013 and on 12 June 2014 the final text of this Directive was published. The most important elements are recovery and resolution planning, bail-in requirements and the set-up of resolution arrangements. The Directive is to enter into force on 1 January 2015 and the bail-in system is to take effect on 1 January 2016. In March 2014 political agreement was also reached on a draft Regulation to set up a Single Resolution Fund for banks in the eurozone to which banks, including NN Bank, will need to contribute. This resolution fund would reach a target level of at least 1% of covered deposits over an eight year period starting from 2015. Both the Directive and the Regulation were approved by the European Parliament on 15 April 2014. On 5 October 2012, the EC launched a consultation on a possible framework for the recovery and resolution of financial institutions other than banks. It examined whether and how the failure of different kinds of non-bank financial institutions, notably central counterparties, central securities depositaries, and global systemically important insurance companies, should be managed by specific steps to ensure orderly recovery and resolution where necessary. The consultation closed on 28 December 2012. In anticipation of the entry into force of this crisis management framework, regulators may impose a requirement to maintain a plan for rapid recovery or orderly dissolution in the event of severe financial distress, which may include binding instructions on the management of the business or to transfer authority to manage the relevant company to the regulator. If this were to happen to NN, NN cannot predict how rating agencies, or NN's creditors, would respond or whether, or how, this would impact NN's financing and hedging costs.

- ***Insurance guarantee schemes***. Certain jurisdictions in which NN's insurance subsidiaries operate require that life insurers doing business within the jurisdiction participate in guarantee associations, which raise funds to pay contractual benefits owed pursuant to insurance policies issued by impaired, insolvent or failed insurers. The occurrence of such a guarantee event may give rise to an obligation on the relevant insurance subsidiary to pay significant amounts under the guarantee. Insurance guarantee schemes may also oblige insurers to make annual payments to the guarantee association. An insurance guarantee scheme has been in place in Japan since 1999, and NN is obliged to make annual contributions to the guarantee scheme; NN's contribution represented 0.14% of its gross premium income in 2013. The EC has been discussing EU-wide insurance guarantee schemes for several years and intends to introduce an EU directive on insurance guarantee schemes. As at the date of this Prospectus, no proposals for this directive have yet been published. Any introduction of insurance guarantee schemes to which NN is subject may impact NN's results of operations.

- ***Remuneration***. As from 2011, credit institutions and investment firms based in European Member States have to comply with the variable pay constraints following from CRD III. These variable pay constraints are applicable to all operations of credit institutions and investment firms based in Member States (including their operations outside the EU). These variable pay constraints have been implemented in Dutch law whereby the scope of the variable pay constraints has been extended to include Dutch-based insurance companies and their group companies. As a result the variable pay constraints apply to the insurance, bank and investment management activities of NN, including the Company. Accordingly, unlike its competitors in the U.S., Asia and other European countries, NN has to apply these variable pay constraints to staff in its European, U.S. and Asian operations. These pay constraints may limit NN's ability to attract and retain talented staff. As of 1 January 2014, the pay constraints pursuant to CRD IV, including a bonus cap of 100% of fixed pay (or 200% if shareholders approve), came into force, subject to implementation in Dutch legislation, the date of which is not yet known at the date of this Prospectus. In principle, the CRD IV bonus cap does not apply to Dutch-based insurance companies. However, as NN is a part of ING Groep's group of companies (which include credit institutions), and, depending on national implementation, the CRD IV bonus cap might nevertheless apply to NN. On 26 November 2013, the Dutch Minister of Finance opened up a consultation on draft legislation on remuneration policies within the financial sector (*Wet beloningsbeleid financiële ondernemingen*), which will also be applicable to Dutch-based insurance companies and their group companies. The consultation closed on 31 December 2013. It is currently expected that the draft legislation will result in legislation being adopted in the course of 2014 and becoming effective as of 1 January 2015. The draft legislation introduces a cap for variable remuneration of 20% of fixed remuneration for staff covered by a collective labour agreement in the Netherlands. In the current draft legislation, the following exceptions to the 20% cap are included: (i) for staff in the Netherlands who are not exclusively covered by a collective labour agreement, the 20% cap does not apply on an individual basis, but it applies to the average variable remuneration across NN in the Netherlands; (ii) for staff that work predominantly outside of the Netherlands, but within the EU, there is an individual variable remuneration cap of 100% of fixed remuneration; (iii) for staff that work predominantly outside the EU, an individual variable remuneration cap of 200% of fixed remuneration applies, subject to shareholder approval and notification to the regulator; and (iv) the 20% cap does not apply to legal entities whose regular business is managing one or more collective investment undertakings which are subject to AIFMD or UCITS. In addition, the draft legislation also covers a number of other topics, such as strict conditions on severance pay, prohibition on guaranteed bonuses and claw-back of variable remuneration and severance pay. Although exceptions to the 20% cap will be available, these new pay constraints may limit NN's ability to attract and retain talented staff.

- ***SIFIs***. As a result of the financial crisis, international and domestic regulators have moved to protect the global financial system by adopting regulations intended to prevent the failure of systemically important financial institutions (**SIFIs**) or, if one does fail, limiting the adverse effects of its failure. In November 2011, the Financial Stability Board published a list of global systemically important financial institutions (**G-SIFIs**). Subsequently, in July 2013, the Financial Stability Board designated nine global insurance companies as global systemically important insurers (**G-SIIs**). As a result, these firms will be subject to enhanced supervision and increased regulatory requirements in the areas of recovery and resolution planning as well as capital. The implementation deadlines for these requirements start as early as July 2014 and, in the case of additional capital requirements, extend to 2019. The list of G-SIIs is expected to be updated annually and published in November every year, starting from November 2014. Although NN does not expect to be designated a G-SIFI or a G-SII, it cannot be ruled out that this or similar supervision and regulation will apply to NN in the future.

- ***ComFrame***. On 2 July 2012, the International Association of Insurance Supervisors (**IAIS**) released a working draft on the ComFrame "Insurance core principles". **ComFrame**, short for "Common Framework for the Supervision of Internationally Active Insurance Groups (**IAIGs**)", has three main objectives: (a) to develop methods of operating group-wide supervision of IAIGs, (b) to establish a comprehensive framework for supervisors to address group-wide activities and risks, and (c) to foster global convergence. The working draft was criticised by supervisors and industry participants for being too detailed and too prescriptive. The IAIS opened ComFrame up for a second round of consultation at the end of 2013. As the content of ComFrame is not expected to be finalised until 2018, its future impact on NN is uncertain.

- ***Financial Transaction Tax***. In February 2013, the EC published a proposed directive for a common financial transaction tax (**FTT**) to be implemented in 11 participating Member States, being Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain, which would together constitute the "FTT-Zone". As at the date of this Prospectus, it has not been proposed that the Netherlands become a participating Member State. Under the proposed directive, the FTT would have a broad scope and could, *inter alia*, levy a tax on transactions in financial instruments by financial institutions if at least one of the parties to the transaction is located in the "FTT-Zone". The proposed directive has been subject to public and media scrutiny, several rounds of negotiation by the 11 participating Member States, and the legality of certain aspects of the proposal has been questioned. A joint statement issued in May 2014 by ten of the eleven participating Member States indicated an intention to implement the FTT progressively, such that it would initially apply to shares and certain derivatives, with this initial implementation occurring by 1 January 2016. However, full details are not yet available. As of the date of this Prospectus, it is unclear when the FTT will come into force, if at all, and unclear what the content of the FTT would be. As it is not currently contemplated that the Netherlands would be a participating Member State, and thus part of the FTT-Zone, it is expected that even if the FTT were to come into force, its impact on NN's results of operations would be relatively limited (although FTT would have a material impact on the operations of NN's investment management business, which operates throughout Europe, including those countries that are within the contemplated FTT-Zone). However, the impact of the FTT on NN's results of operations could be significantly greater if the Netherlands were to become a participating Member State.

- ***Polish pension fund reform***. In February 2014, new legislation entered into force reforming the Polish pension fund regime. Under this legislation open pension funds were required to transfer 51.5% of the open pension funds' members' assets, including Polish government bonds, to the public social security institution for no consideration. The legislation also provides that the reserves accumulated in the accounts of individuals in an open pension fund will be gradually transferred into the public social security institution over a ten-year period before retirement age. The maximum service fee of open pension funds has also been reduced by 50% to 1.75% of the amount of contributions paid in. Moreover, membership of an open pension fund will no longer be mandatory. Current members will be entitled to choose whether or not to maintain their account in an open pension fund, but if they do not make a choice between 1 April and 31 July 2014 (or other prescribed periods in subsequent years), all future pension contributions will be made to the public social security institution rather than the open pension funds. The new legislation also prohibits open pension funds from making certain investments (including in government bonds and other securities issued or guaranteed by the Polish government or by the government of any other country). These reforms will significantly reduce NN's income in Poland, as well as the income of open pension fund managers generally.

- ***SEPA***. The introduction of the Single Euro Payments Area (**SEPA**) for the simplification and harmonisation of bank transfers across the EU in 2014 may lead to higher costs and operational difficulties for NN.

- ***FATCA***. Under the provisions of the U.S. Internal Revenue Code of 1986 commonly referred to as the Foreign Account Tax Compliance Act (**FATCA**), a 30% withholding tax will be imposed on "passthru payments" made to certain non-U.S. financial institutions that fail to provide certain information regarding their U.S. accountholders and certain U.S. investors to the U.S. Internal Revenue Service (**IRS**). Some countries (including the Netherlands) have entered into, and other countries are expected to enter into intergovernmental agreements (**IGAs**) with the U.S. to facilitate the type of information reporting required under FATCA. IGAs will often require financial institutions in those countries to report some information on their U.S. accountholders to the taxing authorities of those countries, which will then pass the information on to the IRS.

  NN is a financial institution for purposes of FATCA and the intergovernmental agreement between the U.S. and the Netherlands (the **U.S.-Netherlands IGA**). NN intends to take all necessary steps to comply with FATCA and any legislation implementing an IGA or, if and to the extent necessary, enter into an agreement with the IRS to facilitate compliance with FATCA. However, if NN cannot comply with FATCA or any legislation implementing an IGA (including as a result of local laws in non-IGA countries prohibiting information-sharing with the IRS, as a result of contracts or local laws prohibiting withholding on certain payments to accountholders, policyholders, annuity holders or investors, or as a result of the failure of accountholders, policyholders, annuity holders or investors to provide requested information), certain payments made to NN may be subject to withholding under FATCA (including payments to investment vehicles under NN's management). The possibility of such withholding and the need for accountholders, policyholders, annuity holders and investors to provide certain information may adversely affect the sales of certain of NN's products. In addition, compliance with the terms of an IGA and with FATCA, any regulations or other guidance promulgated thereunder or any legislation promulgated under an IGA may substantially increase NN's compliance and operational costs. Under current guidance, it is not entirely clear whether payments on ordinary shares will be considered "passthru payments" subject to withholding under FATCA and whether the U.S.-Netherlands IGA will relieve financial institutions such as NN from such withholding obligation. Because legislation and regulations implementing FATCA and the IGAs remain under development, the future impact of FATCA on NN is uncertain.

- ***Revision of Insurance Mediation Directive***. On 3 July 2012 the European Commission published proposals for a revision of the Insurance Mediation Directive (**IMD2**). Key proposals are, among others, mandatory disclosure requirements obliging insurance intermediaries to disclose to their customers the nature and amount of remuneration they receive, including any contingent commissions, or if the full amount of remuneration cannot be calculated, the basis of its calculation. According to the proposals, mandatory prior disclosure to customers will be required with respect to the amount of commission retained by the intermediary or paid by the insurer. Further, IMD2 will extend the scope of the current Insurance Mediation Directive to cover direct sales by insurance and reinsurance companies without the use of an intermediary. Insurers carrying out direct sales will be required to comply with information and disclosure requirements and certain conduct of business rules, including a general obligation to act honestly, fairly and professionally in accordance with customers' best interests. In the case of the sale of bundled products, for instance, the insurance company will have to inform customers about the possibility to purchase the components of the package separately and about the costs of each component when purchased separately. In addition, the IMD2 proposals set out stricter requirements for the sale of life insurance investment products, for example, the obligation to identify and disclose conflicts of interest or to gather information from customers to assess the appropriateness of the product. If the proposed revisions to the Insurance Mediation Directive are adopted, these changes are likely to have a significant effect on the European insurance market. In particular, the IMD2 proposals are likely to increase NN's compliance obligations regarding direct sales, increasing compliance costs and the complexity of NN's direct sales procedures. The IMD2 proposals are also likely to affect the relationship between NN and its intermediaries in the context of selling insurance products.

- ***CRD IV***. Since the financial crisis, financial institutions, including credit institutions such as NN Bank, have been subject to increased public and regulatory scrutiny, and new laws and regulations have been enacted. These new laws and regulations include the Basel framework. The latest changes in the Basel framework were translated into CRD IV and the EU Capital Requirement Regulation, which will be implemented into the Dutch Financial Supervision Act and is expected to be implemented in phases starting January 2015. The EU Capital Requirement Regulation has been directly applicable since 1 January 2014, and has resulted in more stringent rules and, in comparison with the former Dutch framework, additional reporting requirements, in relation to solvency supervision and liquidity supervision. The Basel Committee and the Financial Stability Board are currently considering measures that may have the effect of requiring higher absorbency capacity, liquidity surcharges, exposure limits and special resolutions regimes for systematically important banks.

- ***MIFID reform***. On 20 October 2011, the EC published proposals for the revision of the Markets in Financial Instruments Directive (Directive 2004/39/EC, **MiFID**) and on 12 June 2014 final texts were published. The new rules consist of a directive 'MiFID II' and a regulation 'MiFIR'. The revised MiFID *inter alia* sets stricter requirements for portfolio management, investment advice and the offer of complex financial products such as structured products, and will be particularly relevant for NN's investment management business. The final texts of these new rules have been published on 12 June 2014. Member States shall adopt and publish, by 3 July 2016, the laws, regulations and administrative provisions necessary to comply with this Directive. The Regulation applies directly from 3 January 2017.

- ***International sanctions***. In various jurisdictions in which NN does business, it is subject to laws, regulations and other measures concerning transactions in certain countries and regions, and with certain individuals, that may result in the imposition of significant penalties and reputational harm should NN not fully comply with them. These legislative, regulatory and other measures include anti-terrorism measures, international sanctions, blockades, embargoes, blacklists and boycotts imposed by, amongst others, the EU, the United States and the United Kingdom. The scope and content of, and penalties that may result from, these legislative, regulatory and other measures have in the past, and may in the future, change, with limited or no forewarning and with retro-active effect. Moreover, these legislative, regulatory and other measures may lead to conflicting duties and prohibitions, making it difficult or even impossible for NN to comply, for instance as compliance with a duty under one such law may constitute a breach of a prohibition under another. These measures may also adversely affect NN's ability or appetite to do business in certain jurisdictions and regions and with respect to certain types of customers and products.

For further information on the legal and regulatory laws and regulations to which NN is subject, see "*Supervision and Regulation*". The continuing introduction of new regulation, if applicable to NN, could significantly impact the manner in which it operates and could materially and adversely impact the profitability of one or more of NN's business lines or the level of capital required to support its activities. New laws may include the expropriation or nationalisation of assets of NN or its customers (as has occurred in connection with the pension regime reform in Poland). Although the full impact of the regulations described above cannot be determined, including as a result of discretions granted to regulators, uncertainties as to the interpretation and implementation of the regulations by regulators and governmental bodies and, in the case of regulations that have not yet been finalised, until the content of the regulations themselves has become clear, many of their requirements could have material and adverse consequences for the financial services industry, including for NN. These regulations could make it more expensive for NN to conduct its business, require that NN make changes to its business model, require that NN satisfy increased capital requirements, necessitate time-consuming and costly implementation measures, or subject NN to greater regulatory scrutiny, which could, individually or in the aggregate, have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects.

The EU is adopting a full scale revision of the solvency framework and prudential regime applicable to insurance and reinsurance companies known as 'Solvency II'. The EC is currently in the process of amending Solvency II and preparing level 2 implementing measures and implementing technical standards. The full impact and timing of implementation of Solvency II is uncertain.

The EU is adopting a full scale revision of the solvency framework and prudential regime applicable to insurance, reinsurance companies and insurance groups known as 'Solvency II'. The framework for Solvency II is set out in the Solvency II Directive, which was adopted by the European Council on 10 November 2009 (Directive 2009/138/EC). The Solvency II Directive is scheduled to come into force on 1 January 2016.

On 19 January 2011, the European Commission (the **EC**) presented a draft of a directive to amend the Solvency II Directive, the Omnibus II directive. On 13 November 2013, the EU Council and the European Parliament achieved a provisional political agreement on the Omnibus II Directive. This agreement was confirmed by the European Parliament on 12 March 2014 and was approved by the European Council on 14 April 2014.

Solvency II is aimed at creating a new solvency framework in which the financial requirements that apply to an insurance, reinsurance company and insurance group, better reflect such company's specific risk profile. Solvency II will introduce economic risk-based solvency requirements across all Member States for the first time. While Solvency I includes a relatively simple solvency formula based on technical provisions and insurance premiums, Solvency II introduces a new 'total balance sheet' type regime where insurers' material risks and their interactions are considered. In addition to these quantitative requirements (Pillar 1), Solvency II also sets requirements for governance, risk management and effective supervision (Pillar 2), and disclosure and transparency requirements (Pillar 3). See "*Supervision and Regulation—EU Regulatory Framework—Insurance and insurance-related regulation—Solvency II Directive*".

Under Pillar 1 of Solvency II, insurers are required to hold own funds equal to or in excess of a solvency capital requirement (**SCR**). Solvency II will categorise own funds into three tiers with differing qualifications as eligible available regulatory capital. Under Solvency II, own funds will use IFRS balance sheet items where these are at fair value and replace other balance sheet items using market consistent valuations. The determination of the technical provisions and the discount rate to be applied in determining the technical provisions is still under debate and the outcome of discussions regarding these matters is uncertain as key parameters will only be established in the level 2 implementing measures and implementing technical standards. However, it is certain that the determination of the technical provisions and the discount rate to be applied will have a material impact on the amount of own funds and the volatility of the level of own funds. The SCR is a risk-based capital requirement which will be determined using either the standard formula (set out in level 2 implementing measures), or, where approved by the relevant supervisory authority, an internal model. The internal model can be used in combination with, or as an alternative to, the standard formula as a basis for the calculation of an insurer's SCR. In the Netherlands, such a model (which would include an internal model of NN) must be approved by DNB.

With the approval of the Omnibus II Directive the definitive text of the framework directive is available. However, it is not certain what the final form of the level 2 implementing measures and the implementing technical standards will contain. Given previous changes to the effective date of Solvency II and the possibility of further changes to the regime, there remains some uncertainty as to when and how the Solvency II framework will become effective. Accordingly, the future effect of Solvency II on NN's business, solvency margins and capital requirements is uncertain. See "*Operating and Financial Review—Liquidity and Capital Resources—Capital requirements—Economic capital framework*" and "*Risk Management—NN's Risk Profile—Solvency II*".

While the aim of Solvency II is to introduce a harmonised, risk-based approach to solvency capital, there is a risk of differences in interpretation and a risk of a failure by financial services regulators to align Solvency II approaches across Europe, resulting in an unequal competitive landscape. This risk may be exacerbated by discretionary powers afforded to financial services regulators in Member States. Moreover, it could be that Solvency II will include transitional provisions that will allow companies to continue to value assets and liabilities under the pre-Solvency II valuation rules. At present pre-Solvency II valuation rules in many countries are less onerous and significantly less affected by market volatility than is (or will be) the case under the Solvency II valuation requirements. This is not the case for the Netherlands, where the current legislative framework requires the valuation of insurance liabilities at lower discount rates than under Solvency II and creates higher volatility. It is therefore unlikely that NN will derive the full benefit of any such transitional measures, even were they to be introduced in the Netherlands, whereas certain of NN's competitors may benefit from such transitional measures, thus placing NN's business at a competitive disadvantage.

Should NN not be able to adequately comply with the Solvency II requirements in relation to capital, risk management, documentation, and reporting processes, this could have a material adverse effect on its business, solvency, results of operations and financial condition.

NN is subject to stress tests and other regulatory enquiries. Stress tests and the announcement of the results by regulatory authorities can destabilise the insurance sector and lead to a loss of trust with regard to individual companies or the insurance sector as a whole. Such stress tests, and the announcement of the results, could negatively impact NN's reputation and financing costs and trigger enforcement actions by regulatory authorities.

In order to assess the level of available capital in the insurance sector, the national and supra-national regulatory authorities (such as EIOPA) require solvency calculations and conduct stress tests where they examine the effects of various adverse scenarios on insurers (for example a strong decline in interest rates). In addition, regulators have carried out a number of studies on the quantitative effects of proposed changes to capital rules in the recent past (quantitative impact studies), particularly with regard to the Solvency II Directive. Announcements by regulatory authorities that they intend to carry out such tests can destabilise the insurance sector and lead to a loss of trust with regard to individual companies or the insurance sector as a whole. In the event that NN's results in such a calculation or test are worse than those of its competitors and these results become known, this could also have adverse effects on NN's financing costs, customer demand for NN's products and NN's reputation. Furthermore, a poor result by NN in such calculations or tests could influence regulatory authorities in the exercise of their discretionary powers.

Adverse publicity, claims and allegations, litigation and regulatory investigations and sanctions may have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects.

NN is subject to litigation, arbitration and other claims and allegations, including in connection with its activities as insurer, lender, employer, investor and taxpayer. The occurrence of such events could result in adverse publicity and reputational harm, lead to increased regulatory supervision, affect NN's ability to attract and retain customers and maintain its access to the capital markets, result in cease-and-desist orders, claims, enforcement actions, fines and civil and criminal penalties, other disciplinary action, or have other material adverse effects on NN in ways that are not predictable. Some claims and allegations may be brought by or on behalf of a class, and claimants may seek large or indeterminate amounts of damages, including compensatory, liquidated, treble and punitive damages. See "*—Regulatory and Litigation Risks—Holders of NN's products where the customer bears all or part of the investment risk, or consumer protection organisations on their behalf, have filed claims or proceedings against NN and may continue to do so. A negative outcome of such claims and proceedings brought by customers or organisations acting on their behalf, actions taken by regulators or governmental authorities against NN or other insurers in respect of unit-linked products, settlements or any other actions for the benefit of customers by other insurers and sector-wide measures could substantially affect NN's insurance business and, as a result, may have a material adverse effect on NN's business, reputation, revenues, results of operations, solvency, financial condition and prospects. In addition, claims and proceedings may be brought against NN in respect of other products with one or more similar product characteristics sold, issued or advised on by NN in and outside the Netherlands*" and "*—Regulatory and Litigation Risks—NN is exposed to the risk of claims from customers who feel misled or treated unfairly because of advice or information received*". NN's reserves for litigation liabilities may prove to be inadequate. Claims and allegations, should they become public, need not be well founded, true or successful to have a negative impact on NN's reputation. In addition, press reports and other public statements that assert some form of wrongdoing on the part of NN or other large and well-known companies (including as result of financial reporting irregularities) could result in adverse publicity and in inquiries or investigations by regulators, legislators and law enforcement officials, and responding to these inquiries and investigations, regardless of their ultimate outcome, is time-consuming and expensive.

Adverse publicity, claims and allegations, litigation and regulatory investigations and sanctions may have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects in any given period. For a description of litigation concerning NN, see "*Business—Legal Proceedings*".

Holders of NN's products where the customer bears all or part of the investment risk, or consumer protection organisations on their behalf, have filed claims or proceedings against NN and may continue to do so. A negative outcome of such claims and proceedings brought by customers or organisations acting on their behalf, actions taken by regulators or governmental authorities against NN or other insurers in respect of unit-linked products, settlements or any other actions for the benefit of customers by other insurers and sector-wide measures could substantially affect NN's insurance business and, as a result, may have a material adverse effect on NN's business, reputation, revenues, results of operations, solvency, financial condition and prospects. In addition, claims and proceedings may be brought against NN in respect of other products with one or more similar product characteristics sold, issued or advised on by NN in and outside the Netherlands.

Since the end of 2006, unit-linked products (commonly referred to in Dutch as '*beleggingsverzekeringen*') have received negative attention in the Dutch media, from the Dutch Parliament, the AFM and consumer protection organisations. Costs of unit-linked products sold in the past are perceived as too high and Dutch insurers are in general being accused of being less transparent in their offering of such unit-linked products. The criticism on unit-linked products led to the introduction of compensation schemes by Dutch insurance companies that have offered unit-linked products. In 2008 NN's Dutch insurance subsidiaries reached an outline agreement with two main consumer protection organisations to offer compensation to their unit-linked policyholders where individual unit-linked policies had a cost charge in excess of an agreed maximum and to offer similar compensation for certain hybrid insurance products. At 31 December 2008 costs of the settlements were valued at EUR 365 million for which adequate provisions have been established and of which a substantial portion has been paid out. The remaining unpaid part of the provision as per 31 December 2013 is solely available to cover costs relating to the settlements agreed in 2008. A full agreement on implementation was reached in 2010 with one of the two main consumer protection organisations, with the second main consumer protection organisation signing its agreement in June 2012. In addition, NN's Dutch insurance subsidiaries announced additional measures (*flankerend beleid*) that comply with the 'Best in Class' criteria as formulated on 24 November 2011 by the Dutch Minister of Finance. In December 2011 this resulted in an additional agreement on these measures with the two main consumer protection organisations. In 2012 almost all unit-linked policyholders were informed about the compensation. The agreements with the two consumer protection organisations are not binding on policyholders. Consequently, neither the implementation of the compensation schemes nor the additional measures offered by NN prevent individual policyholders from initiating legal proceedings against NN's Dutch insurance subsidiaries and making claims for damages.

NN's Dutch insurance subsidiaries have issued, sold or advised on approximately one million individual unit-linked policies. As noted above, there has been for some time and there continues to be political, regulatory and public attention focused on the unit-linked issue in general. Elements of unit-linked policies are being challenged or may be challenged on multiple legal grounds in current and future legal proceedings and there is a risk that one or more of these legal challenges will succeed. Customers of NN's Dutch insurance subsidiaries have claimed, among others, that (a) the investment risk, costs charged or the risk premium was not, or not sufficiently, made clear to the customer, (b) the product costs charged on initial sale and on an on-going basis were so high that the expected return on investment was not realistically achievable, (c) the product sold to the customer contained specific risks that were not, or not sufficiently, made clear to the customer (such as the leverage capital consumption risk) or was not suited to the customer's personal circumstances, (d) NN owed the customer a duty of care which NN has breached, or (e) the insurer failed to warn of the risk of not realising the projected policy values. These claims may be based on general standards of contract or securities law, such as reasonableness and fairness, error, duty of care, or standards for proper customer treatment or due diligence and may be made by customers, or on behalf of customers, holding active policies or whose policies have lapsed, matured or been surrendered. NN is currently subject to legal proceedings initiated by individual policyholders and is subject of a number of claims initiatives brought on behalf of policyholders by consumer protection organisations in which claims as set forth above or similar claims are being made. While to date less than 100 complaints are pending before the Dispute Committee of the Financial Services Complaints Board (the **KiFiD**), and less than 200 individual settlements were made, there is no assurance that further proceedings for damages will not be brought. As the current proceedings are only in early stages, the timing of reaching any finality on these legal claims and proceedings is uncertain and such uncertainty is likely to continue for some time. As a result, although the financial consequences of any of these factors or a combination thereof could be substantial for the Dutch insurance business of NN and, as a result, may have a material adverse effect on NN's reputation, revenues, results of operations, solvency, financial condition and prospects, it is not possible to reliably estimate or quantify NN's exposures at this time. See "*Business—Legal Proceedings*".

Rulings or announcements made by courts, including the European Court of Justice and advisory opinions issued by the Attorney General to such Court on questions being considered by such Court, or decision-making bodies or actions taken by regulators or governmental authorities against NN or other Dutch insurance companies in respect of unit-linked products, or settlements or any other actions to the benefit of customers (including product improvements or repairs) by other Dutch insurance companies towards consumers, consumer protection organisations, regulatory or governmental authorities or other decision making bodies in respect of the unit-linked products may affect the (legal) position of NN and may force NN to take (financial) measures that could have a substantial impact on the financial condition, results of operations, solvency or reputation of NN. As a result of the public and political attention the unit-linked issue has received, it is also possible that sector-wide measures may be imposed by governmental authorities or regulators in relation to unit-linked products in the Netherlands. The impact on NN of rulings made by courts or decision-making bodies, actions taken by regulators or governmental bodies against other Dutch insurance companies in respect of unit-linked products, or settlements or any other actions to the benefit of customers (including product improvements or repairs) may be determined not only by market share but also by product features, portfolio composition and other factors. Adverse decisions or the occurrence of any of the developments as described above could result in outcomes materially different than if NN or its products had been judged or negotiated solely on their own merits.

NN has in the past sold, issued or advised on unit-linked products in and outside the Netherlands, and in certain jurisdictions continues to do so. Moreover, NN has in the past, in the Netherlands and other countries, sold, issued or advised on large numbers of insurance or investment products of its own or of third parties (and in some jurisdictions continues to do so) that have one or more product characteristics similar to those unit-linked products that have been the subject of the scrutiny, adverse publicity and claims in the Netherlands. Given the continuous political, regulatory and public attention on the unit-linked issue in the Netherlands, the increase in legal proceedings and claim initiatives in the Netherlands or the legislative and regulatory developments in Europe to further increase and strengthen consumer protection in general, there is a risk that unit-linked products and other insurance and investment products sold, issued or advised on by NN, may become subject to the same or similar levels of regulatory or political scrutiny, publicity and claims or actions by consumers, consumer protection organisations, regulators or governmental authorities.

NN's book of policies dates back many years, and in some cases several decades. Over time, the regulatory requirements and expectations of various stakeholders, including customers, regulators and the public at large, as well as standards and market practice, have developed and changed, increasing customer protection. As a result policyholders and consumer protection organisations have initiated and may in the future initiate proceedings against NN alleging that products sold in the past fail to meet current requirements and expectations. In any such proceedings, it cannot be excluded that the relevant court, regulator, governmental authority or other decision-making body will apply current norms, requirements, expectations, standards and market practices on laws and regulations to products sold, issued or advised on by NN.

Any of the developments described above could be substantial for NN and as a result may have a material adverse effect on NN's business, reputation, revenues, results of operations, solvency, financial condition and prospects.

NN is exposed to the risk of claims from customers who feel misled or treated unfairly because of advice or information received.

NN's life insurance, non-life insurance, banking, investment and pension products and advice services for third party products are exposed to claims from customers who allege that they have received misleading advice or other information from advisers (both internal and external) as to which products were most appropriate for them, or that the terms and conditions of the products, the nature of the products or the circumstances under which the products were sold, were misrepresented to them. When new financial products are brought to the market, NN engages in a product approval process in connection with the development of such products, including production of appropriate marketing and communication materials. Notwithstanding these processes, customers may make claims against NN if the products do not meet customer expectations. Customer protection regulations, as well as changes in interpretation and perception by both the public at large and governmental authorities of acceptable market practices, influence customer expectations.

Products distributed through person-to-person sales forces have a higher exposure to these claims as the sales forces provide face-to-face financial planning and advisory services. Complaints may also arise if customers feel that they have not been treated reasonably or fairly, or that the duty of care has not been complied with. While a considerable amount of time and resources have been invested in reviewing and assessing historic sales practices, and in the maintenance of risk management, legal and compliance procedures to monitor current sales practices, there can be no assurance that all of the issues associated with current and historic sales practices have been or will be identified, nor that any issues already identified will not be more widespread than presently estimated.

The negative publicity associated with any sales practices, any compensation payable in respect of any such issues and regulatory changes resulting from such issues, have had and may continue to have a material adverse effect on NN's business, reputation, revenues, results of operations, financial condition and prospects. See "*—Regulatory and Litigation Risks—Holders of NN's products where the customer bears all or part of the investment risk, or consumer protection organisations on their behalf, have filed claims or proceedings against NN and may continue to do so. A negative outcome of such claims and proceedings brought by customers or organisations acting on their behalf, actions taken by regulators or governmental authorities against NN or other insurers in respect of unit-linked products, settlements or any other actions for the benefit of customers by other insurers and sector-wide measures could substantially affect NN's insurance business and, as a result, may have a material adverse effect on NN's business, reputation, revenues, results of operations, solvency, financial condition and prospects. In addition, claims and proceedings may be brought against NN in respect of other products with one or more similar product characteristics sold, issued or advised on by NN in and outside the Netherlands*".

The Company and its regulated subsidiaries are required to maintain significant levels of capital and to comply with a number of regulatory requirements relating thereto. If the Company or its regulated subsidiaries were in danger of failing, or fail, to meet regulatory capital requirements or to maintain sufficient assets to satisfy certain regulatory requirements, the supervisory authorities have broad authority to require them to take steps to protect policyholders and other clients and to compensate for capital shortfalls and to limit the ability of the Company's subsidiaries to pay dividends or distributions to the Company.

The Company and its regulated subsidiaries are required to maintain significant levels of capital and to comply with a number of regulatory requirements relating thereto. NN's supervisory authorities could require it to take remedial action if the Company or any of its regulated subsidiaries breaches or is at risk of breaching any of the regulatory capital requirements. Amongst others, such breaches could be as a result of new regulatory requirements, including Solvency II when it becomes effective, or as a result of material adverse developments in the legal proceedings associated with the Dutch unit-linked policies or any of the legal and regulatory developments described above. In addition, the supervisory authorities could decide to increase the regulatory capital requirements of the Company or any of its regulated subsidiaries, or the level of NN's regulatory capital may decrease as a result of a change or difference in the interpretation or application of principle-based regulatory requirements, including solvency requirements, by or between NN and the supervisory authorities. In this regard, under Dutch law DNB has discretionary powers to give instructions on the interpretation of the principle-based regulatory requirements, including solvency requirements, and the application of the Company's funds to strengthen the capital position of its Dutch regulated subsidiaries to levels above regulatory capital requirements, any of which may affect the ability of the Company to make distributions to Shareholders. Remedial action could include working closely with the authorities to protect policyholders' interests and to restore the Company's or the individual subsidiary's capital and solvency positions to acceptable levels and to ensure that the financial resources necessary to meet obligations to policyholders are maintained. In taking any such remedial action, the interests of the policyholders would take precedence over those of Shareholders.

If NN is unable to meet its regulatory requirements by redeploying existing available capital, it would have to consider taking other measures to protect its capital and solvency position. These measures might include divesting parts of its business, which may be difficult or costly or result in a significant loss. NN might also have to raise additional capital in the form of subordinated debt or equity.

Raising additional capital from external sources might be impossible due to factors outside NN's control, such as market conditions, or it might be possible only on unfavourable terms. Such capital raising could also be detrimental to existing Shareholders. Any of these measures could have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects. If the regulatory requirements are not met (because NN could not take appropriate measures or because the measures were not sufficiently effective) NN could lose any of its licences and hence be forced to cease some or all of its business operations.

The capital requirements applicable to NN are subject to ongoing regulatory change. A breach of capital requirements may also limit the ability of a regulated subsidiary to pay dividends or distributions to the Company (including pursuant to the TSC. See "*—Regulatory and Litigation Risks—The impact on NN of recent and ongoing financial regulatory reforms is uncertain—Theoretical Solvency Criterion regulation in the Netherlands (also known as 'Solvency 1.5')*").

NN has divested a substantial part of its insurance and investment management businesses over the past several years through private sales and public offerings (including as required by and within the timeframe agreed with the EC as laid down in the EC Restructuring Plan), in respect of which the sellers have given representations, warranties, guarantees, indemnities and other contractual protections to the purchasers of these businesses that may, should claims arise, have a material adverse effect on NN's results of operations, financial condition and prospects.

NN has divested a substantial part of its insurance and investment management businesses (including as required by and within the timeframe agreed with the EC as laid down in the EC Restructuring Plan) in the United States, Latin America, Asia and Australia over the past years through private sales and public offerings. The aggregate sales proceeds of the divestments that closed in 2011, 2012 and 2013 (see "*Business—Material agreements—Acquisitions and disposals*") were EUR 8.5 billion. Other than the initial public offering of ING U.S., these divestments were carried out by way of competitive auction processes. In respect of these divestments, the relevant members of the NN group have given representations, warranties, guarantees, indemnities and other contractual protections to the relevant purchasers and as a result may be subject to claims from the purchasers. The contractual protections given in relation to certain divestments might be considered more purchaser-friendly than protections generally given by sellers in these types of transactions, taking into account the requirements and timeframe for these divestments as agreed with the EC. Liability of NN as a result of claims made by purchasers could materially and adversely affect NN's results of operations, financial condition and prospects. In respect of the divestments of the former subsidiaries in the United States and Latin America, with aggregate sales proceeds of EUR 4.0 billion, NN has been indemnified by ING Groep against such claims (see "*Business—Material Agreements—Indemnification and allocation agreement*").

Changes in tax laws could materially impact NN's tax position which could affect the ability of the Company to make distributions to Shareholders and the ability of the Company's subsidiaries to make direct and indirect distributions to the Company. Changes in tax laws may make some of NN's insurance, pensions, investment management and banking products less attractive to customers, decreasing demand for certain of NN's products and increasing surrenders of certain of NN's in-force life insurance policies, which may have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects.

Changes in the applicable tax legislation, in the interpretation of existing tax laws, amendments to existing tax rates, or the introduction of new tax legislation, specifically with respect to taxation of insurance companies, could lead to a higher tax burden on NN, materially impact NN's tax receivables and liabilities as well as deferred tax assets and deferred tax liabilities, and could have a material adverse effect on NN's business, results of operations and financial condition.

Amendments to applicable laws, orders and regulations may be issued or altered with retroactive effect. Additionally, tax authorities may change their interpretations of tax laws at any time, which may lead to a higher tax burden on NN. While changes in taxation laws would affect the insurance sector as a whole, changes may be more detrimental to particular operators in the industry.

A higher tax burden on NN could negatively impact both the ability of the Company to make distributions to Shareholders and the ability of the Company's subsidiaries to make direct and indirect distributions to the Company, which may in turn adversely impact the ability of the Company to make distributions to Shareholders. Similarly, the design of certain of NN's products is predicated on tax legislation valid at that time and these products may be attractive to customers because they afford certain tax benefits. For example: (a) individual life insurance policyholders can under certain conditions deduct their payments from their taxable income; and (b) in Japan, the possibility of further reductions to the corporate tax rate are currently being discussed and, as the COLI products sold by Japan Life represent a tax-efficient way to purchase protection, savings and retirement preparation solutions, any further reductions to the corporate tax rate may have an adverse impact on the attractiveness of these products. Future changes in tax legislation or its interpretation may, when applied to these products, have a material adverse effect on policyholder returns and NN's customers' demand for these products, including insurance, pensions, investment management and banking products.

Moreover, changes in governmental policy, such as in relation to government subsidised pension plans, or changes in local tax or legal regulations, such as changes in taxation of certain life and health insurance products, may affect NN's clients' ability or willingness to do business with NN and may thus adversely affect demand of NN's insurance products or result in increased surrenders of certain of NN's in-force life insurance policies. See "*—Risks Related to General Economic and Market Conditions—Certain subsidiaries of the Company may be subject to liquidity risk, which may not be timely resolved by liquidity available elsewhere in the NN group*".

Any of these developments could have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects.

OPERATIONAL RISKS

NN is subject to operational risks, which can originate from inadequate or failed internal NN processes and systems, the conduct of NN personnel and third parties, and from external events that are beyond NN's control. NN's policies and procedures may be inadequate, or may otherwise not be fully effective. Should operational risks occur they may have a material adverse effect on NN's business, revenues, results of operations and financial condition.

NN is subject to operational risks, which risks can originate from inadequate or failed internal NN processes and systems, the conduct of NN personnel and third parties (including intermediaries, tied agents and other persons engaged by NN to sell and distribute its products and to provide other services to NN), and from external events that are beyond NN's control. NN's internal processes and systems may be inadequate or may otherwise fail to be fully effective due to the failure by NN personnel and third parties (including intermediaries, tied agents and other persons engaged by NN to sell and distribute its products and to provide other services to NN) to comply with internal business policies or guidelines, and (unintentional) human error (including during transaction processing), which may result in, among others: the incorrect or incomplete storage of files, data and important information (including confidential customer information); inadequate documentation of contracts; mistakes in the settlement of claims (for instance, where a claim is incorrectly assessed as valid, or where the insured receives an amount in excess of that to which the insured is entitled under the relevant contract), and failures in the monitoring of the credit status of debtors.

NN has developed policies and procedures to identify, monitor and manage operational risks, and will continue to do so in the future. However, these policies and procedures may be inadequate, or may otherwise not be fully effective. Moreover, NN's geographical spread, as well as its decentralised governance and risk management structure, may lead to increased operational risks as the effectiveness of its risk management policies and procedures may be reduced for those business units that are situated far from the centralised risk management in the Netherlands.

If any of these operational risks were to occur, it could result in, amongst others, additional or increased costs, errors, fraud, violations of law, investigations and sanctions by regulatory and other supervisory authorities, claims by customers, customer groups and customer protection bodies, loss of existing customers, loss of potential customers and sales, loss of receivables, and harm NN's reputation, any of which, alone or in the aggregate could have a material adverse effect on NN's business, revenues, results of operations, and financial condition.

The occurrence of natural or man-made disasters may endanger the continuity of NN's business operations and the security of NN's employees, which may have a material adverse effect on NN's business, results of operations, financial condition and prospects.

NN is exposed to various risks arising from natural disasters (including hurricanes, floods, fires, earthquakes, including earthquakes in Tokyo, Japan, and disease), as well as man-made disasters and core infrastructure failures (including acts of terrorism, war, military actions, and power grid and telephone/internet infrastructure failures). These natural and man-made disasters may endanger the continuity of NN's business operations and the security of NN's employees, and may adversely affect NN's business, results of operations and financial condition by causing, among other things:

- disruptions of NN's normal business operations due to property damage, loss of life, or disruption of public and private infrastructure, including information technology and communications services, and financial services;

- losses in NN's investment portfolio due to significant volatility in global financial markets or the failure of counterparties to perform; and

- changes in the rates of mortality, longevity and morbidity, claims, premium holidays, withdrawals, lapses and surrenders of existing policies and contracts, as well as sales of new policies and contracts.

NN's business continuity and crisis management plan or its insurance coverage may not be effective in mitigating the negative impact on operations or profitability in the event of a natural or man-made disaster or core infrastructure failure. The business continuity and crisis management plans of NN's distributors and other third party vendors, on whom NN relies for certain distribution and other services and products, may also not be effective in mitigating any negative impact on the provision of such services and products in the event of such a disaster or failure. Claims resulting from such a disaster or failure could also materially harm the financial condition of NN's reinsurers, which would increase the probability of default on reinsurance recoveries and could also limit NN's ability to write new business.

The loss of key personnel, and the failure to attract and retain key personnel with appropriate qualifications and experience, could have a material adverse effect on NN's business and impair its ability to implement its business strategy.

NN's success depends in large part on its ability to attract and retain key personnel with appropriate knowledge and skills, particularly financial, investment, IT, risk management, underwriting, actuarial, Solvency II and other specialist skills and experience. Competition for senior managers as well as personnel with these skills is intense among insurance companies and other financial institutions, and NN may incur significant costs to attract and retain such personnel or may fail to do so. While NN does not believe that the departure of any particular individual would cause a material adverse effect on its operations, the unexpected loss of several members of NN's senior management or other key personnel could have a material adverse effect on its operations due to the loss of their skills, knowledge of NN's business, and their years of industry experience, as well as the potential difficulty of promptly finding qualified replacement personnel.

As from 2011, credit institutions and investment firms based in European Member States have to comply with the variable pay constraints following from CRD III. These variable pay constraints are applicable to all operations of credit institutions and investment firms based in Member States (including their operations outside the EU). These variable pay constraints have been implemented in

Dutch law whereby the scope of the variable pay constraints has been extended to include Dutch-based insurance companies and their group companies. As a result, the variable pay constraints apply to the insurance, bank and investment management activities of NN, including the Company. Accordingly, unlike its competitors in the U.S., Asia and other European countries, NN has to apply these variable pay constraints to staff in its European, U.S. and Asian operations. Existing and new rules pursuant to, amongst others, CRD III and CRD IV regarding variable pay constraints may limit NN's ability to attract and retain talented staff. See "*—Regulatory and Litigation Risks—The impact on NN of recent and ongoing financial regulatory reform initiatives is uncertain—Remuneration*".

On 1 January 2014 the Dutch act on the revision and claw-back of bonuses and profit-sharing arrangements (the **Claw-back Act**) came into force. The Claw-back Act applies to board members of Dutch public companies and Dutch financial institutions, such as banks, investment firms and insurers (including certain of NN's Dutch insurance subsidiaries and NN Bank), as well as to employees of those entities that are in charge of the day-to-day management of those entities. The rules allow for the possibility to (a) revise a bonus prior to payment, if payment of the bonus would be unacceptable pursuant to the criteria of "reasonableness and fairness" and (b) claw back (part of) a paid bonus, if payment took place on the basis of incorrect information on the fulfilment of the bonus targets or conditions for payment of the bonus. There are also specific provisions that apply in the event of a "change of control" of Dutch listed companies. See "*Supervision and Regulation—Dutch regulatory framework—General—Remuneration—Claw-back of bonuses*". These new rules may limit NN's ability to attract and retain talented board members and senior employees in the Netherlands.

Any failure by NN to attract or retain qualified personnel could have a material adverse effect on its business, revenues, results of operations and financial condition.

NN is exposed to the risk of fraud and other misconduct or unauthorised activities by NN personnel, distributors, customers and other third parties. The occurrence of fraud and other misconduct and unauthorised activities could result in losses and harm NN's reputation, and may have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects.

NN is exposed to the risk of fraud and other misconduct or unauthorised activities by NN personnel, distributors, customers and other third parties. Fraud typically occurs when these persons deliberately abuse NN's procedures, systems, assets, products or services, and includes policy fraud (where fraudulent misstatements of fact are made in applications for insurance products by customers), sales fraud (where, for instance, intermediaries design commission schemes that are not for *bona fide* customers, or are written for non-existent customers, in order to collect commissions that are typically payable in the first year of the contract, after which the policy is allowed to lapse), claims fraud (where fraudulent misstatements of fact are made in an effort to make claims under existing policies), fraud in relation to payment execution (where payments of policy benefits are fraudulently routed to bank accounts other than those of the relevant beneficiary) and, in the case of NN Bank, forgery and other types of bank fraud. Misconduct and unauthorised activities also include, among others, acting beyond authority (where, for instance, mandated agents represent and bind NN in a way that exceeds their mandate), the taking of excessive or inappropriate risks, theft or misappropriation of NN and customer money and other assets, financial reporting fraud (where NN personnel overstate results), money laundering, sabotage, corporate espionage, arson and other negligent or intentional conduct. Although NN employs detection and prevention processes to help monitor and prevent fraud and other misconduct and unauthorised activities, these processes may be inadequate or otherwise ineffective. For example, although NN employs controls and procedures designed to monitor business decisions and to prevent the taking of excessive or inappropriate risks, relevant persons may take such risks regardless of such controls and procedures. NN's compensation policies and practices are reviewed as part of its overall risk management programme, but it is possible that such compensation policies and practices may not be sufficiently effective in preventing excessive or inappropriate risk taking. Operational risks arising from the conduct of third parties (including intermediaries, tied agents and other persons engaged by NN to sell and distribute its products and to provide other services to NN) are magnified because financial institutions are increasingly being held liable for the conduct of third parties, even where the financial institution has little or no control over their conduct.

The occurrence of fraud and other misconduct and unauthorised activities could result in losses, increased costs, violations of law, investigations and sanctions by regulatory and other supervisory authorities, claims by customers, customer groups and customer protection bodies, loss of potential and existing customers, loss of receivables and harm to NN's reputation, any of which, alone or in the aggregate, could have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects.

Interruption or other operational failures in telecommunication, IT and other operational systems, or a failure to maintain the security, integrity, confidentiality or privacy of sensitive data in those systems, including as a result of human error, could have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects.

NN is highly dependent on automated and IT systems to adequately secure confidential and business information, and to maintain the confidentiality, integrity and availability of information and data.

NN could experience a failure of these systems, its employees could fail to monitor and implement enhancements or other modifications to a system in a timely and effective manner, or its employees could fail to complete all necessary data reconciliation or other conversion controls when implementing a new software system or implementing modifications to an existing system. Despite the implementation of security and back-up measures, NN's IT systems may be vulnerable to physical or electronic intrusions, viruses or other attacks, programming errors and similar disruptions. In this regard, NN has noted a generally increasing number of attempted electronic intrusions, some of which have recently resulted in severe disruptions of the IT systems of Dutch financial institutions, particularly Dutch banks. NN may also be subject to disruptions of any of these systems arising from events that are wholly or partially beyond its control (such as natural disasters, acts of terrorism, epidemics, computer viruses and electrical or telecommunications outages). For example, failures of NN Bank's internet banking system or prolonged downtime of that system could harm its reputation and could result in saving deposit outflows. Furthermore, NN relies on third party suppliers to provide certain critical information technology and telecommunication services to NN and its customers. For instance, in the Netherlands a significant part of NN's IT infrastructure is provided by a third party supplier. The failure of any one of these systems, or the failure of a third party supplier to meet its obligations, for any reason, or errors made by NN's employees or the third party supplier, could in each case cause significant interruptions to NN's operations, harm NN's reputation, adversely affect its internal control over financial reporting, and have a material adverse effect on NN's business, results of operations, financial condition and prospects.

NN retains confidential information in its IT systems, and relies on industry standard commercial technologies to maintain the security of those systems. Anyone who is able to circumvent NN's security measures and penetrate its IT systems could access, view, misappropriate, alter, or delete information in the systems, including personally identifiable customer information and proprietary business information. Information security risks also exist with respect to the use of portable electronic devices, such as laptops, which are particularly vulnerable to loss and theft. In addition, the laws of an increasing number of jurisdictions require that customers be notified if a security breach results in the disclosure of personally identifiable customer information. Any compromise of the security of NN's IT systems that results in unauthorised disclosure or use of personally identifiable customer information could harm NN's reputation, deter purchases of its products, subject NN to heightened regulatory scrutiny or significant civil and criminal liability, and require that NN incur significant technical, legal and other expenses, each of which could have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects.

NN is dependent in part on the continued performance, accuracy, compliance and security of third party service providers who provide certain critical operational support functions to NN. Inadequate performance by these service providers could result in reputational harm and increased costs, which could have a material adverse effect on NN's business, revenues, results of operations and prospects.

NN has outsourced certain critical operational support functions to third party service providers. For instance, in addition to third party suppliers who provide certain critical information technology and telecommunication services to NN and its customers (See "—*Interruption or other operational failures in telecommunication, IT and other operational systems, or a failure to maintain the security, integrity, confidentiality or privacy of sensitive data in those systems, including as a result of human error, could* *have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects''*), in the Netherlands NN has outsourced all of its claims handling for P&C products to a third party. NN is dependent in part on the continued performance, quality of customer service, accuracy, compliance and security of these service providers. If the contractual arrangements with any third party service providers are terminated, NN may not find an alternative provider of the services, on a timely basis, on equivalent terms or at all. Many of these service providers have access to confidential customer information, and any unauthorised disclosure or other mishandling of that confidential customer information could result in adverse publicity, reputational harm, deter purchases of NN products, subject NN to heightened regulatory scrutiny or significant civil and criminal liability, and require that NN incur significant legal and other expenses. Any of these events could have a material adverse effect on NN's business, revenues, results of operations and prospects.

NN's investment management business is complex and a failure to properly perform services could have a material adverse effect on NN's business, revenues, results of operations and prospects.

NN's investment management and related services include, among other things, portfolio management, investment advice, fund administration, shareholder services, transfer agency, underwriting, distribution, and fiduciary services. In order to be competitive, NN must properly perform its administrative and related responsibilities, including recordkeeping, accounting, valuation, corporate actions, compliance with investment guidelines and restrictions, daily net asset value computations, account reconciliations and required distributions to fund shareholders. Failures by NN to properly perform and monitor its investment management operations could lead to, among others, investments being made in breach of the mandates given by customers, poor investment decisions and poor asset allocation, the wrong investments being bought or sold or the incorrect monitoring of exposures as well as possible erosion of NN's reputation or liability to pay compensation, existing customers withdrawing funds and potential customers not granting investment mandates. Any such failure could have a material adverse effect on NN's business, revenues, results of operations and prospects.

FINANCIAL REPORTING RISKS

Changes in accounting standards or policies, or NN's financial metrics, including as a result of choices made by NN, could adversely impact NN's reported results of operations and its reported financial condition.

NN's consolidated financial statements are subject to the application of IFRS, which is periodically revised or expanded. Accordingly, from time to time NN is required to adopt new or revised accounting standards issued by recognised authoritative bodies, including the International Accounting Standards Board (**IASB**). It is possible that future accounting standards which NN is required to adopt, could change the current accounting treatment that applies to its consolidated financial statements and that such changes could have a material adverse effect on NN's results of operations and financial condition.

In June 2013, the IASB issued an Exposure Draft on Phase II of accounting of Insurance Contracts. This contemplated accounting change is planned to become effective in 2018 and will result in significant changes to NN's consolidated financial statements. NN may also choose to change the calculation methods, definitions, presentation or other elements of its reported financial metrics, or make other choices permitted under IFRS regarding the presentation of its reported results of operations and reported financial condition. This may include a choice to further align its IFRS accounting policies with regulatory accounting requirements (which are different in certain respects) to prevent accounting volatility when hedging regulatory capital. Further changes in accounting standards or policies, or NN's financial metrics, including as a result of choices made by NN, could have a material adverse effect on NN's reported results of operations and its reported financial condition.

NN's technical reserves reflected in its IFRS financial statements to pay insurance and other claims, now and in the future, could prove inadequate, which could require that NN strengthen its reserves, which may have a material adverse effect on NN's results of operations and financial condition.

NN determines the amount of the technical reserves using actuarial methods and statistical models, which use assumptions. See "*—In the ordinary course of managing and reporting on its business, NN makes extensive use of assumptions and actuarial models to estimate future revenues and expenditures* *until the maturity of its insurance portfolios, and to assess the related risks. Differences in experience compared with assumptions, as well as updates of the assumptions and actuarial models, may have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects.*'' For NN's life insurance business, the reserving assumptions for technical reserves are locked-in when the policy is issued, save for the variable annuity business where regular updates are made. The reserving assumptions for the non-life insurance business are periodically updated for recent experience, information and insights into claims developments, which creates volatility in results of operations. Insurance companies are required under IFRS 4 to test the adequacy of their reserves at each IFRS reporting date by executing the reserve adequacy test. NN applies the IFRS reserve adequacy test in accordance with ING accounting principles, which require reserves to be adequate on aggregate for NN at a prudent level (90% confidence level) and for each individual segment at a best estimate level (50% confidence level). There are differences in the manner, methodology, models and assumptions used by insurance companies in calculating the reserve adequacy test. The reserve adequacy test applied by NN is based on management best estimates on future developments of markets, insurance claims and expenses. At the date of this Prospectus, the aggregate reserves are adequate at the 90% confidence level. There can be no assurance that the reserves will remain adequate in the future and that no additional charges to the income statement will be necessary. Furthermore, one or more of the assumptions underlying the reserve adequacy test of NN could prove to be incorrect and management may change one or more of the assumptions affecting the outcome of the reserve adequacy test, which in each case may make it necessary for NN to set aside additional reserves.

Under its current policy, if the reserve adequacy test shows that current technical reserves are not adequate in aggregate for NN at a prudent level (90% confidence level) or if technical reserves are not adequate for an individual segment at a best estimate level (50% confidence level), NN must strengthen its technical reserves in order to reach the respective adequacy levels.

In addition to its technical reserves for insurance liabilities, the NN's IFRS reserves include provisions for other claims. For example, the NN's IFRS reserves include a provision in relation to potential claims in relation to two UK-incorporated insurance company subsidiaries of the Company. OIC Run-Off Limited (formerly called The Orion Insurance Company plc) (**Orion**) and its subsidiary, London and Overseas Insurance Company Limited (formerly called The London and Overseas Insurance Company PLC) (**L&O**) ceased writing new business in 1992.

Provisional liquidators for Orion and L&O were appointed in 1994, and a creditors' scheme of arrangement in relation to each of Orion and L&O became effective in 1997 (the **Original Scheme of Arrangement**). Since then, Orion and L&O have been managed by two joint scheme administrators, who are individuals who are not affiliated with NN. A creditors' scheme of arrangement under English law comprises a compromise or arrangement between a company, in this case each of Orion and L&O, and its creditors or any class of them. Such a scheme of arrangement requires the approval of a majority in number representing at least three quarters in value of the creditors of each class voting in person or by proxy, the sanction of the English court and delivery of a copy of the relevant order of the court to the registrar of companies. As a matter of English law, the scheme is binding on all creditors to which it relates.

In 1969 Orion entered into a guarantee addressed to the Institute of London Underwriters (the **ILU**) in relation to certain liabilities of L&O on policies signed and issued by the ILU on behalf of L&O. Subsequently, in 1970, each of ING Verzekeringen N.V. (**INGV**) (which has since legally merged into the Company) and Nationale-Nederlanden Internationale Schadeverzekering N.V. (**NNIS**) (a subsidiary of the Company which has since merged with a UK subsidiary of the Company, creating Nationale-Nederlanden Internationale Schadeverzekering S.E.), issued a guarantee addressed to the ILU in respect of any or all contracts of insurance or reinsurance evidenced by policies signed or issued by the ILU on behalf of Orion and L&O. Those Orion, INGV and NNIS guarantees were subsequently discharged pursuant to an agreement between NN, NNIS, Nationale-Nederlanden Overseas Finance and Investment Company (**NNOFIC**) (a UK subsidiary of the Company) and the ILU under which NN and NNIS agreed to procure a letter of credit in favour of the ILU as to liabilities of Orion and/or L&O in respect of any or all contracts of insurance or reinsurance evidenced by policies signed and issued by the ILU (i) on behalf of Orion with inception dates on or after 28 August 1970 and/or (ii) on behalf of L&O with inception dates on or after 20 March 1969 (**qualifying ILU policies**). Subsequent to the provisional liquidation of Orion and L&O, INGV and NNIS procured NNOFIC to enter into a claims payment loan agreement (**CPLA**) in 1995 under which the ILU could request certain funds under a facility granted by NNOFIC to Orion and L&O for the payment to qualifying ILU policyholders of claims meeting certain conditions under qualifying ILU policies for which Orion or L&O were in default. This payment mechanism was provided in substitution for claims against the letter of credit, which remained in place (but claims under it were suspended for so long as the CPLA was in operation). The CPLA was superseded by a subsequent claims payment loan agreement (**CPLA 2**) entered into in 1996 (but claims under the letter of credit remain suspended for so long as that 1996 agreement remains in operation).

An amendment to the Original Scheme of Arrangement (the **Amending Scheme of Arrangement**) has been prepared by the joint scheme administrators in consultation with NN and certain other stakeholders such as the ILU. The Amending Scheme of Arrangement would establish a cut-off point in respect of claims under policies issued by Orion and L&O (subject to a right of opt-out for qualifying ILU policyholders). NN and the joint scheme administrators expect that this Amending Scheme of Arrangement will be approved by the relevant classes of creditors by the requisite majorities referred to above and become effective. If it is so approved then it would accelerate the run-off of the Orion and L&O estates, potentially resulting in substantially lower run-off costs and therefore earlier and higher pay-outs to creditors who do not opt out of the arrangements. In addition to payments under the claims payment loan agreement arrangements, NNOFIC proposes to pay a premium to qualifying ILU policyholders who do not opt out of these arrangements. CPLA 2 will be amended to take account of the Amending Scheme of Arrangement.

NNOFIC's balance sheet includes a provision reflecting the expected potential net expenditure in respect of the qualifying ILU policyholders under CPLA 2. This provision is determined *inter alia* on the basis of the expectation of the joint scheme administrators and NN that the Amending Scheme of Arrangement will become effective. If, contrary to the current expectations of the joint scheme administrators and the NN, the Amending Scheme of Arrangement were to not become effective, the current provision reflected in the NN's IFRS financial statements may have to be increased, resulting in a charge to the Company's consolidated income statement.

If NN's technical or other reserves prove inadequate, NN may be required to strengthen its reserves, which may have a material adverse effect on NN's results of operations and financial condition.

NN's Embedded Value information may not be comparable to the embedded value information reported by its peers. If NN is obliged to change its methodology in determining Embedded Value, or chooses to change that methodology for any reason, or if the assumptions used by NN in determining its Embedded Value prove to be inaccurate, NN's Embedded Value information reported in the future may be materially different, or may be prepared in a materially different manner, from the Embedded Value information contained in this Prospectus.

This Prospectus contains embedded value results, and related metrics, for NN. Embedded value (**Embedded Value** or **EV**) is a valuation methodology which provides an estimate of the economic value of the in-force life insurance business to shareholders, excluding any value attributable to future new business.

NN's Embedded Value has been prepared under the European Embedded Value (**EEV**) Principles and Guidance published in May 2004 and October 2005 (the **EEV Principles**) by the **CFO Forum**, a group representing the chief financial officers of major European insurers. Although the EEV Principles and additional guidance issued thereunder provide a framework for calculating and reporting Embedded Value, the specific methodology used by each insurer may differ. As a result, NN may determine its Embedded Value using a different methodology from its peers and its Embedded Value may not be comparable to the embedded value reported by NN's peers.

NN uses various assumptions and methodologies in the determination of its Embedded Value. See "*Operating and Financial Review—Embedded Value—Methodology*", "*Operating and Financial Review—Embedded Value—Additional matters relating to the methodology*" and "*Operating and Financial Review—Embedded Value—Assumptions*". If one or more of these assumptions prove to be inaccurate, or if these assumptions or methodologies are changed for any reason, NN's Embedded Value information reported in the future may be materially different from the Embedded Value information contained in this Prospectus.

Defects and errors in NN's processes, systems and reporting may cause internal and external miscommunication (including incorrect public disclosure), wrong decisions and wrong reporting to customers. Should they occur, such events could harm NN's reputation and could have a material adverse effect on NN's business, revenues, results of operations and financial condition.

Defects and errors in NN's financial processes, systems and reporting, including both human and technical errors, could result in a late delivery of internal and external reports, or reports with insufficient or inaccurate information. In NN's current financial reporting business units and legal entities do not always coincide. This increases the complexity of the financial reporting process, both within the business units and legal entities, and at the Company level, which in turn increases the risk of financial reporting errors. Moreover, in recent years the frequency, quality, volume, and complexity of the type of financial information that must be processed by NN's financial reporting systems has increased, in part due to more onerous regulatory requirements. For instance, new reporting metrics (such as market consistent embedded values and economic capital) are significantly more complex than the financial information NN's financial reporting systems processed in the past, and require a higher level of skill by NN's personnel.

Defects and errors in NN's financial processes, systems and reporting could lead to wrong decisions in respect of, for instance, product pricing and hedge decisions which could materially adversely affect its results of operations. In addition, misinforming customers and investors could lead to substantial claims and regulatory fines, increased regulatory scrutiny, reputational harm and increased administrative costs to remedy errors. In the event any such defects and errors occur, this could harm NN's reputation and could materially adversely affect NN's business, revenues, results of operations and financial condition.

RISKS RELATED TO THE SEPARATION FROM, AND CONTINUING RELATIONSHIP WITH, ING

After completion of the Offering, ING Groep will continue to own a significant number of Ordinary Shares, and will continue to be subject to various restrictions, limitations and undertakings under the EC Restructuring Plan. NN cannot accurately predict whether any such restrictions and limitations will have a negative effect on its business or financial flexibility, or result in conflicts between the interests of ING Groep and the interests of NN.

After completion of the Offering, ING Groep will continue to own more than 50% of the Ordinary Shares. Circumstances affecting ING Groep may have an impact on NN, and NN cannot be certain as to how further changes in circumstances affecting ING Groep may impact it.

In 2009, ING Groep was required to develop and submit a restructuring plan to the EC as a condition to receiving approval from the EC for the Dutch State aid it received in 2008/2009. On 26 October 2009, ING Groep announced its **2009 Restructuring Plan**, pursuant to which ING Groep is *inter alia* required to divest its insurance and investment management businesses, including the Company and its subsidiaries. On 18 November 2009, the 2009 Restructuring Plan received formal EC approval. On 25 November 2009, the divestment of all insurance and investment management businesses was approved by ING Groep's shareholders.

On 24 July 2012, ING Groep announced that the Dutch State and ING Groep were in dialogue with the EC on certain amendments to the 2009 Restructuring Plan, which were set out in the **2012 Restructuring Plan**. On 16 November 2012, the 2012 Restructuring Plan was formally approved by the EC. The 2012 Restructuring Plan extended the time horizon, increased the flexibility for the completion of divestments and adjusted other commitments as set forth in the 2009 Restructuring Plan in light of market conditions, economic climate and more stringent regulation.

On 6 November 2013, ING Groep announced that, together with the Dutch State, it had reached an agreement with the EC on certain amendments to the 2012 Restructuring Plan, which were set out in the **2013 Restructuring Plan**. The 2013 Restructuring Plan accelerated the divestment timeline for NN by two years, as a result of which ING Groep is required to divest more than 50% of its shareholding in the Company before 31 December 2015 and the remaining interest before 31 December 2016. Pursuant to the 2013 Restructuring Plan, the Japan Life and Japan Closed Block VA businesses are permitted to be divested in line with the divestment timeline for NN and are thus permitted to remain part of NN. The requirement for ING Groep to divest more than 50% of its interest in the Company includes the requirement to: (a) no longer have a majority of representatives on the executive board of the Company (*raad van bestuur*) (the **Executive Board**), and (b) deconsolidate the Company's financial statements from ING Groep's financial statements in line with IFRS accounting rules.

In addition to the divestment requirements, the **EC Restructuring Plan** (being the 2009 Restructuring Plan, together with the 2012 Restructuring Plan and the 2013 Restructuring Plan) places certain conditions and restrictions on ING's (including NN's) business and operations. These conditions and restrictions include a ban on certain acquisitions as well as a requirement for ING Groep to fulfil certain commitments, including repaying the state aid received from the Dutch State.

In operating the business, NN has to abide by the requirements of the EC Restructuring Plan, and may also be subject to requirements included in any future decisions, guidance or interpretation of the EC that may be applicable to NN for so long as it is controlled by ING Groep and possibly for so long as ING Groep has a sufficient interest in the Company's share capital.

If ING Groep does not meet any NN Bank-related commitments (see "*Supervision and Regulation—EC Restructuring Plan*" and "*Supervision and Regulation—EC Restructuring Plan—NN Bank conditions and restrictions—Specific conditions and restrictions regarding ING, NN and NN Bank*") before the date on which ING Groep has divested more than 50% of its interest in the Company or, if the EC so requires, before the end of 2015, or if ING Groep does not (timely) divest NN as agreed with the EC, or in case of other material non-compliance with the EC Restructuring Plan, the Dutch State will be obliged to re-notify the recapitalisation measure to the EC. In that event, the EC may require additional restructuring measures or take enforcement actions and/or, at the request of ING Groep and the Dutch State, may allow ING Groep more time to complete the divestment of NN or amend any NN Bank-related commitments.

The EC Restructuring Plan contains provisions and restrictions that could limit NN's business activities, including restricting NN's ability to make certain acquisitions or to conduct certain financing and investment activities. See "*Supervision and Regulation—EC Restructuring Plan*" for further information on the EC Restructuring Plan.

NN cannot predict whether any such restrictions and limitations will have a negative effect on its business and financial flexibility, or result in conflicts between the interests of ING and the interests of NN, nor can NN predict whether any further changes to the EC Restructuring Plan may be made, and whether any such changes would have any effect on NN's business. NN also cannot predict the possible effect of a failure by ING Groep to satisfy its commitments under the EC Restructuring Plan, including its NN Bank-related commitments and its commitment to divest NN, for instance by having a remaining ownership interest in the Company and its subsidiaries beyond any deadline agreed with the EC.

Following termination of certain transitional arrangements with ING, NN will have to meet the relevant operational requirements independently. If NN is unable to do so, it may not be able to operate its business effectively or at comparable costs, and may incur losses, which may have a material adverse effect on NN's business, results of operations and financial condition.

In anticipation of the separation of NN from ING, as mandated by the EC, in 2009 NN commenced a project to achieve operational independence from ING by replicating the functions, systems and infrastructure it had obtained from ING in the past as a member of ING. Although this project was completed in 2012, pursuant to certain transitional arrangements ING (including, in particular, ING Bank) continues to perform or support certain IT, HR, finance and risk management services for NN. These transitional arrangements are not indefinite and will ultimately terminate. Following termination of the transitional arrangements, NN will have to meet the relevant operational requirements independently, either by replicating them internally or by obtaining appropriate services from third parties. If NN does not have adequate own systems and functions in place, or is unable to obtain them from third party service providers, it may not be able to operate its business effectively or at comparable costs, and may incur losses. In the past NN's business has benefited from the purchasing power of ING when procuring services, but as a stand-alone group NN may be unable to obtain those services at comparable prices or otherwise on terms as favourable to NN as those obtained when within ING. Each of the consequences set out above, should they occur, may have a material adverse effect on NN's business, results of operations and financial condition.

Because its separation from ING means that NN will no longer benefit from ING's strong brand and reputation, amongst other things, NN's ability to attract and retain customers and suitably qualified distributors may be negatively impacted, third parties may re-price, modify or terminate their relationships with NN, and NN may be forced to lower the prices of its products, which may have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects.

On 2 October 2013, the intention to rebrand the Company and its subsidiaries to "NN" was announced. Prior to the rebranding, NN marketed a significant portion of its products and services using the "ING" brand name and logo. NN believes that the association with ING, and the use of ING's brand, provided it with preferred status among its customers, distributors and other persons due to ING's globally recognised brand, and the perception that ING provides high quality products and services and has a strong capital base and financial strength. The separation of NN from ING could change this perception and adversely affect NN's ability to attract and retain customers, which could result in reduced sales of its products. In addition, the separation of NN from ING may prompt some third parties to re-price, modify or terminate their distribution or other relationships with NN. NN's ability to maintain a competitive network of distributors for the sale and distribution of its products may also be negatively affected. See "*—Risks Related to the Business and Strategy—NN's primary distribution channel is its network of intermediaries, tied agents and bancassurance. A failure by NN to maintain a competitive distribution network, or to attain a market share of new sales and distribution channels that is comparative to its market share of traditional channels, could have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects*". NN may be required to lower the prices of its products, increase its sales commissions and fees, change long-term selling and marketing agreements and take other action to maintain its relationships with its customers and third party distributors. Should any of the consequences set out above occur, individually or in combination with others, they could have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects.

As a subsidiary of ING Groep, the Company and its subsidiaries have benefitted, and for so long as the Company and its subsidiaries qualify under the existing arrangements will continue to benefit, from certain contractual arrangements between ING and various third party vendors. NN may be unable to obtain these services through new, independent relationships with third party vendors, or may be unable to replace these services in a timely manner or on comparable terms.

As a subsidiary of ING Groep, the Company and its subsidiaries have benefitted, and for so long as the Company and its subsidiaries qualify under the existing arrangements will continue to benefit, from certain contractual arrangements between ING and various third party vendors. These contractual arrangements currently permit ING and its affiliates, including NN, to make use of certain software licences and related services provided thereunder (for example, the agreements that ING has with Microsoft, IBM and Oracle). There can be no assurance that once NN is no longer entitled to benefit from these arrangements (whether as a result of the Offering or a subsequent divestment of Ordinary Shares by ING Groep), NN will be able to obtain these services at the same levels, or obtain the same benefits through new, independent relationships with third party vendors. NN may not be able to replace these services and arrangements in a timely manner, or on terms and conditions, including as to cost, that are as favourable to NN as those previously received when it was a subsidiary of ING Groep.

RISK RELATED TO THE OFFERING AND OFFER SHARES

After completion of the Offering, ING Groep will be able to exercise substantial influence over certain corporate matters that require the approval of the General Meeting, and may vote its Ordinary Shares in a way with which other Shareholders do not agree. This concentration of ownership of Ordinary Shares could adversely affect the trading volume and market price of the Ordinary Shares or delay or prevent a change of control that could otherwise be beneficial to the Shareholders.

After completion of the Offering, ING Groep will directly or indirectly own and exercise control over 280,000,000 Ordinary Shares, representing 80% of the Company's total issued Ordinary Shares, and 80% of the voting rights. Accordingly, after completion of the Offering, ING Groep will be able to exercise substantial influence over certain corporate matters requiring the approval of the General

Meeting, such as (a) a resolution to issue Shares, (b) a resolution to restrict or exclude the pre-emptive rights unless delegated by resolution of the General Meeting to the Executive Board, and (c) a resolution to amend the Articles of Association. See "*Major Shareholder and Related Party Transactions—Related Party Transactions—Relationship with ING following the Offering—Relationship Agreement*".

For so long as ING Groep (directly or indirectly) holds 35% or more of the issued Shares (excluding Preference Shares), ING Groep will have the right to nominate three of a total of seven members of the Company's supervisory board (*raad van commissarissen*) (the **Supervisory Board**). If the shareholding of ING Groep drops below 35% of the issued Ordinary Shares, ING Groep will have the right to nominate two Supervisory Board members. ING Groep's right to nominate Supervisory Board members will terminate when the shareholding of ING Groep drops below 15%. For so long as ING Groep holds 30% or more of the Shares, the affirmative vote of these Supervisory Board members is required with respect to certain important items, such as mergers, investments, joint ventures, and the issuance of debt and equity. See "*Major Shareholder and Related Party Transactions—Related Party Transactions—Relationship with ING following the Offering—Relationship Agreement*".

ING Groep may vote its Ordinary Shares in a way with which other Shareholders do not agree, or in a way that is not in the best interest of other Shareholders. This concentration of ownership could also adversely affect the trading volume and market price of the Ordinary Shares or delay or prevent a change of control that could otherwise be beneficial to the Shareholders.

Future sales, or the possibility of future sales, of a substantial number of Ordinary Shares (including by ING Groep pursuant to its obligations under the EC Restructuring Plan) may adversely affect the market price of the Ordinary Shares.

Following the Offering, sales of a substantial number of Ordinary Shares in the public market by one or more Shareholders (including ING Groep), or the perception that such sales may occur, or an issue by the Company of a substantial number of Ordinary Shares, may adversely affect the market price of the Ordinary Shares. Although ING Groep has given certain undertakings to the Joint Global Coordinators on behalf of the Underwriters that include certain restrictions on selling or otherwise disposing of Ordinary Shares for a period of 180 days after the Settlement Date (subject to certain exceptions), the Ordinary Shares held by ING Groep will upon expiry of that period be freely transferable. See "*Plan of Distribution—Lock-up arrangements*". In this regard, in terms of the EC Restructuring Plan ING Groep is under an obligation to dispose of more than 50% of the Company, and to deconsolidate the Company under IFRS, by 31 December 2015, and to dispose of 100% of the Company by 31 December 2016. Subject to the restrictions set out above, this will entail the sale or Spin-off (see "*—Under the EC Restructuring Plan, ING Groep is required to divest more than 50% of its shareholding in the Company before 31 December 2015 and the remaining interest before 31 December 2016. The manner and timing of this divestment remains uncertain and could be made through further substantial sales in the market or to a single party or parties acting in concert (including a strategic trade sale), or by Spin-off.*") of a substantial number of Ordinary Shares, potentially in large blocks, in one or more of 2014, 2015 and 2016, which may adversely affect the market price of the Ordinary Shares.

Under the EC Restructuring Plan, ING Groep is required to divest more than 50% of its shareholding in the Company before 31 December 2015 and the remaining interest before 31 December 2016. The manner and timing of this divestment remains uncertain and could be made through further substantial sales in the market or to a single party or parties acting in concert (including a strategic trade sale), or by Spin-off.

After completion of the Offering, ING Groep will directly or indirectly own and exercise control over 280,000,000 Ordinary Shares, representing 80% of the Company's total issued Ordinary Shares. However, under the EC Restructuring Plan, ING Groep is required to divest more than 50% of its shareholding in the Company before 31 December 2015 and the remaining interest before 31 December 2016. ING Groep's obligation to divest more than 50% of its shareholding in the Company also requires that ING Groep (a) will no longer have a majority of representatives on the Executive Board and (b) will have deconsolidated the Company's financial statements from ING Groep's financial statements in line with IFRS accounting rules.

ING Groep's current intention for disposal of its interest in the Company is by way of the Offering and then, subject to (i) market conditions and (ii) the terms of the lock-up provisions that prevent it from disposing of any Ordinary Shares, without the prior written consent of the Joint Global Coordinators, for a period of 180 days after the Settlement Date (subject to certain exceptions, see "*Plan of Distribution—Lock-up arrangements*"), to dispose of the Ordinary Shares that it will continue to hold after the Offering (the **Residual Shares**) in an orderly manner, and in compliance with the EC Restructuring Plan, by a sale of the Residual Shares through a single tranche or multiple tranches, to a single party or multiple parties acting in concert (including a strategic trade sale), or by distribution of the Residual Shares to the shareholders of ING Groep in the form of a repayment of capital in kind (**Spin-off**).

Notwithstanding the deadlines set under the EC Restructuring Plan, there remains uncertainty over the timing and manner of the divestment of the Residual Shares and the Company has no control over the manner in which ING Groep may seek to divest its Residual Shares. The Company recognises that ING Groep will need to continue to assess all available options, and as such, the divestment of the Residual Shares may be achieved in a number of different ways including (i) by the sale of the Residual Shares in a number of tranches; (ii) by the sale of all the Residual Shares in a single tranche; (iii) by the sale of a significant tranche of the Residual Shares representing in excess of 30% of the issued share capital of the Company; or (iv) by Spin-off. Sales under (ii) and (iii) could be made to a single third-party purchaser, or to several purchasers acting in concert, one or more of whom may be competitors of NN. Any sale under (ii) or (iii) would, absent an order of the relevant Dutch court, oblige that purchaser or purchasers to make an offer to acquire all the Ordinary Shares not held by it at a fair price. Under Dutch law, the highest price paid by the purchaser or purchasers in the 12 months prior to announcement of the mandatory offer is deemed to be a fair price and, as a result, the price at which the Residual Shares are sold by ING Groep, subject to and in accordance with Dutch law, will be deemed to be the fair price. See "*Description of Share Capital and Corporate Structure—Public offer rules*". There can be no guarantee that the price at which ING Groep is willing to sell its Residual Shares will be at a level that the Supervisory Board and Executive Board are prepared to recommend to Shareholders.

Should the divestment of the Residual Shares occur by way of a single or significant tranche sale to a third party result in a purchaser being required to make an offer as described above, while holders of Ordinary Shares may not be obliged to accept any such offer made (save where the purchase acquires 95% of the Company's issued share capital and institutes proceedings under the Dutch squeeze out rules; see "*Description of Share Capital and Corporate Structure—Dutch squeeze-out proceedings*"), this could subsequently result in a change to the strategy, management and risk profile of NN including NN's dividend policy, and, depending on the level of ownership obtained by the purchaser, could result in the delisting of the Ordinary Shares from Euronext Amsterdam. In addition, a change of ownership of the Company could result in key contracts with the Company or certain of its subsidiaries being terminated by the counterparties to such contracts (including pursuant to existing termination rights of counterparties that are exercisable upon a such change in ownership), which could give rise to material disruptions to NN's business, additional costs to renegotiate those contracts, difficulties in managing NN's operations, and adverse impacts on NN's customers. As a result of these effects, the eventual change in ownership could have a material adverse effect on NN's business, revenues, results of operations, financial position and prospects.

The Company may in the future seek to raise capital by conducting equity offerings, which may dilute investors' shareholdings in the Company.

The Company may in the future seek to raise capital through public or private financings by issuing additional Ordinary Shares or debt convertible into Ordinary Shares, or rights to acquire Ordinary Shares, and may exclude the pre-emptive rights pertaining to the then issued Ordinary Shares. However, pursuant to the relationship agreement entered into by ING Groep and the Company on 10 June 2014 (the **Relationship Agreement**), for so long as ING Groep 30% or more of the issued Shares (excluding Preference Shares), the pre-emptive rights of ING Groep may not be excluded without the prior approval of the Supervisory Board including the affirmative vote of the Supervisory Board member(s) appointed by ING Groep under the Relationship Agreement. See "*—Material Agreements—Relationship with ING following the Offering—Relationship agreement*". Any additional capital raised through the issue of additional Ordinary Shares or debt convertible into Ordinary

Shares may dilute an investor's shareholding interest in the Company. Any additional offering of securities by the Company, or the public perception that such an offering may occur, could also have a negative impact on the trading price of the Ordinary Shares and could increase the volatility of the market price of the Ordinary Shares.

There has been no public trading in the Ordinary Shares prior to the Offering. The price of the Ordinary Shares may fluctuate substantially due to various factors and investors may not be able to sell the Ordinary Shares at or above the Offer Price or at all.

Prior to the Offering, there has been no public trading market for the Ordinary Shares. There can be no assurance that an active trading market will develop or, if it does develop, that it will be maintained. The trading price of the Ordinary Shares may be subject to wide fluctuations in response to many factors, including equity market fluctuations, general economic conditions and regulatory changes which may adversely affect the market price of the Ordinary Shares, regardless of NN's actual performance or conditions in its key markets.

Moreover, the Offer Price will be determined by ING Groep in consultation with the Company following recommendations from the Joint Global Coordinators, on behalf of the Underwriters, taking into account a number of factors, including market conditions in effect at the time of the Offering, which may not be indicative of future performance. The Offer Price may be higher than the maximum price as set in the Offer Price Range. See "*The Offering—Application to purchase Offer Shares—Offer Price and number of Offer Shares*".

The market price of the Ordinary Shares may fall below the Offer Price. The market price of the Ordinary Shares may also fluctuate substantially due to various factors, some of which may be specific to NN, and some of which may be related to the financial services industry and equity markets in general. NN cannot guarantee that investors will be able to (re)sell their Ordinary Shares at or above the Offer Price, or at all. An inactive market may also impair the Company's ability to raise equity capital by further issues of Ordinary Shares.

The market price of the Ordinary Shares may be volatile and may be adversely affected by market conditions and other factors beyond NN's control.

Some factors that may adversely affect the market price of the Ordinary Shares or cause the market price of the Ordinary Shares to fluctuate, in addition to the other factors mentioned in this section, are:

- NN's operating and financial performance and prospects;
- announcements by NN, or announcements by competitors, regarding new products or services, enhancements, significant contracts, acquisitions or strategic investments;
- adverse developments in the legal or other proceedings related to Dutch unit-linked policies or negative publicity associated therewith;
- changes in investors' perceptions of NN, and the attractiveness of the Ordinary Shares, in each case relative to peer group companies of NN;
- changes in earnings estimates or recommendations by securities analysts who cover the Ordinary Shares;
- any listing of peer group companies of NN (including companies that were de-listed during the financial crisis following the nationalisation of those companies, such as SNS Reaal and ASR);
- fluctuations in the Company's consolidated quarterly financial results, or the (quarterly) financial results of companies perceived to be similar to the Company;
- changes in the Company's share capital structure, such as future issuances of Ordinary Shares and other securities, sales of significant numbers of Ordinary Shares by Shareholders (including ING Groep), or the incurrence of additional debt;
- departures of key personnel;

- events that adversely affect NN's reputation and brands;
- changes in general economic and market conditions;
- changes in industry conditions or perceptions or changes in the market outlook for the insurance industry; and
- changes in applicable laws, rules or regulations, as well as regulatory actions affecting NN.

Equity markets have experienced significant price and volume fluctuations in recent years. The market prices of shares of insurance and financial services companies have experienced fluctuations that have often been unrelated or disproportionate to the operating results of these companies. These market fluctuations could result in extreme volatility in the price of the Ordinary Shares.

Certain holders of Ordinary Shares may not be able to participate in future equity offerings with subscription rights.

The Company may undertake future equity offerings with or without subscription rights. In case of equity offerings with subscription rights, Shareholders in certain jurisdictions may not be entitled to exercise such rights unless the rights and the related shares are registered or qualified for sale under the relevant legislation or regulatory framework in such jurisdictions. Shareholders in these jurisdictions may suffer dilution of their shareholding should they not be permitted to participate in future equity offerings with subscription rights.

If closing of the Offering does not take place on the Settlement Date or at all, purchases of the Offer Shares will be disregarded and Euronext may annul transactions that have occurred.

Application has been made to list the Offer Shares on Euronext Amsterdam under the symbol "NN". The Company expects that the Ordinary Shares will be admitted to listing and that trading in such shares on an "if-and-when-delivered" basis will commence on the First Trading Date, prior to the closing of the Offering on the Settlement Date. Subject to acceleration or extension of the timetable of the Offering, the Settlement Date is expected to be on or around 7 July 2014, being the third business day following the First Trading Date. The closing of the Offering may not take place on the Settlement Date or at all if certain conditions referred to in the underwriting agreement dated 17 June 2014 between the Company, ING Groep and the Joint Global Coordinators on behalf of the Underwriters (the **Underwriting Agreement**) are not satisfied or waived, or if certain events specified in the Underwriting Agreement occur on or prior to the Settlement Date. See "*Plan of Distribution—Underwriting Arrangement*". These conditions include, among others: (a) execution of the Pricing Agreement, (b) receipt of opinions on certain legal matters from counsel, (c) receipt of customary officers' certificates, and (d) the absence of a material adverse effect on the business, financial position, results of operations or prospects of the Company and its subsidiaries taken as a whole since the date of the Pricing Agreement. If closing of the Offering does not take place on the Settlement Date or at all, the Offering will be withdrawn, all purchase and sale transactions of Ordinary Shares under the Offering will be disregarded, any payments made will be returned without interest or other compensation, and Euronext may annul transactions that have occurred. If an investor has engaged in short-selling, the investor will bear the risk of not being able to fulfil its delivery obligations.

Influence of the Shareholders on the composition of the Supervisory Board and the Executive Board may differ from other Dutch companies, and from companies in other jurisdictions.

The Company voluntarily applies the Dutch mitigated large company regime (*gemitigeerd structuurregime*). Accordingly, the Company is obliged by Dutch law to have a supervisory board and major strategic and organisational decisions taken within the Company require the approval of its Supervisory Board. Furthermore, subject to the provisions of the Relationship Agreement (see "*Major Shareholder and Related Party Transactions—Related Party Transactions—Relationship with ING following the Offering—Relationship Agreement*"), the General Meeting appoints the members of the Supervisory Board on the nomination of the Supervisory Board. The General Meeting may only reject that nomination by an absolute majority of the votes cast by Shareholders representing at least one-third of the Company's issued share capital. Moreover, one third of the members of the Supervisory Board must be nominated on the basis of an enhanced recommendation entitlement (*versterkt aanbevelingsrecht*) of the Company's works council (the **Works Council**). For these members of the Supervisory Board, the Supervisory Board may only object to the recommendation of the Company's works council if the recommended candidate is not suitable to fulfil the duties of a Supervisory Board member or if the Supervisory Board will not subsequently be properly composed.

Moreover, on the earlier of (a) the expiry of the three year transition period (see *"Description of share capital and corporate structure—Dutch large company regime"*) and (b) the date on which ING Groep's (direct or indirect) shareholding in the Company drops below 30% of the Shares, pursuant to the Relationship Agreement the Company has undertaken to apply the full large company regime. The influence of Shareholders on the composition of the Executive Board will change on application of the full large company regime, because the members of the Executive Board will no longer be appointed by the Shareholders but by the Supervisory Board.

Provisions in national insurance laws, in the Articles of Association and in contracts concluded by the Company or its subsidiaries may delay, deter or prevent takeover attempts that may be favourable to the Shareholders.

The insurance laws and regulations of the various jurisdictions in which the insurance subsidiaries of the Company are organised may prevent or delay a business combination involving those subsidiaries or the Company. Certain national insurance laws to which NN is subject prohibit an entity from acquiring control of an insurance company without the prior approval of the domestic insurance regulator. In several jurisdictions, an entity is presumed to have control of an insurance company if it owns, directly or indirectly, 10% or more of the voting stock of that insurance company or its parent company. See "*Description of Share Capital and Corporate Structure—Obligations to disclose holdings and transactions*". These regulatory restrictions may delay, deter or prevent a potential merger or sale of the Company, even if it is in the best interests of Shareholders for the Company to merge or be sold. These restrictions may also delay, deter or prevent sales by the Company or acquisitions by third parties of NN's insurance subsidiaries.

The Articles of Association contain protection provisions that may have the effect of preventing, discouraging or delaying a change of control. Stichting Continuïteit NN Group (the **Foundation**) will be granted a call option by the Company. The Foundation may not exercise the call option without the prior consent of ING Groep for so long as ING Groep's (direct or indirect) holding of Shares represents 30% or more of the issued Shares (excluding Preference Shares). On each exercise of the call option, the Foundation is entitled to acquire from the Company up to a maximum corresponding with 100% of the issued share capital of the Company excluding the Preference Shares as outstanding immediately prior to the exercise of the call option, less one share, from which maximum any Preference Shares already placed with the Foundation at the time of the exercise of the call option shall be deducted. The Foundation may exercise its option right repeatedly, each time up to the aforementioned maximum. See "*Description of Share Capital and Corporate Structure—Anti-takeover measures*". The issuance of Preference Shares in this manner would cause substantial dilution to the voting power of any Shareholder, including a Shareholder attempting to gain control of the Company, and could therefore have the effect of preventing, discouraging or delaying a change of control that might otherwise be in the best interests of Shareholders, or have otherwise resulted in an opportunity for Shareholders to sell the Ordinary Shares at a premium to the then prevailing market price. This anti-takeover measure may have an adverse effect on the market price of the Ordinary Shares.

The Company's ability to pay dividends to Shareholders may be constrained.

The Company's ability to pay dividends to its Shareholders is subject to regulatory, legal and financial restrictions, as well as to the solvency position of its subsidiaries. See "*—Regulatory and Litigation Risks—Holders of NN's products where the customer bears all or part of the investment risk, or consumer protection organisations on their behalf, have filed claims or proceedings against NN and may continue to do so. A negative outcome of such claims and proceedings brought by customers or organisations acting on their behalf, actions taken by regulators or governmental authorities against NN or other insurers in respect of unit-linked products, settlements or any other actions for the benefit of customers by other insurers and sector-wide measures could substantially affect NN's insurance business and, as a result, may have a material adverse effect on NN's business, reputation, revenues, results of operations, solvency, financial condition and prospects. In addition, claims and proceedings may be* *brought against NN in respect of other products with one or more similar product characteristics sold, issued or advised on by NN in and outside the Netherlands*'' and ''*Dividends and Dividend Policy*'' and ''*Description of Share Capital and Corporate Structure—Profits and distributions*''. In addition, the Company is a holding company with no material, direct business operations. The principal assets of the Company are the equity interests it directly or indirectly holds in its operating subsidiaries. As a result, the Company's ability to generate income and pay dividends is dependent on the ability of its operating subsidiaries to declare and pay dividends. In addition, as an equity investor in its subsidiaries, the Company's right to receive assets upon the liquidation or reorganisation of any of its subsidiaries will effectively be subordinated to the claims of creditors of those subsidiaries. To the extent that the Company is recognised as a creditor of such subsidiaries, the Company's claims may still be subordinated to any security interest in, or other lien on, their assets, and to any of their debt or other obligations that are senior to the Company's claims. The Company's ability to declare and pay dividends, and the ability of its operating subsidiaries to declare and pay dividends, may be restricted to protect the security of policyholders, as applicable regulations may prohibit the payment of dividends in certain circumstances. For instance, if the solvency position of a Dutch life insurance entity is below the TSC, a declaration of no objection from DNB is required before making any distributions of capital (including dividends) and reserves to the Company. Such declaration of no objection is also required if a Dutch insurance entity that wishes to pay dividends foresees that it will not meet the solvency capital requirements in the coming twelve months. In addition, under Dutch law DNB can under specific circumstances give instructions on the interpretation of the existing principle-based regulatory requirements, including solvency requirements, and the application of the Company's funds to strengthen the capital position of its Dutch regulated subsidiaries to levels above regulatory capital requirements, any of which may affect the ability of the Company to make distributions to Shareholders.

The actual payment of future dividends on Ordinary Shares, if any, and the amounts thereof, will depend on a number of factors, including, among others, the amount of distributable profits and reserves, regulatory capital position, capital expenditure and investment plans, earnings, level of profitability, ratio of debt to equity, credit ratings, applicable restrictions on the payment of dividends under applicable laws, compliance with credit covenants, the level of dividends paid by other comparable listed companies doing business in the Netherlands and such other factors as the Executive Board and Supervisory Board may deem relevant from time to time. As a result, the Company's ability to pay dividends in the future may be limited, and its dividend policy may change. If dividends are not paid in the future, capital appreciation, if any, of the Ordinary Shares would be an investor's sole source of gain.

Dealings in the Shares may become subject to a Financial Transactions Tax

In February 2013, the EC published a proposed directive for a common FTT to be implemented in 11 participating Member States, being Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain, which would together constitute the ''FTT-Zone''. As at the date of this Prospectus, it has not been proposed that the Netherlands become a participating Member State. The proposed directive has very broad scope and could, if introduced, apply to certain dealings in the Shares (including secondary market transactions) in certain circumstances. Under the proposed directive, the FTT would have a broad scope and could, *inter alia*, levy a tax on transactions in financial instruments by financial institutions if at least one of the parties to the transaction is located in the ''FTT-zone''. As such, the FTT could levy a tax on certain dealings in the Shares where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, ''established'' in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State. A joint statement issued in May 2014 by ten of the eleven participating Member States indicated an intention to implement the FTT progressively, such that it would initially apply to shares and certain derivatives, with this initial implementation occurring by 1 January 2016. However, full details are not yet available. As of the date of this Prospectus, it is unclear when the FTT will come into force, if at all, and unclear what the content of the FTT would be. If the FTT were to come into force, there is a risk that dealings in the Shares may be subject to the FTT if at least one of the transacting parties is a qualifying financial institution, or if the Netherlands were to become a participating Member State.

4. IMPORTANT INFORMATION

Potential investors are expressly advised that an investment in the Ordinary Shares entails certain risks and that they should therefore carefully review the entire content of this Prospectus. A potential investor should not invest in the Ordinary Shares unless it has the expertise (either alone or with a financial adviser) to evaluate how the Ordinary Shares will perform under changing conditions, the resulting effects on the value of the Ordinary Shares and the impact this investment will have on the potential investor's overall investment portfolio. Prospective investors should also consult their own tax advisers as to the tax consequences of the purchase, ownership and disposition of the Ordinary Shares.

RESPONSIBILITY STATEMENT

Potential investors should only rely on the information contained in, or incorporated by reference into, this Prospectus and any supplement to this Prospectus (if any) within the meaning of article 5:23 of the Dutch Financial Supervision Act.

Potential investors should not assume that the information in this Prospectus is accurate as of any date other than the date of this Prospectus. No person is or has been authorised to give any information or to make any representation in connection with the Offering, other than as contained in this Prospectus. If any information or representation not contained in this Prospectus is given or made, that information or representation may not be relied upon as having been authorised by the Company, or any of its respective affiliates. The delivery of this Prospectus at any time after the date of this Prospectus will not, under any circumstances, create any implication that there has been no change in NN's affairs since the date of this Prospectus or that the information in this Prospectus is correct as of any time since its date.

This Prospectus is made available by the Company. The Company accepts responsibility for the information contained in this Prospectus. In addition, ING Groep accepts responsibility for the information contained in "*Reasons for the Offering and Use of Proceeds—Use of Proceeds*" and "*Major Shareholder and Related Party Transactions—Major Shareholder*". Each of the Company and ING Groep declares that it has taken all reasonable care to ensure that, to the best of its knowledge, the information contained in this Prospectus for which it is responsible is in accordance with the facts and contains no omission likely to affect its import.

No representation or warranty, express or implied, is made or given by or on behalf of the Underwriters or any of their affiliates or any of their respective directors, officers or employees or any other person, as to the accuracy, completeness or fairness of the information or opinions contained in this Prospectus, or incorporated by reference herein, and nothing contained in this Prospectus, or incorporated by reference herein, is, or shall be relied upon as, a promise or representation by the Underwriters or any of their affiliates as to the past or future.

Investors who subscribe for or purchase Offer Shares in the Offering will be deemed to have acknowledged that: (a) they have not relied on any of the Underwriters or any person affiliated with any of them in connection with any investigation of the accuracy of any information contained in this Prospectus or their investment decision, and (b) they have relied on the information contained in this Prospectus, and no person has been authorised to give any information or to make any representation concerning NN or the Offer Shares (other than as contained in this Prospectus) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company, the members of its Executive Board and Supervisory Board, ING Groep or any of the Underwriters.

None of the Underwriters, in any of their respective capacities in connection with the Offering, and ING Bank N.V., in its capacity as Listing Agent and Paying Agent for the Offering, accepts any responsibility whatsoever for the contents of this Prospectus nor for any other statements made or purported to be made by either themselves or on their behalf in connection with the Company, the Offering or the Offer Shares. Accordingly, the Underwriters disclaim all and any liability, whether arising in tort or contract or otherwise in respect of this Prospectus and any such statement.

This Prospectus will be published in English only. Certain definitions of capitalised terms used herein are set out in "*Definitions*" and certain definitions used to describe the Company or the insurance industry are set out in in "*Glossary of Insurance and Investment Management Terms*".

POTENTIAL CONFLICT OF INTEREST

The Underwriters are acting exclusively for the Company and ING Groep and no one else in connection with the Offering. They will not regard any other person (whether or not a recipient of this Prospectus) as their respective customers in relation to the Offering and will not be responsible to anyone other than the Company and ING Groep for providing the protections afforded to their respective customers nor for giving advice in relation to the Offering or any transaction or arrangement referred to herein.

The Underwriters and/or their respective affiliates have from time to time been engaged, and may in the future engage, in commercial banking, investment banking and financial advisory and ancillary activities in the course of their business with the Company and/or ING Groep or any parties related to any of them, for which they have received and may in the future receive customary compensation. Additionally, the Underwriters may, in the ordinary course of their business, have held and in the future may hold the Company's securities for investment. In respect of the aforementioned, the sharing of information is generally restricted for reasons of confidentiality by internal procedures or by rules and regulations (including those issued by the AFM). As a result of these transactions, the Underwriters may have interests that may not be aligned, or could potentially conflict, with the interests of investors or with the interests of NN. ING Bank N.V. is one of the Join Global Coordinators and also a wholly-owned subsidiary of ING Groep.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Historical consolidated financial information

The consolidated financial information in this Prospectus as at and for the years ended 31 December 2013, 2012 and 2011 has been extracted from the 2013 Annual Accounts (as defined in "*Selected Financial Information*"). The unaudited, condensed consolidated interim financial statements as at and for the three months ended 31 March 2014 and 31 March 2013 have been prepared in accordance with IAS 34 and are reviewed by Ernst & Young Accountants LLP, as stated in their report therein.

Discontinued operations

As at the end of 2010, the Company was a global insurance and investment management holding company, with major operations in Europe, the United States, Latin America, and Asia/Pacific. However, as part of the 2009 Restructuring Plan, ING Groep committed to divest all insurance and investment management activities. Hence, since 2010 a major transformation has occurred in the composition and size of NN due to the disposal of all material insurance and investment management operations in the United States, Latin America, and Asia/Pacific (excluding Japan). Most disposals of NN's subsidiaries operating outside Europe were completed in the years 2013, 2012 and 2011. See "*Business—Material Agreements—Acquisitions and disposals*".

Consolidated profit and loss account

Under IFRS, a subsidiary or group of subsidiaries which NN has planned to sell but still legally owns, may be presented as held for sale if certain conditions are met. If a disposal group that is classified as held for sale represents a major line of business or geographical area, the disposal group is classified as a discontinued operation. Once a (significant) subsidiary or group of subsidiaries has been sold or is classified as a discontinued operation, IFRS requires that the net result from the discontinued operations is presented separately in the parent company's profit and loss account for both the current year and for comparative years. Hence, the consolidated profit and loss account for NN's continuing businesses for the years ended 31 December 2012 and 2011 has been restated to make these years comparable with the profit and loss account for the year ended 31 December 2013.

Consolidated balance sheet

NN's consolidated balance sheet as at 31 December 2013, 2012 and 2011 is impacted by the held for sale classification of subsidiaries as well as by the disposal of subsidiaries by NN, which have occurred between those dates. Unlike the consolidated profit and loss account, under IFRS, NN is not allowed to restate its prior period balance sheets to reflect the disposition of current period assets and subsidiaries. For that reason, NN is providing, on a voluntary basis, in addition to the historical balance sheets for the years 2012 and 2011, reclassified consolidated balance sheets for the years 2012 and 2011, which are comparable to the consolidated balance sheet for the year 2013 (and the first quarter of 2014) (the **Reclassified Balance Sheets**).

In the Re-classified Balance Sheets as at 31 December 2012 and 2011, the assets and liabilities related to the entities that were divested in 2013 and 2012, as applicable, are presented as held for sale as at 31 December 2012 and 2011 under the lines ''Assets held for sale'' and ''Liabilities held for sale'' respectively.

Financial information presented in the Prospectus

Balance sheet information

Balance sheet information presented in this Prospectus shows the actual historical balance sheet for the year ended 31 December 2013 and the Re-classified Balance Sheets as at 31 December 2012 and 2011 in order to be able to show three years of comparable information.

Operating result (before tax)

Operating result (before tax) as presented in this Prospectus is a non-GAAP financial measure and not a measure of financial performance under IFRS. Because it is not determined in accordance with IFRS, the operating result as presented by NN may not be comparable to other similarly titled measures of performance of other (insurance) companies.

The operating result of NN's ongoing business segments is reconciled to the result before tax from the IFRS profit and loss account in ''*Selected Financial Information*''. See ''*Operating and Financial Review—Operating result and margin analysis*'' on how NN calculates operating result.

Foreign currency translation

Items included in the financial statements of each of NN's entities are measured using the currency of the primary economic environment in which the entity operates (the **functional currency**). The consolidated financial statements, as included in ''*Selected Financial Information''* and ''*Operating and Financial Review''*, are presented in euros, which is NN's functional and presentation currency. The results and financial positions of all group companies that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities included in each balance sheet are translated at the closing exchange rate at the date of that balance sheet;
- income and expenses included in each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the exchange rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange rate differences are recognised in a separate component of equity.

Change in accounting policy

As of 1 January 2014, NN has moved towards fair value accounting on the reserves for guaranteed minimum death benefits (**GMDB**) of the Japan Closed Block VA segment. Implementation of this accounting change for GMDB represents a change in accounting policy under IFRS with a transitional equity impact of EUR -165 million after tax being reflected only in shareholder's equity as of 1 January 2014. For further information, see Note 55 ''Subsequent events'' of the 2013 Annual Accounts and Note 1 ''Accounting policies'' in NN's interim consolidated financial statements for the period ended 31 March 2014. The consolidated profit and loss account for the three months ended 31 March 2013 has been restated to make it comparable with the consolidated profit and loss account for the three months ended 31 March 2014. The consolidated profit and loss accounts for the years ended 31 December 2013, 2012 and 2011 as included in this Prospectus have not been restated to reflect this change in accounting policy. However, the sections ''*Operating and Financial Review—Operating Result by Segment for the Years ended 31 December 2013 and 2012*'' and ''*Operating and Financial Review—Operating Result by Segment for the Years ended 31 December 2012 and 2011*'' include the results for the years ended 31 December 2013, 2012 and 2011 for the segment Japan Closed Block VA both before and after the change in accounting policy. The table in the section

"*Operating and Financial Review—Selected Operating Result Information by Segment—Change in accounting policy*" set forth the impact on NN's consolidated results for those periods. All results labelled as "after change in accounting policy" are derived from NN's interim consolidated financial statements reviewed by Ernst & Young Accountants LLP; these results labelled as "after change in accounting policy" are unaudited and are provided for illustrative purposes only.

Allocated equity

NN evaluates the efficiency of the operational deployment of its shareholder's equity by calculating return on equity. The distribution of net assets over the business segments is impacted by accounting policies, including consolidation principles that are determined by legal rather than economic ownership. Therefore, NN calculates allocated equity per segment to determine the part of the Company's shareholder's equity that is economically deployed by the segments. Allocated equity as presented in "*Business*" is a non-GAAP financial measure that is not a measure under IFRS. Each segment's allocated equity is calculated as that segment's net assets, i.e. the balance of total assets and total liabilities under IFRS, adjusted for the following items:

- ***minority interests***: third party minority interests in fully consolidated subsidiaries of the Company are subtracted from the net assets of the relevant segment(s);

- ***investments in subsidiaries of the Company***: intercompany investments of the Company in the shareholder's equity of fully consolidated subsidiaries that are part of the segments are eliminated to avoid double counting;

- ***goodwill and other intangibles***: goodwill and other intangibles (excluding software and value of business acquired) that are accounted for centrally in the segment Other, are allocated (back) to the segment(s) where they originate; and

- ***proprietary investment companies (private equity and real estate)***: the net assets related to investments by the segments in jointly owned proprietary investment companies (i.e. Parcom Capital B.V. and Rei Investment 1 B.V.) are re-allocated to the segments on a proportional basis to reflect their economic ownership. In the financial accounting, these companies are fully consolidated by the operations of Netherlands Life, as NN Life is the majority owner of the investment companies.

Except for the elimination of the minority interests, the re-allocations of the segments' net assets have no impact on the total net assets of NN.

Market and industry data and exchange rates

All references in this Prospectus to market data and industry statistics are based on, amongst others, independent industry publications, public national statistical sources, reports by market research firms or other independent publications (each an **Independent Source**), such as AM Jaarboek, Assuralia, DNB, Dutch Association of Insurers, the European Central Bank (**ECB**), Moody's, Statistics Netherlands (**CBS**) and Swiss Re.

The Company has included information from Independent Sources for the years 2012, 2011 and 2010 (market data for 2013 is generally not yet available). However, in some cases, market data and other statistical information were not available for all of these years. Some data is based on assumptions and good faith estimates of the Company, which is derived in part from a review of internal surveys of the Company, as well as the Independent Sources. The Company cannot guarantee that a third party using different methods to assemble, analyse or compute this data would obtain or generate the same results.

The information in this Prospectus that has been sourced from the Independent Sources has been accurately reproduced. NN has not independently verified or audited this data or determined the reasonableness of assumption used by their compilers. As far as NN is aware and able to ascertain from the information published by the relevant Independent Sources, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Certain market and industry information in this Prospectus has been converted into euro at the exchange rates used by NN, as shown in the table below. Conversion has taken place at the exchange rates as at 31 December of the relevant year to which the respective market and industry information relates.

Such euro amounts, which may differ from the amounts calculated using the average exchange rates for the relevant period, are not necessarily indicative of the amounts of euro that could actually have been purchased upon exchange of the currencies at the dates indicated, and have been provided solely for the convenience of the reader.

Euro exchange rates against selected currencies

	as at 31 December			
	2013	**2012**	**2011**	**2010**
Currency	**Local currency per Euro**			
Poland (PLN)	4.15287	4.08307	4.46812	3.95925
Turkey (TRY)	2.94649	2.35670	2.43644	2.06747
Czech Republic (CZK)	27.39970	25.10753	25.79167	25.08295
Romania (RON)	4.47456	4.44301	4.33969	4.28135
Hungary (HUF)	297.03212	292.60246	314.27710	277.74140
Bulgaria (BGN)	1.95583	1.95583	1.95583	1.95583
U.S. (USD)	1.37770	1.31895	1.29460	1.33790
Japan (JPY)	144.65850	113.63414	100.19557	108.74450

(source: ING Bank)

NN names

On 2 October 2013, the intention to rebrand the Company and its subsidiaries to "NN" was announced. However, prior to the operational and legal entity rebranding, which will only start after completion of the Offering, NN will continue to use the "ING" name, brand and logo for its marketing materials, operating materials and legal entity names. See "*Major Shareholder and Related Party Agreements—Related Party Agreements—Relationship with ING following the Offering—Transitional intellectual property license agreement*".

In this Prospectus, several of NN's subsidiaries and parts of its business are already described with the "NN" name, while in practice the (legal entity) name of the relevant subsidiary or part of the business still includes the "ING" name (for example NN Belgium, NN Japan and NN Re). The current (legal entity) names of NN's subsidiaries or parts of its business are set out in "Definitions".

Rounding adjustments and currency

Certain figures contained in this Prospectus, including financial information and market and industry data, have been subject to rounding adjustments. Accordingly, in certain instances the sum of the numbers in a column or row of a table contained in this Prospectus may not conform exactly to the total figure given for that column or row.

Unless otherwise indicated, financial information relating to NN is presented in euro. All references in this document to **euro**, **EUR** and **€** refer to the currency introduced at the start of the third stage of the European economic and monetary union pursuant to the Treaty on the Functioning of the EU, as amended.

INCORPORATION BY REFERENCE

The following documents are incorporated in this Prospectus by reference and, as such, form part of this Prospectus:

- the Articles of Association (the official Dutch version and an English translation thereof)

- the audited consolidated financial statements of the Company's predecessor ING Verzekeringen N.V. for the financial year ended 31 December 2012 and the independent auditor's report dated 18 March 2013, included in ING Verzekeringen N.V.'s annual report on pages 18 to 157 and 167; and
- the audited consolidated financial statements of the Company's predecessor ING Verzekeringen N.V. for the financial year ended 31 December 2011 and the independent auditor's report dated 12 March 2012, included in ING Verzekeringen N.V.'s annual report on pages 14 to 149 and 159.

Copies of these documents can be obtained in electronic form from the Company's website at www.nn-group.com. Potential investors should only rely on the information that is provided in this Prospectus or incorporated by reference into this Prospectus. No other documents or information, including the contents of the Company's website (www.nn-group.com) or of websites accessible from hyperlinks on that website, form part of, or are incorporated by reference into, this Prospectus.

AVAILABLE INFORMATION

For so long as any Ordinary Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act, the Company will, during any period in which it is neither subject to Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended, nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner, upon the request of such holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the U.S. Securities Act.

RESTRICTIONS ON THE OFFERING

The Offering, the distribution of this Prospectus, any related materials and the offer, acceptance, delivery, transfer, exercise, purchase of, subscription for, or trade in, the Offer Shares may be restricted by law in certain jurisdictions.

This Prospectus may not be used for, or in connection with, and does not constitute an offer to sell, or a solicitation to purchase, any of the Offer Shares in any jurisdiction in which such offer or solicitation is not authorised or would be unlawful. Persons in possession of this Prospectus are required to inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. The Company does not accept or assume any responsibility or liability for any violation by any person of any such restrictions.

The content of this Prospectus is not to be considered or interpreted as legal, commercial, investment, financial or tax advice. Each prospective investor should consult his own stockbroker, bank manager, auditor or other financial, legal or tax advisers before making any investment decision with regard to the Offer Shares, to consider such investment decision in light of the prospective investor's personal circumstances, and in order to determine whether or not such prospective investor is eligible to subscribe for the Offer Shares.

As a condition to accept, deliver, transfer, exercise, purchase, subscribe for or trade in Offer Shares, each purchaser will be deemed to have made, or, in some cases, be required to make, certain representations and warranties which will be relied upon by the Company, the Underwriters, the Listing Agent, the Paying Agent and others. The Company and the Underwriters reserve the right, in their sole and absolute discretion, to reject any purchase of Offer Shares that the Company or the Underwriters believe may give rise to a breach or violation of any law, rule or regulation. For a more detailed description of restrictions relating to the Offering, see "*Selling and Transfer Restrictions*".

FORWARD-LOOKING STATEMENTS

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 (a) changes in general economic conditions, in particular economic conditions in NN's core markets, (b) changes in performance of financial markets, including developing markets, (c) consequences of a potential (partial) break-up of the euro, (d) the implementation of the EC Restructuring Plan, (e) changes in the availability of, and costs associated with, sources of liquidity, as well as conditions in the credit markets generally, (f) the frequency and severity of insured loss events, (g) changes affecting mortality and morbidity levels and trends, (h) changes affecting persistency levels, (i) changes affecting interest rate levels, (j) changes affecting currency exchange rates, (k) changes in investor, customer and policyholder behaviour, (l) changes in general competitive factors, (m) changes in laws and regulations, (n) changes in the policies of governments and regulatory authorities, (o) conclusions with regard to accounting assumptions and methodologies, (p) adverse developments in legal and other proceedings, including proceedings related to Dutch unit-linked policies, (q) changes in ownership that could affect the future availability to NN of net operating loss, net capital and built-in loss carry forwards, (r) changes in credit and financial strength ratings, (s) NN's ability to achieve projected operational synergies and (t) the other risks and uncertainties detailed in the section headed "*Risk Factors*". Any forward-looking statements made by or on behalf of NN speak only as of the date they are made, and NN assumes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information or for any other reason. The Company urges investors to read "*Risk Factors*" and "*Industry Overview*" for a more complete discussion of the factors that could affect the Company's future performance and the industry in which the Company operates.

ENFORCEMENT OF CIVIL LIABILITIES

The ability of Shareholders in certain countries other than the Netherlands to bring an action against the Company may be limited under law. The Company is a public company (*naamloze vennootschap*) incorporated under the laws of the Netherlands and has its statutory seat (*statutaire zetel*) in Amsterdam, the Netherlands. The members of the Executive Board and Supervisory Board reside outside the U.S. The assets of these individuals are predominantly located outside the U.S. The Company's assets are predominantly located outside of the U.S. As a result, it may not be possible for investors to effect service of process in the U.S. upon the Company, its affiliates or its directors and officers, or to enforce judgments obtained in the U.S. against the Company, its affiliates or its directors and officers, including judgments based on the civil liability provisions of the U.S. federal securities laws.

The United States and the Netherlands do not currently have a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitration awards, in civil and commercial matters. Accordingly, there is doubt as to the enforceability, in the Netherlands, of original actions for enforcement based on the federal securities laws of the U.S. or judgments of U.S. courts, including judgments based on the civil liability provisions of the U.S. federal securities laws, as a final judgment for the payment of money rendered by U.S. courts based on civil liability would not be directly enforceable in the Netherlands. However, if the party in whose favour such final judgment is rendered brings a new suit in a competent court in the Netherlands, that party may submit to the Dutch court the final judgment that has been rendered in the United States. A judgment by a federal or state court in the United States against the Company will neither be recognised nor enforced by a Dutch court but such judgment may serve as evidence in a similar action in a Dutch court.

5. DIVIDENDS AND DIVIDEND POLICY

General

The Company may only make distributions to its Shareholders insofar as the Company's equity exceeds the amount of the paid-in and called-up part of the issued capital, increased by the reserves which must be maintained pursuant to Dutch law and the Articles of Association.

Under the Articles of Association, any profits must first be applied to pay a dividend on the Preference Shares, if any are outstanding, before distribution of any remaining distributable profits to the other Shareholders. No Preference Shares are outstanding at the date of this Prospectus. The Executive Board is authorised, subject to the approval of the Supervisory Board, to determine each year which part of any profits remaining after such dividend payment on the Preference Shares will be reserved. Any profits remaining after such reservation and dividend payment on the Preference Shares will be at the disposal of the General Meeting.

The Executive Board may, with the approval of the Supervisory Board, resolve that a distribution on Ordinary Shares shall not take place as a cash payment but as a payment in Ordinary Shares, or resolve that holders of Ordinary Shares shall have the option to receive a distribution in cash and/or in Ordinary Shares, provided that the Executive Board has been designated the authority to resolve to issue Ordinary Shares.

Subject to Dutch law and the Articles of Association, the Executive Board may, with the approval of the Supervisory Board, resolve to distribute an interim dividend.

See also "*Description of Share Capital and Corporate Structure—Profits and distributions*".

Dividend history

The Company did not declare nor pay a dividend for the years 2012 and 2011. The results for 2012 and 2011 were added to the reserves. During 2013, the Company paid an aggregate amount of EUR 882 million as an interim dividend on the Ordinary Shares in connection with the divestments of an approximately 29% interest in ING U.S. through an initial public offering and an approximately 7.9% interest in SulAmérica. Furthermore, NN's remaining interest of approximately 71% in ING U.S. was transferred to ING Groep by way of a dividend in kind of EUR 6,826 million. See "*Business—Material Agreements—Acquisitions and disposals—Disposals closed in 2013*" for a description of these transactions. The Company did not declare a final dividend over 2013. In the first quarter of 2014, the Company paid an amount of EUR 176 million as an interim dividend on the Ordinary Shares in connection with the divestment of an 11.3% interest in SulAmérica to Swiss Re Group (See "*Business—Material Agreements—Acquisitions and disposals—Disposals closed in 2014*"). NN's remaining interest of approximately 10% in SulAmérica was transferred to ING Groep by way of an interim dividend in kind on the Ordinary Shares of EUR 139 million.

Dividend policy

The Company has the intention to pay a dividend of EUR 175 million in relation to the second half of 2014, which is to be paid in 2015. This dividend payment is discretionary and not based on the dividend policy that the Company intends to apply for 2015 and beyond, which is set out below.

For future years, 2015 and beyond, the Company intends to pay an ordinary dividend annually in line with the Company's medium to long term financial performance and envisages an ordinary dividend pay-out ratio of 40-50% of the net operating result from ongoing business.

In addition, capital generated in excess of the Company's capital ambition (which may change over time), is expected to be returned to Shareholders unless it can be used for any other appropriate corporate purpose, including investments in value creating corporate opportunities.

As to the form in which excess capital may be distributed to Shareholders, the Company is committed to do so in a form which is most appropriate and efficient for Shareholders at that specific point in time, such as special dividends or share buy backs.

The Executive Board, with the approval of the Supervisory Board, determines which part of the profits will be added to reserves, taking into account the financial condition, earnings, cash needs, regulatory constraints, capital requirements (including requirements of its subsidiaries) and any other factors that the Executive Board and the Supervisory Board deem relevant in making such a determination. The remaining part of the profits after the addition to reserves will be at the disposal of the General Meeting. The Executive Board, with the approval of the Supervisory Board, makes a proposal for the remaining part of the profits that will be at the disposal of the General Meeting.

The Company's intentions in relation to dividends are subject to numerous assumptions, risks and uncertainties, many of which may be beyond the Company's control. Please see "*Important Information—Forward-looking Statements*".

Manner and time of dividend payments

Payment of any dividend on Ordinary Shares in cash will be made in euros. Dividends on the Ordinary Shares will be paid to Shareholders through Euroclear Nederland and credited automatically to the Shareholders' accounts. There are no restrictions under Dutch law in respect of holders of Ordinary Shares who are non-residents of the Netherlands. However, see "*Taxation*" for a discussion of certain aspects of taxation of dividends and refund procedures for non-residents of the Netherlands.

Dividends and other distributions will be made payable pursuant to a resolution of the Executive Board within four weeks after adoption of the annual accounts, unless the Executive Board sets another date for payment. Different payment release dates may be set for the Ordinary Shares and the Preference Shares.

Any entitlement to any dividend distribution by a Shareholder expires five years after the date on which those dividends were released for payment. Any dividend that is not collected within this period reverts to the Company.

Taxation on dividends

Dividend payments are generally subject to withholding tax in the Netherlands. See "*Taxation*" for a discussion of certain aspects of taxation of dividends and credit, refund and relief at source procedures.

6. REASONS FOR THE OFFERING AND USE OF PROCEEDS

Background and reasons for the Offering

ING Groep, like other major financial institutions in the Netherlands, received aid from the Dutch State in 2008 and 2009. As a condition to receiving approval from the EC for such State aid, ING Groep was required to develop and submit a restructuring plan to the EC. The 2009 Restructuring Plan was approved by the EC in November 2009. The 2009 Restructuring Plan included, *inter alia*, the divestment of the insurance and investment management business, including the Company and its subsidiaries. Following the 2009 Restructuring Plan, the insurance and investment management businesses of ING (including NN) were operationally separated from ING as of 31 December 2010.

In November 2012, ING Groep and the Dutch State reached an agreement with the EC on certain amendments to the 2009 Restructuring Plan that were laid down in the 2012 Restructuring Plan. The amendments extended the time horizon, increased the flexibility for the completion of divestments and adjusted other commitments set forth in the 2009 Restructuring Plan in light of the market conditions, economic climate and more stringent regulation.

In November 2013, ING Groep and the Dutch State reached an agreement with the EC on certain amendments to the 2012 Restructuring Plan that were set out in the 2013 Restructuring Plan. Pursuant to the 2013 Restructuring Plan, the Japan Life and Japan Closed Block VA businesses are permitted to be divested in line with the divestment timeline for NN and are thus permitted to remain part of NN. Further, the divestment timeline for NN was accelerated by two years, as a result of which ING Groep is required to divest more than 50% of its shareholding in the Company before 31 December 2015 and the remaining interest before 31 December 2016. The requirement for ING Groep to divest more than 50% of its interest in the Company includes the requirement for ING Groep to (a) no longer have a majority of representatives on the Executive Board and (b) deconsolidate the Company's financial statements from ING Groep's financial statements in line with IFRS accounting rules. See "*Supervision and Regulation—EC Restructuring Plan*" for further information about the EC Restructuring Plan. ING Groep's current intention for the disposal of its interest in the Company is by way of the Offering and then, subject to (i) market conditions and (ii) the terms of the lock-up provisions that prevent it from disposing of any Ordinary Shares, without the prior written consent of the Joint Global Coordinators, for a period of 180 days after the Settlement Date (subject to certain exceptions, see "*Plan of Distribution—Lock-up arrangements*"), to dispose of the Residual Shares in an orderly manner, and in compliance with the EC Restructuring Plan, by a sale of the Residual Shares through a single tranche or multiple tranches, to a single party or multiple parties (including a strategic trade sale), or by Spin-off either before or after the settlement of the Offering.

Use of proceeds

The Company will not receive any proceeds from the Offering. ING Groep will receive the net proceeds from the Offering and, if the Over-Allotment Option is exercised, the net proceeds from the sale of the Additional Shares.

After deducting the estimated expenses related to the Offering of EUR 66 million, ING Groep expects to receive approximately EUR 1,351,500,000 in net proceeds from the Offering (based on an Offer Price at the mid-point of the Offer Price Range). The net proceeds from the Offering will be applied by ING Groep to reduce its double leverage.

7. INDUSTRY OVERVIEW

INTRODUCTION

This chapter presents an overview of the businesses in which NN is active in the Netherlands, the rest of Europe and Japan and consists of five sub-sections:

(a) the life and non-life insurance market in the Netherlands;

(b) the insurance market and pension industry in the other countries in Europe where NN is active;

(c) the COLI market in Japan;

(d) the European and Dutch investment management industry; and

(e) the banking industry in the Netherlands.

In 2013 NN derived 61% of its total operating result (before tax) from ongoing business (excluding the Other segment (see "*Business—Overview—Other*")) in its insurance businesses in the Netherlands. The first section of this chapter therefore provides an overview of the Dutch insurance industry, which can be divided into three categories (i) life insurance (including pensions), (ii) non-life insurance (including income insurance), and (iii) healthcare insurance. The healthcare insurance segment is not described in detail in this chapter as NN does not provide healthcare insurance in the Netherlands.

The second section provides a description of the insurance and pension industry in each European country other than the Netherlands where NN is active; namely in CEE (which includes, for these purposes, Poland, Turkey, the Czech Republic, the Slovak Republic, Romania, Hungary and Bulgaria) and the rest of Europe (which includes, for these purposes, Belgium, Spain, Greece and Luxembourg). The insurance industry in these countries can be segmented into three categories (a) life insurance, (b) pensions and (c) non-life insurance. In order to ensure comparability between the market sizes of each country, NN has relied on data from Swiss Re for the total insurance market of each country. However, given that Swiss Re data is based on market estimates, NN has used data from national sources to describe the sub-segments of each national market.

The third section describes the life insurance market in Japan and, since Japan Life offers COLI products in Japan, the COLI insurance market. COLI products are traditional life insurance policies that a company (mainly SMEs) takes out on the lives of executives or employees, whereby the company is both the policyholder and the beneficiary of the policy.

The fourth section outlines the European investment management industry. This section also provides a more detailed description of the Dutch investment management industry since NN's main investment hub is in the Netherlands.

The final section of this chapter provides a brief overview of the Dutch banking industry, focusing on those markets in which NN is active and the main product categories offered by NN.

The Company has included information from Independent Sources for the years 2012, 2011 and 2010 (market data for 2013 is generally not yet available). Certain market and industry information in this Prospectus has been converted into euro. Conversion has taken place at the exchange rate as at 31 December of the relevant year to which the respective market and industry information relates (see "*Important Information—Presentation of Financial and Other Information—Market and industry data and exchange rates*").

THE NETHERLANDS

Macroeconomic environment

The gross domestic product (**GDP**) of the Netherlands was EUR 561 billion and decreased by 1.2% in 2012, after the Dutch economy recorded growth of 0.9% in 2011 (2010: increase of 1.7%) (source: World Bank). While the crisis in the eurozone has contributed to the weak economic performance of the Netherlands, high household leverage, declining real disposable incomes and falling housing prices are also contributing factors (source: Moody's, May 2013).

Recent developments

The Dutch economy began to stabilise in 2013. At the end of 2013 unemployment was stable at 7.0% and the Dutch economy reported 0.1% growth in the third quarter, while price declines in the Dutch housing market were coming to a halt (source: CBS).

As a result of events unfolding since the beginning of the financial crisis in 2008, the Dutch State has become heavily involved in the Dutch financial sector, including providing guarantees for, taking capital positions in and ownership of, participants. In 2008 ABN AMRO and ASR were acquired and nationalised by the Dutch State while ING Groep, Aegon and SNS REAAL received capital injections. On 1 February 2013, the Dutch government nationalised SNS REAAL, which at the time was the fourth largest bank, the third largest life insurance company and the fifth largest non-life insurance company in the Netherlands.

In November 2013 rating agency Standard & Poor's downgraded the AAA rating of the Netherlands to AA+, attributable to its view that Dutch growth prospects were now weaker than they had previously anticipated, and the real GDP per capita trend growth rate was persistently lower than that of peers. Standard & Poor's does not anticipate that real economic output will surpass 2008 levels before 2017, and believes that the strong contribution of net exports to growth has not been enough to offset a weak domestic economy (source: Standard & Poor's, 2013). A weak economy has an indirect negative impact on the financial strength of Dutch insurers; revenue growth is constrained as insured sums are correlated to GDP growth (source: Moody's, May 2013). Moody's and Fitch confirmed their AAA ratings for the Netherlands in August 2013 and January 2014.

Insurance industry

Introduction

The Dutch insurance market (including healthcare premiums) was the fifth largest in Europe, behind the United Kingdom, France, Germany and Italy. The Dutch insurance market represented 11.4% of the European insurance market in 2012 (source: Swiss Re, May 2013).

The Netherlands ranked the second highest in Europe in 2012 in terms of insurance density (source: Swiss Re, May 2013) and has a GWP per capita of EUR 4,464 (source: Verbond van Verzekeraars, September 2013). The Dutch insurance market is a mature market, with GWP as a percentage of GDP at 13.0% (source: Swiss Re, May 2013). In 2012, Dutch insurance companies paid out EUR 69 billion in claims to their customers, and received EUR 75 billion in premiums during 2012 (source: Verbond van Verzekeraars, September 2013).

The compounded annual growth rate (**CAGR**) of the Dutch insurance market amounted to -1.8% between 2010 and 2012 (source: DNB).

Recent developments

The majority of the larger Dutch life insurance companies have been using the ECB AAA curve to determine the regulatory value of insurance liabilities. On 12 July 2013, Fitch downgraded France to AA+, resulting in French government bonds no longer being included in the ECB AAA curve. The downgrade caused a drop of the ECB AAA curve of on average 15 basis points (dependent on the point on the curve), leading to an increase in the value of the liabilities held by insurers and therefore a decrease in regulatory capital. The DNB swap curve is the only alternative curve recognised by DNB that is available to Dutch life insurance companies to discount liabilities. Since the downgrade of France's credit rating by Fitch, a number of life insurance companies, including NN's Dutch life insurance business, have started to use the DNB swap curve to determine the regulatory value of insurance liabilities (source: DNB).

On 1 January 2014, an interim solvency regulation (commonly referred to as Solvency 1.5) came into force in the Netherlands, in addition to the existing Solvency I. Solvency 1.5 places additional requirements on management of capital that may, among other consequences, increase the costs of capital for Dutch life insurance companies. The legislation also introduces the TSC, which applies to large- and medium-sized life insurance companies in the Netherlands. The aim of the TSC is to ensure that, after the realisation of some pre-defined stress scenarios, insurance companies still comply with their solvency requirements. If the solvency position of an insurer is below the TSC, a declaration of no objection from DNB is required for dividend payments and other withdrawals from own funds, for example the repayment of debt. Additionally, DNB could require the insurance company to submit a recovery plan. This new regulation fits within the Minister of Finance's strategy to make the supervision of insurance companies more risk sensitive and forward-looking.

Products

The Dutch insurance industry can be segmented into three categories of insurance products (a) life insurance (including pensions), (b) non-life insurance (including income insurance) and (c) healthcare insurance.

The table below sets out the breakdown by life insurance segment in the Netherlands in terms of GWP and percentage of total GWP for the years ended 31 December 2012, 2011 and 2010.

GWP						
	2012		**2011**		**2010**	
(in billions of EUR)	**GWP**	**% of total GWP**	**GWP**	**% of total GWP**	**GWP**	**% of total GWP**
Life	19.0	*25.3%*	21.9	*27.8%*	21.5	*27.6%*
Non-life	16.2	*21.6%*	16.4	*20.7%*	16.9	*21.7%*
Healthcare	39.9	*53.1%*	40.4	*51.4%*	39.4	*50.6%*
Total	**75.1**	***100.0%***	**78.7**	***100.0%***	**77.8**	***100.0%***

(source: DNB)

The healthcare insurance market in the Netherlands is not discussed in this chapter since NN does not offer healthcare insurance in the Netherlands.

Distribution channels

The distribution channels for life and non-life insurance are (a) intermediaries (independent agents, brokers, mandated brokers and actuarial consulting firms), (b) bancassurance, (c) direct, (d) tied agents and (e) other channels (such as post offices and retailers).

Distribution channels in the Dutch insurance market have changed significantly in recent years. Regulatory developments and increased competition have led to a decrease in the number of intermediaries. Also, the larger insurance brokers have been consolidating and the number of independent agents has been decreasing. At the same time, insurance companies have been building up their direct distribution capabilities, balancing this with their existing relationships with intermediaries.

Competitive landscape

The table below sets out the breakdown by main insurance companies in the Netherlands in terms of percentage of total GWP for the years ended 31 December 2012, 2011 and 2010.

Market shares (excluding healthcare insurance)			
	2012	**2011**	**2010**
Achmea	16.0%	15.2%	15.7%
NN	**15.5%**	**16.0%**	**15.8%**
Delta Lloyd Group	11.6%	12.6%	10.4%
ASR	10.9%	10.9%	11.7%
Aegon	10.7%	10.5%	10.1%
SNS REAAL	9.7%	9.6%	9.7%
Other	25.6%	25.2%	26.6%
Total	**100.0%**	**100.0%**	**100.0%**

(source: DNB)

Life insurance market

Introduction

The Dutch life insurance market was the eighth largest life insurance market in Europe in 2012 measured by GWP, behind the United Kingdom, France, Germany, Italy, Ireland, Spain and Switzerland and accounting for 3.3% of the European life insurance market. The life insurance density in the Netherlands measured by GWP per capita was EUR 1,129 in 2012 (source: DNB). The Netherlands has the eleventh highest GWP per capita in Europe (source: Swiss Re, May 2013). The GWP volume of the life insurance market in the Netherlands amounted to EUR 19 billion in 2012, and the life insurance market represented 25.3% of the total Dutch insurance market (source: DNB). The invested capital (*belegd vermogen*) in life insurance amounted to EUR 382 billion in 2012 (source: Dutch Ministry of Finance). The CAGR of the life insurance market in the Netherlands was negative 6.1% between 2010 and 2012 (source: NN analysis based on DNB).

The market for life insurances can be split between group and individual policies. For in-force business, the individual life insurance market was the largest segment of the Dutch life insurance market, accounting for 59% (EUR 11 billion) of life insurance GWP generated in 2012. Group life insurance policies accounted for 41% (EUR 7.9 billion) of the GWP generated by the life insurance market in 2012 (source: NN analysis based on DNB).

The table below sets out the breakdown by life insurance policies in terms of GWP in the Netherlands for the years ended 31 December 2012, 2011 and 2010.

GWP *(in billions of EUR)*	**2012**	**2011**	**2010**
Life insurance			
Group	7.9	8.9	7.5
Individual	11.1	13.0	14.0
Total	**19.0**	**21.9**	**21.5**

(source: Dutch Ministry of Finance)

The Dutch pension system comprises three pillars: (a) mandatory state pension scheme, (b) employer-based schemes and (c) voluntary pension facilities. Most pension schemes are based on defined benefit and provide lifelong guarantees. The second pillar, employer-based schemes, is occupational or universal. In 2012, the Dutch insurance companies had a 19.6% market share of the Dutch pension market, generating EUR 7.9 billion measured by GWP. Industry-wide pension funds and company pension funds held the remaining 80.4% market share in 2012, accounting for EUR 32.3 billion measured by GWP in 2012 (source: NN analysis based on DNB).

Products

Group life insurance products are policies pursuant to which employers offer certain pension products and other insurance benefits (such as disability protection) to their employees. In the Netherlands, these benefits require the approval of employee representatives.

Life insurance policies can also be distinguished by type of premium payment (recurring or single premiums), and on the basis of insurance payments by the insurance company (capital sum or annuity). Life insurance policies can be split into traditional life insurance policies, where the insurance company bears the investment risk, and unit-linked insurance policies (*beleggingsverzekeringen*), where the policyholder bears the investment risk. Since 2008 there has been a significant decline in the sales of individual life insurance products. Legislative changes introduced in 2008 have enabled banks to offer bank annuity products that compete with life insurance products and benefit from the same tax efficiency as mortgage or pension-related individual life insurance products. Also, as stock markets began to decline, unit-linked products became less attractive as lower returns were borne by policyholders. These lower returns triggered a discussion on costs and cost transparency issues and resulted in negative public attention and litigation. In its sector-wide investigation report of 2008, the AFM estimated that in the Netherlands, in total, approximately 7.2 million individual unit-linked retail policies had been sold.

The table below sets out the breakdown by product category and premium type in terms of GWP in the Netherlands and percentage of total GWP in the Netherlands for the years ended 31 December 2012, 2011 and 2010.

GWP						
	2012		2011		2010	
(in billions of EUR)	**GWP**	**% of total GWP**	**GWP**	**% of total GWP**	**GWP**	**% of total GWP**
Group life	**7.9**	**41.5%**	**8.9**	**40.5%**	**7.5**	**34.9%**
Traditional	***3.7***	***19.4%***	***4.1***	***18.9%***	***3.1***	***14.3%***
Annual premium	2.0	10.3%	1.8	8.3%	1.7	8.1%
Single premium	1.7	9.1%	2.3	10.6%	1.4	6.3%
Unit-linked	***4.2***	***22.1%***	***4.7***	***21.5%***	***4.4***	***20.6%***
Annual premium	3.1	16.1%	2.9	13.2%	2.7	12.4%
Single premium	1.1	6.0%	1.8	8.3%	1.7	8.2%
Individual life	**11.1**	**58.5%**	**13.0**	**59.5%**	**14.0**	**65.1%**
Traditional	***7.2***	***37.9%***	***8.4***	***38.5%***	***8.8***	***41.1%***
Annual premium	4.1	21.5%	4.2	19.4%	4.3	19.9%
Single premium	3.1	16.4%	4.2	19.1%	4.5	21.2%
Unit-linked	***3.7***	***19.4%***	***4.3***	***19.8%***	***4.9***	***22.5%***
Annual premium	3.5	18.2%	3.6	16.3%	4.5	20.6%
Single premium	0.2	1.2%	0.7	3.4%	0.4	1.9%
Other	**0.2**	**1.2%**	**0.3**	**1.3%**	**0.3**	**1.5%**
Total	**19.0**	**100.0%**	**21.9**	**100.0%**	**21.5**	**100.0%**

(source: DNB)

Distribution

In the Netherlands life insurance products are sold through intermediaries, bancassurance, direct and other channels. The intermediary channel is the main distribution channel and was responsible for around 62% of life insurance GWP in 2012 (source: Verbond van Verzekeraars – Centrum voor Statistiek).

The table below sets out the breakdown by distribution channel in terms of percentage of total GWP in the Netherlands for the years ended 31 December 2012, 2011 and 2010.

% of total GWP			
	2012	**2011**	**2010**
Intermediaries	61.6%	64.4%	60.0%
Bancassurance	10.8%	10.9%	12.0%
Direct	25.1%	22.4%	28.0%
Other	2.5%	2.3%	0%
Total	**100.0%**	**100.0%**	**100.0%**

(source: Verbond van Verzekeraars – Centrum voor Statistiek)

Competitive landscape

The table below sets out the breakdown of the leading life insurance companies in the Netherlands (and their group life and individual life insurances businesses) in terms of percentage of total GWP for the years ended 31 December 2012, 2011 and 2010.

Market shares				
		2012	**2011**	**2010**
NN	**Total**	**20%**	**21%**	**21%**
	Group	*21%*	*21%*	*24%*
	Individual	*20%*	*20%*	*19%*
Aegon	**Total**	**16%**	**15%**	**15%**
	Group	*27%*	*24%*	*27%*
	Individual	*9%*	*9%*	*9%*
SNS REAAL	**Total**	**14%**	**13%**	**14%**
	Group	*15%*	*13%*	*12%*
	Individual	*13%*	*13%*	*14%*
Delta Lloyd	**Total**	**13%**	**15%**	**12%**
	Group	*16%*	*22%*	*14%*
	Individual	*11%*	*11%*	*11%*
Achmea	**Total**	**13%**	**12%**	**13%**
	Group	*11%*	*10%*	*12%*
	Individual	*14%*	*14%*	*13%*
ASR	**Total**	**10%**	**10%**	**12%**
	Group	*9%*	*6%*	*7%*
	Individual	*10%*	*12%*	*14%*
Other	**Total**	**14%**	**14%**	**13%**
	Group	*1%*	*4%*	*4%*
	Individual	*23%*	*21%*	*20%*
Total		**100%**	**100%**	**100%**

(source: DNB)

The combined market share measured by GWP of the top six providers of group life insurance was approximately 99% in 2012. The combined market share measured by GWP of the top six providers of individual life insurance was approximately 77% in 2012.

Industry trends and developments

- ***Link between mortgages and individual life insurance in the Netherlands***: In the Netherlands, individual life insurance products are strongly linked to the mortgage market, because mortgage-related savings products and protection products represent an important part of life insurance sales. The slowdown of the Dutch economy, in particular the mortgage market, has had an adverse effect on the demand for life insurance (source: Moody's, May 2013). See also "*—Bank—Industry trends and developments*" for more details on the measures implemented to dampen interest-only and high LTV mortgage lending.

- ***Bank annuity products are replacing individual life insurance products***: Legislative changes introduced in 2008 have enabled banks to offer bank annuity products that compete with life insurance products and benefit from the same tax efficiency as mortgage- or pension-related individual life insurance products. Since 2008, there has been a significant decline in the sales of individual life insurance products, while the underlying savings' needs of consumers have been met by, amongst others, bank annuities. In 2011 banks sold more bank annuities than insurance companies sold individual life insurance products (source: AM Jaarboek 2012). The growth in bank annuity products exceeded the decline in individual life insurance products, although the growth in sales of bank annuities slowed from 39% in 2011 to 27% in 2012 (source: IG&H Consulting & Interim, March 2013). In addition to the replacement by bank annuity products, the decline in the individual life insurance sector can be attributed to lower returns due to declines in stock markets following the financial crisis and consumers' negative perception of unit-linked products.

- ***Defined contribution pension schemes are replacing defined benefit pension schemes***: Traditional Dutch group pension schemes are defined benefit pensions offering investment guarantees to employees. As a result of demographic change, new legislation and financial pressure, defined benefit pension schemes are under pressure and defined contribution pensions are becoming an increasingly attractive alternative. Companies are reconsidering their pension schemes, looking for more affordable defined contribution alternatives which produce less volatile results for the employer. The share of participants enrolled in defined contribution pension schemes increased from 41% in 2010 to 49% in 2012 (source: NN analysis based on DNB). The introduction of premium pension institutions (*premie pensioen instelling*) (**PPI**) for defined contribution pension plans has led to new entrants in the pension market, such as banks and investment managers. The increased number of suppliers has increased competition and led to reduced costs for defined contribution schemes. For insurance companies, the continuing low interest rate environment has gradually eroded margins on the defined benefit products, adding further impetus to the shift towards defined contribution pension schemes.

- ***New legislation prohibits commission payments***: As of 1 January 2013, a new law prohibiting commission payments (the so-called *provisieverbod*) entered into force in the Netherlands. This law is an extension of a similar law prohibiting hidden commissions in relation to non-life insurance products, which entered into force on 1 January 2012. The new law applies to complex financial products such as pensions, mortgages, life insurance, income insurance, funeral insurance and service provisions under the national EU Markets in Financial Instruments Directive (**MiFID**) regime. Pursuant to this act, all intermediaries (and other distributors) that sell these complex financial products must provide full transparency as to the fees charged to clients for providing financial advice and all fees must be paid directly by the client to the intermediary. This has led to a major shift in the business model of intermediaries, from commission-based revenue to fee-based revenue streams. Consequently, intermediaries place more emphasis on the efficiency of insurance companies' operational processes when selecting the products they distribute (source: DNB).

- ***Pension reform***: The Netherlands, like many other mature markets, is facing the economic consequences of an ageing population. To address this issue, the government extended the retirement age for occupational pensions to 67 in 2014, and linked it to life expectancy thereafter. In addition, the fiscal support for the accumulation of pension benefits has been reduced. As of 2014, only the premiums necessary to finance the accrual of pension benefits in an average pay defined benefit scheme of up to 2.15% (previously 2.25%) of the annual pensionable salary will be tax deductible. The tax deductibility of premiums paid into a defined contribution scheme as well as the maximum accrual percentages in a final pay defined benefit scheme (from 2% to 1.9%) have been lowered accordingly. A proposal for a further decrease of the tax deductibility of premiums paid into a pension scheme (based upon an accrual percentage of up to 1.875% for an average pay defined benefit scheme, in combination with a maximum pensionable salary of EUR 100,000, and a voluntary net annuity for salaries above EUR 100,000) as of 2015 has been approved by the House of Representatives and is likely to be approved by the Senate. Defined contribution schemes and defined benefit schemes based on final pay will also be lowered accordingly. The changes in pension regulations require insurers to modify their existing product portfolio and administrative systems, which can be costly. The decrease of the tax deductibility of premiums is expected to negatively impact premium inflows for pension providers.

- ***Pension funds liquidating and moving to insured solutions***: Increasing regulations for pension funds are intended to ensure that pension funds comply with minimum coverage ratios. In addition, the newly introduced IFRS accounting rules (IAS19R) require that companies report funding deficits of a company pension fund on their balance sheets. Due to these stricter requirements on funding and governance, small- and medium-sized pension funds are rapidly consolidating or are being liquidated. Furthermore, these new IFRS accounting rules are expected to result in volatility of annual earnings for companies that have a company pension fund. To reduce this volatility, these companies can turn to insurance companies to insure their potential liabilities. In the period between 1 January 2011 and 1 November 2012, 98 pension funds were liquidated. Of these liquidated pension funds, 66 have turned to insurance companies to assume their liabilities (source: NN analysis based on DNB). After several years of poor performance, positive equity markets and reduced benefits of company pension funds have resulted in improving coverage ratios. The combination of increased regulation, accounting changes and improving coverage ratios is expected to further open up the market for pension fund buyouts (source: RBC Capital Markets report, April 2013).

Non-life insurance market

Introduction

The Dutch non-life insurance market (including healthcare) was the fourth largest non-life insurance market in Europe in 2012 measured by GWP, behind Germany, the United Kingdom and France. The non-life insurance density (including healthcare) in the Netherlands measured by GWP per capita was EUR 966 in 2012 (source: DNB).

The Dutch healthcare insurance segment is not described in detail in this chapter as NN does not provide healthcare insurance in the Netherlands. The Dutch non-life insurance market (excluding healthcare insurance) measured by GWP amounted to EUR 16.2 billion in 2012, representing approximately 21.6% of the total Dutch insurance industry (source: DNB).

Products

Non-life insurance policies (excluding healthcare) in the Dutch market can be categorised as follows: (a) income/accident, comprising disability and accident (**D&A**) and (b) property and casualty (**P&C**), comprising (i) fire (including property damage, natural forces and engineering), (ii) motor (including bodywork, motor vehicle liability and bodily injury), (iii) transport (railway rolling stock, aircraft, ships, and liability for aircrafts, ships, and goods in transit) and (iv) other (general liability, miscellaneous financial loss, credit insurance and legal expenses).

The table below sets out the breakdown by product category (excluding healthcare insurance) in terms of GWP and percentage of total GWP for the years ended 31 December 2012, 2011 and 2010.

GWP

	2012		2011		2010	
(in billions of EUR)	GWP	% of total GWP	GWP	% of total GWP	GWP	% of total GWP
Income/accident	3.9	*23.9%*	4.0	*24.4%*	4.0	*23.7%*
Fire	3.7	*22.7%*	3.5	*21.4%*	3.7	*21.9%*
Motor	4.5	*27.7%*	4.6	*28.0%*	4.6	*27.2%*
Transport	0.9	*5.4%*	0.9	*5.5%*	0.8	*4.7%*
Other	3.3	*20.3%*	3.4	*20.7%*	3.8	*22.5%*
Total	**16.2**	***100%***	**16.4**	***100%***	**16.9**	***100%***

(source: DNB)

Distribution

In the Dutch non-life insurance market (excluding healthcare insurance), most products are distributed by intermediaries (independent agents and (mandated) brokers) and through the direct channel. Overall, the intermediary channel plays a dominant role in the non-life insurance market. However, the distribution mix varies within different market segments. The direct channel, using online platforms or call centres, plays an increasingly important role in the retail market, due to the sale of reasonably simple products that do not require additional advice. In the SME market, business owners continue to seek advice from intermediaries due to the relative complexity of products offered (sources: NN analysis based on IG&H Consulting & Interim – Distribution report, June 2013).

Competitive landscape

The Dutch non-life insurance market (excluding healthcare insurance) is a mature and highly competitive market, with 88 players active in the market in 2012. The top seven non-life insurance companies held a combined market share of approximately 66.4% (excluding healthcare insurance) measured by GWP in 2012 (source: DNB).

The table below sets out the breakdown of the leading non-life insurance companies in the Netherlands in terms of percentage of total GWP (excluding healthcare insurance) for the years ended 31 December 2012, 2011 and 2010.

Market shares			
	2012	**2011**	**2010**
Achmea	19.7%	19.6%	19.3%
ASR	12.0%	12.3%	11.8%
NN	10.1%	9.8%	9.5%
Delta Lloyd	9.9%	9.2%	8.4%
Atradius	5.4%	5.0%	4.6%
SNS REAAL	4.8%	5.0%	4.8%
Allianz	4.5%	5.4%	5.7%
Other	33.6%	33.7%	35.9%
Total	**100.0%**	**100.0%**	**100.0%**

(source: DNB)

Industry trends and developments

- ***Rising claims***: The profitability of non-life insurance (excluding healthcare insurance) has deteriorated in recent years. For example, the net combined ratio (claims and operational costs in relation to net earned premiums (excluding reinsurance)) in income protection increased from 85% in 2008 to 118% in 2012 (source: Verbond van Verzekeraars, 2013 – Financieel Jaarverslag 2012). This increase was driven by increased frequency and duration of reported illness and disability of employees and self-employed. The adverse claims development is correlated to the economic downturn in the Netherlands.

- ***Less production in non-life***: GWP for non-life insurance was on almost the same level in 2012 compared with 2011, but taking into account inflation of 2.5% this implied a reduction of the real premium volume. Flat premium volumes occurred in nearly all product groups (source: Verbond van Verzekeraars, 2013 – Financieel Jaarverslag Verzekeringsbranche 2012). Since 2010 new production of non-life policies for occupational disability, illness and accident coverage has grown rapidly due to increasing demand from self-employed entrepreneurs. However, as the Dutch economy remains challenging, more entrepreneurs are opting not to take occupational disability insurance (source: Moody's, May 2013).

- ***More direct distribution***: Direct distribution (including distribution through internet and mobile platforms), especially for relatively simple products, is increasing due to changing customer behaviour and technological developments. In light of the pressure on profitability, insurers are also reducing their expenses by leveraging the move towards direct distribution of non-life products, in particular motor, fire and travel insurance. Approximately 20% of non-life products are distributed directly, and all major insurance companies make use of direct internet platforms. This development will continue to place downward pressure on prices, especially in the retail and self-employed segments (source: Moody's, May 2013).

- ***Growth of market share mandated brokers***: The market share of mandated brokers as a distribution channel for non-life insurance has increased in the period between 2009 and 2012. In 2010, the market share of mandated brokers increased by 13% relative to 2009, and the GWP of mandated brokers was reported at EUR 3 billion in 2011 by the Dutch association of mandated brokers (*Nederlandse Vereniging van Gevolmachtigde Assurantiebedrijven*) (**NVGA**) (source: NVGA). The growing market share of mandated agents stems from their complementary capabilities in respect of insurance providers, and their ability to bring tailor-made solutions and niche products to the market (source: IG&H Consulting & Interim, July 2013).

- ***Fiscal changes affects market volume and prices:*** In 2011, the government raised the insurance premium tax (**IPT**) on certain policies (mainly motor and fire) to 9.7% from 7.5%. As of 1 January 2013 the IPT was raised to 21%. Insurance companies have generally passed these costs on to policyholders. As a result, consumers, entrepreneurs and companies, who are faced with these higher rates, are becoming more critical of what they do and do not insure, putting pressure on market volume and prices.

EUROPE

The second section provides a description of the insurance and pension industry in each European country where NN is active other than the Netherlands, divided into two regions: CEE (which refers in this section to Poland, the Czech Republic, the Slovak Republic, Romania, Hungary, Bulgaria and Turkey) and the rest of Europe (which refers in this section to Belgium, Spain, Greece and Luxembourg).

CENTRAL AND EASTERN EUROPE (CEE)

In CEE, the insurance industry can be segmented into three categories (a) life insurance, (b) non-life insurance and (c) pensions. The non-life insurance market is not described in this section as NN does not provide material non-life insurance in CEE.

Life insurance market

Products

The life insurance products sold in CEE are (a) traditional life insurance policies, where the insurance company bears the investment risk, (b) unit-linked insurance policies, where the policyholder bears the investment risk and (c) protection policies. In the Slovak Republic and Bulgaria, a rider category is reported as a separate product segment.

Distribution

Although there is no independently verified market data available regarding the split of GWP across distribution channels in CEE, life insurance policies in CEE (excluding Turkey) are mainly distributed through tied agents and intermediaries (independent agents and brokers). Bancassurance and the direct channel are relatively small, but have gained market share in recent years (source: NN). The distribution channels used in the Turkish life insurance market are bancassurance, intermediaries (mainly independent agents and brokers) and other sales channels, such as telesales and ATMs. In 2012, bancassurance generated 79.9% measured by APE in the Turkish life insurance market, while brokers and independent agents accounted for a combined market share of 8.4% (source: Turkish Insurance Information and Monitoring Centre).

Pension industry

Products

The pension systems in CEE consist of three pillars. The first pillar is generally a mandatory pay-as-you-go public pension system (except for Turkey), i.e. pension systems whereby the pension arrangements provided by the state are paid directly from current workers' contributions and taxes. The second pillar is generally occupational and is usually a mandatory system (except for Turkey, the Czech Republic and the Slovak Republic), based on a defined contribution or defined benefit scheme. The third pillar consists of voluntary personal pension plans. Contributions to these voluntary personal pension plans may usually not exceed a certain threshold to be tax-exempt.

Distribution

In CEE (excluding Turkey), there is no or limited distribution of mandatory pension funds. Voluntary pension products are distributed by the same channels as life insurance products; namely, tied agents, intermediaries, bancassurance and the direct channel. In Turkey, the main distribution channel for personal pension schemes was tied agents (often employed by banks), representing 65.8% of total contract sales in 2012. Bancassurance accounted for 17.5% of total contract sales, and intermediaries such as brokers and agencies represented 10.9% in 2012 (source: Turkish Pension Monitoring Centre). Retail customers constitute a majority of the market with 73.8% of total AuM (individual pension contracts), followed by corporate customers (group individual contracts, 22.6%) (source: Turkish Pension Monitoring Centre).

GDP, penetration ratio and competitive position

The table below sets out the breakdown by country in terms of GDP, penetration ratio and NN's competitive positions in the life insurance and pensions markets measured by GWP and AuM, respectively (to the extent NN is active in these markets) for the year ended 31 December 2012.

GDP, penetration ratio and competitive position 2012

(in billions of EUR)	GDP	Penetration ratio life	NN's market position life by GWP		NN's market position pensions by AuM			
CEE					**Mandatory**		**Voluntary**	
Poland	390.7[1] (PLN 1,595.225)	2.3%[2]	#7	4.9%[3]	#1	23.8%[4*]		19.7%
Czech Republic	153.2[5] (CZK 3,845.9)	1.2%[6]	#4	10.5%[7]		—	#6	10.0%[8]
Slovak Republic	71.1[9]	1.6%[10]	#6	6.7%[11]	#4	11.0%[12**]	#1	37.3%[12]
Romania	132.0[13]	0.3%[14]	#1	30.2%[15]	#1	38.0%[16]	#1	46.4%
Hungary	95.9[17] (HUF 28,048.1)	1.4%[18]	#1	16.5%[19]	#1	24.2%[20***]	#6	6.5%
Bulgaria	39.7[21] (BGN 77.58)	0.4%[22]	#8	5.0%[23]	#5	9.4%[24]	#3	11.8%
Turkey	601.2[25] (TL 1,416.82)	0.2%[26]	#15	1.8%[27]		—	#6	5.4%[28]

(*) For recent developments regarding the mandatory second pillar personal pension plans in Poland, see "*—Industry trends and developments—Pension reform in Poland*".

(**) In 2013, the Slovak industry of mandatory second pillar pension funds were re-qualified as voluntary pension funds in 2013.

(***) For recent developments regarding the mandatory second pillar pensions in Hungary, see "*—Industry trends and developments—Consolidation pension industry Hungary*".

sources: (1) Central Statistical Office, (2) NN, (3) KNF, (4) KNF/NN, (5) EC, (6) NN, (7) Czech Insurance Association, (8) Association of Pension Funds Czech Republic, (9) EC, (10) EC, (11) NN, (12) Association of Pension Funds Management Companies, (13) ING Bank, Financial Market research, (14) Romanian Financial Supervisory Authority, (15) Romanian Financial Supervisory Authority, (16) Romanian Financial Supervisory Authority, (17) Hungarian Central Statistical Office, (18) NN, (19) Association of Hungarian Insurance Companies, (20) Central Bank of Hungary, (21) National Statistical Institute, (22) NN, (23) NN, (24) FSC, (25) Turkish Statistical Institution, (26) NN, (27) Insurance Association of Turkey, (28) Pension Monitoring Centre.

Poland

The GDP of Poland increased by 1.9% in 2012, compared with an increase of 4.5% in 2011 (2010: 3.9%). The decrease of GDP growth in 2012 compared to 2011 was mainly the result of decreased investment and demand. In 2012 investment decreased by an estimated 0.8%, while domestic demand decreased by 0.2%. This data shows an economic slowdown compared with 2011, when GDP increased by 4.5%, investments increased by 8.5% and domestic demand by 3.6% (source: Polish Ministry of Treasury).

Life insurance market

The Polish life insurance market is the fifteenth largest market in Europe measured by GWP and accounts for 1.1% of the European life insurance market (source: Swiss Re). The GWP of the life insurance market in Poland amounted to EUR 8.9 billion in 2012 (PLN 36,377 million) and EUR 7.1 billion (PLN 31,849 million) in 2011, which shows an increase of 14% (source: KNF). The life insurance density in Poland measured by GWP per capita was EUR 191 (USD 252.1) in 2012. The penetration ratio in the Polish life insurance market for 2012 was 2.3%.

The CAGR of the Polish life insurance market was 7.6% between 2010 and 2012.

Pension industry

The Polish industry of mandatory (second pillar) personal pension plans, also known as open pension funds (**OPF**), amounted to EUR 66 billion (PLN 269.6 billion) measured by AuM in 2012 (source: KNF). For recent developments regarding the mandatory second pillar personal pension plans in Poland, see "*—Industry trends and developments—Pension reform in Poland*". The Polish third pillar pension industry of personal voluntary pension funds amounted to EUR 869 million (PLN 3.55 billion) measured by AuM in 2012 (source: KNF).

Customers are, by law, free to switch between mandatory as well as voluntary pension funds at any time (with a transfer fee in the first year for voluntary pension funds).

Czech Republic

The GDP of the Czech Republic decreased by 1% in 2012, compared with an increase of 1.8% in 2011 (2010: 2.5%). The continuing weak global economy caused the Czech economy to contract in 2012 (source: EC). Consumption, in particular, remained subdued, as austerity measures and increased unemployment continued to put pressure on domestic demand.

Life insurance market

The Czech life insurance market was the eighteenth largest market in Europe measured by GWP, and accounted for 0.4% of the European life insurance market in 2012. The GWP of the insurance industry in the Czech Republic amounted to EUR 4.5 billion (CZK 114 billion) in 2012, of which EUR 1.8 billion related to life insurance (source: Czech Association of Insurers). The life insurance density in the Czech Republic measured by GWP per capita was EUR 266 (USD 350.3) in 2012 (source: Swiss Re). The penetration ratio in the Czech life insurance market was 1.2% in 2012.

The CAGR of the life insurance market in the Czech Republic was flat (0.0%) between 2010 and 2012 (source: Swiss Re).

Pension industry

The total AuM in private voluntary pension funds in the Czech Republic reached approximately EUR 9.8 billion (CZK 246 billion) in 2012 (source: Czech Republic Association of Pension Funds). Customers are, by law, free to switch between pension funds at any time.

Slovak Republic

The GDP of the Slovak Republic increased by 1.8% in 2012, compared with an increase of 3% in 2011 (2010: 4.4%). The growth was driven by foreign demand and investments, whereas domestic consumption stagnated, unemployment increased and the shrinking public consumption pulled GDP growth downwards in line with austerity measures (source: EC).

Life insurance market

The Slovak life insurance market was the twenty-fifth largest market in Europe measured by GWP, and accounted for 0.1% of the European life insurance market in 2012. GWP of the insurance industry in the Slovak Republic amounted to approximately EUR 2.1 billion in 2012, of which approximately EUR 1.2 billion related to life insurance (source: Slovak Association of Insurers). The life insurance density in the Slovak Republic measured by GWP per capita was EUR 170 (USD 224.4) in 2012 (source: Swiss Re). The penetration ratio in the Slovak life insurance market for 2012 was 1.26%.

The CAGR of the life insurance market in Slovak Republic was flat (0.0%) between 2010 and 2012 (source: Swiss Re).

Pensions industry

The Slovak industry of mandatory second pillar pension funds (which were re-qualified as voluntary pension funds in 2013) amounted to EUR 5.5 billion measured by AuM in 2012. The industry of voluntary (third pillar) personal pension plans amounted to EUR 1.3 billion measured by AuM in 2012 (source: Association of Pension Management Companies).

Customers are by law free to switch between pension funds at any time. Since 2005, the Slovak private pension system has provided mandatory personal retirement accounts which are administered by private sector pension investment management companies. In 2012, the Slovak government reduced the mandatory employee contribution to the second pillar pension scheme from 9% to 4% of an employee's salary.

Romania

The GDP of Romania increased by 0.7% in 2012, compared with an increase of 2.2% in 2011 (2010: -0.9%) (source: National Bank of Romania). Real growth was slower in 2012 than in 2011 mainly due to a weaker agricultural year and the deceleration of economic growth of Romania's main trading partners (source: National Bank of Romania).

Life insurance market

In 2012, the life insurance market in Romania was the twenty-seventh largest in Europe measured by GWP, and accounted for 0.05% of the European life insurance market (source: Swiss Re). The GWP of the insurance industry in Romania amounted to EUR 1.9 billion (RON 8,256.9 million) in 2012, of which EUR 405 million (RON 1,802.5 million) related to life insurance (source: Romanian Supervisory Authority). The life insurance density in Romania measured by GWP per capita was EUR 19 in 2012 (source: Romanian Supervisory Authority). The penetration ratio in the life insurance market in Romania for 2012 was 0.3%.

The CAGR of the life insurance market in Romania was 1.0% between 2010 and 2012 (source: Romanian Supervisory Authority).

Pension industry

The Romanian industry of mandatory (second pillar) pension funds amounted to EUR 2.3 billion measured by AuM in 2012. The third pillar pension industry of voluntary personal pension funds amounted to EUR 135.5 million measured by AuM in 2012 (source: Romanian Financial Authority).

The second and third pension pillars were established in 2007. The second pillar, based on defined contributions, is mandatory for employees aged 35 years or younger and optional for those who are aged between 35 and 45 years. Employees over age 45 are not eligible enroll in the mandatory pension scheme. The third voluntary pillar is open to individuals and companies acting on behalf of their employees. For both mandatory and voluntary pension funds, participants are, by law, free to switch between pension funds at any time.

Hungary

The GDP of Hungary decreased by 1.7% in 2012, compared with an increase of 1.6% in 2011 (2010: 1.3%) (source: World Bank). The economy began to recover in 2010 following a spurt in exports, especially to Germany, which continued into 2011. However the global economic downturn had a negative effect on the economy in 2012 (sources: www.indexmundi.com; OECD).

Life insurance market

In 2012, the life insurance market in Hungary was the twenty-first largest market in Europe measured by GWP, and accounted for 0.2% of the European life insurance market (source: Swiss Re). The GWP of the insurance industry in Hungary amounted to EUR 2.6 billion (HUF 760,567 million) in 2012, of which EUR 1.4 billion (HUF 402,943 million) related to life insurance. The life insurance density in Hungary measured by GWP per capita was EUR 139 (HUF 40,665) in 2012 (sources: Central Bank of Hungary; Hungarian Central Statistical Office). The penetration ratio in the life insurance market in Hungary was 1.4% in 2012.

The CAGR of the life insurance market in Hungary was -5.2% between 2010 and 2012 (source: Central Bank of Hungary).

Pension industry

The Hungarian mandatory pension funds industry amounted to EUR 702 million (HUF 205.5 billion) measured by AuM in 2012. The third pillar pension industry of voluntary personal pension plans amounted to EUR 2.9 billion (HUF 846.1 billion) measured by AuM in 2012 (source: Central Bank of Hungary).

The mandatory second pillar pension fund was introduced in 1998. In 2011, the second pillar fund was the subject of legislative reforms which led to a decrease of 93% of AuM of the second pillar pension market in 2011 as most participants joined the public pension scheme. The mandatory fund is closed to new participants and the few remaining members derive income only from existing assets (source: Central Bank of Hungary).

Voluntary personal pension funds are independent from the public social security pension system. Customers are, by law, free to switch between pension funds at any time against a limited charge.

Bulgaria

The GDP in Bulgaria increased by 0.8% in 2012 and by 1.8% in 2011 (2010: 0.4%) (source: National Statistical Institute Bulgaria). The main driver of growth in 2010 and 2011 was net exports, which increased by 14.7% in 2010 and 12.3% in 2011. In 2012, growth was mainly a result of increased domestic demand of 1.8% (source: National Statistical Institute).

Life insurance market

In 2012, the life insurance market in Bulgaria was the thirtieth largest market in Europe measured by GWP and accounted for 0.1% of the European life insurance market. The GWP of the insurance industry in Bulgaria amounted to EUR 843 million (BGN 1.6 billion) in 2012, of which EUR 137 million (BGN 268 million) related to life insurance (source: Financial Supervision Commission). The life insurance density in Bulgaria measured by GWP per capita was EUR 16 (USD 20.6) in 2012 (source: Swiss Re). The penetration ratio in the life insurance market in Bulgaria was 0.4% in 2012.

The CAGR of the life insurance market in Bulgaria was 2.5% between 2010 and 2012 (source: Financial Supervision Commission).

Pension industry

The Bulgarian industry of mandatory occupational and universal pension funds amounted to EUR 2.6 billion (BGN 5.1 billion) measured by AuM in 2012 (source: Financial Supervision Commission). The third pillar pension industry of voluntary pension plans amounted to EUR 320 million (BGN 625.81 million) measured by AuM in 2012 (source: Financial Supervision Commission).

The second pillar funds, executed by private parties, are both a universal scheme and an occupational scheme. The universal scheme is a defined contribution scheme for all employees regardless of their occupation, where participation is mandatory to those born after 31 December 1959. The occupational scheme is mandatory for all employees working in hazardous environments. Third pillar voluntary occupational schemes were introduced in 2007, based on collective bargaining agreements or collective employment contracts. Customers are, by law, free to switch between both mandatory and voluntary funds once a year.

Turkey

The GDP of Turkey increased by 2.2% in 2012, compared with an increase of 8.8% in 2011 (2010: 9.2%) (source: World Bank). The 2012 GDP growth rate did not meet the expectation of 4% (source: Ministry of Economy). The primary contributors to the slow growth in 2012 were the fall in domestic spending, and global economic developments which limited the flow of foreign capital into Turkey (source: Today's Zaman).

Life insurance market

The Turkish life insurance market is the twenty-second largest market in Europe measured by GWP, and accounts for 0.2% of the European life insurance market. The GWP of the insurance industry in Turkey amounted to EUR 8.4 billion (TRY 19,826 million) in 2012, of which EUR 1.1 billion (TRY 2,710 million) related to life insurance. The life insurance density in Turkey measured by GWP per capita was EUR 17.7 (USD 23.4) in 2012 (source: Swiss Re 2013) and the penetration ratio in the Turkish life insurance market was 0.2% in 2012.

The CAGR of the life insurance market in Turkey was 11.48% between 2010 and 2012 (source: Insurance Association Turkey).

Pension industry

The Turkish industry of voluntary (second pillar) private occupational pension funds amounted to EUR 8.5 billion (TRY 20 billion) measured by AuM in 2012 (source: Best Magazine). The third pillar pension industry of voluntary personal pension plans amounted to EUR 8.6 billion (TRY 20.3 billion) measured by AuM in 2012 (source: Turkish Pension Monitoring Centre).

Since its establishment in October 2003, the private pension industry has been growing rapidly. Private institutions also provide voluntary occupational pension funds that operate either as defined contribution or defined benefit schemes, or both. There were approximately 250 voluntary occupational pension schemes in Turkey in 2009.

Pension companies need a licence to offer private pension products. Customers are, by law, free to switch between voluntary pension funds at any time.

Industry trends and developments

- ***Pension reform in Poland:*** In February 2014, new legislation entered into force reforming the Polish pension fund regime. Under this legislation, open pension funds were required to transfer 51.5% of the open pension funds' members' assets (worth over EUR 37 billion (PLN 153 billion)), including government bonds, to the public social security institution for no consideration (source: Polish Press Agency). The legislation also provides that the reserves accumulated in the accounts of individuals in an open pension fund will be gradually transferred into the public social security institution over a ten-year period before retirement age. The maximum service fee of open pension funds has been reduced by 50% to 1.75% of the amount of contributions paid in. Moreover, membership of an open pension fund will no longer be mandatory. Current members will be entitled to choose whether or not to maintain their account in an open pension fund, but if they do not make a choice between 1 April 2014 and 31 July 2014 (or other prescribed time period in subsequent years), all future pension contributions will made to the public social security institution rather than the open pension funds. The new legislation also prohibits open pension funds from making certain investments (including government bonds). These reforms will significantly reduce the AuM in Poland and thus its fee income, as well as the fee income of pension fund managers generally, including NN. As a result of the Polish pension reform, the Polish industry of mandatory (second pillar) personal pension plans reduced from EUR 66 billion (PLN 269.6 billion) measured by AuM in 2012 (source: KNF) to EUR 29 billion (PLN 120 billion) as of 28 February 2014 (source: Polish Press Agency).

- ***Pressure on second pillar pension industry in Czech Republic***: As of 1 January 2013, the Czech Republic implemented legislation to introduce a voluntary second pillar pension scheme; however, the pension system has become politicised. It is expected that the new coalition government (which came into power in January 2014) will cancel the second pillar as of 1 January 2016.

- ***Foreseeable increase contributions to private funds in Romania:*** In Romania the law currently in place provides for mandatory contributions to increase annually by 0.5%, starting at 2% in 2008 and reaching 6% in 2016. This law can be further adjusted by Parliament and the calendar for the increase in contributions can be altered by the Government via ordinances. According to the 2014 State Social Securities Budget, the mandatory contribution to each worker's individual account has increased by 0.5% in 2014 up to 4.5% (from 4% in 2013) within one of the eight private funds. Contributions are based on gross earnings. Following negotiations between the Romanian Government and the International Monetary Fund, Romania has undertaken to increase the minimum wage for 2014 in two stages. The reported changes will tend to further increase contributions to the private funds. In addition, the ages at which women may retire and at which pensions become payable from private funds could gradually increase from now until 2030, so that contributions will be paid for a longer period. Each of these estimated developments is likely to have a positive impact on the private pensions industry in Romania.

- ***New incentive scheme for pensions in Hungary:*** As of 1 January 2014, the Hungarian government introduced a tax incentive for life insurances for pension purposes. The new legislation allows life insurers to provide a new type of pension life insurance product with a 20% tax credit (with a maximum of EUR 438 (HUF 130,000)) paid by the government as additional premium on top of premiums paid into pension insurance contracts by private individuals. As a result, this new legislation is expected to boost the sales of long-term life insurance savings products (source: Association of the Hungarian Life Insurance Companies).

- ***Consolidation pension industry Hungary***: In 2011, the Hungarian government implemented new legislation with regard to the Hungarian pension system to increase the state budget. In accordance with this new legislation, participation in the second pillar is no longer compulsory and the members of the second pillar pension funds were offered the opportunity to revert to the first pillar public pension system, or to stay in the mandatory private pension fund system. As a result, 97% of the members of the second pillar pension fund revert to the first pillar public pension system in 2011. As a consequence of this shift, the number of mandatory pension funds reduced from 19 to eight, and further consolidation is expected (source: Central Bank of Hungary).

- ***New incentive scheme for pensions in Turkey***: In 2013, the Turkish government introduced new legislation governing the private pension system. This new pension legislation replaced the fiscal incentives that only benefited those under employment, whereas the new incentive scheme benefits all persons over the age of 18. Under the fiscal incentives that only benefited those under employment, the monthly private pension contributions were tax-deductible for up to 10% of monthly salary. Under the new pension legislation, the pension contributions are not tax-deductible, but the government contributes 25% of the amount that pension participants contribute to the system (up to 25% of the annual gross minimum wage). The new incentive scheme has generated 22% asset growth in the pension industry as of December 2013 since December 2012 (source: Pension Monitoring Center).

- ***New legislation for pension fees in Turkey***: As of 1 January 2013, the Turkish government adopted new legislation lowering the legal upper limit for management and fund management fees. Under the old legislation, the upper limit of management fees was 8% of the contribution of a participant, and the upper limit of fund management fees was 3.65% on an annual basis. Under the new legislation, the upper limit of management fees is 2% of the contribution of a participant. The upper limit of fund management fees, defined depending on the fund type, ranges between 1.09% and 2.28%. This new legislation puts pressure on the profitability of private pension companies (source: Deutsche Bank AG Report).

- ***Developments in respect of unit-linked products***: In Poland, a self-regulatory initiative was approved by the Polish Insurance Association in final version on 14 April 2014, to provide clients with detailed information about unit-linked products in terms of cost, fees and product structure.

  In Hungary, the insurance sector has adopted self-regulation guidelines on capping the cost for unit-linked products.

  On 1 January 2014, the Czech Republic adopted new legislation related to unit-linked products, Act No. 89/2012 Coll, Civil Code, under which insurers are required to provide customers with more detailed information on unit-linked products, especially the risks, guarantees, expected yields, fees and costs associated with the investment prior to selling the unit-linked products. Under this new legislation, insurers are also required to highlight certain special provisions included in their general terms and conditions. Such special provisions are also generally included in the general terms and conditions related to unit-linked products. If an insurer does not meet this requirement, the policyholder has the right to annul the policy and, as a result, the insurer is required to repay the premiums paid by the policyholder.

REST OF EUROPE

In Belgium, Spain, Greece and Luxembourg, the insurance industry can be segmented into three categories (a) life insurance, (b) non-life insurance and (c) pensions. NN provides life insurance in each of the above countries and non-life insurance in Belgium and Spain and pensions in Spain.

Life insurance market

Products

The life insurance products sold in Belgium, Spain, Greece and Luxembourg are (a) traditional life insurance policies, where the insurance company bears the investment risk and (b) unit-linked insurance policies, where the policyholder bears the investment risk. In Greece, healthcare is also classified as a life insurance product and is mainly sold as a rider in life insurance policies.

In Belgium, Spain and Greece, the traditional life insurance products accounted for the majority of GWP of life insurance products (75.0%, 83.3% and 74.2%, respectively in 2012; sources: Assuralia; Investigación Cooperativa entre Entidades Aseguradoras (ICEA); Hellenic Association of Insurance Companies (HAIC), respectively), while in Luxembourg unit-linked products accounted for the majority of premium income (69.3%) (source: Commissariat Aux Assurances (CAA)).

Distribution

In the Belgian and Spanish life insurance market, bancassurance was the main distribution channel in 2012 (61.9 % and 72% of GWP respectively; sources: Assuralia; and ICEA, respectively). In Belgium, another important channel for distribution of life insurance is through brokers, which accounted for a 28.2% market share in 2012, while tied agents represented only 5% of the sales of life insurance products (source: Assuralia). In Spain, tied agents accounted for 22% of sales in 2012 (source: ICEA).

No official data exists on distribution channels in Greece, but the distribution mix seems to have been relatively stable over recent years. In the Greek life insurance market 63% of GWP in 2012 was distributed through tied agents, 29% through bancassurance, and 8% through brokers (sources: HAIC; and NN, respectively).

For Luxembourg, the majority of life insurance products are distributed outside Luxembourg, almost exclusively by private banks and asset managers (source: CAA 2012). Bancassurance was the main distribution channel for life insurance products supplied to foreign customers (63% of GWP), followed by the intermediary channel (33% of GWP) in 2012. Life insurance products sold to customers inside Luxembourg were distributed most commonly through intermediaries (52% of GWP) and bancassurance (28% of GWP) in 2012 (source: Commissariat Aux Assurances).

Non-life insurance market

Products

In Belgium and Spain, non-life insurance policies can be categorised as follows: (a) income, comprising D&A and (b) P&C, comprising (i) fire (including property damage and other natural forces and engineering), (ii) motor (including vehicle liability and bodywork), (iii) transport (including railway rolling stock, aircraft, ships, and liability for aircraft, ships, and goods in transit), and (iv) other (including general liability, miscellaneous financial loss, aid, credit insurance and legal expenses) (source: ICEA). In Belgium, healthcare insurance is a separate category, which can be included in life or in non-life, depending on the insurance company.

In Spain, motor insurance accounted for 34.1% of the total non-life insurance market measured by GWP in 2012, followed by fire (24.4%), healthcare (21.9%), other (14.5%), income (3.8%) and transport (1.6%) (source: ICEA).

Distribution

In the Belgian non-life insurance market, brokers remain the preferred distribution channel and accounted for 61.6% of the market in 2012. Tied agents had a market share of 10.2% and bancassurance had a market share of 7.4% in 2012 (source: Assuralia). Non-life insurance in Spain was most commonly distributed via tied agents (56%) in 2012. Brokers represented 24% of distribution in 2012, compared with 11% for bancassurance. Direct sales, such as through office staff and online sales, accounted for 9% in 2012, and this channel is growing, especially in relation to motor insurance (source: ICEA).

Pension industry

Products

Spain operates a pension system composed of (a) a public pension system (first pillar), (b) voluntary occupational arrangements (second pillar), and (c) private pension arrangements (third pillar). The country has a relatively small private pension market, which is dominated by third pillar insurance products.

The second pillar pensions are voluntary occupational arrangements. Employers may, on a voluntary basis, conclude pension agreements with their employees. Under the terms of the Royal Decree of 1999, the obligations arising from such agreements may be implemented through group insurance contracts and the creation of a company pension plan. Pension plans must be financed via pension funds, which have an independent legal status with the sole purpose to implement pension plans. Occupational pension plans are typically defined contribution in nature. Under the third pillar private pension arrangements, individuals participate in tax-qualifying pension schemes set up as individual pension plans and insurance. These tax-qualifying schemes are offered by the same financial institutions and under the same rules as occupational pension plans. Personal pension plans may only be defined as a benefit in nature. Customers are, by law, free to switch between voluntary pension funds and insurance retirement schemes at any time.

Distribution

In Spain pension products are distributed by the same channels as life insurance products; tied agents, intermediaries, bancassurance and the direct channel. Retail customers constitute a majority of the market with 61.4 % of total AuM (individual pension contracts), followed by corporate customers with 38.6% of total AuM (group individual contracts) (source: Inverco).

GDP, penetration ratio and competitive position

The table below sets out the breakdown by country in terms of GDP, penetration ratio and NN's competitive positions in the life and non-life insurance markets measured by GWP and in the pension market measured by AuM (to the extent NN is active in these markets) for the year ended 31 December 2012.

GDP, penetration ratio and competitive position 2012

(in billions of EUR)	GDP	Penetration ratio life	Penetration ratio non-life	NN's market position life by GWP		NN's market position non-life by GW		NN's market position pensions by AuM	
Rest of Europe							**Voluntary**		
Belgium	352.0[1]	5.7%[2]	2.9%[3]	#10	3.3%[4]	#12	1.2%[5]	—	
Spain	933.2[6]	2.8%[7]	3.3%[8]	#16	1.5%[9]	#85	0.1%[10]	#21	6%[11]
Greece	181.3[12]	1.0%[13]	—	#2	15.8%[14]		—		—
Luxembourg	272.0[15]	4.5%[16]	—	#11	2.6%[17]		—		—

sources: (1) World Bank, (2) Assuralia, (3) Assuralia, (4) Assuralia, (5) Assuralia, (6) Eurostat, (7) NN, (8) NN, (9) ICEA, (10) ICEA, (11) Inverco, (12) World Bank, (13) NN, (14) HAIC, (15) Eurostat, (16) 2012 Commissariat Aux Assurance report, (17) ACA.

Belgium

The GDP of Belgium decreased in 2012 by 0.3%, compared with an increase of 1.8% in 2011 (2010: 2.4%) (source: World Bank). Belgium is highly dependent on trade with a limited number of countries (Germany, France and the Netherlands) and Belgian GDP growth therefore is strongly correlated to GDP growth in Germany, France and the Netherlands (source: IMF, 2012).

Life insurance market

The life insurance market in Belgium is the tenth largest in Europe, and accounted for 3% of the European life insurance market in 2012. The Belgian insurance industry generated EUR 32 billion measured by GWP in 2012, of which EUR 20.1 billion related to life insurance (source: Assuralia). The life insurance density in Belgium in 2012 measured by GWP per capita was EUR 1,794 (USD 2,366.8) (source: Swiss Re). The CAGR of the life insurance market in Belgium was 4.8% between 2010 and 2012 (source: Assuralia). The penetration ratio in the life insurance market in Belgium was 5.7% in 2012.

Non-life insurance market

The Belgian non-life insurance market is ranked as the ninth largest in Europe measured by GWP, accounting for 2.2% of the European non-life insurance market in 2012. In the Belgian insurance industry, non-life insurance accounted for 35% of GWP in 2012. The non-life insurance market generated EUR 11.3 billion measured by GWP in 2012. The non-life insurance density in Belgium measured by GWP per capita was EUR 916 (USD 1,208) in 2012 (source: Swiss Re). The penetration ratio in the life insurance market in Belgium was 2.9% in 2012.

Spain

The GDP of Spain decreased by 1.6% in 2012, compared with an increase of 0.1% in 2011 (2010: -0.2%) (source: Eurostat). The decrease of GDP in 2012 was due to the decline in consumer demand and austerity measures to reduce the budget deficit (source: Bank of Spain).

Life insurance market

In 2012, the Spanish life insurance market was the sixth largest in Europe measured by GWP, and accounted for 3.8% of the European life insurance market (source: Swiss Re). The life insurance density in Spain measured by GWP per capita was EUR 553 (USD 730.2) in 2012 (source: Swiss Re). Total GWP of the insurance industry in Spain amounted to EUR 57.4 billion in 2012, of which EUR 26.3 billion related to life insurance. The CAGR of the life insurance market in Spain was -0.2% between 2010 and 2012 (source: ICEA). The penetration ratio in the Spanish life insurance market was 2.8% in 2012.

Non-life insurance market

The non-life insurance market in Spain is ranked as the sixth largest in Europe measured by GWP, accounting for 5.8% of the European non-life insurance market (source: Swiss Re) in 2012. Within the Spanish insurance industry, non-life insurance accounted for 54.2% of GWP in 2012. The non-life insurance market generated EUR 31.1 billion measured by GWP in 2012 (source ICEA). The penetration ratio in the Spanish life insurance market for the year 2012 was 3.3%.

Pension industry

The third pillar pension industry of private pension plans in Spain amounted to EUR 87 billion measured by AuM in 2012 (source: Inverco).

Greece

The GDP of Greece decreased by 6.4% in 2012, compared with a decrease of 7.1% in 2011 (2010: -4.9%) (source: World Bank). During the years 2008 to 2013, Greece experienced a deep recession as a result of the financial crisis and resulting strict measures implemented on its economy to reduce its deficit and outstanding debt (source: Hellenic Statistical Authority).

Life insurance market

In 2012, the life insurance market in Greece was the twentieth largest in Europe measured by GWP, and accounted for 0.7% of the European life insurance market (source: Swiss Re). GWP of the insurance industry in Greece amounted to EUR 4.4 billion in 2012, of which EUR 1.9 billion related to life insurance (source: HAIC). The life insurance density in Greece measured by GWP per capita was EUR 176 in 2012 and the penetration ratio in the life insurance market in Greece was 1% in 2012.

The CAGR of the life insurance market in Greece was -8.6% between 2010 and 2012 (source: Swiss Re). The life insurance market in Greece (measured by GWP) has decreased by 22% in the last five years (source: HAIC).

Luxembourg

The GDP of Luxembourg decreased by 0.9% in 2012, compared with an increase of 1.9% in 2011 (2010: 3.1%) (source: Eurostat table). Luxembourg's GDP originates for a large part in the financial sector (representing about one quarter of Luxembourg's GDP, one third of its tax revenues, and one eighth of its labour force) and the turbulence on the financial markets affected the performance of the financial sector.

Life insurance market

In 2012, the life insurance market in Luxembourg was the eleventh largest in Europe measured by GWP and accounted for 3.0% of the European life insurance market. The total GWP of the insurance industry in Luxembourg amounted to EUR 33 billion in 2012, of which EUR 21 billion related to life insurance. The insurance industry in Luxembourg generated 90% of its total GWP outside of Luxembourg in 2010 (source: Agency for the Development of the Financial Centre, 2012). Insurance density as measured by GWP per capita amounted to EUR 3,253 in 2011 (source: Commissariat Aux Assurances) and the penetration ratio in the life insurance market in Luxembourg was 4.5% in 2012.

The CAGR of the life insurance market in Luxembourg was 12.7% between 2003 and 2012 (source: Commissariat Aux Assurances).

Industry trends and developments

- ***Increased tax rate on Belgian life insurances***: The retail market in life insurance has been materially affected by recent changes in the fiscal regulations in Belgium. As a consequence of the financial crisis, the government has put in place a guarantee framework for deposits in 2011. Life insurance companies must pay a crisis tax to the government as compensation for this framework. In addition, the tax rate on premiums for life insurances increased in 2013 from 1.1% to 2%. The higher costs associated with life insurance policies are affecting the attractiveness of such products compared to alternative savings products (source: Assuralia). Further, a new obligation exists to declare foreign insurance policies in Belgium. Given the international sales from Luxembourg into Belgium, these developments negatively affect new business sales by Luxembourg into Belgium as well as existing portfolios (source: NN).

- ***Belgium annuity products less attractive***: In Belgium most pensions are paid out as a lump sum to employees upon retirement. Traditionally, consumers added coupons and dividends from savings to their legal pension, which led to a household savings rate that is amongst the highest in Europe (15.3% in 2012) (source: Eurostat). The financial crisis led to lower interest rates and lower dividends, which has made these forms of income less attractive (source: NN).

- ***Decline in public pension system in Spain***: The market for life insurance products for savings and retirement in Spain is expected to grow, due to the decline of the public pension system in combination with an ageing population (source: NN).

- ***Decrease in funding of public pensions in Greece***: The financial environment of recent years has had a significant impact on the funding of public pension schemes in Greece. This has led to the majority of the population being under-insured and it is expected that individuals will invest in complementary insurance to the public pension scheme (source: NN).

- ***Luxembourg new exchange of information legislation indirectly impacts insurance sector***: In April 2013 the Luxembourg government announced that, as from 1 January 2015, the Luxembourg banks are required to exchange information related to bank savings in Luxembourg with foreign tax authorities, as foreseen in the European savings tax Directive. It is expected that foreign customers might leave the Luxembourg banking industry as a result of this new legislation. Many of these foreign customers of the banking industry also benefit from supplementary insurance products in Luxembourg. It is expected that this legislation will also have an indirect effect on the insurance industry, as foreign customers may stop purchasing insurance products in Luxembourg when they exit the Luxembourg banking sector (source: NN).

JAPAN

Macroeconomic environment

The GDP of Japan was EUR 4.5 trillion (USD 5.96 trillion) in 2012. Japan's GDP increased by 1.9% in 2012, compared with a decrease in GDP of 0.6% in 2011 and an increase of 4.7% in 2010 (source: World Bank). In 2011, Japan's economic activity dropped after the earthquake that hit Japan in

March 2011 led to a decline in production and exports. The increase in GDP in 2012 resulted from strong domestic demand, which resulted mainly from increases in both public and private reconstruction-related demand as a result of the post-disaster reconstruction budget provided for by the government in response to the disaster (source: BOJ).

Life insurance market

In 2012, the life insurance market in Japan was the second largest life insurance market in the world measured by GWP, and accounted for 20% of the global life insurance market (source: Swiss Re). Total premium volume of life insurances in Japan amounted to EUR 326 billion (JPY 37.1 trillion) in 2012 (source: Statistics of Life Insurance Business in Japan). Japan ranked the highest in Asia in 2012 in terms of life insurance density, with GWP per capita of EUR 3,141 (USD 4,142.5) in 2012 (source: Swiss Re). For life insurance the penetration rate was 9.2% in 2012 (source: Swiss Re).

The Japanese life insurance market (excluding the results of Japan Post Insurance) grew between 2008 and 2012 with a CAGR of 4% (source: Statistics of Life Insurance Business in Japan).

COLI insurance market

The total COLI segment measured by APE amounted to EUR 4.8 billion (JPY 556 billion) in Japan in the financial year ended 31 March 2013. The COLI market accounted for approximately 20% of the life insurance market of Japan in 2012 (source: NN). In the period from the financial year ended 31 March 2009 to the financial year ended 31 March 2013, the COLI market grew at a CAGR rate of 9% (source: NN).

Products

COLI products are traditional life insurance policies that a company (mainly an SME) takes out on the lives of executives or employees, whereby the company is both the policyholder and the beneficiary of the policy. COLI products are designed to address the protection, savings and retirement preparation needs of SMEs and owners and employees of SMEs in a tax-efficient manner. Premiums paid by SMEs are tax-deductible (e.g. 25% to 100%) depending on product type and other factors and the cash surrender value is taxed when paid out.

Distribution

In the financial year ended 31 March 2013, the majority of COLI products' new business sales were distributed through independent agents (including tax advisers and bank-affiliated corporate agencies) (52% of Japan's total APE in the financial year ended 31 March 2013), followed by tied agents (38% of Japan's total APE in the financial year ended 31 March 2013), Japan Post (8% of Japan's total APE in the financial year ended 31 March 2013) and bancassurance (including large securities houses) (2% of Japan's total APE in the financial year ended 31 March 2013) (source: NN).

Competitive landscape

In Japan, NN was the third largest provider of COLI products measured by APE with a market share of 9% in the financial year ended 31 March 2013 (source: internal estimate NN).

Industry trends and developments

- ***Corporate taxation***: Set at 35.6% for a large Tokyo-based corporation, Japan's corporate tax rate is well above the global average of 24% (source: KPMG). The corporate tax rate decreased from 38% in April 2014 following the abolition of a special reconstruction corporation tax (a surcharge for rebuilding earthquake hit areas). The possibility of further reductions to the corporate tax rate is currently being discussed and, as COLI products represent a tax-efficient way to purchase protection, savings and retirement preparation solutions, any further reductions to the corporate rate may have an impact on COLI sales.

- ***Change in market shares of distribution channels***: Independent agents and the bancassurance channel (including large securities houses) in Japan are expected to continue benefitting from the growing needs of SMEs for a combination of wider product offering and higher level of professional advice and customer support. The market share of independent agents in the COLI segment has grown progressively over the past five years (up from 47% in 2008 to 52% in 2012) and bancassurance (including large securities houses) is expected to expand over the next few years, while the market share of tied agents is decreasing (source: NN).

INVESTMENT MANAGEMENT

European investment management industry

Introduction

As of 31 December 2011, the European investment management industry managed EUR 13.8 trillion in assets, representing 31% of the assets managed in the global investment management industry. In 2011, the ratio of AuM to European GDP was 99%. EFAMA estimated that by the end of 2012, the size of the European investment management industry had increased to EUR 15.4 trillion (source: EFAMA Asset Management Report, June 2013).

Size and products

The European investment management industry can be split into two product categories. The first category consists of investment funds, which are pools of assets with specified investment objectives, and policies in which investors may purchase units. By pooling savings from various customers, investment funds offer investors a number of advantages, particularly in terms of risk diversification and reduced costs from economies of scale. In the second category, discretionary mandates, investment managers have the authority to manage assets on behalf of investors on a segregated basis from other customer assets, in accordance with a pre-defined set of rules and principles and based on an agreement between the investment manager and the investor.

The discretionary mandates represented approximately 52.8% (EUR 7.3 trillion measured by AuM) of the European investment management industry as of 31 December 2011, while investment funds represented 47.2% (EUR 6.5 trillion measured by AuM). The share of investment funds decreased from 51.3% in 2007 to 47.2% in 2011 (source: EFAMA Asset Management Report, June 2013).

Distribution

The customer categories serviced by the European investment management industry in 2011 comprised retail investors (25% of total AuM) and institutional investors (75% of total AuM), the latter in turn consisting of insurance companies (42%), pension funds (33%), banks (3%) and others (foundations, charities, endowments, corporates, governments, central banks, sovereign wealth funds and other asset managers) (22%) (source: EFAMA Asset Management Report, June 2013).

The distribution of discretionary mandates to institutional customers can be characterised as business-to-business activity, where there is a direct relationship between the investment manager and the institutional customer. The distribution of investment funds takes place mainly through intermediaries. In continental Europe, banks are the primary distribution channel of investment funds. Traditionally, banks only actively offered funds managed by in-house fund management subsidiaries, whereas in the last ten to 15 years these distribution models have become less rigid. Many banks have opted for a guided or open architecture structure, in which they offer investment funds of several investment managers. For investment managers, this has provided the opportunity to offer funds outside their affiliated distribution channel (source: Lipper, 2010).

The distribution of European investment funds can be categorised into (a) affiliated or captive distribution (38%), (b) third party distribution (37%) and (c) direct or institutional distribution (25%). The distribution landscape is relatively heterogeneous throughout Europe, with different channels dominating the market in different countries (source: Cerulli, 2013).

Competitive landscape

The investment management industry in Europe is highly competitive, with about 2,000 firms offering approximately 35,000 funds. After a period in which the number of funds increased strongly, fund closures and mergers have outnumbered the launches of new funds in recent years, leading to a net reduction of funds (net reduction in 2013 was 844 funds, compared with a net reduction of 872 funds in 2012). The market share of the top 25 fund providers, however, has remained practically unchanged at approximately 50% in recent years (source: Lipper FMI Statistics).

The table below sets out the breakdown for leading investment management companies in Europe in terms of percentage of total AuM as at 31 December 2013, 2012 and 2011.

Market shares European fund market			
	as at 31 December		
	2013	2012	2011
Blackrock	5.9%	5.6%	5.4%
Amundi Group	3.5%	3.8%	3.7%
Deutsche Asset & Wealth Management	3.2%	3.3%	3.5%
J.P. Morgan Asset Management	2.8%	2.9%	3.5%
UBS AG	2.5%	2.6%	2.7%

(source: Lipper FMI Statistics)

NN Investment Partners was the fortieth largest investment management company (measured by AuM) with a market share measured by AuM of 0.7% in the year 2013 (source: Lipper FMI Statistics).

NN Investment Partners is primarily active in captive asset management. The table below sets out the breakdown for leading captive asset management companies in Europe in terms of percentage of total AuM as at 31 December 2013, 2012 and 2011.

Market shares European captive asset management market			
	as at 31 December		
	2013	2012	2011
AXA Group	1.86%	1.96%	1.65%
Prudential Plc	1.52%	1.44%	1.28%
Allianz Global Investors	1.48%	1.42%	1.42%
Aviva Group	1.07%	1.13%	1.14%
Standard Life Group	0.95%	0.82%	0.67%

(source: Lipper FMI Statistics)

NN Investment Partners was the eighth largest captive asset management company (measured by AuM) with a market share measured by AuM of 0.7% in the year 2013 (source: Lipper FMI Statistics).

Dutch investment management industry

Introduction

As at 31 December 2011, the Dutch investment management industry managed EUR 474 billion in assets, which represented 3.4% of the total assets managed by the European investment management industry. As at 31 December 2010, the total value of assets managed in the Dutch investment management industry was EUR 492 billion. In 2011, the ratio of AuM to Dutch GDP was 78% (source: EFAMA Asset Management Report, June 2013).

Size and products

The discretionary mandates represented approximately 89% (EUR 410 billion AuM) of the Dutch investment management industry as at 31 December 2011, while investment funds represented 11% (EUR 64 billion AuM) (source: EFAMA Asset Management Report, June 2013).

Advisory and fiduciary services for institutional customers form a third product category of the Dutch investment management market, in addition to discretionary mandates and investment funds. Fiduciary management is an approach to investment management that involves an asset owner, such as a pension fund or insurance company, appointing a third party to manage the total assets of the asset owner on an integrated basis. This is undertaken via a combination of strategic advice, tactical asset allocation, manager selection and monitoring, portfolio management, administration and reporting. The significance of fiduciary management in the Dutch investment management industry is related to the significant size of pension funds in the market (source: Handboek voor Pensioenfondsen, Pensioen Bestuur & Management).

Distribution

The customer categories of the Dutch market serviced by the investment management industry comprise institutional investors and retail customers. For investment funds, customers are institutional investors and retail customers. The institutional investors are insurance companies, pension funds, banks and others. Dutch pension funds are among the largest pension funds in the world, investing worldwide and applying a wide range of modern investment techniques. Retail banking is the dominant distribution channel of investment funds, representing around 80% of Dutch fund assets. The other 20% is distributed among insurance companies (via wrappers), private banks and brokers. The largest banks in the Netherlands, ABN AMRO Bank N.V., ING Bank and Rabobank, have opted for guided architecture (sources: EFAMA Asset Management Report, June 2013; PwC UCITS Fund Distribution, September 2012; Roland Berger Strategy Consultants website, March 2013).

Competitive landscape

The table below sets out the breakdown by market shares of the leading Dutch retail investment funds in terms of percentage of total AuM as at 31 December 2013 and 2012. (Figures for 2011 are not available.)

Market shares		
	as at 31 December	
	2013	**2012**
NN Investment Partners	13.2%	13.8%
Robeco	9.9%	12.4%
Aegon	9.7%	10.0%
Delta Lloyd Asset Management	6.6%	6.5%
SNS Asset Management	6.1%	6.6%

(source: AF Advisors)

Industry trends and developments

- ***Institutionalisation of the customer base***: In the European investment management industry, the market share of institutional customers on investment managers' books increased from 69% in 2007 to 75% in 2011. Since the financial crisis, there has been a gradual decrease in investment managers securing business directly from retail customers. This development reflects a growing tendency towards the institutionalisation of the customer base of the investment management industry. Retail customers have continued to make use of insurance companies and pension funds to fund their retirement long-term savings needs, whilst reducing their direct exposure to investment risks. Simultaneously, insurance companies and pension funds have increasingly used the expertise of the investment management industry to manage the assets entrusted to them (source: EFAMA Asset Management Report, June 2013).

- ***Amendments to the UCITS regulations***: The EU Undertakings for Collective Investment in Transferable Securities (**UCITS**) Directive was adopted in 1985 with the purpose of harmonising the domestic regulations on retail investment funds in the EU and to facilitate cross-border activities. On the back of this directive, investment funds that operate within this regime can be offered throughout the EU (only a relatively light notification procedure needs to be followed) on the basis of the authorisation form from the fund's home state. The latest update of the UCITS Directive, UCITS IV, came into force in 2011 and aims to improve investor information and increase efficiency in the fund management industry, ultimately leading to lower costs for investors. Another update of the UCITS Directive, UCITS V, which will increase protection of investors to a higher standard, is currently under discussion (source: PwC Note UCITS IV).

- ***Increased market share of cross-border funds***: The UCITS Directive has allowed investment managers to operate more internationally and facilitated the cross-border exchange of investment management products. For investment managers, it is efficient to distribute funds domiciled in one country across the border to other distribution countries. Increasingly, the UCITS Directive passport has not just been seen as a European fund passport, but also as a global one. UCITS are recognised and distributed outside of the EEA in Asia, Latin America, Central and Eastern Europe and the Middle East. As a consequence of the growth of guided and open-architecture fund distribution, and supported by the international recognition of the UCITS Directive, the market share of funds offered on a cross-border basis has increased at the expense of funds that are domiciled locally. Fund managers manage funds that are domiciled in another country for efficiency reasons. The combined market share of the two largest cross-border domiciles for fund distribution (Luxembourg and Ireland) has increased from 28.3% in 2004 to 40.8% as of June 2013 (source: EFAMA Asset Management Report, June 2013; Lipper FMI Statistics).

- ***Implementation of AIFMD***: The global financial crisis has led to new financial regulations at the European level. The primary example of new regulations affecting the investment management industry is the Alternative Investment Fund Managers Directive (**AIFMD**) which came into force in July 2013. Funds that are not regulated under the UCITS Directive are regulated under AIFMD. AIFMD regulates the manager (**AIFM**) of alternative investment funds (**AIF**) by subjecting the AIFM to prudential supervision. AIFMD also requires the AIFM to obtain a licence for management of the AIF. Although the primary focus of AIFMD is to regulate the AIFM, fund operations will be indirectly affected due to requirements for leverage limits, fund risk profiles and portfolio liquidity. AIFMD will also bring opportunities, as it will provide fund managers with a passport to manage and market AIFs throughout the EU (source: KPMG Note AIFMD).

- ***New regulations offer new business opportunities***: While investment management companies must on the one hand adjust to comply with the new regulations, in some cases new regulations also offer new opportunities for investment managers. For example, in the past, banks were the main source of long-term financing and the facilitation of loans. The withdrawal from certain areas of capital markets is creating opportunities for asset managers to fill the gaps, as other investors, such as pension funds and insurance companies, are showing an interest in providing such loans and can use asset managers to manage such portfolios. The EC intends to facilitate this transition with new regulations regarding European long-term investment funds. Moreover, the new regulation for European insurers, Solvency II, is creating an opportunity for asset managers with the capability of fulfilling such customer needs with new products and services (sources: EC press release; KPMG Note Solvency II).

- ***Passive management increases market share***: In the past five years, passive management (through a combination of index funds and exchange traded funds) has become more popular with institutional and retail investors. On the European fund market, passive management has gained a market share of 9% in June 2013 (compared with 5% in June 2008) at the expense of active investment management (source: Lipper FMI Statistics).

- ***Prohibition of rebate payments***: In the Netherlands and the United Kingdom, the legislation has gone beyond what is required under the MiFID by banning rebate payments from fund management companies to distributors from 1 January 2013 (United Kingdom) and 1 January 2014 (the Netherlands). This prohibition on rebates will force fund distributors to change their business models in order to charge customers directly. The legislation may also affect fund management companies, as in their current business model, fund management companies pay part of their management fee to the distributor of the product. At the European level, the next version of the MiFID Directive, MiFID II, is also expected, which will presumably include new measures affecting rebate payments from fund management companies to distributors.

BANK

Dutch banking industry

The size of the Dutch banking sector measured by assets relative to the Dutch GDP has shrunk considerably since its peak in 2007 largely due to the impact of the economic and financial crisis. In 2008, ABN AMRO Bank N.V. was nationalised and ING Groep received state aid. On 1 February 2013, SNS REAAL N.V., the fourth largest bank, was nationalised. In August 2013 the Dutch government announced that it expects to sell its stake in ABN AMRO Bank N.V., preferably through an initial public offering in 2015.

The current economic and global financial markets remain challenging for the Dutch banking sector, which continues to deal with the aftermath of the economic crisis (source: DNB). The aggregate total balance sheets of Dutch banks amounted to EUR 2,493 billion as at 31 December 2012. Despite its reduction in size, the Netherlands had the sixth largest banking industry in Europe by total assets behind the United Kingdom, Germany, France, Italy and Spain (source: ECB 2012).

Main banking products

Residential mortgages

The total amount of outstanding residential mortgage loans in the Netherlands was EUR 672 billion as at 31 December 2012 compared with EUR 671 billion as at 31 December 2011. The Dutch residential mortgage market was the fifth largest market in Europe by volume behind the United Kingdom, Germany, France and Spain in 2011 (source: European Mortgage Foundation). The outstanding mortgage loans as a percentage of GDP in the Netherlands was 111% in 2011, making the Netherlands the country with the highest mortgage debt in the eurozone (source: CBS).

Bank annuities

Tax-efficient bank saving products, also referred to as bank annuities (*banksparen*), were introduced in the Netherlands in 2008. Bank annuities are used for mortgage, pension and severance-related savings. Until 2008, money could only be saved in a tax-advantaged way through an insurance policy. Since the adoption of new legislation in 2008, bank annuities have the same fiscal benefits as insured savings products but do not have a life insurance component. Bank annuities have caused a downward trend in the sale of new individual life products and have become an attractive alternative source of funding for banks. The total amount of bank annuities increased to EUR 6,825 million at 31 December 2012 from EUR 5,363 million at 31 December 2011 (source: IG&H 2013).

Consumer deposits and savings

At 31 December 2012, the total savings and deposits of private individuals in the Netherlands increased to EUR 330 billion from EUR 312 billion at 31 December 2011 (2010: EUR 297 billion) (source: CBS).

The average savings of Dutch households have doubled during the past 30 years. After the start of the financial crisis, banks sought alternative financing sources, including in the form of savings deposits. The current total savings in the Netherlands equals approximately half of the total outstanding residential mortgage loans (source: CBS).

Distribution

In the Netherlands products were most commonly distributed through the direct channel, including branches, and for mortgages by intermediaries.

Competitive landscape

In 2012 the banking sector in the Netherlands was dominated by three large banks: ING Bank (excluding NN Bank) (33.5% share of assets), Rabobank (30.2% share of assets) and ABN AMRO Bank N.V. (15.8% share of assets) (source: ECB annual reports). Together, these banks have a joint market share of more than 80% in many segments. Market concentration has increased in recent years (source: DNB 2012).

Industry trends and developments

- ***Legislation to temper interest-only and high LTV lending***: In January 2013, certain measures were implemented to dampen interest-only and high LTV mortgage lending in order to help stabilise the Dutch housing and mortgage market, and reduce the government deficit. These measures included, among other things, that new mortgage loans must be repaid on an annuity or linear basis within 30 years to qualify for tax relief on mortgage interest and that the maximum LTV ratio for new mortgage loans has been set at 105% from 2013 and will be reduced annually with 1% until it reaches 100% in 2018 (source: CBS). Tax conditions have also changed for mortgage-related capital insurances. As of 1 January 2013, the favourable tax regime for mortgage-related capital insurances no longer applies and new mortgage-related capital insurances are now taxed as part of an individual's income from savings and investments. With these changes in the tax regime, a shift from interest-only mortgages to annuity and amortization payment type mortgages is being observed.

- ***Tempered growth in sales of bank annuities***: Since 2008, insurance companies have expanded into bank annuity products, driven by declining sales of individual life insurance products. Building on their existing mortgage banks, insurers have launched bank annuity products and expanded their scope into other banking products. However, the growth in sales of bank annuities slowed in 2012 (27%) compared with 2011 (39%) (source: IG&H 2013 – Nationaal Bankspaaronderzoek). This may be explained by a reduction in the number of active life insurance policies that were converted into bank annuity schemes. In addition, the Dutch government abolished the favourable tax treatment of severance payments as of 1 January 2014. New fiscal regulation for pensions may further temper growth of bank annuities sales, as the legislature will lower the maximum amount people can deduct from their taxable wealth to save for their pension per year.

8. BUSINESS

OVERVIEW

NN is an insurance and investment management group with leading positions in life and non-life insurance in the Netherlands, a strong life and pensions presence in a number of other European markets (such as Poland, Hungary and Romania) and in Japan and a growing position in Turkey. NN's insurance business is active in mature markets in Western Europe and Japan as well as growth markets in CEE and Turkey. NN's investment management business offers its products and services globally through offices in several countries across Europe, the United States, the Middle East and Asia, with the Netherlands as its main investment management hub. In the Netherlands, NN was the largest life insurer and third largest non-life insurer (excluding healthcare) measured by GWP in 2012 (source: DNB). In Europe, NN was in 2012 the largest provider of life insurance in Romania and Hungary, had top-four positions in the Czech Republic and Greece, in each case measured by GWP, and was the largest provider of mandatory pensions in Poland, Romania and Hungary and voluntary pensions in the Slovak Republic and Romania, in each case measured by AuM (see "—*Business Segments*" for individual sources). NN offers a comprehensive range of retirement, life insurance, non-life insurance, investment management and, in the Netherlands, banking services to its retail, SME, corporate and institutional customers.

The product offering and the type of customers serviced within each country varies. See "—*Business Segments*" for further information on NN's specific product offerings and the type of customers serviced in each relevant jurisdiction. NN predominantly utilises a multi-channel approach to distribute its products and service its customers, allowing it to tailor the marketing and distribution of its products across different markets and customer segments. NN commits significant resources throughout its businesses to: (a) ensure strong partnerships with brokers, independent agents and banks, including ING Bank, (b) strengthen its tied agents network in most of the countries in which it operates outside of the Netherlands and (c) build up direct channel capabilities. In 2013, NN recorded GWP of EUR 9,530 million and an operating result (before tax) from ongoing business of EUR 905 million. As at 31 December 2013, NN's investment management business had EUR 174,124 million of AuM.

NN is organised along the following seven segments:

- ***Netherlands Life***: NN's life insurance business in the Netherlands is NN's largest segment. It accounted for 55% of NN's total operating result (before tax) from ongoing business (excluding the Other segment (see "—*Other*")) in 2013. NN offers a range of group life and individual life insurance products. NN's life insurance business is organised along the following two product lines: Pensions and Individual Life Closed Block. Within NN's Pensions product line, NN offers group life products and individual pension products. Group life products are life insurance products under which employers offer certain pension and other insurance benefits to their employees, typically as part of larger benefit packages. NN's group life products are primarily group pension products. NN's group pension products include general account products, separate account products and unit-linked products. NN's Individual Life Closed Block product line primarily consists of the closed block operation of the individual life portfolios (comprising a range of discontinued products sold prior to 2012) of: Nationale-Nederlanden, RVS and ING Verzekeringen Retail (**IVR**) (formerly Postbank Insurance). Approximately 40% of the policies in the individual life closed block are expected to still be in-force by 2025. The remaining part of NN's Individual Life Closed Block product line relates to the sale of individual life insurance policies in the form of new term life insurance and immediate annuity products introduced in 2012. NN's Pension products are distributed through actuarial consulting firms (acting as advisers to mid- and large-sized corporations) and through independent agents and brokers (acting as advisers to SMEs). NN's active individual life products are primarily distributed through intermediaries (such as independent agents and brokers) and, to a lesser extent, through bancassurance (by ING Bank) and NN's direct channel. NN also provides pension administration and management services to company- and industry-wide pension funds under its AZL brand. In the Netherlands, NN was the second largest provider of group life insurance and the largest provider of individual life insurance measured by GWP with a market share of 20.6% and 19.9%, respectively, in 2012 (source: DNB). In 2013, the Netherlands Life segment recorded

EUR 3,240 million GWP, representing 34% of NN's total GWP in 2013, and EUR 224 million of new business (measured by APE), representing 18% of NN's total APE in 2013. As at 31 December 2013, the equity allocated to the Netherlands Life segment was EUR 9,491 million.

- ***Netherlands Non-life***: NN's non-life insurance business in the Netherlands (including NN's wholly owned insurance brokers Zicht and Mandema) accounted for 6% of NN's total operating result (before tax) from ongoing business (excluding the Other segment) in 2013. NN offers a broad range of non-life insurance products under the NN brand and the ING brand. Under the Movir brand, NN offers individual disability insurance to specific target groups amongst medical and business professionals. NN's non-life insurance products can be categorised as follows: (a) income/accident, comprising disability and accident (D&A) and travel insurance, and (b) property and casualty (P&C), comprising fire, motor and transport insurance and other insurances. These products are offered to retail, self-employed, SME and corporate customers in stand-alone as well as bundled form. NN's non-life insurance products are distributed primarily through regular brokers and, to a lesser extent, through mandated brokers, NN's direct channel and bancassurance (by ING Bank). In the Netherlands, NN (including Movir) was the third largest provider of non-life insurance products (excluding healthcare insurance) measured by GWP with a market share of 10.1% in 2012. In D&A insurance, NN (including Movir) was the second largest provider measured by GWP with a market share of 19.1% in 2012. In P&C insurance, NN was the fourth largest provider measured by GWP with a market share of 7.3% in 2012 (source: DNB). Movir by itself was the second largest provider of individual disability insurance in the Netherlands measured by GWP with a market share of 13.1% in 2012 (source: Verbond van Verzekeraars). In 2013, the Netherlands Non-life segment recorded EUR 1,582 million GWP, representing 17% of NN's total GWP in 2013. As at 31 December 2013, the equity allocated to the Netherlands Non-life segment was EUR 734 million.

- ***Insurance Europe***: NN's European insurance business (outside the Netherlands), accounted for 16% of NN's total operating result (before tax) from ongoing business (excluding the Other segment) in 2013. This segment comprises NN's business in CEE (which includes, for purposes of the Insurance Europe segment, Poland, the Czech Republic, the Slovak Republic, Romania, Hungary, Bulgaria and Turkey) and in the rest of Europe (which includes, for the purposes of the Insurance Europe segment, Belgium, Spain, Greece and Luxembourg). NN primarily offers life insurance products (which includes healthcare insurance in Greece) through Insurance Europe. NN also offers pension products, in particular mandatory and voluntary pension funds in CEE and Spain as well as non-life insurance products in Belgium and Spain. The life insurance and pension products are offered to retail, self-employed, SME and corporate customers and the non-life insurance products are offered to retail customers and corporate customers. In Europe, NN was in 2012 the largest provider of life insurance in Romania and Hungary and had top-four positions in the Czech Republic and Greece, in each case measured by GWP, and NN was the largest provider of mandatory pensions in Poland, Romania and Hungary and voluntary pensions in the Slovak Republic and Romania, in each case measured by AuM (see "—*Business Segments*" for individual sources). NN's Insurance Europe distribution channels have been adapted to accommodate distribution trends and country-specific dynamics, with tied agents being the principal distribution channel in most CEE countries and bancassurance the sole distribution channel in Belgium. In 2013, the Insurance Europe segment recorded EUR 2,344 million life insurance GWP, representing 25% of NN's total GWP in 2013, and EUR 510 million of new business (measured by APE), representing 42% of NN's total APE in 2013, which was primarily attributable to the voluntary pension market in Turkey, the life insurance market in Poland and Spain and Belgium as a whole. As at 31 December 2013, the equity allocated to the Insurance Europe segment was EUR 1,898 million.

- ***Japan Life***: NN's life insurance business in Japan accounted for 13% of NN's total operating result (before tax) from ongoing business (excluding the Other segment) in 2013. In Japan, NN primarily offers a range of COLI (corporate-owned life insurance) products to SMEs and owners and employees of SMEs through independent agents and bancassurance. COLI products are traditional life insurance policies that a company, typically an SME, takes out on the lives of executives or employees, whereby the company is both the policyholder and the beneficiary of the policy. COLI products are designed to address the protection, savings and retirement preparation needs of SMEs and owners and employees of SMEs in a tax-efficient manner. In Japan, NN was the third largest provider of COLI products measured by APE with a market share of 9% in the financial year ended 31 March 2013 (source: internal estimate NN). In 2013, the Japan Life segment recorded EUR 2,322 million GWP, representing 24% of NN's total GWP in 2013, and EUR 493 million of new business (measured by APE), representing 40% of NN's total APE in 2013. As at 31 December 2013, the equity allocated to the Japan Life segment was EUR 1,259 million.

- ***Investment Management***: NN's investment management business, which will operate under the brand NN Investment Partners, accounted for 10% of NN's total operating result (before tax) from ongoing business (excluding the Other segment) in 2013. NN Investment Partners offers a wide variety of actively managed investment products and advisory services to retail and institutional customers in all major asset classes and investment styles. In addition, NN Investment Partners manages the assets of NN's insurance businesses. NN Investment Partners offers its products and services globally through offices in several countries across Europe, the United States, the Middle East and Asia, with the Netherlands as its main investment hub. In the Netherlands, NN Investment Partners was the largest retail investment management company measured by AuM with a market share of 13.8% in 2012 (source: AF Advisors). In Poland, NN Investment Partners was the fifth largest retail investment management company measured by AuM, with a market share of 8.5% as at 31 December 2013 (source: IZFiA, Analizy online). In Belgium, NN Investment Partners had a 9.9% market share measured by AuM on the retail investment management market as at 31 December 2013 (source: Beama). As at 31 December 2013, NN Investment Partners had EUR 174,124 million of AuM, of which EUR 74,857 million was managed for third party retail and institutional customers and the remaining EUR 99,267 million for the general account of NN's insurance businesses and NN's other affiliate business. As at 31 December 2013, the equity allocated to the Investment Management segment was EUR 359 million.

- ***Other***: This segment comprises the business of NN Bank and NN Re (NN's internal reinsurer), the result of the holding company and other results.

  - *NN Bank*: NN Bank offers a range of banking products to retail customers in the Netherlands. In addition, NN Bank coordinates the distribution of NN's individual life and retail non-life insurance products in the Netherlands to enable a comprehensive product offering to retail customers in the Netherlands. NN Bank distributes these products through intermediaries and NN's direct channel.

  - *NN Re*: NN Re is NN's internal reinsurer located in the Netherlands. NN Re primarily offers reinsurance to NN's insurance businesses. NN Re manages its risks through ceding excess insurance risk to external reinsurers and hedging (a major part of) its market risks. NN Re reinsures, amongst others, the minimum guarantee obligations of the Japan Closed Block VA and (part of) the life insurance business of NN Czech Republic, Nationale-Nederlanden Poland and NN Hungary. In the segment reporting, the results from the reinsurance arrangement regarding the Japan Closed Block VA portfolio are reported under the Japan Closed Block VA segment and the results from certain reinsurance arrangements regarding the life insurance business of NN Czech Republic, Nationale-Nederlanden Poland and NN Hungary are reported under the Insurance Europe segment (whilst the rest of the NN Re results are reported under the Other segment).

  - *Result of the holding company*: the result of the holding company includes the interest paid on hybrids and debt, interest received on loans provided to subsidiaries and on cash and liquid assets held at the holding company, the amortisation of intangibles and the head office expenses that are not allocated to the business segments.

  - *Other results*: other results are results that are not allocated to the business segments, including (a) the results of claims and lawsuits (i) concerning the performance of certain interest-sensitive products that were sold by a former subsidiary of NN in Mexico, and the costs of which are indemnified by ING Groep under the indemnification and allocation agreement; see "*Major Shareholder and Related Party Transactions—Related Party*

Transactions—Relationship with ING following the Offering—Indemnification and allocation agreement", and (ii) filed by former employees of an Argentinean subsidiary, whose employment was terminated as a result of the Republic of Argentina's nationalisation of the pension fund system, by some former clients of this subsidiary and by a few third parties, and (b) the results of Nationale-Nederlanden Overseas Finance and Investment Company in relation to a guarantee provided to the ILU with respect to two legacy insurance subsidiaries of the Company, Orion and L&O, see "*Risk Factors—Financial Reporting Risks—NN's technical reserves reflected in its IFRS financial statements to pay insurance and other claims, now and in the future, could prove inadequate, which could require that NN strengthen its reserves, which may have a material adverse effect on NN's results of operations and financial condition.*".

- ***Japan Closed Block VA***: This segment comprises NN's closed block single premium variable annuity (SPVA) individual life insurance portfolio in Japan. This portfolio consists of SPVA products with substantial minimum guarantee obligations sold predominantly from 2001 to 2009. In 2009, NN ceased the sale of these products and placed this portfolio in run-off. This portfolio has been classified as a closed block and is managed as a separate segment. The majority of the closed block SPVA portfolio is projected to run off relatively quickly due to the short-term maturity profile and short outstanding policy life of the SPVA products. Approximately 90% of all SPVA policies are expected to have matured by the end of 2019. NN Japan expects that most policyholders will elect to receive their maturity proceeds as a lump sum payment, but some may elect to receive their maturity proceeds in the form of an annuity. Based on NN Japan's recent experience, the percentage of customers electing an annuity is expected to be less than 10%. This segment also includes the results from the reinsurance of the minimum guarantee risk associated with this portfolio by NN Re. NN Re manages this risk through a hedging programme which seeks to (partially) offset market-related movements in the IFRS reserves, while simultaneously mitigating market-related impacts on the capital position of NN Re. As at 31 December 2013, the remaining AuM of the closed block SPVA portfolio were EUR 14,698 million. As at 31 December 2013, the equity allocated to the Japan Closed Block VA segment was EUR 1,236 million.

In addition to the segments described above, NN's consolidated financial information for the years ended and as at 31 December 2013, 2012 and 2011 as set out in this Prospectus contained one additional segment, Insurance Other. This segment comprised (a) the results from NN's interest in SulAmérica S.A. (**SulAmérica**), (b) the costs of the claims filed by the purchaser of certain Mexican subsidiaries of NN claiming that the financial condition of the subsidiaries was not accurately depicted, which were settled in March 2014, and (c) corporate expenses of ING Groep allocated to NN. As from 1 January 2014, this segment ceased to exist, since (i) the remaining interest in SulAmérica was partly divested on 7 January 2014 and the remainder was distributed as a dividend by NN to ING Groep on 31 January 2014, (ii) the costs of the claims filed by the purchaser of certain Mexican subsidiaries are indemnified by ING Groep under the indemnification and allocation agreement; see "*Major Shareholder and Related Party Transactions—Related Party Transactions—Relationship with ING following the Offering—Indemnification and allocation agreement*" and (iii) as from 1 January 2014 ING Groep no longer allocates corporate expenses to NN.

The tables below set out the breakdown by segment in terms of GWP, APE, operating result (before tax), technical reserves and allocated equity for the year ended/as at 31 December 2013. See "*Operating and Financial Overview*" for these metrics for the years ended/as at 31 December 2012 and 2011.

Financial indicators

	for the year ended/as at 31 December 2013				
	(unaudited)				
(*in millions of EUR*)	GWP	APE	Operating result (before tax)	Technical reserves	Allocated equity
Netherlands Life	3,240[1]	224	709	64,901	9,491
Netherlands Non-life	1,582	—	79	3,323	734
Insurance Europe	2,344[2]	510	199	19,484	1,898
Japan Life	2,322	493	161	7,233	1,259
Investment Management	—	—	131	—	359
Other	98	—	-373	847	-1,104[3]
Eliminations	-61	—	—	—	—
Subtotal ongoing business	**9,525**	**1,227**	**905**	**95,788**	**12,637**
Japan Closed Block VA	7	—	80	15,763	1,236
Subtotal	**9,531**	**1,227**	**986**	**111,551**	**13,873**
Insurance Other	—	—	-18	—	186
Eliminations	-1	—	—	—	—
Total	**9,530**	**1,227**	**967**	**111,551**	**14,059[4]**

(1) Pertains to life insurance and pensions.
(2) Pertains to life insurance and non-life insurance only and excludes pensions and insurance products for which NN acts as a distributor.
(3) The allocated equity of the Other segment mainly comprises the allocated equity of NN Bank (EUR 363 million) and NN Re (EUR 449 million), as well as the cash capital position of the holding company (EUR 1,363 million) and net other assets of the holding company (EUR 560 million) minus the corporate debt (EUR 3,892 million).
(4) This number excludes the equity allocated to the held for sale entities (EUR 168 million) and the corporate debt (EUR 3,892 million).

STRENGTHS

NN's management (**Management**) believes that NN has the following strengths:

NN has a diversified insurance platform with a leading position in the Netherlands and a strong presence in a number of European markets and Japan, a global investment manager with a track record of strong investment performance and a well-capitalised bank with an attractive mortgage portfolio

NN is well-diversified across different markets. Management believes that, as a result, NN should be less affected by specific adverse regulatory or other developments in any one of the countries in which it operates. It also allows NN to benefit from diversification in its earnings and cash generation, and in risk and capital management.

NN's platform shares a unified international business culture, where experience and success in one market can be leveraged if, when and where appropriate across its businesses in other markets. This is evidenced, for example, by NN's establishment and development of greenfield life insurance and pension businesses in the period from 1991 to 2001 in all its CEE markets except Turkey, and more recently by the sale of Dutch non-life products in Belgium.

Management believes that NN's diversified platform also offers an advantage in attracting and developing talented staff. NN actively develops its deep bench of talent, for example by job rotation and providing selected staff with international experience.

The Netherlands

NN maintains a leading position in the Netherlands, which is the fifth largest insurance market in Europe by GWP (source: DNB, Swiss Re). In the Dutch market in 2012, NN was the largest provider of individual life insurance, the second largest provider of group life insurance and the third largest provider of non-life insurance products (excluding healthcare insurance), in each case measured by GWP (source: DNB). In addition to a large customer base, its leading market position offers NN scale advantages and synergies in its operations, procurement, marketing and the ability to attract and develop talented staff.

The Company's brand name NN is derived from Nationale-Nederlanden, a brand established over fifty years ago that generates the highest spontaneous brand awareness within the insurance retail market in the Netherlands. People associate it with safety, stability and security (source: Mindshare, December 2013, Motivaction, April 2013). By leveraging its connection to an established 'household' brand, NN believes it is better able to attract new customers across multiple product lines and develop and maintain long-term relationships with its customers, in a business where customer retention is an important driver of company value.

NN has developed a variety of business lines and distribution channels. The large customer base and its diversified platform offer NN the potential to cross-sell its products. Management believes that the diversified platform also allows NN to recognise customer behaviour shifts early and to develop strategies to benefit from opportunities in the Dutch market, as it has done in developing focused product strategies in the non-life insurance business and in developing new pension products to address the shift in customer preferences from defined benefit plans to defined contribution plans.

In 2012 NN was amongst the first to combine its various individual life products in one centrally managed portfolio, with a large aggregate scale of approximately 3.5 million policies and EUR 26,114 million of technical reserves (which form the majority of the Individual Life Closed Block). NN has further adopted a focused programme to develop the specific skills required for managing these diverse portfolios in an efficient manner and to optimise customer retention. Management believes that NN's early adoption of a centrally managed approach and development of specific skills will allow it to capture the long-term value that these portfolios offer as they gradually run-off. Moreover, the scale of the combined portfolio is considered a strategic advantage, as it offers the potential to manage this block of business towards lower unit costs. In the period between 2009 and 2013, NN's closed block strategy for its individual life products led to a transformation of its 620 FTE salesforce into 100 financial advisors.

The quality of Netherlands Non-life's products is recognised in the market by several awards, e.g. by Dutch consumer advocates Money View and "Gouden Oor", which commended NN for meeting high standards in handling customer feedback. Also, it is awarded with a quality label for customer focused insurance – 'Keurmerk Klantgericht Verzekeren'. Movir, a successful niche player delivering strong financial performance, is the second largest provider of individual disability insurance in the Netherlands and is part of the Netherlands Non-life segment. Movir was chosen best disability insurer by independent brokers for three years in a row (source: Adfiz).

NN Bank was launched as a strategic response to profitable opportunities in the banking market and changes in the life insurance market in the Netherlands. The acquisition of parts of WUB in 2013 accelerated the growth of NN Bank. Following EUR 381 million of capital injections in 2013 (of which EUR 330 million provided by ING Groep), NN Bank is well-capitalised, with a core Tier 1 ratio of 16.4% as at 31 December 2013, which is allowing NN Bank to grow mortgage production and benefit from changing dynamics in the mortgage market. Management believes NN Bank has an attractive mortgage portfolio, with a conservative risk profile due to strict underwriting standards. As at 31 December 2013, the size of NN Bank's mortgage loan portfolio was EUR 6,168 million. NN Bank has a well-collateralised loan book with 56% of its mortgage portfolio backed by additional collateral in linked bank-savings products and investment accounts, and 9% backed by bank annuities as at 31 December 2013. Of its new mortgage loans, 54% is backed by a NHG state guarantee. Sound risk management has led to non-performing loans accounting for only 0.7% of total customer loans as at 31 December 2013. Also, at 24 basis points over its total portfolio and 12 basis points over its new business in the second half of 2013, NN Bank's loan losses versus its loan portfolio were low compared to peers in the second half of 2013 (source: annual reports of ING Bank, ABN Amro, Rabobank, SNS and Van Lanschot). NN Bank provides diversification and strong cross selling potential with NN's insurance businesses.

CEE

NN maintains a strong position in the life insurance and voluntary pensions market in CEE (see "—*Business Segments*" for individual sources), which is part of the Insurance Europe segment. NN began these businesses as greenfield operations (except for Turkey) and through organic growth NN has developed an established customer base and local teams with broad experience and deep knowledge of the local markets.

NN entered the CEE markets when limited open distribution channels existed and has created its own tied agents sales force in each of its CEE markets. These sales forces are an important means to interact directly with customers and invest in long-term relationships, increasing customer satisfaction and retention. NN has developed an in-house programme to enhance the specific skills required to optimise the effectiveness and productivity of these sales forces. Over the years, customer buying behaviour has evolved and NN now also distributes via banks (bancassurance), internet and brokers. NN has 17 bank distribution contracts in place with ING Bank and several other banks across CEE (see "—*Business segments*"). Today NN operates a multi-access distribution platform, which management believes allows NN to address the specific needs of diverse groups of customers.

Management believes that NN's large customer base, deep knowledge of the local markets and multi-access distribution platform leave it well-positioned to take advantage of higher growth in a region where the number of customers that buy pensions and life insurance, as well as their ability to invest larger amounts is expected to increase gradually in the future. Growth in the CEE region is being funded by capital generation from existing operations in the region. Businesses in the CEE region are expected to continue to fund their own growth going forward, while also remitting dividends to NN.

Japan

NN has a top three position measured by APE in the attractive COLI market (source: internal estimate NN), a large segment of Japan's overall life insurance market. NN is a leading provider of COLI solutions through independent agents due to long-standing distribution relationships (on average nine years), its nationwide coverage (with 35 sales support offices) ensuring a strong local presence, and high-quality training programmes (source: NN). NN has been active in the COLI segment since 1991 and has a track record of introducing protection, savings and retirement preparation products that meet evolving customer needs. NN believes its focus on the COLI business and deep understanding of SME needs allows it to respond rapidly to market developments, including developments resulting from changes in macroeconomic conditions and regulations.

Investment Management

NN Investment Partners has a track record of strong investment performance, which is reflected by a number of industry awards and prizes, primarily in fixed income, historically its area of strength. For example, funds research company Lipper awarded NN Investment Partners the title of best fund manager in the large group category for consistent outperformance over a three-year period in the Netherlands (2013). NN Investment Partners had one of Europe's best selling funds in 2013 (source: Financial Times) and 43% of its funds had a four-star or five-star Morningstar rating as at 31 December 2013, compared to an industry average of 32.5% (source: Morningstar). In addition, NN Investment Partners has achieved significant scale in many of its asset classes and invested in building scalable, state-of-the-art infrastructure to support its global operations from a single platform in Luxembourg. NN Investment Partners now manages more than 90% of its assets in one integrated system, resulting in an expense margin per AuM of 0.17%, which is low compared to peers. Management believes that this scalable platform, combined with NN Investment Partners' record of strong performance, well-positions NN Investment Partners to expand its higher margin third party business.

NN maintains a strong balance sheet under a conservative regulatory regime

NN had an Insurance Groups Directive (**IGD**) capital ratio of 245% as at 31 March 2014 (pro-forma IGD ratio as at 31 March 2014, adjusted for the capital injection by ING Groep of EUR 850 million would have been approximately 264%), a financial leverage of the Company of approximately EUR 3.9 billion as at 31 March 2014 (pro-forma financial leverage as adjusted for the above as at 31 March 2014 would have been approximately EUR 3.7 billion), and a financial leverage ratio of approximately 27% (pro-forma leverage ratio as adjusted for the above as at 31 March 2014 would have been approximately 24%), as described under "*Operating and Financial Review—Liquidity and Capital Resources—Capital requirements—Financial leverage*". This is in line with NN's objective for a single A financial strength rating. Management believes that NN's strong balance sheet means that it is well-positioned to absorb market volatility. This is important for NN's clients as they are assured of NN's financial solidity, and it allows NN the strategic flexibility to generate return for shareholders and at the same time grow its businesses where new profits can be achieved.

NN's Dutch subsidiaries are regulated under the Dutch prudential regime, which is more conservative than most European regimes in that available capital under Solvency I is calculated on a marked-to-market basis (including an Ultimate Forward Rate, a method prescribed by DNB that gradually extrapolates the discount curve to calculate liabilities to an ultimate forward rate, of 4.2% from year 20 to year 60), meaning that assets and liabilities are reported on market value basis. In addition, NN's reinsurance entity, NN Re Netherlands, has a marked-to-market regulatory balance sheet. Management believes that this provides transparency to stakeholders such as supervisors, investors and clients, and has allowed Management to accumulate significant experience in managing its business and balance sheet on a marked-to-market basis reflecting the current low interest rate environment and latest insurance assumptions (including current longevity forecasts); a regime with somewhat similar characteristics will come into force for its other European business under Solvency II. For its Japan Closed Block VA, NN has a comprehensive hedge programme in place, with a proven track record, and has taken decisive actions to strengthen the balance sheet.

NN has an experienced and diverse leadership team

NN is managed by a disciplined, highly motivated and experienced team, focused on improving the efficiency and profitability of the business, generating cash and selective growth in the coming years. The members of NN's senior leadership team have various nationalities and have occupied significant and varied roles in the financial services industry, with on average over 20 years of experience in the financial services industry. The team comprises a strong combination of new members and members who have longer-term experience with NN and its current shareholder ING Groep, and with a deep knowledge of the NN business units. The team has developed NN's strategy and is committed to its execution and implementation going forward.

STRATEGY

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

NN's objectives are to generate capital for its shareholders and improve earnings. Management seeks to achieve these objectives via transformation in the Netherlands, profitable growth and operating leverage in other segments and diligent management of its Japan Closed Block VA.

Transformation in the Netherlands

NN intends to operationally improve and selectively grow its insurance businesses in the Netherlands, by executing on the following strategies:

Netherlands Life

In the Netherlands Life segment, NN's strategy to improve the business is based on three main initiatives: de-risking its liabilities to release capital, reducing expenses and gradually shifting to higher yielding assets. Furthermore, NN aims to benefit from its strong position in the pension market to selectively capture growth opportunities.

De-risk liabilities

Netherlands Life is actively reducing liability risks for its different pension businesses. Separate account products, which accounted for 26% (EUR 9,752 million) of Netherlands Life's pensions technical reserves as at 31 December 2013, benefitted from reduced capital volatility in 2013 through improvements made in the hedging strategy. To further improve the risk profile, at the contract renewal date, NN offers its separate account clients a new guaranteed product which is part of the general account, allowing NN Life to better hedge the residual risk and reduce volatility. These new client propositions no longer include a number of riskier features that were offered in the past with separate account products. In its general account pension segment, which accounted for 49% (EUR 18,728 million) of Netherlands Life's pensions technical reserves as at 31 December 2013, NN is actively converting its SME portfolio into defined benefit pension products with profit sharing, which are capable of being more effectively hedged leading to lower economic volatility, or into capital efficient defined contribution solutions. In addition, NN created a closed block for savings products in its individual pensions portfolio to improve efficiency and is converting its unit-linked pensions business into a lower cost defined contribution scheme. These initiatives are expected to gradually reduce the liability risk and volatility over time, and release a part of the solvency capital currently supporting NN's Dutch pension book.

Expense reduction

NN intends to execute a multi-year programme to achieve expense reductions through process rationalisation and product redesign. Within the Netherlands Life segment, over the past seven years, substantial expense reductions have been achieved. Its administrative expenses were reduced by approximately 37% in the period from 2007 to 2013. These past cost savings are primarily attributable to the integration of the Individual Life portfolios from various brands into a single operation in 2010 to form the individual life closed block, and, as a result of substantially stopping the sale of individual life products, reducing the size of the sales force. Over the 2013 – 2016 period, the Netherlands Life segment is planning to achieve expense savings of roughly 15% of 2013 administrative expenses on a nominal basis. These savings will be driven mainly by a reduction in FTEs over time. This reduction is expected to result from simplification and rationalisation of NN's operational processes (such as front and back-office integration and improvement of straight-through processing in the individual life business), conversion of its SME portfolio from its existing administration system to a more efficient new administration system, and from a shift of active policies administered on legacy IT systems with higher cost per unit to a new IT platform with lower maintenance expenses per unit. NN further aims for its closed block individual life business to change the mix of its costs, moving away from fixed costs to variable costs, and for costs to reduce proportionally with the decline in the number of policies expected in future.

Gradual shift to higher yielding assets

NN is pursuing opportunities to increase its asset yield by gradually shifting its portfolio towards higher yielding assets. Today, the Netherlands Life segment is predominantly invested in cash and government bonds (46% as at 31 December 2013, from 51% at year end 2012), significantly above the Dutch average (35% as at 31 December 2013, source: average of AEGON Netherlands, ASR and Delta Lloyd as per company filings). NN plans to rebalance its low-yielding government portfolio and reduce cash holdings. The illiquid nature of insurance liabilities allows NN to invest in less liquid assets, such as loans and mortgages, which, on balance, are expected to offer increased cash generation with limited increases in volatility. In the fourth quarter of 2013, Netherlands Life began increasing the share of higher yielding assets in its investment portfolio by increasing its mortgage exposure by EUR 2.6 billion. In addition, NN also plans to materially increase its equity exposure, per strategic asset allocation, to benefit from long-term excess returns.

Selectively capture growth opportunities in pension market

Netherlands Life has a strong competitive position in the Dutch pension market due to its large in-force client base, its strong brand and its pension expertise and capabilities. Moreover, it owns AZL, a full service pension administration provider, and it has a strong investment management track record through the performance of NN Investment Partners. Therefore, Management believes NN is well-positioned to capture new business opportunities from the growing defined contribution market, including the non-insured PPI business, and from an expected growth in the pension roll-over market, where NN expects to introduce a new web-based roll-over product.

In the Dutch pension buy-out market, a number of smaller pension funds are liquidating and many of them are opting for an insurance solution. In this market, prices are gradually rationalising and NN aims to become a selective provider if it believes pricing has become attractive on an economic basis.

Management expects investment spreads in Netherlands Life to be relatively stable benefiting from an assumed shift into higher yielding assets and expenses to decline with policy count. Offsetting this, fee and premium based revenues and technical margins are expected to trend lower.

Management's aim is to maintain operating result before tax broadly stable at 2013 levels over the medium term. Over time, Management expects remittances from the Netherlands Life segment to exceed the net operating result of the segment.

Netherlands Non-life

NN's strategy for its Netherlands Non-life segment is to focus on capital generation by improving underwriting performance and reducing operating expenses. Further, it aims to expand in specific market segments where there are clear opportunities for profitable growth.

Improve underwriting performance

Netherlands Non-life intends to improve its underwriting performance by implementing its strategy for reducing the combined ratio in specific product segments. Especially in motor and income insurance for SMEs, Netherlands Non-life has experienced margin pressure over the past several years. In Retail Motor, Netherlands Non-life established a comprehensive improvement plan that combines new underwriting criteria, increased use of data analytics for better portfolio management and improved fraud detection. In addition, in 2014, NN increased premium rates in all major motor portfolios. In the SME Motor business, NN plans to terminate the outstanding insurance products for large car fleets, which are expected to result in improved combined ratio by 2015. SME income/ accident insurance was historically an attractive segment in terms of profitability that was negatively impacted by adverse claims development in a depressed macroeconomic environment. In 2012, Netherlands Non-life implemented a recovery plan to improve profitability for its SME income/ accident portfolio by increasing premium rates, applying stricter underwriting criteria, adjusting policy terms and conditions and rationalising the claims handling process. The restructuring plan contributed to a 14 percentage points decrease in the SME income/accident combined ratio in 2013 and management expects that by 2015 the combined ratio of its SME income/accident portfolio will return to a sustainable, healthy level.

Reduce operating expenses

Over the past several years, Netherlands Non-life has successfully implemented expense reduction programmes, leading to a reduction of operating expenses by 35% from 2007 to 2013. Netherlands Non-life has a clear plan to further reduce operating expenses by approximately 10-15% by 2016 through measures such as conversion to platforms with a higher degree of straight-through-processing, termination of certain unprofitable product segments and subsequent reduction in staff levels, scaling down marketing investments in the direct channel, structural reduction in IT change expenses, as well as decrease in head office expenses and services purchased.

Selective growth opportunities

Management's focus on value creation will lead to the termination of certain products and a drop in GWP, which is expected to be more than offset by selective growth in other product lines in the Netherlands. Further, Netherlands Non-life expects that it can capture growth opportunities in Belgium, where it intends to add fire, third party liability and legal aid insurance policies to its Belgian product portfolio, replacing products currently offered by NN Belgium. In addition, direct channel capabilities are being developed in Belgium.

Management's aim is to achieve a combined ratio of 97% or below by 2018. Over time, Management expects remittances from the Netherlands Non-life segment to be in a range around the net operating result of the segment.

Reduce holding and other corporate expenses

NN will aim to reduce administrative expenses by approximately EUR 200 million in Netherlands Life, Netherlands Non-life and corporate/holding entities by the end of 2016 compared to 2013. Around half of this reduction is expected to be achieved by reducing holding and other corporate expenses, roughly 30% is expected to be achieved in the Netherlands Life segment and roughly 20% is expected to be achieved in the Netherlands Non-life segment. Management has announced well-defined plans to reduce office space (such as relocating its headquarters to the Hague), rationalise external workforce, optimise vendor contracts, rationalise NN's IT platforms and rationalise head office functions. Of the EUR 200 million in cost savings targeted in 2014-2016, roughly 50% is expected to be achieved by support functions, and the other half in IT (roughly 30%) and operations (roughly 20%).

Roughly half of the EUR 200 million expense reduction target represents previously announced savings programmes, roughly 30% represents cost savings from new initiatives and roughly 20% is expected to be achieved by the decline in legacy costs and the Insurance Other segment. The expense reduction target relates to administrative expenses and does not include any expenses reported in special items. Restructuring costs relating to previously announced programmes have been, or are expected to be, reported in special items in 2012, 2013 and 2014 and NN expects to incur rebranding costs, that may be material, that will be reported as special items (See "*Operating and Financial Review—Special items*"). Management expects to achieve around half of the expense savings in 2014 and the other half in 2015-2016.

Profitable growth and operating leverage across segments internationally

Across its growth oriented segments in Europe and Japan, NN is focused on utilising well-established platforms to capture profitable opportunities and benefit from operational leverage.

Insurance Europe

Insurance Europe is well-positioned to leverage its platform to generate growth and increased profitability, benefitting from market growth potential in markets where it operates, diversification and improvements in the productivity of its distribution platforms and operational improvement driven by disciplined cost management, which should translate into operating leverage and result in scale benefits.

NN's strategy is to capitalise on its strong position in CEE markets that combine high economic potential with low life insurance penetration levels. In the future, market life insurance volumes are expected to grow driven by GDP growth, increasing disposable income and the need for long-term savings. With its substantial market shares, NN expects to benefit from these positive market developments.

In addition, NN aims to achieve growth by further improving the productivity of its existing distribution platforms, especially tied agents and bancassurance. Between 2011 and 2013, NN diversified its distribution mix, with APE contribution from the independent channel increasing from 17% in 2011 to 28% in 2013, while APE contribution from tied agents decreased from 42% to 37% over the same period. Based on early successes from pilot programmes in Spain and Romania, Insurance Europe continues to roll-out its tied agency productivity improvement programme to all countries. Moreover, it aims to further penetrate its bancassurance partnerships, where penetration levels are currently low for most partnerships, especially by increasing the number of sales staff in the bank networks who actively sell insurance policies, by applying customer intelligence tools, targeted campaigns, training and incentives to further increase sales activity of the partner bank networks.

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. Other operational improvements are expected to come from disciplined cost management, allowing Insurance Europe to benefit from operating leverage as its client portfolio expands, leading to lower unit costs. In some countries, Insurance Europe has already undertaken specific actions to reduce cost per policy, for example by restructuring IT and operations in the Czech Republic, and through the simplification of product offering and redesign of customer service in Hungary.

NN is focused on improving the value of new business, by focusing on new business with higher margin and lower capital intensity.

Between 2011 and 2013, NN has successfully shifted its product mix towards fee-based and protection products, reducing its share of traditional savings business from 39% of APE in 2011 to 13% in 2013. In addition, Insurance Europe allocates capital, as measured by the transfer from value in force and required capital to free surplus from new business (see "*Operating and Financial Review—Embedded*

Value" for more details), largely to countries with higher VNB margins (as a percentage of the present value of new business premiums (**PVNBP**)). In 2013, the majority of capital was allocated to countries in Insurance Europe that have margins above 4.0% of PVNBP. For example, Insurance Europe allocated the highest amount of capital (EUR 68 million) to the Polish life insurance business, which had a VNB margin of 5.0%. Spain and Turkey (with VNB margins of 1.0% and -0.2% respectively) were key exceptions, with NN taking actions to improve the margin in those markets. In Spain, NN has already moved towards less capital intensive business, improving VNB margin from negative in 2012 to positive in 2013, while in Turkey NN is aiming to increase scale in order to reduce unit costs, which is expected to have a positive impact on value of new business. Initiatives taken in 2013 to improve Insurance Europe's value of new business resulted in a higher new business value margin which increased from 2.0% of PVNBP in 2012 to 3.0% of PVNBP in 2013. In the future, in certain markets, Management sees opportunities for expanding the product offering to increase the value of new business.

Management's aim is to achieve an annual mid-single digit operating result before tax growth rate on average over the period 2013 to 2018. Over time, Management expects remittances from the Insurance Europe segment to be lower than the net operating result of the segment.

Japan Life

Japan Life's 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 bancassurance, management sees an opportunity to leverage NN's existing product portfolio and the ongoing market shift towards channels offering wider product availability and higher level of professional advice and customer support. The bancassurance COLI segment is expected to grow as banks and securities houses seek to expand in the COLI segment to diversify income, generate distribution fees and acquire new corporate customers. Limited additional investments are required as most capabilities already exist, including NN's pioneer position in the channel, long-standing relationships with bank-affiliated corporate agencies, strong market recognition for the quality of NN's COLI sales support and training capability, and existing servicing SPVA relationships with 60+ banks/securities houses.

For protection products, NN aims to expand its target customer base to SMEs with high protection and business succession planning needs. For this, it will leverage existing product development capabilities as well as its long-standing relationships with tax accountants including a strategic partnership with one of the largest tax accountant associations in Japan.

In addition, NN is continuously seeking to strengthen its core business and has implemented strategic initiatives (e.g. an agency loyalty programme, a COLI scholarship programme) to further increase the productivity of its independent agents.

Management's aim is to achieve an annual low to mid-single digit operating result before tax growth rate on average over the period 2013 to 2018. Over time, Management expects remittances from the Japan Life segment to be lower than the net operating result of the segment.

Investment Management

NN Investment Partners aims to grow its third party business by following a tailored approach per client segment. This will include broadening of its distribution relationships and leveraging its scalable global product range.

For example, NN has broad and deep expertise in insurance and pensions-linked assets as well as in providing fiduciary solutions to institutional clients. NN has a strong position in the Netherlands, which is for example demonstrated by the recent win of a EUR 2 billion contract in its money markets product. NN Investment Partners is seen as market leader in providing fiduciary solutions, since it has successfully developed its fiduciary proposition following the acquisition of the multimanager selection firm Altis and pension administration company AZL in 2008. In sizeable markets such as Germany and the UK where NN currently has a very low market share, it aims to continue to leverage these strengths to gain new business, in line with success in recent years. NN successfully grew its AuM in these markets in the past few years, increasing AuM from EUR 1.4 billion in 2011 to EUR 2.2 billion in 2013 in Germany and from EUR 0.2 billion to EUR 0.5 billion in the UK over the same period, and aims to continue to grow its assets under management. In Latin America, NN continues to attract new clients with its capabilities, such as in Emerging Market Debt.

In its retail business, in its home markets in the Netherlands, Poland, Belgium and Luxembourg, NN plans to protect and further expand its leading positions by leveraging its brand and existing range of products. In addition, NN is introducing a direct sales and client service platform (already active in Poland and the Netherlands) to reach new levels of customer engagement. In 2013, NN's Belgian business attracted over EUR 600 million of assets in a new product launch in the Belgian market. In other markets, NN is leveraging its global key account arrangements and partnerships with local banks (such as Danske Bank based in Denmark and Nomura in Japan) to increase the number of funds offered as well as AuM. NN has been particularly successful in Taiwan, where it had over EUR 700 million of inflows in the first quarter of 2014 and has grown its market share from 0.1% in 2010 to 4.5% in 2013 (Source: SITCA).

In addition, NN Investment Partners continues to develop a more distinct range of equity products to provide a more appropriate accompaniment to the existing line-up of fixed income and multi-asset offerings. For example, in emerging market equity, NN is rebuilding its emerging markets equity team to thematically align with its emerging market debt capabilities. Moreover, to increase its commercial traction, NN is planning to reposition some of its flagship equity strategies into a higher active risk profile and to add to its suite of specialised equity products, such as a Solvency II efficient equity offering. NN aims to support its enhanced equity offering and investment capabilities through its newly formed cross platform quant team. NN has also been reviewing its range of multi-asset products and solutions, whereby it has built out its offering across the risk / reward spectrum in view of increased (expected) demand from customers. In the near term, the investment in NN Investment Partners' equity capabilities is expected to increase expenses compared to 2013.

While growing its AuM, NN Investment Partners will be able to use its state-of-the-art platform to accommodate AuM growth and enhance its operational leverage.

Management's aim is to achieve an annual mid-single digit operating result before tax growth rate on average over the period 2013 to 2018. Over time, Management expects remittances from the Investment Management segment to be in a range around the net operating result of the segment.

NN Bank

NN Bank aims to benefit from new market dynamics in the Netherlands. The market shares in mortgages of the large banks have decreased since 2012, allowing NN Bank to selectively gain market share and take advantage of improved competitive dynamics. Benefitting from attractive mortgage spreads prevailing in the market, NN Bank was able to achieve a Net Interest Margin of 1.4% during the second half of 2013. Furthermore, NN Bank aims to continue the growth in savings achieved in 2013, benefitting from growing new inflows into bank annuities (*banksparen*), as evidenced by an inflow of over EUR 900 million in 2013, and savings in general in the market, which offers a stable source of funding. The increased traffic on the NN website since the launch of savings products offers a strong cross-selling potential for other banking as well as insurance products.

Management's aim is to achieve a return on equity of 7% by 2018, based on the net operating result of NN Bank as a percentage of the average shareholders' equity of NN Bank.

Capital release from Japan Closed Block VA

NN's strategy for its Japan Closed Block VA is aimed at capital release over time following the run-off profile of the portfolio, while limiting the impact of volatile markets through active hedging. NN Re Netherlands had approximately EUR 0.9 billion of capital (AFR) as at 31 December 2013 to back the Japan Closed Block VA guarantees, which is expected to be released over the next five years following the run-off profile of the portfolio; however, hedge results continue to be volatile and may have a positive or negative impact on capital generation over time. In normal markets, Management expects the hedge results to be in line with past years, i.e. roughly zero on average over time. Over time, Management expects remittances from the Japan Closed Block VA segment to exceed the net operating result of the segment.

TARGETS

Management has set the following targets for the overall Company:

- Over time and assuming normal markets, current regulatory framework and no material special items, the Company expects to generate free cash available to Shareholders in a range around NN's net operating result of the ongoing business. NN will follow a disciplined capital management policy. This means a base case of capital in excess of the Company's capital ambition being returned to Shareholders in the most efficient form. However, excess capital may also be used for corporate purposes should these be judged to create value for Shareholders.
- Management's aim is to achieve an annual operating result before tax of the ongoing business growth rate on average of 5-7% in the medium term;
- Management's aim is to reduce administrative expenses in Netherlands Life, Netherlands Non-life and corporate/holding entities by EUR 200 million by 2016, compared with 2013; and
- Management's aim is to increase the Net Operating Return On Equity of the ongoing business (from a pro-forma 7.1% in 2013), in the medium term.

Assumptions underlying the targets

Management has set the above targets as part of its strategy for the medium term. The targets do not constitute a profit forecast, should not be interpreted as such and therefore are not an expression of the likelihood that the targets will be achieved or that NN's financial results will necessarily match NN's targets in any particular period. NN's ability to meet its targets depends on the accuracy of various assumptions involving factors that are, in part, significantly or entirely beyond NN's control and are subject to known and unknown risks, uncertainties and other factors that may result in NN being unable to achieve these targets. See "*Risk Factors*". If one or more of NN's assumptions are inaccurate or if any of the risks as included in "*Risk Factors*" should actually occur, NN may be unable to achieve one or more of its targets.

HISTORY

NN's history dates to 1845. In that year Assurantie Maatschappij tegen Brandschade N.V., later renamed De Nederlanden van 1845 N.V. (**De Nederlanden**), commenced operations. De Nederlanden specialised in fire insurance. Shortly after its foundation, De Nederlanden expanded abroad, and through multiple acquisitions, became an all-lines insurance company in 1925. World War II made it almost impossible for De Nederlanden to operate its business. After the war, De Nederlanden and other insurance companies played an important role in the economic recovery and reconstruction of the Netherlands by providing financing. During the post-war years De Nederlanden expanded quickly due to economic growth in the Netherlands and through acquisitions.

The Nationale Levensverzekering-Bank N.V. (**Nationale**) also prospered during the post-war years. Nationale was established in 1863 and specialised in life insurance with a focus on the Dutch domestic market. In 1916, Nationale added non-life insurance to its product portfolio. In 1932, Nationale and De Nederlanden entered into cooperation with respect to group life insurance. Like De Nederlanden, Nationale's business was significantly affected by World War II and was also instrumental in the post-war reconstruction. In 1956, Nationale expanded its non-life portfolio by acquiring insurance company Tiel-Utrecht. This acquisition made Nationale, for many years the largest life insurer, the second largest non-life insurer, and as a result the largest insurance company overall in the Netherlands at that time.

In 1963, De Nederlanden and Nationale merged and formed Nationale-Nederlanden. This merger was in line with increased consolidation in the insurance industry and enabled the companies to remain competitive under changing market circumstances. From the 1960s to the 1980s, Nationale-Nederlanden extensively pursued acquisitions throughout the world, including major acquisitions in the United States, and started new operations in Europe and Asia.

In 1991, Nationale-Nederlanden merged with NMB Postbank Groep to form Internationale Nederlanden Groep (ING) after the legal restrictions on mergers between insurers and banks were lifted in the Netherlands in 1990. Since 1991, ING has developed from being a Dutch company with some international business to a multinational with Dutch roots. This was achieved through a mixture of organic growth as well as various large acquisitions. All of Nationale-Nederlanden's businesses in Europe and Japan were greenfield operations (except for Turkey and Belgium). These businesses were set up in emerging markets, such as Poland, the Czech Republic and Hungary, as well as in developed markets, such as Luxembourg and Japan. In the United States, Nationale-Nederlanden acquired the life operations of U.S. insurance companies ReliaStar and Aetna in 2000. These acquisitions also substantially increased the size and scope of ING's insurance activities in developing markets, making ING the largest international insurer in Latin America and the second largest international insurer in Asia.

In 2008 and 2009, as a consequence of the financial crisis, ING Groep, like other major financial institutions in the Netherlands, received aid from the Dutch State. As a condition to receiving approval from the EC for such state aid, ING Groep was required to develop and submit a restructuring plan to the EC, comprising *inter alia* the divestment of the insurance and investment management business, including the Company and its subsidiaries. The 2009 Restructuring Plan was approved by the EC in November 2009. Following the 2009 Restructuring Plan, the insurance and investment management businesses of ING (including NN) were operationally separated from ING as of 31 December 2010.

In November 2012, ING Groep and the Dutch State reached an agreement with the EC on certain amendments to the 2009 Restructuring Plan which were set out in the 2012 Restructuring Plan. The amendments extended the time horizon, increased the flexibility for the completion of divestments and adjusted other commitments set forth in the 2009 Restructuring Plan, in light of market conditions, the economic climate and more stringent regulation.

Pursuant to the 2009 and 2012 Restructuring Plans, ING divested a number of businesses around the world from 2011 to 2013, including divestments of insurance and investment management businesses in the United States, Latin America and Asia/Pacific (other than Japan). See "*—Material Agreements—Acquisitions and disposals*" for further information.

In May 2013, ING Groep divested approximately 29% of its shareholding (which was indirectly held through NN) in ING U.S., its U.S.-based retirement, investment and insurance business, through an initial public offering in accordance with the 2012 Restructuring Plan. In preparation for a stand-alone future of NN, the interest in ING U.S. held by NN was transferred to ING Groep as at 30 September 2013.

In July 2013, part of the operations of WUB, comprising mainly specific mortgage, savings, investments and consumer credit activities, were transferred to NN Bank, in accordance with the 2012 Restructuring Plan.

In November 2013, ING Groep and the Dutch State reached an agreement with the EC on certain amendments to the 2012 Restructuring Plan which were set out in the 2013 Restructuring Plan. The 2013 Restructuring Plan accelerated the divestment timeline for NN by two years, as a result of which ING Groep is required to divest more than 50% of its shareholding in the Company before 31 December 2015 and the remaining interest before 31 December 2016. Pursuant to the 2013 Restructuring Plan, the Japan Life and Japan Closed Block VA businesses are permitted to be divested in line with the divestment timeline for NN and are thus permitted to remain part of NN. The requirement for ING Groep to divest more than 50% of its interest in the Company includes the requirement to (a) no longer have a majority of representatives on the Executive Board and (b) deconsolidate the Company's financial statements from ING Groep's financial statements in line with IFRS accounting rules. See "*Supervision and Regulation—EC Restructuring Plan*" for further information about the EC Restructuring Plan.

BUSINESS SEGMENTS

Netherlands Life

General

In 2012, NN was the second largest provider of group life insurance and the largest provider of individual life insurance in the Netherlands measured by GWP, with a market share of 20.6% and 19.9%, respectively (source: DNB). In 2013, the Netherlands Life segment recorded EUR 3,240 million GWP, consisting of EUR 1,494 million in group life insurance and EUR 1,746 million in individual life insurance, representing 16% and 18%, respectively, of NN's total GWP in 2013, and EUR 224 million of new business (measured by APE), representing 18% of NN's total APE in 2013. In 2013, the Netherlands Life segment had an operating result (before tax) of EUR 709 million, representing 55% of NN's total operating result (before tax) from ongoing business (excluding the Other segment) in 2013. As at 31 December 2013, the equity allocated to the Netherlands Life segment was EUR 9,491 million.

The Netherlands Life segment includes AZL and Parcom Capital Management. AZL provides pension administration and management services to primarily mid-sized and large company- and industry-wide pension funds. Parcom Capital Management is a captive mid-market private equity firm active in the Benelux region through which NN invests part of its general account assets. As at 31 December 2013, Parcom Capital Management had EUR 1,107 million of AuM.

Products

The life insurance products offered by NN in the Netherlands range from standardised insurance products to tailor-made and sophisticated insurance products with a particular focus on group pensions. Life insurance products can be characterised as either traditional policies or unit-linked policies. Traditional policies are those products that have benefits primarily based on a guaranteed interest rate, sometimes combined with profit-sharing to the extent that certain thresholds are met. Thus, under traditional policies, NN bears the investment risk. Unit-linked policies have an investment basis and are mostly flexible in options and guarantees. Under pure unit-linked policies, the investment risk is borne by the policyholder. Unit-linked policies can also guarantee a minimum investment return or minimum accumulation to the policyholder at maturity, including death benefit. Further, NN provides hybrid forms of group pension products that combine elements of traditional and unit-linked life insurances within a single contract.

Life insurance products can also be characterised as general account or separate account products. For general account products, the underlying assets are invested in NN's general account and thus not attributable to a specific policyholder or liability. Within the general account, NN bears the investment risks related to assets backing the liability obligations. For separate account products, NN establishes and maintains a separate investment account to which funds are allocated in line with the relevant policy. Such investment account is thus separated from NN's general account and the investment risk is borne by the policyholder, although guarantees apply.

NN's life insurance business is organised along the following two product lines: Pensions and Individual Life Closed Block.

The table below sets out the breakdown by product line in terms of GWP and APE for the years ended 31 December 2013, 2012 and 2011.

GWP and APE

	for the year ended 31 December					
	2013		2012		2011	
	(unaudited)					
(in millions of EUR)	**GWP**	**APE**	**GWP**	**APE**	**GWP**	**APE**
Pensions	1,959	189	2,110	201	2,391	271
Individual Life Closed Block	1,281	35	1,512	56	1,911	98
Total	**3,240**	**224**	**3,622**	**257**	**4,303**	**369**

Pensions
Within NN's Pensions product line, NN offers group life products and individual pension products. Group life products are life insurance products under which employers offer certain pension and other insurance benefits to their employees, typically as part of larger benefit packages. NN's group life products are primarily group pension products. NN's group pension products include general account products, separate account products and unit-linked products.

For its corporate customers, NN provides integrated and full-service pension products, including separate account group contracts. Historically, NN has built up a substantial separate account portfolio. For this portfolio NN actively manages the renewal process in order to reduce risk, improve capital usage and shift the asset mix towards lower risk portfolios with a significant portion of the assets matched to the liabilities.

For large corporate customers and SMEs, NN provides group pension products that are historically predominantly based on defined benefits; however, this is changing. These defined benefit plans are contracts with single or recurring premiums which give a guaranteed benefit. Some of these products contain the option of profit-sharing based on investment return. NN also increasingly provides group pension products based on defined contribution with single or recurring premiums, in response to the shift from defined benefit to defined contribution in the pension market (see "*Industry Overview—The Netherlands—Life insurance market—Industry trends and developments*"). The benefits are based on investment returns on specified funds. Further, NN provides hybrid forms of group pension products which combine elements of traditional and unit-linked life insurances within a single contract. NN focuses on supporting its existing and new SME customers in shifting from expensive long-term interest guaranteed defined benefit contracts to more standardised, defined benefit and defined contribution products with reduced costs and better customer service. As at 31 December 2013, NN's Pensions product line had EUR 38,013 million of technical reserves and consisted of approximately 1.8 million policies. These policies concern 40,000 SME general account and unit-linked contracts, 100 large corporate separate account contracts and 160,000 individual pension contracts.

The offering of NN's Pensions products line in the Netherlands includes the following:

<u>Group life products</u>

- ***General account products***:
  - *General account defined benefit products*: NN's general account defined benefit group pension products are traditional insurance products based on lifelong guaranteed pension payments with recurring premiums with or without profit-sharing. These products also provide an option for additional single premiums for indexation and back services (for periods, such as sabbaticals and study leave, that do not contribute toward a customer's pension). These defined benefit pensions are insured by lifelong annuities. Lifelong annuities are sold to insure old-age pensions in defined benefit plans.
  - *Pension fund buyouts*: NN selectively offers companies the option of selling their pension liabilities to NN, within NN's strict capital and return thresholds. This allows companies to remove pension liabilities from their balance sheets and decrease future balance sheet volatility. Pension liabilities are insured by means of a single premium payment. Since these are customised contracts, specific contract features are tailor-made for each customer. Although NN has not acquired any pension funds during the last three years, NN continues to offer this product on a selective basis.

In 2013, the general account products accounted for 19% of Netherlands Life's GWP and 24% of Netherlands Life's APE. As at 31 December 2013, the general account products accounted for 49% of the technical reserves of the Pensions product line.

- ***Separate account products***:
  - *Separate account defined benefit products*: NN's separate account defined benefit group pensions are insurance products that provide a lifelong guaranteed pension right that accrues during the contract period (typically five years) and benefits based on an (implied) guaranteed interest rate, profit-sharing and a selective choice of investment strategies for the assets underlying the contracts.

In 2013, the separate account products accounted for 18% of Netherlands Life's GWP and 33% of Netherlands Life's APE. As at 31 December 2013, the separate account products accounted for 26% of the technical reserves of the Pensions product line.

- ***Unit-linked products***:
  - *Defined contribution (limited guarantees)*: NN's unit-linked defined contribution pensions are unit-linked life insurance products with recurring premiums. NN also offers defined contribution products with limited guarantees of investment returns.
  - *Defined contribution (PPI)*: NN, together with AZL and NN Investment Partners, administers a premium pension institution (*premie pensioen instelling*) (**PPI**). A PPI is a pension vehicle in the form of a separate legal entity that, like a pension fund or pension insurer, can operate a defined contribution pension scheme on a separate account basis during the pension accrual phase in multiple countries across Europe from a single cross-border vehicle with only one supervisory authority. When an employee reaches retirement age, the PPI transfers the accrued capital to a pension insurer at the employee's discretion to make the pension payments. Employers that wish to insure any additional risks (such as survivors' pensions) can do this through the PPI. However, since regulations prohibit the PPI from carrying these risks itself, the PPI transfers these additional risks to NN or a relevant other insurance company that insures these risks.

In 2013, the unit-linked products accounted for 9% of Netherlands Life's GWP and 15% of Netherlands Life's APE. As at 31 December 2013, the unit-linked products accounted for 7% of the technical reserves of the Pensions product line.

NN provides the following supplementary insurance options to its group life insurance products:

- ***Survivors' protection***: NN's survivors' pensions provide insurance for survivors against the risk of death, either lifelong, temporarily until the pension date or temporarily as from the pension date or on a risk basis. NN's lifelong or temporary survivorship annuity is a form of traditional life insurance that pays death benefits with a savings feature and with guaranteed returns for the beneficiary. A risk-based survivors' pension can be either traditional or unit-linked, paying death benefits with no savings or investment features and with guaranteed returns for the beneficiary. Both lifelong or temporary survivors' pensions and risk-based survivors' pensions can have recurring or single premiums.

- ***Disability protection***: NN's disability protection pays benefits but has no savings or investment features, and is a risk-based annuity. Disability protection is sold as a rider to both defined benefit and defined contribution plans and can have recurring or single premiums.

<u>Individual pension products</u>

- ***Traditional individual pensions***: NN's traditional individual pensions consists of predominantly pensions savings products for small businesses and directors and principal shareholders.

- ***Unit-linked individual pensions***: NN's unit-linked individual pensions consists of predominantly pensions savings products for small businesses and directors and principal shareholders. Approximately 50% of this portfolio (excluding renewals or new production) is expected to have matured by 2016.

- ***Roll-over products***: NN's roll-over products or immediate annuity products are traditional life insurance products with guaranteed returns offered to retiring employees. Under an immediate annuity, the employee pays a single premium, in return for which NN agrees to make annual payments to the employee beginning immediately.

In 2013, the individual pension products accounted for 14% of Netherlands Life's GWP and 13% of Netherlands Life's APE. As at 31 December 2013, the individual pension products accounted for 18% of the technical reserves of the Pensions product line.

Individual Life Closed Block

NN's Individual Life Closed Block product line primarily consists of the closed block operation of the individual life portfolios (comprising a range of discontinued products sold prior to 2012) of: Nationale-Nederlanden, RVS and IVR (former Postbank Insurance). In 2012, NN decided to cease the sale of most individual life insurance products, consolidate the operations under the brand Nationale-Nederlanden and place the old portfolios in run-off, following the rapid decline of individual life sales and the shift by many customers to bank annuities (see "*Industry Overview—The Netherlands—Life insurance market—Industry trends and developments*"). Taking into account the expected run-off, the closed block portfolio is managed to reduce costs and move to a more flexible cost base, simplify the product portfolio and the operational process, release capital for NN as well as improve customer experience. Approximately 40% of the policies in the individual life closed block are expected to still be in-force by 2025. As at 31 December 2013, the closed block had EUR 26,114 million of technical reserves and consisted of approximately 3.5 million policies.

The remaining part of NN's Individual Life Closed Block product line relates to the sale of individual life insurance products in the form of new term life insurance and immediate annuity products introduced in 2012, with EUR 46 million of technical reserves and consisting of approximately 13 thousand policies as at 31 December 2013.

<u>Closed block policies</u>

NN's individual life closed block operation consists of the following types of portfolios:

- ***General account portfolio***:
  - *Funeral*: NN's funeral policies are traditional life insurance products with guaranteed insured amounts to cover the cost of the insured's funeral. The amounts insured are usually relatively low and there is lifelong coverage, with premiums paid until the age of 60 or 65.
  - *Pension-related endowment*: NN's traditional savings pension-related life insurance products are traditional individual savings plans with a single premium payment and benefits based on a guaranteed interest rate and including (non-guaranteed) profit-sharing. These policies were sometimes sold as deferred annuities carrying certain tax advantages for policyholders. The annual payments received by the policyholder are subject to a tax levy.
  - *Mortgage-related endowment*: NN's traditional savings mortgage-related life insurance products are traditional individual savings plans with recurring or single premium payments and benefits based on a guaranteed interest rate and (non-guaranteed) profit-sharing. These policies were sold in combination with mortgage loans.
  - *Traditional savings life insurance*: NN's traditional life insurance products are traditional individual savings plans with recurring or single premium payments and benefits based on a guaranteed interest rate and (non-guaranteed) profit-sharing. These policies were sold for a wide variety of savings purposes (for example to finance college tuition or repayment of loans).
  - *Term life and immediate annuities*: NN's individual life closed block portfolio includes term life and immediate annuities products sold prior to 2012.

In 2013, the general account portfolio accounted for 30% of Netherlands Life's GWP. As at 31 December 2013, the general account portfolio accounted for 82% of the technical reserves of the Individual Life Closed Block product line.

- ***Unit-linked portfolio***:
  - *Unit-linked/universal life savings*: NN's universal life and unit-linked capital policies provide savings from recurring or single premium payments. The value of the capital is based on the value of the investments at the chosen end date, with the possibility of guaranteeing a minimum return under certain conditions. Universal life and unit-linked savings can be regular, mortgage-related or annuity-related.

In 2013, the unit-linked portfolio accounted for 8% of Netherlands Life's GWP. As at 31 December 2013, NN had approximately 400,000 unit-linked policies that were still in-force and the unit-linked portfolio accounted for 18% of the technical reserves of the Individual Life Closed Block product line. Approximately 46% of the in-force policies were taken out with a view to receiving an annuity at maturity, 16% for the purpose of funding a mortgage loan redemption, and 38% for purposes not known to NN.

In line with guidelines of AFM and DNB, NN and its intermediaries are actively approaching the individual unit-linked policyholders in writing or by telephone to inform policyholders of the prospects of the policy for its remaining term. This includes providing advice as to whether the policy is still suited to the policyholders' individual needs and enables policyholders to, amongst others, continue the policy (unchanged), switch to alternative products or surrender the policy.

Active policies

NN's general account individual life insurance product offering consists of the following:

- ***Term life insurance***: NN's term life insurances (introduced in 2012) are traditional life insurance policies that pay death benefits without a savings or investment feature. NN's term life insurance products are mainly sold in combination with mortgage loans or investment accounts, and generally require recurring premium payments.

- ***Immediate annuities***: NN's immediate annuities (introduced in 2012) are traditional life insurance products with guaranteed returns for the customer. Under an immediate annuity, the annuitant pays a single premium, in return for which NN agrees to make lifelong annual payments to the annuitant beginning immediately. NN's immediate annuities are mainly sold to customers whose traditional life savings products are maturing.

In 2013, the active policies accounted for 2% of Netherlands Life's GWP and 16% of Netherlands Life's APE. As at 31 December 2013, the active policies accounted for close to 0% of the technical reserves of the Individual Life Closed Block product line.

AZL

AZL provides pension administration and management services primarily to mid-sized and large company- and industry-wide pension funds, with respect to defined benefit as well as defined contribution pension schemes, in the Netherlands. AZL also advises pension funds in relation to actuarial, legal and pension matters and on how to communicate pension-related matters to employers and employees. Since 2012, AZL (together with NN's life insurance business and NN Investment Partners) also offers PPI for defined contribution pension schemes for employers. AZL provides the pension administration platform for the PPI. As at 31 December 2013, AZL arranges the administration of 58 companies and industry-wide pension funds in the Netherlands. AZL recorded EUR 45 million of fee income in 2013.

Distribution

NN's Pension products are distributed through actuarial consulting firms that act as advisers to mid- and large-sized corporations (43% of Netherlands Life's group life APE in 2013) and through independent agents and brokers that act as advisers to SMEs (jointly 57% of Netherlands Life's group life APE in 2013).

NN's active individual life products are primarily distributed through intermediaries, such as independent agents and brokers (84% of Netherlands Life's individual life APE in 2013) and, to a lesser extent, through bancassurance, by ING Bank (with 268 branches, serving approximately 8.7 million retail customers) (6% of Netherlands Life's individual life APE in 2013), and NN's direct channel which is taking an increasingly important share (10% of Netherlands Life's individual life APE in 2013). The exclusive distribution agreement between NN and ING Bank is in place until 2022.

NN's wholly owned subsidiaries, Zicht and Mandema, are important distributors of NN's life insurance products in the Netherlands. Zicht and Mandema each act as broker for NN's life insurance business as well as for other insurance companies operating in the Dutch life insurance market. Their result is included in the Netherlands Non-life segment.

Netherlands Non-life

General

NN (including Movir) was the third largest provider of non-life insurance products (excluding healthcare insurance) in the Netherlands measured by GWP with a market share of 10.1% in 2012 (source: DNB). In 2013, the Netherlands Non-life segment recorded EUR 1,582 million GWP, representing 17% of NN's total GWP in 2013. In 2013, the Netherlands Non-life segment had an operating result (before tax) of EUR 79 million (including NN's wholly-owned insurance brokers Zicht and Mandema), representing 6% of NN's total operating result (before tax) from ongoing business (excluding the Other segment) in 2013. As at 31 December 2013, the equity allocated to the Netherlands Non-life segment was EUR 734 million. As at 31 December 2013, the Netherlands Non-life segment's had EUR 3,323 million of technical reserves.

NN offers a broad range of non-life products under the NN brand and the ING brand. Under the Movir brand, NN offers individual disability insurance to specific target groups amongst medical and business professionals. Movir furthermore has a particular focus on claims management and claims prevention. Movir by itself was the second largest provider of individual disability insurance in the Netherlands measured by GWP, with a market share of 13.1% in 2012. The total individual disability insurance market recorded EUR 1.5 billion of GWP in 2012 (source: Verbond van Verzekeraars). Further, Movir was recognised as an industry leader for the third consecutive year in 2012 (source: Association of Financial Advisers).

Products

NN offers a broad range of non-life products to retail, self-employed, SME and corporate customers in stand-alone as well as bundled form, with a focus on offering insurance bundles. NN's non-life products can be categorised as follows: (a) income/accident, comprising disability and accident (D&A) and travel insurance, and (b) property and casualty (P&C), comprising fire, motor and transport insurance and other insurances. In D&A insurance, NN (including Movir) was the second largest provider measured by GWP with a market share of 19.1% in 2012. In P&C insurance, NN was the fourth largest provider measured by GWP with a market share of 7.3% in 2012 (source: DNB).

The table below sets out the breakdown by product category of non-life insurance products in terms of GWP for the years ended 31 December 2013, 2012 and 2011.

GWP			
	for the year ended 31 December		
(in millions of EUR)	**2013**	**2012**	**2011**
Income/accident	700	743	726
P&C			
Fire[1]	350	367	371
Motor	339	329	313
Transport	23	24	23
Other	169	177	175
Total	**1,582**	**1,640**	**1,608**

(1) Including property damage, other natural forces and engineering policies.

NN's non-life insurance product offering consists of the following:

- ***Income/accident***: NN's income/accident insurance policies can be divided into individual and group disability and accident insurance policies. NN's individual disability and accident policies provide coverage to retail customers and self-employed persons for loss of income caused by accidents and illness (both physical and mental illness) with monthly payments based on a fixed sum, generally until the age of 65 or retirement age. Under the Movir brand, NN offers individual disability and accident insurance policies to medical and business professionals. NN's group disability insurance policies provide long-term coverage for mandatory salary payments to employees on paid sick leave during incapacity caused by disability or absenteeism. The duration of the coverage depends on the type of product and ranges from two to 12 years. NN's group accident insurance policies pay out a fixed amount in the event of serious bodily injury caused by an accident. NN also offers travel insurance policies, which are reported under the income/ accident product category. In 2013, the income/accident insurance policies accounted for 44% of Netherlands Non-life's GWP (31% offered under the NN brand and 13% offered under the Movir brand). As at 31 December 2013, the income/accident insurance policies accounted for 72% of Netherlands Non-life's technical reserves.

- ***Fire***: NN's fire policies provide coverage for a variety of property risks including fire, storm and burglary. Coverage is available for buildings, contents and business continuity. Coverage on commercial policies is usually provided on the basis of specified risks, with certain exceptions such as flood damage. Private coverage is provided on both a single-risk and multi-risk basis, with multi-risk policies providing coverage either for loss or damage to dwellings and damage to personal goods. NN's engineering policies provide coverage for losses caused by the breakdown of information technology, and for fire and theft or risks related to construction activities, including for third party liability and property damage. In 2013, the fire policies accounted for 22% of Netherlands Non-life's GWP. As at 31 December 2013, the fire policies accounted for 6% of Netherlands Non-life's technical reserves.

- ***Motor***: NN's motor policies provide third party liability coverage for motor vehicles, commercial fleets and agricultural and construction motorised vehicles, including property damage and bodily injury, as well as coverage for theft, fire and collision damage. Dutch law requires that coverage for third party liability be maintained for each licensed motor vehicle. Most of NN's motor insurance policies are offered in modular form, which enables policyholders to determine the characteristics of their coverage. In 2013, the motor policies accounted for 21% of Netherlands Non-life's GWP. As at 31 December 2013, the motor policies accounted for 13% of Netherlands Non-life's technical reserves.

- ***Transport***: NN's transport policies provide coverage for third party liabilities and cargo. In 2013, the transport policies accounted for 1% of Netherlands Non-life's GWP. As at 31 December 2013, the transport policies accounted for close to 0% of Netherlands Non-life's technical reserves.

- ***Other***: NN also offers other non-life insurance products, in particular third party liability policies and legal expenses policies, as well as events insurance. In 2013, the other non-life policies accounted for 11% of Netherlands Non-life's GWP. As at 31 December 2013, the other non-life policies accounted for 9% of Netherlands Non-life's technical reserves.

Distribution

NN distributes its non-life insurance products primarily through regular brokers (including banks, such as Rabobank, on an intermediary basis) (65% of Netherlands Non-life's GWP in 2013) and, to a lesser extent, through mandated brokers (19% of Netherlands Non-life's GWP in 2013), NN's direct channel (6% of Netherlands Non-life's GWP in 2013) and bancassurance (10% of Netherlands Non-life's GWP in 2013) by ING Bank (in the Netherlands with 268 branches, serving approximately 8.7 million retail customers, and until April 2014 ING Bank distributed motor insurance products of the Netherlands Non-life segment in Belgium with 752 branches, serving approximately 2.4 million retail customers). The exclusive distribution agreement between NN and ING Bank Netherlands is in place until 2022.

Since April 2014, NN has distributed motor insurance products of the Netherlands Non-life segment to retail customers in Belgium directly through NN Belgium under a preferred partner distribution agreement. NN intends to extend this offering by the end of 2014 to include fire, third party liability and legal aid insurance policies.

NN's wholly owned subsidiaries, Zicht and Mandema, are important distributors of NN's non-life insurance products in the Netherlands. Zicht and Mandema each act as a regular broker and mandated broker for NN's non-life insurance business as well as for other insurance companies operating in the Dutch non-life insurance market. As mandated brokers for NN's non-life insurance business, Zicht and Mandema sell non-life insurance products under their own brands, but underwritten by NN.

Insurance Europe

General

NN's Insurance Europe business comprises NN's business in CEE (which includes, for the purposes of the Insurance Europe segment, Poland, the Czech Republic, the Slovak Republic, Romania, Hungary, Bulgaria and Turkey) and in the rest of Europe (which includes, for the purposes of the Insurance Europe segment, Belgium, Spain, Greece and Luxembourg). The countries in which NN is active are a mixture of mature and growth markets. In Europe, NN was in 2012 the largest provider of life insurance in Romania and Hungary and had top-four positions in the Czech Republic and Greece, in each case measured by GWP, and NN was the largest provider of mandatory pensions in Poland, Romania and Hungary and voluntary pensions in Romania and the Slovak Republic, in each case measured by AuM.

In 2013, the Insurance Europe segment recorded EUR 2,344 million life insurance GWP, representing 25% of NN's total GWP in 2013. As at 31 December 2013, the pension funds offered in the Insurance Europe segment had EUR 22,825 million of AuM. The Insurance Europe segment recorded EUR 510 million of new business (measured by APE) in 2013, representing 42% of NN's total APE in 2013, which was primarily attributable to the voluntary pension market in Turkey, the life insurance market in Poland, and Spain and Belgium as a whole. The Insurance Europe segment had an operating result (before tax) of EUR 199 million in 2013, representing 16% of NN's total operating result (before tax) from ongoing business (excluding the Other segment) in 2013. As at 31 December 2013, the Insurance Europe segment's allocated equity was EUR 1,898 million and its technical reserves were EUR 19,484 million.

The following three tables set out the breakdown by country in terms of GWP, percentage of Insurance Europe's total GWP, AuM, APE, percentage of Insurance Europe's total APE, operating result (before tax), percentage of the Insurance Europe segment's total operating result (before tax), allocated equity and technical reserves for the years ended/as at 31 December 2013, 2012 and 2011 and cost/income ratio as at 31 December 2013.

Financial indicators

	for the year ended/as at 31 December 2013 (unaudited)												
(in millions of EUR/ % of total)	**GWP[1]**			**AuM[3]**	**APE**		**Oper. result**		**Oper. Income**	**C/i ratio[5]**	**Admin. expenses**	**Alloc. equity**	**Tech. reserves**
	Life *EUR*	**Non-life**	*%*	**Pensions** *EUR*	*EUR*	*%*	*EUR*	*%*	*EUR*	*%*	*EUR*	*EUR*	*EUR*
CEE													
Poland	483	—	21%	17,375 6	105	21%	111	56%	205	27%	55	373	2,002
Czech Republic	207	—	9%	1,032	33	6%	21	11%	86	40%	35	127	1,197[7]
Slovak Republic	79	—	3%	1,130	23	5%	12	6%	47	47%	22	74	427
Romania	123	—	5%	1,258	32	6%	11	5%	51	53%	27	86	559
Hungary	231	—	10%	471	23	5%	10	5%	73	45%	33	125	1,240
Bulgaria	8	—	0%	352	11	2%	-2	-1%	7	114%	8	-16	22
Turkey	27[2]	—	1%	472	136	27%	-14	-7%	19	105%	20	86	19
Rest of Europe													
Belgium	410	54	20%	—	42	8%	41	20%	156	22%	47	1553	7,093
Spain	443	23	20%	572	64	13%	18	9%	88	41%	43	393	3,386
Greece	232	—	10%	—	26	5%	-11	-5%	69	39%	27	56	1,111
Luxembourg	24	—	1%	—	15	3%	5	3%	25	36%	9	39	2,523
Other[4]	—	—	—	—	—	—	-2	—	—	33%	—	4	—
Eliminations	—	—	—	—	—	—	—	—	—	—	—	—	-95
Total	**2,267**	**77**	**100%**	**22,662**	**510**	**100%**	**199**	**100%**	**826**	**36%**	**326**	**1,898**	**19,484**

(1) Excluding pensions and insurance products for which the relevant NN entities act as a distributor for third parties.

(2) Including non-life riders.

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

(4) This concerns a dormant entity in the Ukraine and an entity in Hungary that provides regional actuarial services to NN's businesses in CEE.

(5) Cost/income ratio (administrative expenses/operating income).

(6) Please note that in February 2014 a pension reform took place in Poland. As a result of this reform, the Polish industry of mandatory (second pillar) personal pension plans reduced from EUR 66 billion measured by AuM in 2012 to EUR 37 billion as of 28 February 2014 (see "*Industry—Central and Eastern Europe—Industry trends and developments—Pension reform in Poland*".

(7) In 2013, following regulatory changes in the pension industry in the Czech Republic, the third pillar pension fund was eliminated from the consolidated balance sheet, which impacted the technical reserves.

Financial indicators

(in millions of EUR/ % of total)	GWP[1] Life	GWP[1] Non-life	AuM[4]	AuM[4] Pensions	APE	APE	Oper. result	Oper. result	Oper. Income	C/i ratio[6]	Admin. expenses	Alloc. equity	Tech. reserves
	for the year ended/as at 31 December 2012 (unaudited)												
	EUR		%	EUR	EUR	%	EUR	%	EUR	%	EUR	EUR	EUR
CEE													
Poland	421	—	15%	15,716	79	15%	109	50%	198	29%	57	363	2,058
Czech Republic	348	1[2]	12%	978	53	10%	37	17%	110	32%	36	238	2,461
Slovak Republic	79	—	3%	1,085	20	4%	14	6%	50	48%	24	90	449
Romania	118	—	4%	885	27	5%	12	5%	56	55%	31	86	506
Hungary	220	—	8%	384	27	5%	-2	-1%	80	60%	48	117	1,324
Bulgaria	7	—	0%	280	7	1%	-3	-1%	6	150%	9	-14	17
Turkey	23[3]	—	1%	464	92	17%	-9	-4%	17	88%	15	104	19
Rest of Europe													
Belgium	730	48	27%	—	80	15%	31	14%	154	22%	46	601	7,895
Spain	390	23	15%	535	64	12%	28	13%	88	35%	37	405	3,314
Greece	307	—	11%	—	29	6%	-2	-1%	80	39%	32	48	1,113
Luxembourg	116	—	4%	—	49	9%	4	2%	28	39%	11	46	2,727
Other[5]	—	—	—	—	—	—	-1	0%	—	50%	—	-2	—
Eliminations	—	—	—	—	—	—	—	—	—	—	—	—	-227
Total	**2,759**	**72**	**100%**	**20,327**	**526**	**100%**	**219**	**100%**	**867**	**37%**	**346**	**2,082**	**21,655**

(1) Excluding pensions and insurance products for which the relevant NN entities act as a distributor for third parties.
(2) This concerns former healthcare insurance business which was closed in 2012.
(3) Including non-life riders.
(4) The numbers shown under AuM are client balances which exclude shareholder's equity related to the respective pension businesses and include the assets under administration.
(5) This concerns a dormant entity in the Ukraine and an entity in Hungary that provides regional actuarial services to NN's businesses in CEE.
(6) Cost/income ratio (administrative expenses/operating income).

Financial indicators

(in millions of EUR/ % of total)	GWP[1] Life	GWP[1] Non-life	AuM[4]	AuM[4] Pensions	APE	APE	Oper. result	Oper. result	Oper. Income	C/i ratio[6]	Admin. expenses	Alloc. equity	Tech. reserves
	for the year ended/as at 31 December 2011 (unaudited)												
	EUR		%	EUR	EUR	%	EUR	%	EUR	%	EUR	EUR	EUR
CEE													
Poland	494	—	15%	11,928	104	21%	127	48%	215	26%	55	347	1,756
Czech Republic	356	1[2]	11%	950	33	7%	46	17%	113	33%	38	214	2,307
Slovak Republic	80	—	2%	942	17	3%	15	6%	50	46%	23	92	410
Romania	127	—	4%	613	26	5%	7	3%	51	61%	31	78	462
Hungary	263	—	8%	313	39	8%	2	1%	97	59%	57	223	1,343
Bulgaria	6	—	0%	224	8	2%	-2	-1%	5	140%	7	-13	12
Turkey	17[3]	—	1%	320	46	9%	—	0%	9	111%	10	86	12
Rest of Europe													
Belgium	961	44	31%	—	103	21%	51	19%	177	18%	43	584	7,580
Spain	491	22	16%	420	60	12%	23	9%	85	45%	45	244	3,279
Greece	297	—	9%	—	25	5%	—	0%	86	40%	35	-170	1,069
Luxembourg	72	—	2%	—	31	6%	8	3%	32	31%	10	34	2,439
Other[5]	—	—	—	—	—	—	-11	-4%	—	—	—	—	—
Eliminations	—	—	—	—	—	—	—	—	—	—	—	—	-241
Total	**3,164**	**66**	**100%**	**15,710**	**490**	**100%**	**266**	**100%**	**920**	**37%**	**354**	**1,720**	**20,428**

(1) Excluding pensions and insurance products for which the relevant NN entities act as a distributor for third parties.
(2) This concerns former healthcare insurance business which was closed in 2012.
(3) Including non-life riders.
(4) The numbers shown under AuM are client balances which exclude shareholder's equity related to the respective pension businesses and include the assets under administration.
(5) This concerns a dormant entity in the Ukraine and an entity in Hungary that provides regional actuarial services to NN's businesses in CEE.
(6) Cost/income ratio (administrative expenses/operating income).

Products

NN primarily offers life insurance (which includes healthcare insurance for Greece) through Insurance Europe (75% of Insurance Europe's operating result (before tax) in 2013. NN's life insurance products consist of traditional life insurance products, unit-linked life insurance products and protection products. These products accounted for, respectively, 13%, 26% and 24% of Insurance Europe's APE in 2013. NN also offers pension products in CEE and Spain (22% of Insurance Europe's operating result (before tax) in 2013, in particular mandatory pension funds and voluntary pension funds. The mandatory pension funds accounted for 5% and the voluntary pensions funds accounted for 32% of Insurance Europe's APE in 2013. NN furthermore offers non-life insurance products in Belgium and Spain (3% of Insurance Europe's operating result (before tax) in 2013. The life insurance and pension products are primarily offered to retail customers and, to a lesser extent, to self-employed, SME and corporate customers. The non-life insurance products are offered to retail customers and corporate customers.

The table below sets out the product types offered by NN's Insurance Europe segment in each country as at the date of this Prospectus.

Product types offered by NN's Insurance Europe segment (*)

	Traditional		Unit-linked		Protection		Pensions		Non-life
	Annual	*Single*	*Annual*	*Single*	*Annual*	*Single*	*Mandatory*	*Voluntary*	
CEE									
Poland	X	—	X	X	X	—	X	X	—
Czech Republic	X	—	X	—	X	—	—	X	—
Slovak Republic	X	—	X	—	X	—	X	—	
Romania	X	X	X	X	X	X	X	X	—
Hungary	X	—	X	X	X	—	X	X	—
Bulgaria	X	X	X	X	X	X	X	X	—
Turkey	—	—	—	—	X	X	—	X	—
Rest of Europe									
Belgium	X	X	—	X	X	X	—	—	X
Spain	X	X	X	X	X	—	—	X	X
Greece	X	—	X	X	X	—	—	—	—
Luxembourg	X	X	—	X	—	X	—	—	—

(1) The classification in product types for each country within the Insurance Europe segment follows the local classification regulations. This table excludes insurance products for which the relevant NN entities act as a distributor for third parties.

Distribution

NN's Insurance Europe distribution channels have been adapted to accommodate distribution trends and country-specific dynamics. Tied agents (37% of Insurance Europe's APE in 2013 versus 42% of Insurance Europe's APE in 2011) are the principal distribution channel in most CEE countries and bancassurance is the sole distribution channel in Belgium. In several countries, such as Spain and Turkey, distribution through bancassurance (31% of Insurance Europe's APE in 2013 versus 39% of Insurance Europe's APE in 2011), with ING Bank as NN's main bancassurance distributor, and brokers (28% of Insurance Europe's APE in 2013 versus 17% of Insurance Europe's APE in 2011) is increasing. There are several distribution agreements in place between the different entities that form part of the Insurance Europe segment and the corresponding local ING Bank. NN has also started distribution through its direct channel in Poland, the Czech and Slovak Republics, Romania and Spain (4% of Insurance Europe's APE in 2013 versus 2% of Insurance Europe's APE in 2011).

Central and Eastern Europe

Poland

General

Nationale-Nederlanden Poland commenced operations in 1994. In 2012, Nationale-Nederlanden Poland was the seventh largest provider of life insurance products measured by GWP with a market share of 4.9% and the largest provider of mandatory pension products measured by AuM with a market share of 23.8% in Poland (source: KNF). In addition, Nationale-Nederlanden Poland had a market share of 19.7% as a provider of voluntary pension products measured by AuM in 2012 in Poland (source: NN). In 2013, Nationale-Nederlanden Poland's operating income was EUR 205 million, of which 70% related to fees and premium-based revenues.

Products

Nationale-Nederlanden Poland offers traditional, unit-linked and protection life insurance and pension products to retail, SME and corporate customers with a focus on protection insurance policies.

Nationale-Nederlanden Poland's life insurance product offering consists of the following:

- ***Traditional policies***: recurring premium endowment products with and without guarantees. Traditional policies accounted for 1% of Nationale-Nederlanden Poland's APE in 2013;
- ***Unit-linked policies***: recurring and single premium medium- and long-term life insurance products which are offered in pure unit-linked and hybrid form with protection riders and voluntary pension fund products (IKE and IKZE) in the form of riders to unit-linked policies. Unit-linked policies accounted for 46% of Nationale-Nederlanden Poland's APE in 2013; and
- ***Protection policies***: recurring premium medium- and long-term life insurance products. These products can be combined with illness and disability policies or sold as a rider to unit-linked policies. Protection policies accounted for 39% of Nationale-Nederlanden Poland's APE in 2013.

Nationale-Nederlanden Poland manages one mandatory and two voluntary pension funds, open to retail customers. The mandatory pension funds accounted for 8% and the voluntary pension funds accounted for 6% of Nationale-Nederlanden Poland's APE in 2013. The mandatory pension fund is an open pension fund (OPF) (see "*Industry Overview—Europe—Central and Eastern Europe—Poland*"). The voluntary pension funds consist of personal pension accounts (IKE) and individual pension protection accounts (IKZE). The pension funds are all on a defined contribution basis. The IKE and IKZE products are offered as stand-alone products or as a rider to Nationale-Nederlanden Poland's unit-linked policies. Customers are by law free to switch between mandatory as well as voluntary pension funds at any time (with a transfer fee in the first year for voluntary pension funds).

Distribution

Nationale-Nederlanden Poland distributes its life insurance products primarily through tied agents (42% of Nationale-Nederlanden Poland's APE in 2013), brokers (29% of Nationale-Nederlanden Poland's APE in 2013), Nationale-Nederlanden Poland's direct channel (9% of Nationale-Nederlanden Poland's APE in 2013) and bancassurance (20% of Nationale-Nederlanden Poland's APE in 2013), amongst others, by ING Bank Poland (with 417 branches, serving approximately 3.4 million retail customers), Raiffeisen Polbank (with 400 branches, serving approximately 900 thousand retail customers), Alior Bank (with 431 branches, serving approximately 2 million retail customers). The non-exclusive distribution agreement between Nationale-Nederlanden Poland and ING Bank Poland is in place until 2024 and the non-exclusive distribution agreements with Raiffeisen Polbank and Alior Bank have indefinite terms.

Czech Republic

General

NN Czech Republic commenced operations in 1992. In 2012, NN Czech Republic was the fourth largest provider of life insurance products measured by GWP and the sixth largest provider of voluntary pension funds measured by AuM, with a market share of 10.5% and 10%, respectively, in the Czech Republic (source: Czech Insurance Association and Association of Pension Funds Czech Republic). In 2013, NN Czech Republic's operating income was EUR 87 million, of which 58% related to fees and premium-based revenues.

NN Czech Republic's pension business includes a closed block voluntary pension fund, which was open to retail customers from 1995 to 2012 until the pension reform in 2012 that required NN Czech Republic to cease offering this voluntary pension fund to new customers as it did not comply with the new legislation (see "*Industry Overview—Europe—Central and Eastern Europe—Industry trends and developments*"). This voluntary pension fund provides pension insurance on a defined benefit basis. As at 31 December 2013, the AuM of the closed block fund were EUR 898 million.

Products

NN Czech Republic offers a range of life insurance products and a voluntary pension fund to retail customers. In addition, NN Czech Republic offers a wide range of riders which can be combined with each of NN Czech Republic's insurance products. NN Czech Republic focuses on traditional endowment policies, unit-linked policies and riders.

NN Czech Republic's life insurance product offering consists of the following:

- ***Traditional policies***: recurring premium endowment products and riders (primarily injury and healthcare-related). Traditional policies accounted for 12% of NN Czech Republic's APE in 2013;
- ***Unit-linked policies***: recurring premium unit-linked products and riders (primarily injury and healthcare-related). Unit-linked policies accounted for 37% of NN Czech Republic's APE in 2013; and
- ***Protection policies***: recurring premium accidental insurance, risk insurance, 55+ risk insurance, breast cancer insurance for women and riders (primarily injury and healthcare-related). Protection policies accounted for 32% of NN Czech Republic's APE in 2013.

NN Czech Republic manages one voluntary pension fund on a defined contribution basis, which is open to retail customers. This fund provides a pension savings scheme in which customers can allocate their assets between several funds and are entitled to define the level of their contributions. The Czech State matches the employees' contributions, depending on the level of their contribution. Customers are by law free to switch between pension funds at any time. The voluntary pension fund accounted for 19% of NN Czech Republic's APE in 2013.

Distribution

NN Czech Republic's life insurance products are primarily distributed through brokers (50% of NN Czech Republic's APE in life insurance in 2013) and tied agents (45% of NN Czech Republic's APE in life insurance in 2013). To a lesser extent, products are distributed through bancassurance (5% of NN Czech Republic's APE in life insurance in 2013), by GE Money Bank Czech Republic (with 259 branches, serving approximately 1.06 million retail customers). In addition, direct channel capabilities are being developed by NN Czech Republic (1% of NN Czech Republic's APE in life insurance in 2013).

NN Czech Republic's voluntary pension fund is distributed through NN Czech Republic's direct channel (48% of NN Czech Republic's APE in pensions in 2013), tied agents (23% of NN Czech Republic's APE in pensions in 2013), bancassurance (18% of NN Czech Republic's APE in pensions in 2013), by GE Money Bank Czech Republic (with 259 branches, serving approximately 1.06 million retail customers), and brokers (11% of NN Czech Republic's APE in pensions in 2013).

The exclusive distribution agreement between NN Czech Republic and GE Money Bank Czech Republic is in place until November 2014. Discussions are ongoing between NN Czech Republic and GE Money Bank Czech Republic regarding a new distribution agreement.

Overall, NN Czech Republic's distribution mix is as follows: brokers (42% of NN Czech Republic's APE in 2013), tied agents (41% of NN Czech Republic's APE in life insurance in 2013), NN Czech Republic's direct channel (10% of NN Czech Republic's APE in 2013) and bancassurance (7% of NN Czech Republic's APE in 2013).

Slovak Republic

General

NN Slovak Republic commenced operations in 1996. In 2012, NN Slovak Republic was the sixth largest provider of life insurance products measured by GWP with a market share of 6.7% and the fourth largest provider of mandatory (second pillar) pension funds (which were re-qualified into voluntary pension funds in 2013) and the largest provider of voluntary third pillar pension funds measured by AuM, with a market share of 11.0% and 37.3%, respectively, in the Slovak Republic (source: Slovak Insurance Association and Association of Pension Fund Management Companies).

NN Slovak Republic was furthermore the third largest provider of riders measured by GWP, with a 13% market share in 2013 (source: Slovak Insurance Association). In 2013, NN Slovak Republic's operating income was EUR 47 million, of which 71% related to fees and premium-based revenues.

Products

NN Slovak Republic offers a range of life insurance products to retail and corporate customers and voluntary pension funds to retail customers. In addition, NN Slovak Republic offers a wide range of riders that can be combined with each of NN Slovak Republic's insurance products. NN Slovak Republic focuses on offering its products in combination with riders.

NN Slovak Republic's life insurance product offering consists of the following:

- ***Traditional policies***: recurring premium endowment products and riders (primarily injury and healthcare-related). Traditional policies accounted for 6% of NN Slovak Republic's APE in 2013;
- ***Unit-linked policies***: recurring premium unit-linked products and riders (primarily injury and healthcare-related). Unit-linked policies accounted for 10% of NN Slovak Republic's APE in 2013; and
- ***Protection policies***: recurring premium accidental insurance, risk insurance, 55+ risk insurance, and riders (primarily injury and healthcare-related). Protection policies accounted for 20% of NN Slovak Republic's APE in 2013.

NN Slovak Republic manages four voluntary second pillar pension funds (which qualified as mandatory pension funds until 2013) and four voluntary third pillar pension funds on a defined contribution basis, open to retail customers. The level of contribution in the voluntary second pillar pension funds, by the employee and the employer, is determined by law. The employee can also make additional contributions. The voluntary third pillar pension fund consists of individual savings accounts. The employee determines the level of contributions. Customers are by law free to switch between voluntary second pillar pension funds as well as voluntary third pillar pension funds at any time (with a transfer fee after the first year). The voluntary pensions fund accounted for 64% of NN Slovak Republic's APE in 2013.

Distribution

NN Slovak Republic's life insurance products are predominantly distributed through tied agents (70% of NN Slovak Republic's APE in life insurance in 2013) and, to a small extent, through brokers (30% of NN Slovak Republic's APE in life insurance in 2013). Direct distribution channel capability is being developed by NN Slovak Republic.

NN Slovak Republic's voluntary second pillar pension funds are distributed through tied agents (17% of NN Slovak Republic's APE in second pillar pension funds in 2013), brokers (5% of NN Slovak Republic's APE in second pillar pension funds in 2013) and NN Slovak Republic's direct channel (1% of NN Slovak Republic's APE in second pillar pension funds in 2013). However, the majority of the participants in NN Slovak Republic's voluntary second pillar pension funds (77% of NN Slovak Republic's APE in second pillar pension funds in 2013) are allocated to NN Slovak Republic by the government.

NN Slovak Republic's voluntary third pillar pension funds are distributed through tied agents (95% of NN Slovak Republic's APE in third pillar pension fund in 2013), brokers (3% of NN Slovak Republic's APE in third pillar pension fund in 2013), NN Slovak Republic's direct channel (1% of NN Slovak Republic's APE in third pillar pension fund in 2013) and bancassurance (1% of NN Slovak Republic's APE in pensions in third pillar pension fund in 2013), by VUB Banka (with 247 branches) and, since 2014, by Sberbank (with 42 branches). The non-exclusive distribution agreements between NN Slovak Republic and each of VUB Banka and Sberbank, have an indefinite term.

Overall, NN Slovak Republic's distribution mix is as follows: tied agents (86% of NN Slovak Republic's APE in 2013), brokers (13% of NN Slovak Republic's APE in 2013) and bancassurance (1% of NN Slovak Republic's APE in 2013).

Romania

General

NN Romania commenced operations in 1997. In 2012, NN Romania was the largest provider of life insurance products measured by GWP with a market share of 30.2% and the largest provider of mandatory pension funds as well as voluntary pension funds by AuM, with a market share of 38.0% and 46.4%, respectively, in Romania (source: Romanian Financial Supervisory Authority). In 2013, NN Romania's operating income was EUR 51 million, of which 68% related to fees and premium-based revenues.

Products

NN Romania offers a range of life insurance products and mandatory and voluntary pension funds to retail, SME and corporate customers with a focus on traditional savings and protection products.

NN Romania's life insurance product offering consists of the following:

- ***Traditional policies***: recurring and single premium endowment policies and student savings products. Traditional policies accounted for 16% of NN Romania's APE in 2013;
- ***Unit-linked policies***: recurring and single premium unit-linked investment and savings products with a protection component. Unit-linked policies accounted for 13% of NN Romania's APE in 2013; and
- ***Protection policies***: recurring and single premium term life insurance, riders (primarily healthcare-related, accidental death, disability and critical illness), credit life insurance sold in combination with mortgage loans and personal loans of ING Bank Romania and protection covers sold to corporate clients as employee benefits package. Protection policies accounted for 29% of NN Romania's APE in 2013.

NN Romania manages one mandatory pension fund, open to retail customers, and two voluntary pension funds, open to retail and corporate customers, all on a defined contribution basis. The mandatory pension funds accounted for 19% and the voluntary pension funds accounted for 23% of NN Romania's APE in 2013. The mandatory pension fund provides individual savings accounts. In 2014, the permitted level of contribution to mandatory pension funds is set at 4.5% of the employee's monthly gross salary. This percentage will by law increase by 0.5% per year until it reaches 6% in 2016. Voluntary pension funds provide individual savings accounts. The maximum level of contribution to voluntary pension funds is 15% of the employee's monthly gross salary. The contributions are partly tax-deductible. Customers are by law free to switch between mandatory and voluntary pension funds at any time (with a transfer fee in the first two years).

Distribution

NN Romania's life insurance products are primarily distributed through tied agents (74% of NN Romania's APE in life insurance in 2013) and, to a lesser extent, through bancassurance (26% of NN Romania's APE in life insurance in 2013), by ING Bank Romania (with 158 branches, serving approximately 1 million retail customers), Garanti Bank (with 78 branches) and Piraeus Bank (with 140 branches). The non-exclusive distribution agreement between NN Romania and ING Bank Romania is in place until 2024. The non-exclusive distribution agreements with Garanti Bank and Piraeus Bank are automatically renewable every 3 years.

NN Romania's voluntary pensions are primarily distributed through tied agents (91% of NN Romania's APE in pensions in 2013) and, to a lesser extent, through brokers (8% of NN Romania's APE in pensions in 2013) and bancassurance (1% of NN Romania's APE in pensions in 2013). NN Romania's direct channel is being developed for corporate customers. In the mandatory pension market, new entrants consist only of persons employed for the first time, as the great majority of eligible persons already participate in a private mandatory pension fund. Due to very low active sales, new entrants are predominantly allocated by the government on a random basis and in equal shares to all administrators, in accordance with Romanian law.

Overall, NN Romania's distribution mix is as follows: tied agents (69% of NN Romania's APE in 2013), bancassurance (15% of NN Romania's APE in 2013), NN Romania's direct channel (10% of Romania's APE in 2013) and brokers (6% of NN Romania's APE in 2013).

Hungary

General

NN Hungary commenced operations in 1991. In 2012, NN Hungary was the largest provider of life insurance products measured by GWP with a market share of 16.5%, the largest provider of mandatory pension funds and the sixth largest provider of voluntary pension funds measured by AuM, with a market share of 24.2% and 6.5%, respectively, in Hungary (source: Association of Hungarian Insurance Companies and Central Bank of Hungary). In 2013, NN Hungary's operating income was EUR 73 million, of which 71% related to fees and premium-based revenues.

NN Hungary's pension business includes a small closed block mandatory pension fund, which was open to retail customers from 1998 until the legislative reform of the mandatory pension fund system in 2011 (see "*Industry Overview—Europe—Central and Eastern Europe–Hungary—Pension industry*"). This mandatory pension fund provides individual capitalisation accounts on a defined contribution basis. Customers of mandatory pension funds are by law free to switch between mandatory pension funds at any time. As at 31 December 2013, the AuM of the closed block fund were EUR 243 million.

Products

NN Hungary offers a wide range of life insurance products and a voluntary pension fund to primarily retail customers.

NN Hungary's life insurance product offering consists of the following:

- ***Traditional policies***: recurring premium endowment policies with guarantees and accidental and healthcare insurance riders. Traditional policies accounted for 9% of NN Hungary's APE in 2013;
- ***Unit-linked policies***: recurring and single premium unit-linked insurance products and recurring premium variable annuity unit-linked insurances with a guaranteed minimum capital and accidental and healthcare insurance riders. Unit-linked policies accounted for 60% of NN Hungary's APE in 2013; and
- ***Protection policies***: recurring premium term life insurance policies, which are offered as stand-alone products as well as riders to traditional or unit-linked products with recurring premiums, and recurring premium whole-life insurance policies with guarantee features and accidental and healthcare insurance riders. Protection policies accounted for 28% of NN Hungary's APE in 2013.

NN Hungary manages one voluntary pension fund on a defined contribution basis, open to retail customers. The voluntary pension fund provides individual savings accounts. Customers are by law free to switch between pension funds at any time. The voluntary pensions fund accounted for 3% of NN Hungary's APE in 2013. As a result of the pension reform in Hungary of 2011 (see "*Industry—Central and Eastern Europe (CEE)—Industry trends and developments*"), NN Hungary will no longer manage mandatory and voluntary pension funds as of August 2014.

NN Hungary also acts as distributor primarily for fire insurance policies of third party insurance companies to retail customers. In addition, NN Hungary acts as a distributor for third party banks, distributing banking products such as credit cards, bank accounts and building society products. In 2013, NN Hungary recorded EUR 537,000 of fee and commission income in relation to these distribution activities. As of August 2014, NN Hungary will also act as distributor of third party voluntary pension funds.

Distribution

NN Hungary distributes its life insurance products almost entirely through tied agents (92% of NN Hungary's APE in life insurance in 2013) and, to a small extent, through brokers (1% of NN Hungary's APE in life insurance in 2013) and bancassurance (7% of NN Hungary's APE in life insurance in 2013), by GE Money Bank (with 101 branches, serving approximately 0.6 million retail customers), Erste Bank (with 140 branches, serving approximately 0.6 million retail customers) and Citi Bank (with 13 branches, serving approximately 200 thousand retail customers). The non-exclusive distribution agreements between NN Hungary and each of GE Money Bank, Erste Bank and Citi Bank all have an indefinite term.

NN Hungary's voluntary pension fund is solely distributed through tied agents (100% of NN Hungary's APE in pensions in 2013).

Overall, NN Hungary's distribution mix is as follows: tied agents (92% of NN Hungary's APE in 2013), bancassurance (7% of NN Hungary's APE in 2013), and brokers (1% of NN Hungary's APE in 2013). NN Hungary terminated the distribution agreements with its brokers as of the second quarter of 2013.

Bulgaria

General

NN Bulgaria commenced operations in 2001. In 2012, NN Bulgaria was the eighth largest provider of life insurance products measured by GWP with a market share of 5.0% (source: NN), the fifth largest provider of mandatory pension funds and the third largest provider of voluntary pension funds measured by AuM, with a market share of 9.8% and 11.8%, respectively, in Bulgaria (source: NN and Bulgarian Financial Supervision Commission). In 2013, NN Bulgaria's operating income was EUR 7 million, of which 59% related to fees and premium-based revenues.

Products

NN Bulgaria offers mandatory and voluntary pension funds, and, to a lesser extent, a range of life insurance products, to retail and corporate customers with a focus on retirement savings and protection products.

NN Bulgaria's life insurance product offering consists of the following:

- ***Traditional policies***: single and recurring premium endowment policies and key employees' retention insurances. Traditional policies accounted for 9% of NN Bulgaria's APE in 2013;

- ***Unit-linked policies***: single and recurring premium standardised products. Unit-linked policies accounted for 4% of NN Bulgaria's APE in 2013; and

- ***Protection policies***: single and recurring premium term life insurances and riders (accidental death, accidental disability, waiver of premium, dread disease, hospital benefit and surgical benefit) and recurring premium group credit life insurance sold in combination with mortgages and personal loans. Protection policies accounted for 3% of NN Bulgaria's APE in 2013.

NN Bulgaria manages two mandatory pension funds and one voluntary pension fund on a defined contribution basis, open to retail customers with a focus on affluent retail customers. The mandatory pension funds accounted for 77% and the voluntary pension funds accounted for 7% of NN Bulgaria's APE in 2013. The mandatory pension funds consist of one universal pension fund and one occupational pension fund. The universal pension fund provides individual savings accounts. The occupational pension fund provides individual savings accounts to employees working in hazardous environments. The voluntary pension fund also provides individual accounts. Customers are by law free to switch between mandatory pension funds after a certain time period has elapsed and between voluntary funds at any time.

Distribution

NN Bulgaria distributes its life insurance products solely through tied agents (100% of NN Bulgaria's APE in life insurance in 2013). NN Bulgaria distributes its mandatory and voluntary pension funds also solely through tied agents (100% of NN Bulgaria's APE in pensions in 2013).

Turkey

General

In 2008, NN Turkey was acquired by NN from Oyak. In 2012, NN Turkey was the fifteenth largest provider of life insurance products measured by GWP and the sixth largest provider of voluntary pension products measured by AuM with a market share of 1.8% and 5.4%, respectively, in Turkey (source: Insurance Association of Turkey and Pension Monitoring Centre). In 2013, NN Turkey's operating income was EUR 19 million, of which 7% related to fees and premium-based revenues of pension products and 93% to life insurance products.

Products

NN Turkey offers protection and pension products to retail, SME and corporate customers with credit-linked term life insurance products and voluntary pension funds as its main products. In addition, NN Turkey offers, to a very small extent, non-life insurance riders to NN Turkey's life insurance and personal accident policies.

NN Turkey's life insurance product offering consists of the following:

- ***Protection policies***: single premium credit life insurance is sold in combination with personal loans of ING Bank Turkey, recurring premium group term life insurances, and personal accident and disability policies. The term life policies can be supplemented by accidental death, accidental disability, disability due to sickness, critical illness, and emergency healthcare policies. The personal accident policies (which include accidental death and accidental disability) can be supplemented by involuntary unemployment insurance and temporary disability insurance, and emergency healthcare insurance. Protection policies accounted for 11% of NN Turkey's APE in 2013.

NN Turkey manages eight voluntary pension funds open to retail and corporate customers. In addition, NN Turkey manages one quasi-mandatory pension fund (a government contribution fund) for retail customers receiving a government contribution of 25% of national minimum gross salary. NN Turkey's voluntary pension funds portfolio consists of individual pension accounts and corporate pension accounts. The employee is free to determine the level of contribution. Customers are by law free to switch between voluntary pension funds at any time. All pension funds are on a defined contribution basis. The pension funds accounted for 89% of NN Turkey's APE in 2013.

NN Turkey also offers non-life insurance riders to NN Turkey's life insurance and personal accident policies through reinsurance companies. These riders concern critical illness, emergency healthcare, involuntary unemployment and temporary disability.

Distribution

NN Turkey's life insurance products are mainly distributed through bancassurance (73% of NN Turkey's APE in life insurance in 2013), by ING Bank Turkey (with 324 branches, serving approximately 1.7 million retail customers), and, to a lesser extent, through brokers and independent agents (jointly 20% of NN Turkey's APE in life insurance in 2013). The exclusive distribution agreement between NN Turkey and ING Bank Turkey is in place until 2024.

NN Turkey distributes its voluntary pension funds primarily through brokers (56% of NN Turkey's APE in pensions in 2013) and bancassurance (42% of NN Turkey's APE in pensions in 2013), by ING Bank Turkey (with 324 branches, serving approximately 1.7 million retail customers) and Anadolu Bank (with 116 branches, serving approximately 147 thousand retail customers). The distribution agreement between NN Turkey and Anadolu Bank has an indefinite term.

Overall, NN Turkey's distribution mix is as follows: brokers (51% of NN Turkey's APE in 2013), bancassurance (47% of NN Turkey's APE in 2013) and NN Turkey's direct channel (2% of NN Turkey's APE in 2013).

Rest of Europe

Belgium

General

NN Belgium's history dates back to 1913. In 2001, ING merged the insurance companies De Vaderlandsche, RVS and BBL Insurance (which were each acquired by ING in the past) to form ING Insurance Belgium. In 2007, the broker and employee benefit business was sold, after which NN Belgium took its current form. In 2012, NN Belgium was the tenth largest provider of life insurance products and the twelfth largest provider of non-life insurance products measured by GWP with a market share of 3.3% and 1.2%, respectively, in Belgium (source: Assuralia). In 2013, NN Belgium's operating income was EUR 206 million, of which 26% related to fees and premium-based revenues, 29% to investment margin and 24% to non-life insurance products.

Products

NN Belgium offers a range of life insurance products to retail customers and self-employed persons with a focus on term life insurances and a unique unit-linked annuity product. This latter product offers a lifelong guarantee and a surrender option to receive the remaining assets. In addition, and to a lesser extent, NN Belgium also offers non-life insurance products to retail customers.

NN Belgium's life insurance product offering consists of the following:

- ***Traditional policies***: single and recurring premium saving plans and saving plans for pensions and pension products for self-employed persons and single premium investment products and mortality riders linked to saving plans. Traditional policies accounted for 62% of NN Belgium's APE in 2013;

- ***Unit-linked policies***: single premium annuity products with a minimum guarantee, offering a guaranteed minimum lifelong benefit. Unit-linked policies accounted for 16% of NN Belgium's APE in 2013; and

- ***Protection policies***: single and recurring premium term life insurances, mostly linked to mortgages and personal loans, and recurring premium personal accident and disability policies and disability riders. Protection policies accounted for 22% of NN Belgium's APE in 2013.

NN Belgium's non-life insurance products consist of fire, liability and legal aid insurance products for retail customers. NN Belgium expects to discontinue the offering of its non-life products by the end of 2014, in order to start distributing the Netherlands Non-life's fire, third party liability and legal aid insurance policies.

Since April 2014 NN Belgium has also acted as distributor for the Netherlands Non-life segment, distributing motor insurance products to retail customers in Belgium. NN Belgium intends to extend the offering of Netherlands Non-life products in Belgium to include fire, third party liability and legal aid insurance policies by the end of 2014, in order to maximise economies of scale, optimise reinsurance premiums and for purposes related to the capital requirements of the Solvency II Directive.

Distribution

NN Belgium's life and non-life insurance products are sold solely through bancassurance (100% of NN Belgium's APE and GWP in 2013), predominantly by ING Bank Belgium (with 752 branches, serving approximately 2.4 million retail customers) under the ING Bank brand and, to a lesser extent, by Record Bank (a subsidiary of ING Bank Belgium with 585 branches, serving approximately 0.7 million retail customers). The preferred partner distribution agreements with ING Bank Belgium are in place until 2024. Under these agreements, NN Belgium is allowed to distribute its insurance products through other third parties and its own branded products through its own direct distribution channel. Direct channel capabilities are being developed by NN Belgium.

Spain

General

Nationale-Nederlanden Spain commenced operations in 1978. In 2012, Nationale-Nederlanden Spain was the sixteenth largest provider of life insurance products and the eighty-fifth largest provider of non-life insurance products measured by GWP with a market share of 1.5% and 0.1%, respectively, in Spain. Nationale-Nederlanden Spain was further the twenty-first largest provider of voluntary pension funds by AuM with a market share of 0.6% in 2012 in Spain (source: ICEA and Inverco). In 2013, NN Nationale-Nederlanden's operating income was EUR 104 million, of which 55% related to fees and premium-based revenues, 20% to technical margin and 16% to non-life insurance products.

Products

Nationale-Nederlanden Spain offers life insurance products to retail, SME and corporate customers and voluntary pension funds to retail and corporate customers, with a focus on life protection and long-term savings products. In addition, Nationale-Nederlanden Spain offers, to a very small extent, non-life insurance products.

Nationale-Nederlanden Spain's life insurance product offering consists of the following:

- ***Traditional policies***: recurring and single premium endowment group life policies and single premium annuity group life policies. Traditional policies accounted for 21% of Nationale-Nederlanden Spain's APE in 2013;

- ***Unit-linked policies***: single premium variable annuity products with a guaranteed minimum accumulation benefit and death benefit, recurring premium whole life insurance and recurring premium products based on an individualised constant proportion portfolio insurance (**CPPI**) mechanism, which is an investment product with unit-linked and variable annuity features with a guaranteed minimum capital return. Unit-linked policies accounted for 49% of Nationale-Nederlanden Spain's APE in 2013; and

- ***Protection policies***: recurring premium term insurance covering death, heart attack, breast cancer and/or disability and recurring premium protection group life policies covering death and disability and a waiver of premium rider to the individualised CPPI-based recurring premium unit-linked product. Protection policies accounted for 21% of Nationale-Nederlanden Spain's APE in 2013.

Nationale-Nederlanden Spain manages three voluntary pension funds on a defined contribution basis. Two of the voluntary pension funds are open to retail customers and one is open to corporate customers. The funds provide individual accounts. The employee determines the level of contributions, which is limited by an age-dependent cap. Customers are by law free to switch between voluntary pension funds at any time. The voluntary pension funds accounted for 9% of Nationale-Nederlanden Spain's APE in 2013.

Nationale-Nederlanden Spain's non-life insurance products consist of fire and income (including accident) insurance. Nationale-Nederlanden Spain also acts to a very small extent as distributor for motor insurance policies of a third party insurance company.

Distribution

Nationale-Nederlanden Spain distributes its life insurance products through tied agents (73% of Nationale-Nederlanden Spain's APE in life insurance in 2013), brokers (21% of Nationale-Nederlanden Spain's APE in life insurance in 2013), and, to a lesser extent, through bancassurance (7% of Nationale-Nederlanden Spain's APE in life insurance in 2013), by ING Bank Spain (with 28 branches, serving approximately 2.9 million retail customers). Direct channel capabilities are being developed by Nationale-Nederlanden Spain. The preferred supplier distribution agreement between Nationale-Nederlanden Spain and ING Bank Spain is in place until 2024.

Nationale-Nederlanden Spain distributes its voluntary pension funds solely through tied agents (100% of Nationale-Nederlanden Spain's APE in pensions in 2013).

Nationale-Nederlanden Spain's non-life products are distributed through tied agents (53% of Nationale-Nederlanden Spain's GWP in non-life insurance in 2013), bancassurance (40% of Nationale-Nederlanden Spain's GWP in non-life insurance in 2013), by ING Bank Spain (with 28 branches, serving approximately 2.9 million retail customers), and brokers (7% of Nationale-Nederlanden Spain's GWP in non-life insurance in 2013).

Overall, Nationale-Nederlanden Spain's distribution mix is as follows: tied agents (75% of Nationale-Nederlanden Spain's APE in 2013), brokers (19% of NN Nationale-Nederlanden Spain's APE in 2013) and bancassurance (6% of Nationale-Nederlanden Spain's APE in 2013).

Greece

General

NN Greece commenced operations in 1982. In 2012, NN Greece was the second largest provider of life insurance products measured by GWP with a market share of 15.8% in Greece (source: Hellenic Association of Insurance Companies). In 2013, NN Greece's operating income was EUR 70 million, of which 79% related to fees and premium-based revenues.

NN Greece's life insurance business includes a closed block portfolio of whole life healthcare insurance policies (including riders) sold from 1983 to 1996. NN Greece stopped selling these insurance products, as they were not profitable. As at 31 December 2013, the technical reserves of the closed block healthcare portfolio were EUR 3.3 million.

Products

NN Greece offers a wide range of life insurance products to retail customers with a focus on healthcare and savings products.

NN Greece's life insurance product offering consists of the following:

- ***Traditional policies***: recurring premium endowment insurance policies with profit-sharing based on a guaranteed interest rate. These products are either sold to complement state pensions or to provide a lump sum amount. Traditional policies accounted for 41% of NN Greece's APE in 2013;

- ***Unit-linked policies***: recurring and single premium fixed saving insurance policies. Unit-linked policies accounted for 5% of NN Greece's APE in 2013; and

- ***Protection policies***: recurring premium healthcare insurance (including riders), term life insurance and accident and disability insurance riders to term life insurance policies. Protection policies accounted for 54% of NN Greece's APE in 2013.

NN Greece also acts as distributor for motor and fire insurance products of third party insurance companies. In 2013, NN Greece recorded EUR 1.2 million of fee and commission income in relation to these distribution activities.

Distribution

NN Greece distributes its life insurance products through tied agents (68% of NN Greece's APE in 2013) and bancassurance (32% of NN Greece's APE in 2013), by Piraeus Bank (with 1,037 branches, serving approximately 6.9 million retail customers). The exclusive distribution agreement between NN Greece and Piraeus Bank is in place until 2017.

Luxembourg

General

NN Luxembourg's history dates back to 1994. In 2000, following the acquisition of BBL by ING, De Vaderlandsche Luxembourg-Patriotique merged with BBL Insurance Luxembourg and became NN Luxembourg. In 2012, NN Luxembourg was the eleventh largest provider of life insurance products in Luxembourg measured by GWP with a market share of 2.6% in Luxembourg (source: Association des Compagnies d'Assurances). In 2013, NN Luxembourg's operating income was EUR 25 million, of which 80% related to fees and premium-based revenues.

Products

NN Luxembourg offers traditional and unit-linked life insurance products to retail customers, with a particular focus on dedicated fund products (tailor-made life insurance products) to high-net-worth individuals. These dedicated fund products capitalise on Luxembourg's unique policyholder protection regime. Pursuant to this regime, the policyholder's assets must be held by a custodian bank approved by the Luxembourg state regulator. Furthermore, the custodian bank is required to keep the policyholder's assets segregated from its own assets and policyholders have a preferential right over the segregated assets.

NN Luxembourg's life insurance product offering consists of the following:

- ***Traditional policies***: top-up policies for single premium universal life insurance products with guarantee features. Until mid-2012, NN Luxembourg also offered guaranteed variable annuity products. Traditional policies accounted for 1% of NN Luxembourg's APE in 2013;
- ***Unit-linked policies***: single premium standardised products for the Belgian market and single premium dedicated funds for the Belgian, French, Italian and Luxembourg markets. These products do not contain guarantee features. Unit-linked policies accounted for 98% of NN Luxembourg's APE in 2013; and
- ***Protection policies***: recurring and single premium credit life insurance products, mainly sold in combination with personal loans of ING Bank Luxembourg. Protection policies accounted for close to 1% of NN Luxembourg's APE in 2013.

Distribution

NN Luxembourg's products are distributed to high-net-worth individuals in Belgium, France, Italy and Luxembourg, with Belgium as its main market and bancassurance (80% of NN Luxembourg's APE in 2013), by ING Bank Luxembourg (with 17 branches, serving approximately 90 thousand retail customers), as its main distribution channel. The exclusive distribution agreement between NN Luxembourg and ING Bank Luxembourg is in place until 2020. NN Luxembourg is also distributing its life insurance products through other banks and intermediaries (private bankers, asset managers and family offices) (20% of NN Luxembourg's APE in 2013), which it is currently expanding.

Japan Life

General

NN Japan commenced operations in 1986. NN Japan was the third largest provider of COLI products measured by APE with a market share of 9% in the financial year ended 31 March 2013 (source: internal estimate NN). In 2013, the Japan Life segment recorded EUR 2,322 million GWP, representing 24% of NN's total GWP in 2013, and EUR 493 million of new business (measured by APE), representing 40% of NN's total APE in 2013. In 2013, the Japan Life segment had an operating result (before tax) of EUR 161 million, representing 13% of NN's total operating result (before tax) from ongoing business (excluding the Other segment) in 2013. As at 31 December 2013, the equity allocated to the Japan Life segment was EUR 1,259 million.

Products

NN Japan primarily offers a range of recurring premium COLI products to SMEs and owners and employees of SMEs. Since its initial COLI product launch in 1991, NN Japan has consistently innovated and introduced several products to the Japanese COLI market, such as increasing term life insurance, insurance coverage in cases of cancer and term life insurance with long-term care benefits.

In addition, NN Japan offers, to a limited extent, single premium whole life insurance policies with healthcare benefits to affluent and mass affluent retail customers.

COLI products

COLI products are traditional life insurance policies that a company, typically an SME, takes out on the lives of executives or employees, whereby the company is both the policyholder and the beneficiary of the policy. COLI products are designed to address the protection, savings and retirement preparation needs of SMEs and owners and employees of SMEs in a tax-efficient manner.

Premiums paid by SMEs are tax-deductible (e.g. 25% to 100%) depending on product type and other factors and the cash surrender value is taxed when paid out.

NN Japan's main traditional COLI product offering includes the following:

- ***Term life:***
  - *Level term*: NN Japan's level term insurance products provide a fixed amount upon death, specific or total and limited disability. Level term insurance products provide coverage for a limited period of time. Customers can surrender their policy and receive a guaranteed cash surrender value (**CSV**), unless it concerns a non-cash value policy, in which case no CSV is payable in case of surrender. This product category offers flexibility in terms of protection, savings and emergency cash needs. This category also includes income protection policies that provide annuities that benefit the beneficiary in case of death, and total and permanent disability. In 2013, the level term insurance products (including income protection) accounted for 65% of NN Japan's APE and 31% of NN Japan's in-force APE.
  - *Increasing term*: NN Japan's increasing term insurance products provide an amount increasing over time upon death or total and permanent disability. Increasing term insurance products provide coverage for a limited period of time. These products address the retirement preparation needs of SMEs. Customers can surrender their policy and receive a guaranteed CSV. In the early years of the policy, the CSV is relatively low, thereafter the CSV progressively builds up, and then decreases over time. In 2013, the increasing term insurance products accounted for 18% of NN Japan's APE and 21% of NN Japan's in-force APE.
- ***Endowment***: NN Japan's endowment policies pay out a lump sum if the insured survives at maturity and provide death benefits if the insured dies before maturity. Customers can surrender their policy and receive a guaranteed CSV. Total and permanent disability benefit is included as well. These policies address the retirement preparation needs of SMEs. In 2013, the endowment policies accounted for 7% of NN Japan's APE and 4% of NN Japan's in-force APE.
- ***Cancer***: NN Japan's cancer policies provide daily hospitalisation benefits, medical treatment benefits, optional permanent disability benefits, death benefits, and normal death benefits with respect to cancer related events on a fixed and capped basis. Customers can surrender their policy and receive a guaranteed CSV. These products address the retirement preparation needs of SMEs. In 2013, the cancer insurance products accounted for 6% of NN Japan's APE and 40% of NN Japan's in-force APE.

Individual life insurance products

NN Japan offers single premium whole life insurance policies with healthcare benefits to affluent and mass affluent retail customers that are aimed at protecting senior individuals against the risk of unexpected medical expenses while preserving their accumulated financial assets. These policies pay out a fixed amount upon the death of the insured, and a hospitalisation benefit upon illness of the insured.

Distribution

NN Japan distributes its insurance products solely through independent agents (including tax advisers and bank-affiliated corporate agencies) (93% of NN Japan's APE in 2013) and bancassurance (including large securities houses) (7% of NN Japan's APE in 2013). Unlike most of its competitors, NN Japan does not distribute products through the tied agents' distribution channel.

BTMU (with 640 branches offering NN Japan's products), Daiwa (with 129 branches offering NN Japan's products) and Nomura (with 194 branches offering NN Japan's products) are NN Japan's main bancassurance distributors. The non-exclusive distribution agreements between NN Japan and each of BTMU, Daiwa and Nomura all have a yearly, automatically renewable term.

Investment Management

General

NN's investment management business, operating under the brand NN Investment Partners, provides a wide variety of actively managed international investment products, as well as advisory services to retail and institutional customers in all major asset classes and investment styles. In addition, NN Investment Partners manages most of the assets of NN's insurance businesses.

NN Investment Partners offers its products and services globally through offices in several countries across Europe, the United States, the Middle East and Asia, with the Netherlands as its main investment hub. NN Investment Partners is organised in nine specialist skills-based investment boutiques supported by a fully integrated infrastructure. NN Investment Partners' investment boutiques operate in the main asset classes: equity, fixed income, and money market.

In the Netherlands, NN Investment Partners was the largest retail investment management company measured by AuM with a market share of 13.8% in 2012 (source: AF Advisors). In Poland, NN Investment Partners was the fifth largest retail investment management company measured by AuM with a market share of 8.5% as at 31 December 2013 (source: IZFiA, Analizy online). In Belgium, NN Investment Partners had a 9.9% market share measured by AuM on the retail investment management market as at 31 December 2013 (source: Beama). In Europe, NN Investment Partners was the fortieth largest investment management company and the eighth largest captive asset management company measured by AuM with a market share of 0.7% in 2012 (source: Lipper FMI Statistics). As at 31 December 2013, NN Investment Partners managed 130 investment funds, of which 35% had a four-star Morningstar rating and 8% had a five-star Morningstar rating. More than 71% of NN Investment Partners' investment funds had outperformed their respective benchmarks on a three-year, asset-weighted basis as at 31 December 2013.

As at 31 December 2013, NN Investment Partners had EUR 174,124 million of AuM, of which EUR 74,857 million was managed for third party retail and institutional customers and the remaining EUR 99,267 million for the general account of NN's insurance businesses and NN's other affiliate business. In addition, NN Investment Partners had EUR 39,365 million in assets under advice as at 31 December 2013 on which NN Investment Partners provides fiduciary and advisory services. In 2013, the Investment Management segment recorded EUR 444 million in fee and commission income, of which EUR 275 million was derived from third party retail and institutional customers and the remaining EUR 169 million from the general account of NN's insurance businesses and NN's other affiliate business. In 2013, the Investment Management segment had an operating result (before tax) of EUR 131 million, representing 10% of NN's total operating result (before tax) from ongoing business (excluding the Other segment) in 2013. As at 31 December 2013, the equity allocated to the Investment Management segment was EUR 359 million.

Products and services

NN Investment Partners' investment management products and investment management and advisory services include the following:

- ***Investment funds***: NN Investment Partners manages 97 global investment funds, based in Luxembourg, which are open to both retail and institutional customers. These funds are distributed in up to 25 countries in Europe, Asia and Latin America. NN Investment Partners furthermore manages local investment funds in, amongst others, the Netherlands, Belgium, Poland, Hungary, Greece, Japan and the Cayman Islands. In Hungary, NN Investment Partners primarily manages assets for the pension funds of NN Hungary. Since NN Hungary will no longer manage pension funds as of August 2014 (see "*Business Segments—Insurance Europe—Hungary*"), NN Investment Partners intends to close its investment office in Hungary and has filed an application to liquidate its local investment funds.

- ***Institutional mandates***: NN Investment Partners offers institutional customers individual portfolio management services, allowing them the opportunity to invest in tailored investment strategies through a segregated account.

- ***Fiduciary and advisory services***: NN Investment Partners provides fiduciary and advisory services to institutional customers, with a focus on the Dutch pension and insurance market. As part of its fiduciary offering, NN Investment Partners also offers asset manager selection and advisory services, from its offices in the Netherlands and Switzerland, to institutional customers, which are offered under the Altis brand.

The table below sets out the breakdown by asset class in terms of AuM as at 31 March 2014 and as at 31 December 2013, 2012 and 2011.

AuM				
	as at 31 March	**as at 31 December**		
(in millions of EUR)	**2014**	**2013**	**2012**	**2011**
	(unaudited)			
Equity	34,291[1]	33,985[1]	31,963	33,339
Fixed income	130,351[1]	136,813[1]	147,528	131,084
Money market	3,016	3,326	5,304	4,314
Total	**167,658**	**174,124**	**184,795**	**168,736**

(1) As at 31 March 2014 and as at 31 December 2013, 6% of NN Investment Partners' AuM is invested in multi-asset funds, which comprises both equity and fixed income investments.

NN Investment Partners divides its customers into the following categories:

- ***Proprietary (general account assets)***: For NN's insurance businesses in the various countries, NN Investment Partners manages the assets of their general account. The additional services NN Investment Partners provides to these businesses vary per business depending on local circumstances and include advice on strategic asset allocation, hedging services and financial accounting and reporting.

- ***Other affiliate business***: NN Investment Partners manages assets for retail and institutional customers that are sourced through NN's insurance businesses. These assets comprise primarily the assets of large closed blocks of separate accounts from corporate pension plans insured by NN's insurance businesses, assets from NN's retail unit-linked insurance business in the Benelux and assets from the Japan Closed Block VA segment. To a lesser but growing extent, these assets further comprise assets from NN's unit-linked insurance and pensions businesses in CEE and assets from NN's individual pensions business in the Netherlands.

- ***Institutional customers***: NN Investment Partners' institutional customers include public, corporate and union retirement plans, endowments and foundations, and insurance companies. NN Investment Partners provides a full range of individual and client specific investment products in the form of investment funds, institutional mandates and fiduciary services to its institutional customers.

- ***Retail customers***: NN Investment Partners provides investment funds primarily to affluent and mass affluent retail customers. From a distribution perspective, NN Investment Partners distinguishes its retail customers in: (a) "home markets" which are the Netherlands, Belgium, Poland and Luxembourg and (b) "other countries" which are the rest of the world.

NN Investment Partners' customers are based all over the world, but predominantly in Northern and Western Europe and particularly in the Netherlands.

The table below sets out the breakdown by customer category in terms of AuM as at 31 March 2014 and as at 31 December 2013, 2012 and 2011.

AuM				
	as at 31 March	as at 31 December		
(in millions of EUR)	**2014**	**2013**	**2012**	**2011**
	(unaudited)			
Proprietary (general account assets)	72,251	69,944	78,978	69,944
Other affiliate business	26,830	29,323	28,566	29,567
Institutional customers	33,828	41,961	45,074	41,254
Retail customers home markets	23,488	23,394	22,471	21,969
Retail customers other	11,295	9,502	9,706	6,002
Total	**167,658**	**174,124**	**184,795**	**168,736**

Distribution

To its retail customers, NN Investment Partners distributes its products primarily through banks, brokers and independent agents (jointly 40% of NN Investment Partners' gross AuM inflows in 2013) and NN's insurance businesses (10% of NN Investment Partners' gross AuM inflows in 2013, excluding NN's general account). In the Netherlands and Poland, NN Investment Partners recently started its own direct distribution channel. To its institutional customers, NN Investment Partners distributes its products and services solely through its own sales force (24% of NN Investment Partners' gross AuM inflows in 2013).

ING Bank (with 268 branches, serving approximately 8.7 million retail customers) is NN Investment Partners' main bancassurance distributor in the Netherlands. The non-exclusive distribution agreement between NN Investment Partners and ING Bank has an indefinite term and can be terminated at any time. In addition, NN Investment Partners has non-exclusive distribution relationships in place with various banks in the Netherlands as well as internationally (including local ING Banks).

Other

This segment comprises the business of NN Bank and NN Re, the holding result and other results. The Other segment had an operating loss (before tax) of EUR 373 million in 2013. As at 31 December 2013, the equity allocated to the Other segment was EUR -1,104 million. The allocated equity of the Other segment mainly comprises the allocated equity of NN Bank (EUR 363 million) and NN Re (EUR 449 million), as well as the cash capital position of the holding company (EUR 1,363 million) and other assets of the holding company (EUR 560 million) minus the corporate debt (EUR 3,892 million).

NN Bank

General

In 2011, NN Bank received a banking licence to offer banking products to retail customers in the Netherlands. This enabled NN to offer bank annuities through NN Bank as an alternative to its offering of individual life annuity products. In 2012, ING Groep, the Dutch State and the EC agreed in the 2012 Restructuring Plan that part of the commercial operations of WUB, primarily a mortgage bank owned by ING, were to be combined with NN Bank. As a result, certain savings, mortgage, investments and consumer credit activities of WUB were transferred to NN Bank since July 2013. Following this integration, NN Bank offers a range of banking products to retail customers in the Netherlands. In addition, NN Bank coordinates the distribution of NN's individual life and retail non-life insurance products in the Netherlands through intermediaries and NN's direct channel to enable a comprehensive product offering to retail customers in the Netherlands. As part of the 2012 Restructuring Plan, ING Groep has, amongst other commitments, committed to the EC to ensure that NN Bank will reach certain targets for mortgage production and consumer credit: (a) on an annual basis, and (b) before the date on which ING Groep has divested more than 50% of its interest in the Company. A divestment of more than 50% of the Company as mentioned in this paragraph also means that ING Groep (a) no longer has a majority of representatives on the Executive Board and (b) has deconsolidated the Company's financial statements from ING Groep's financial statements in line with IFRS accounting rules. If the EC decides or requires so, these commitments may apply until 31 December 2015 or beyond. See "*Supervision and Regulation—EC Restructuring Plan*" for further information on the EC Restructuring Plan. In 2013, NN Bank had an operating loss (before tax) of EUR 11 million. As at 31 December 2013, NN Bank's total assets were EUR 7,420 million, of which NN Bank's mortgage loan portfolio was EUR 6,168 million. As at 31 December 2013, NN Bank's savings and deposits portfolio was EUR 5,769 million, consisting of EUR 4,140 million of savings and EUR 1,629 million of bank annuities. As at 31 December 2013, the equity allocated to NN Bank was EUR 363 million.

The following table sets out the selected financial information of NN Bank as at 31 December 2013.

Selected financial information of NN Bank

	as at 31 December 2013[1]
	(Unaudited)
(in millions of EUR/ % of total)	
Net interest income	44.9
Fee income	2.0
Total income	49.9
Operating result before tax[2]	-10.9
Net interest margin	1.28%
Customer loans	6,309
Basel II core Tier 1 ratio[3]	16.4%
Loan-to-deposit ratio	103%
Allocated equity	363

(1) Includes first half year prior to merger with WUB and second half year post acquisition.
(2) Excluding one-off special items.
(3) Management expects the core Tier 1 ratio to slightly improve under CRD IV. Under the standardized approach in CRD IV, a larger portion of the exposure is considered covered by residential real estate (80% of the market value instead of 75% of the foreclosure value). As NN Bank will report under the standardized approach under CRD IV, this would result in a decrease in risk-weighted assets.

Products

NN Bank's banking product offering, with mortgages and savings as its key products, includes the following:

- ***Mortgages***:
  - *Annuity mortgages*: NN Bank's annuity mortgages are loans under which the borrower pays a fixed amount consisting of interest and a portion of the original loan amount on a monthly basis. Payments in the early years of the mortgage are mainly interest. The balance of the mortgage loan owed decreases as the period progresses, until the loan is fully paid at the end of the mortgage term. Annuity mortgages are primarily provided to first-time homeowners. As at 31 December 2013, annuity mortgages accounted for 9% of NN Bank's mortgage loan portfolio. In 2013, 65% of NN Bank's new mortgage production consisted of annuity mortgages.
  - *Bank saving mortgages*: NN Bank's bank saving mortgages are mortgages arranged on an interest-only basis where the capital is to be repaid on a pledged savings account. At the end of the mortgage term the mortgage is repaid with the money from the pledged savings account. The interest rate on the savings account is equal to the mortgage rate. Bank saving mortgages are primarily provided to homeowners other than first-time homeowners for tax reduction reasons. As at 31 December 2013, bank savings mortgages accounted for 16% of NN Bank's mortgage loan portfolio.
  - *Interest-only mortgages*: NN Bank's interest-only mortgages are mortgages under which the borrower pays only the interest on a monthly basis for the duration of the mortgage, after which the principal balance is amortised and repaid at the end of the mortgage duration.

As a consequence of the Dutch tax regime that applies since 2013, interest-only mortgages are only sold under strict conditions and to a limited extent. As at 31 December 2013, interest-only mortgages accounted for 35% of NN Bank's mortgage loan portfolio.

- ○ *Combined mortgages*: NN Bank's combined mortgages are interest-only mortgages combined with any of the other mortgages offered by NN Bank. Combined mortgages are only offered to customers who took out an interest-only mortgage under the Dutch tax regime that applied until 2013. As at 31 December 2013, combined mortgages accounted for 40% of NN Bank's mortgage loan portfolio.

Until 2012, NN Bank also offered investment mortgages, life mortgages and credit mortgages.

From 2011 to 2013, NN Bank's market share in mortgages increased from 2.9% in 2011 to 5% in 2013 (source: Kadaster).

- ***Bank annuities (banksparen)***:
  - ○ *Immediate annuities*: NN Bank's immediate annuities are fiscal savings products in which a lump sum is invested in order to provide the customer with fixed payments per month, quarter, half-year or year. The lump sum is the result of a pension savings scheme that grants tax deduction, provided that the savings are paid into a fund that can only be withdrawn as an annuity. The payments that the customer receives are taxed against progressive Dutch personal income tax rates with a maximum of 52%.
  - ○ *Deferred annuities*: NN Bank's deferred annuities are fiscal savings products for pension savings schemes. The government grants tax deduction for the savings, provided that savings are ultimately paid into a fund which can only be withdrawn as an annuity. Tax deduction in the Netherlands is only allowed if, without additional savings, the pension income would be less than 70% of the current income.
  - ○ *Annuities for severance payments*: NN Bank's annuities for severance payments are fiscal savings products for severance payments. Until 1 January 2014, the government granted tax exemption for the severance payments, provided that the amount was invested in a savings fund that could only be withdrawn as an annuity.
- ***Savings products***: NN Bank offers savings accounts with a variable interest rate, and term deposits with a term of one to ten years and a fixed interest rate.
- ***Consumer credit***: NN Bank offers revolving credits with a variable interest rate and personal loans.
- ***Retail investments***: Retail customers can mandate NN Bank to invest in investment funds of different asset managers. NN Bank also offers advisory services in respect of investments. These are primarily linked to mortgages.

In 2014, NN Bank will add credit cards to its product portfolio, in accordance with the EC Restructuring Plan.

NN Bank also acts as the coordinator for the distribution of NN's individual life and retail non-life products to enable a comprehensive product offering to retail customers in the Netherlands.

Distribution

NN Bank's banking products are primarily distributed through intermediaries and NN Bank's direct channel. NN Bank does not have any branches. The distribution channels vary considerably between the product categories. Mortgages and retail investments are predominantly distributed through intermediaries (99% of NN Bank's mortgage production in 2013). Bank annuities are distributed more evenly through NN Bank's direct channel (40% of NN Bank's bank annuities' volume in 2013) and intermediaries (60% of NN Bank's bank annuities' volume in 2013). Savings products are predominantly distributed through NN Bank's direct channel (96% of NN Bank's savings inflow in 2013). Consumer credit was not yet offered by NN Bank in 2013.

NN Bank services the distribution of NN's individual life and retail non-life products primarily through intermediaries (predominantly mandated brokers) (68% of NN's retail insurance APE in the Netherlands in 2013) and through NN Bank's direct channel (11% of NN's retail insurance APE in the Netherlands in 2013), which is becoming increasingly important. The APE related to these activities is included in the Netherlands Life and the Netherlands Non-life segments (including the distribution through ING Bank (21% of NN's retail insurance APE in the Netherlands in 2013).

NN Re

General

NN Re is NN's internal reinsurer (with an A rating from Standard & Poor's for NN Re Netherlands which forms part of NN Re) located in the Netherlands. NN Re offers reinsurance to NN's insurance subsidiaries. However, NN Re's in-force book does to a small extent include contracts with external parties, which are almost exclusively former ING companies, but these contracts are all discontinued for new business. In addition, NN Re also manages ING Reinsurance Company International Ltd. (IRCIL), a non-rated licensed reinsurance entity in Ireland which was incorporated in 1997 for the assumption of a closed block of structured settlement liabilities (monthly fixed annuity payments which will gradually run off in the period until 2055) from a third party. The underlying assets in respect of these liabilities are EUR 949 million and largely consist of U.S. corporate bonds as well as a receivable on NN Re Netherlands. In 2013, NN Re had an operating loss (before tax) of EUR 15 million. NN Re reinsures, amongst others, the minimum guarantee obligations of the Japan Closed Block VA and (part of) the life insurance business of NN Czech Republic, Nationale-Nederlanden Poland and NN Hungary. In the segment reporting, the results from the reinsurance arrangement regarding the Japan Closed Block VA portfolio are reported under the Japan Closed Block VA segment and the results from certain reinsurance arrangements regarding the life insurance business of NN Czech Republic, Nationale-Nederlanden Poland and NN Hungary are reported under the Insurance Europe segment (whilst the rest of the NN Re results are reported under the Other segment). As at 31 December 2013, the equity allocated to NN Re reported under the Other segment was EUR 449 million.

Products

NN Re's core product is reinsurance. Reinsurance enables NN's insurance businesses to mitigate their risk, to reduce their claims/earnings volatility, and also to relieve their capital requirements to increase their underwriting capacity. NN Re aims to apply intra-group risk transfer to enhance NN's overall capital efficiency through improved risk diversification. NN Re also supports NN's insurance businesses in pricing, managing risk and developing new products.

NN Re offers reinsurance contracts for life as well as non-life insurance. For non-life insurance, the in-force business almost entirely relates to the Netherlands, Belgium and Spain. For life insurance, the portfolio is spread over all countries in which NN is active.

The largest portfolio of NN Re is the closed block SPVA portfolio of NN Japan, for which NN Re reinsures the minimum guarantee obligations, which are fully accounted for in the Japan Closed Block VA segment. See "*—Japan Closed Block VA—Reinsurance and management*" for further information. NN Re also reinsures variable annuity policies sold by NN's Insurance Europe segment, in particular NN Belgium, Nationale-Nederlanden Spain and NN Hungary. As at 31 December 2013, NN Re had reinsured the minimum guarantees related to EUR 1,238 million of AuM for the European variable annuity portfolio.

Risk management

NN Re manages its risks through ceding excess insurance risk to external reinsurers and hedging (a major part of) its market risks. The hedge objective of the variable annuity hedge programme is to mitigate market risks and to enter into positions with appropriately offsetting risk characteristics such as derivatives contracts.

Holding and other results

The holding result included in the Other segment comprises the interest paid on hybrids and debt, the amortisation of intangibles and the head office expenses that are not allocated to the business segments.

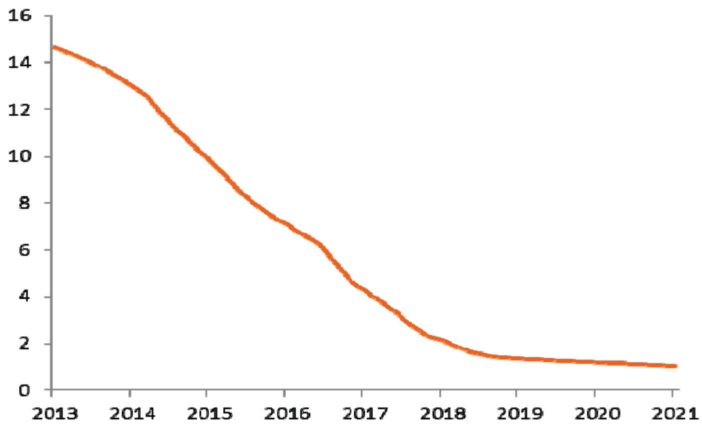
The other results include the results that are not allocated to the business segments, including (a) the costs of claims and lawsuits (i) concerning the performance of certain interest-sensitive products that were sold by a former subsidiary of NN in Mexico, and the costs of which are indemnified by ING Groep under the indemnification and allocation agreement; see "*Major Shareholder and Related Party Transactions—Related Party Transactions—Relationship with ING following the Offering—Indemnification and allocation agreement*", and (ii) filed by former employees of an Argentinean subsidiary, whose employment was terminated as a result of the Republic of Argentina's nationalisation of the pension fund system, by some former clients of this subsidiary and by a few third parties and (b) the results of Nationale-Nederlanden Overseas Finance and Investment Company in relation to a guarantee provided to the ILU with respect to two legacy insurance subsidiaries of the Company, Orion and L&O; see also "*Risk Factors—Financial Reporting Risks—NN's technical reserves reflected in its IFRS financial statements to pay insurance and other claims, now and in the future, could prove inadequate, which could require that NN strengthen its reserves, which may have a material adverse effect on NN's results of operations and financial condition.*".

Japan Closed Block VA

General

The Japan Closed Block VA segment comprises NN's closed block SPVA individual life insurance portfolio in Japan. This portfolio consists of products sold predominantly from 2001 to 2009. During that time NN Japan was one of the largest providers of SPVA products in Japan. NN Japan's SPVA products contain substantial minimum guarantee obligations on the invested principal, and for some products an amount which may lock in at a higher guarantee level, with respect to the amount paid upon death of the policyholder or upon survival at the end of the investment period for certain product types. In 2009, NN Japan ceased the sale of SPVA products due to ongoing difficult economic conditions (particularly low interest rates in Japan) as well as the capital intensive nature of SPVA products. NN Japan placed the portfolio in run-off and classified it as a closed block. The majority of the closed block SPVA portfolio is projected to run off relatively quickly due to the short-term maturity profile and outstanding policy life of the SPVA products. Approximately 90% of all SPVA policies are expected to have matured by the end of 2019. NN Japan expects that most policyholders will elect to receive their maturity proceeds as a lump sum payment, but some may elect to receive their maturity proceeds in the form of an annuity. Based on NN Japan's recent experience, the percentage of customers electing an annuity is expected to be less than 10%. As at 31 December 2013, the remaining AuM of the closed block SPVA portfolio were EUR 14,698 million. In 2013, the Japan Closed Block VA segment had an operating result (before tax) of EUR 80 million. As at 31 December 2013, the equity allocated to the Japan Closed Block VA segment was EUR 1,236 million.

The figure below sets out the expected maturity profile of the closed block SPVA portfolio measured by account value in billions of EUR.



Product portfolio

The SPVA policies forming the closed block SPVA portfolio consist of an investment phase, typically of ten years, during which the policyholder makes deposits that are maintained in a separate account, after which the accumulated fund value or guaranteed benefit can be converted into an annuity or paid out as a lump sum. Annuities are priced at the prevailing rate at the time of annuitisation. Policyholders who surrender their policy before maturity receive their current account value (the value of their fundholding) at the time of surrender (less a surrender charge for certain products depending on policy year).

The closed block SPVA portfolio can be divided into the following three categories on the basis of the guarantees offered in each product series:

- ***Death benefit***: Under this type of SPVA policies a minimum guaranteed benefit is paid upon the death of the policyholder. Such benefit is either a single premium or an amount which may lock in at a higher guarantee level depending on the product. All death benefit products provide the option to extend the guarantee of the policy during the investment phase up to age 90 and some policies also allow further extension to whole of life. As at 31 December 2013, this block accounted for 21% of the total closed block account value. See "*Risk Management—Market and Credit Risk Separate Account—Variable annuity portfolio—Risk Profile*" for certain financial metrics relation to the death benefit products.

- ***Accumulation benefit***: Under this type of SPVA policies a minimum guaranteed benefit is paid upon death or at maturity of the policy at the end of the initial investment period. The survival guarantee is only available up until the original policy term and cannot be changed. The minimum guaranteed benefit is either a single premium or an amount which may lock in at a higher guarantee level depending on the product. As at 31 December 2013, these policies accounted for 76% of the total closed block account value. This category also includes products with a minimum guaranteed income and products with a minimum guaranteed withdrawal benefit, as well as de-risked SPVA products (SD555) sold from 2010 to 2013. As at 31 December 2013, these products accounted for 2% of the total closed block account value. See "*Risk Management—Market and Credit Risk Separate Account—Variable annuity portfolio—Risk Profile*" for certain financial metrics relation to the accumulation benefit policies.

Reinsurance and management

The minimum guarantee obligations of NN Japan under the closed block SPVA portfolio are fully reinsured by NN's internal reinsurer NN Re, with the exception of NN Japan's obligations under the de-risked SPVA products (SD555), 75% of which are reinsured by NN Re and 25% by an external reinsurer. Pursuant to the reinsurance agreements with NN Re, NN Re covers the risk of a shortfall by NN Japan under its minimum guarantee obligations under the SPVA products, which consists of the difference in the guarantee value owed to the policyholder and the account value under the reinsurance agreements. NN Re manages this risk through a hedging programme which seeks to (partially) offset market-related movements in the IFRS reserves, while simultaneously mitigating market-related effects on the capital position of NN Re. The closed block SPVA portfolio is NN Re's largest portfolio. As at 31 December 2013, NN Re Netherlands allocated EUR 910 million available financial resources (**AFR**) to this portfolio. The economic capital allocated to this portfolio as at 31 December 2013 was EUR 413 million, based on a confidence level of 99.5%, and was calculated on a diversified basis with the other business of NN Re Netherlands (the total economic capital for NN Re Netherlands was EUR 735 million as at 31 December 2013). See "*Operating and Financial Review—Liquidity and Capital resources—Capital requirements—Economic capital framework*" for information on AFR and economic capital. See "*—Other—NN Re*" for information on NN Re's other reinsurance activities not relating to the Japan Closed Block VA. NN Japan is responsible for management of the policies, the relationship with the customers, the distributors and the Japanese regulatory authority. NN's primary focus in managing the closed block SPVA portfolio is on prudently managing risk in order to release capital as the portfolio runs off. For its Japan Closed Block VA, NN has a comprehensive hedge program in place, with a proven track record, and has taken decisive actions to strengthen the balance sheet. See "*Risk management—Market and Credit Risk Separate Account—Variable annuity portfolioRisk mitigation*". Pursuant to these hedges, absent any extraordinary market circumstances, Management expects the non-operating result of such hedges to be in line with historical performance, roughly zero on average over time. In addition, NN also seeks to maximise operating profits by improving efficiency while continuing to provide its services to policyholders and distributors.

See "*Risk Factors—Risks related to the Business and Strategy—In valuing its insurance liabilities and in pricing its life insurance and pension products, NN uses assumptions to model the impact of future policyholders' behaviour, which may be different from the actual impact of future policyholders' behaviour. A discrepancy between assumed policyholder behaviour and actual experience, as well as changes to the assumptions used in the modelling, may have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects*". See also "*Risk Factors—Risks related to the Business and Strategy—Investment guarantees of NN's separate accounts pension business in the Netherlands and the variable annuity products sold in Japan have in the past had, and may in the future have, a material adverse effect on NN's business, results of operations, and financial condition*".

INVESTMENTS

Overview

NN's investment strategy is based on its asset and liability management process (**ALM**), which aims to match the cash flows of NN's asset portfolio to its liabilities with an optimal strategic asset allocation (**SAA**). The ALM is largely liability-driven in that it seeks to ensure that NN is able to meet its obligations to policyholders as and when they arise. The SAA is designed to optimise the risk and return of the investment portfolio on an economic basis taking into account the nature of NN's liabilities and certain assumptions (including assumptions used in NN's risk models and assumed investment returns) and constraints (e.g. NN's risk profile and available capital).

The values presented in the investments overview below are not the same as those presented in NN's IFRS consolidated balance sheet for several reasons, including the following. In managing its general account investment portfolio, NN uses categories of asset classes that differ in some respects from the presentation of those assets on its IFRS balance sheet. Some IFRS balance sheet items are not in scope for the purposes of NN's investment management (such as non-trading derivatives and reinsurances). NN typically uses market value (including accrued interest, where applicable) in managing its investment portfolio and for risk management purposes, which is not necessarily consistent with the presentation of those assets on NN's IFRS balance sheet. The values presented in this section are the market value of the relevant assets (with the exception of mortgage loans).

In order to provide comparable information given the disposal of all material insurance and investment management operations of NN in the United States, Latin America, and Asia/Pacific (excluding Japan) (see "*Business—Material Agreements—Acquisitions and disposals*"), the investment portfolio of the entities that were divested in 2013 and 2012 are not included in the investment portfolio as at 31 December 2012 presented in this section.

Asset allocation of general account investment portfolio

The table below sets out the allocation of NN's general account investment portfolio by asset class in terms of market value and percentage of NN's total general account investment portfolio as at 31 December 2013 and 2012, respectively.

Asset allocation of general account investment portfolio of NN				
	as at 31 December 2013		as at 31 December 2012	
	(unaudited)		*(unaudited)*	
(in millions of EUR except for percentages)	**Market value**	**% of total**	**Market value**	**% of total**
Fixed income	**79,473**	**83%**	**79,104**	**83%**
Government bonds	44,251	46%	50,831	53%
Financial bonds	4,452	5%	5,845	6%
Corporate bonds	6,453	7%	7,503	8%
Asset Backed Securities	7,199	7%	7,267	8%
Mortgage loans	14,218	15%	5,398	6%
Other Loans	2,900	3%	2,260	2%
Non-Fixed income	**10,436**	**11%**	**10,017**	**10%**
Common & Preferred Stock	2,500	3%	2,087	2%
Private Equity	943	1%	855	1%
Mutual Funds	2,336	2%	2,020	2%
Real Estate[1]	4,657	5%	5,055	5%
Cash	**6,749**	**7%**	**6,778**	**7%**
Total general account investments	**96,658**	**100%**	**95,899**	**100%**

(1) The market value of real estate reflects the underlying economic exposure to real estate including the effect of loans taken to finance the real estate portfolio.

The table below sets out the allocation of Netherlands Life's general account investment portfolio by asset class in terms of market value and percentage of Netherlands Life's total general account investment portfolio as at 31 December 2013 and 2012, respectively.

Asset allocation of general account investment portfolio of Netherlands Life				
	as at 31 December 2013		as at 31 December 2012	
(in millions of EUR; except for percentages)	**Market value**	**% of total**	**Market value**	**% of total**
Fixed income	**48,204**	**85%**	**48,724**	**85%**
Government bonds	27,425	48%	30,657	53%
Financial bonds	1,450	3%	1,936	3%
Corporate bonds	2,568	5%	2,901	5%
Asset Backed Securities	6,437	11%	6,216	11%
Mortgage loans	7,990	14%	5,256	9%
Other Loans	2,334	4%	1,758	3%
Non-Fixed income	**8,648**	**15%**	**8,400**	**15%**
Common & Preferred Stock	2,180	4%	1,876	3%
Private Equity	806	1%	737	1%
Mutual Funds	1,487	3%	1,245	8%
Real Estate[1]	4,175	7%	4,542	2%
Cash	**118**	**0%**	**413**	**1%**
Total general account investments	**56,970**	**100%**	**57,537**	**100%**

(1) The market value of real estate reflects the underlying economic exposure to real estate including the effect of loans taken to finance the real estate portfolio.

Fixed income portfolio

NN's general account fixed income portfolio comprises government bonds, financial bonds, corporate bonds, asset backed securities, mortgage loans and other loans.

A key part of NN's investment strategy is to match its asset cash flows to its liability cash flows. Given that the policyholder liabilities generated in the life insurance business are generally long-term liabilities, a significant portion of NN's total investment portfolio is comprised of long-term fixed income assets. As at 31 December 2013, NN's general account fixed income portfolio represented 85% of the total market value of general account assets (2012: 85%). In recent years, various loan classes have been added to the investment portfolio. Interest rate swaps are used to further enhance the matching of asset and liability cash flows.

The table below sets out the market value of NN's general account fixed-income assets (excluding mortgage loans and derivatives) by rating and maturity as at 31 December 2013 and 2012, respectively.

General account fixed income portfolio by rating(1)

	as at 31 December 2013(2)		as at 31 December 2012(3)	
	(unaudited)		*(unaudited)*	
(in millions of EUR, except for percentages)	**Market value**	**% of total**	**Market value**	**% of total**
AAA	30,485	47%	34,686	47%
AA	19,881	31%	20,257	28%
A	6,223	10%	11,495	16%
BBB	6,599	10%	4,920	7%
Less than BBB	1,484	2%	2,162	3%
Not rated	301	0%	2	0%
Total	**64,972**	**100%**	**73,522**	**100%**

(1) Excludes mortgage loans.

(2) For 2013, the second best external rating (Standard & Poor's, Fitch and Moody's) is used. When no external ratings are available, internal ratings are used. If bonds or loans are guaranteed by a guarantor, the internal rating is equal to the guarantor's external rating. Internal ratings were used for non-guaranteed assets with a market value of EUR 1.27 billion, or 1.9% of NN's total fixed income portfolio as at 31 December 2013.

(3) For 2012, external ratings of Standard & Poor's, Fitch and Moody's are used on a waterfall basis. When no external ratings are available, internal ratings are used. If bonds or loans are guaranteed by a guarantor, the internal rating is equal to the guarantor's rating.

The table below sets out the market value of NN's general account fixed-income bonds by type of issuer as at 31 December 2013 and 2012, respectively.

General account fixed-income bonds by type of issuer(1)

	as at 31 December 2013		as at 31 December 2012	
(in millions of EUR, except for percentages)	**Market value**	**% of total**	**Market value**	**% of total**
Government Bonds	44,251	71%	50,831	71%
Asset Backed Securities	7,199	12%	7,267	10%
Financial Institutions	4,452	7%	5,845	8%
Utilities	1,501	2%	1,815	3%
Transportation & Logistics	857	1%	449	1%
Telecom	795	1%	1,013	1%
General Industries	638	1%	591	1%
Food, Beverages & Personal Care	622	1%	675	1%
Other Corporate and Financial Bonds	2,040	3%	2,961	4%
Total	**62,355**	**100%**	**71,447**	**100%**

(1) Bond values include accrued interest.

Government bonds

Long-term bonds issued by central governments and lower public administrative entities are used to match its long-term liabilities as government bonds are amongst the few tradable fixed income securities generating cash flows for 20 years and longer. Interest rate swaps are increasingly being used by NN to match long-term liabilities. As at 31 December 2013, government bonds represented 46% of the total market value of NN's aggregate general account portfolio (2012: 53%), and 55% of NN's general account fixed income portfolio (2012: 64%).

The table below sets out the market value of NN's general account assets invested in government bonds by country and maturity, as at 31 December 2013, together with the total investments by country as at 31 December 2012.

General account market value government bonds

			Market value as at 31 December 2013 of government bond by number of years to maturity									
(in millions of EUR)	Rating[(1)]	Domestic exposure[(2)]	1	2	3	3-5	5-10	10-20	20-30	30+	Total 2013	Total 2012
Germany	AAA	0%	155	70	115	331	263	3,288	4,215	153	8,590	12,225
Netherlands	AAA	98%	17	132	82	104	1,210	1,458	3,399	—	6,402	7,183
France	AA+	0%	64	100	44	108	265	276	2,472	2,197	5,526	5,586
Belgium	AA	41%	141	242	210	830	1,413	911	1,498	69	5,314	4,739
Japan	AA-	99%	276	68	128	331	1,425	1,740	837	294	5,099	8,183
Austria	AAA	0%	210	44	85	174	803	1,462	588	728	4,094	3,937
Italy	BBB	0%	21	109	21	63	178	880	124	5	1,401	1,393
Multilateral[(3)]	AAA	2%	81	65	132	44	345	285	376	34	1,362	719
Finland	AAA	0%	7	16	14	49	343	355	324	—	1,108	1,079
Spain	BBB-	65%	3	25	14	60	46	513	387	—	1,048	907
United States	AAA	0%	39	401	31	190	51	4	177	—	893	1,018
Others		46%	227	264	364	524	1,010	676	348	—	3,413	3,862
Total		**37%**	**1,241**	**1,536**	**1,240**	**2,808**	**7,352**	**11,848**	**14,745**	**3,480**	**44,250**	**50,831**

(1) NN uses the second best rating of Fitch, Moody's and S&P to determine the credit rating label of its bonds.
(2) Percentage of the bonds held in the local unit, e.g. percentage of Dutch bonds held by entities registered in the Netherlands.
(3) Multilaterals are debt issuers owned by multiple central governments (e.g. European Investment Bank, the EU, World Bank and Eurofima).

Non-government fixed-income securities

The table below sets out the general account market value of non-government fixed-income securities (excluding mortgages loans and derivatives by rating and maturity as at 31 December 2013, together with the total non-government fixed-income securities (excluding mortgage loans and derivatives) by rating as at 31 December 2012. The AAA securities are primarily asset-backed securities.

General account market value of non-government fixed income securities[(1)]

	Market value as at 31 December 2013 of non-government bond securities by number of years to maturity									
(in millions of EUR)	0-1	1-2	2-3	3-5	5-10	10-20	20-30	30+	Total 2013	Total 2012
AAA	158	90	280	691	1,514	972	1,299	1,977	6,981	6,732
AA	238	140	300	323	620	549	320	0	2,490	3,615
A	348	472	700	880	1,344	465	410	95	4,714	6,053
BBB	321	248	291	411	692	405	149	648	3,165	3,209
BB	87	8	34	97	155	9	—	183	573	616
B	19	15	18	23	26	—	57	—	158	226
CCC	—	—	—	—	—	—	—	6	6	161
Other	1	—	—	—	12	2	—	—	15	2
Total	**1,172**	**973**	**1,623**	**2,425**	**4,363**	**2,402**	**2,235**	**2,909**	**18,101**	**20,614**

(1) Bond values include accrued interest.

Asset-backed securities

NN's strategy in relation to asset-backed securities emphasises assets with a rating of AA or better and transactions predominantly involving residential mortgage loans and consumer credit exposures to quality borrowers sourced by the leading banks and other financial institutions within Europe. The investment strategy is conservative and the majority of NN's asset-backed securities are rated AAA. The table below sets out NN's holding of asset-backed securities by rating category in terms of market value and percentage of NN's total general account asset-backed securities portfolio as at 31 December 2013 and 31 December 2012.

Exposure by rating category (1)				
	as at 31 December 2013		as at 31 December 2012	
	(unaudited)		*(unaudited)*	
(in millions of EUR, except for percentages)	**Market value**	**% of total**	**Market value**	**% of total**
AAA	6,165	85.6%	5,447	75.0%
AA	393	5.5%	1,208	16.6%
A	311	4.3%	464	6.4%
BBB	251	3.5%	27	0.4%
BB and less	78	1.1%	120	1.6%
Total	**7,199**	**100%**	**7,267**	**100%**

(1) For asset-backed securities, the second best external rating (Standard & Poor's, Fitch and Moody's) is used.

The table below sets out NN's holdings of asset-backed securities by market value of asset type and the percentage of NN's total general account asset-back securities portfolio as at 31 December 2013 and 2012, respectively.

General Account Asset-backed securities				
	as at 31 December 2013		as at 31 December 2012	
(in millions of EUR, except for percentages)	**Market value**	**% of total**	**Market value**	**% of total**
RMBS	3,822	53%	4,356	60%
Car loans	1,848	26%	1,415	19%
Credit cards	463	6%	382	5%
CMBS	358	5%	343	5%
Student loans	251	3%	318	4%
SME loans	233	3%	227	3%
Consumer loans	117	2%	134	2%
Other	106	1%	91	1%
Total	**7,198**	**100%**	**7,266**	**100%**

The table below sets out NN's general account holdings of asset-backed securities by country of collateral in terms of market value per country and percentage of NN's total general account asset-backed securities portfolio as at 31 December 2013 and 2012, respectively.

General account holdings of asset-backed securities by country				
	as at 31 December 2013		as at 31 December 2012	
	(unaudited)		*(unaudited)*	
(in millions of EUR, except for percentages)	**Market value**	**% of total**	**Market value**	**% of total**
United Kingdom	2,264	31%	2,157	30%
Germany	1,591	22%	1,182	16%
Netherlands	1,096	15%	1,418	20%
France	693	10%	671	9%
United States	405	6%	552	8%
Spain	278	4%	295	4%
Italy	250	3%	341	5%
Australia	238	3%	252	3%
Portugal	152	2%	149	2%
Norway	131	2%	75	1%
Greece	57	1%	36	0%
Japan	38	1%	60	1%
Belgium	5	0%	6	0%
Ireland	—	—	73	1%
Total	**7,198**	**100%**	**7,266**	**100%**

Mortgage loans

As at 31 December 2013, the total general account holding of mortgage loans was EUR 6.2 billion for NN Bank and EUR 8.0 billion for Netherlands Life.

In 2013, NN increased its holding of Dutch residential mortgage loans, both at NN Bank and Netherlands Life. In the third quarter of 2013, EUR 4,757 million of Dutch residential mortgage loans were transferred from WUB to NN Bank's mortgage loan portfolio. In the fourth quarter of 2013, Netherlands Life's holding of residential mortgage loans also increased, with the transfer of EUR 2,618 million of residential mortgage loans from ING Bank to Netherlands Life.

The LTV for residential mortgages, which is based on the net average indexed loan-to-value, at NN Bank and Netherlands Life, is 92% and 96%, respectively, due to the high proportion of interest-only mortgages in the Netherlands, which are attractive due to favourable Dutch tax treatment. With the change in the Dutch tax regime in 2013 with regards to mortgage interest deductibility, a shift from interest-only mortgages to annuity and amortisation payment type mortgages is being observed. Mortgages guaranteed by the NHG accounted for 26% and 20% at NN Bank and Netherlands Life respectively at 31 December 2013.

Non-fixed income

NN's non-fixed income portfolio comprises equity (which includes holdings of listed entities and private equity investments), real estate holdings and investment in mutual funds.

Equity

The table below sets out NN's general account equity portfolio by security type in terms of market value and percentage of NN's total general account equity portfolio as at 31 December 2013 and 31 December 2012.

Equity and private equity portfolio

	as at 31 December 2013		as at 31 December 2012	
(in millions of EUR, except for percentages)	**Market value**	**% of total**	**Market value**	**% of total**
Common and preferred stock	2,500	73%	2,087	71%
Private equity	943	27%	855	29%
Total	**3,443**	**100%**	**2,942**	**100%**

As an institutional investor in the Netherlands, NN takes larger stakes in listed companies, typically in excess of 5% of nominal capital through ordinary or preference shares. As at 31 December 2013, the market value of the ten largest general account equity positions in terms of market value represented 56% of the market value of the aggregate equity portfolio (2012: 53%). This included four stakes in Dutch companies in which NN held more than 5% of the issued share capital. The investment philosophy is long-term buy-and-hold. The stock selection process is based on fundamental in-depth bottom-up research, benchmark unaware, with a prime focus on capital preservation. The portfolio has a significant tilt towards the Netherlands and to consumer stocks. Consumer stocks are less dependent on the economic cycle and are dividend-paying.

The private equity strategy is managed by Parcom Capital Management and is designed to maximise risk adjusted rates of return by pursuing highly attractive investment opportunities.

The tables below set out NN's equity holdings by country in terms of market value and percentage of NN's total general account equity portfolio as at 31 December 2013 and 2012, respectively.

Equity holdings by country as at 31 December 2013

	as at 31 December 2013	
	(unaudited)	*(unaudited)*
(in millions of EUR, except for percentages)	**Market value**	**% of total**
Netherlands	2,179	63%
France	474	14%
Germany	327	10%
Belgium	160	5%
Switzerland	140	4%
Luxembourg	108	3%
Spain	19	1%
United Kingdom	12	0%
Slovakia	8	0%
Austria	6	0%
Others	10	0%
Total	**3,443**	**100%**

Equity holdings by country as at 31 December 2012

	as at 31 December 2012	
	(unaudited)	*(unaudited)*
(in millions of EUR, except for percentages)	**Market value**	**% of total**
Netherlands	2,068	70%
France	320	11%
Luxembourg	140	5%
Germany	122	4%
Belgium	116	4%
Switzerland	106	4%
United Kingdom	67	2%
Japan	2	0%
Total	**2,942**	**100%**

Real estate

NN's real estate portfolio strategy is to build on a core, pan-European portfolio fulfilling the needs within the multi-asset real estate portfolio: significant diversification, high stable cash flow, attractive total return on a long-term horizon. In 2012 and 2013 non-core assets were sold and the proceeds were reinvested in core assets. The focus of the portfolio is on shopping centres with a diversified tenant base, medium-sized, multi-tenant office buildings in major cities and high quality modern logistic assets in the major transportation hubs. NN's real estate portfolio is strongly weighted towards the 'core countries' of the Netherlands, France and Germany, with smaller holdings in the United Kingdom, Italy, Spain, Portugal, Belgium, Poland, Sweden and the Czech Republic.

The table below sets out NN's general account real estate holdings by sector type excluding leverage as at 31 December 2013 and 2012, respectively.

General account real estate assets by sector				
	as at 31 December 2013		**as at 31 December 2012**	
	Revalued through P&L	**Not revalued through P&L**	**Revalued through P&L**	**Not revalued through P&L**
Residential	3%	17%	2%	17%
Office	10%	9%	14%	10%
Retail	30%	9%	28%	7%
Industrial	9%	0%	8%	0%
Other	2%	12%	3%	11%
Total	**54%**	**47%**	**55%**	**45%**

The table below sets out NN's real estate holdings by country in terms of percentage of NN's total general account real estate portfolio as at 31 December 2013 and 31 December 2012.

Real estate portfolio by country		
	as at 31 December	
(in millions of EUR, except for percentages)	**2013**	**2012**
	(unaudited)	***(unaudited)***
The Netherlands	36.5%	37.3%
France	11.4%	10.4%
Germany	10.7%	14.5%
United Kingdom	8.7%	7.2%
Italy	7.5%	5.2%
Spain	5.7%	6.1%
Portugal	4.4%	4.3%
Belgium	3.8%	3.5%
Poland	3.3%	3.2%
Sweden	3.0%	3.3%
Czech Republic	2.1%	2.0%
Hungary	1.1%	1.0%
Finland	1.0%	1.0%
Denmark	0.5%	0.4%
Slovakia	0.4%	0.4%
Austria	0.1%	0.1%
Romania	0.1%	0.1%
Total	**100%**	**100%**

Mutual funds

The table below sets out the market value of NN's general account mutual funds portfolio by category as at 31 December 2013 and 2012, respectively.

Mutual funds portfolio

	as at 31 December 2013		as at 31 December 2012	
	(unaudited)		*(unaudited)*	
(in millions of EUR, except for percentages)	**Market value**	**% of total**	**Market value**	**% of total**
Emerging market bonds	829	36%	862	43%
Bank loans	431	18%	346	17%
Money market	413	18%	427	21%
High yield corporate bonds	393	17%	254	13%
Hedge funds	117	5%	106	5%
Asset-backed securities	74	3%	—	—
Private equity	72	3%	—	—
Equity	8	0%	10	1%
Others	—	—	15	1%
Total	**2,336**	**100%**	**2,020**	**100%**

INTELLECTUAL PROPERTY AND DATA PROTECTION

Intellectual property

NN is the owner of several trademarks, trade names and logos worldwide, including trademarks for "NN", "NN Investment Partners", "NNIP", "NN Life", the "N" logo and "Nationale-Nederlanden", "AZL", "Movir", "Zicht" and "Mandema en Partners". NN believes that its core intellectual property rights are adequately protected. Trademarks for the words and the word-and-picture combinations used by the companies within NN have been registered in the countries in which they are located.

Opposition was filed against the registration of NN as a European Community trademark by a Spanish trademark holder, Josel S.L. Josel S.L.'s opposition to the registration of "NN" was rejected by the Office for Harmonisation in the Internal Market on 28 May 2014. Josel S.L. has the right to appeal this decision until 28 July 2014. If no appeal is lodged by 28 July 2014, "NN" will be registered as a European Community trademark.

Pending the opposition proceedings, NN also applied for national trademark protection in various European countries separately, based on its existing international trademark registration, so as to protect the "NN" word mark in these respective countries. Protection was granted in Belgium, Bulgaria, the Czech Republic, Germany, Hungary, Italy, Luxembourg, the Netherlands, the Slovak Republic and Switzerland. Protection was refused in Norway and Romania. The application is still pending in Greece, France and Poland and was provisionally refused in Finland. Protection of "NN" was also applied for in China, Japan, Singapore, South Korea, Turkey, and the United States, based on the international trademark registration, and in Dubai, Hong Kong and Taiwan based on separate national applications. Protection was refused in China, Japan and South Korea, is pending in Dubai, and was granted in Hong Kong, Singapore, Taiwan, Turkey and, for an amended selection of goods and services, in the United States. The status of these trademarks is based on information available in public registers at the date of this Prospectus, with the exception of the status of the trademarks in Dubai and Poland, which is based on information provided by the Company. Refusal of protection of the "NN" word mark may adversely affect NN's ability to enforce its "NN" word trademark in the countries where such protection was refused. Additionally, in those countries where protection is refused as a result of opposition proceedings filed by a holder of an older trademark, there is a risk that this holder may enforce the older trademark against NN if it were to use "NN" in the relevant country. These risks may be mitigated by other trademarks NN has in its portfolio in the relevant country which feature the element "NN". Such other trademarks may allow NN to take enforcement action against use of "NN", or defend itself against claims brought by holders of older trademarks.

NN may also choose to use variations on the "NN" trademark, such as "Nationale Nederlanden", in countries where protection of "NN" was refused.

NN is the owner of a number of domain names, including "NN" in combination with the top level domains "eu" and "nl", and numerous country-specific top level domains.

NN believes that it is not dependent on any trade names, trademarks or any licenses for its business or profitability, other than IT licenses, its trade name NN, the trademarks mentioned above in this paragraph and the transitional intellectual property license from ING Groep; see "*Major Shareholder and Related Party Agreements—Related Party Agreements—Transitional intellectual property license agreement*".

Data protection

NN has implemented certain policies and procedures to address data protection and privacy matters with respect to customer data. NN maintains online privacy and cookie statements. The privacy statements describe, amongst others, the categories of data NN collects, the purposes of such data collection and how customers may access such data, and to the extent necessary correct any inaccuracies. Customers can contact NN with requests related to that data in writing, to further enhance its ability to comply with the various data privacy laws and regulations (such as the Dutch Data Protection Act (*Wet bescherming persoonsgegevens*)). NN regularly reviews its policies.

PROPERTY AND EQUIPMENT

The table below sets out the fair value of the properties owned by NN and the net carrying value of NN's equipment as at 31 December 2013, 2012 and 2011.

Property and equipment			
	Year ended		
(*in millions of EUR*)	**2013**	**2012**	**2011**
Property in own use	100	220	292
Equipment	64	118	177
Total	**164**	**338**	**469**

Property

NN owns and leases properties for managing and operating its business activities in the jurisdictions where NN operates. The majority of these properties are leased. The duration of the lease contracts varies from one to 12 years. The longer term contracts generally have flexibility clauses regarding the reduction and/or increase of the square metre usage. As at 31 December 2013, the financial commitments of the outstanding lease contracts added up to EUR 26 million.

NN owns several office buildings, of which three have a market value above EUR 10 million, including NN's corporate headquarters in Amsterdam, the Netherlands. On 10 April 2014, NN announced that it will move its corporate headquarters from Amsterdam to The Hague in the second quarter of 2015. NN will maintain ownership of the Amsterdam office building and will lease the building to third parties. The first external tenant will move in as of the end of 2015. None of these properties is subject to any encumbrances as security for borrowings.

NN is continuously optimising its property for the purposes of cost reduction, efficiency improvement and increasing flexibility. For example, in the Netherlands NN entered into new ten-year lease contracts for its primary locations in Rotterdam and The Hague in 2012 and 2013 respectively, reducing the usage by NN.

Equipment

NN owns and leases various equipment to operate its business, which primarily relates to data processing, and IT equipment and fixtures and fittings. NN's data processing and IT equipment is partly owned (i.e. laptops), leased (i.e. printers) or falls under service contracts (i.e. telephony, LAN and servers). NN's equipment relating to its facilities (such as fixtures and settings) is predominantly owned.

SUSTAINABILITY

NN aims to help people and businesses manage and protect their assets and income. Management believes this role goes beyond delivering monetary returns: NN also aims to use its resources, expertise and reach to help society achieve long-term sustainable prosperity. NN believes that by understanding the global trends society is facing and the impact that these developments have on its customers and on its business, it can contribute to a healthy economy as well as a stable society. In doing so it wants to create value for NN and its stakeholders and improve lives for people today and generations to come.

Pillars

For NN, sustainability is about creating long-term value. Its sustainability agenda is built along the following five pillars: (i) enhancing customer centricity; (ii) promoting responsible investment; (iii) engaging employees; (iv) managing environmental footprint; and (v) supporting local communities.

Enhancing customer centricity

NN aims to offer innovative solutions to meet the different needs of the societies in which it operates, and to offer its customers products that are suitable, transparent and contribute to their wellbeing. Furthermore, it invests in financial education and awareness-building campaigns and tools to help customers understand the advantages and risks associated with insurance products and services, and therefore make better informed decisions. Examples are the websites www.myfinancialpersonality.com (available in nine countries, the test has been completed by 320,000 people) and www.thuisinpensioen.nl. NN also aims to create products and services with social value added by reaching out to more vulnerable target groups in society or create products and services that address a specific issue. An example of such a concept is "For You", available in the Czech Republic and Spain. This concept is specially designed for women and offers them more than financial support if breast or genital cancer is diagnosed. It offers a community platform on prevention and treatment of these diseases. In Poland NN offers a similar concept.

Promoting responsible investment

NN is a significant investor in a large number of countries, industries and companies, and takes it responsibility as a capital provider seriously. This means that NN considers environmental, social and governance factors in its investment process in order to protect and enhance the risk-return profile of its investments. Furthermore, through active ownership, NN aims to support good governance and seeks to enhance the social and environmental practices of the companies it invests in. Finally, NN offers specialised sustainable investment products and solutions that meet its customers' growing interest in responsible investment. NN Investment Partners has been a signatory to the UN Principles for Responsible Investment since 2008. As at 31 December 2013, it holds EUR 3.5 billion in sustainable AuM (an increase of 8.3% compared to 2012). In 2013, NN Group ranked sixth out of 29 in the benchmark for responsible investment of Dutch insurance companies (source: VBDO).

Engaging employees

NN aims to foster an open, safe, inclusive and stimulating working environment for employees. Management believes qualified and motivated staff is essential to offer clients high-quality service. It also believes qualified and motivated people need a good employer. It is for these reasons that it offers a wide range of training and development programs. Furthermore, Management believes that an inclusive workforce allows the company to better serve its customers. NN is very diverse in terms of nationalities, languages and cultures, and it aims to create an environment where diversity can flourish. Management endorses a culture that welcomes and respects everyone, creates room for full engagement and makes innovation happen. In 2013, NN had 25% women in leadership positions. To get insights on how employees experience several factors around their work environment, their direct management and the company as a whole, Management asks its staff to participate in employee surveys. In 2013, 82% of NN's staff participated in the survey, the engagement score was 67%.

Managing environmental footprint

NN aims to effectively manage its footprint by reducing the use of natural resources, seeking green alternatives and ultimately compensating the remainder of its carbon footprint. Making responsible choices in its procurement contributes to this. Therefore, NN has adopted the UN Global Compact principles in its procurement policy.

Supporting local communities

NN feels responsibility for being a good corporate citizen. This role gives the company a broader sense of purpose. By aligning business and community investment objectives it aims to support people in finding their way towards a financially strong and secure future. As part of the transition to become a standalone company, NN is in the process of prioritising an overarching community investment theme for its organisation going forward. In the meantime, local businesses and foundations support a broad scope of local initiatives in the communities in which the company operates, with a focus on (financial) education and entrepreneurship, health, environmental care, and social welfare. The success of local initiatives is achieved not only through cash and in-kind donations but also via the active involvement of employees as volunteers.

Endorsements

NN underlines its ambition by endorsing international standards and initiatives, like the UN Principles for Sustainable Insurance, the UN Principles for Responsible Investment and the UN Global Compact.

EMPLOYEES

NN believes that the quality of its employees is key to ensuring NN achieves its purpose of helping customers secure their financial future. NN considers its human resources policies to be designed to adapt to the local conditions of each market in which NN operates whilst at the same time adhering to NN's global corporate values and standards. NN's human resources strategy is built around supporting the business to be both operationally effective and efficient.

The economic recession has put pressure on the Dutch insurance sector in the past few years. For NN this has prompted a series of efficiency measures, including a reduction of staff and adjustments in both variable and fixed remuneration components. In 2014, NN plans to take further measures pursuant to which an additional 550 job positions will become redundant. For this, approximately EUR 110 million is reserved as part of the reorganisation provision taken in 2012 in relation to the reduction of 1,350 job positions from 2012 onwards as announced in November 2012. However, to safeguard the overall attractiveness to talent and to improve employee productivity, investments in learning and development have been increased.

As at 31 December 2013, NN employed a total of 14,620 employees on a FTE basis of which 12,681 were permanent employees and 1,939 were temporary employees (see "*Executive Board, Management Board, Supervisory Board and Employees—Employees—General*" for further information).

INFORMATION TECHNOLOGY

NN's IT system is designed to support its business with a focus on delivering customer value and serving the business in an effective and efficient manner. During the operational disentanglement from ING in 2010, a large part of the IT infrastructure in Europe was renewed and upgraded to market standards.

In order to optimise NN's IT system, NN is focusing on migrating to cost-effective solutions at business segment or group level. In 2013, NN established the Chief Information Officer department that focuses on migrating the IT operation to a shared, group wide IT and security infrastructure and enhancing NN's IT infrastructure on an ongoing basis, in order to further standardise and simplify NN's IT infrastructure. For its group wide IT and security infrastructure NN mainly uses packaged software, with the exception of certain legacy software systems which are in use for administrative, finance or risk purposes and are being migrated to the group wide infrastructure. NN pursues a multi-supplier strategy for its IT applications in order to get the best mix of expertise and cost and to be able to quickly adapt the IT systems to the needs of the business. NN also outsources part of its IT services, such as the hosting of systems to several global providers across Europe and Japan.

As part of the separation of NN from ING, NN entered into a number of IT-related transitional services agreements with ING subsidiaries of ING Groep, such as for NN Belgium (due to a multi-year disentanglement program) and the usage of the current ING domain name in the email environment across NN. The terms of these transitional services agreements vary and depend on the termination of the services provided; see "*Major Shareholder and Related Party Transactions—Historical Related Party Transactions—Transitional services agreements*".

NN's current IT strategy includes the following elements:

- NN's IT strategy is aligned with the business strategy. Therefore the IT architecture focuses on delivering: an excellent customer experience; appealing and transparent product and services, multi-access distribution; efficient and effective operation; and solid finance and risk support for excellent balance sheet management (see "*—Strategy*");
- standardisation and simplification of the overall IT landscape to reduce complexity of applications and infrastructure;
- assurance that the IT services throughout the organisation are compliant with applicable rules and regulations, such as the Solvency II Directive; and
- the use of agile IT processes based on incremental and iterative software development, which enables higher productivity and execution power.

LEGAL PROCEEDINGS

General

NN is involved in litigation and arbitration proceedings in the Netherlands and in a number of foreign jurisdictions, involving claims by and against NN which arise in the ordinary course of its business, including in connection with its activities as insurer, lender, broker-dealer, underwriter, issuer of securities and investor and its position as employer and taxpayer. In certain of such proceedings, very large or indeterminate amounts are sought, including punitive and other damages. While it is not feasible to predict or determine the ultimate outcome of all pending or threatened legal and regulatory proceedings, the Company believes that some of the proceedings set out below may have, or have in the recent past had, a significant effect on the financial condition, profitability or reputation of the Company or NN.

Because of the geographic spread of its business, NN may be subject to tax audits in numerous jurisdictions at any point in time. Although the Company believes that it has adequately provided for its tax positions, the ultimate outcome of these audits may result in liabilities that are different from the amounts recognised.

Dutch unit-linked products

Since the end of 2006, unit-linked products (commonly referred to in Dutch as '*beleggingsverzekeringen*') have received negative attention in the Dutch media, from the Dutch Parliament, the AFM and consumer protection organisations. Costs of unit-linked products sold in the past are perceived as too high and Dutch insurers are in general being accused of being less transparent in their offering of such unit-linked products. The criticism on unit-linked products led to the introduction of compensation schemes by Dutch insurance companies that have offered unit-linked products. In 2008 NN's Dutch insurance subsidiaries reached an outline agreement with two main consumer protection organisations to offer compensation to their unit-linked policyholders where individual unit-linked policies had a cost charge in excess of an agreed maximum and to offer similar compensation for certain hybrid insurance products. At 31 December 2008 costs of the settlements were valued at EUR 365 million for which adequate provisions have been established and of which a substantial portion has been paid out. The remaining unpaid part of the provision as per 31 December 2013 is solely available to cover costs relating to the settlements agreed in 2008. A full agreement on implementation was reached in 2010 with one of the two main consumer protection organisations, with the second main consumer protection organisation signing its agreement in June 2012. In addition, NN's Dutch insurance subsidiaries announced additional measures (*flankerend beleid*) that comply with the 'Best in Class' criteria as formulated on 24 November 2011 by the Dutch

Minister of Finance. In December 2011 this resulted in an additional agreement on these measures with the two main consumer protection organisations. In 2012 almost all unit-linked policyholders were informed about the compensation. The agreements with the two consumer protection organisations are not binding on policyholders. Consequently, neither the implementation of the compensation schemes nor the additional measures offered by NN prevent individual policyholders from initiating legal proceedings against NN's Dutch insurance subsidiaries and making claims for damages.

In November 2013, the so-called 'Vereniging Woekerpolis.nl', an association representing the interests of policyholders, initiated a so-called 'collective action', requesting the District Court in Rotterdam to declare that NN's Dutch insurance subsidiaries sold products in the market, which are defective in various respects (e.g. on transparency regarding cost charges and other product characteristics, and included risks for which the insurer failed to warn, such as considerable stock depreciations, the inability to realise the projected final policy value, unrealistic capital projections due to difference in geometric versus arithmetic returns). NN's Dutch insurance subsidiaries have rejected these claims and will defend themselves in these proceedings.

Apart from the aforementioned 'collective action', several other claim organisations and initiatives were established on behalf of policyholders, such as the organisation Wakkerpolis. This organisation primarily concentrates on the recovery of initial costs for policyholders, based on an interim ruling of the KiFiD issued on 13 May 2013 in an individual case. In this case, the KiFiD concluded that there is no contractual basis for charging initial costs (which are costs charged to the policy during a limited period of time). Apart from the initial costs, it can be derived from the interim ruling – in accordance with past rulings of the KiFiD – that an insurer is obliged to warn against the leverage and capital consumption effect (which is the effect caused by the dependency of life insurance premium on the value of the policy; the lower the value of the policy, the higher the life insurance premium). NN believes that this interim ruling is incorrect on several legal grounds.

While the nature and application of a collective action may differ depending on jurisdiction, a collective action initiated in the Netherlands has as a main characteristic that a plaintiff cannot claim damages on behalf of a class of disadvantaged parties. Instead, Dutch law entitles claims organisations to demand other relief, most importantly, a declaration of law that a certain act was unlawful. Such declaration can then form the basis for an award for damages in individual cases. A declaration of law may serve as a basis for negotiations between the defendant against which the declaration of law has been awarded and claims organisations representing disadvantaged parties, to come to a collective monetary settlement which can subsequently be declared binding by the Court of Appeal in Amsterdam and applied to the entire class of disadvantaged parties.

In proceedings pending before the District Court in Rotterdam, the Court has upon request of the parties, including NN, submitted preliminary questions to the European Court of Justice to obtain clarity on principal legal questions with respect to cost transparency related to unit-linked policies. The main preliminary question being considered by the European Court of Justice is whether European law permits the application of information requirements based on general principles of Dutch law that extend beyond information requirements as explicitly prescribed by laws and regulations in force at the time the policy was written. Although the European Court does not decide on the applicable standards in specific cases, NN believes the ruling of the European Court of Justice can give clarification on this question of legal principle which is also the subject of other legal proceedings in the Netherlands. 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 of Justice will render its judgment at the earliest in 2014.

NN's Dutch insurance subsidiaries have issued, sold or advised on approximately one million individual unit-linked policies. There has been for some time and there continues to be political, regulatory and public attention focused on the unit-linked issue in general. Elements of unit-linked policies are being challenged or may be challenged on multiple legal grounds in current and future legal proceedings. There is a risk that one or more of those legal challenges will succeed. The financial consequences of any of the aforementioned factors or a combination thereof can be substantial for the Dutch insurance business of NN and may affect NN, both financially and reputationally. However, these consequences cannot be reliably estimated or quantified at this point.

Appeal regarding ING's EC Restructuring Plan

In January 2010, ING Groep lodged an appeal with the European General Court against specific elements of the EC's decision regarding the 2009 Restructuring Plan. In its appeal, ING Groep contested the way the EC has calculated the amount of state aid ING received, the disproportionality of the price leadership restrictions and the disproportionality of restructuring requirements. On 2 March 2012, the European General Court handed down its judgment in relation to ING Groep's appeal and annulled part of the EC's state aid decision. Subsequently, the EC filed an appeal against the European General Court's judgment before the European Court of Justice. In parallel, the EC adopted a decision on 11 May 2012 that re-approved the state aid granted to ING Groep as compatible with the internal market on the basis of the 2009 Restructuring Plan. On the same date, the EC adopted an interim decision which opened an investigation concerning certain amendments and elements of the 2009 Restructuring Plan.

On 24 July 2012, ING Groep announced that the Dutch State and ING Groep were in dialogue with the EC on an amendment and update of the 2009 Restructuring Plan to be submitted to the EC. However, in order to safeguard its legal rights, ING Groep filed an appeal with the European General Court against the EC's decision of 11 May 2012, which re-approved the 2009 Restructuring Plan.

On 19 November 2012, ING Groep and the Dutch State reached an agreement with the EC on certain amendments to the 2009 Restructuring Plan, as set out in the 2012 Restructuring Plan (which was formally approved by an EC decision of 16 November 2012). With this agreement, the EC closed its investigation as announced on 11 May 2012 and ING Groep withdrew its appeal filed in July 2012 at the European General Court. For principal legal reasons the EC continued with its appeal against the European General Court ruling of March 2012. However, as part of the agreement of 19 November 2012, ING, the Dutch State and EC agreed that the outcome of this appeal will not affect the EC approval to the EC Restructuring Plan. In November 2013, ING Groep and the Dutch State reached agreement with the EC on the 2013 Restructuring Plan. On 3 April 2014, the European Court of Justice rendered its judgement and dismissed the EC's appeal against the European General Court ruling of March 2012. The EC Restructuring Plan is further described under "*Supervision and Regulation—EC Restructuring Plan*".

Stichting Collectieve Actie Pensioengerechtigden ING Nederland – ING Groep, the Company, certain of their Dutch subsidiaries and the ING Pension Fund

In July 2011, the Dutch ING Pensioners' Collective Action Foundation (*Stichting Collectieve Actie Pensioengerechtigden ING Nederland*), together with two trade unions (*FNV Bondgenoten and CNV Dienstenbond*) and a number of individual pensioners, instituted legal proceedings against ING Groep's decisions not to provide funding for indexing pensions insured with the Dutch ING pension fund (*Stichting Pensioenfonds ING*) (the **ING Pension Fund**) in 2009, 2010 and 2011. This claim was rejected by the district court of Amsterdam on 9 November 2012. On 15 April 2014, the Amsterdam court of justice dismissed claimants' appeal against the decision of the district court. It is not currently feasible to predict whether this ruling of the Amsterdam court of justice will be the final ruling in these proceedings and if not, the ultimate outcome of these legal proceedings. The ultimate outcome may result in liabilities and provisions for such liabilities that are different from the amounts recognised. At this moment it is not practicable to provide an estimate of the (potential) financial effect of such continued proceedings. The Company was informed that both leading claimants will not lodge an appeal against the decision of the Amsterdam court of justice.

Belangenvereniging ING-Directiepensioenen – ING Groep, the Company and certain of their Dutch subsidiaries

In July 2011, the Interest Group ING General Managers' Pensions (*Belangenvereniging ING-Directiepensioenen*), together with a number of individual retired Dutch general managers of ING Groep, the Company and certain of their Dutch subsidiaries, also instituted legal proceedings against ING Groep's decision not to provide funding for indexing Dutch general managers' pensions directly insured with Nationale-Nederlanden in 2010 and 2011. This claim was rejected by the district court of Amsterdam on 22 October 2012. An appeal was lodged against this court decision. It is not currently feasible to predict the ultimate outcome of these legal proceedings. The ultimate outcome may result in liabilities and provisions for such liabilities that are different from the amounts recognised. At this moment it is not practicable to provide an estimate of the (potential) financial effect of such proceedings.

ING Pension Fund – ING Groep, the Company and certain of their Dutch subsidiaries

In April 2013, the ING Pension Fund started arbitration proceedings to adjudicate a dispute with ING Groep, the Company and certain of their Dutch subsidiaries concerning the adjusted mortality tables used in the calculation of premiums and provisions. In 2013 ING Groep decided to lower its contributions by 1.7% as a result of ING Groep not accepting the adjustments made by the ING Pension Fund resulting from the mortality tables used. In February 2014, the ING Pension Fund and ING Groep agreed that the ING Pension Fund will remain using a surcharge of 1.7% and the ING Pension Fund and ING Groep will share the costs of the 1.7% surcharge over 2013. The payment of 50% of the surcharge 2013 by ING Groep is included in the payment by ING Groep of the one-time lump sum to the ING Pension Fund, which was closed for the accrual of new pension benefits as of 1 January 2014, of EUR 379 million to release ING Groep from future financial obligations. See also "*—Material Agreements—ING Pension Fund agreement*".

In July 2013, the ING Pension Fund started arbitration proceedings against ING Groep's decision not to provide funding (for a total amount of EUR 197.5 million) for indexing pensions insured with the ING Pension Fund as of 1 January 2013. During the arbitration proceedings the ING Pension Fund added a claim in the amount of EUR 38.8 million for funding the indexation as of 1 August 2013. On 20 December 2013 the arbitrators ruled in favour of the ING Pension Fund and concluded that ING Groep will have to provide full funding for both the indexation as of 1 January 2013 and the indexation as of 1 August 2013. The outcome of the arbitration is reflected in the Company's financial statements for the year ended 31 December 2013.

Regulatory industry review

Following a recent broad industry review by the Dutch regulator DNB, the Company's subsidiary Nationale-Nederlanden Schadeverzekering Maatschappij N.V. was instructed to strengthen its policies and procedures in respect of sanctions-related customer screening and related compliance matters. Nationale-Nederlanden Schadeverzekering Maatschappij N.V. is currently in the process of implementing DNB's recommendations.

Investigation investment management business in South Korea

In July 2013, the investment management business in South Korea was agreed to be sold to Macquarie Group. The transaction closed on 2 December 2013; see "*—Material Agreements—Acquisitions and disposals—Disposals closed in 2013*". NN received notice from Macquarie Group reserving their rights to claim under the share purchase agreement relating to certain trades, conducted by the investment management business in South Korea in the period before closing of the transaction, which are currently subject to further investigation.

MATERIAL AGREEMENTS

The following are agreements (other than those set out under "*Major Shareholder and Related Party Transactions*" or entered into in the ordinary course of business) that have been entered into by any member of NN within the two years immediately preceding the date of this Prospectus which are material or which have been entered into by any member of NN at any other time and which contain provisions under which any member of NN has an obligation or entitlement that is material to NN as at the date of this Prospectus and the acquisitions and disposals of or by any of the Company's direct or indirect subsidiaries which have taken place in 2013, 2012 and 2011.

Acquisitions and disposals

Disposals announced but not yet closed

- ***ING-BOB Life***: On 8 July 2013, ING Insurance International II B.V. as seller and ING Verzekeringen N.V. as seller's guarantor entered into a share sale and purchase agreement with BNP Paribas Cardif, the insurance arm of BNP Paribas, as purchaser providing for the sale of

ING Insurance International II B.V.'s 50% shareholding in its Chinese insurance joint venture ING-BOB Life Insurance Company Ltd. The transaction is subject to regulatory approval and is expected to close in 2014.

- ***ING Investment Management India***: On 15 May 2014, ING Investment Management (India) Private Limited entered into a transaction agreement with Birla Sun Life Asset Management Company Limited, pursuant to which ING Investment Management India will transfer to Birla Sun Life Asset Management Company Limited the rights to manage and administer the schemes of ING Mutual Fund and the portfolio management accounts managed by ING Investment Management India. The transaction is subject to regulatory approval and is expected to close in 2014.

Disposals closed in 2014

- ***ING Investment Management Taiwan***: On 10 January 2014, ING Insurance International II B.V. and ING Insurance Asia N.V., wholly-owned indirect subsidiaries of the Company, entered into a share sale and purchase agreement, as sellers, with Alpha Magnus Investments Limited, Skyline Investments Holding Limited, Professional Analytics and Services Limited and Nomura Asset Management Co. Ltd. for the sale of ING Securities Investment & Trust Company Limited, NN's Taiwanese asset management business. The transaction does not have a material impact on the Company's results. The transaction closed on 18 April 2014.

- ***SulAmérica***: On 18 November 2013, ING Insurance International B.V. as seller entered into a sale and purchase agreement with Swiss Re Group as purchaser on the sale of an 11.3% direct stake in SulAmérica, further reducing its stake in the Brazilian insurer to 10%. The sale was completed in January 2014. ING Insurance International B.V. sold 37.7 million SulAmérica units for a total cash consideration of EUR 176 million (at then prevailing exchange rates). The transaction resulted in a net gain to NN of EUR 56 million, which represents the difference between the book value and the fair value for both the 11.3% stake in scope of the transaction with Swiss Re and the approximate 10% stake retained by NN.

  In preparation for a stand-alone future of NN, the approximate 10% stake in SulAmérica held by ING Insurance International B.V. was transferred to ING Groep as at 31 January 2014. The stake was distributed by ING Insurance International B.V. to its sole shareholder ING Verzekeringen N.V., followed by a distribution by ING Verzekeringen N.V. to its sole shareholder ING Insurance Topholding N.V. (old name; now: the Company), followed by a distribution by ING Insurance Topholding N.V. to its sole shareholder ING Groep. All distributions were made at the expense of the freely distributable reserves at carrying value in the amount of EUR 139 million. Since 31 January 2014, NN has no interest in SulAmérica.

  NN has been indemnified by ING Groep against any liabilities arising from these disposals (see "*Major Shareholder and Related Party Transactions—Related Party Transactions—Relationship with ING following the Offering—Indemnification and allocation agreement*").

Acquisition closed in 2013

- ***WestlandUtrecht Bank***: Pursuant to the 2012 Restructuring Plan, ING Groep committed to combine the commercial operations of WUB with the retail banking activities of Nationale-Nederlanden. In order to fulfil this commitment, Nationale-Nederlanden Bank N.V. acquired all outstanding shares in WestlandUtrecht Effectenbank N.V. and Nationale-Nederlanden Financiële Diensten B.V. from WUB and certain business assets. See "*Major Shareholder and Related Party Transactions—Related Party Transactions—Historical Related Party Transactions*" for further details.

Disposals closed in 2013

- ***Insurance business in Hong Kong, Macau and Thailand***: On 19 October 2012, ING Insurance Asia N.V. as seller and ING Verzekeringen N.V. as seller's guarantor entered into a share sale and purchase agreement with PCG Financial Services Holdings (Singapore) PTE Ltd., as the purchaser, providing for the sale of ING Insurance Asia N.V.'s shares in ING Life Public Company Ltd., Siam Sattabodee Ltd., Siam Siharaj Ltd. and ING Management Holdings (HK)

Ltd., which are companies that comprise the Company's life insurance, general insurance, pension and financial planning units in Hong Kong and Macau, and its life insurance operation in Thailand. The combined consideration amounted to USD 2.1 billion (approximately EUR 1.6 billion) in cash. The transaction closed on 28 February 2013. A net gain of EUR 945 million was recognised by ING Insurance Asia N.V. in 2013.

- ***ING Vysya Life Insurance***: On 19 March 2013, ING Insurance International B.V. as seller entered into a share sale and purchase agreement with its joint venture partner Exide Industries Ltd., providing for the sale of its 26% shareholding in the joint venture ING Vysya Life Insurance Company Ltd. to Exide Industries Ltd. On 22 March 2013, the sale was completed. Since it was expected that the transaction would result in a loss, the related goodwill was reduced by EUR 15 million in the fourth quarter of 2012.

- ***Malaysian investment management business***: On 12 December 2012, IFB Management Holdings Sdn Bhd, a wholly owned subsidiary of the Company as seller entered into a share sale and purchase agreement with Kenanga Investors Berhad (Kenanga Investors), a wholly owned subsidiary of K & N Kenanga Holdings Berhad, as purchaser, providing for the sale of its 70% shareholding stake in ING Funds Berhad (IFB), which was the Company's investment management business in Malaysia. Tab Inter-Asia Services Sdn Berhad also agreed to sell its 30% shareholding in IFB to Kenanga Investors. The sale was completed in April 2013.

- ***Thai investment management unit***: On 19 November 2012, ING Investment Management (Asia Pacific) B.V. as seller and ING Verzekeringen N.V. as seller's guarantor entered into a share sale and purchase agreement with UOB Asset Management Ltd., as purchaser, providing for the sale of all outstanding shares in lNG Funds (Thailand) Company Ltd., the Company's investment management business in Thailand. The transaction was completed in May 2013. Under the terms agreed, NN received a total cash consideration of EUR 10 million.

- ***ING Financial Services Private Limited:*** In July 2013, ING Investment Management (Asia Pacific) B.V., an indirect wholly-owned subsidiary of the Company, completed the sale of its interest in the joint venture ING Financial Services Private Limited to Hathway Investments. The share sale and purchase agreement regarding ING Financial Services Private Limited had been signed on 17 April 2013.

- ***SulAmérica***:
  - *Larragoiti family*: On 27 February 2013, ING Insurance International B.V. as seller entered into a sale and purchase agreement with the Larragoiti family, a majority shareholder and NN's joint-venture partner in SulAmérica, as purchaser, for the sale of approximately 7% of SulAmérica's outstanding shares. The transaction, which also included a share-swap, was completed in December 2013. The existing shareholders' agreement with the Larragoiti family was terminated at closing.

  - *International Finance Corporation*: On 16 May 2013, ING Insurance International B.V. as seller entered into a sale and purchase agreement with International Finance Corporation as purchaser regarding the sale of approximately 7.9% of SulAmérica's outstanding shares for a total consideration of approximately EUR 140 million. This sale was completed in June 2013.

  NN has been indemnified by ING Groep against any liabilities arising from these disposals (see "*Major Shareholder and Related Party Transactions—Related Party Transactions—Relationship with ING following the Offering—Indemnification and allocation agreement*").

- ***KB Life***: On 19 April 2013, ING Insurance International II B.V. as seller entered into a share sale and purchase agreement with its joint venture partner KB Financial Group, Inc., one of Korea's leading financial institutions, as purchaser, providing for the sale of ING Insurance International II B.V.'s 49% shareholding in Korean insurance venture KB Life Insurance Company Ltd. to KB Financial Group. The sale was completed in June 2013. ING Insurance International II B.V. received a total cash consideration of KRW 166.5 billion (approximately EUR 115 million at then prevailing exchange rates).

- ***ING U.S.***: In May 2013, ING Insurance International B.V. sold 25% of the common stock in the initial public offering of ING U.S., its U.S.-based retirement, investment and insurance business. The shares began trading on 2 May 2013 on the New York Stock Exchange (**NYSE**) under the ticker symbol "VOYA". In May 2013, the underwriters exercised in full their overallotment option. The sale of additional shares further reduced NN's ownership in ING U.S. from 75% to approximately 71% of the common stock of ING U.S. In preparation for a standalone future of NN, approximately 71% of the common stock of ING U.S. held by ING Insurance International B.V. was transferred to ING Groep as from 30 September 2013. Since 30 September 2013, NN has no interest in ING U.S. See "*Major Shareholder and Related Party Transactions—Related Party Transactions—Historical Related Party Transactions*" for further details.

  NN has been indemnified by ING Groep against any liabilities arising from the initial public offering of ING U.S. (see "*Major Shareholder and Related Party Transactions—Related Party Transactions—Relationship with ING following the Offering—Indemnification and allocation agreement*").

- ***ING Australia Holdings Limited***: On 30 September 2013, ING Insurance International B.V. sold and transferred its shares in ING Australia Holdings Limited to ING Bank at net asset value and assigned to ING Bank its outstanding debt, including accrued interest, with ING Australia Holdings Limited. See "*Major Shareholder and Related Party Transactions—Related Party Transactions—Historical Related Party Transactions*" for further details.

- ***Mexican mortgage business***: On 14 June 2013, Conglomerado de Valores, S.A. de C.V. as seller, an indirect wholly-owned subsidiary of the Company, entered into a share sale and purchase agreement with Banco Santander (México) S.A. as purchaser providing for the sale of its shares in ING Hipotecaria, S.A. de C.V., the Company's mortgage business in Mexico, to Banco Santander (México) S.A. The transaction completed in November 2013.

  NN has been indemnified by ING Groep against any liabilities arising from this disposal (see "*Major Shareholder and Related Party Transactions—Related Party Transactions—Relationship with ING following the Offering—Indemnification and allocation agreement*").

- ***ING Life Korea***: On 26 August 2013, ING Insurance International II B.V. as seller and ING Verzekeringen N.V. as seller's guarantor entered into a share sale and purchase agreement with a subsidiary of MBK Partners, a Korean private equity firm, as purchaser providing for the sale of the seller's shares in ING Life Insurance (Korea) Ltd., the Company's indirect wholly-owned life insurance business in South Korea, for a total purchase price of approximately KRW 1.84 trillion (EUR 1.27 billion at then prevailing exchange rates). The sale was completed in December 2013. As part of the transaction, Korean Investment Fund B.V., a wholly owned indirect subsidiary of the Company, acquired an indirect stake of approximately 10% in ING Life Korea, equivalent to approximately EUR 80 million (at then prevailing exchange rates). ING Groep has entered into a brand licensing agreement that will allow ING Life Korea to continue to operate under the ING brand for a maximum period of five years. In addition, over the course of one year, ING Insurance International II B.V. will continue to provide technical support and advice to ING Life Korea. The transaction resulted in an after-tax loss for NN of approximately EUR 989 million, of which EUR 944 million was recorded in the third quarter of 2013.

- ***China Merchants Fund***: On 24 October 2012, ING Asset Management B.V. as seller entered into a share sale and purchase agreement with its joint venture partners China Merchants Bank Co., Ltd. and China Merchants Securities Co., Ltd. as purchasers providing for the sale of ING Asset Management B.V.'s 33.3% shareholding in China Merchants Fund, an investment management joint venture. Under the terms agreed, ING Asset Management B.V. received a total cash consideration of approximately EUR 98 million. The transaction completed in December 2013. ING Asset Management B.V. realised a net gain of approximately EUR 59 million.

- ***Investment management business in South Korea***: On 9 July 2013, ING Insurance International B.V., a wholly-owned subsidiary of the Company as seller and ING Verzekeringen N.V. as seller's guarantor entered into a share sale and purchase agreement with Macquarie Group, an Australia-based global provider of financial services, providing for the sale of the shares in ING Investment Management Korea, Ltd., ING Insurance International B.V.'s investment management business in South Korea to Macquarie Group. The transaction completed in December 2013.

Disposal closed in 2012

- ***Insurance businesses in Malaysia***: On 17 December 2012, ING Insurance Asia N.V. as seller and ING Verzekeringen N.V. as seller's guarantor entered into a share sale and purchase agreement with American International Assurance Company, Ltd., providing for the sale of the shares in ING Management Holdings (Malaysia) Sdn Bhd. (the Company's insurance operations in Malaysia, which include its life insurance business, its market-leading employee benefits business and a 60% stake in ING Public Takaful Ehsan Berhad) to American International Assurance Company, Ltd. ING Insurance Asia N.V. received a total cash consideration of EUR 1.3 billion. The transaction was completed in December 2012 with a net transaction gain of EUR 745 million after tax.

Disposals closed in 2011

- ***Pacific Antai Life Insurance Company Ltd.***: In June 2011, ING Insurance International B.V. completed the sale of its entire stake in China's Pacific Antai Life Insurance Company Ltd. to China Construction Bank for a consideration of EUR 82 million and a net profit of EUR 28 million. The equity transfer agreement regarding China's Pacific Antai Life Insurance Company Ltd. had been signed on 29 December 2009.

- ***Mexican leasing business***: In September 2011, Conglomerado de Valores, S.A. de C.V., an indirect wholly-owned subsidiary of the Company, completed the sale of ING Arrendadora, S.A. de C.V., its Mexican leasing business, to Grupo Financiero Ve por Más. The share sale and purchase agreement regarding ING Arrendadora, S.A. de C.V. had been signed on 10 March 2011.

  NN has been indemnified by ING Groep against any liabilities arising from these disposals (see "*Major Shareholder and Related Party Transactions—Related Party Transactions—Relationship with ING following the Offering—Indemnification and allocation agreement*").

- ***ING Investment Management Australia***: In October 2011, ING Insurance International B.V. completed the sale of ING Investment Management Limited, its Australian investment management business to UBS AG. ING Investment Management Australia's business provided a number of investment strategies and products directly to the Australian institutional and wholesale markets. The share sale and purchase agreement regarding ING Investment Management Limited had been signed on 30 June 2011.

- ***Latin American pensions, life insurance and investment management operations***: In December 2011, ING Insurance International B.V. completed the sale of its Latin American pensions, life insurance and investment management operations for a total consideration of EUR 2.64 billion to Grupo de Inversiones Suramericana. Under the terms of the agreement, ING Insurance International B.V. received EUR 2.57 billion in cash and Grupo de Inversiones Suramericana assumed EUR 65 million in debt. Included in the transaction were the mandatory pension and voluntary savings businesses in Chile, Colombia, Mexico, Uruguay and ING Insurance International B.V.'s 80% stake in AFP Integra S.A. in Peru (the life insurance businesses in Chile and Peru). As part of this transaction ING Insurance International B.V. sold its 33.7% stake in Peruvian InVita Seguros de Vida S.A. to the Wiese family. The transaction also included the local investment management capabilities in the five above-mentioned countries. The sale resulted in a net profit of approximately EUR 995 million.

  NN has been indemnified by ING Groep against any liabilities arising from these disposals (see "*Major Shareholder and Related Party Transactions—Related Party Transactions—Relationship with ING following the Offering—Indemnification and allocation agreement*").

Compensation schemes

The Company's Dutch subsidiaries have agreed with two main Dutch consumer protection organisations upon a compensation scheme that provides for compensation to unit-linked policyholders. See "—*Legal Proceedings—Dutch unit-linked products*".

ING Pension Fund agreement

As of 1 January 2014, two new defined contribution pension plans for Dutch employees, one for employees of ING Bank and one for employees of NN, replaced the pensions plans for employees of ING Groep as provided for by the ING Pension Fund which closed on 31 December 2013. All benefits as accrued up to 31 December 2013 in the ING Pension Fund have been made paid-up (*premievrije aanspraken*).

In February 2014, several subsidiaries of ING Groep, including several subsidiaries of the Company, the ING Pension Fund and the trade unions (CNV Dienstenbond, FNV Finance and De Unie) reached agreement on the transfer of all future funding and indexation obligations towards the ING Pension Fund. The agreement contains the following:

- ING fully financed the indexation 2014, being 0% for the active employees of NN and 0.9% for the inactive employees (pensioners and deferred members) based upon the price index. The total payment (including the ING indexation) amounted to EUR 330 million of which EUR 39 million for NN.
- As of 1 January 2015 the paid-up benefits with the ING Pension Fund will be indexed as follows:
  - the accrued benefits of deferred participants and pensioners inactive on 31 December 2013 will conditionally be indexed on a yearly basis in line with the development of the consumer price index up to 3%;
  - the accrued benefits of deferred participants and pensioners who terminated their employment with ING or NN before 1 January 2002, who were entitled to a conditional indexation in line with the structural raises of the general bank collective labour agreement, will be conditionally indexed in line with the structural raises of the NN collective labour agreement;
  - in order to make it possible for the ING Pension Fund to index the accrued benefits of the participants active on 31 December 2013 on a yearly basis with the percentage of the structural raises of the NN collective labour agreement as long as these participants remain in service of NN, ING paid the ING Pension Fund a one-time lump sum of EUR 170 million of which EUR 51 million for NN.
- ING paid a one-time lump sum to the ING Pension Fund of EUR 379 million to be released from its future financial obligations (i.e. the obligation to finance indexations as of 1 January 2015 and the obligation to restore the coverage ratio of the ING Pension Fund) towards the ING Pension Fund of which EUR 121 million for NN. Consequently, ING Bank and NN are no longer jointly and severally liable for the funding of the obligations of the ING Pension Fund.
- ING will reduce the employees' own contribution to the pension premium under the new defined contribution plan by a total amount of approximately EUR 80 million over a six year period of which a total amount of approximately EUR 20 million for NN.

The removal of the net pension asset related to the ING Pension Fund from NN's balance sheet, NN's contribution to the payment to the ING Pension Fund of EUR 211 million and the reduction of the employees' own contribution to the pension premium result in a charge to be recognised, as a special item, in the results over the first quarter of 2014.

9. SELECTED FINANCIAL INFORMATION

The selected financial information of NN set out below includes the following:

- certain consolidated financial information as at and for the years ended 31 December 2013, 2012 and 2011, which has been extracted from NN's audited consolidated financial statements for the financial year ended 31 December 2013, included herein (the **2013 Annual Accounts**), prepared in accordance with IFRS and audited by Ernst & Young Accountants LLP;

- certain unaudited, condensed consolidated interim financial information as at and for the three months ended 31 March 2014 and 2013, which has been extracted from NN's unaudited, condensed consolidated interim financial statements for the three months ended 31 March 2014 (the **2014 Interim Accounts**), prepared in accordance with IAS 34 and reviewed by Ernst & Young Accountants LLP;

- certain information with respect to NN's operating result, a non-GAAP measure, together with a reconciliation of operating result to NN's IFRS result before tax from continuing operations, for the years ended 31 December 2013, 2012 and 2011, which has been derived from NN's consolidated financial statements, and for the three months ended 31 March 2014 and 2013, which has been derived from NN's unaudited, condensed consolidated interim financial statements; and

- other data and key performance indicators as at and for the years ended 31 December 2013, 2012 and 2011 and the three months ended 31 March 2014 and 2013.

The results of operations for the three months ended 31 March 2014 are not necessarily indicative of the results that might be expected for future interim periods or for the full year ended 31 December 2014.

In order to provide comparable information given the disposal of all material insurance and investment management operations of NN in the United States, Latin America, and Asia/Pacific (excluding Japan) (see "*Business—Material Agreements—Acquisitions and disposals*"), the balance sheet information in this section for the years 2012 and 2011 is extracted from NN's reclassified consolidated balance sheet for the years ended 31 December 2012 and 2011, as included in the 2013 Annual Accounts.

The information provided below should be read in conjunction with the section entitled "*Important Information—Presentation of Financial and Other Information*", the 2013 Annual Accounts and the 2014 Interim Accounts.

SELECTED CONSOLIDATED PROFIT AND LOSS INFORMATION OF NN

	For the three months ended 31 March		For the year ended 31 December		
	(unaudited)				
(in millions of EUR)	**2014**	**2013**	**2013**	**2012**	**2011**
Continuing operations					
Gross premium income	3,491	3,633	9,530	10,705	11,292
Investment income	855	893	3,619	3,739	3,483
Result on disposals of group companies	—	—	-45	—	-4
Gross commission income	*246*	*232*	*956*	*924*	*1,337*
Commission expense	*-82*	*-85*	*-330*	*-331*	*-700*
Commission income	164	147	626	593	637
Valuation results on non-trading derivatives	141	-1,342	-2,891	-2,574	1,025
Foreign currency results and net trading income	-44	249	186	539	-117
Share of result from associates	79	25	97	37	190
Other income	6	7	39	-22	110
Total income	4,692	3,612	11,161	13,017	16,616
Gross underwriting expenditure	*4,424*	*4,726*	*13,585*	*15,867*	*13,444*
Investment result for risk of policyholders	*-568*	*-2,127*	*-4,930*	*-5,517*	*-206*
Reinsurance recoveries	*-17*	*-16*	*-70*	*-73*	*-81*
Underwriting expenditure	3,839	2,583	8,585	10,277	13,157
Intangible amortisation and other impairments	1	2	11	69	42
Staff expenses	843	310	1,178	1,037	1,128
Interest expenses	110	152	591	605	728
Other operating expenses	183	209	848	1,274	1,093
Total expenses	4,976	3,256	11,213	13,262	16,148
Result before tax from continuing operations	-284	356	-52	-245	468
Taxation	-83	78	-50	-113	15
Net result from continuing operations (before attribution to minority interests)	**-201**	**278**	**-2**	**-132**	**453**
Discontinued operations[1]					
Net result from discontinued operations	5	-135	45	839	-202
Net result from classification as discontinued operations	—	—	-42	-394	—
Net result from disposal of discontinued operations	-17	946	17	752	995
Total net result from discontinued operations	**-12**	**811**	**20**	**1,197**	**793**
Net result from continuing and discontinued operations (before attribution to minority interests)	**-213**	**1,089**	**18**	**1,065**	**1,246**

(1) In conformity with IFRS, the results of businesses that have been divested or are presented as held for sale as at 31 December 2013 are presented under the line item "discontinued operations" in the profit and loss account. For a more detailed explanation, see "*Important Information—Presentation of Financial and Other Information*".

SELECTED CONSOLIDATED BALANCE SHEET INFORMATION OF NN

	As at 31 March[1]	As at 31 December		
	(*unaudited*)			
(*in millions of EUR*)	**2014**	**2013**	**2012 reclassified[2]**	**2011 reclassified[2]**
Assets				
Cash and cash equivalents	8,114	7,155	4,347	9,707
Financial assets at fair value through profit or loss:				
– trading assets	769	736	586	503
– investments for risk of policyholders	37,683	39,589	43,821	43,075
– non-trading derivatives	3,423	3,126	4,662	5,157
– designated as at fair value through profit or loss	485	482	2,696	29
Available-for-sale investments	63,684	61,014	68,316	60,646
Loans and advances to customers	25,905	25,319	17,676	20,870
Reinsurance contracts	275	252	266	373
Investments in associates	1,243	1,028	1,265	1,435
Real estate investments	743	764	799	865
Property and equipment	162	164	203	243
Intangible assets	382	392	437	510
Deferred acquisition costs	1,412	1,353	3,142	3,404
Other assets	3,274	3,754	4,558	5,670
Total assets excluding assets held for sale	**147,554**	**145,128**	**152,772**	**152,488**
Assets held for sale	180	630	185,981	183,120
Total assets	**147,734**	**145,758**	**338,753**	**335,608**
Equity				
Shareholder's equity (parent)[3]	14,682	14,227	26,423	23,412
Minority interests	72	68	217	62
Total equity	**14,754**	**14,295**	**26,640**	**23,474**
Liabilities				
Subordinated loans	2,890	2,892	2,947	4,367
Debt securities in issue	—	—	773	2,934
Other borrowed funds	4,243	4,817	5,293	5,876
Insurance and investment contracts	113,835	111,551	123,013	121,683
Customer deposits and other funds on deposit	6,190	5,769	—	—
Financial liabilities at fair value through profit or loss:				
– non-trading derivatives	1,396	1,843	2,610	1,696
Other liabilities	4,408	4,125	5,920	5,808
Total liabilities excluding liabilities held for sale	**132,962**	**130,997**	**140,556**	**142,364**
Liabilities held for sale	18	466	171,558	169,770
Total liabilities	**132,980**	**131,463**	**312,113**	**312,134**
Total equity and liabilities	**147,734**	**145,758**	**338,753**	**335,608**

(1) The shareholder's equity in the balance sheet as at 1 January 2014 decreased by EUR 165 million, reflecting the cumulative impact of the move towards fair value accounting for the GMDB reserves of the Japan Closed Block VA segment.

(2) In order to provide comparable information, NN has prepared Reclassified Balance Sheets. See "*Important Information—Presentation of Financial and Other Information*" and Note 54 of the 2013 Annual Accounts.

(3) The decrease in shareholder's equity to EUR 14,227 million as at 31 December 2013 from EUR 26,423 million as at 31 December 2012 was mainly due to EUR 3,793 million unrealised negative revaluations of available-for-sale investments (net of deferred profit sharing) primarily in the bond portfolio due to higher market interest rates and a EUR 8,784 million change in the composition of the Company related to the initial public offering of ING U.S. and the transfer of the remaining stake in ING U.S. to ING Groep on 30 September 2013 through a dividend in kind. These reductions in shareholder's equity were partly offset by a EUR 448 million net capital contribution from ING Groep. For a more detailed explanation of the changes in shareholder's equity, see "Consolidated statement of changes in equity of NN Group" in the 2013 Annual Accounts and the 2014 Interim Accounts.

SELECTED OPERATING RESULT INFORMATION BY SEGMENT

Operating result (before tax) as presented by NN is a non-GAAP financial measure that is not a measure of financial performance under IFRS. Because it is not determined in accordance with IFRS, operating result as presented by NN may not be comparable to other similarly titled measures of performance of other companies in its industry. For a discussion on how NN calculates operating result, see "*Operating and Financial Review—Operating Result and Margin Analysis*".

NN's segments correspond to its internal management reporting by business line. NN's ongoing business includes all operations of NN which are consolidated as at 31 December 2013, excluding the Japan Closed Block VA and Insurance Other segments.

The table below sets forth the reconciliation between segment reporting based on operating result (before tax) and result before tax for continuing operations from the consolidated profit and loss account for the years ended 31 December 2013, 2012 and 2011 and the three months ended 31 March 2014 and 2013. Under IFRS, the consolidated profit and loss account is presented before attribution of the results to minority interests.

	For the three months ended 31 March		**For the year ended 31 December**		
	(unaudited)				
(*in millions of EUR*)	**2014**	**2013**	**2013**	**2012**	**2011**
Operating result[1]					
Netherlands Life	153	138	709	623	768
Netherlands Non-life	22	-3	79	103	186
Insurance Europe	45	42	199	219	266
Japan Life	66	83	161	196	119
Investment Management	39	31	131	109	124
Subtotal	325	291	1,279	1,250	1,463
Other[2]	-31	-115	-373	-399	-313
Operating result ongoing business[3]	**295**	**175**	**905**	**852**	**1,150**
Non-operating items ongoing business	-27	15	-229	-779	-660
of which gains/losses and impairments[4]	10	61	97	70	-433
of which revaluations[5]	—	-12	3	-319	23
of which market and other impacts[6]	-37	-34	-329	-530	-250
Japan Closed Block VA[7]	-36	162	-669	105	138
Insurance Other[8]	—	-5	-18	-22	-28
Special items before tax[9]	-572	-29	-126	-451	-214
Result on divestments[10]	56	37	84	50	83
Result before tax	**-284**	**356**	**-52**	**-245**	**468**
Taxation	-83	78	-50	-113	15
Net result from continuing operations (before attribution to minority interests)	**-201**	**278**	**-2**	**-132**	**453**
Net result from discontinued operations	-12	811	20	1,197	793
Net result from continuing and discontinued operations (before attribution to minority interests)	**-213**	**1,089**	**18**	**1,065**	**1,246**

(1) Result before tax in accordance with IFRS, excluding the impact of non-operating items, divestments, discontinued operations and special items.
(2) Other comprises (the operating result of) the business of NN Bank and NN Re, the result of the holding company and certain other results.
(3) Ongoing business includes all segments of NN which are consolidated as at 31 December 2013, excluding Japan Closed Block VA and Insurance Other.
(4) Realised gains and losses as well as impairments on financial assets that are classified as available for sale.
(5) Revaluations on assets marked-to-market through the profit and loss account.
(6) Primarily the change in the provision for guarantees on separate account pension contracts (net of hedging) in the Netherlands.
(7) Result before tax of Japan Closed Block VA.
(8) Insurance Other comprises the costs of the claims filed by the purchaser of certain Mexican subsidiaries and corporate expenses of ING Groep allocated to NN. NN's share in the result of SulAmérica and the net result from disposal of SulAmérica are included in "result on divestments".
(9) Special items represent (material) items of income or expense that arise from events or transactions that are clearly distinct from the ordinary activities of the company.
(10) Result on divestments comprises the result before tax from NN's share in the result of SulAmérica and results from the settlement of a pension portfolio in the Netherlands.

As under IFRS, the consolidated profit and loss account is presented before attribution of the results to minority interests. The table below sets forth the net result from continuing operations after attribution of the results to minority interests. For a more detailed overview, see also "Consolidated profit and loss account of NN Group" and Note 36 "Segments" in the 2013 Annual Accounts and "Consolidated profit and loss account of NN Group" and Note 19 "Segments" in the 2014 Interim Accounts.

	For the three months ended 31 March		For the year ended 31 December		
	(*unaudited*)				
(*in millions of EUR*)	**2014**	**2013**	**2013**	**2012**	**2011**
Net result from continuing operations before attribution to minority interests	**-201**	**278**	**-2**	**-132**	**453**
Net result from continuing operations attributable to minority interests	2	2	16	21	14
Net result from continuing operations	**-203**	**276**	**-18**	**-153**	**439**

Change in accounting policy

NN has moved towards fair value accounting for the GMDB reserves of the Japan Closed Block VA segment as of 1 January 2014. This improves the alignment of the book value of the GMDB reserves with their market value, better reflects the economic value of these guarantees and improves the alignment of the accounting for the guarantees with the accounting for the related hedges. Furthermore, such a move makes the accounting for the GMDB reserves consistent with the accounting on the reserves for guaranteed minimum accumulation and withdrawal benefits. Implementation of the revised accounting for GMDB represents a change in accounting policy under IFRS with a negative transitional equity impact of EUR 165 million after tax, which is reflected in shareholder's equity as of 1 January 2014. For further information, see Note 55 "Subsequent events" of the 2013 Annual Accounts and Note 1 "Accounting policies" in the 2014 Interim Accounts. The consolidated profit and loss account for the three months ended 31 March 2013 has been restated to make it comparable with the consolidated profit and loss account for the three months ended 31 March 2014. The consolidated profit and loss accounts for the years ended 31 December 2013, 2012 and 2011, respectively, as included in this Prospectus, have not been restated to reflect this change in accounting policy. However, the discussion of operating result by segment herein includes the result for the years ended 31 December 2013, 2012 and 2011 both before and after the change in accounting policy. The results labelled as "after change in accounting policy" are derived from the 2014 Annual Accounts; these are unaudited and are provided for illustrative purposes only. The change in accounting policy impacts the result before tax of the segment Japan Closed Block VA and the line item taxation. The result of the ongoing business is not affected as Japan Closed Block VA is not part of the ongoing business.

The table below sets forth the impact of the move towards fair value accounting for the GMDB reserves of Japan Closed Block VA on NN's net result from continuing operations, for the years ended 31 December 2013, 2012 and 2011.

	For the year ended 31 December[1]		
	(*unaudited*)		
(*in millions of EUR*)	**2013**	**2012**	**2011**
Net result from continuing operations (before change in accounting policy)	**-2**	**-132**	**453**
Impact restatement on result before tax Japan Closed Block VA	416	267	-214
Impact restatement on taxation	-104	-66	54
Net result from continuing operations, after change in accounting policy for move towards fair value for GMDB	**310**	**69**	**293**

(1) Although the audited results for the years ended 31 December 2013, 2012 and 2011 are not restated, the above table shows the impact on the net result for NN, as these results will be restated in the 2014 annual accounts.

The table below sets forth a breakdown of NN's adjusted result, adjusted for the move towards fair value accounting for the GMDB reserves of Japan Closed Block VA, for the years ended 31 December 2013, 2012 and 2011.

	For the year ended 31 December[1]		
	(unaudited)		
(in millions of EUR)	**2013**	**2012**	**2011**
Operating result ongoing business	**905**	**852**	**1,150**
Non-operating items ongoing business	-229	-779	-660
Japan Closed Block VA (adjusted)	-252	373	-77
of which impact from move towards fair value for GMDB	*416*	*267*	*-215*
Insurance Other	-18	-22	-28
Special items before tax	-126	-451	-214
Result on divestments	84	50	83
Result before tax (adjusted)	**364**	**22**	**254**
Taxation (adjusted)	53	-47	-39
of which impact from move towards fair value for GMDB	*104*	*66*	*-54*
Net result from continuing operations, after change in accounting policy for move towards fair value for GMDB	**310**	**69**	**293**

(1) Although the audited results for the years ended 31 December 2013, 2012 and 2011 are not restated, the above table shows the impact on the net result for NN, as these results will be restated in the 2014 annual accounts.

SELECTED CONSOLIDATED BALANCE SHEET INFORMATION BY SEGMENT

The table below sets forth certain selected consolidated balance sheet information with respect to NN's reporting segments as at 31 December 2013.

	As at 31 December 2013			
	(unaudited)			
(in millions of EUR)	**Total assets**	**Investments[1]**	**Total liabilities**	**Insurance and investment contracts[2]**
Reporting segment				
Netherlands Life	79,087	75,867	69,154	64,901
Netherlands Non-life	4,426	3,921	3,692	3,323
Insurance Europe	22,004	19,804	20,175	19,484
Japan Life	9,438	8,273	8,147	7,233
Investment Management	552	162	192	
Other	32,842	26,767	18,482	924
Ongoing business	**148,349**	**134,794**	**119,842**	**95,865**
Japan Closed Block VA	18,651	16,471	17,415	15,763
Held for sale	630	—	466	—
Eliminations[3]	-21,872	-19,207	-6,260	-77
Total NN	**145,758**	**132,058**	**131,463**	**111,551**

(1) Investments include the consolidated balance sheet items financial assets at fair value through profit and loss, available-for-sale investments, loans and advances to customers, investments in associates and real estate investments.

(2) Provisions for insurance and investments contracts.

(3) Elimination of intercompany balances in NN's consolidated accounts.

SELECTED KEY PERFORMANCE INDICATORS AND OTHER KEY FIGURES

NN uses a variety of key performance indicators to assess the Company's financial performance and that of its business segments. The Company believes that each of these measures provides meaningful information with respect to the financial performance of its business and operations. However, certain key performance indicators are non-GAAP financial measures and should not be viewed as a substitute for financial measures in accordance with IFRS. Furthermore, these measures may be defined or calculated differently by other companies, and as a result, NN's key performance indicators may not be comparable to similarly titled measures calculated by other companies. For the definitions of the key performance indicators, please refer to "Operating and Financial Review-Performance Indicators and Other Key Figures".

Disciplined and proactive capital management is a key focus area for NN, with a base case of capital in excess of the Company's capital ambition being returned to shareholders in the most efficient form. As such, in addition to the below KPIs, NN closely monitors the solvency and capital positions of the Company and its subsidiaries and their development over time. This is further described in "*Operating and Financial Review—Liquidity and Capital Resources*", including the movement in the cash capital position of the holding company and the solvency capital movements of key subsidiaries.

	For the three months ended 31 March		For the year ended 31 December		
	(*unaudited*)				
(*in millions of EUR*)	**2014**	**2013**	**2013**	**2012**	**2011**
Ongoing business					
New business figures					
Single premiums	437	437	1,741	2,456	3,130
Annual premiums	396	354	1,053	1,108	1,120
New sales life insurance (APE)[1]	439	398	1,227	1,353	1,433
Key performance indicators					
Gross premium income[2]	3,489	3,633	9,525	10,713	11,281
Total administrative expenses[3]	437	460	1,807	1,806	1,815
of which staff expenses	302	309	1,181	1,135	1,091
Cost/income ratio (administrative expenses/ operating income)	34.6%	37.3%	37.1%	36.0%	35.2%
Combined ratio Netherlands Non-life[4]	100.2%	106.5%	101.5%	101.5%	97.4%
Investment Management AuM (end of period)	167,658	184,473	174,124	184,795	168,736
Life general account invested assets (end of period)[5]	77,388	76,107	75,043	75,423	74,490
Investment spread (Investment margin[6]/Life general account invested assets) (bps, four quarter rolling average)	92	88	89	92	107
Provision for life insurance for risk of policyholders (end of period)[7]	23,617	25,717	24,985	27,023	25,680
Client balances (end of period)[8]	200,733	196,518	208,931	192,500	173,276
Net Operating ROE[9]	9.9%	n.a.	8.9%	n.a.	n.a.
Japan Closed Block VA					
IFRS reserve (end of period)[10]	1,268	2,159	868	3,306	5,195
Account value (end of period)[11]	14,175	17,205	14,687	16,894	17,605
Net amount at risk(end of period)[12]	870	2,497	663	4,187	7,095
Total NN					
Total administrative expenses[3]	441	473	1,842	1,841	1,852
Cost/income ratio (administrative expenses/ operating income)	34.1%	37.3%	36.8%	35.7%	34.9%
Client balances (end of period)[8]	214,896	213,355	223,630	209,336	190,866
IGD Solvency I ratio (end of period)[13]	245%	254%	251%	236%	224%

(1) Sum of annual premiums and one tenth of single premiums sold.
(2) Total premiums (whether or not earned) for insurance contracts written or assumed, without deductions for premiums ceded to reinsurers.
(3) That part of operating expenses which is not directly attributable to acquiring new business.
(4) Non-life insurance claims and expenses as percentage of net earned premiums, for Netherlands Non-life and excluding the broker business.
(5) All assets of NN that support its life insurance operations, except those assets designated for a separate account.
(6) The margin between gross investment income (excluding non-operating items) on general account assets and NN's capital and surplus minus interest credited to the general account policyholder liabilities (including profit sharing) and related investment expenses.
(7) Technical provision for contracts that are linked to a specific pool of investment funds/assets and where the investment risk is borne by the policyholders.
(8) All on- or off-balance customer accounts on which NN earns a spread or a fee.

(9) Net operating result divided by average adjusted allocated equity.
(10) The technical reserve established under IFRS by NN to reflect the estimated cost of (guaranteed minimum) policyholder benefits and related expenses in accordance with the terms and conditions of the VA contracts written by Japan Closed Block VA.
(11) The sum of the accumulation values of the assets backing the VA contracts. Account values are equal to client balances for Japan Closed Block VA.
(12) The difference between the guaranteed minimum benefits offered by a VA contract and the account value, for those policies where the guaranteed value exceeds the current account value.
(13) Available solvency capital as percentage of required solvency capital, both as defined in the IGD.

The tables below set forth a breakdown of the net operating return on equity (**Net Operating ROE**) for the ongoing business, by segment, for the year ended 31 December 2013 and for the three months ended 31 March 2014.

	For the year ended 31 December 2013 (*unaudited*)					
(*in millions of EUR*)	**Net assets[1]**	**Allocated equity[2]**	**Adjusted allocated equity[3]**	**Average adjusted allocated equity[4]**	**Net operating result[5]**	**Net Operating ROE[6]**
Reporting segment						
Netherlands Life	9,902	9,491	6,325	6,304	525	**8.3%**
Netherlands Non-life	734	734	551	442	59	**13.3%**
Insurance Europe	1,795	1,898	1,601	1,734	143	**8.2%**
Japan Life	1,291	1,259	1,074	1,196	100	**8.4%**
Investment Management	409	359	360	363	97	**26.7%**
Other	-1,258	-1,104	-921	-2,516	-258	—
Total ongoing business	**12,873**	**12,637**	**8,989**	**7,522**	**666**	**8.9%[7]**

(1) The balance of total assets and total liabilities, excluding minority interests.
(2) For a description, see *"Important Information—Presentation of Financial and Other Information—Allocated equity"*.
(3) Adjusted to exclude the revaluation reserves for debt securities, equity securities and property in own use, the cash flow hedge reserve and the related crediting to policyholders. For periods before the fourth quarter of 2013, debt is allocated between ongoing business and discontinued business to reflect a capital structure more comparable to that at the end of 2013.
(4) Calculated as a quarterly average.
(5) Represents the operating result after tax of the ongoing business (segments). The tax rate used to calculate the tax related to the operating result is the statutory tax rate adjusted for elements in the operating result that are tax exempt or that are taxed at a rate different from the statutory rate.
(6) Net operating result divided by average adjusted allocated equity.
(7) ING Groep injected EUR 850 million of capital into NN in May 2014. Taking into account this capital injection and the negative after tax impact of approximately EUR 400 million of the agreement to make ING Groep's defined benefit pension plan financially independent, the pro-forma Net Operating ROE as at 31 December 2013 would be 7.1% based on the adjusted allocated equity, including the impact of the two aforementioned items.

	For the three months ended 31 March 2014 (*unaudited*)					
(*in millions of EUR*)	**Net assets[1]**	**Allocated equity[2]**	**Adjusted allocated equity[3]**	**Average adjusted allocated equity[4]**	**Net operating result[5]**	**Net Operating ROE[6]**
Reporting segment						
Netherlands Life	10,648	10,243	6,197	6,261	122	**7.8%**
Netherlands Non-life	695	695	458	505	17	**13.7%**
Insurance Europe	1,929	2,031	1,654	1,627	36	**8.9%**
Japan Life	1,416	1,354	1,129	1,101	42	**15.3%**
Investment Management	404	351	352	356	31	**34.6%**
Other	-1,586	-1,220	-1,332	-1,127	-32	—
Total ongoing business	**13,507**	**13,454**	**8,458**	**8,723**	**216**	**9.9%7**

(1) The balance of total assets and total liabilities, excluding minority interests.
(2) For a description, see *"Important Information—Presentation of Financial and Other Information—Allocated equity"*.
(3) Adjusted to exclude the revaluation reserves for debt securities, equity securities and property in own use, the cash flow hedge reserve and the related crediting to policyholders.
(4) Calculated as a quarterly average.
(5) Represents the operating result after tax of the ongoing business (segments). The tax rate used to calculate the tax related to the operating result is the statutory tax rate adjusted for elements in the operating result that are tax exempt or that are taxed at a rate different from the statutory rate.
(6) Net operating result divided by average adjusted allocated equity.
(7) ING Groep injected EUR 850 million of capital into NN in May 2014. Taking into account this capital injection, the pro-forma Net Operating ROE as at 31 March 2014 would be 9.2% based on the average adjusted allocated equity and the annualised net operating result, which result includes the impact of the aforementioned capital injection and the negative after tax impact of approximately EUR 400 million of the agreement to make ING Groep's defined benefit pension plan financially independent.

10. OPERATING AND FINANCIAL REVIEW

The following is a discussion of NN's results of operations and financial condition for the years ended and as at 31 December 2013, 2012 and 2011 and for the three months ended and as at 31 March 2014 and 2013 and the material factors that have affected or that may affect NN's ongoing and future operations.

The discussion of NN's results of operations and financial condition for the years ended 31 December 2013, 2012 and 2011 is based on financial information derived from NN's consolidated financial statements, which have been prepared in accordance with IFRS and audited by Ernst & Young Accountants LLP. The discussion of NN's results of operations and financial condition for the three months ended 31 March 2014 and 2013 is based on financial information derived from NN's unaudited, condensed consolidated interim financial statements, which have been prepared in accordance with IAS 34 and reviewed by Ernst & Young Accountants LLP. NN's results of operations and financial condition for the three months ended and as at 31 March 2014 are not necessarily indicative of the results of operations and financial condition to be expected for future interim periods or for the full year ended 31 December 2014.

In order to provide comparable information, NN has prepared Reclassified Balance Sheets as at 31 December 2012 and 2011. See ''Important Information—Presentation of financial and other information''.

Some of the information contained in this section, including information with respect to NN's plans and strategies for its business and expected sources of funding, contain forward-looking statements that involve risks and uncertainties. Investors should read ''Important Information—Forward-looking statements'' for a discussion of the risks and uncertainties relating to those statements and should also read ''Risk Factors'' for a discussion of certain factors that may affect NN's business, revenues, results of operations or financial condition.

OVERVIEW

NN is an insurance and investment management group with leading positions in life and non-life insurance in the Netherlands, a strong life and pensions presence in a number of other European markets (such as Poland, Hungary and Romania) and in Japan and a growing position in Turkey. NN's insurance business is active in mature markets in Western Europe and Japan as well as growth markets in CEE and Turkey. NN's investment management business offers its products and services globally through offices in several countries across Europe, the United States, the Middle East and Asia, with the Netherlands as its main investment management hub. In the Netherlands, NN was the largest life insurer and third largest non-life insurer (excluding healthcare) measured by GWP in 2012 (source: DNB). In Europe, NN was in 2012 the largest provider of life insurance in Romania and Hungary, had top-four positions in the Czech Republic and Greece, in each case measured by GWP, and was the largest provider of mandatory pensions in Poland, Romania and Hungary and voluntary pensions in the Slovak Republic and Romania, in each case measured by AuM (see ''*Business—Business Segments*'' for individual sources). NN offers a comprehensive range of retirement, life insurance, non-life insurance, investment management and, in the Netherlands, banking services to its retail, SME, corporate and institutional customers.

The product offering and the type of customers serviced within each country varies. See ''*Business—Business Segments*'' for further information on NN's specific product offerings and the type of customers serviced in each relevant jurisdiction. NN predominantly utilises a multi-channel approach to distribute its products and service its customers, allowing it to tailor the marketing and distribution of its products across different markets and customer segments. NN commits significant resources throughout its businesses to: (a) ensure strong partnerships with brokers, independent agents and banks, including ING Bank, (b) strengthen its tied agents network in most of the countries in which it operates outside of the Netherlands and (c) build up direct channel capabilities. In 2013, NN recorded GWP of EUR 9,530 million and an operating result (before tax) from ongoing business of EUR 905 million. As at 31 December 2013, NN's investment management business had EUR 174,124 million of AuM.

NN is organised along the following seven segments:

- ***Netherlands Life***: NN's life insurance business in the Netherlands is NN's largest segment. It accounted for 55% of NN's total operating result (before tax) from ongoing business (excluding the Other segment (see ''*Business—Business Segments—Other*'')) in 2013. NN offers a range of group life and individual life insurance products. NN's life insurance business is organised along the following two product lines: Pensions and Individual Life Closed Block. Within NN's Pensions product line, NN offers group life products and individual pension products. Group life products are life insurance products under which employers offer certain pension and other insurance benefits to their employees, typically as part of larger benefit packages. NN's group life products are primarily group pension products. NN's group pension products include general account products, separate account products and unit-linked products. NN's Individual Life Closed Block product line primarily consists of the closed block operation of the individual life portfolios (comprising a range of discontinued products sold prior to 2012) of: Nationale-Nederlanden, RVS and IVR. Approximately 40% of the policies in the individual life closed block are expected to still be in-force by 2025. The remaining part of NN's Individual Life Closed Block product line relates to the sale of individual life insurance policies in the form of new term life insurance and immediate annuity products introduced in 2012. NN's Pension products are distributed through actuarial consulting firms (acting as advisers to mid- and large-sized corporations) and through independent agents and brokers (acting as advisers to SMEs). NN's active individual life products are primarily distributed through intermediaries (such as independent agents and brokers) and, to a lesser extent, through bancassurance (by ING Bank) and NN's direct channel. NN also provides pension administration and management services to company- and industry-wide pension funds under its AZL brand. In the Netherlands, NN was the second largest provider of group life insurance and the largest provider of individual life insurance measured by GWP with a market share of 20.6% and 19.9%, respectively, in 2012 (source: DNB). In 2013, the Netherlands Life segment recorded EUR 3,240 million GWP, representing 34% of NN's total GWP in 2013, and EUR 224 million of new business (measured by APE), representing 18% of NN's total APE in 2013. As at 31 December 2013, the equity allocated to the Netherlands Life segment was EUR 9,491 million.

- ***Netherlands Non-life***: NN's non-life insurance business in the Netherlands (including NN's wholly owned insurance brokers Zicht and Mandema) accounted for 6% of NN's total operating result (before tax) from ongoing business (excluding the Other segment) in 2013. NN offers a broad range of non-life insurance products under the NN brand and the ING brand. Under the Movir brand, NN offers individual disability insurance to specific target groups amongst medical and business professionals. NN's non-life insurance products can be categorised as follows: (a) income/accident, comprising disability and accident (D&A) and travel insurance, and (b) property and casualty (P&C), comprising fire, motor and transport insurance and other insurances. These products are offered to retail, self-employed, SME and corporate customers in stand-alone as well as bundled form. NN's non-life insurance products are distributed primarily through regular brokers and, to a lesser extent, through mandated brokers, NN's direct channel and bancassurance (by ING Bank). In the Netherlands, NN (including Movir) was the third largest provider of non-life insurance products (excluding healthcare insurance) measured by GWP with a market share of 10.1% in 2012. In D&A insurance, NN (including Movir) was the second largest provider measured by GWP with a market share of 19.1% in 2012. In P&C insurance, NN was the fourth largest provider measured by GWP with a market share of 7.3% in 2012 (source: DNB). Movir by itself was the second largest provider of individual disability insurance in the Netherlands measured by GWP with a market share of 13.1% in 2012 (source: Verbond van Verzekeraars). In 2013, the Netherlands Non-life segment recorded EUR 1,582 million GWP, representing 17% of NN's total GWP in 2013. As at 31 December 2013, the equity allocated to the Netherlands Non-life segment was EUR 734 million.

- ***Insurance Europe***: NN's European insurance business (outside the Netherlands), accounted for 16% of NN's total operating result (before tax) from ongoing business (excluding the Other segment) in 2013. This segment comprises NN's business in CEE (which includes, for purposes of the Insurance Europe segment, Poland, the Czech Republic, the Slovak Republic, Romania, Hungary, Bulgaria and Turkey) and in the rest of Europe (which includes, for the purposes of the Insurance Europe segment, Belgium, Spain, Greece and Luxembourg). NN primarily offers life insurance products (which includes healthcare insurance in Greece) through Insurance Europe. NN also offers pension products, in particular mandatory and voluntary pension funds in CEE and Spain as well as non-life insurance products in Belgium and Spain. The life insurance and pension products are offered to retail, self-employed, SME and corporate customers and the non-life insurance products are offered to retail customers and corporate customers. In Europe, NN was in 2012 the largest provider of life insurance in Romania and Hungary and had top-four positions in the Czech Republic and Greece, in each case measured by GWP, and NN was the largest provider of mandatory pensions in Poland, Romania and Hungary and voluntary pensions in the Slovak Republic and Romania, in each case measured by AuM (see "*Business—Business Segments*" for individual sources). NN's Insurance Europe distribution channels have been adapted to accommodate distribution trends and country-specific dynamics, with tied agents being the principal distribution channel in most CEE countries and bancassurance the sole distribution channel in Belgium. In 2013, the Insurance Europe segment recorded EUR 2,344 million life insurance GWP, representing 25% of NN's total GWP in 2013, and EUR 510 million of new business (measured by APE), representing 42% of NN's total APE in 2013, which was primarily attributable to the voluntary pension market in Turkey, the life insurance market in Poland and Spain and Belgium as a whole. As at 31 December 2013, the equity allocated to the Insurance Europe segment was EUR 1,898 million.

- ***Japan Life***: NN's life insurance business in Japan accounted for 13% of NN's total operating result (before tax) from ongoing business (excluding the Other segment) in 2013. In Japan, NN primarily offers a range of COLI (corporate-owned life insurance) products to SMEs and owners and employees of SMEs through independent agents and bancassurance. COLI products are traditional life insurance policies that a company, typically an SME, takes out on the lives of executives or employees, whereby the company is both the policyholder and the beneficiary of the policy. COLI products are designed to address the protection, savings and retirement preparation needs of SMEs and owners and employees of SMEs in a tax-efficient manner. In Japan, NN was the third largest provider of COLI products measured by APE with a market share of 9% in the financial year ended 31 March 2013 (source: internal estimate NN). In 2013, the Japan Life segment recorded EUR 2,322 million GWP, representing 24% of NN's total GWP in 2013, and EUR 493 million of new business (measured by APE), representing 40% of NN's total APE in 2013. As at 31 December 2013, the equity allocated to the Japan Life segment was EUR 1,259 million.

- ***Investment Management***: NN's investment management business, which will operate under the brand NN Investment Partners, accounted for 10% of NN's total operating result (before tax) from ongoing business (excluding the Other segment) in 2013. NN Investment Partners offers a wide variety of actively managed investment products and advisory services to retail and institutional customers in all major asset classes and investment styles. In addition, NN Investment Partners manages the assets of NN's insurance businesses. NN Investment Partners offers its products and services globally through offices in several countries across Europe, the United States, the Middle East and Asia, with the Netherlands as its main investment hub. In the Netherlands, NN Investment Partners was the largest retail investment management company measured by AuM with a market share of 13.8% in 2012 (source: AF Advisors). In Poland, NN Investment Partners was the fifth largest retail investment management company measured by AuM, with a market share of 8.5% as at 31 December 2013 (source: IZFiA, Analizy online). In Belgium, NN Investment Partners had a 9.9% market share measured by AuM on the retail investment management market as at 31 December 2013 (source: Beama). As at 31 December 2013, NN Investment Partners had EUR 174,124 million of AuM, of which EUR 74,857 million was managed for third party retail and institutional customers and the remaining EUR 99,267 million for the general account of NN's insurance businesses and NN's other affiliate business. As at 31 December 2013, the equity allocated to the Investment Management segment was EUR 359 million.

- ***Other***: This segment comprises the business of NN Bank and NN Re (NN's internal reinsurer), the result of the holding company and other results.

  - *NN Bank*: NN Bank offers a range of banking products to retail customers in the Netherlands. In addition, NN Bank coordinates the distribution of NN's individual life and retail non-life insurance products in the Netherlands to enable a comprehensive product offering to retail customers in the Netherlands. NN Bank distributes these products through intermediaries and NN's direct channel.

- *NN Re*: NN Re is NN's internal reinsurer located in the Netherlands. NN Re primarily offers reinsurance to NN's insurance businesses. NN Re manages its risks through ceding excess insurance risk to external reinsurers and hedging (a major part of) its market risks. NN Re reinsures, amongst others, the minimum guarantee obligations of the Japan Closed Block VA and (part of) the life insurance business of NN Czech Republic, Nationale-Nederlanden Poland and NN Hungary. In the segment reporting, the results from the reinsurance arrangement regarding the Japan Closed Block VA portfolio are reported under the Japan Closed Block VA segment and the results from certain reinsurance arrangements regarding the life insurance business of NN Czech Republic, Nationale-Nederlanden Poland and NN Hungary are reported under the Insurance Europe segment (whilst the rest of the NN Re results are reported under the Other segment).
- *Result of the holding company*: the result of the holding company includes the interest paid on hybrids and debt, interest received on loans provided to subsidiaries and on cash and liquid assets held at the holding company, the amortisation of intangibles and the head office expenses that are not allocated to the business segments.
- *Other results*: other results are results that are not allocated to the business segments, including (a) the results of claims and lawsuits (i) concerning the performance of certain interest-sensitive products that were sold by a former subsidiary of NN in Mexico, and the costs of which are indemnified by ING Groep under the indemnification and allocation agreement; see "*Major Shareholder and Related Party Transactions—Related Party Transactions—Relationship with ING following the Offering—Indemnification and allocation agreement*", and (ii) filed by former employees of an Argentinean subsidiary, whose employment was terminated as a result of the Republic of Argentina's nationalisation of the pension fund system, by some former clients of this subsidiary and by a few third parties, and (b) the results of Nationale-Nederlanden Overseas Finance and Investment Company in relation to a guarantee provided to the ILU with respect to two legacy insurance subsidiaries of the Company, Orion and L&O, see "*Risk Factors—Financial Reporting Risks—NN's technical reserves reflected in its IFRS financial statements to pay insurance and other claims, now and in the future, could prove inadequate, which could require that NN strengthen its reserves, which may have a material adverse effect on NN's results of operations and financial condition.*"

- ***Japan Closed Block VA***: This segment comprises NN's closed block single premium variable annuity (SPVA) individual life insurance portfolio in Japan. This portfolio consists of SPVA products with substantial minimum guarantee obligations sold predominantly from 2001 to 2009. In 2009, NN ceased the sale of these products and placed this portfolio in run-off. This portfolio has been classified as a closed block and is managed as a separate segment. The majority of the closed block SPVA portfolio is projected to run off relatively quickly due to the short-term maturity profile and short outstanding policy life of the SPVA products. Approximately 90% of all SPVA policies are expected to have matured by the end of 2019. NN Japan expects that most policyholders will elect to receive their maturity proceeds as a lump sum payment, but some may elect to receive their maturity proceeds in the form of an annuity. Based on NN Japan's recent experience, the percentage of customers electing an annuity is expected to be less than 10%. This segment also includes the results from the reinsurance of the minimum guarantee risk associated with this portfolio by NN Re. NN Re manages this risk through a hedging programme which seeks to (partially) offset market-related movements in the IFRS reserves, while simultaneously mitigating market-related impacts on the capital position of NN Re. As at 31 December 2013, the remaining AuM of the closed block SPVA portfolio were EUR 14,698 million. As at 31 December 2013, the equity allocated to the Japan Closed Block VA segment was EUR 1,236 million.

In addition to the segments described above, NN's consolidated financial information for the years ended and as at 31 December 2013, 2012 and 2011 as set out in this Prospectus contained one additional segment, Insurance Other. This segment comprised (a) the results from NN's interest in SulAmérica S.A., (b) the costs of the claims filed by the purchaser of certain Mexican subsidiaries of NN claiming that the financial condition of the subsidiaries was not accurately depicted, which were settled in March 2014, and (c) corporate expenses of ING Groep allocated to NN. As from 1 January 2014, this segment ceased to exist, since (i) the remaining interest in SulAmérica was partly divested on 7 January 2014 and the remainder was distributed as a dividend by NN to ING Groep on 31 January 2014, (ii) the costs of the claims filed by the purchaser of certain Mexican subsidiaries are indemnified by ING Groep under the indemnification and allocation agreement; see "*Major Shareholder and Related Party Transactions—Related Party Transactions—Relationship with ING following the Offering—Indemnification and allocation agreement*" and (iii) as from 1 January 2014 ING Groep no longer allocates corporate expenses to NN.

KEY DRIVERS OF PROFITABILITY

The profitability of NN's life insurance, non-life insurance, investment management and banking businesses is affected by key drivers specific to these activities, as described below.

Drivers of profitability in the life insurance business

In the life insurance (including pensions) segments of NN, comprising Netherlands Life, Insurance Europe, Japan Life and Japan Closed Block VA, there are three principal types of business which are based on the source of the (gross) profit margin:

- ***Spread-based business*** arises from life insurance products that offer a guaranteed, fixed (investment) return to policyholders, such as fixed annuities. These products generate income from the investment of policyholder balances. Premiums from spread-based products are invested for the risk of NN in general account assets. General account assets support the insurance and other obligations of the Company, other than the insurance obligations which are invested in separate accounts for the risk of policyholders. Profit generation for spread-based products depends on the margin between the amounts earned from the investment of policyholder balances and the amounts credited to those balances. In the margin analysis this source of profit is reflected in the investment margin. The investment spread, defined as the investment margin over average general account invested assets, provides an indication of the profitability of this type of business. In 2013, the investment margin accounted for approximately a quarter of the operating income from the ongoing life insurance operations of NN.
- ***Fee-based business*** arises from life insurance products that generate income through charges against policyholder premiums and/or policyholder balances. These charges may be in the form of implicit loadings on premiums to cover expenses arising from services provided by the Company, such as in traditional life insurance products. The charges to cover commission, administrative and asset management expenses may also be explicit in the form of fees, such as in unit-linked products. With these products, policyholders may invest premium payments at their own risk in separate account assets. As movements in the value of the assets backing such policies are matched by equivalent movements in the value of insurance liabilities, the investment return on such assets has no impact on NN's profitability. Instead, the profitability of these products depends on the margin between the charges to the policyholders for commission, administration and asset management and the actual expenses incurred by the Company for providing these services. In the margin analysis this profit source is captured under fees and premium-based revenues. In 2013, fees and premium-based revenues accounted for more than half of the operating income from the ongoing life insurance operations of NN.
- ***Risk-based business*** arises from life insurance products that generate income from coverage of mortality and morbidity risk, such as burial insurance. Risk-based products offer protection against certain events, such as disability or death, typically in the form of a guaranteed, fixed payout. Profit generation for these risk-based products depends on NN's (underwriting) expertise to adequately assess and price the risk of a claim occurring as well as the ultimate amount of that claim. The underwriting result is calculated as the difference between amounts charged to policyholders for mortality and morbidity less benefit claims in excess of related policyholder balances. In the margin analysis, explained below, this source of profit is reported as part of the technical margin. In 2013, the technical margin accounted for almost a fifth of the operating income from the ongoing life insurance operations of NN.

In practice, many of NN's life insurance products are a mix of the principal types described above. For instance, spread-based general account products may have a profit-sharing feature and separate account products may have certain minimum guarantees. Additionally, spread-based and fee-based products incorporate a mortality risk component that may generate some risk-based income. Moreover, longevity risk, i.e. higher than expected benefits for pensioners and policyholders due to increasing life expectancy, may have a material impact on the mortality result. Therefore, although most of NN's life insurance products rely primarily on one profitability driver, often they generate operating income from multiple sources.

In the margin analysis of the operating result (before tax), the direct components of investment income, such as interest, dividends, and rental income are reported as part of the investment margin. The more volatile market-related components of investment income, including realised capital gains/ losses, impairments and revaluations, are excluded from the margin analysis of the operating result and hence from the key performance indicators.

Drivers of profitability in the non-life insurance business

The non-life insurance activities of NN are conducted by Netherlands Non-life and, to a lesser extent, by Insurance Europe in Belgium and Spain. The non-life insurance business is a risk-based business. Just as for the risk-based life business, the primary driver of profit generation for non-life products depends on NN's (underwriting) expertise to adequately assess and price the risk of a claim occurring as well as the ultimate amount of that claim. Underwriting results can be influenced through risk selection, pricing and claims management.

Apart from the underwriting result, investment income generated through the investment of unearned premium and outstanding claims reserves is a source of income for NN's non-life business. The size of these technical reserves and hence the amount of the investment income is related to the delay between the receipt of premiums and the emergence of claims. Product lines for which the length of time between an incident and the settlement of the resulting claim is relatively short (referred to as "short tail" business), such as fire and motor insurance, have relatively modest unearned premium and outstanding claims reserves. On the other hand, longer duration policies such as disability and accident insurance (referred to as "long tail" business) require higher technical reserves and typically generate more significant levels of investment income. In each case, investment income is dependent on prevailing conditions in financial markets.

For non-life insurance, the volume of activities is measured by net premiums earned and not by the size of outstanding claims reserves. Earned premiums, net of reinsurance, are the portions of written premiums that are considered to be earned in a particular reporting period. NN measures the profitability of its non-life business through, *inter alia*, the combined ratio, which is made up of the ratio of claims incurred plus the ratio of commissions and operating expenses, both as a percentage of net earned premiums. Although the combined ratio is a common key performance indicator for non-life insurance companies, it is not consistently calculated across the industry. Calculated by product line, a combined ratio below 100% is indicative of an underwriting profit. The combined ratio disregards investment income, which may be an important source of income for "long-tail" products such as disability and liability insurance, for which there is a relatively lengthy duration of time between the incident and payment of the resulting claim. The profitability of the non-life business will also be affected by the level of reinsurance purchased by NN. NN's reinsurance programme aims to reduce the volatility of the underwriting results, improve the stability of operating results of the relevant business segments and dispose of risks that are outside NN's risk appetite.

The frequency and severity of claims incurred are subject to short-term fluctuation due to economic circumstances, extreme weather conditions, legal and technological changes and other factors, including mere chance. Competitive pressure and policyholder behaviour also leads to cyclicality in the non-life insurance industry, which tends to vary by product line.

Drivers of profitability in the investment management business

NN's asset management business is reported under the Investment Management segment and is primarily a fee-based business. Fees are generally charged to clients for asset management and related administrative services provided. Fee income is predominantly based on the market value of AuM that NN manages for its clients and the fee level per asset class it charges for the services provided. Fee income may also include performance-based fees, as some assets are managed on a performance fee basis. However the operating result (before tax) of the investment management activities is mainly driven by the market value of invested AuM, the average fee level and expenses.

The average fee level, expressed as a percentage (in basis points) of the asset value, is the fee income margin. In setting its fees, NN takes into account the recent performance and quality of its investment services to clients, fees charged by competitors and the demands of its retail and institutional customers. Fees typically have different levels depending on the asset class, type of customer and size of the managed portfolio. As NN offers all major investment classes and investment styles, its average fee level depends on the relative proportions of investment classes such as, for example, equities and fixed income, where equity funds generate higher fees than fixed income funds. As at 31 December 2013, equity funds made up 20% of AuM, whereas fixed income funds made up 80% of AuM. The level of fees NN is able to generate also depends on the type of customer, as different levels of fees prevail across services to proprietary clients, affiliate clients and third parties. Third party business offers higher fee levels and by growing the relative proportion of third party business, NN should also see growth in its average fee levels per unit of assets.

The market value of AuM is also a main driver of fee income. As most fees are expressed as a fixed percentage (in basis points) of the market value of AuM, fee income is roughly proportional to AuM. However, AuM can change significantly over time, due to investment performance and the net flow of assets invested and withdrawn by clients. With respect to investment performance, a positive investment return causes AuM to grow, generally with a more or less proportional increase in fee income, whereas a negative investment return has the opposite effect. NN's investment performance is impacted by the quality of its investment managers as well as by external factors, such as interest rates and stock market movements. As fixed income assets make up a high portion of NN's (proprietary) investments, its AuM are sensitive to interest rate changes. A change in interest rates can impact NN's AuM in multiple ways. An increase in interest rates, for example, will reduce the market value of NN's fixed income products and may also have a secondary effect on the level of AuM if clients choose to invest in other asset classes, creating lower inflows to and higher outflows from fixed income products.

Drivers of profitability in the banking business

NN conducts banking through NN Bank, which is reported as part of the Other segment and is primarily a spread-based business. NN Bank generates most of its income from the margin between the interest earned on its retail lending products (e.g. mortgages and consumer loans) and the interest paid to its depositors and lenders. NN Bank markets its deposit products, such as fixed and variable rate savings products, as well as tax-driven savings products such as bank annuities (*banksparen*), entirely in the Dutch retail markets. NN Bank may also attract funding from the money and capital markets; however the retail savings market provides the main source of funding. In 2013, the funding mix also included whole loan sales to NN Life, leading to the following distribution of funding sources:

(in millions of EUR)	**For the year ended 31 December 2013**
	(*unaudited*)
Equity	363
Savings accounts	4,139
Bank annuities (*banksparen*)	1,630
RMBS	751
Unsecured funding	270
Other	267
Total equity & liabilities	**7,420**
Whole loan sales to NN Life	346
Total funding	**7,766**

NN Bank earns a small part of its revenue from fee income, including fees from the distribution of investment products to customers, primarily linked to mortgages, and fees from servicing mortgage portfolios on behalf of other (affiliate) companies.

Expenses and commissions

Expenses are a key driver of profitability in each business segment, and management evaluates the expense ratio as a key performance indicator of the efficiency of the activities in each segment. Financial services companies typically have relatively large fixed operating costs, related to large-scale investments in automated product and transaction systems, that bear little to no direct relationship with the business volume. This means that an increase in the business volume may not be fully translated into expense growth, and vice versa. Expense savings mainly comes from the periodic improvement of the efficiency of administrative processes and systems. Salary costs contribute significantly to NN's expenses, meaning that NN is dependent on conditions and trends in local labour markets. See "*—Key Factors Affecting Consolidated Results of Operations—Cost programmes and savings*".

The expenses related to the acquisition of new business are partly reflected in deferred acquisition costs (**DAC**) amortisation and trail commissions, a separate line item in the margin analysis of the insurance activities. Acquisition expenses other than commissions are generally expensed when the service is provided. Commissions are usually capitalised and amortised over the premium paying or profit generating period of the underlying insurance contracts.

KEY FACTORS AFFECTING CONSOLIDATED RESULTS OF OPERATIONS

NN's results of operations are affected by various external and internal factors, including economic cycles, fluctuations in interest rates and equity markets, changes in laws and regulations as well as business improvement programmes. Reference is made to "*Risk Factors*", in particular "*Risks Related to General Economic and Market Conditions*" and "*Risks Related to the Business and Strategy*".

Economic conditions

Since the start of the global financial crisis in 2008 and the euro sovereign debt crisis in 2010, weak macroeconomic conditions have negatively affected NN's operating result (before tax) and non-operating result items. The economic downturn and austerity measures in many European countries have led to higher unemployment levels, reduced consumer spending, lower corporate earnings, depressed asset valuations and financial market volatility. These developments have adversely affected the demand for NN's insurance and investment management products. Lower sales in combination with higher surrenders have negatively impacted client balances. Both sales and client balances are important volume drivers of NN's operating income.

	For the three months ended 31 March		For the year ended 31 December		
(*in millions of EUR*)	**2014**	**2013**	**2013**	**2012**	**2011**
Life sales (APE)					
Netherlands Life	131	102	224	257	369
Insurance Europe	140	131	510	526	490
Japan Life	169	164	493	570	574
Life sales ongoing business[1]	**439**	**398**	**1,227**	**1,353**	**1,433**

(1) Ongoing business includes all operations of NN which are consolidated as at 31 December 2013, excluding the segments Japan Closed Block VA and Insurance Other.

Against the backdrop of the economic downturn, NN's sales volume (measured by APE) declined to EUR 1,227 million in 2013 from EUR 1,433 million in 2011. This most recent decline is concentrated in individual life sales in the Netherlands, Belgium and Luxembourg. For Insurance Europe, of which Belgium and Luxembourg are a part, decreasing individual life sales were offset somewhat by more resilient group life sales, which are typically based on longer-term (pension) contracts, as well as strong growth in the life business (including voluntary pensions) in Turkey.

For non-life insurance, the volume of activities is measured by net premiums earned rather than by the size of outstanding claims reserves. Earned premiums, net of reinsurance, are the portions of written premiums that are considered to be earned in a particular reporting period.

The following table sets forth selected information relating to the Netherlands Non-life segment for the year ended 31 December 2013.

(*in millions of EUR, except ratios*)	P&C (excl. motor)	Motor	Retail accident	SME income/ accident	Movir income	Total
Net premiums earned[1]	532	336	81	411	187	**1,546**
Net reserves[1]	490	421	51	1,570	718	**3,250**
Ratio reserves/net premiums earned	0.9	1.3	0.6	3.8	3.8	**2.1**
Operating result insurance business (before tax)[2]	18	-5	27	-1	36	**75**

(1) Net of reinsurance.
(2) Excluding the operating result before tax of the broker businesses (Mandema and Zicht).

In non-life insurance, adverse developments in claims frequency tend to coincide with weak macroeconomic conditions, and claims frequency tends to increase in an economic downturn in both the P&C and income businesses. This in turn increases the claims ratio, defined as claims (amount) as a percentage of net earned premiums, unless non-life insurers are able to increase premium rates without negatively affecting business volume.

	For the three months ended 31 March		For the year ended 31 December		
(*% of net earned premiums*)	**2014**	**2013**	**2013**	**2012**	**2011**
Combined ratio Netherlands Non-life (Total)					
Claims ratio[1,2]	70.1%	73.9%	69.7%	72.5%	67.1%
Expense ratio[1,3]	30.1%	32.6%	31.8%	29.0%	30.3%
Combined ratio[1,4]	**100.2%**	**106.5%**	**101.5%**	**101.5%**	**97.4%**
Earned premiums (net of reinsurance) (*in millions of EUR*)	389	396	1,546	1,626	1,602

(1) Excluding Mandema and Zicht broker businesses.
(2) The claims ratio is defined as claims incurred, net of reinsurance and including claims handling expenses, as a percentage of net earned premiums.
(3) The expense ratio is defined as the sum of the acquisition costs and the administrative expenses, as a percentage of net earned premiums.
(4) The combined ratio is the sum of the claims ratio and the expense ratio.

The combined ratio in the first quarter of 2014 was 100.2% compared with 106.5% in the first quarter of 2013, an improvement of 6.3 percentage points, attributable to improved underwriting performance in Income.

In 2013, the claims ratio improved by 2.7 percentage points to 69.7%, as a recovery programme to restore profitability was put in place to counter the adverse trend of rising claims frequency in previous years. The recovery programme comprised significant increases in premium rates, favourable revisions to policy terms and conditions and increased efficiency in claims handling processes.

In 2012, NN's claims ratio rose by 5.4 percentage points to 72.5% due to a higher claims frequency, in particular with respect to the number of disability claims in the income business.

	For the three months ended 31 March		For the year ended 31 December		
(*% of net earned premiums*)	**2014**	**2013**	**2013**	**2012**	**2011**
Combined ratio Netherlands Non-life (Property and Casualty)					
Claims ratio	66.2%	62.2%	62.9%	59.7%	61.3%
Expense ratio	36.3%	40.0%	38.2%	35.1%	36.7%
Combined ratio	**102.4%**	**102.2%**	**101.1%**	**94.8%**	**98.0%**
Earned premiums (net of reinsurance) (*in millions of EUR*)	214	216	868	898	885

The claims ratio for P&C in the first quarter of 2014 increased to 66.2% from 62.2% in the first quarter of 2013, driven by negative run-off results in the motor product line and lower results in the fire product line, both in the first quarter of 2014. The fire product line was positively impacted by an exceptionally favourable claims experience in the first quarter of 2013. The decrease of the expense ratio in 2014 compared with the first quarter of 2013 was due to the favourable impact of the transformation programme in the Netherlands. The claims ratio for non-life P&C business in 2013 was 62.9% compared with 59.7% in 2012 and 61.3% in 2011. The slight increase in 2013 compared with 2012 was due to a relatively high number of large claims in the fire product offering and to several large storms in the fourth quarter of 2013. The increase of the expense ratio in 2013 compared with 2012 was partly due to a non-recurring gain in 2012 following the restatement of pension costs.

	For the three months ended 31 March		For the year ended 31 December		
(% of net earned premiums)	**2014**	**2013**	**2013**	**2012**	**2011**
Combined ratio Netherlands Non-life (Income)					
Claims ratio	75.1%	88.0%	78.2%	88.2%	74.1%
Expense ratio	22.6%	23.6%	23.7%	21.5%	22.5%
Combined ratio	**97.7%**	**111.6%**	**101.9%**	**109.7%**	**96.6%**
Earned premiums (net of reinsurance) (*in millions of EUR*)	175	180	678	728	717

The claims ratio for the income business was 75.1% in the first quarter of 2014 compared with 88.0% in the first quarter of 2013. The improvement was driven by the positive effects of the recovery plan and a favourable claims experience in the first quarter of 2014. These positive results are mainly related to individual income protection products and to a lesser extent to group income protection products. The decrease of the expense ratio in 2014 compared with the first quarter of 2013 was due to the favourable impact of the transformation programme in the Netherlands. In 2012, the claims ratio for non-life income products increased to 88.2% from 74.1% in 2011 due to the increased frequency and duration of reported illness and disability of employees and the self-employed. A recovery programme to restore profitability was put in place to address this trend, comprising significant increases in premium rates, a retrenchment of policy terms and conditions and increased efficiency in claims handling processes. As a result of this recovery programme, the claims ratio in 2013 decreased to 78.2% from 88.2% in 2012. The expense ratio increased by 2.2 percentage points to 23.7% in 2013, mainly due to higher pension expenses.

Product conditions were collectively adjusted for the non-expiring disability insurance portfolio. Effective from 2014, almost 90% of this portfolio has a fixed premium for only one year instead of three years, enabling NN to adjust premiums more promptly if necessary. Furthermore, the claims handling process for individual disability cases was improved in order to foster rehabilitation.

Investments

The capital and credit markets experienced extreme volatility and disruption following the global financial crisis in 2008, which caused higher credit spreads, impairments and credit defaults. In 2010, concerns arose regarding the creditworthiness of certain European countries, in particular Greece, Ireland, Italy, Portugal and Spain, which later spread to other countries in the eurozone.

In response to these market circumstances, NN adopted a more conservative investment strategy, transferring investments from equities to fixed income and reducing exposure to debt issued by distressed sovereigns, as well as holdings of certain ABS bonds, in favour of sovereign debt issued by European countries with better financial stability. In 2011, NN wrote down all of its Greek government bonds to market value, resulting in an impairment of EUR 390 million, or a write-down of approximately 80%. In that same year, NN also recognised a total impairment of EUR 189 million on subordinated debt from Irish banks.

In addition, NN reduced its general account investments in equity securities in the Netherlands by EUR 870 million in 2012 and EUR 150 million in early 2013. The majority of NN's equity investments outside of the Netherlands were divested in 2009. These de-risking measures had a negative impact on investment return, as both the direct return (dividends) and indirect return (capital gains) on equity investments decreased. Although equity markets recovered somewhat in 2009 and 2010, market volatility remained high in 2011 and 2012. There was further equity market recovery in 2013.

The table below sets forth a breakdown by investment instrument of the non-operating item gains/losses and impairments as shown in "*Selected Financial Information—Selected Operating Result Information by Segment*".

	For the three months ended 31 March		For the year ended 31 December		
(*in millions of EUR*)	**2014**	**2013**	**2013**	**2012**	**2011**
Impairments:					
Debt securities	—	—	—	-12	-584
Public equity	-12	-44	-66	-72	-133
Private equity	-1	-4	-13	-18	-6
Real estate	-13	-10	-93	-55	-34
Loans and receivables	-6	-17	-42	-90	-2
Capital gains/losses:					
Debt securities	23	60	185	-124	-42
Public equity	19	76	124	439	326
Private equity	—	—	2	5	41
Total gains/losses and impairments	**10**	**61**	**97**	**70**	**-433**

The de-risking impacts on public and private equity investments were on balance positive, as capital gains on divested equity more than offset impairments of equity instruments. De-risking actions negatively affected the investment margin, however, as proceeds from the disposal of equity investments and debt issued by distressed sovereigns were re-invested in low(er) yielding sovereign debt issued by European countries with better financial stability.

The table below sets forth a breakdown by investment instrument of the non-operating item revaluations as shown in "*Selected Financial Information—Selected Operating Result Information by Segment*".

	For the three months ended 31 March		For the year ended 31 December		
(*in millions of EUR*)	**2014**	**2013**	**2013**	**2012**	**2011**
Private equity	5	22	85	35	39
Real estate	-5	-35	-89	-166	-23
Equity hedges	—	—	—	-212	40
Derivatives (unrelated to product hedging)	-2	-2	-3	-10	-20
Other	1	3	10	34	-13
Total revaluations	**—**	**-12**	**3**	**-319**	**23**

Private equity revaluations remained positive in 2011 and 2012, although lower than in prior years, with greater recovery in 2013. The negative revaluations of NN's real estate portfolio since 2011 reflect the impact of the financial crisis.

Hedging

NN utilises a number of hedging instruments, including put options, receiver swaps and other derivatives, to protect against adverse changes in financial markets. For more information on NN's hedging strategy, see "*Risk Management—Market and Credit Risk: General Account*" and "*Risk Management—Market and Credit Risk: Separate Account*".

During 2011 and 2012, NN held equity put options (on the Euro Stoxx 50) against the direct equity portfolio to protect regulatory capital against negative equity market movements. By the end of the third quarter of 2011, the direct equity position was fully hedged on a notional basis (excluding basis risk). The direct equity protection programme was terminated by the end of 2012, as the exposure to equities was reduced by approximately EUR 1 billion in that year. The partial recovery of financial markets in 2012 led to negative revaluations on these equity hedges, which were unwound in the second half of 2012.

In the third quarter of 2011, NN Life purchased macro interest rate hedges (swaps and swaptions) to protect regulatory capital against (parallel) decreasing interest rates. In the course of 2013, approximately EUR 1 billion (notional) of long term interest rate hedges were unwound as, in Management's view, the cost of the swaptions was too high in relation to the protection provided. The results on macro hedges are reflected in the non-operating item market and other impacts, as can be seen in the table on the next page. The results over the period from 2011 to 2013 are driven by the movement in interest rates, where generally an increase in interest rates leads to a loss under IFRS and vice versa.

Guaranteed separate account pension contracts (Netherlands)

A guaranteed separate account pension contract is an insurance contract for coverage of a defined benefit pension plan offered by NN to corporate customers in the Netherlands. Investments (pension assets) are held in a separate account on behalf of the employer who entered into the insurance contract with NN. The employer selects the investments based on a basket of equity and fixed income instruments and real estate and pays a fee for the guarantee. Regardless of the actual return on these investments, NN guarantees the pension benefits for the beneficiaries under the contract. The investment return guarantee offered by NN ranges from 3% to 4%, which is restricted to premiums received during the contract period. Actual returns above the guaranteed rate are distributed through a profit sharing arrangement. The value of the investment return guarantee is sensitive to interest rates, movements in the underlying funds and the volatility of those funds. Contracts are typically renegotiated every five years, but the guarantee obligations to the beneficiaries survive termination of the contract with the sponsor employer unless otherwise agreed.

NN's liability under the guaranteed separate account pension contracts cannot be fully hedged, as hedge instruments that completely reflect the underlying investment exposures are not available. As a result, the regulatory capital required for this business, as well as the IFRS result attributable to this business, are volatile compared to businesses with more fully hedgeable exposures. The hedge programme for these contracts includes equity basket options, swaps and equity futures. Because the accounting of positions under IFRS may not fully reflect regulatory volatility (economic risk), management must choose whether to place hedges that mitigate IFRS profit and loss account volatility or economic risk or some combination thereof. In order to protect its solvency position, NN moved to hedge the full economic risk of the guarantees in August 2013, accepting greater volatility in the IFRS profit and loss account. Previously, the hedge was aimed at mitigating a combination of IFRS profit and loss account volatility and regulatory capital volatility (economic risk). The resulting IFRS result volatility mainly occurs due to basis risk, as some of the assets underlying the separate account pension contracts are difficult to hedge.

To cover the potential inadequacy of the insurance provisions for guaranteed separate account pension contracts, NN has set up a provision for the liability under the investment return guarantees. The change in this provision runs through the IFRS profit and loss account, as well as the (unrealised) change in the value of the hedges (non-trading derivatives). These result components are reported under non-operating items in the margin analysis of Netherlands Life. The table below sets forth a breakdown of the non-operating item market and other impacts as shown in "*Selected Financial Information—Selected Operating Result Information by Segment*".

	For the three months ended 31 March		**For the year ended 31 December**		
(*in millions of EUR*)	**2014**	**2013**	**2013**	**2012**	**2011**
Result on macro interest rate hedges to protect regulatory capital	—	-17	-72	-56	229
Result on termination (exit) of separate account pension contracts	-2	-24	-17	9	-8
Change in provision for guarantees of separate account pension contracts (net of hedging) in the Netherlands	-35	6	-239	-482	-471
Other	—	—	-1	-1	—
Total market and other impacts	**-37**	**-34**	**-329**	**-530**	**-250**

Movements in the provision for investment return guarantees are perceived as either hedgeable or non-hedgeable movements. The main drivers of hedgeable provision movements are parallel shifts in the yield curve, time decay of the hedges and changes in implied (interest and equity) volatilities. The main drivers of non-hedgeable provision movements are basis risk, credit spreads, illiquidity spreads and profit sharing. Assets such as corporate bonds typically have yields in excess of those on equivalent more liquid risk-free fixed income assets, due to their credit risk premium and lower liquidity. The illiquidity premium adjustment (see "*—Embedded Value—Methodology*" and "—

Embedded Value—Additional matters relating to the methodology") captures the estimated additional value to shareholders from earning that part of the excess yields on such assets that is not attributable to credit risk (referred to here as the illiquidity premium spread).

To reduce the IFRS result volatility and improve regulatory capital efficiency and hedge effectiveness, NN is negotiating changes in the product features upon renewal of the guaranteed separate account pension contracts. To keep the product both profitable for NN and affordable for the client, NN offers reduced profit sharing, fewer investment options (only hedgeable assets) and more restrictive exit clauses. Renegotiated pension contracts are transferred from the separate account to the general account, as NN bears the principal investment risk for these contracts although in fact that investment risk has decreased due to the limitation of the profit sharing feature and investment options. In the years 2011 through 2013, NN transferred EUR 2,332 million in pension assets from the separate account to the general account portfolio. In the first quarter of 2014, another EUR 1,978 million in pension assets was moved from the separate account to the general account.

Variable annuities (Japan)

NN's closed block SPVA portfolio in Japan consists of separate account products with substantial minimum guarantee obligations on the invested principal. The variable annuities sold in Japan offered a guaranteed minimum death benefit and/or a guaranteed minimum accumulation benefit. There are different funds underlying the policyholder account values, including Japanese equity, Japanese bond, global equity and global bond funds. The value of the minimum guarantees depends on the level and volatility of equity, bond and foreign exchange markets. Hence, NN is exposed to market and credit risk associated with the guarantees provided to the holders of the VA contracts.

The minimum guarantee obligations of NN Japan under the closed block SPVA portfolio are almost completely reinsured by NN's internal reinsurer, NN Re. NN Re manages the risk of a shortfall by NN Japan under its minimum guarantee obligations through a hedging programme on an economic basis which seeks to (partially) offset market-related movements. The programme also mitigates market-related effects on the capital position of NN Re and, since the move towards fair value accounting for the GMDB reserves of the Japan Closed Block VA segment as of 1 January 2014, is also reflected in IFRS reserves. The results from the reinsurance arrangement (net of hedging) regarding the Japanese SPVA portfolio are reported under the Japan Closed Block VA segment.

NN Re has a comprehensive dynamic hedging programme to manage the VA guarantees on an economic basis. Equity risk is hedged using futures, currency risk using foreign exchange forward rate contracts, interest rate risk using interest rate swaps and credit spread risk using bond futures. Movements in the minimum guarantee obligations driven by changes in realised and implied volatility are partially hedged using equity options and foreign exchange options.

Apart from the market risks incorporated in the (reinsured) minimum guarantee obligations, the Japan Closed Block VA business is exposed to increases in market volatility, both implied and realised, and basis risk. Basis risk is the difference in market movements between the benchmarks used for hedging and the actively managed funds in the separate account.

The table below sets forth the changes in the market value of the minimum guarantees for the closed-block VA portfolio in Japan, and the corresponding estimated changes in the value of the assets hedging this portfolio, for the years ended 31 December 2013, 2012 and 2011.

	For the year ended 31 December[1]		
(*in millions of EUR*)	**2013**	**2012**	**2011**
Change in value of hedge assets	-2,367	-1,482	582
Change in value of policyholder guarantees[2]	-2,411	-1,652	748
Economic hedge result	**44**	**170**	**-166**
Economic hedge result/Change in value of policyholder guarantees[3]	1.8%	10.3%	22.2%

(1) The economic hedge result information is only shown for the full year, as it is not available on a quarterly basis.

(2) Reflects market and time-driven impacts, including basis risk, on fair value reserves. Excludes, among other items, actual versus expected policyholder behaviour impacts and policyholder behaviour assumption change impacts.

(3) Percentage stated in absolute value terms.

The change in the value of the policyholder guarantees for the Japan Closed Block VA depends on movements in the equity, interest rate and currency markets. The value of the Japan Closed Block VA guarantees, which was considerable at year-end 2008 due to the economic crisis, moved significantly over the past years, decreasing in 2012 and 2013 as a result of improving stock markets in Japan and the weakening of the Japanese yen (which increased the yen value of foreign currency denominated investments underlying the VA contracts). In 2008, the hedge programme was not yet fully developed and was therefore only partially able to follow strong market movements, resulting in significant losses from hedge ineffectiveness. Economic losses were incurred in 2011 as well, attributable to significant spread movements that were not hedged in 2011. Despite short-term volatility in the hedge result, the hedge programme has proven largely effective in mitigating guarantee risks over time; the table above shows that the economic hedge result has declined as a percentage of the annual change in the value of the policyholder guarantees, signifying the increased effectiveness of the hedge programme.

The net amount at risk (**NAR**) of a VA contract is the positive difference between the guarantee value (benefit base) of the contract and the account value that has been built up under that contract. Policyholder behaviour risks arise when guarantees are higher than the value of the underlying policyholder funds and policyholders maintain their contracts longer than assumed, or more policyholders exercise the option to extend their contract than assumed. Policyholder behaviour experience is monitored monthly and the assumptions are re-evaluated at least annually. NN has not changed its policyholder assumptions since 2010, except for changes that have not had a material impact. The NAR was EUR 663 million in 2013, an improvement as compared with EUR 4,187 million in 2012.

Low interest rate environment

Since the onset of the financial crisis in 2008, interest rates in the eurozone and other European markets where NN operates have decreased to unprecedented levels. Long-term government bond yields in the Netherlands declined to around 2% in 2014 from over 4% in 2008, primarily as a result of financial instability within the eurozone and associated uncertainty about the growth potential of the EU, which resulted in higher demand for safe haven assets such as government bonds and which caused the European Central Bank to lower reference rates.

Long-term interest rates are critical to NN's life insurance activities, due to the Company's long-term obligations to policyholders. In general, a prolonged low interest rate environment negatively affects NN's financial performance. On the income side, low interest rates have an adverse impact on the investment margin, as proceeds from maturing investments and premiums are (re)invested at yields lower than the current returns on the investment portfolio. Reduced interest credited to policyholders and lower profit sharing can offset the lower investment income, but such reductions are only partially effective due to the fixed or minimum guaranteed rates on many of NN's life insurance products. Given that NN invests in longer duration assets to align with its insurance liabilities, the prolonged low interest rate environment has gradually impacted the investment margin over time.

	For the year ended 31 December[1]		
(*in millions of EUR*)	**2013**	**2012**	**2011**
Investment margin			
Investment income (net of investment expenses)[2]	2,960	3,065	3,142
Interest credited to policyholders	-2,291	-2,371	-2,349
Investment margin life insurance businesses[3]	**669**	**694**	**793**
Life general account invested assets (end of period)	75,043	75,423	74,490
Investment yield (bps)[4]	394	406	422
Investment spread (bps)[5]	89	92	107

(1) The investment yield calculation is only shown for the full year, as it is not available on a quarterly basis. The investment spread for each quarter is available and was 92 bps for the three months ended 31 March 2014 and 88 bps for the three months ended 31 March 2013.

(2) Excluding non-operating items (capital gains/losses and impairments, revaluations and market and other impacts).

(3) Life insurance businesses comprise the segments Netherlands Life, Insurance Europe and Japan Life.

(4) Investment income divided by life general account invested assets (investment income as a percentage (bps) of the period end invested life general account assets).

(5) Investment margin in basis points of life general account invested assets (four quarter rolling average).

The investment margin decreased in 2012 compared with 2011, mainly due to de-risking measures, low reinvestment yields and lower dividends. These effects were partly offset by lower discretionary profit sharing in the individual life portfolio in the Netherlands.

Low interest rates positively affected the market value of NN's fixed income investments, which increased NN's ability to realise gains and avoid losses from the sale of those assets. Low interest rates have also resulted in lower costs for certain derivative instruments that are used to hedge certain product risks, equity investments or regulatory capital.

Conversely, the low interest rate environment has made it more challenging to offer life insurance and pension products that are both attractive to customers and profitable, which has resulted in lower sales figures in these segments.

For non-life insurance, lower investment returns reduce the financial margin available to offset adverse underwriting results and expense developments. Especially in product lines that are supported by investment returns, such as income protection products, low interest rates have had an adverse impact on financial performance where the combined ratio has exceeded 100%. Non-life insurance is affected in a situation where low investment yields do not provide sufficient returns to compensate for the effects of claims inflation on longer tailed business.

Fluctuations in equity markets

The financial performance of NN's insurance and asset management operations is subject to fluctuations in equity markets. NN's investments in equity securities and mutual funds are carried at fair value in the financial statements, using quoted market prices where available. Unrealised gains and losses arising from changes in fair value are recognised in shareholder's equity. When these investments are disposed of, the related accumulated fair value adjustments are included in the profit and loss account. They are subject to impairment testing in every reporting period. Equity securities are impaired when Management believes that, based on (the combination of) a significant or prolonged decline of the fair value below the acquisition price, there is sufficient reason to believe that the acquisition cost may not be recovered. See "*—Principal Accounting Policies, Estimates and Judgements—Impairments*". Upon impairment, the full difference between the (acquisition) cost and fair value is removed from NN's equity and recognised in the line item "gains/losses and impairments" result by segment. Impairments on equity securities and mutual funds are never reversed for accounting purposes. As shown in the table in "*—Key Factors Affecting Consolidated Results of Operations—Investments*" above, NN recorded significant impairments on equity securities in 2012 and 2011, although the disposal of equity instruments generated significant gains in each of those years which offset such impairments.

Equity investments on behalf of policyholders are investments against insurance liabilities for which all changes in fair value of the invested assets are offset by similar changes in insurance liabilities. Overall investment returns and fee income from these equity-linked products, such as unit-linked and VA contracts, are influenced by equity markets. The fees charged by NN for managing investment portfolios on behalf of policyholders are often based on the performance and market value of the portfolios, as described in "*—Key Drivers of Profitability—Drivers of profitability in the investment management business*".

The 2008 financial crisis triggered sharp declines in global equity markets and a significant increase in market volatility. This led to significant losses and impairments on NN's equity investments, including those backing capital and surplus. NN responded with de-risking measures aimed at decreasing direct equity exposure through the divestment of a large part of its equity portfolio and by hedging the remaining exposure through equity collars. Equity collars are an option strategy to reduce the downside risk of an equity portfolio by buying equity index put options with strike prices below the current index and selling call options with strike prices above the index. This 'self-funded' strategy was intended to protect result and regulatory equity and not specifically to increase investment return.

Fluctuations in equity markets also affect the fair value of equity derivatives embedded in certain products and equity derivatives that are used to hedge certain product risks, equity investments or regulatory capital. Gains and losses arising from fair value changes of (embedded) derivatives are recognised as revaluations in the result before tax, unless NN designates the derivatives as hedging instruments in a qualifying hedge. Generally, results from product-related hedging programmes are included in the operating result (technical margin) based on hedge accounting, although revaluations of the derivatives that are used to hedge the guarantees on separate account pension contracts in the Netherlands are reported under market and other impacts. Revaluations of non-product-related derivatives, for instance the equity collars mentioned above, are included in the non-operating items under revaluations. The cost of derivatives that are part of the equity hedge programmes has increased due to market volatility over the past three years.

Fluctuations in exchange rates

NN is exposed to fluctuations in exchange rates, as it operates in a number of countries which do not use the euro. The Company's management of exchange rate sensitivity affects the result of its operations through the business activities for its own risk and because NN prepares and publishes its consolidated financial statements in euros. Because a substantial portion of operating income and expenses is denominated in currencies other than the euro, fluctuations in exchange rates used to translate foreign currencies, in particular the Japanese yen, Turkish lira, Polish zloty and U.S. dollar, into euros impact the reported results of operations from year to year. Fluctuations in exchange rates also impact the value (denominated in euro) of the Company's investments in non-euro reporting subsidiaries. The impact of these fluctuations in exchange rates is mitigated to some extent because income and related expenses, as well as assets and liabilities, of each of the non-euro reporting subsidiaries are generally denominated in the same currencies.

For example, the 21.0% depreciation of the yen against the euro in 2013 was the most significant factor affecting the development of the operating results in euros of the Japan Life and Japan Closed Block VA segments in that year. This was the principal cause of the decrease in the operating result of Japan Life by EUR 35 million, or 17.9% in 2013 despite stronger sales and favourable business trends which improved operating income by 4.0% on a constant currency basis. Similarly, the operating result of Japan Closed Block VA saw a decrease to EUR 80 million, or 5.9%, in 2013 as yen denominated fees and premium-based revenues decreased, although operating income increased by 19.5% excluding currency effects. For additional discussion, see "—*Operating Result by Segment for the Years ended 2013 and 2012*".

For the years 2013, 2012 and 2011, the average exchange rates (which are the rates NN uses in the preparation of the consolidated financial statements for profit and loss account items and cash flows not denominated in euros) and the period-end exchange rates (which are the rates NN uses in the preparation of the consolidated financial statements for balance sheet items not denominated in euros) were as follows for the currencies specified below:

	For the three months ended 31 March		**For the year ended 31 December**		
(Euro exchange rates against selected currencies – average)	**2014**	**2013**	**2013**	**2012**	**2011**
Currency	**Local currency per euro**				
Poland (PLN)	4.1843	4.1558	4.1975	4.1847	4.1206
Turkey (TRY)	3.0372	2,3577	2.5335	2.3135	2.3378
Czech Republic (CZK)	27.442	25.566	25.980	25.149	24.590
Romania (RON)	4.5023	4.3865	4.4190	4.4593	4.2391
Hungary (HUF)	307.93	296.50	296.87	289.25	279.37
Bulgaria (BGN)	1.9558	1.9558	1.9558	1.9558	1.9558
U.S. (USD)	1.3696	1.3206	1.3281	1.2848	1.3920
Japan (JPY)	140.80	121.80	129.66	102.49	110.96

Source: DNB

	As at 31 March		**As at 31 December**		
(Euro exchange rates against selected currencies – period-end)	**2014**	**2013**	**2013**	**2012**	**2011**
Currency	**Local currency per euro**				
Poland (PLN)	4.1719	4.1804	4.1543	4.0740	4.4580
Turkey (TRY)	2.9693	2.3212	2.9605	2.3551	2.4432
Czech Republic (CZK)	27.442	25.740	27.427	25.151	25.787
Romania (RON)	4.4592	4.4193	4.4710	4.4445	4.3233
Hungary (HUF)	307.18	304.42	297.04	292.30	314.58
Bulgaria (BGN)	1.9558	1.9558	1.9558	1.9558	1.9558
U.S. (USD)	1.3788	1.2805	1.3791	1.3194	1.2939
Japan (JPY)	142.42	120.87	144.72	113.61	100.20

Source: DNB

Regulatory changes and government policies

NN is subject to comprehensive insurance, investment management, banking, pension and other financial services laws and regulations, and to supervision by several regulatory authorities that exercise broad administrative power. The laws and regulations to which NN is subject concern, *inter alia*: capital adequacy requirements, liquidity requirements, permitted investments, the distribution of dividends, product and sales suitability, product distribution, payment processing, employment practices, remuneration, ethical standards, anti-money laundering, anti-terrorism measures, prohibited transactions with countries and individuals that are subject to sanctions, anti-corruption, privacy and confidentiality, recordkeeping and financial reporting, price controls and exchange controls. See "*Risk Factors—Regulatory and Litigation Risks*" and "*Supervision and Regulation*".

The following legislative changes in particular are currently impacting and are expected to continue to impact the Company:

Solvency II

The EU is adopting a full-scale revision of the solvency framework and prudential regime applicable to insurance, reinsurance companies and insurance groups known as 'Solvency II'. The framework for Solvency II is set out in the Solvency II Directive, which was adopted by the European Council on 10 November 2009 (Directive 2009/138/EC). Solvency II is aimed at creating a new solvency framework in which the financial requirements that apply to an insurance, reinsurance company and insurance group, better reflect such company's specific risk profile. Solvency II will introduce economic risk-based solvency requirements across all Member States for the first time. In addition to these quantitative requirements, Solvency II also sets requirements for governance, risk management and effective supervision, and disclosure and transparency requirements. See "*Supervision and Regulation—EU Regulatory Framework—Insurance and insurance-related regulation—Solvency II Directive*".

Solvency II is expected to affect many aspects of NN's business, from the products it sells and the risks it decides to accept, to how it chooses to manage its risks and the amount of capital it is required to maintain. In particular, guidelines relating to the valuation of the insurance liabilities and the sensitivity to market and other risk factors on the insurer's own funds remain subject to revision. Because the Solvency II legislative process is still ongoing, the ultimate impact of the new requirements on NN and its industry is difficult to quantify. Management has conducted a Solvency II gap analysis to identify areas in which the Company was already reasonably compliant with the Solvency II requirements and areas where action was needed to achieve compliance, and in that context has also carried out a review of the Company's internal model to calculate economic capital.

Preparations by the Company and its subsidiaries for Solvency II compliance resulted in expenses of EUR 28 million, EUR 65 million and EUR 34 million for the years ended 31 December 2013, 2012 and 2011, respectively. These expenses have been accounted for as operational expenses. The Company expects that these expenses will decline following the launch of Solvency II, although certain requirements will require NN to implement new processes which will create additional recurring operating costs in the future.

Regulatory changes affecting sales levels

Life insurance products are often designed to deliver specific benefits in order to capitalise on government-created tax incentives. Should a particular tax incentive be altered or eliminated, sales levels of these products may be impacted, whereas the creation of a tax incentive may impact sales of other products. Examples include:

- ***Dutch bank annuities***: Tax-efficient bank saving products, also referred to as bank annuities (*banksparen*), began to provide the same tax advantages as insurance products as of 2008, causing a significant shift from individual life products to these bank annuities products since that time. This shift has materially reduced the level of individual life sales of accumulation products and was a factor in NN placing its historic individual life business into run-off.
- ***Dutch pension changes***: In 2014, the Dutch government extended the retirement age for occupational pensions to 67, and linked to life expectancy thereafter. In addition, the government has reduced fiscal support for the accumulation of pension benefits. As of 2014, only the premiums necessary to finance the accrual of pension benefits in an average pay defined benefit scheme of up to 2.15% (previously 2.25%) of the annual pensionable salary will be tax deductible. The tax deductibility of premiums paid into a defined contribution scheme as well as the maximum accrual percentages in a final pay plan have been lowered accordingly. A new proposal for a further decrease of the tax deductibility of premiums paid into a pension scheme as of 2015 has been approved by the House of Representatives and is likely to be approved by

the Senate. The further proposed changes in pension regulations will require insurers to modify their existing product portfolio and administrative systems, which can be costly. The decrease of the tax deductibility of premiums is expected to negatively impact premium inflows for pension providers.

- ***Japanese COLI***: On an individual level, COLI products allow a reduction in inheritance taxes due to be paid by beneficiaries upon the death of the insured. In 2013, tax deductibility in the event of a pay-out from COLI products due to a cancer diagnosis was reduced from 100% to 50%, which led to a sharp decline in sales. This decline was partly compensated by an increase in sales in other products that still enjoy 100% tax deductibility.

National pension fund regulations

Between 2011 and 2013, the national governments in Hungary, Poland, Turkey and other countries in which NN operates implemented significant changes to pension fund regulations. The nationalisation of the mandatory pension business in Hungary in 2011 was the primary driver of the net outflow of Investment Management AuM of EUR 3,902 million in that year. Going forward, the changes in Poland and Turkey are expected to have the most significant impact on Insurance Europe's results from operations.

In September 2013, the Polish government announced reforms to the Polish pension system. The reforms, most of which became effective on 1 February 2014, require that all Polish sovereign bonds held by open pension funds be transferred to the Polish state for no consideration, and that they subsequently be cancelled, as well as changes to open pension fund reserves, mandatory pension fund contributions and servicing and management fees of open pension funds. The Company expects additional constraints upon the results of its Polish business as a consequence, as the reforms reduce bond holdings of open pension funds and also introduce restrictions on permitted equity investments, which could reduce the demand for and effectiveness of Polish pension products.

In 2013, the Turkish government introduced new legislation governing the private pension system which replaced fiscal incentives that only benefited those under employment with benefits available to all persons over the age of 18. Under the new pension legislation, pension contributions are no longer tax deductible, and the government contributes 25% of the amount that the pension participants contribute to the system (up to 25% of the annual gross minimum wage). The new incentive scheme has positively impacted average premiums and contract volume.

For a more detailed description of pension industry trends and developments, see "*Industry Overview—Central and Eastern Europe (CEE)—Industry trends and developments*".

Ban on commissions for complex products

As of 1 January 2013, a law prohibiting commission payments (the so-called *provisieverbod*) entered into force in the Netherlands. This law is an extension of a similar law prohibiting hidden commissions in relation to non-life insurance products which entered into force on 1 January 2012. The act requires that all intermediaries (and other distributors) that sell complex financial products, including pensions, mortgages and life insurance, provide full transparency as to the fees charged to clients for providing financial advice and that fees be paid directly by the client to the intermediary on an advisory fee basis (rather than by the insurer to the intermediary on a commission basis). The law also specifies that the advisory fee is not tax deductible for self-employed customers. Such legal changes have caused NN to change its business model with respect to such products and are expected to impact sales levels of certain affected products in future years. The ban contributed to a decrease in the other income (commissions and fees) earned by proprietary insurance brokers (Mandema and Zicht) and included under Netherlands Non-life. However, the impact of reduced commissions on NN's consolidated results is partly mitigated by higher advisory fees paid by insured parties.

Cost programmes and savings

In recent years, NN has conducted a range of initiatives aimed at reducing its cost base.

In the Dutch market, the goal of the transformation programme ('Forward') has been to create a customer-driven organisation offering low-cost products through standardised processes and systems. Investment in new and improved IT systems is a core element of this transformation. In 2011, NN completed the integration of Dutch insurance operations under the Nationale-Nederlanden brand.

Given the challenging economic environment, Nationale-Nederlanden announced an acceleration of its transformation programme in late 2012 ('Fast Forward'). The goal of the acceleration, combined with the change from a three-tier to a two-tier organisation of support functions, is to achieve a reduction in the workforce of 1,350 FTEs and annual run-rate cost savings of approximately EUR 200 million by the end of 2014. EUR 138 million has been saved on a run-rate structural basis as at 31 December 2013, corresponding to a reduction of 818 FTEs. As at the same date, the remaining targeted reduction in the workforce was 532 FTEs for which a provision of EUR 110 million was available to cover restructuring expense. In 2013, investments of EUR 44 million (after tax) were incurred to improve processes and systems, and management anticipates that total investments of approximately EUR 34 million will be made during 2014. The restructuring provision and the additional IT investments were disclosed as special items. See "*—Key Factors Affecting Consolidated Results of Operations—Special items*".

The transformation programme in Central Europe ('Vision for Growth') began in 2008 and was aimed at creating a single operating model in the region to reduce costs and increase economies of scale. All insurance businesses in the region shared their best practices to improve processes and IT systems. In 2011, a regional IT organisation was established in Prague to deliver cost-efficient and high-quality regional services for IT infrastructure and cross-border programmes such as Solvency II.

Special items

Special items, as disclosed in NN's segment analysis, represent (material) items of income or expense that arise from events or transactions that management considers to be unrelated to the ordinary course of business activities of the Company. Special items include restructuring expenses, goodwill impairments, gains/losses from employee pension plan amendments or curtailments and rebranding costs.

NN has reported sizeable expenses under special items in its Netherlands Life, Netherlands Non-life and Insurance Europe segments during the periods under review. These expenses are mainly related to the transformation programme in the Netherlands, which is expected to be completed by 31 December 2014, and in Central Europe, which took place between 2008 and 2013. Additional costs relate to the functional separation of ING Groep's banking and insurance operations, completed in 2012, and the EC Restructuring Plan.

As part of the functional separation of ING Groep's banking and insurance operations, NN incurred significant project and restructuring expenses between 2010 and 2012. NN established stand-alone arrangements in a wide range of areas, including governance, support functions, payroll services, facility management and IT services, where it previously relied on support and services from ING Groep. Separation expenses incurred by NN amounted to EUR 100 million and EUR 129 million in the years ended 31 December 2012 and 2011, respectively.

Special items of the Other segment reflect income or expense items related to capital management reported in the corporate line or which, by their nature, cannot be allocated to the business segments in a meaningful way. Examples are results from liability management transactions and expenses related to the operational separation from ING Groep or to preparations for the Offering.

The table below sets forth the most significant special items (before tax) of NN's continuing operations incurred in the periods indicated.

	For the three months ended 31 March		For the year ended 31 December		
(*in millions of EUR*)	**2014**	**2013**	**2013**	**2012**	**2011**
Restructuring Netherlands	-22	-18	-97	-329	-79
Restructuring Insurance Europe	-2	—	-8	-15	-68
One global investment manager	—	—	—	—	-7
EC Restructuring Plan	-7	-11	-22	-84	-26
Separation banking and insurance operations	—	—	—	-100	-129
Goodwill impairment	—	—	—	-56	—
Cost on repurchase of subordinated debt	—	—	—	—	95
MCEV project costs	—	—	-3	—	—
Pension curtailment/settlement	-541	—	4	133	—
Special items (before tax)	**-572**	**-29**	**-126**	**-451**	**-214**

Special items (before tax) in the first three months of 2014 were EUR 572 million of expenses compared with EUR 29 million of expenses in the corresponding quarter of 2013, an increase of EUR 543 million, of which EUR 541 million related to the impact of the agreement to make ING Groep's defined benefit pension plan in the Netherlands, which includes NN, financially independent. The Dutch pension plan is no longer recognised as a defined benefit plan, and the related pension asset has been removed from NN's balance sheet and hence will no longer be incorporated in NN's accounts going forward. Of the total EUR 541 million pension settlement, EUR 331 million was allocated to Netherlands Life, EUR 82 million to Netherlands Non-life, EUR 122 million to Investment Management and EUR 6 million to the Other segment.

Special items (before tax) in 2013 included EUR 22 million in expenses related to the EC Restructuring Plan, primarily preparation costs for the Offering. For the transformation programmes in the Netherlands and for Insurance Europe, EUR 97 million and EUR 8 million in expenses, respectively, were incurred in 2013. Of the transformation expenses in the Netherlands, EUR 26 million concerned restructuring provisions, in particular with respect to the reorganisation of WUB, which was partially transferred to NN during 2013.

Special items (before tax) in 2012 included costs of EUR 84 million related to the EC Restructuring Plan, primarily preparation costs for the Offering. Costs relating to the operational separation from ING Groep amounted to EUR 100 million. Transformation expenses were EUR 329 million in the Netherlands, including EUR 253 million in restructuring provisions, and EUR 15 million for Insurance Europe. Also, EUR 56 million in goodwill was written off in Netherlands Life, triggered by the annual impairment test. These negative items were partly offset by a pension provision release of EUR 133 million following changes in the Dutch employee pension scheme announced in July 2012.

Special items (before tax) in 2011 included a EUR 95 million gain on the repurchase of a subordinated loan executed in December 2011. This gain was more than offset by EUR 79 million in expenses related to the transformation programmes in the Netherlands and EUR 68 million in Insurance Europe as well as EUR 129 million in costs relating to the operational separation from ING Groep and EUR 26 million in preparation costs for the Offering.

Discontinued operations

As at 31 December 2010, NN (through its predecessor entity ING Verzekeringen N.V.) maintained major insurance and investment management operations in Europe, the United States, Latin America, and the Asia/Pacific region. As part of the 2009 Restructuring Plan, ING Groep committed to divest all insurance and investment management activities. As a result, since 2010 NN has worked to dispose of all material insurance and investment management operations in the United States, Latin America, and the Asia/Pacific region (excluding Japan), resulting in a major transformation in the Company's composition and size.

Most disposals of NN's subsidiaries operating outside of Europe were completed between 2011 and 2013. See "*Business—Material Agreements—Acquisitions and disposals*".

The majority of the Latin American insurance and investment management operations were disposed of in December 2011. The transaction qualified as a discontinued operation under IFRS and the

Insurance Latin American segment was classified as such as of 30 June 2011. The sale in December 2011 resulted in a net profit of EUR 995 million. The Insurance Latin America segment ceased to exist following this transaction as the majority of the assets and activities in this segment were sold.

The Asian insurance and investment management businesses, including the business related to the reinsurance of the minimum guarantee risk associated with the Japan Closed Block VA portfolio by NN Re, were classified as discontinued operations as of 30 June 2012. A net loss of EUR 394 million was recorded, comprising goodwill write-offs of EUR 200 million in ING Life Korea, EUR 180 million in ING Investment Management Korea and EUR 15 million in ING Vysya Life Insurance (India). Several divestments of Asian operations were agreed in 2012, most of which closed in the course of 2013. Transaction results included a net profit of EUR 752 million for the year ended 31 December 2012, mainly due to the sale of Malaysian operations, and a net gain/loss of EUR 17 million for the year ended 31 December 2013 as a result of the sale of the remaining Asian operations (excluding Japan). In 2013, NN realised a divestment gain on the sale of the insurance businesses in Hong Kong, Macau and Thailand of EUR 945 million, whereas the sale of ING Life Korea resulted in a loss of EUR 989 million.

In the course of 2013, after evaluation of the available divestment options, it was decided that NN Japan, including reinsurance of the minimum guarantee benefits associated with the Japan Closed Block VA portfolio by NN Re, would remain part of NN. Hence, NN Japan was no longer classified as held for sale and as discontinued operations as of 1 October 2013 and is now accounted for as part of NN's continuing business.

The shares of ING U.S., the U.S.-based retirement, investment and insurance business, were successfully listed on the NYSE in May 2013 (the **U.S. IPO**). The shares began trading on 2 May 2013 under the ticker symbol "VOYA". As a result, NN's ownership interest in ING U.S. was reduced from 100% to 71.25%. The U.S. IPO did not impact NN's profit and loss account, as ING U.S. continued to be included in NN's consolidated results. Given NN's intention to divest its remaining stake in ING U.S. over time, in line with the timeline set out in the 2012 Restructuring Plan, ING U.S. was classified as held for sale and reported as discontinued operations as of 30 September 2013. No net result from this classification was recorded. As at 30 September 2013, NN's remaining shareholding of 71.25% in ING U.S. was transferred to ING Groep at carrying value by way of a distribution in kind. This distribution was valued at EUR 6,827 million, reducing the Company's shareholder's equity by the same amount. As at 1 October 2013, NN had no interest in ING U.S.

Shareholder's equity in the Reclassified Balance Sheets of NN for the years ended 31 December 2012 and 2011 is the same as shareholder's equity before the reclassification of activities as discontinued operations. The U.S. IPO had a negative impact on NN's shareholder's equity of EUR 1,958 million because the total proceeds received from the U.S. IPO represented a discount to ING U.S.'s book value. The U.S. IPO also resulted in a minority interest in total equity of EUR 2,954 million, which was subsequently eliminated through the transfer of NN's remaining shareholding in ING U.S. to ING Groep on 30 September 2013.

OPERATING RESULT AND MARGIN ANALYSIS

Background of operating result

NN evaluates the results of its operating segments using a financial performance measure called operating result (before tax). Operating result is defined as result before tax as calculated in accordance with IFRS but excluding the impact of divestments, discontinued operations and special items as well as the impact of non-operating items. Non-operating items mainly reflect (financial) market volatility. As a result, operating result (before tax) is a non-GAAP measure. The operating result of life insurance and investment management activities is analysed through a format called margin analysis.

Due to the nature of the accounting principles and the long-term commitments to clients, NN's short-term financial performance based on IFRS is subject to significant volatility caused primarily by fluctuations in financial markets. Under IFRS, certain investments are marked-to-market through the profit and loss account, while associated provisions for policyholder benefits generally are not. The concept of operating result was developed in 2008 against the backdrop of the financial crisis during that year to isolate the impact of market fluctuations as well as several other result items which cause volatility. As such, NN believes that the operating result provides a better basis for analysing and managing its core financial performance. The operating result, in combination with the margin analysis described below, identifies the relative importance of the main sources of profitability in each of the business segments.

As operating result (before tax) is a non-GAAP financial measure it should not be viewed in isolation or as an alternative to result before tax or other data presented in NN's financial statements as indicators of financial performance. Result before tax is the most directly comparable financial measure calculated in accordance with IFRS. Because operating result is not determined in accordance with IFRS, the operating result as presented by NN may not be comparable to other similarly titled measures of performance of other (insurance) companies. The operating result of NN's ongoing business segments is reconciled to the result before tax from the IFRS profit and loss account in "*Selected Financial Information*". For further information, see Note 36 "Segments" of the 2013 Annual Accounts.

Although NN believes that the disclosure of operating result (before tax) by segment improves the ability of investors to assess the operational performance of NN, there are certain limitations on the usefulness of this supplemental non-GAAP financial measure. For example, operating result does not include indirect returns (capital gains/losses, revaluations and hedging results), of assets that are marked-to-market through the profit and loss account, such as public and private equity as well as real estate. NN has significant investments in such assets and indirect returns (capital gains and revaluations) on these investments, apart from direct returns such as dividends and rental income, are usually a consideration to invest in these asset classes.

The table below shows the exposure to non-fixed income assets, the indirect returns of which are not included in the operating result, and the results on these assets that are reflected in the profit and loss account, for the year ended 31 December 2013.

	For the year ended 31 December 2013			
(*in millions of EUR*)	Exposure in balance sheet[1]	Operating result	Market impact	Profit and loss impact
Real estate	4,657	144	-182	-38
Public equity	2,500	114	58	172
Mutual funds	2,336	11	—	11
Private equity	943	11	109	120
Total	**10,436**	**280**	**-15**	**265**

(1) Information extracted from NN's 2013 Annual Accounts. See "*Risk Management—Market and Credit Risk: General Account*".

Operating result (before tax) will still fluctuate due to one-off or seasonal items that are not directly related to financial market conditions although not distinct from the ordinary activities of NN. Examples are adjustments to provisions for policyholder benefits or claims, triggered by natural catastrophes (non-life insurance) or changes in actuarial assumptions such as surrender and mortality rates (life insurance).

Calculation of operating result

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

- ***Non-operating items***: related to (general account) investments that are held for risk of the Company (net of policyholder profit sharing):
    - *Capital gains/losses and impairments*: realised gains and losses as well as impairments on financial assets that are classified as available for sale. These investments include debt and equity securities (including fixed income and equity funds), private equity (<20% ownership), real estate funds as well as loans quoted in active markets.
    - *Revaluations*: revaluations on assets marked-to-market through the profit and loss account. These investments include private equity (associates), real estate (property and associates), derivatives unrelated to product hedging programmes (i.e. interest rate swaps, foreign exchange hedges) and direct equity hedges.

- ○ *Market and other impacts*: these impacts mainly comprise the change in the provision for guarantees on separate account pension contracts (net of hedging) in the Netherlands.

- ***Result on divestments and discontinued operations***: result before tax related to divested operations, including the result from disposal groups classified as discontinued operations as well as the result from classification of disposal groups as discontinued operations (see "*Important Information—Presentation of Financial and Other Information*").

- ***Special items before tax***: (material) items of income or expense that arise from events or transactions that management considers to be unrelated to the ordinary business activities of NN and therefore are not expected to recur frequently or regularly. This includes for instance restructuring expenses, goodwill impairments, results related to early retirement of debt and gains/losses from employee pension plan amendments or curtailments.

For most segments, notional taxes are calculated on a segment by segment basis by multiplying a given segment's operating profit by the applicable statutory tax rate. Adjustments apply for the Netherlands Life segment related to equity investments held in the Netherlands and dividends paid thereon.

Background of margin analysis

The operating result (before tax) of NN's life insurance and investment management segments is analysed using a margin analysis and not in a format that is similar to the IFRS profit and loss account. Especially for long-duration insurance contracts which are spread-based or fee-based products, the IFRS profit and loss account provides little insight into the drivers of profitability. Under the margin analysis, the premium received on those contracts is not seen as income but substantially as a liability for policyholder benefits, in line with deposit accounting for financial instruments. Instead, sources of income are distinguished by whether they are spread-based, fee-based or risk-based.

The margin analysis divides the operating result (before tax), which consists of operating income minus expenses, into various sources of income and expenditure to explain (trends in the) results in a structural and transparent manner. The margin analysis also intends to provide the management of business operations with relevant and insightful information that can be used to manage the operations effectively.

Although the Japan Closed Block VA segment is not part of NN's ongoing business, the analysis of the operating result of this business line is done in the margin analysis format for life insurance and investment management activities.

The operating result (before tax) of the Other segment includes the result of the holding, NN Bank and NN Re (excluding the reinsurance of minimum guaranteed benefits of Japan Closed Block VA, which are included in the Japan Closed Block VA segment) and certain other results.

The operating result (before tax) for the Netherlands Non-life segment is not analysed in the margin analysis format for life insurance and investment management activities. Instead, the non-life business is analysed in a separate margin analysis format (described below) that is more suitable for this type of business, reflecting the underwriting risk based nature of non-life insurance.

Components of margin analysis

Life insurance and investment management businesses

NN's operating result (before tax) from life insurance and investment management activities is defined as operating income minus expenses, whereby the operating income has the following components (in line with the sources of income):

- ***Investment margin***: margin between gross investment income (excluding non-operating items) on general account assets, including NN's capital and surplus as part of the general account assets, minus interest credited to the general account policyholder liabilities (including profit sharing) and related investment expenses.

- ***Fees and premium-based revenues***: all charges (product loadings) assessed against premiums or policyholder balances that are available to cover commission, administration, separate account guarantees and asset management services. Fees charged to policyholders that cover the anticipated cost of (guaranteed) policyholder benefits (including riders) are included in the technical margin.
- ***Technical margin***: margin between amounts assessed to policyholders for mortality and morbidity less incurred benefit claims in excess of related policyholder liabilities. The technical margin also includes the surrender margin, or the difference between benefit provisions released for surrender of contracts and the cash surrender values paid to the policyholders, as well as the net effect of programmes which hedge guaranteed policyholder benefits and reinsurance ceded. When determining the technical margin, reinsurance is recognised and allocated to the most appropriate category (mortality/longevity, morbidity, etc.).
- ***Operating income non-modelled business***: operating income from that part of the life insurance business for which no margin analysis is yet available. The non-modelled business of NN is not significant and it mainly reflects the life insurance business in Bulgaria and Turkey in the Insurance Europe segment.

Expenses in the margin analysis for life insurance and investment management activities are split into the following two components:

- ***Administrative expenses***: that part of operating expenses which is not directly attributable to acquiring new life insurance and investment contracts. Operating expenses which do vary with (and are primarily related to) the production of new and renewal business are partly capitalised as DAC and amortised and included in a separate category (as described below).
- ***DAC amortisation and trail commissions***: DAC consist primarily of first year commissions as well as certain underwriting and contract issuance expenses. Trail commissions paid to independent distributors are in general directly charged to the profit and loss account. For life insurance contracts, capitalised acquisition costs are amortised as expenses into the profit and loss account over the premium payment period in proportion to the premium recognition.

For Netherlands Life, the change in the provision for guarantees on separate account pension contracts (net of hedging) is not reported as part of the operating result but under market and other impacts.

Non-life insurance business

The operating result (before tax) for the Netherlands Non-life segment is analysed using a different format that is more customary to this type of business reflecting the underwriting risk-based nature of non-life insurance. The non-life operating result is also defined as result before tax under IFRS excluding the impact of divestments, discontinued operations and special items as well as the impact of non-operating items. The main components of non-life operating income are:

- ***Earned premiums (net of reinsurance)***: that portion of the non-life insurance premiums written by NN (net of reinsurance) that is earned in a particular reporting period. Although non-life premiums are often paid in advance, for instance for a full year, NN earns those premiums proportionally throughout the term of the insurance coverage concerned. The unearned portion of the insurance premiums that have been paid is kept in a provision for unearned premiums. Earned premiums are presented net of the cost of reinsurance.
- ***Investment income (net of investment expenses)***: gross investment income (excluding non-operating items) on general account assets, including NN's capital and surplus, minus related investment expenses and profit sharing (experience rating).
- ***Other income***: income from sources other than insurance premiums or investment income, such as fee income (commissions).

The main components of the Netherlands Non-life expenditure are:

- ***Claims incurred (net of reinsurance)***: amount owed by NN to policyholders who have a covered loss in a particular reporting period. Claims incurred include claims paid to policyholders (net of reinsurance recoveries), loss adjustment expenses and the change in outstanding claims provisions minus the share of reinsurers in these provisions. Outstanding claims provisions are recognised for known claims (including the costs of related litigation) and incurred but not reported (**IBNR**) claims when management can reasonably estimate its liability.

- ***Acquisition costs***: that part of the operating expenses which is directly attributable to the acquisition of non-life insurance policies, net of reinsurance commissions received.
- ***Administrative expenses***: that part of the operating expenses which is not directly attributable to the acquisition of non-life insurance policies.

Ongoing business

Ongoing business is the term used by NN in reference to the results of operations of its business segments, apart from Japan Closed Block VA and Insurance Other. The Japan Closed Block VA segment is not considered to be ongoing business, as NN ceased the sale of these SPVA products in 2009 and placed this portfolio in run-off. The Insurance Other segment is also not included as ongoing business, as this segment ceased to exist in the first quarter of 2014 as a result of (i) the divestment of SulAmérica in January 2014, (ii) the indemnification by ING Groep of certain claims relating to NN's former subsidiary in Mexico and (iii) because ING Groep no longer allocates shareholder expenses to NN.

KEY PERFORMANCE INDICATORS AND OTHER KEY FIGURES

NN uses a variety of key performance indicators to aid in evaluating the Company's financial performance and that of its business segments. The Company believes that each of these measures provides meaningful information with respect to the financial performance of its business and operations. However, certain key performance indicators are non-GAAP financial measures and should not be viewed as a substitute for financial measures in accordance with IFRS. Furthermore, these measures may be defined or calculated differently by other companies, and as a result the key performance indicators of NN may not be comparable to similarly titled measures calculated by other companies.

Disciplined and proactive capital management is a key focus area for NN, with a base case of capital in excess of the Company's capital ambition being returned to shareholders in the most efficient form. As such, in addition to the below KPIs, NN closely monitors the solvency and capital positions of the Company and its subsidiaries and their development over time. This is further described in "—*Liquidity and Capital Resources*", including the movement in the cash capital position of the holding company and the solvency capital movements of key subsidiaries.

Gross premium income

Gross premium income or gross written premiums (**GWP**) represents the full amount of premiums (both earned and unearned) for insurance contracts written or assumed during a specific period, without deductions for premiums ceded to reinsurers. NN uses gross premium income or gross written premiums to assess the overall size of its insurance business (segments) and to compare the size of its insurance business with its competitors.

New sales life insurance (APE)

New sales life insurance, measured by APE is defined as the total of annual/regular premiums and 10% of single premiums received on new production in a given period. APE is a measure that normalises the single premium payments to the annual payment premium equivalent, which assists NN in comparing the new sales of life insurance (including pension sales) more accurately. APE is used by NN to allow for comparisons of the amount of new business (policies written), including renewals and increments, during the period to assess the growth in its life insurance business segments and to compare this growth with its competitors.

Administrative expenses

Administrative expenses, for life insurance and investment management activities, represent that part of operating expenses which is not directly attributable to acquiring new business. Acquisition expenses are capitalised and amortised through DAC. Administrative expenses provide an indication of the cost related to the maintenance of the existing portfolio of life insurance and investment management activities.

Cost/income ratio

The cost/income ratio is defined as administrative expenses as a percentage of operating income. The cost/income ratio allows NN to evaluate the operating efficiency of its insurance and investment management operations in total and that of the individual business segments. A declining cost/income ratio over time generally indicates increasing efficiency in running the in-force book of business (cost effectiveness).

Combined ratio – Netherlands Non-life

The combined ratio is the sum of the claims ratio and the expense ratio. The claims ratio is defined as claims, including claims handling expenses, as a percentage of net earned premiums. A claim is a demand for payment of a policyholder benefit because of the occurrence of an insured event. The combined ratio allows NN to evaluate the profitability of its non-life activities in total and of its individual non-life branches. A combined ratio below 100% generally indicates profitable underwriting. A combined ratio of more than 100% does not necessarily imply that there is an underwriting loss, because the result also includes investment income.

AuM – Investment Management

AuM refers to the market value of all on and off-balance sheet investments being managed by NN's Investment Management segment. These assets are managed on behalf of NN's clients and NN itself (general account assets and shareholder's equity). AuM includes general account assets managed by Investment Management in which NN bears the investment risk, separate account assets in which the policyholder bears the investment risk as well as mutual funds and pension funds, which are excluded from NN's balance sheet. AuM is a popular metric in the financial services industry as a measure of size of the investment management operations and an important driver of NN's fee-based operating income.

Life general account invested assets

Life general account invested assets are defined as all assets of NN that support its life insurance operations, other than those assets designated for a separate account. Separate accounts are investment accounts established and maintained by a life insurer, where the policyholders bear the investment risks. Owners of insurance policies (that are not associated with separate accounts) are not legally entitled to the assets of NN's general account, but rather these assets support the general obligations of the Company. General account assets are invested for the risk of NN and they include the assets backing the Company's shareholder's equity.

Investment spread (Investment margin/Life general account invested assets)

The investment spread for life insurance activities is defined as the aggregate investment margin (on an operating basis) as a percentage of the average life general account invested assets. The investment margin (on an operating) basis is defined in "—*Operating Result and Margin Analysis—Calculation of operating result*". The investment spread is a measure of the profitability of NN's general account activities including the investment of the Company's shareholder's equity and is expressed in basis points as a four-quarter rolling average.

Provision for life insurance for risk of policyholders

The provision for life insurance for risk of policyholders is a liability for life insurance contracts, the valuation of which is linked to specific asset pools invested for risk of the policyholders. For these contracts, the liability represents the fair value of the investments underlying the insurance policies. All changes in the fair value of the invested assets are offset by equivalent changes in the provision for life insurance. Investments for risk of policyholders are shown as a separate line item in the consolidated balance sheet.

Client balances

Client balances, for life insurance and investment management activities, encompass all on or off-balance sheet customer accounts (liability based) on which NN earns a spread or a fee. They include the gross life provisions for both general account and separate account life insurance contracts and off-balance sheet funds managed for institutional investors and (proprietary) pension funds. Client balances are not equal to AuM, as client balances exclude the Company's shareholder's equity and provisions for non-life insurance contracts. This key performance indicator measures the volume of NN's in-force life insurance and investment management business which drives future operating income and results.

IFRS reserve – Japan Closed Block VA

The IFRS reserve for Japan Closed Block VA is the liability established under IFRS by NN Japan and NN Re to reflect the estimated cost of (guaranteed minimum) policyholder benefits and related expenses that these companies will ultimately be required to pay in accordance with the terms and conditions of the VA contracts written by NN Japan and partly reinsured by NN Re. In combination with the account value, described below, the IFRS reserve of Japan Closed Block VA provides an indication of the remaining volume of this run-off block of business. In NN's segment reporting, the IFRS reserve established by NN Re for the reinsurance of NN Japan's VA guarantees is fully allocated to Japan Closed Block VA.

Account value – Japan Closed Block VA

The account value of a VA contract is the sum of the accumulation values of the assets backing that VA contract in the variable account. The variable account is a separate account that reflects the market value of the underlying assets including the income and capital gains/losses incurred on the assets of that separate account. As such, the account value reflects the amount of policyholder equity that has accumulated within the client's annuity contract.

Net amount at risk – Japan Closed Block VA

The net amount at risk of a VA contract is the positive difference between the guarantee value (benefit base) of the contract and the account value that has been built up under that contract. The net amount at risk represents the guaranteed minimum benefits offered by a VA contract in excess of the current account value.

IGD Solvency I ratio

NN's solvency position on a consolidated basis is calculated under the IGD and is calculated as the difference between (i) the consolidated assets eligible for the inclusion in the calculation of the solvency margin based on the consolidated data; and (ii) the minimum amount of the solvency margin calculated on the basis of the consolidated data. The IGD capital is defined as shareholder's equity plus hybrid capital, prudential filters and certain adjustments and is calculated in accordance with method three "method based on accounting consolidation" of the Dutch Financial Supervision Act. Required capital is based on the EU required capital base. In applying this method, a solvency deficit of an insurance subsidiary, if any, is taken into account, as well as regulatory adjustments of the Dutch insurance subsidiaries based on the Dutch Financial Supervision Act. The IGD Solvency I ratio is calculated by dividing the IGD capital by the EU required capital base. The IGD Solvency I ratio is an important measure of consolidated regulatory solvency that is required to be disclosed pursuant to the IGD.

Net Operating ROE

Net Operating ROE of the ongoing business (or a segment) is calculated as the (annualised) net operating result of the ongoing business (or a segment) as a percentage of the average adjusted allocated equity of the ongoing business (or a segment). The net operating result of the ongoing business represents the operating result after tax of the ongoing business. The tax rate used to calculate the tax related to the operating result is the statutory tax rate adjusted for components of the operating result that are tax exempt (such as under the participation exemption in the Netherlands) or that are taxed at a rate different from the statutory rate. The calculation of allocated equity is described herein in "*Important Information—Presentation of Financial and Other*

Information—Allocated equity". The allocated equity is adjusted to include minority interests and excludes the revaluation reserves for debt securities, equity securities and properties in own use, the cash flow hedge reserve and the related crediting to policyholders, to arrive at adjusted allocated equity. Net Operating ROE measures the Company's profitability by comparing how much net operating result is generated with the money shareholders have invested. The higher the Net Operating ROE, the more efficient the Company is in using its net assets and the better the investment return is to shareholders.

CONSOLIDATED RESULTS OF OPERATIONS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

The table below sets forth the consolidated results from continuing operations of NN for the years ended 31 December 2013 and 2012.

	For the year ended 31 December	
(*in millions of EUR*)	**2013**	**2012**
Continuing operations		
Gross premium income	9,530	10,705
Investment income	3,619	3,739
Result on disposals of group companies	-45	—
Gross commission income	*956*	*924*
Commission expense	*-330*	*-331*
Commission income	626	593
Valuation results on non-trading derivatives	-2,891	-2,574
Foreign currency results and net trading income	186	539
Share of result from associates	97	37
Other income	39	-22
Total income	11,161	13,017
Gross underwriting expenditure	*13,585*	*15,867*
Investment result for risk of policyholders	*-4,930*	*-5,517*
Reinsurance recoveries	*-70*	*-73*
Underwriting expenditure	8,585	10,277
Intangible amortisation and other impairments	11	69
Staff expenses	1,178	1,037
Interest expenses	591	605
Other operating expenses	848	1,274
Total expenses	11,213	13,262
Result before tax from continuing operations	-52	-245
Taxation	-50	-113
Minority interests	16	21
Net result from continuing operations	**-18**	**-153**

Gross premium income decreased 11.0% to EUR 9,530 million in 2013, from EUR 10,705 million in 2012. This decrease was primarily due to the decline in sales of single premium life insurance products in the Netherlands as well as in Belgium and Luxembourg, which declined by EUR 794 million, as a result of weak macroeconomic conditions and the continuing low interest rate environment. In addition, gross premium income in Japan decreased by EUR 266 million in 2013, a decrease of 10.3% compared with 2012, due to the 21.0% depreciation of the Japanese yen against the euro. Excluding currency effects, gross premium income for Japan Life increased by 11.1% in 2013 due to strong sales and favourable persistency. Due to a local regulatory change, NN's Czech pension fund was no longer included in the Company's consolidated results of operations as of 2013, lowering premium income by EUR 135 million. Gross premium income for Netherlands Non-life decreased 3.5% in 2013 due to challenging economic conditions and management actions to improve profitability, particularly in income products. These decreases in gross premium income were partially offset by operations in Poland and Spain, which reported 13.7% growth of premium income in 2013.

Investment income was EUR 3,619 million in 2013, a 3.2% decrease compared with EUR 3,739 million in 2012. This decrease mainly reflects a decrease in income from investments in debt securities and loans due to the low interest rate environment. Capital gains/losses and impairments on available-for-sale securities of EUR 140 million in 2013 were slightly lower than the 2012 amount of EUR 168 million. Negative revaluations of real estate investments were EUR 6 million in 2013, compared with EUR 49 million in 2012.

Commission income was EUR 626 million in 2013, a 5.6% increase compared with EUR 593 million in 2012. Gross commission income was EUR 956 million in 2013, a 3.5% increase compared with EUR 924 million in 2012. This increase was largely caused by higher asset management fees, including performance fees, received in 2013 after the strong equity market performance in the second half of that year. Commission expense remained stable at EUR 330 million in 2013, compared with EUR 331 million in 2012.

Valuation results on non-trading derivatives were a loss of EUR 2,891 million in 2013 compared with a loss of EUR 2,574 million in 2012. Included in the valuation results on non-trading derivatives are fair value movements on derivatives that are used to economically hedge exposures in NN's policyholder obligations, but for which no hedge accounting is applied. The fair value movements on the derivatives are influenced by changes in market conditions, such as equity prices, interest rates and currency exchange rates. This specifically applies to the hedge of the guarantees on separate account pension contracts in the Netherlands and the hedge of the minimum guaranteed policyholder benefits on VA contracts in Japan. Also, equity hedges and macro interest rate hedges to protect regulatory capital fall into this category. The valuation losses on non-trading derivatives in 2013 and 2012 were mainly caused by rising equity markets and the depreciation of the Japanese yen, which especially negatively impacted the value of the hedges on the variable annuity contracts in Japan. The change in the fair value of derivatives is largely offset by changes in the insurance liabilities, which are included in underwriting expenditure.

Foreign currency results and net trading income was EUR 186 million in 2013 compared with EUR 539 million in 2012. This decrease was mainly caused by lower foreign currency results (before hedging), especially for NN Japan, which invests a significant part of its Japanese yen denominated insurance liabilities in foreign currency denominated financial assets. Foreign currency results decreased to EUR 108 million in 2013 from EUR 481 million in 2012.

Share of result from associates was EUR 97 million in 2013 compared with EUR 37 million in 2012. This increase was due to higher returns from certain real estate funds over which NN has significant influence. Such funds operate predominantly in Europe, including certain funds originally founded by NN that were later sold and in which NN held a financial interest of between 20% and 50% of the voting rights as at 31 December 2013.

Other income increased to a gain of EUR 39 million in 2013 from a loss of EUR 22 million in 2012, due to NN's sale of a significant portion of its 36.5% interest in SulAmérica in 2013 for a (net) gain of EUR 64 million. As at 31 December 2013, NN's interest in SulAmérica was reduced to 21.3%.

Underwriting expenditure for NN's own account decreased 16.5% to EUR 8,585 million in 2013 from EUR 10,277 million in 2012. Gross underwriting expenditure declined to EUR 13,585 million in 2013, a 14.4% reduction compared with EUR 15,867 million in 2012. The decrease in gross underwriting expenditure mainly reflects lower premium income from deposit-type life insurance products in the Netherlands as well as in Belgium and Luxembourg. The investment income and valuation results regarding investments for risk of policyholders is also recognised in gross underwriting expenditure. The investment result for risk of policyholders decreased to EUR 4,930 million in 2013 from EUR 5,517 million in 2012, partially offsetting the overall decrease in underwriting expenditure.

Staff expenses were EUR 1,178 million in 2013, a 13.6% increase compared with EUR 1,037 million in 2012. This increase was due to EUR 70 million higher staff expenses at NN Bank, including EUR 38 million in restructuring expenses (recorded as a special item) after the partial transfer of the operations of WUB from ING Bank during 2013 and a pension curtailment of EUR 133 million in 2012 related to the introduction of a new employee pension scheme in the Netherlands which resulted in a one-off reduction in staff expenses in 2012. Excluding these two items, staff expenses declined by 5.3% in 2013, reflecting ongoing cost containment measures related to transformation programmes in the Netherlands.

Interest expenses were EUR 591 million in 2013, a decrease of 2.3% compared with EUR 605 million in 2012. Interest expenses on non-trading derivatives increased to EUR 336 million in 2013 compared with EUR 302 million in 2012. The EUR 48 million decrease in other interest expenses was primarily the result of a redemption of borrowed funds and debt securities in the course of 2013. Specifically, outstanding debt securities decreased to nil from EUR 773 million and other borrowed funds decreased to EUR 4,817 million from EUR 5,293 million in the course of 2013. This decrease in the principal amount of outstanding debt was primarily due to a EUR 1,000 million debt-to-equity conversion by ING Groep to strengthen NN's capital position.

Other operating expenses were EUR 848 million in 2013, a 33.4% decrease on EUR 1,274 million of other operating expenses in the prior year. This decline was largely due to EUR 56 million lower external advisory fees and EUR 105 million lower expense charges from ING Groep for internal services rendered, including project costs for the disentanglement of ING's banking and insurance operations. Moreover, the 2012 expenses included a EUR 225 million provision for the acceleration of the transformation programme of the Dutch insurance operations announced in late 2012.

Taxation in 2013 was a EUR 50 million tax credit against EUR 52 million in pre-tax loss from continuing operations. Under Dutch tax law, income from associates and certain other (equity-related) investment income components are not subject to corporate taxes at the level of the shareholder. Consequently, the size of the tax credit taken by NN in 2013 was based upon a (larger) pre-tax loss amount that did not reflect these income components. For further information, see Note 39 to the 2013 Annual Accounts.

The table below sets forth a breakdown of NN's net result from continuing operations by segment for the years ended 31 December 2013 and 2012.

	For the year ended 31 December	
(*in millions of EUR*)	**2013**	**2012**
Operating result[1]		
Netherlands Life	709	623
Netherlands Non-life	79	103
Insurance Europe	199	219
Japan Life	161	196
Investment Management	130	109
Other[2]	-373	-399
Operating result ongoing business[3]	**905**	**852**
Non-operating items ongoing business	-229	-779
of which gains/losses and impairments[4]	97	70
of which revaluations[5]	3	-319
of which market and other impacts[6]	-329	-530
Japan Closed Block VA[7]	-669	105
Insurance Other[8]	-18	-22
Special items before tax[9]	-126	-451
Result on divestments[10]	84	50
Result before tax from continuing operations	**-52**	**-245**
Taxation	-50	-113
Net result from continuing operations before attribution to minority interests	**-2**	**-132**
Minority interests	16	21
Net result from continuing operations	**-18**	**-153**
Key Performance Indicators ongoing business (*unaudited)*		
New sales life insurance (APE)	1,227	1,353
Administrative expenses	1,807	1,806
Cost/income ratio (administrative expenses/operating income)	37.1%	36.0%
Client balances (end of period)	208,931	192,500

(1) Result before tax in accordance with IFRS, excluding the impact of non-operating items, divestments, discontinued operations and special items.
(2) Other comprises (the operating result of) the business of NN Bank and NN Re, the result of the holding company and certain other results.
(3) Ongoing business includes all segments of NN which are consolidated as at 31 December 2013, excluding Japan Closed Block VA and Insurance Other.
(4) Realised gains and losses as well as impairments on financial assets that are classified as available for sale.
(5) Revaluations on assets marked-to-market through the profit and loss account.
(6) Primarily the change in the provision for guarantees on separate account pension contracts (net of hedging) in the Netherlands.
(7) Result before tax of Japan Closed Block VA.
(8) Insurance Other comprises the costs of the claims filed by the purchaser of certain Mexican subsidiaries and corporate expenses of ING Groep allocated to NN. NN's share in the result of SulAmérica and the net result from disposal of SulAmérica are included in "result on divestments".
(9) Special items represent (material) items of income or expense that arise from events or transactions that are clearly distinct from the ordinary activities of the company.
(10) Result on divestments comprises the result before tax from NN's share in the result of SulAmérica and subsequent results from a pension portfolio in the Netherlands that was divested in 2009.

Results from operations

The *operating result ongoing business* of NN was EUR 905 million in 2013, a 6.2% increase compared with EUR 852 million in 2012, mainly driven by higher operating results for Netherlands Life and Investment Management and lower operating losses for the Other segment. This improvement was partially offset by lower operating results for Insurance Europe and Japan Life, respectively, and a lower operating result for Netherlands Non-life. Netherlands Life showed an improved operating result in 2013 due to a higher technical margin compared with the previous year. The lower operating result of Netherlands Non-life was caused by an increased number of claims in the P&C business, only partially offset by a higher operating result for D&A products. Despite lower expenses, the operating result of Insurance Europe declined due to reduced investment and technical margins. The operating result of Japan Life decreased due to the 21.0% depreciation of the Japanese yen against the euro in 2013. The operating result of Investment Management increased in 2013, due to increased fee income as a result of inflows in higher yielding products as well as lower expenses. The reduced operating loss of the Other segment was driven by lower interest expenses on hybrid and debt securities and lower head office expenses, although this was partly offset by a deterioration in the operating result of NN Re.

The loss from *non-operating items* related to ongoing business improved to EUR 229 million in 2013 from EUR 779 million in 2012. Revaluations improved to a gain of EUR 3 million in 2013, as compared with a loss of EUR 319 million in 2012, due to the impact of negative revaluations of equity hedges and real estate investments of Netherlands Life. Loss from market and other impacts was EUR 329 million in 2013, as compared with a loss of EUR 531 million in 2012, primarily due to a lower adverse impact from provisions for guarantees on separate account pension contracts (net of hedging) in the Netherlands.

The *result before tax* of Japan Closed Block VA was a loss of EUR 669 million in 2013, compared with a gain of EUR 105 million in 2012. This decrease was principally due to a EUR 575 million charge to bring the reserve adequacy of the business line to the 50% confidence level as of 1 October 2013. The 2013 result also reflected a EUR 273 million loss due to the accounting asymmetry between the change in the IFRS reserves for GMDB and the result from the related hedging programme.

Special items before tax improved to a loss of EUR 126 million in 2013 from a loss of EUR 451 million in 2012, as a result of the provisions taken for the restructuring programme in the Netherlands in 2012 and reduced costs for the operational separation from ING in 2013.

Results on divestments was EUR 84 million in 2013, compared with EUR 50 million in 2012. The result in 2013 reflected NN's share in SulAmérica's net result from operations and the net result from disposal, partly offset by a loss on the sale of the Mexican mortgage business. The result in 2012 reflected NN's share in SulAmérica's net result from operations, partly offset by a loss on the final settlement of the divestment of group pension contracts in the Netherlands, which were transferred to industry wide pension funds.

The *result before tax from continuing operations* was a loss of EUR 52 million in 2013, compared with a loss of EUR 245 million in 2012. This improvement was the result of a decrease in loss from non-operating items and a lower adverse impact from special items, partly offset by a decrease in the result of Japan Closed Block VA caused by the one-off charge of EUR 575 million.

Key performance indicators

New sales life insurance (APE) was EUR 1,227 million in 2013, a 9.3% decrease compared with EUR 1,353 million in 2012. This decrease was mainly due to the depreciation of the Japanese yen against the euro, which impacted the euro value of life sales in Japan, and to lower individual life sales and group pension sales in the Netherlands.

Administrative expenses of NN's ongoing business remained flat at EUR 1,807 million in 2013 compared with EUR 1,806 million in 2012. However, excluding the partial transfer of the bank operations from WUB to NN Bank, which added EUR 28 million to the cost base, and EUR 74 million higher pension expenses in the Netherlands arising from lower discount rates, total administrative expenses for the ongoing business decreased by 5.6%.

The *cost/income ratio* of NN's ongoing business (excluding the Other segment) increased to 37.1% in 2013 from 36.0% in 2012. While administrative expenses remained flat, this was more than offset by the decline in operating income.

Total *client balances* of the ongoing business increased to EUR 208,931 million as at 31 December 2013 from EUR 192,500 million as at 31 December 2012, primarily due to an increase in Investment Management client balances, which showed large (net) inflows in 2013.

OPERATING RESULT BY SEGMENT FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

Netherlands Life

The table below sets forth the results of operations and certain key figures for the Netherlands Life segment for the years ended 31 December 2013 and 2012.

	For the year ended 31 December	
(*in millions of EUR*)	**2013**	**2012**
Investment margin	557	562
Fees and premium-based revenues	461	508
Technical margin	237	141
Operating income	**1,255**	**1,211**
Administrative expenses	472	495
DAC amortisation and trail commissions	75	92
Expenses	**547**	**587**
Operating result	**709**	**623**
Non-operating items	-345	-689
of which gains/losses and impairments	-43	138
of which revaluations	27	-296
of which market and other impacts	-329	-530
Special items before tax	-22	-225
Result on divestments	6	-23
Result before tax	**347**	**-313**
Taxation	65	-162
Minority interests	6	12
Net result	**276**	**-164**
New business figures (*unaudited)*		
Single premiums	610	686
Annual premiums	163	189
New sales life insurance (APE)	224	257
Key performance indicators (*unaudited)*		
Gross premium income	3,240	3,622
Cost/income ratio (administrative expenses/operating income)	37.6%	40.9%
Life general account invested assets (end of period)	54,655	51,626
Investment spread (Investment margin/Life general account invested assets, bps)	104	109
Provision for life insurance for risk of policyholders (end of period)	17,671	19,879
Client balances (end of period)	60,220	60,428
Net Operating ROE	8.3%	7.8%

Results from operations

Operating income of Netherlands Life was EUR 1,255 million in 2013, a 3.5% increase compared with EUR 1,211 million in 2012, mainly due to an increase in the technical margin. The investment margin decreased to EUR 557 million in 2013 from EUR 562 million in 2012, after a slight decline in investment income mainly due to lower dividends on equity securities, which was largely offset by lower interest credited to policyholders, excluding a one-off release of profit sharing of EUR 51 million in 2012. Compared with 2012, fees and premium-based revenues in 2013 decreased by EUR 47 million, or 9.3%, to EUR 461 million, mainly due to the run-off of the individual life closed book portfolio, lower cost charges within individual unit-linked insurance policies and a non-recurring EUR 22 million provision strengthening to correct for a difference between applied reserve rates and the written premiums that are based on more recent mortality tables.

As from 2013, all unit-linked products have a maximum cost charge of 1.25% per year for the remaining term of the policy. In 2013 the technical margin was EUR 237 million, a 68.1% increase from EUR 141 million in 2012. This increase was mainly driven by non-recurring movements in technical provisions in both years. Operating income in 2013 benefited from EUR 41 million in provision releases for group life policies, whereas the 2012 technical margin was impacted by a EUR 23 million addition to unit-linked guarantee provisions and a EUR 33 million addition to group life provisions.

Expenses of Netherlands Life were EUR 547 million in 2013, a 6.8% decrease compared with EUR 587 million in 2012, due to lower administrative expenses and DAC amortization and trail commissions. Administrative expenses were EUR 472 million in 2013, a 4.6% decline from EUR 495 million in 2012, mainly due to the transformation programme, including a reduction in the number of staff by 6.1%. This decline was partly offset by higher pension expenses. DAC amortisation and trail commissions declined 18.5% to EUR 75 million in 2013, in line with the declining new life sales and reduced acquisition costs, as a result of the commission ban on complex products in the Netherlands.

Operating result of Netherlands Life was EUR 709 million in 2013, a 13.8% increase compared with EUR 623 million in 2012, mainly due to a higher technical margin, partly offset by lower fees and premium based revenues. Excluding non-recurring items, the Netherlands Life operating result improved, primarily due to a higher investment margin and lower administrative expenses.

Non-operating items of Netherlands Life was a loss of EUR 345 million in 2013 compared with a loss of EUR 689 million in 2012. The 2013 loss from non-operating items was mainly driven by the change in the provision for guarantees on separate account pension contracts (net of hedging), which contributed to a loss of EUR 329 million included in market and other impacts. The change in the provision included a non-recurring loss of EUR 177 million from a refinement of the market interest rate assumption to further align the accounting and the hedging for the separate account pension business. In 2012, the loss from the change in the provision for guarantees on separate account pension contracts (net of hedging), recognized in market and other impacts, was EUR 530 million, due primarily to a steepening of the interest rate yield curve, as well as to lower implied volatility and time decay of the hedges, which are factors that decrease the values of existing hedges.

Revaluations in 2012 generated a loss of EUR 296 million, including a EUR 206 million loss on equity hedges and a EUR 149 million negative revaluation of real estate, partly offset by a EUR 32 million positive revaluation of private equity.

The improvements in market and other impacts and revaluations in 2013 were partly offset by lower gains/losses and impairments, which decreased to a loss of EUR 43 million in 2013 from a gain of EUR 138 million in 2012. The loss in 2013 was mainly due to impairments on real estate funds, while the gain in 2012 was driven by realised gains on equities, partly offset by losses due to the sale of Spanish and Portuguese government bonds.

Special items before tax of Netherlands Life were a loss of EUR 22 million in 2013, primarily due to preparation costs for the Offering. This compared with a loss of EUR 225 million in 2012, which primarily reflected reorganisation provisions related to the transformation programme announced in late 2012 to improve processes and systems as well as expenses related to the operational separation from ING Groep.

Result on divestments of Netherlands Life was a gain of EUR 6 million in 2013, compared with a loss of EUR 23 million in 2012. The loss in 2012 was related to the final settlement of the divestment of group pension contracts which were transferred to industry wide pension funds in 2009.

Result before tax of Netherlands Life was a gain of EUR 347 million in 2013, compared with a loss of EUR 313 million in 2012, driven by an improvement in non-operating items and lower adverse impact from special items as well as the increase in operating result.

Taxation in 2013 was EUR 65 million on Netherlands Life's result before tax of EUR 347 million, representing an effective tax rate of 18.7%, which was slightly lower than the applicable statutory tax rate. Taxation in 2012 was a credit of EUR 162 million on Netherlands Life's pre-tax loss of EUR 313 million. This represents a relatively high rate of refund, as a large part of the capital gains on the sale of public and private equity investments was tax-exempt under the Dutch participation exemption.

Key performance indicators

New sales life insurance (APE) of Netherlands Life decreased to EUR 224 million in 2013 from EUR 257 million in 2012, driven by lower retail life sales resulting from the continuing shift in the marketplace into bank annuities in the wealth accumulation market, along with an increased Company focus on value and return rather than volume. In addition, group pension sales declined due to lower sales and renewals of separate account pension contracts.

Gross premium income was EUR 3,240 million in 2013, a decrease of 10.5% compared with EUR 3,622 million in 2012, mainly resulting from the run-off of the individual life closed book portfolio. Lower single premiums on corporate pensions due to the low interest rate environment and the focus on value and return over volume in corporate pension contract acquisitions, as well as the reduction of the separate account corporate pension portfolio, also contributed to this decrease.

Netherlands Life's *cost/income ratio* decreased by 3.3 percentage points to 37.6% in 2013, as administrative expenses declined while operating income improved slightly.

Life general account invested assets increased to EUR 54,655 million as at 31 December 2013 from EUR 51,626 million as at 31 December 2012, mainly reflecting the transfers of paid-up pension contracts from the separate account to the general account. The provision for life insurance for risk of policyholders declined accordingly to EUR 17,671 million for the year ended 31 December 2013 from EUR 19,879 million for the year ended 31 December 2012, as such provisions are held in relation to the size of the separate account.

Investment spread of Netherlands life declined by 5 basis points to 104 basis points in 2013, mainly due to the increase in life general account invested assets.

Client balances remained relatively flat at EUR 60,220 million as at 31 December 2013, compared with EUR 60,428 million as at 31 December 2012, as the impacts from the run-off of the individual life closed book portfolio and corporate pension contract terminations were largely offset by interest credited to policyholders on pension contracts.

The *Net Operating ROE* of Netherlands Life increased to 8.3% in 2013, compared with 7.8% in 2012, primarily driven by the higher net operating result, which was partly offset by a higher average adjusted allocated equity following a capital injection in the fourth quarter of 2013.

Netherlands Non-life

The table below sets forth the results of operations and certain key figures for the Netherlands Non-life segment for the years ended 31 December 2013 and 2012.

	For the year ended 31 December	
(*in millions of EUR*)	**2013**	**2012**
Earned premiums, net of reinsurance	1,546	1,626
Investment income (net of investment expenses)	115	129
Other income	-17	-4
Operating income	**1,644**	**1,751**
Claims incurred, net of reinsurance	1,077	1,178
Acquisition costs	241	248
Administrative expenses	251	223
Acquisition costs and administrative expenses	492	472
Expenditure	**1,569**	**1,651**
Operating result insurance businesses	**75**	**101**
Operating result broker businesses[1]	4	2
Operating result	**79**	**103**
Non-operating items	4	-15
of which gains/losses and impairments	-1	1
of which revaluations	5	-15
of which market and other impacts	—	—
Special items before tax	-16	-140
Result before tax	**66**	**-51**
Taxation	14	-16
Net result	**53**	**-35**
Key performance indicators (*unaudited)*		
Gross premium income	1,582	1,640
Total administrative expenses[2]	332	313
Combined ratio	101.5%	101.5%
Claims ratio	69.7%	72.5%
Expense ratio	31.8%	29.0%
Net Operating ROE	13.3%	24.2%

(1) The operating result of the broker businesses Mandema and Zicht is presented in one line item. This is different from the presentation in the 2013 Annual Accounts where income of these businesses is included in the line item "other income" and the expenses in the line item "administrative expenses".

(2) Total administrative expenses for Netherlands Non-life comprises the administrative expenses of the insurance and broker businesses.

Results from operations

Operating income of Netherlands Non-life was EUR 1,644 million in 2013, a 6.1% decrease compared with EUR 1,751 million in 2012. This decrease was largely driven by lower earned premiums in the SME P&C and income businesses due to the challenging economic conditions and an underwriting focus on value and return over volume. Lower investment income was driven by decreased re-investment yields, lower amortisation results on inflation-linked bonds held under the Movir brand and, to a lesser extent, reduced dividends on fixed income funds and equity investments. Other income decreased as a result of a EUR 14 million addition to the provision for doubtful debts in 2013.

Expenditure of Netherlands Non-life was EUR 1,569 million in 2013, a 5.0% improvement compared with EUR 1,651 million in 2012. Relative to premiums earned, the claims ratio improved by 2.8 percentage points. This improvement was driven by a significant reduction in claims frequency for income products and the implementation of a recovery programme in 2011 and 2012, which aimed to restore profitability and counter the adverse claims frequency trend of previous years. The recovery plan comprised significant increases in premium rates, a retrenchment of policy terms and conditions and increased efficiency in claims handling processes. The recovery was also strengthened by a significant improvement in the claims experience for short-term disability products. The restored profitability of the income business was partly offset by a relatively high volume of significant claims in the fire product line and several large storms in the fourth quarter of 2013, which increased the number of claims in the P&C business. The expense ratio increased by 2.8 percentage points to 31.8% in 2013, mainly due to EUR 22 million higher pension expenses.

Operating result insurance businesses of Netherlands Non-life was EUR 75 million in 2013, a 25.7% decline compared with EUR 101 million in 2012, mainly due to a lower operating result in the P&C business, partly offset by a higher operating result in the D&A business. The lower result in the P&C business was mainly caused by an increased number of claims after heavy storms, several large claims in fire insurance and a higher claims experience in motor insurance. These declines were partly offset by an improved claims ratio for income products after a recovery programme was put in place to improve profitability in the NN disability portfolio.

Operating result broker businesses of Netherlands Non-life was EUR 4 million in 2013 compared with EUR 2 million in 2012. The broker businesses comprise the commission income earned by NN's wholly-owned insurance brokers, Mandema and Zicht, and the expenses related to these businesses.

The result from *non-operating items* for Netherlands Non-life was a gain of EUR 4 million in 2013 compared with a loss of EUR 15 million in 2012. The positive result reflects improved revaluations of both real estate and private equity investments in 2013 and negative revaluations on a direct equity hedge in 2012.

Special items before tax of Netherlands Non-life was a loss of EUR 16 million in 2013, primarily due to preparation costs for the Offering. This compared with a loss of EUR 140 million in 2012, which mainly reflected reorganisation provisions related to the transformation programme announced in late 2012 and expenses for the operational separation from ING Groep.

The *result before tax* of Netherlands Non-life increased to a profit of EUR 66 million in 2013 from a loss of EUR 51 million in 2012. The decrease in operating result was more than offset by an improvement in non-operating items and special items.

Key performance indicators

Gross premium income decreased 3.5% in 2013 due to challenging economic conditions and management actions to improve profitability, particularly in the income business, including increases in premium rates, retrenchment of policy conditions and portfolio rationalisation. In the income portfolio, the effects of premium rate increases had a negative effect on gross premium income due to higher lapses, although the rate increases resulted in an improved risk profile for the remaining portfolio. Gross premium income in the P&C business was impacted by the implementation of stricter underwriting criteria, rationalisation of the portfolio and premium rate increases resulting in higher lapses.

The *combined ratio* of Netherlands Non-life remained stable in 2013 at 101.5%, as an improvement of the claims ratio was offset by an increase in the expense ratio, largely caused by higher pension expenses in 2013.

The *Net Operating ROE* of Netherlands Non-life decreased significantly to 13.3% in 2013, compared with 24.2% in 2012, due to the combined effect of a decrease in net operating result and an increase in average allocated equity driven by capital injections in 2013.

Insurance Europe

The table below set out the results of operations and certain key figures for the Insurance Europe segment for the years ended 31 December 2013 and 2012.

	For the year ended 31 December	
(*in millions of EUR*)	**2013**	**2012**
Investment margin	105	122
Fees and premium-based revenues	507	514
Technical margin	191	210
Operating income non-modelled business	20	20
Operating income life insurance	**824**	**866**
Administrative expenses	310	334
DAC amortisation and trail commissions	319	321
Expenses life insurance	**630**	**654**
Operating result life insurance	**194**	**212**
Non-life operating result	5	7
Operating result	**199**	**219**
Non-operating items	53	-66
of which gains/losses and impairments	55	-82
of which revaluations	-3	17
of which market and other impacts	—	-1
Special items before tax	-9	-38
Result before tax	**243**	**115**
Taxation	77	25
Minority interests	9	9
Net result	**156**	**81**
New business figures (*unaudited*)		
Single premiums	1,005	1,633
Annual premiums	410	363
New sales life insurance (APE)	510	526
Key performance indicators (*unaudited*)		
Gross premium income	2,344	2,830
Total administrative expenses[1]	323	344
Total operating income[2]	891	930
Cost/income ratio (administrative expenses/operating income)	36.3%	37.0%
Life general account invested assets (end of period)	12,347	14,562
Investment spread (Investment margin/Life general account invested assets, bps)	80	84
Provision for life insurance for risk of policyholders (end of period)	7,229	7,144
Client balances (end of period)	41,497	40,185
Net Operating ROE	8.2%	9.5%

(1) Total administrative expenses for Insurance Europe comprises the administrative expenses of both life insurance and non-life insurance and is used to calculate the cost/income ratio.

(2) Total operating income for Insurance Europe comprises the operating income of both life insurance and non-life insurance and is used to calculate the cost/income ratio.

Results from operations

Operating income life insurance of Insurance Europe declined to EUR 824 million in 2013, a 4.8% decrease compared with EUR 866 million in 2012, primarily due to a lower investment margin and a lower technical margin. The investment margin for 2013 was EUR 105 million, compared with EUR 122 million for 2012. This decline reflects lower re-investment yields in the Czech Republic and the impact of a regulatory change in that country which led to the elimination of the third pillar pension fund from the consolidated balance sheet. Fees and premium-based revenues decreased slightly from EUR 514 million in 2012 to EUR 507 million in 2013, mainly due to lower unit-linked premiums in Belgium and Luxembourg. This decrease was partly offset by increased premium-based revenues in Poland as a result of higher sales of relatively more profitable products, including insurance products targeting the affluent customer segment. The technical margin decreased to EUR 191 million in 2013 from EUR 210 million in 2012, as policy surrenders in Greece declined, leading to lower income from surrender charges. In addition, the morbidity margin decreased, reflecting the release of a technical provision in Romania of EUR 4 million in 2012 and an increased number of claims in Greece in 2013. These declines were partly offset by a EUR 10 million reclassification of the Belgian crisis tax, booked in the technical margin in 2012, to DAC amortisation and trail commissions in 2013. Operating income from non-modelled business mainly related to the life operations in Bulgaria and Turkey.

Expenses life insurance of Insurance Europe were EUR 630 million in 2013, a 3.7% decrease compared with EUR 654 million in 2012. This decrease partly reflects a one-off financial institution tax in Hungary of EUR 15 million in 2012 and tight cost control throughout the region in 2013, partly offset by investments in new business in Turkey. DAC amortisation and trail commissions decreased slightly to EUR 319 million in 2013 from EUR 321 million in 2012. Even including the reclassification of the Belgian crisis tax, DAC amortisation and trail commissions decreased in Belgium due to a new commission agreement with distributor ING Bank Belgium as well as lower sales.

Operating result of Insurance Europe was EUR 199 million in 2013, a 9.1% decline compared with EUR 219 million in 2012. Lower reinvestment yields impacting the investment margin and a lower technical margin were partly offset by lower administrative expenses.

Non-operating items of Insurance Europe increased to a gain of EUR 53 million in 2013 from a loss of EUR 66 million in 2012. This increase reflected a EUR 48 million gain on the sale of Dutch and German government bonds in Belgium in 2013, as compared with capital losses and impairments on financial and government bonds in Belgium and Spain in 2012.

Special items before tax of Insurance Europe were a loss of EUR 9 million in 2013, compared with a loss of EUR 38 million in 2012. Special items in 2012 included expenses of EUR 15 million related to the operational separation from ING, EUR 15 million for the transformation programme to create a single operating model in the region and EUR 8 million of expenses related to the Offering. Special items in 2013 included expenses of EUR 8 million for the regional transformation programme and EUR 1 million of expenses related to the Offering.

The *result before tax* of Insurance Europe increased to EUR 243 million in 2013 from EUR 115 million in 2012. The decrease in operating result was more than offset by an improvement in non-operating items and special items.

Key performance indicators

New sales life insurance (APE) was EUR 510 million in 2013, a decrease of 3.0% compared with 2012. This decrease reflects strong sales in 2012 in Luxembourg to Belgian clients in anticipation of a Belgian tax law change, and in the Czech Republic by the third pillar pension fund in anticipation of a Czech regulatory change, both of which became effective in 2013. Excluding these one-off items in 2012, new sales in 2013 increased, mainly due to higher sales in the Turkey pension business and Poland Life. In Belgium, single premium sales declined sharply in 2013 because of the low interest rate environment, which led to reduced sales of fixed-term investment contracts and savings products.

Gross premium income of Insurance Europe decreased to EUR 2,344 million in 2013 from EUR 2,830 million in 2012, mainly driven by lower single premium sales of fixed term-investment contracts in Belgium.

The *cost/income ratio* of Insurance Europe improved by 0.7 percentage points in 2013 compared with 2012. This improvement was primarily due to the discontinuation of the financial institution tax in Hungary, as well as to cost savings in line with decreasing operating income.

Life general account invested assets of Insurance Europe decreased to EUR 12,347 million as at 31 December 2013 from EUR 14,562 million as at 31 December 2012. This decrease reflects the impact of the Czech regulatory change which led to the elimination of the third pillar pension fund from the consolidated balance sheet, which led to a decrease in assets of EUR 1.1 billion, and a further decrease of EUR 0.8 billion driven by lower assets for fixed term-investment contracts in Belgium, as sales decreased while policies sold in the past matured.

Investment spread of Insurance Europe dropped four basis points to 80 basis points in 2013, mainly as a result of lower yields on re-invested assets.

Client balances of Insurance Europe increased to EUR 41,497 million as at 31 December 2013 from EUR 40,185 million as at 31 December 2012. This increase was mainly driven by the strong market performance of the pension assets in Poland, the valuation of which increased by EUR 1.3 billion in 2013, and to a lesser extent to the higher valuation of life assets in Belgium and Spain.

The *Net Operating ROE* of Insurance Europe decreased to 8.2% in 2013 compared with 9.5% in 2012, due to the decrease in net operating result.

Japan Life

The table below sets forth the results of operations and certain key figures for the Japan Life segment for the years ended 31 December 2013 and 2012.

	For the year ended 31 December	
(*in millions of EUR*)	**2013**	**2012**
Investment margin	7	10
Fees and premium-based revenues	436	490
Technical margin	2	23
Operating income	**445**	**523**
Administrative expenses	106	130
DAC amortisation and trail commissions	177	197
Expenses	**283**	**328**
Operating result	**161**	**196**
Non-operating items	30	13
of which gains/losses and impairments	42	4
of which revaluations	-11	10
of which market and other impacts	—	—
Result before tax	**192**	**209**
Taxation	71	69
Net result	**121**	**140**
New business figures (*unaudited)*		
Single premiums	126	137
Annual premiums	480	556
New sales life insurance (APE)	493	570
Key performance indicators (*unaudited)*		
Gross premium income	2,322	2,588
Cost/income ratio (administrative expenses/operating income)	23.8%	24.9%
Life general account invested assets (end of period)	8,041	9,236
Investment spread (Investment margin/Life general account invested assets, bps)	8	11
Client balances (end of period)	7,393	8,245
Net Operating ROE	8.4%	9.7%

Results from operations

Operating income of Japan Life was EUR 445 million in 2013, a 14.9% decrease compared with EUR 523 million in 2012, due to the 21.0% depreciation of the Japanese yen against the euro. Excluding this currency effect, operating income increased by 7.6% in 2013 due to higher premium-based revenues driven by strong COLI sales and favourable persistency. This increase in premium-based revenues was partially offset by a decrease in the technical margin in 2013, attributable to strong mortality and morbidity results in 2012, as well as a decline in surrender results in 2013 following improved persistency in the portfolio. The investment margin decreased to EUR 7 million in 2013, compared with EUR 10 million in 2012. This decrease was due to the yen depreciation as well as lower re-investment yields following a re-balancing of the investment portfolio.

Expenses of Japan Life were EUR 283 million in 2013, a 13.7% decrease compared with EUR 328 million in 2012, due to the depreciation of the Japanese yen against the euro. Excluding currency effects, expenses increased by 9.2%. This increase was primarily due to higher DAC amortisation and trail commissions, which increased by 13.4% due to higher in-force volume (excluding currency effects). Administrative expenses increased by 3.0% compared with 2012 (excluding currency effects).

The *operating result* for Japan Life was EUR 161 million in 2013, a 17.9% decline compared with EUR 196 million in 2012, primarily due to the effects on operating income and expenses caused by the 21.0% depreciation of the Japanese yen against the euro in 2013.

Non-operating items was EUR 30 million in 2013, compared with EUR 13 million in 2012. Capital gains on available-for-sale securities increased to EUR 42 million in 2013 from EUR 4 million in the prior year, caused by the aforementioned asset re-balancing. Revaluations decreased to a loss of EUR 11 million in 2013 from a gain of EUR 10 million in the previous year.

The *result before tax* decreased to EUR 192 million in 2013 from EUR 209 million in 2012, due to the decrease in operating result, which in turn was caused by the depreciation of the Japanese yen against the euro. This was partly offset by an improvement in non-operating items.

Key performance indicators

New sales life insurance (APE) was EUR 493 million in 2013, a decrease of 13.5% compared with EUR 570 million in 2012. Excluding currency effects, new sales increased by 6.4% in 2013. These higher sales results were driven by the economic recovery in Japan and the increased need for financial planning by small and medium-sized enterprises.

Gross premium income of Japan Life was EUR 2,322 million in 2013, a decrease of 10.3% compared with EUR 2,588 million in 2012. However, excluding currency effects, gross premium income increased by 11.1% in 2013 due to strong sales and favourable persistency

The *cost/income ratio* of Japan Life improved by 1.1 percentage points in 2013 compared with 2012 as the decrease in administrative expenses more than offset the decrease in operating income. Excluding currency effects, the cost/income ratio of Japan Life improved by 1.1 percentage points, driven by an increase in operating income.

Life general account invested assets of Japan Life were EUR 8,041 million as at 31 December 2013, a decrease of 12.9% compared with EUR 9,236 million in 2012, primarily due to the depreciation of the yen against the euro.

Investment spread of Japan Life was 8 basis points in 2013, a decrease of 3 basis points, mainly as a result of lower yields on re-balanced assets.

Client balances of Japan Life were EUR 7,393 million as at 31 December 2013, a 9.8% decrease compared with EUR 8,245 million as at 31 December 2012. However, excluding currency effects, client balances increased by 10.8% due to strong sales and favourable persistency.

The *Net Operating ROE* of Japan Life decreased to 8.4% in 2013 compared with 9.7% in 2012, as the decrease in operating result was not fully offset by the decrease in average allocated equity. Allocated equity decreased in 2013 due to a dividend upstreamed to the Company.

Investment Management

The table below sets forth the results of operations and certain key figures for the Investment Management segment for the years ended 31 December 2013 and 2012.

	For the year ended 31 December	
(*in millions of EUR*)	**2013**	**2012**
Investment income	1	—
Fees	444	430
Operating income	**445**	**430**
Administrative expenses	314	321
Operating result	**131**	**109**
Non-operating items	—	1
of which gains/losses and impairments	—	1
of which revaluations	—	—
of which market and other impacts	—	—
Special items before tax	—	-6
Result before tax	**131**	**105**
Taxation	34	27
Net result	**97**	**77**
Key performance indicators (*unaudited)*		
Net inflow assets under management	-9,603	2,479
Assets under management (end of period)	174,124	184,795
Cost/income ratio (administrative expenses/operating income)	70.6%	74.7%
Fees/average assets under management (bps)	25	24
Client balances (end of period)	94,072	83,228
Net Operating ROE	26.7%	20.7%

Results from operations

Operating income of Investment Management was EUR 445 million in 2013, a 3.5% increase compared with EUR 430 million in 2012, as net outflows in lower yielding proprietary assets were offset by net inflows in higher margin products. As a result, the ratio of fees to average AuM improved slightly from 24.5 basis points in 2012 to 24.8 basis points in 2013.

Administrative expenses were EUR 314 million in 2013, a 2.2% decrease compared with EUR 321 million in 2012, primarily due to non-recurring costs incurred at the end of 2012.

The *operating result* of Investment Management was EUR 131 million in 2013, a 20.2% increase compared with EUR 109 million in 2012, driven by higher fees and lower administrative expenses.

The *result before tax* of Investment Management increased to EUR 131 million in 2013 from EUR 105 million in 2012, as a result of the increase in operating result.

Key performance indicators

Net inflow of Investment Management was a net outflow of EUR 9,603 million in 2013, compared with a net inflow of EUR 2,479 million in 2012, mainly driven by outflows in proprietary and institutional assets. The outflow in institutional assets was mainly due to the departure of the emerging markets debt team, while the outflow in proprietary assets was mainly driven by strategic asset reallocation by NN Life following the reinvestment of the proceeds from the sale of Dutch and German bonds in mortgages not managed by Investment Management.

Assets under management were EUR 174,124 million as at 31 December 2013, a 5.8% decline compared with EUR 184,795 million as at 31 December 2012, due to net outflows of EUR 9,603 million (of which EUR 8,302 million in proprietary and institutional assets), currency fluctuations (which reduced AuM by EUR 3,769 million) and flat market performance. During 2013 outflows related to the emerging markets debt team departure were approximately EUR 6.5 billion and within proprietary business the three largest clients showed outflows of approximately EUR 4.5 billion.

The *cost/income ratio* of Investment Management improved by 4.1 percentage points to 70.6% in 2013, mostly due to an increase in fees and a decrease in administrative expenses.

Client balances of Investment Management increased to EUR 94,072 million as at 31 December 2013 from EUR 83,228 million as at 31 December 2012. These client balances reflect AuM for the third party business of Investment Management. The increase was mainly driven by net inflows amounting to EUR 8,351 million as well as market performance of EUR 1,150 million.

The *Net Operating ROE* of Investment Management increased to 26.7% in 2013 from 20.7% in 2012, as a result of the increase in net operating result.

Other

The table below sets forth the results of operations and certain key figures for the Other segment for the years ended 31 December 2013 and 2012.

	For the year ended 31 December	
(*in millions of EUR*)	**2013**	**2012**
Interest on hybrids and debt	-167	-217
Amortisation of intangible assets	-7	-11
Investment income and fees	8	-2
Holding expenses	-183	-179
Holding result	**-348**	**-410**
Operating result reinsurance business	-15	22
Operating result NN Bank	-11	-14
Other results	—	3
Operating result	**-373**	**-399**
Non-operating items	29	-24
of which gains/losses and impairments	44	10
of which revaluations	-14	-34
of which market and other impacts	—	—
Special items before tax	-79	-43
Result on divestments	-50	-7
Result before tax	**-473**	**-474**
Taxation	-93	-84
Net result	**-380**	**-388**
Key performance indicators (*unaudited*)		
Total administrative expenses	259	202
of which NN Bank	52	15
of which NN Reinsurance	11	10
Basel II core Tier-1 ratio (NN Bank) (end of period)	16.4%	25.9%

Results from operations

Holding result of the Other segment was a loss of EUR 348 million in 2013, an improvement of 15.1% compared with a loss of EUR 410 million in 2012, largely due to lower interest expense on hybrid and debt securities and higher investment income and fees. Interest expense on hybrid and debt securities was EUR 167 million in 2013, a decrease of 23.0% compared with EUR 217 million in 2012, mainly reflecting a EUR 2 billion senior debt refinancing at lower rates by ING Groep in September 2013. Investment income and fees, mostly reflecting non-recurring investment income items, increased to EUR 8 million in 2013, compared with a loss of EUR 2 million in 2012. Holding expenses, not allocated to the business segments, increased by 2.2% to EUR 183 million in 2013, from EUR 179 million in 2012.

Operating result reinsurance business was a loss of EUR 15 million in 2013, compared with a gain of EUR 22 million in 2012. The NN Re result in 2013 was negatively impacted by a EUR 31 million one-off loss on a specific reinsurance contract.

Operating result NN Bank was a loss of EUR 11 million in 2013, compared with a loss of EUR 14 million in 2012, due to start-up and integration expenses. As of 1 July 2013, the operations of WUB, including assets and liabilities, were partially transferred to NN Bank.

The *operating result* of the Other segment was a loss of EUR 373 million in 2013, compared with a loss of EUR 399 million in 2012. The improvement largely reflects lower funding costs offset by a lower result from the reinsurance business.

Non-operating items of the Other segment was a gain of EUR 29 million in 2013, compared with a loss of EUR 24 million in 2012, due to an improvement in gains/losses and impairments, reflecting the reallocation of the investment portfolio of NN Re in 2013, and lower losses from revaluations.

Special items before tax amounted to a loss of EUR 79 million in 2013, compared with a loss of EUR 43 million in 2012. The loss in 2013 was primarily due to EUR 47 million in expenses related to the restructuring and integration of WUB operations at NN Bank as well as EUR 14 million in costs related to preparation for the Offering. The 2012 loss was related to EUR 94 million in expenses related to the operational separation from ING Groep and preparation costs for the Offering. Also contributing to the loss in 2012 were EUR 56 million in goodwill impairments, triggered by the annual impairment test, taken in the Netherlands, and a EUR 26 million reorganization provision. These negative items in 2012 were largely offset by a pension curtailment of EUR 133 million following changes in the Dutch employee pension scheme announced in July 2012.

Result on divestments was a loss of EUR 50 million in 2013, compared with a loss of EUR 7 million in 2012. The result on divestments in 2013 primarily reflects a EUR 64 million loss on the sale of the Mexican mortgage business.

The *result before tax* of the Other segment was a loss of EUR 473 million in 2013, compared with a loss of EUR 474 million in 2012, as improvements in the operating result and non-operating items were offset by lower results from special items and divestments.

Key performance indicators

Administrative expenses of the Other segment increased to EUR 259 million in 2013 from EUR 202 million in 2012. The increase was driven by EUR 37 million higher administrative expenses at NN Bank, mainly due to the partial transfer of WUB operations, which added EUR 28 million to the cost base. Project expenses and marketing expenses also increased in connection with the transfer.

The *Basel II core Tier-1 ratio* of NN Bank decreased to 16.4% in 2013 from 25.9% in 2012, remaining well above statutory requirements. The relatively high ratio in 2012 permitted NN Bank to grow its balance sheet in 2013, which occurred due to the partial transfer of WUB activities, while maintaining a strong capital ratio as at 31 December 2013.

Japan Closed Block VA

The table below sets forth the results of operations and certain key figures for the Japan Closed Block VA segment for the years ended 31 December 2013 and 2012.

	For the year ended 31 December		after change in accounting policy[1] (unaudited)	
(*in millions of EUR*)	**2013**	**2012**	**2013**	**2012**
Investment margin	—	—	—	—
Fees and premium-based revenues	136	148	136	148
Technical margin	—	—	—	—
Operating income non-modelled business	—	—	—	—
Operating income	**136**	**148**	**136**	**148**
Administrative expenses	18	13	18	13
DAC amortisation and trail commissions	38	50	38	50
Expenses	**56**	**64**	**56**	**64**
Operating result	**80**	**85**	**80**	**85**
Non-operating items	-749	21	-333	288
of which gains/losses and impairments	1	—	1	—
of which revaluations	—	—	—	—
of which market and other impacts	-750	21	-334	288
Result before tax	**-669**	**105**	**-252**	**373**
Taxation	-214	33	-110	100
Net result	**-454**	**72**	**-142**	**273**
Key performance indicators (*unaudited*)				
IFRS reserve (end of period)	868	3,306	1,086	3,936
Account value (end of period)	14,687	16,894	14,687	16,894
Net amount at risk (end of period)	663	4,187	663	4,187

(1) Change in accounting for the move towards fair value accounting for the GMDB reserves of the Japan Closed Block VA segment as of 1 January 2014. These figures are provided for illustrative purposes only and will not be discussed. See "*Selected Financial Information—Selected Operating Result Information by Segment—Change in accounting policy*".

Results from operations

Japan Closed Block VA is a run-off book of SPVA, which is managed separately from the ongoing business of NN Japan, which predominantly consists of the COLI business. The change in reporting that created the separate business segments Japan Life and Japan Closed Block VA, as of the fourth quarter of 2013, triggered a deficiency under the reserve adequacy test for Japan Closed Block VA, which was resolved primarily by the full write-down of the DAC related to this business segment.

Operating income of Japan Closed Block VA was EUR 136 million in 2013, a decrease of 8.1% compared with EUR 148 million in 2012, caused by a decrease in fees and premium-based revenues due to the 21.0% depreciation of the Japanese yen against the euro during 2013. Excluding currency effects, operating income increased by 15.8% due to the strong performance of the Japanese equity markets, which boosted the account value of the closed-block annuity portfolio. Since Japan Closed Block VA is in run-off, the segment's operating income (fees) will gradually decline over time as SPVA contracts mature or are surrendered, reducing the account value upon which fees are based. However, in 2013 high market returns on the assets underlying the SPVA contracts more than offset this downtrend in account value.

Expenses of Japan Closed Block VA were EUR 56 million in 2013, a decrease of 12.0% compared with EUR 64 million in 2012, primarily due to currency effects and lower DAC amortisation. DAC amortisation and trail commissions fell to EUR 38 million in 2013, compared with EUR 50 million in 2012, as DAC related to the annuity portfolio was written-down entirely on 1 October 2013. The increase in administrative expenses to EUR 18 million from EUR 13 million in the prior year was due to the preparation for the business restructuring as a part of the ING Groep divestment plan.

The *operating result* of Japan Closed Block VA was EUR 80 million in 2013, a 5.9% decrease compared with EUR 85 million in 2012. Excluding currency effects, the operating result increased by 19.1%, mainly driven by higher operating income.

Non-operating items of Japan Closed Block VA was a loss of EUR 749 million in 2013 compared with a gain of EUR 21 million in 2012. The loss in 2013 was primarily the result of a EUR 575 million charge taken to bring the reserve adequacy of the business segment to the 50% confidence level as of 1 October 2013 and the EUR 273 million loss due to the accounting asymmetry between the change in the IFRS reserve for GMDB and the result from the related hedging programme. As of 1 January 2014, NN has moved towards fair value accounting for the GMBD reserves of Japan Closed Block VA, which largely removes this accounting asymmetry. These two non-operating items more than offset the full year operating result before tax of EUR 80 million. The hedge programme was successful in offsetting market related movements in liabilities. Specifically, the economic hedge result was an estimated EUR 44 million gain, as the decrease in the market value of hedge assets was slightly lower than the EUR 2,411 million decrease in the insurance provisions (as measured on a fair value basis).

The *result before tax* of Japan Closed Block VA was a loss of EUR 669 million in 2013, compared with a gain of EUR 105 million in 2012. This decrease was primarily due to the incurrence of the EUR 575 million reserve adequacy charge and a loss of EUR 273 million due to accounting asymmetry, compared with a EUR 158 million loss from accounting asymmetry in 2012.

Key performance indicators

IFRS reserve of Japan Closed Block VA decreased 73.7% to EUR 868 million as at 31 December 2013 from EUR 3,306 million as at 31 December 2012. This decrease was primarily due to the depreciation of the Japanese yen against the euro in 2013, an 8.3% decrease in outstanding VA contracts and the strong performance of the equity markets in Japan.

The *account value* was EUR 14,687 million as at 31 December 2013, a 13.1% decrease compared with EUR 16,894 million as at 31 December 2012. This decrease was primarily caused by the weakening of the Japanese yen against the euro and the run-off of contracts within the closed-block VA portfolio, partly offset by the strong performance of the equity markets.

The *net amount at risk* of Japan Closed Block VA decreased 84.2% to EUR 663 million as at 31 December 2013 from EUR 4,187 million as at 31 December 2012. This decrease was primarily due to the depreciation of the Japanese yen, the decrease of outstanding VA contracts and the strong performance of the equity markets.

Insurance Other

The table below sets forth the results of operations for the Insurance Other segment for the years ended 31 December 2013 and 2012.

	For the year ended 31 December	
(*in millions of EUR*)	**2013**	**2012**
Expenses	-18	-22
Result on divestments	129	80
Result before tax	**111**	**59**
Taxation	-4	-5
Net result	**115**	**64**

Results from operations

Expenses reflect shareholder's expenses of ING Groep allocated to NN and were EUR 18 million in 2013, a decline of 18.2% compared with EUR 22 million in 2012. This decrease came after the divestment of large parts of the Company's Asian businesses in late 2012 and early 2013, which lowered the allocation base for corporate expenses from ING Groep.

Result on divestments reflects NN's share in SulAmérica's net result from operations and the net result from disposal. In 2013, NN reduced its shareholding in SulAmérica from 36.5% to 21.3% in two separate transactions. The total transaction result was a net gain of EUR 64 million. NN's share in SulAmérica's net result from operations was 18.8% lower at EUR 65 million in 2013 compared with EUR 80 million in 2012. That decline was due to the 12.6% depreciation of the Brazilian real against the euro and NN's decreasing equity stake in SulAmérica's results.

The *result before tax* of the Insurance Other segment increased to EUR 111 million in 2013 from EUR 59 million in 2012. This increase was mainly due to the EUR 64 million capital gain on the sale of part of NN's shareholding in SulAmérica.

Taxation was a negative amount (tax refund) in both 2013 and 2012, as it only related to the allocated ING Groep expenses. NN's share in the net result of SulAmérica as well as the net result on divestment was tax-exempt under the Dutch participation exemption.

CONSOLIDATED RESULTS OF OPERATIONS FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011

The table below sets forth the consolidated results from continuing operations of NN for the years ended 31 December 2012 and 2011.

	For the year ended 31 December	
(*in millions of EUR*)	**2012**	**2011**
Continuing operations		
Gross premium income	10,705	11,292
Investment income	3,739	3,483
Result on disposals of group companies	—	-4
Gross commission income	*924*	*1,337*
Commission expense	*-331*	*-700*
Commission income	593	637
Valuation results on non-trading derivatives	-2,574	1,025
Foreign currency results and net trading income	539	-117
Share of result from associates	37	190
Other income	-22	110
Total income	13,017	16,616
Gross underwriting expenditure	*15,867*	*13,444*
Investment result for risk of policyholders	*-5,517*	*-206*
Reinsurance recoveries	*-73*	*-81*
Underwriting expenditure	10,277	13,157
Intangible amortisation and other impairments	69	42
Staff expenses	1,037	1,128
Interest expenses	605	728
Other operating expenses	1,274	1,093
Total expenses	13,262	16,148
Result before tax from continuing operations	-245	468
Taxation	-113	15
Minority interests	21	14
Net result from continuing operations	**-153**	**439**

Gross premium income declined 5.2% to EUR 10,705 million in 2012 compared with EUR 11,292 million in 2011. This decrease was primarily due to lower sales of single premium life insurance products in the Netherlands, Belgium and Luxembourg, given the weak economy and low interest rate environment. Lower premium income in these countries was partly offset by higher life sales in other European countries, especially in the Czech Republic and Turkey, as well as higher gross premium income for Japan Life, partly explained by the 8.3% appreciation of the Japanese yen against the euro.

Investment income was EUR 3,739 million in 2012, a 7.3% increase compared with EUR 3,483 million in 2011, mainly due to substantially lower impairments of available-for-sale debt securities in 2012. In 2011, impairments of EUR 390 million were recognised on Greek government bonds and impairments of EUR 189 million on subordinated debt from Irish banks. This increase was partly offset by a EUR 195 million lower income from investments in debt securities and loans due to the low interest rate environment and NN's de-risking measures implemented during 2011. Furthermore, interest income on non-trading derivatives declined by EUR 78 million. For additional information relating to management's de-risking measures during the periods under review, please see "*Key Factors Affecting Consolidated Results of Operations—Investments*".

Commission income was EUR 593 million in 2012, a 6.9% decrease compared with EUR 637 million in 2011. Gross commission income was EUR 924 million in 2012, a 30.9% decrease compared with

EUR 1,337 million in 2011. The higher level of gross commission income in 2011 was largely derived from funds of ING Investment Management Australia (IIM Australia) and ING Real Estate Investment Management (ING REIM), which were sold by ING Groep in October 2011. Commission expense was EUR 331 million in 2012, a 52.7% decrease against the EUR 700 million commission expense in 2011. This decrease was also mainly related to the disposal of IIM Australia and ING REIM by ING Groep.

Valuation results on non-trading derivatives was a loss of EUR 2,574 million in 2012 compared with a EUR 1,025 million gain in 2011. The valuation losses on non-trading derivatives in 2012 were mainly caused by rising equity markets, particularly in Japan, which negatively impacted the values of hedges on variable annuity contracts. The valuation gains on non-trading derivatives in 2011 included the effect of sharp declines in stock markets, triggering positive changes in the fair value of related equity derivatives. Furthermore, as a result of decreasing long-term interest rates, fair values of interest-related derivatives increased. The change in the fair value of derivatives was largely offset by changes in the insurance provisions, which are included in underwriting expenditure.

Foreign currency results and net trading income was a EUR 539 million gain in 2012 compared with a EUR 117 million loss in 2011. The improvement in the result was mainly caused by favourable results in foreign exchange transactions (before hedging), especially for NN Japan, which invests a significant part of its Japanese yen denominated insurance provisions in foreign currency denominated financial assets.

Share of result from associates was EUR 37 million in 2012, a decrease of 80.5% compared with EUR 190 million in 2011. In October 2011, ING Groep sold its real estate fund manager ING REIM. Until then NN reported the results of stakes in real estate funds managed by ING REIM as share of results from associates.

Other income was a EUR 22 million loss in 2012 compared with a EUR 110 million gain in 2011. In 2011, other income included a gain of EUR 95 million on the repurchase of a subordinated loan issued by NN.

Underwriting expenditure for risk of the Company decreased 21.9% to EUR 10,277 million in 2012 from EUR 13,157 million in 2011. Gross underwriting expenditure increased to EUR 15,867 million in 2012, a 18.0% increase compared with EUR 13,444 million in 2011. This was more than offset by an increase in the investment result for risk of policyholders, which increased to EUR 5,517 million in 2012 against EUR 206 million in 2011.

Staff expenses were EUR 1,037 million in 2012, an 8.1% decrease when compared with EUR 1,128 million in 2011. Staff expenses for 2012 included the favourable impact of a pension curtailment of EUR 133 million related to the introduction of a new employee pension scheme in the Netherlands. Expenses for external staff increased by EUR 68 million to EUR 207 million in 2012, whereas salaries declined by EUR 40 million to EUR 759 million in that same year, given cost containment measures related to the transformation programmes in the Netherlands and Central Europe.

Interest expenses were EUR 605 million in 2012, a 16.9% reduction compared with EUR 728 million in 2011. Interest expenses included EUR 303 million interest on non-trading derivatives in 2012 compared with EUR 350 million in 2011. The remaining decrease of EUR 76 million was mainly the result of a successful exchange offer in December 2011 for outstanding variable rate subordinated debt issued by the Company, as well as declining interest rates in general.

Other operating expenses were EUR 1,274 million in 2012, a 16.6% increase on EUR 1,093 million of other operating expenses in the prior year. This increase is explained by the EUR 225 million provision for the acceleration of the transformation programme of the Dutch insurance operations announced in late 2012.

Taxation in 2012 was a EUR 113 million tax credit against EUR 245 million in pre-tax loss from continuing operations. Under Dutch tax law, income from associates and certain other (equity-related) income components are not subject to corporate taxes at the level of the shareholder. Consequently, the size of the tax credit taken by NN is based upon a (larger) pre-tax loss amount that does not reflect these income components. For further information, see Note 39 to the Company's 2013

Annual Accounts. In 2011, the effective corporate tax rate was 3.2%, which was substantially lower than the weighted average statutory tax rate.

The table below sets forth a breakdown of NN's net result from continuing operations by segment for the years ended 31 December 2012 and 2011.

	For the year ended 31 December	
(*in millions of EUR*)	**2012**	**2011**
Operating result[1]		
Netherlands Life	623	768
Netherlands Non-life	103	186
Insurance Europe	219	266
Japan Life	196	119
Investment Management	109	124
Other[2]	-399	-313
Operating result ongoing business[3]	**852**	**1,150**
Non-operating items ongoing business	-779	-660
of which gains/losses and impairments[4]	70	-433
of which revaluations[5]	-319	23
of which market and other impacts[6]	-530	-250
Japan Closed Block VA[7]	105	138
Insurance Other[8]	-22	-28
Special items before tax[9]	-451	-214
Result on divestments[10]	50	83
Result before tax from continuing operations	**-245**	**468**
Taxation	-113	15
Net result from continuing operations before attribution to minority interests	**-132**	**453**
Minority interests	21	14
Net result from continuing operations	**-153**	**439**
Key Performance Indicators ongoing business (*unaudited*)		
New sales life insurance (APE)	1,353	1,433
Administrative expenses	1,806	1,815
Cost/income ratio (administrative expenses/operating income)	36.0%	35.2%
Client balances (end of period)	192,500	173,276

(1) Result before tax in accordance with IFRS, excluding the impact of non-operating items, divestments, discontinued operations and special items.
(2) Other comprises (the operating result of) the business of NN Bank and NN Re, the result of the holding company and certain other results.
(3) Ongoing business includes all segments of NN which are consolidated as at 31 December 2013, excluding Japan Closed Block VA and Insurance Other.
(4) Realised gains and losses as well as impairments on financial assets that are classified as available for sale.
(5) Revaluations on assets marked-to-market through the profit and loss account.
(6) Primarily the change in the provision for guarantees on separate account pension contracts (net of hedging) in the Netherlands.
(7) Result before tax of Japan Closed Block VA.
(8) Insurance Other comprises the costs of the claims filed by the purchaser of certain Mexican subsidiaries and corporate expenses of ING Groep allocated to NN. NN's share in the result of SulAmérica and the net result from disposal of SulAmérica are included in "result on divestments".
(9) Special items represent (material) items of income or expense that arise from events or transactions that are clearly distinct from the ordinary activities of the company.
(10) Result on divestments comprises the result before tax from NN's share in the result of SulAmérica and subsequent results from a pension portfolio in the Netherlands that was divested in 2009.

Results from operations

The *operating result ongoing business* of NN was EUR 852 million in 2012, a 26.0% decrease from EUR 1,150 million in the previous year, as all ongoing business segments of NN saw results decline with the exception of Japan Life. The deterioration was primarily driven by lower operating income, especially in the Netherlands Life and Insurance Europe segments. The lower operating result of Netherlands Non-life was caused by higher claims in the D&A product offering, whereas the higher operating loss of the Other segment stemmed from higher corporate and interest expenses. These negative developments were partly offset by marginally lower administrative expenses (which decreased by 0.5%) in 2012, especially in Netherlands Life, Netherlands Non-life and Insurance Europe, and by higher fees and premium-based revenues, notably in Japan Life.

The loss from *non-operating items* of NN related to the ongoing business increased to EUR 779 million in 2012 from EUR 660 million in 2011. This increase was mainly due to market and other impacts, which deteriorated to a loss of EUR 530 million in 2012 from a loss of EUR 250 million in the prior year. Netherlands Life in particular experienced significant losses, due to additions to the provision for guarantees on separate account pension contracts (net of hedging) and negative results on interest rate hedges in place to protect regulatory capital. These higher levels of losses were partly offset by the significant improvement in gains/losses and impairments from a loss of EUR 433 million in 2011 to a gain of EUR 70 million in 2012, largely due to the EUR 378 million impairment on Greek government bonds in Insurance Europe in 2011. In addition, revaluations decreased from a gain of EUR 23 million in 2011 to a EUR 319 million loss in 2012, mainly driven by negative revaluations on equity hedges and real estate at Netherlands Life.

The *result before tax* of Japan Closed Block VA declined by 23.9% to EUR 105 million in 2012, from EUR 138 million in 2011, despite the 8.3% appreciation of the Japanese yen against the euro. This decrease was driven by the asymmetry between the accounting for the VA benefit guarantees and the hedges, although the economic hedge result improved.

Special items before tax more than doubled to a loss of EUR 451 million in 2012, attributable to expenses for the transformation and restructuring programme in the Netherlands and expenses related to the Offering. Higher expenses were partly offset by a EUR 133 million pension curtailment in 2012 related to the introduction of a new employee pension scheme in the Netherlands.

Result before tax of NN decreased to a loss of EUR 245 million in 2012 from a gain of EUR 468 million in 2011. This decrease was mainly due to a lower operating result, a higher loss on non-operating items and higher special expense items.

Key performance indicators

New sales life insurance (APE) was EUR 1,353 million in 2012, a 5.6% decrease compared with EUR 1,433 million in 2011. Higher sales within Insurance Europe, largely driven by strong life sales in Luxembourg and pension sales in Turkey, were more than offset by a decline in sales in Netherlands Life, largely attributable to lower sales and renewals of corporate pensions and individual life products.

Administrative expenses of NN's ongoing business slightly increased to EUR 1,806 million in 2012 from EUR 1,815 million in 2011, driven by tight cost control in the Netherlands and partly offset by higher corporate expenses, partly due to higher Solvency II expenses.

The *cost/income ratio* of NN's ongoing business increased to 36.0% in 2012 from 35.2% in 2011, as operating income declined faster than administrative expenses.

Total *client balances* of the ongoing business increased to EUR 192,500 million in 2012 from EUR 173,276 million in 2011, mainly due to an increase in Investment Management client balances driven by market performance and net inflows as well as higher client balances in Insurance Europe, driven by market performance and currency effects in Poland.

OPERATING RESULT BY SEGMENT FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011

Netherlands Life

The table below sets forth the results of operations and certain key figures for the Netherlands Life segment for the years ended 31 December 2012 and 2011.

	For the year ended 31 December	
(*in millions of EUR*)	**2012**	**2011**
Investment margin	562	632
Fees and premium-based revenues	508	499
Technical margin	141	278
Operating income	**1,211**	**1,409**
Administrative expenses	495	533
DAC amortisation and trail commissions	92	109
Expenses	**587**	**641**
Operating result	**623**	**768**
Non-operating items	-689	16
of which gains/losses and impairments	138	193
of which revaluations	-296	72
of which market and other impacts	-530	-250
Special items before tax	-225	-83
Result on divestments	-23	—
Result before tax	**-313**	**700**
Taxation	-162	85
Minority interests	12	4
Net result	**-164**	**611**
New business figures (*unaudited*)		
Single premiums	686	1,163
Annual premiums	189	252
New sales life insurance (APE)	257	369
Key performance indicators (*unaudited*)		
Gross premium income	3,622	4,303
Cost/income ratio (administrative expenses/operating income)	40.9%	37.8%
Life general account invested assets (end of period)	51,626	50,897
Investment spread (Investment margin/Life general account invested assets, bps)	109	125
Provision for life insurance for risk of policyholders (end of period)	19,879	19,330
Client balances (end of period)	60,428	59,739
Net Operating ROE	7.8%	12.3%

Results from operations

Operating income of Netherlands Life was EUR 1,211 million in 2012, a 14.1% decrease compared with EUR 1,409 million in 2011, primarily due to lower investment and technical margins. The technical margin was EUR 141 million in 2012, a 49.3% decrease compared with the EUR 278 million margin in 2011. This was attributable in part to additions to guarantee provisions for group and retail life contracts in 2012, triggered by lower long-term interest rates. Furthermore, the 2011 technical margin was boosted by a EUR 70 million gain from the surrender of a contract with a large pension fund. Investment margin was EUR 562 million in 2012, an 11.1% decrease compared with EUR 632 million in 2011, as a result of de-risking actions within the bond and ABS portfolios, which resulted in lower fixed interest income and lower re-investment rates, as well as lower dividends on publicly traded equities and real estate funds. Those impacts were partly offset by slightly higher investment levels (general account invested assets) and a EUR 51 million reduction in discretionary profit sharing for individual life policyholders. The decreases in the investment margin and technical margin were offset only in part by higher fees and premium-based revenues, which increased to EUR 508 million in 2012 compared with EUR 499 million in 2011. Fees on AuM showed a marked increase in 2012, as a result of higher asset balances and the inclusion of fee income from pension administration company AZL, which was presented as non-modelled business through 2011. Premium-based revenues on traditional life and unit-linked insurance declined in line with lower new sales and lower gross premium income.

Expenses of Netherlands Life were EUR 587 million in 2012, an 8.4% decrease compared with to EUR 641 million in 2011, due to both lower administrative expenses and DAC amortisation and trail commissions. Administrative expenses were EUR 495 million in 2012, 7.1% lower than the EUR 533 million in administrative expenses in 2011, mainly as a result of cost containment measures. DAC amortisation and trail commissions declined in line with lower new sales in 2012 and preceding years.

The *operating result* of Netherlands Life decreased to EUR 623 million in 2012 from EUR 768 million in 2011, mainly due to a lower investment margin and a lower technical margin, which was only partly offset by lower expenses.

Non-operating items of Netherlands Life resulted in a loss of EUR 689 million in 2012 compared with a gain of EUR 16 million in 2011, mainly due to losses on revaluations and negative market and other impacts. The positive result from gains/losses and impairments on securities declined by EUR 55 million, or 28.5%, to EUR 138 million, driven by capital losses on the sale of mainly southern European government bonds and low-rated ABS as part of the de-risking process. This was partly offset by capital gains realised on publicly traded equity investments. The prior year's result included significant capital gains on Dutch and German publicly traded equities. Losses on revaluations were EUR 296 million in 2012, mainly caused by negative revaluations on equity options used to hedge the equity portfolio to protect local solvency, and negative revaluations on real estate investments. Losses due to market and other impacts were EUR 530 million in 2012, mainly due to a strengthening of the provision for guarantees on separate account pension contracts (net of hedging), which was primarily caused by a decrease in interest rates, especially for shorter durations.

Special items before tax of Netherlands Life was a loss of EUR 225 million in 2012, compared with a loss of EUR 83 million in 2011, mainly due to a reorganisation provision related to NN's transformation programme announced in late 2012 to improve processes and systems and expenses related to the Offering preparation.

Result on divestments decreased to a loss of EUR 23 million in 2012 from nil in 2011. This loss was related to the final settlement of the divestment of group pension contracts which were transferred to industry wide pension funds in 2009.

The *result before tax* of Netherlands Life decreased to loss of EUR 313 million in 2012 from a profit of EUR 700 million in 2011. This decrease was mainly driven by the large loss from non-operating items as well as a lower operating result and higher negative special items.

Taxation in 2012 was a credit (tax refund) of EUR 162 million on Netherlands Life's pre-tax loss of EUR 313 million. This represented a relatively high rate of refund, as a large part of the capital gains on the sale of public and private equity investments was tax-exempt under the Dutch participation exemption. Taxation in 2011 was a charge of EUR 85 million on Netherlands Life's result before tax of EUR 700 million. In 2011 a large part of the capital gains on the sale of equities was tax exempt, which led to a lower statutory profit on which basis corporate taxes are assessed.

Key performance indicators

New sales life insurance (APE) of Netherlands Life were EUR 257 million in 2012, a 30.4% decrease compared with EUR 369 million in 2011, mainly driven by lower sales in corporate pensions and retail life as a result of the low interest rate environment and unfavourable economic conditions.

Gross premium income decreased to EUR 3,622 million in 2012 from EUR 4,303 million in 2011, mainly as a result of the run-off of the closed book retail life portfolio and lower single premiums on corporate pensions due to the low interest rate environment and the focus on value and return over volume in the acquisition of corporate pension contracts.

Netherlands Life's *cost/income ratio* deteriorated by 3.1 percentage points to 40.9% as operating income decreased relatively faster than expenses.

Life general account invested assets increased to EUR 51,626 million as at 31 December 2012 from EUR 50,897 million as at 31 December 2011, mainly as a result of the conversion of separate account corporate pension contracts to general account products.

Investment spread of Netherlands Life declined by 16 basis points to 109 basis points in 2012, as the investment margin declined as a result of de-risking measures, while the general account invested assets grew slightly.

Client balances slightly increased to EUR 60,428 million in 2012 from EUR 59,739 million in 2011, mainly driven by growth of the pension portfolio through interest credited to policyholders and corporate pension contract acquisitions, partly offset by the run-off of the closed book retail life portfolio.

The *Net Operating ROE* of Netherlands Life decreased to 7.8% in 2012 compared with 12.3% in 2011, as in 2012 the net operating result was lower and the average adjusted allocated equity for the segment was significantly higher than in 2011.

Netherlands Non-life

The table below sets forth the results of operations and certain key figures for the Netherlands Non-life segment for the years ended 31 December 2012 and 2011.

	For the year ended 31 December	
(*in millions of EUR*)	**2012**	**2011**
Earned premiums, net of reinsurance	1,626	1,602
Investment income (net of investment expenses)	129	147
Other income	-4	6
Operating income	**1,751**	**1,755**
Claims incurred, net of reinsurance	1,178	1,074
Acquisition costs	248	246
Administrative expenses	223	240
Acquisition costs and administrative expenses	472	486
Expenditure	**1,651**	**1,561**
Operating result insurance businesses	**101**	**194**
Operating result broker businesses[1]	2	-8
Operating result	**103**	**186**
Non-operating items	-15	-40
of which gains/losses and impairments	1	-45
of which revaluations	-15	5
of which market and other impacts	—	—
Special items before tax	-140	-53
Result before tax	**-51**	**93**
Taxation	-16	19
Net result	**-35**	**75**
Key performance indicators (*unaudited)*		
Gross premium income	1,640	1,608
Total administrative expenses[2]	313	338
Combined ratio	101.5%	97.4%
Claims ratio	72.5%	67.1%
Expense ratio	29.0%	30.3%
Net Operating ROE	24.2%	36.9%

(1) The operating result of the broker businesses Mandema and Zicht is presented in one line item. This is different from the presentation in the 2013 Annual Accounts where income of these businesses is included in the line item "other income" and the expenses in the line item "administrative expenses".

(2) Total administrative expenses for Netherlands Non-life comprises the administrative expenses of the insurance and broker businesses.

Results from operations

Operating income of Netherlands Non-life remained nearly flat at EUR 1,751 million in 2012, compared with EUR 1,755 million in 2011. An increase in earned premiums, net of reinsurance, particularly in the fire product line, was partly offset by a decrease in investment income and a decrease in other income. Other income decreased to a loss of EUR 4 million in 2012 from a EUR 6 million gain in 2011, mainly due to EUR 6 million commissions received in 2011 by NN's non-life subsidiaries RVS and IVR for the distribution of private label products underwritten by NN. Since the legal merger of RVS and IVR into NN Life and NN Non-life at the end of 2011, these commissions are no longer reported as income (and expenditure) by NN.

Expenditure of Netherlands Non-life was EUR 1,651 million in 2012, 5.8% higher compared with EUR 1,561 million in 2011. Claims incurred (net of reinsurance) increased by 9.7% to EUR 1,178 million in 2012, from EUR 1,074 million in 2011, mainly caused by unfavourable claims experience in the income business. During several years preceding 2012, an industry-wide acceleration occurred in claims incurred for income protection products, driven by increased frequency and duration of reported illness and disability of both employees and the self-employed. This increase in claims incurred was partly offset by a decrease in administrative expenses in 2012 due to cost containment efforts. The adverse claims development in the income product line required a significant strengthening of the claims reserves in 2012, as described under "—*Key Factors Affecting Consolidated Results of Operations—Economic conditions*".

The *operating result insurance businesses* of Netherlands Non-life declined to EUR 101 million in 2012 from EUR 194 million in 2011, mainly driven by a higher claims experience in the income business.

Operating result broker businesses was EUR 2 million in 2012 compared with a loss of EUR 8 million in 2011, due to the addition of EUR 9 million to a provision for unrecoverable commission claw backs in 2011 by Mandema.

The loss from *non-operating items* of Netherlands Non-life was EUR 15 million in 2012 compared with a loss of EUR 40 million in 2011, as capital losses on the sale of southern European government bonds (mainly Spanish and Portuguese bonds) were only partly offset by capital gains following the reduction in the public equity exposure. Both the reduction of the exposure on southern European government bonds and the sale of public equity further de-risked the balance sheet.

Special items before tax of Netherlands Non-life showed a loss of EUR 140 million in 2012 compared with a loss of EUR 53 million in 2011. The loss in 2012 mainly related to reorganisation expenses related to NN's transformation programme announced in late 2012 as well as expenses in connection with the preparation for the Offering.

The *result before tax* of Netherlands Non-life declined to a loss of EUR 51 million in 2012 from a profit of EUR 93 million in 2011. This was mainly due to a lower operating result as a result of higher claims combined with higher negative special items.

Key performance indicators

Gross premium income showed an increase of 2.0% over 2011, concentrated in the motor and income product lines. The premium increase for the motor product line was mainly driven by growth in the retail-mandated broker channel. The premium growth in the income product line was caused by single premiums for several large new contracts in group income protection.

The *combined ratio* of Netherlands Non-life increased by 4.1 percentage points in 2012 to 101.5%. The deterioration in the combined ratio was caused by a 5.4 percentage point increase in the claims ratio, partly offset by a 1.4 percentage point decrease in the expense ratio, as administrative expenses declined whereas net earned premiums increased.

The *Net Operating ROE* of Netherlands Non-life decreased to 24.2% in 2012 compared with 36.9% in 2011, due to a 46.5% decrease in the net operating result, partly offset by a slightly lower average adjusted allocated equity.

Insurance Europe

The table below sets forth the results of operations and certain key figures for the Insurance Europe segment for the years ended 31 December 2012 and 2011.

	For the year ended 31 December	
(*in millions of EUR*)	**2012**	**2011**
Investment margin	122	159
Fees and premium-based revenues	514	548
Technical margin	210	206
Operating income non-modelled business	20	9
Operating income life insurance	**866**	**921**
Administrative expenses	334	353
DAC amortisation and trail commissions	321	307
Expenses life insurance	**654**	**659**
Operating result life insurance	**212**	**262**
Non-life operating result	7	4
Operating result	**219**	**266**
Non-operating items	-66	-615
of which gains/losses and impairments	-82	-599
of which revaluations	17	-16
of which market and other impacts	-1	—
Special items before tax	-38	-90
Result before tax	**115**	**-439**
Taxation	25	-49
Minority interests	9	10
Net result	**81**	**-400**
New business figures (*unaudited)*		
Single premiums	1,633	1,904
Annual premiums	363	300
New sales life insurance (APE)	526	490
Key performance indicators (*unaudited)*		
Gross premium income	2,830	3,231
Total administrative expenses[1]	344	363
Total operating income[2]	930	980
Cost/income ratio (administrative expenses/operating income)	37.0%	37.0%
Life general account invested assets (end of period)	14,562	14,481
Investment spread (Investment margin/Life general account invested assets, bps)	84	105
Provision for life insurance for risk of policyholders (end of period)	7,144	6,279
Client balances (end of period)	40,185	35,008
Net Operating ROE	9.5%	9.8%

(1) Total administrative expenses for Insurance Europe comprises the administrative expenses of both life insurance and non-life insurance and is used to calculate the cost/income ratio.

(2) Total operating income for Insurance Europe comprises the operating income of both life insurance and non-life insurance and is used to calculate the cost/income ratio.

Results from operations

Operating income life insurance of Insurance Europe was EUR 866 million in 2012, a 6.0% decrease compared with EUR 921 million in 2011, primarily due to a lower investment margin and reduced fees and premium-based revenues. The investment margin decreased 23.3% to EUR 122 million in 2012, mainly as a result of lower investment yields in Belgium and Greece, reflecting de-risking actions within the fixed income investment portfolio. Fees and premium-based revenues were EUR 514 million in 2012, a 6.2% decline compared with EUR 548 million in 2011. This decline was driven by lower fees in the life business, as high margin portfolios continued to mature and were replaced by lower margin products. The decline was also driven by regulatory changes affecting the pension funds in Poland and Hungary. In Poland, the employee pension contribution to mandatory pension funds was reduced during 2011 from 7.3% to 2.3% of the gross salary. In Hungary, as a result of the nationalisation of the mandatory pension funds, which was announced in 2010, pension assets were transferred to the government in the second quarter of 2011. Both government actions resulted in lower asset management fees. The technical margin increased slightly to EUR 210 million in 2012 from EUR 206 million in 2011, largely as a result of the release of a technical provision in Romania in the amount of EUR 4 million. Income from non-modelled business, pertaining to Bulgaria and Turkey, more than doubled due to the growth of the Turkish life business.

Expenses of Insurance Europe were EUR 654 million in 2012, a 0.8% decrease compared with EUR 659 million in 2011. Administrative expenses fell by 5.4% to EUR 334 million in 2012, reflecting strict cost control and provision releases in 2012, while 2011 was impacted by higher project costs related to building a regional IT organisation and by reorganisation expenses. The decrease in the administrative expenses was partly offset by higher incurred DAC amortisation and trail commissions in line with increasing new sales and policies in-force.

The *operating result* of Insurance Europe declined to EUR 219 million in 2012 from EUR 266 million in 2011, primarily as a result of a lower investment margin and a lower technical margin.

Non-operating items of Insurance Europe were a loss of EUR 66 million in 2012, as compared with a loss of EUR 615 million in 2011. In 2011 non-operating items included EUR 539 million of capital losses and impairments on southern European government bonds and hybrid debt issued by financial institutions.

Special items before tax of Insurance Europe were a loss of EUR 38 million in 2012, compared with a loss of EUR 90 million in 2011, as expenses related to the regional transformation programme tapered off. Special items in both years also reflected expenses for the separation of the insurance and investment management businesses, including the Company and its subsidiaries, from ING. Furthermore, special items in 2012 incorporated EUR 8 million in expenses to prepare for the Offering.

The *result before tax* of Insurance Europe increased to a profit of EUR 115 million in 2012 from a loss of EUR 439 million in 2011. This increase is mainly due to the fact that 2011 included large capital losses and impairments on southern European government bonds and debt issued by financial institutions, as well as a lower operating result.

Key performance indicators

New sales life insurance (APE) was EUR 526 million in 2012, a 7.3% increase compared with EUR 490 million in 2011. Life sales grew in all countries, except in Belgium where lower guaranteed interest rates led to lower sales, and in Hungary, where a short-term life product boosted sales in 2011. The increase was largely due to strong sales by the third pillar pension fund in the Czech Republic, classified as life insurance, and the sale of life products in Turkey. Pension sales grew in Romania, Slovakia and especially in Turkey. Pension sales were EUR 9 million higher compared with 2011, reflecting a 76.1% increase in sales in Turkey, which were partly offset by 67.6% lower sales in Poland, reflecting the regulatory changes as described in "*—Key Factors affecting Consolidated Results of Operations—Regulatory changes and government policies*".

Gross premium income of Insurance Europe decreased to EUR 2,830 million in 2012 from EUR 3,231 million in 2011, mainly as a result of lower single premium sales of fixed term-investment contracts in Belgium as a result of the low interest rate environment. In addition, gross premium income in Spain decreased, reflecting the surrender of a large single premium group contract.

The *cost/income ratio* of Insurance Europe was stable at 37.0%, as *total operating income* and *total administrative expenses* declined at the same pace.

Life general account assets were relatively flat at EUR 14,562 million as at 31 December 2012 compared with EUR 14,481 million as at 31 December 2011.

Investment spread dropped 21 basis points to 84 basis points in 2012, as proceeds from the 2011 sale of southern European government bonds and hybrid debt issued by financial institutions were re-invested in lower yielding debt issuances by European countries with better financial stability.

Client balances of Insurance Europe increased to EUR 40,185 million as at 31 December 2012 from EUR 35,008 million as at 31 December 2011, mainly due to an increase in the client balances of the Polish pension fund of EUR 3.5 billion, driven by market performance and currency effects.

The *Net Operating ROE* of Insurance Europe decreased slightly to 9.5% in 2012 compared with 9.8% in 2011, due to the effect of a decrease in the net operating result, combined with the effect of a decrease in the average adjusted allocated equity.

Japan Life

The table below sets forth the results of operations and certain key figures for the Japan Life segment for the years ended 31 December 2012 and 2011.

	For the year ended 31 December	
(*in millions of EUR*)	**2012**	**2011**
Investment margin	10	2
Fees and premium-based revenues	490	437
Technical margin	23	-4
Operating income non-modelled business	—	—
Operating income	**523**	**434**
Administrative expenses	130	129
DAC amortisation and trail commissions	197	187
Expenses	**328**	**315**
Operating result	**196**	**119**
Non-operating items	13	7
of which gains/losses and impairments	4	7
of which revaluations	10	1
of which market and other impacts	—	—
Result before tax	**209**	**126**
Taxation	69	-29
Net result	**140**	**156**
New business figures (*unaudited*)		
Single premiums	137	63
Annual premiums	556	568
New sales life insurance (APE)	570	574
Key performance indicators (*unaudited*)		
Gross premium income	2,588	2,104
Cost/income ratio (administrative expenses/operating income)	24.9%	29.7%
Life general account invested assets (end of period)	9,236	9,113
Investment spread (Investment margin/Life general account invested assets, bps)	11	2
Client balances (end of period)	8,245	8,132
Net Operating ROE	9.7%	12.2%

Results from operations

Operating income of Japan Life was EUR 523 million in 2012, a 20.5% increase compared with EUR 434 million in 2011, mainly due to higher fees and premium-based revenues, combined with an improved technical margin. Fees and premium-based revenues were EUR 490 million in 2012, a 12.1% increase compared with EUR 437 million in 2011, due to higher gross premiums and a slightly higher in-force portfolio size. However, the increase was lower than the premium growth due to a reduction in the discount rate level assumed for new business. The technical margin was also higher in 2012 as compared with 2011, mainly due to higher mortality and morbidity results.

Expenses of Japan Life were EUR 328 million in 2012, a 4.1% increase compared with EUR 315 million in 2011. The increase was primarily due to higher DAC amortisation and trail commissions of EUR 197 million in 2012, as compared with EUR 187 million in 2011, as a result of higher in-force volume, partly offset by lower DAC write-off due to lower surrenders. Administrative expenses were relatively flat at EUR 130 million in 2012, compared with EUR 129 million in 2011.

Operating result of Japan Life increased to EUR 196 million in 2012 from EUR 119 million in 2011, primarily due to higher fees and premium-based revenues and a higher technical margin, partly offset by higher expenses.

The *result before tax* of Japan Life increased to EUR 209 million in 2012 from EUR 126 million in 2011, primarily due to the change in operating result.

Taxation in 2011 was negative (i.e. a tax refund) due to the release of deferred tax liabilities caused by a statutory reduction in the corporate tax rate in Japan from 36.2% to 30.8%.

Key performance indicators

New sales life insurance (APE) of Japan Life decreased by 0.7% in 2012 to EUR 570 million, from EUR 574 million in the prior year, despite the 8.3% (yearly average) appreciation of the Japanese yen against the euro in 2012.

Gross premium income of Japan Life increased to EUR 2,588 million in 2012 from EUR 2,104 million in 2011. Excluding currency effects, gross premium income increased by 13.6% in 2012. Although new business sales decreased by 8.3% in 2012 excluding currency effects, favourable persistency led to higher premium income.

The *cost/income ratio* of Japan Life showed an improvement of 4.8 percentage points in 2012 to 24.9%, as a result of the 20.5% increase in operating income.

Life general account invested assets of Japan Life increased slightly to EUR 9,236 million as at 31 December 2012, compared with EUR 9,113 million as at 31 December 2011, as the Japanese yen depreciated 11.8% (on a year-end basis) against the euro.

Investment spread of Japan Life was 11 basis points in 2012, an increase of 9 basis points against the prior year, mainly as a result of an improvement in the investment margin.

Client balances of Japan Life increased slightly to EUR 8,245 million as at 31 December 2012 from EUR 8,132 million as at 31 December 2011. Excluding currency effects, client balances increased by 15.1% in 2012 due to favourable persistency as well as the growth in gross premium income.

The *Net Operating ROE* of Japan Life decreased to 9.7% in 2012 compared with 12.2% in 2011, due to the negative impacts of a decrease in net operating result and a modest increase in average adjusted allocated equity.

Investment Management

The table below sets forth the results of operations and certain key figures for the Investment Management segment for the years ended 31 December 2012 and 2011.

	For the year ended 31 December	
(*in millions of EUR*)	**2012**	**2011**
Investment income	—	3
Fees	430	434
Operating income	**430**	**437**
Administrative expenses	321	313
Operating result	**109**	**124**
Non-operating items	1	5
of which gains/losses and impairments	1	5
of which revaluations	—	—
of which market and other impacts	—	—
Special items before tax	-6	-10
Result before tax	**105**	**118**
Taxation	27	34
Net result	**77**	**85**
Key performance indicators (*unaudited*)		
Net inflow assets under management	2,479	-3,902
Assets under management (end of period)	184,795	168,736
Cost/income ratio (administrative expenses/operating income)	74.7%	71.6%
Fees/average assets under management (bps)	24	26
Client balances (end of period)	83,228	70,514
Net Operating ROE	20.7%	21.5%

Results from operations

Operating income of Investment Management was EUR 430 million in 2012, a 1.6% decrease compared with EUR 437 million in 2011, as shifting client preferences resulted in assets flowing from equity to lower margin fixed income assets. As a result, the ratio of fees to average AuM declined to 24.5 basis points from 25.8 basis points in 2011. In addition, regulatory pension changes in Hungary triggered AuM net outflows as from the third quarter of 2011, putting pressure on fees during 2012.

This decrease was partly offset by the positive impact on fees from AuM growth of 9.5%, primarily attributable to growth in proprietary assets. Fees were EUR 430 million in 2012, a 0.9% decrease compared with EUR 434 million in 2011.

Administrative expenses of Investment Management were EUR 321 million in 2012, a 2.6% increase compared with EUR 313 million in 2011, primarily due to investments in Investment Management's operations in the United States, the introduction of a crisis income tax, borne by the employer, for high earners in the Netherlands and a restructuring provision.

Operating result of Investment Management decreased to EUR 109 million in 2012 from EUR 124 million in 2011, mainly due to slightly lower fees and higher administrative expenses.

The *result before tax* of Investment Management decreased to EUR 105 million in 2012 from EUR 118 million in 2011, mainly as a result of the decrease in operating result.

Key performance indicators

Net inflows totalled EUR 2,479 million for the year ended 31 December 2012, mainly driven by inflows in proprietary assets. Deposits received (inflows) and withdrawals (outflows) were EUR 51,257 million and EUR 48,778 million, respectively, in 2012. The net outflow of EUR 3,902 million in 2011 was mainly driven by regulatory pension changes in Hungary.

Assets under management rose to EUR 184,795 million as at 31 December 2012, an increase of 9.5% compared with EUR 168,736 million as at 31 December 2011. Asset appreciation due to price rises in European and global equity and fixed income markets added EUR 15,676 million to the asset base in 2012, in addition to EUR 2,479 million in net inflows, partly offset by currency fluctuations which reduced AuM by EUR 1,305 million.

The *cost/income ratio* of Investment Management deteriorated by 3.1 percentage points to 74.7%, mostly due to the increase in administrative expenses as well as to a slight decrease in operating income.

Client balances of Investment Management increased to EUR 83,228 million as at 31 December 2012 from EUR 70,514 million as at 31 December 2011. This increase in AuM was the result of market appreciation of EUR 8,732 million and net inflows of EUR 1,784 million in 2013.

The *Net Operating ROE* of Investment Management decreased slightly to 20.7% in 2012 compared with 21.5% in 2011, as the net operating result decreased by 8.0% while the average adjusted allocated equity decreased only slightly.

Other

The table below sets forth the results of operations and certain key figures for the Other segment for the years ended 31 December 2012 and 2011.

	For the year ended 31 December	
(*in millions of EUR*)	**2012**	**2011**
Interest on hybrids and debt	-217	-193
Amortisation of intangible assets	-11	-8
Investment income and fees	-2	24
Holding expenses	-179	-139
Holding result	**-410**	**-315**
Operating result reinsurance business	22	4
Operating result NN Bank	-14	-2
Other results	3	0
Operating result	**-399**	**-313**
Non-operating items	-24	-34
of which gains/losses and impairments	10	6
of which revaluations	-34	-39
of which market and other impacts	—	—
Special items before tax	-43	22
Result on divestments	-7	-9
Result before tax	**-474**	**-333**
Taxation	-84	-95
Net result	**-388**	**-238**
Key performance indicators (*unaudited*)		
Total administrative expenses	202	140
of which NN Bank	15	2
of which NN Reinsurance	10	8
Basel II core Tier-1 ratio (NN Bank, end of period)	25.9%	84.4%

Results from operations

Holding result was a loss of EUR 410 million in 2012, a 30.2% decrease compared with the loss of EUR 315 million in 2011, largely due to higher interest on hybrids and debt, lower investment income and fees and an increase in holding expenses. Interest on hybrids and debt was EUR 217 million in 2012, an increase of 12.4% compared with EUR 193 million in 2011. Investment income and fees was a loss of EUR 2 million in 2012, compared with a gain of EUR 24 million in 2011, mainly due to a EUR 19 million non-recurring investment income item in 2011. Holding expenses were EUR 179 million in 2012, an increase of 28.8% compared with EUR 139 million in 2011, mainly due to higher unallocated corporate expenses (shareholder expenses), including expenses for the Solvency II project.

Operating result reinsurance business was EUR 22 million, a EUR 18 million increase compared with EUR 4 million in 2011, primarily due to a negative result in 2011 on a hedge programme for the European VA portfolio that hedged the minimum guaranteed benefits of policyholders, partly offset by lower reinsurance claims in 2012.

Operating result NN Bank was a EUR 14 million loss in 2012, as compared with a loss of EUR 2 million in 2011, largely as a result of start-up expenses as NN Bank only began operations in the second half of 2011.

Operating result of the Other segment was a loss of EUR 399 million in 2012, compared with a loss of EUR 313 million in 2011. The increased loss was mainly due to higher interest on hybrids and debt and higher holding expenses.

Non-operating items of the Other segment was a loss of EUR 24 million in 2012, compared with a loss of EUR 34 million in 2011, mainly due to an improvement in gains/losses and impairments and revaluations after a change in the asset allocation within the investment portfolio of NN Re in 2012.

Special items before tax of the Other segment amounted to a loss of EUR 43 million in 2012 compared with a gain of EUR 22 million in 2011. The 2012 loss was related to EUR 94 million of expenses for the operational separation from ING Groep and preparation costs for the Offering, EUR 56 million of goodwill impairments in the Netherlands triggered by the annual impairment test and a EUR 26 million reorganisation provision. These negative items were largely offset by a pension provision release of EUR 133 million, following changes in the Dutch employee pension scheme announced in July 2012. In 2011, non-recurring expenses of EUR 73 million for the restructuring pursuant to the EC Restructuring Plan were incurred but they were more than offset by a EUR 95 million gain on the repurchase of subordinated loans in December 2011.

The *result before tax* of the Other segment was a loss of EUR 474 million in 2012, compared with a loss of EUR 333 million in 2011, mainly driven by the higher operating loss as well as special items losses.

Key performance indicators

Administrative expenses of the Other segment increased to EUR 202 million in 2012 from EUR 140 million in 2011. The increase was driven by higher holding expenses, mainly due to higher unallocated corporate expenses (shareholder expenses), including expenses for the Solvency II project. In addition, expenses at NN Bank increased as a result of start-up expenses in connection with NN Bank's first full year of operations.

The *Basel II core Tier-1 ratio* of NN Bank decreased to 25.9% in 2012 from 84.4% in 2011. As NN Bank commenced operations in the course of 2011, this ratio is not comparable over the two years.

Japan Closed Block VA

The table below sets forth the results of operations and certain key figures for the Japan Closed Block VA segment for the years ended 31 December 2012 and 2011.

	For the year ended 31 December			
			after change in accounting policy[1] *(unaudited)*	
(*in millions of EUR*)	**2012**	**2011**	**2012**	**2011**
Investment margin	—	—	—	—
Fees and premium-based revenues	148	149	148	149
Technical margin	—	—	—	—
Operating income non-modelled business	—	—	—	—
Operating income	**148**	**149**	**148**	**149**
Administrative expenses	13	9	13	9
DAC amortisation and trail commissions	50	50	50	50
Expenses	**64**	**59**	**64**	**59**
Operating result	**85**	**91**	**85**	**91**
Non-operating items	21	47	288	-167
of which gains/losses and impairments	—	—	—	—
of which revaluations	—	—	—	—
of which market and other impacts	21	47	288	-167
Result before tax	**105**	**138**	**373**	**-77**
Taxation	33	57	100	3
Net result	**72**	**81**	**273**	**-80**
Key performance indicators (*unaudited*)				
IFRS reserve (end of period)	3,306	5,195	3,936	6,073
Account value (end of period)	16,894	17,605	16,894	17,605
Net amount at risk (end of period)	4,187	7,095	4,187	7,095

(1) Change in accounting for the move towards fair value accounting for the GMDB reserves of the Japan Closed Block VA segment as of 1 January 2014. These figures are provided for illustrative purposes only and will not be discussed. See "*Selected Financial Information-Selected Operating Result Information by Segment—Change in accounting policy*".

Results from operations

Operating income of Japan Closed Block VA was EUR 148 million in 2012, a decrease of 0.7% compared with EUR 149 million in 2011, due to a slight decrease in fees and premium-based revenues despite the 8.3% (yearly average) appreciation of the Japanese yen against the euro.

Expenses were EUR 64 million in 2012, an increase of 8.5% compared with EUR 59 million in 2011, due to an increase in administrative expenses to EUR 13 million in 2012 from EUR 9 million in

2011. This expense increase was caused by the 8.3% appreciation of the Japanese yen against the euro.

The *operating result* of Japan Closed Block VA decreased slightly to EUR 85 million in 2012 from EUR 91 million in 2011, mainly as a result of higher administrative expenses.

Non-operating items were a gain of EUR 21 million in 2012, compared with a gain of EUR 47 million in 2011. This result reflects the market and other impacts recorded by NN Re on the reinsurance of the minimum guarantee obligations to contract owners of single premium variable annuities issued by Japan Life between 2001 and 2009. NN Re manages the risk on the Japan Closed Block VA portfolio through a hedging programme which seeks to (partially) offset market-related movements in the IFRS provisions, while simultaneously mitigating market-related effects on the capital position of NN Re.

The *result before tax* of Japan Closed Block VA decreased to EUR 105 million in 2012 from EUR 138 million in 2012. This decrease was primarily the result of lower non-operating items as well as a slightly lower operating result.

Key performance indicators

IFRS reserve of Japan Closed Block VA decreased 36.4% to EUR 3,306 million as at 31 December 2012 from EUR 5,195 million as at 31 December 2011. This decrease was primarily due to the 11.8% weakening (on a year-end basis) of the Japanese yen against the euro in 2012, a 2.7% decrease in outstanding VA contracts and the strong performance of the equity markets in Japan.

The *account value* was EUR 16,894 million as at 31 December 2012, a 4.0% decrease compared with EUR 17,605 million as at 31 December 2011. This decrease was primarily caused by the weakening of the Japanese yen against the euro and the run-off of contracts within the closed-block VA portfolio, largely offset by the strong performance of the equity markets.

The *net amount at risk* of Japan Closed Block VA decreased 41.0% to EUR 4,187 million as at 31 December 2012 from EUR 7,095 million as at 31 December 2011. This decrease was primarily due to the weakening of the Japanese yen, the decrease of outstanding VA contracts and strong performance of the equity markets.

Insurance Other

The table below sets forth the results of operations for the Insurance Other segment for the years ended 31 December 2012 and 2011.

	For the year ended 31 December	
(*in millions of EUR*)	**2012**	**2011**
Expenses	-22	-28
Result on divestments	80	92
Result before tax	**59**	**64**
Taxation	-5	-7
Net result	**64**	**71**

Results from operations

Expenses reflect shareholder's expenses of ING Groep allocated to NN. Shareholder's expenses allocated to NN were EUR 22 million in 2012, a 21.4% decrease compared with EUR 28 million in 2011, after the divestment of most of the Company's Latin American businesses at the end 2011, which lowered the allocation base for corporate expenses from ING Groep.

Result on divestments reflects NN's share in SulAmérica's result of operations. NN's share in SulAmérica's net result was EUR 80 million in 2012, a decrease of 13.0% compared with EUR 92 million in 2011, which included a EUR 15 million non-recurring provision release.

The *result before tax* of the Insurance Other segment decreased slightly to EUR 59 million in 2012 from EUR 64 million in 2011. This decrease was mainly due to lower result on divestments, partly offset by lower expenses.

Taxation was a negative amount (tax credit) in both 2012 and 2011, as it related to the allocated ING Groep expenses only. NN's share in the net result of SulAmérica was tax exempt under the Dutch participation exemption.

CONSOLIDATED RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED 31 MARCH 2014 AND 2013

The table below sets forth the consolidated results from continuing operations of NN for the three months ended 31 March 2014 and 2013.

	For the three months ended 31 March (*unaudited*)	
(*in millions of EUR*)	**2014**	**2013**
Continuing operations		
Gross premium income	3,491	3,633
Investment income	855	893
Result on disposals of group companies	—	—
Gross commission income	*246*	*232*
Commission expense	*-82*	*-85*
Commission income	164	147
Valuation results on non-trading derivatives	141	-1,342
Foreign currency results and net trading income	-44	249
Share of result from associates	79	25
Other income	6	7
Total income	4,692	3,612
Gross underwriting expenditure	*4,424*	*4,726*
Investment result for risk of policyholders	*-568*	*-2,127*
Reinsurance recoveries	*-17*	*-16*
Underwriting expenditure	3,839	2,583
Intangible amortisation and other impairments	1	2
Staff expenses	843	310
Interest expenses	110	152
Other operating expenses	183	209
Total expenses	4,976	3,256
Result before tax from continuing operations	-284	356
Taxation	-83	78
Minority interests	2	2
Net result from continuing operations	**-203**	**276**

Gross premium income decreased 3.9% to EUR 3,491 million in the first quarter of 2014, from EUR 3,633 million in the corresponding period of 2013. This decrease was primarily due to a decreasing individual life closed book and lower premium income from pension contracts in the Netherlands, which was in turn due to weak macroeconomic conditions and the continuing low interest rate environment. Gross premium income in Japan was EUR 54 million lower in the first quarter of 2014, a decrease of 6.9% compared with 2013, due to the 13.5% depreciation of the Japanese yen against the euro. Excluding currency effects, gross premium income for Japan Life increased by 7.6%, driven by an increased demand for financial planning products. Gross premium income for Netherlands Non-life decreased 0.8% in the first three months of 2014 compared with the same period in 2013, as P&C premiums were negatively impacted by stricter underwriting and product rationalisation. These decreases in gross premium income were partially offset by 6.9% premium growth in Insurance Europe, mainly driven by operations in Spain and to a lesser extent in Belgium and Luxembourg.

Investment income was EUR 855 million in the first quarter of 2014, a 4.3% decrease compared with EUR 893 million in the first three months of 2013. An increase in interest income of EUR 87 million from loans was largely offset by EUR 70 million lower interest income from investments in debt securities and non-trading derivatives due to lower re-investment rates and the unwinding of approximately EUR 1 billion (notional) of long-term interest rate hedges in the course of 2013.

Commission income was EUR 164 million in the first quarter of 2014, an 11.6% increase compared with EUR 147 million in the corresponding period of 2013. Gross commission income was

EUR 246 million in the first quarter of 2014, a 6.0% increase compared with EUR 232 million in the corresponding period of 2013, despite a decline in AuM. This increase was largely caused by EUR 5 million in non-recurring fee income for Investment Management and EUR 7 million in higher commissions for NN Bank due to the partial transfer of operations from WUB on 1 July 2013. Commission expense declined slightly to EUR 82 million in the first quarter of 2014, compared with EUR 85 million in the first quarter of 2013, as AuM declined.

Valuation results on non-trading derivatives was a gain of EUR 141 million in the first quarter of 2014, compared with a loss of EUR 1,342 million for the first quarter of 2013. In the first quarter of 2014, Japanese equity markets retreated (Nikkei index -9.0%) and the Japanese yen appreciated slightly, resulting in hedge gains on the variable annuity contracts in Japan. The loss in the first quarter of 2013 was mainly caused by rising Japanese equity markets (Nikkei index +19.3%) and the depreciation of the Japanese yen, which had a significant negative impact on the value of the hedges on the variable annuity contracts in Japan. The change in the fair value of derivatives is largely offset by changes in the insurance liabilities, which are included in underwriting expenditure.

Foreign currency results and net trading income was a loss of EUR 44 million in the first quarter of 2014 compared with a gain of EUR 249 million in the first quarter of 2013. This decrease was mainly caused by lower foreign currency results (before hedging), especially for NN Japan, which invests a significant part of its Japanese yen denominated insurance liabilities in foreign currency denominated financial assets. Foreign currency results decreased to a loss of EUR 44 million in the first three months of 2014 from a gain of EUR 232 million in the first three months of 2013.

Share of result from associates was EUR 79 million in the first three months of 2014 compared with EUR 25 million in the same period of 2013. The increase was due to a (net) gain of EUR 56 million on the disposal of a 21.3% interest in the Brazilian insurance firm SulAmérica in January 2014, which represented the difference between the carrying value and the fair value of such 21.3% interest. Of such 21.3% interest, 11.3% was sold to Swiss Re. The remaining interest was transferred to ING Groep by way of a dividend in kind.

Underwriting expenditure for NN's own account increased 48.6% to EUR 3,839 million in the first quarter of 2014 from EUR 2,583 million in the first quarter of 2013. Gross underwriting expenditure declined to EUR 4,424 million in the first three months of 2014, a 6.4% reduction compared with EUR 4,726 million in the first three months of 2013. The decrease in gross underwriting expenditure mainly reflected lower premium income from deposit-type life insurance products in the Netherlands and lower investment income and valuation results on investments for risk of policyholders. The investment result for risk of policyholders decreased to EUR 568 million from EUR 2,127 million, as relevant equity markets were mostly flat (as in Europe and United States) or declining (as in Japan) in the first quarter of 2014, in contrast to a very strong first quarter of 2013.

Staff expenses were EUR 843 million in the first quarter of 2014 compared with EUR 310 million in the same quarter of 2013. This increase was due to the pension charge of EUR 541 million related to the Dutch defined benefit pension plan settlement, as described in Note 18 of the 2014 Interim Accounts. Excluding this pension charge, staff expenses were EUR 302 million. The partial transfer of WUB operations from ING Bank to NN Bank on 1 July 2013 added EUR 24 million to staff expenses in the first three months of 2014, of which EUR 9 million were special items.

Interest expenses were EUR 110 million in the first three months of 2014, a decrease of 27.6% compared with EUR 152 million in the first quarter of 2013. Interest expenses on non-trading derivatives decreased to EUR 72 million in the first three months of 2014 compared with EUR 91 million in the first three months of 2013. The EUR 23 million decrease in interest expenses, other than interest expenses on non-trading derivatives, was due to the divestment of the Mexican mortgage business ING Hipotecaria in November 2013 (EUR 15 million), a EUR 2 billion senior debt re-financing in September 2013 and a EUR 1 billion debt-to-equity conversion by ING Groep to strengthen NN's capital position in December 2013.

Other operating expenses were EUR 183 million in the first quarter of 2014, a 12.4% decrease compared with EUR 209 million in the prior period. This decline was largely due to lower expense charges from ING Groep for internal services rendered, partly compensated by higher internal IT costs for supporting NN's operations on a standalone basis.

Taxation in the first quarter of 2014 was a EUR 83 million tax credit against EUR 284 million in pre-tax loss from continuing operations. In the prior year, corporate taxes were EUR 78 million on a pre-tax profit of EUR 356 million.

The table below sets forth a breakdown of NN's net result from continuing operations by segment for the three months ended 31 March 2014 and 2013.

	For the three months ended 31 March	
(*in millions of EUR*)	**2014**	**2013**
	(*unaudited*)	
Operating result[1]		
Netherlands Life	153	138
Netherlands Non-life	22	-3
Insurance Europe	45	42
Japan Life	66	83
Investment Management	39	31
Other[2]	-31	-115
Operating result ongoing business[3]	**295**	**175**
Non-operating items ongoing business	-27	15
of which gains/losses and impairments[4]	10	61
of which revaluations[5]	—	-12
of which market and other impacts[6]	-37	-34
Japan Closed Block VA[7]	-36	162
Insurance Other[8]	—	-5
Special items before tax[9]	-572	-29
Result on divestments[10]	56	37
Result before tax from continuing operations	**-284**	**356**
Taxation	-83	78
Net result from continuing operations before attribution to minority interests	**-201**	**278**
Minority interests	2	2
Net result from continuing operations	**-203**	**276**
Key Performance Indicators ongoing business		
New sales life insurance (APE)	439	398
Administrative expenses	437	460
Cost/income ratio (administrative expenses/operating income)	34.6%	37.3%
Client balances (end of period)	200,733	196,518

(1) Result before tax in accordance with IFRS, excluding the impact of non-operating items, divestments, discontinued operations and special items.
(2) Other comprises (the operating result of) the business of NN Bank and NN Re, the result of the holding company and certain other results.
(3) Ongoing business includes all segments of NN which are consolidated as at 31 December 2013, excluding Japan Closed Block VA and Insurance Other.
(4) Realised gains and losses as well as impairments on financial assets that are classified as available for sale.
(5) Revaluations on assets marked-to-market through the profit and loss account.
(6) Primarily the change in the provision for guarantees on separate account pension contracts (net of hedging) in the Netherlands.
(7) Result before tax of Japan Closed Block VA.
(8) Insurance Other comprises the costs of the claims filed by the purchaser of certain Mexican subsidiaries and corporate expenses of ING Groep allocated to NN. NN's share in the result of SulAmérica and the net result from disposal of SulAmérica are included in "result on divestments".
(9) Special items represent (material) items of income or expense that arise from events or transactions that are clearly distinct from the ordinary activities of the company.
(10) Result on divestments comprises the result before tax from NN's share in the result of SulAmérica and subsequent results from a pension portfolio in the Netherlands that was divested in 2009.

Results from operations

The *operating result ongoing business* in the first quarter of 2014 was EUR 295 million, a 68.6% increase compared with EUR 175 million in the first quarter of 2013, due to improved results in all (ongoing) business segments except Japan Life. The higher operating result for Netherlands Life was driven by a higher investment margin and lower expenses, partly offset by lower fees and premium-based revenues. Netherlands Non-life's operating result improved primarily due to a more favourable claims experience in the income business. The operating result for Insurance Europe increased largely due to higher fees and premium-based revenues. The operating result in Japan Life was EUR 66 million in the first quarter of 2014, a 7.0% decrease compared with EUR 83 million in the first quarter of 2013, mainly as a result of the depreciation of the Japanese yen against the euro. The operating result for Investment Management was higher in the first quarter of 2014 compared with the same quarter in 2013, driven by higher fee income. The Other segment showed an improved first quarter 2014 operating result, largely reflecting higher results from NN Reinsurance and NN Bank, lower corporate expenses and lower funding costs, following the refinancing of EUR 2 billion of senior debt against lower interest rates.

Non-operating items related to the ongoing business were a loss of EUR 27 million in the first quarter of 2014, compared with a gain of EUR 15 million in the same quarter of 2013. Gains/losses and impairments were EUR 10 million in the first quarter of 2014 compared with EUR 61 million in the first quarter of 2013, an 83.6% decrease mainly due to gains on the sale of corporate bonds in Belgium, Spain and Greece and debt and equity securities at ING Reinsurance in the first quarter of 2013, partly offset by impairments on real estate in Netherlands Life in the first quarter of 2013. Revaluations were zero, compared with a loss of EUR 12 million in the first quarter of 2013. Market and other impacts amounted to a loss of EUR 37 million compared with a loss of EUR 34 million in the same period of 2013. The result in the first quarter of 2014 largely reflected an increase in the provision for guarantees on separate account pension contracts (net of hedging) of EUR 35 million in Netherlands Life, whereas the first quarter 2013 loss was mainly due to a EUR 24 million loss on the exit of separate account pension contracts and a EUR 17 million loss on macro interest rate hedges.

The *result before tax of Japan Closed Block VA* was a loss of EUR 36 million in the first quarter of 2014 compared with a profit of EUR 162 million in the same quarter of 2013. The loss in the first three months of 2014 reflects a one-off impact of negative EUR 51 million attributable to the impact of methodology changes.

Special items before tax in the first quarter of 2014 were a loss of EUR 572 million compared with a loss of EUR 29 million in the first quarter of 2013. EUR 541 million of the loss related to the impact of the agreement to make ING Groep's defined benefits pension plan in the Netherlands financially independent (see "*—Key Factors affecting Consolidated Results of Operations—Special Items*"). The Dutch pension plan is no longer recognised as a defined benefit plan, and the pension assets have been removed from NN's balance sheet. The current quarter also reflects special items related to the transformation programme in the Netherlands.

The *result on divestments* increased to EUR 56 million in the first quarter of 2014 from EUR 37 million in the first quarter of 2013. The first quarter 2014 result was related to the disposal of the Brazilian insurance holding SulAmérica and represented the difference between the carrying value and the fair value of the 21.3% interest divested. Of such 21.3% interest, 11.3% was sold to Swiss Re. The remaining interest was transferred to ING Groep by way of a dividend in kind. The result in the corresponding quarter of 2013 reflected the share of NN in SulAmérica's net result from operations.

The *result before tax from continuing operations* in the first quarter of 2014 was a loss of EUR 284 million, compared with a profit of EUR 356 million in the first quarter of 2013, largely due to the above mentioned special item of EUR 541 million related to the Dutch pension fund.

Key performance indicators

New sales life insurance (APE) were EUR 439 million in 2014, a 10.3% increase compared with EUR 398 million in the first quarter of 2013. New sales rose 28.4% in Netherlands Life, driven by higher annual premiums on renewals of separate account pension contracts. In Insurance Europe sales grew 14.8% year-on-year, due to higher life sales across the region. Japan Life saw an increased demand for financial planning products.

Administrative expenses of NN's ongoing business were EUR 437 million in the first quarter of 2014, a decrease of 5.0% from EUR 460 million in the first quarter of 2013. Expenses declined due to the transformation programme in the Netherlands and lower project costs for Insurance Europe, despite higher NN Bank expenses as a result of the partial transfer of WUB to NN Bank in 2013, which added 369 FTEs and EUR 15 million of expenses in the first quarter of 2014.

The *cost/income ratio* of NN's ongoing business (excluding the Other segment) improved to 34.6% in 2014 from 37.3% in 2013, mainly due to a decrease in administrative expenses, demonstrating the impact of the transformation programme in the Netherlands and strong cost control across all segments.

Total *client balances* of the ongoing business increased to EUR 200,733 million as at 31 March 2014 from EUR 196,518 million as at 31 March 2013, primarily due to an increase in NN Bank's client balances of EUR 5,662 million reflecting the partial transfer of WUB to NN, partly offset by a EUR 782 million decrease in client balances in Insurance Europe due to the 2014 pension reform in Poland.

OPERATING RESULT BY SEGMENT FOR THE THREE MONTHS ENDED 31 MARCH 2014 AND 2013

Netherlands Life

The table below sets forth the results of operations and certain key figures for the Netherlands Life segment for the three months ended 31 March 2014 and 2013.

	For the three months ended 31 March	
(*in millions of EUR*)	**2014**	**2013**
	(*unaudited*)	
Investment margin	140	106
Fees and premium-based revenues	127	149
Technical margin	34	38
Operating income	**301**	**293**
Administrative expenses	126	129
DAC amortisation and trail commissions	23	26
Expenses	**148**	**156**
Operating result	**153**	**138**
Non-operating items	-46	-3
of which gains/losses and impairments	-9	41
of which revaluations	—	-9
of which market and other impacts	-37	-34
Special items before tax	-340	-10
Result before tax	**-233**	**126**
Taxation	-68	22
Minority interests	-1	—
Net result	**-164**	**103**
New business figures		
Single premiums	189	189
Annual premiums	112	84
New sales life insurance (APE)	131	102
Key performance indicators		
Gross premium income	1,405	1,524
Cost/income ratio (administrative expenses/operating income)	41.9%	44.0%
Life general account invested assets (end of period)	56,713	53,685
Investment spread (Investment margin/Life general account invested assets, bps)	109	103
Provision for life insurance for risk of policyholders (end of period)	16,242	18,607
Client balances (end of period)	60,706	60,828
Net operating ROE	7.8%	6.7%

Results from operations

Operating income of Netherlands Life was EUR 301 million in the first quarter of 2014, a 2.7% increase compared with EUR 293 million in the corresponding quarter of 2013. The investment margin improved to EUR 140 million in 2014 from EUR 106 million in 2013, primarily reflecting increased allocations to higher-yielding assets as well as an increase in the life general account invested assets, due to a capital injection of EUR 600 million by NN. Fees and premium-based revenues decreased to EUR 127 million in the first quarter of 2014 from EUR 149 million in the first quarter of 2013, due to lower client charges for unit-linked products as of 1 January 2014 and the decreasing individual life closed book. Lower pension premiums also contributed to the decline in fees and premium-based revenues. The technical margin decreased to EUR 34 million from EUR 38 million mainly due to lower mortality results.

Expenses of Netherlands Life decreased 5.1% to EUR 148 million in the fourth quarter of 2014 from EUR 156 million in the first quarter of 2013. Administrative expenses were EUR 126 million in 2014, a 2.3% decrease from EUR 129 million in 2013, mainly reflecting the impact of the transformation programme in the Netherlands, partially offset by higher employee benefit expenses. DAC amortisation and trail commissions decreased 11.5% to EUR 23 million in the first three months of 2014 from EUR 26 million in the first quarter of 2013, reflecting the run-off of the individual life closed-book portfolio and lower pension premiums.

The *operating result* of Netherlands Life increased 10.9% to EUR 153 million in the first quarter of 2014 from EUR 138 million in the first quarter of 2013, mainly due to the higher investment margin and lower expenses.

Non-operating items of Netherlands Life was a loss of EUR 46 million in the first quarter of 2014 compared with a loss of EUR 3 million in the first quarter of 2013. The loss was mainly due to an increase in the provision for guarantees on separate account pension contracts (net of hedging), as a result of market movements. Gains/losses and impairments in the first quarter of 2014 were a loss of EUR 9 million, mainly reflecting impairments on real estate funds, partly compensated by capital gains on public equity investments. Revaluations were nil in 2014 as positive revaluations on private equity investments were offset by negative revaluations on real estate investments.

Special items before tax increased to a loss of EUR 340 million in the first quarter of 2014, from a loss of EUR 10 million in the first quarter of 2013. This higher loss was caused by EUR 331 million pension expenses, allocated to Netherlands Life, related to the agreement to make ING's defined benefits pension plan in the Netherlands financially independent.

Result before tax decreased to a loss of EUR 233 million in the first quarter of 2014 from a EUR 126 million profit in the same quarter of 2013. The deterioration in the result before tax, despite the EUR 15 million improvement in the operating result, was due to a EUR 43 million higher loss from non-operating items and a EUR 330 million higher loss from special items before tax due to the pension settlement.

Key performance indicators

New sales life insurance (APE) of Netherlands Life increased to EUR 131 million in the first quarter of 2014 from EUR 102 million in the first quarter of 2013, driven by higher pension contract renewals, partly offset by lower single premiums in individual life.

Gross premium income was EUR 1,405 million in the first quarter of 2014, a decrease of 7.8% compared with EUR 1,524 million in the first quarter of 2013, mainly resulting from a decreasing individual life closed book and lower premium income from pension contracts.

Netherlands Life's *cost/income ratio* improved to 41.9% in the first quarter of 2014 from 44.0% in the first quarter of 2013, benefitting from both lower administrative expenses and higher operating income.

Life general account invested assets were EUR 56,713 million as at 31 March 2014 compared with EUR 53,685 million as at 31 March 2013, due to a EUR 600 million capital injection from NN in the fourth quarter of 2013, a EUR 600 million subordinated loan to NN in the first quarter of 2014 and the transfer of EUR 1,978 million in assets related to pension contracts from the separate account to the general account in the first quarter of 2014, consistent with NN's strategy to further de-risk this insurance portfolio.

The *investment spread* of Netherlands life was 109 basis points in the first quarter of 2014, a 6 basis point increase compared with 103 basis points in the first quarter of 2013, due to the selective allocation of funds to higher yielding assets in the investment portfolio for the Company's own account.

Provision for life insurance for risk of policyholders was EUR 16,242 million as at 31 March 2014, a decrease of EUR 2,365 million compared with EUR 18,607 as at 31 March 2013, primarily due to a EUR 1,978 million transfer of assets in the first quarter of 2014 from the separate account pension contracts portfolio to the general account invested assets portfolio.

Client balances remained flat at EUR 60,706 million as at 31 March 2014, compared with EUR 60,828 million as at 31 March 2013, mainly resulting from the exit of corporate contracts in the first quarter of 2014.

The *net operating ROE* of Netherlands Life was 7.8% in the first quarter of 2014 compared with 6.7% in the first quarter of 2013, driven by a 19.3% increase in net operating result which was partly offset by a higher equity base following the EUR 600 million capital contribution by NN.

Netherlands Non-life

The table below sets forth the results of operations and certain key figures for the Netherlands Non-life segment for the three months ended 31 March 2014 and 2013.

	For the three months ended 31 March	
(*in millions of EUR*)	**2014**	**2013**
	(*unaudited*)	
Earned premiums, net of reinsurance	389	396
Investment income (net of investment expenses)	24	24
Other income	-1	-2
Operating income	**411**	**418**
Claims incurred, net of reinsurance	273	293
Acquisition costs	62	63
Administrative expenses	56	66
Acquisition costs and administrative expenses	117	129
Expenditure	**390**	**422**
Operating result insurance businesses	**21**	**-3**
Operating result broker businesses	1	—
Operating result	**22**	**-3**
Non-operating items	—	—
of which gains/losses and impairments	-1	—
of which revaluations	1	—
of which market and other impacts	—	—
Special items before tax	-85	-11
Result before tax	**-63**	**-14**
Taxation	-17	-4
Net result	**-47**	**-10**
Key performance indicators		
Gross premium income	760	766
Total administrative expenses[1]	75	87
Combined ratio	100.2%	106.5%
Claims ratio	70.1%	73.9%
Expense ratio	30.1%	32.6%
Net operating ROE	13.7%	-3.3%

(1) Total administrative expenses for Netherlands Non-life comprises the administrative expenses of the insurance and broker businesses.

Results from operations

Operating income of Netherlands Non-life was EUR 411 million in the first quarter of 2014, a 1.7% decrease compared with EUR 418 million in the first quarter of 2013. This decrease was driven by lower earned premiums, net of reinsurance, due to Management's decision to adhere to stricter underwriting and portfolio rationalisation.

Expenditure of Netherlands Non-life was EUR 390 million in the first quarter of 2014, a 7.6% decrease compared with EUR 422 million in the first quarter of 2013. The EUR 20 million improvement in claims incurred, net of reinsurance, compared with the corresponding period of 2013 reflected a favourable claims development in the income business and management actions to restore profitability in the disability portfolio. Administrative expenses in 2014 were EUR 56 million, a 15.2% decrease compared with EUR 66 million in the first quarter of 2013, mainly due to the transformation programme in the Netherlands.

Operating result of Netherlands Non-life was a profit of EUR 22 million in the first quarter of 2014, a significant increase compared with the loss of EUR 3 million in the first quarter of 2013. The strong improvement was driven by favourable claims development in the income business and management actions to restore profitability in the disability portfolio. Operating results in P&C were stable compared with the same quarter of 2013.

The result from *non-operating items* was a loss of EUR 1 million in the first quarter of 2014. The first quarter of 2013 did not reflect any result from non-operating items.

Special items before tax increased to a loss of EUR 85 million in the first quarter of 2014 from a loss of EUR 11 million in the first quarter of 2013. This higher loss was caused by the allocation of EUR 82 million in pension expenses related to the agreement to make ING Groep's defined benefits pension plan in the Netherlands financially independent, slightly offset by lower expenses for the transformation programme in the Netherlands.

The *result before tax* in the first quarter of 2014 was a loss of EUR 63 million compared with a loss of EUR 14 million in the first quarter of 2013. The deterioration in the result before tax, despite the EUR 25 million improvement of the operating result, was due to a EUR 74 million higher loss from special items before tax attributable to the pension expense.

Key performance indicators

Gross premium income in the first quarter of 2014 decreased slightly compared with the same quarter in 2013, as P&C premium income was negatively impacted due to Management's decision to adhere to stricter underwriting and portfolio rationalisation.

The *combined ratio* of Netherlands Non-life was 100.2% in the first quarter of 2014, an improvement of 6.3 percentage points compared with 106.5% in the first quarter of 2013 and an improvement of 3.4 percentage points compared with 103.6% in the fourth quarter of 2013, as both the claims ratio and the expense ratio improved. The improvement in the claims ratio by 3.8 percentage points period-on-period was largely attributable to stronger underwriting performance in the income business, where the claims ratio declined from 88.0% in the first quarter of 2013 compared with 75.1% in the first quarter of 2014.

The *net operating ROE* of Netherlands Non-life was 13.7% in the first quarter of 2014 compared with a negative 3.3% in the first quarter of 2013, mainly due to the significant improvement in the net operating result.

Insurance Europe

The table below sets forth the results of operations and certain key figures for the Insurance Europe segment for the three months ended 31 March 2014 and 2013.

	For the three months ended 31 March	
(*in millions of EUR*)	**2014**	**2013**
	(*unaudited*)	
Investment margin	27	25
Fees and premium-based revenues	128	120
Technical margin	48	48
Operating income non-modelled business	1	5
Operating income life insurance	**204**	**198**
Administrative expenses	74	81
DAC amortisation and trail commissions	86	76
Expenses life insurance	**160**	**157**
Operating result life insurance	**44**	**42**
Non-life operating result	2	—
Operating result	**45**	**42**
Non-operating items	10	-1
of which gains/losses and impairments	10	—
of which revaluations	—	-1
of which market and other impacts	—	—
Special items before tax	-2	-1
Result before tax	**54**	**39**
Taxation	12	7
Minority interests	2	2
Net result	**39**	**30**
New business figures		
Single premiums	229	207
Annual premiums	117	110
New sales life insurance (APE)	140	131
Key performance indicators		
Gross premium income	587	549
Total administrative expenses[1]	77	84
Total operating income[2]	221	215
Cost/income ratio (administrative expenses/operating income)	34.8%	39.1%
Life general account invested assets (end of period)	12,126	13,208
Investment spread (Investment margin/Life general account invested assets, bps)	84	85
Provision for life insurance for risk of policyholders (end of period)	7,291	7,110
Client balances (end of period)	32,928	39,619
Net operating ROE	8.9%	7.8%

(1) Total administrative expenses for Insurance Europe comprises the administrative expenses of both life insurance and non-life insurance and is used to calculate the cost/income ratio.

(2) Total operating income for Insurance Europe comprises the operating income of both life insurance and non-life insurance and is used to calculate the cost/income ratio.

Results from operations

Operating income life insurance of Insurance Europe was EUR 204 million in the first quarter of 2014, a 3.0% increase compared with EUR 198 million in the first quarter of 2013, largely driven by an increase in fees and premium-based revenues. The investment margin was EUR 27 million in the first quarter of 2014 compared with EUR 25 million in the first quarter of 2013, due to higher investment income in Greece, related to gains on the early redemption (at par) of discounted residential mortgage backed securities (**RMBS**). Excluding these RMBS gains, the investment margin declined due to lower life general account invested assets following dividend payments to NN in the course of 2013 and a declining life portfolio in Belgium. Fees and premium-based revenues were EUR 128 million in the first quarter of 2014, a EUR 8 million increase compared with EUR 120 million in the same quarter of 2013. This increase was mainly due to the reclassification of Turkish activities from operating income non-modelled business to fees and premium-based revenues as of the first quarter of 2014, as well as a change in the amortisation of commissions and expenses as of the second quarter of 2013, also in Turkey. That was offset by the impact of the pension reforms in Poland, which took effect in February 2014, resulting in lower fee income due to the mandatory transfer of all Polish sovereign bonds held by private pension funds to the Polish state. Excluding these items, the fees and premium-based revenues increased 2.1%, primarily due to higher life sales in Belgium. The technical margin was stable at EUR 48 million.

Expenses life insurance of Insurance Europe were EUR 160 million in the first quarter of 2014, a slight increase compared with EUR 157 million in the first quarter of 2013. Administrative expense decreased to EUR 74 million in the first quarter of 2014 from EUR 81 million in the first quarter of 2013, due to lower project expenses. DAC amortisation and trail commissions increased to EUR 86 million in the first quarter of 2014 compared with EUR 76 million in the first quarter of 2013, mainly due to the reclassification of the crisis tax in Belgium from technical margin to DAC amortisation and trail commissions.

Operating result before tax of Insurance Europe increased to EUR 45 million in the first quarter of 2014 compared with EUR 42 million in the first quarter of 2013, mainly driven by higher fees and premium-based revenues as well as lower administrative expenses, partly offset by a higher crisis tax in Belgium.

Non-operating items were EUR 10 million in the first quarter of 2014, an increase from a loss of EUR 1 million in the first quarter of 2013, driven by gains on the sale of corporate bonds in Belgium, Spain and Greece.

The *result before tax* of Insurance Europe increased to EUR 54 million in the first quarter of 2014 from EUR 39 million in the first quarter of 2013, largely due to the EUR 11 million higher non-operating items.

Key performance indicators

New sales life insurance (APE) were EUR 140 million in the first quarter of 2014, an increase of 6.9% compared with EUR 131 million in the first quarter of 2013, due to higher life sales across the region offset by lower pension sales primarily in Poland and the Czech Republic.

Gross premium income of Insurance Europe increased to EUR 587 million in the first quarter of 2014 from EUR 549 million in 2013, as life sales were higher across the region, especially single premium sales in Spain and to a lesser extent in Belgium and Luxembourg.

The *cost/income ratio* of Insurance Europe improved by 4.3 percentage points to 34.8% in the first quarter of 2014 compared with the first quarter of 2013. This improvement was due to both a decrease in administrative expenses and a slight increase in operating income.

Life general account invested assets of Insurance Europe were EUR 12,126 million at 31 March 2014, a decrease of 8.2% compared with EUR 13,208 million at 31 March 2013. This decrease was due to dividend payments to NN in the course of 2013 and the declining life portfolio in Belgium, due to the low interest rate environment.

Investment spread of Insurance Europe was 84 basis points in the first quarter of 2014, remaining stable compared with 85 basis points in the first quarter of 2013.

Client balances of Insurance Europe were EUR 32,928 million as at 31 March 2014, a 16.9% decrease compared with EUR 39,619 million as at 31 March 2013, mainly driven by the transfer of 51.5% of the assets held by the Company's pension fund in Poland to the Polish state. This percentage reflected the pension funds' investments in Polish government bonds at the end of 2012.

The *net operating ROE* of Insurance Europe was 8.9% in the first quarter of 2014, an increase of 1.1 percentage points compared with 7.8% in the first quarter of 2013, mainly due to a decrease in the segment's average adjusted allocated equity following the payment of dividends to NN in 2013.

Japan Life

The table below sets forth the results of operations and certain key figures for the Japan Life segment for the three months ended 31 March 2014 and 2013.

	For the three months ended 31 March	
(*in millions of EUR*)	**2014**	**2013**
	(*unaudited*)	
Investment margin	-1	4
Fees and premium-based revenues	134	150
Technical margin	9	6
Operating income	**142**	**160**
Administrative expenses	24	26
DAC amortisation and trail commissions	52	52
Expenses	**76**	**77**
Operating result	**66**	**83**
Non-operating items	-3	9
of which gains/losses and impairments	—	11
of which revaluations	-3	-3
of which market and other impacts	—	—
Result before tax	**64**	**91**
Taxation	23	31
Net result	**40**	**61**
New business figures		
Single premiums	19	41
Annual premiums	167	160
New sales life insurance (APE)	169	164
Key performance indicators		
Gross premium income	731	785
Cost/income ratio (administrative expenses/operating income)	16.9%	16.3%
Life general account invested assets (end of period)	8,549	9,214
Investment spread (Investment margin/Life general account invested assets, bps)	2	12
Client balances (end of period)	7,634	7,933
Net operating ROE	15.3%	16.1%

Results from operations

Operating income of Japan Life was EUR 142 million in the first quarter of 2014, an 11.3% decrease compared with EUR 160 million in the first quarter of 2013, primarily due to lower fees and premium-based revenues impacted by currency effects. Although fees and premium-based revenues declined 10.7% to EUR 134 million from EUR 150 million in the first quarter of 2013, excluding currency effects they increased 4.7%, driven by higher sales and favourable persistency of the in-force business. The investment margin decreased to negative EUR 1 million from EUR 4 million in the first quarter of 2013 due to proceeds from the sale of investments in 2013 in order to realise capital gains, which were reinvested at lower yields. The technical margin increased to EUR 9 million versus EUR 6 million in the first three months of 2013, driven by higher morbidity and surrender margins.

Expenses of Japan Life were EUR 76 million in the first quarter of 2014, remaining stable compared with EUR 77 million in the first quarter of 2013. Administrative expenses decreased to EUR 24 million in the first quarter of 2014 from EUR 26 million in the first quarter of 2013, although expenses increased 9.1% excluding currency effects, primarily due to higher head office charges. DAC amortisation and trail commissions were stable at EUR 52 million. Excluding currency effects, DAC amortisation and trail commissions increased 18.2% in line with higher new sales.

Operating result of Japan Life was EUR 66 million in the first quarter of 2014, a decrease of 20.5% compared with EUR 83 million in the first quarter of 2013, and down 7.0% excluding currency effects. This decrease was due to a lower investment margin and lower premium-based revenues, partially offset by a higher technical margin.

Non-operating items of Japan Life was a loss of EUR 3 million in the first quarter of 2014, compared with a gain of EUR 9 million in the first quarter of 2013. Gains/losses and impairments were nil in the first three months of 2014 compared with a gain of EUR 11 million in the same period of 2013, due to realised capital gains on available for sale securities. Revaluation losses of EUR 3 million were flat, reflecting a loss on derivatives in the mortgage fund portfolio driven by market movements in the first quarter of 2014.

The *result before tax* decreased to EUR 64 million in the first quarter of 2014 from EUR 91 million in the first quarter of 2013, a decrease of 29.7%, or a decrease of 19.2% excluding currency effects. This was mainly due to a lower operating result and a lower result for gains/losses and impairments.

Key performance indicators

New sales life insurance (APE) were EUR 169 million in the first quarter of 2014, an increase of 3.0% compared with EUR 164 million in the first quarter of 2013. Excluding the impact of the depreciation of the Japanese yen against the euro, the increase in new sales was 19.0%. This sales growth was driven by the increased need for financial planning by small and medium-sized enterprises as a result of the economic recovery in Japan and a sales campaign held in the first quarter of 2014.

Gross premium income of Japan Life was EUR 731 million in the first quarter of 2014 compared with EUR 785 million in the first quarter of 2013. Excluding currency effects, gross premium income of Japan Life increased 9.1%, driven by higher sales and favourable persistency of the in-force business.

The *cost/income ratio* of Japan Life increased to 16.9% in the first quarter of 2014 from 16.3% in the first quarter of 2013, as the increase in administrative expenses outran the growth in operating income.

Life general account invested assets of Japan Life were EUR 8,549 million as at 31 March 2014, a decline of 7.2% compared with EUR 9,214 million as at 31 March 2013. This decrease was driven by the 15.1% depreciation of the Japanese yen against the euro, partially offset by growth of the in-force business through strong sales and favourable persistency.

Investment spread of Japan Life was two basis points in the first quarter of 2014, a ten basis point decrease compared with 12 basis points in the first quarter of 2013, as the investment margin dropped due to lower reinvestment yields.

Client balances of Japan Life were EUR 7,634 million as at 31 March 2014, a 3.8% decrease compared with EUR 7,933 million as at 31 March 2013.

The *net operating ROE* of Japan Life was 15.3% in the first quarter of 2014, a 0.8 percentage point decline compared with 16.1% in the first quarter of 2013, as a result of a lower net operating profit, partly offset by lower average adjusted allocated equity.

Investment Management

The table below sets forth the results of operations and certain key figures for the Investment Management segment for the three months ended 31 March 2014 and 2013.

	For the three months ended 31 March	
(*in millions of EUR*)	**2014**	**2013**
	(*unaudited*)	
Investment income	—	1
Fees	118	109
Operating income	**118**	**110**
Administrative expenses	79	79
Operating result	**39**	**31**
Non-operating items	—	—
of which gains/losses and impairments	—	—
of which revaluations	—	—
of which market and other impacts	—	—
Special items before tax	-122	—
Result before tax	**-83**	**31**
Taxation	-22	8
Net result	**-61**	**22**
Key performance indicators		
Net inflow assets under management	-12,162	-3,008
Assets under management (end of period)	167,658	184,473
Cost/income ratio (administrative expenses/operating income)	66.9%	71.8%
Fees/average assets under management (bps)	28	24
Client balances (end of period)	93,279	87,619
Net operating ROE	34.6%	23.7%

Results from operations

Operating income of Investment Management was EUR 118 million in the first quarter of 2014, a 7.3% increase compared with EUR 110 million in the first quarter of 2013, driven by higher fee income. Fees were EUR 118 million in the first quarter of 2014, an 8.3% increase from the first quarter of 2013. The increase was mainly due to EUR 5 million in non-recurring income.

Administrative expenses were stable at EUR 79 million period-on-period. The first quarter of 2014 benefitted from EUR 5 million of personnel provision releases. Excluding this item, administrative expenses in the first quarter of 2014 increased compared with the first quarter of 2013, due to higher marketing expenses.

Operating result of Investment Management was EUR 39 million in the first quarter of 2014, a 25.8% increase compared with EUR 31 million in the first quarter of 2013, due to EUR 8 million higher fee income.

Special items before tax of Investment Management was a loss of EUR 122 million in the first quarter of 2014 compared with nil in the first quarter of 2013, caused by Investment Management's allocation of EUR 122 million pension expenses related to the agreement to make ING Groep's defined benefits pension plan in the Netherlands financially independent.

The *result before tax* was a loss of EUR 83 million in the first quarter of 2014, a decrease of EUR 114 million compared with a profit of EUR 31 million in the first quarter of 2013, primarily reflecting the impact of the agreement to make ING Groep's defined benefits pension plan in the Netherlands financially independent.

Key performance indicators

Net inflow/outflow of Investment Management was an outflow EUR 12,134 million in the first quarter of 2014 compared with an outflow of EUR 3,008 million in the first quarter of 2013. The higher net outflow in the first quarter of 2014 was largely due to outflows in the proprietary client segment (Belgium and Poland) and EUR 9,493 million of outflows in assets managed for the ING Pension Fund.

Assets under management were EUR 167,658 million as at 31 March 2014, a 9.1% decline compared with EUR 184,473 million as at 31 March 2013, due to the outflow of assets managed for the ING Pension Fund in the first quarter of 2014, as well as outflows in the proprietary segment and in fixed income assets managed for third parties during the first half year of 2013.

The *cost/income ratio* of Investment Management improved by 4.9 percentage points to 66.9% in the first quarter of 2014 compared with 71.8% in the first quarter of 2013, following an increase in fees in combination with flat administrative expenses.

Client balances of Investment Management increased to EUR 93,279 million as at 31 March 2014 from EUR 87,619 million as at 31 March 2013. These client balances reflect AuM for the third party business of Investment Management. The increase was mainly driven by inflows of EUR 13,759 million for several large new mandates, partly offset by the outflow of the ING pension fund of EUR 9,493 million and the outflow of some smaller contracts for EUR 330 million.

The *net operating ROE* of Investment Management was 34.6% in the first quarter of 2014, a 10.9 percentage point increase compared with 23.7% in the first quarter of 2013, largely attributable to an increase in net operating result.

Other

The table below sets forth the results of operations and certain key figures for the Other segment for the three months ended 31 March 2014 and 2013.

	For the three months ended 31 March	
(*in millions of EUR*)	**2014**	**2013**
	(*unaudited*)	
Interest on hybrids and debt	-33	-41
Amortisation of intangible assets	-2	-2
Investment income and fees	7	—
Holding expenses	-26	-43
Holding result	**-54**	**-86**
Operating result reinsurance business	11	-25
Operating result NN Bank	5	-6
Other results	7	2
Operating result	**-31**	**-115**
Non-operating items	11	10
of which gains/losses and impairments	10	9
of which revaluations	1	1
of which market and other impacts	—	—
Special items before tax	-23	-8
Result on divestments	—	-1
Result before tax	**-43**	**-114**
Taxation	—	-28
Net result	**-43**	**-86**
Key performance indicators		
Total administrative expenses	56	55
of which NN Bank	27	6
of which NN Reinsurance	3	3
Basel II core Tier-1 ratio (NN Bank, end of period)	16.7%	32.6%

Results from operations

Holding result of the Other segment was a loss of EUR 54 million, a 37.2% improvement compared with the loss of EUR 86 million in the first quarter of 2013. Interest costs on hybrids and debt were EUR 8 million lower compared with the first quarter of 2013, mainly due to a re-financing of EUR 2 billion senior debt into ING Groep senior debt with lower interest rates in September 2013 and a EUR 1 billion debt-to-equity conversion in December 2013. Holding expenses decreased to EUR 26 million in the first quarter of 2014 compared with EUR 43 million in the first quarter of 2013. This decrease was mainly driven by the transformation programme in the Netherlands. In addition, the first quarter of 2013 included corporate expenses related to operations in Asia and the United States, which have since been divested.

Operating result reinsurance business increased to EUR 11 million in the first quarter of 2014 from a loss of EUR 25 million in the first quarter of 2013. The first quarter of 2013 included a EUR 31 million loss on a specific reinsurance contract, whereas the first quarter of 2014 included a EUR 5 million gain on that same contract.

Operating result NN Bank improved to a profit of EUR 5 million in the first quarter of 2014 from a loss of EUR 6 million in the first quarter of 2013, reflecting the operating result from the partial transfer of assets and liabilities from WUB to NN Bank as of July 2013.

Other results increased to EUR 7 million in the first three months of 2014, compared with EUR 2 million in the first quarter of 2013, mainly due to a EUR 3 million refund of claims advances from a run-off portfolio to NNOFIC.

Operating result of the Other segment improved to a loss of EUR 31 million in the first quarter of 2014 from a loss of EUR 115 million in the first quarter of 2013, reflecting a higher operating result from the reinsurance business and NN Bank as well as a better holding result on lower funding costs and expense reductions.

Non-operating items was a gain of EUR 11 million in the first quarter of 2014 compared with a gain of EUR 10 million in the first quarter of 2013. Non-operating items in the first quarter of 2013 reflected gains on the sale of debt and equity securities at ING Reinsurance.

Special items before tax was a loss of EUR 23 million in the first quarter of 2014 compared with a loss of EUR 8 million in the first quarter of 2013, primarily due to the EUR 6 million contribution of the segment (related to the employees in the head office, NN Re and NN Bank) to the agreement to make ING Groep's defined benefits pension plan in the Netherlands financially independent, as well as expenses related to the transformation programme in the Netherlands.

Result before tax of the Other segment was a loss of EUR 43 million in the first quarter of 2014, an improvement of 62.3% compared with the loss of EUR 114 million in the first quarter of 2013, mainly driven by an improved operating result.

Key performance indicators

Administrative expenses of the Other segment were almost stable at EUR 56 million in the first quarter of 2014 compared with EUR 55 million in the first quarter of 2013. The decline in Holding expenses largely offset the increase of NN Bank expenses following the partial transfer of WUB operations in July 2013.

The *Basel II core Tier-1 ratio* of NN Bank decreased to 16.7% in the first quarter of 2014 from 32.6% in the first quarter of 2013. The decline of the ratio was caused by the transfer of part of the WUB activities to NN Bank on 1 July 2013, which led to a relatively higher increase in risk weighted assets than in capital. The core Tier-1 ratio remained well above statutory limits.

Japan Closed Block VA

The table below sets forth the results of operations and certain key figures for the Japan Closed Block VA segment for the three months ended 31 March 2014 and 2013.

	For the three months ended 31 March	
(*in millions of EUR*)	**2014**	**2013**
	(*unaudited*)	
Investment margin	—	—
Fees and premium-based revenues	30	35
Technical margin	—	—
Operating income	**30**	**35**
Administrative expenses	4	8
DAC amortisation and trail commissions	3	12
Expenses	**7**	**20**
Operating result	**23**	**14**
Non-operating items	-59	148
of which gains/losses and impairments	—	—
of which revaluations	—	—
of which market and other impacts	-59	148
Result before tax	**-36**	**162**
Taxation	-11	42
Net result	**-24**	**120**
Key performance indicators		
IFRS reserve (end of period)	1,268	2,159
Account value (end of period)	14,175	17,205
Net amount at risk (end of period)	870	2,497

Results from operations

Operating income of Japan Closed Block VA was EUR 30 million in the first quarter of 2014, a 14.3% decrease compared with EUR 35 million in the first quarter of 2013, as a result of lower fees and premium-based revenues. The first quarter of 2013 has been restated to reflect a change in accounting policy, i.e. the move towards fair value accounting on the reserves for the Guaranteed Minimum Death Benefits as of 1 January 2014. Fees and premium-based revenues declined to EUR 30 million from EUR 35 million in the first quarter of 2013. Excluding currency effects, fees and premium-based revenues increased 3.4%, despite the gradual decline in outstanding SPVA contracts, driven by the strong performance of the Japanese equity markets in the last nine months of 2013 which boosted the account values.

Expenses of Japan Closed Block VA were EUR 7 million in the first quarter of 2014, a 65.0% decrease compared with EUR 20 million in the first quarter of 2013. Administrative expenses were EUR 4 million compared with EUR 8 million in the first quarter of 2013, as last year's expenses included EUR 5 million one-off expenses related to the preparation for a business restructuring as a part of ING Groep's divestment option for the Asian insurance and investment management businesses. DAC amortisation and trail commissions decreased to EUR 3 million from EUR 12 million in the first quarter of 2013, as all DAC was written down as of 1 October 2013. Hence, in the first quarter of 2014, DAC amortisation and trail commissions only reflected trail commissions.

Operating result of Japan Closed Block VA increased to EUR 23 million in the first quarter of 2014 from EUR 14 million in the first quarter of 2013, because last year's result included both DAC amortization expenses and one-off project expenses.

Non-operating items of Japan Closed Block VA was a loss of EUR 59 million in the first quarter of 2014 compared with a gain of EUR 148 million in the first quarter of 2013. Market and other impacts in the first three months of 2014 reflected the impact of various modelling refinements which led to a one-off technical reserve increase of EUR 51 million. The hedge programme was successful in offsetting market-related movements in the liabilities. Specifically, the result included a small market-related loss (net of hedging) of EUR 6 million as the value change in the hedge assets offset a EUR 67 million movement in the reserves (as measured on a fair value basis). The non-operating gain of EUR 148 million in the first quarter of 2013 included a positive market-related impact (net of hedging) of EUR 97 million and a EUR 40 million positive currency impact related to the difference between the restated IFRS reserves and the originally reported reserves for GMDB, as the Japanese yen weakened versus the euro during the first quarter of 2013. This increased currency exposure has been hedged as from mid-January 2014. The accounting asymmetry impact was immaterial in the first quarter of 2014 after the move towards fair value accounting for the GMDB reserves at the beginning of the year.

The *result before tax* of Japan Closed Block VA was a loss of EUR 36 million in the first quarter of 2014 compared with a profit of EUR 162 million in the first quarter of 2013, reflecting the impact of the adoption of the earlier mentioned modelling change in the reserve calculation which led to a one-off strengthening of EUR 51 million of the technical reserves. The first quarter of 2013 was positively impacted by a EUR 148 million gain on non-operating items.

Key performance indicators

IFRS reserve of Japan Closed Block VA decreased 41.3% to EUR 1,268 million as at 31 March 2014 from EUR 2,159 million as at 31 March 2013. This decrease was primarily due to the 15.1% depreciation of the Japanese yen against the euro, a 9.4% decrease in outstanding VA contracts and strong performance of the equity markets in Japan in the last nine months of 2013. In the first quarter of 2014, the Japanese equity markets retreated due to concerns over the Chinese economy, causing an increase in the IFRS reserve from EUR 1,086 million as at 31 December 2013.

The *account value* was EUR 14,175 million as at 31 March 2014, a 17.6% decrease compared with EUR 17,205 million as at 31 March 2013. This decrease was primarily caused by the weakening of the Japanese yen and the decrease in outstanding VA contracts, partly offset by the strong performance of the equity markets in the last three quarters of 2013.

The *net amount at risk* of Japan Closed Block VA decreased 65.2% to EUR 870 million as at 31 March 2014 from EUR 2,497 million as at 31 March 2013. This decrease was primarily due to the depreciation of the Japanese yen, the decrease in outstanding VA contracts and strong performance of the equity markets in Japan in the last nine months of 2013. In the first quarter of 2014, the Japanese equity markets retreated due to concerns over the Chinese economy, causing a 31.2% increase in the net amount at risk from EUR 663 million as at 31 December 2013.

Insurance Other

The Insurance Other segment ceased to exist as from 1 January 2014 as a result of (i) the divestment of SulAmérica in January 2014, (ii) the indemnification by ING Groep of certain claims relating to NN's former subsidiary in Mexico and because (iii) ING Groep no longer allocates shareholder expenses to NN as from 1 January 2014. The loss of EUR 5 million in the first quarter of 2013 represented the shareholder expenses allocated to the Company by ING Groep.

CURRENT TRADING

Overall trading to date for the two months ended 31 May 2014 has been broadly in line with the underlying business levels experienced in the three months ended 31 March 2014 (Q1 2014), after adjusting for seasonal impacts. The first quarter of each year typically experiences significantly higher levels of business compared with other quarters in Japan Life (due to the local fiscal year end, which is 31 March) and in Netherlands Life (due to pension renewals).

Life sales (APE) and gross premium development has remained broadly stable to date compared with the five months ended 31 May 2013.

Operating result on a consolidated basis has continued to develop in line with recent quarters, with Japan Life's results expected to moderate compared with the first quarter of 2014, due to seasonality. The Company continues to make progress implementing its investment strategy; however, investment margins remain subject to continued downward pressure in the current low interest rate environment.

On a group-wide basis, the development in administrative expenses for the two months ended 31 May 2014 has remained stable as compared with the two months ended 31 May 2013, as small increases in growing business units have been offset by the continuing decline in expenses in the Netherlands as a result of the transformation programme.

On 8 April 2014, the Company issued EUR 1 billion of subordinated notes due April 2044, and on 28 May 2014, ING Groep injected EUR 850 million of capital into the Company and the Company (as borrower) entered into a senior loan agreement with ING Groep (as lender) for an unsecured senior loan of EUR 400 million, each as described in the section entitled "*General Information—Recent Developments*". These funds were used to strengthen the capitalisation of NN Life by EUR 450 million (in the form of a subordinated loan), to repay a EUR 600 million senior loan owed to ING Groep and to strengthen the cash capital position of the Company by EUR 200 million.

EMBEDDED VALUE

This section provides information on the embedded value results, and related metrics, of NN for the 2013 calendar year. Embedded value (**Embedded Value** or **EV**) is a valuation methodology which provides an estimate of the economic value of the in-force life insurance business to shareholders, excluding any value attributable to future new business. Embedded Value reporting provides supplementary financial information on NN which should be read in conjunction with the 2013 Annual Accounts. The methodology and assumptions described in this section apply only to Embedded Value reporting and not to the financial information described elsewhere in this Prospectus.

Basis for preparation of Embedded Value

The results set forth in this section have been prepared under the European Embedded Value (EEV) Principles and Guidance published in May 2004 and October 2005 (the **EEV Principles**) by the CFO Forum, a group representing the chief financial officers of major European insurers (the **CFO Forum**). The EEV Principles and additional guidance issued thereunder provide a framework for calculating and reporting supplementary EV information.

The EV methodology used by the Company is based on a market consistent approach, including an allowance for the costs of financial options and guarantees, frictional costs of required capital and the cost of residual non-hedgeable risks.

The approach has been adapted to align with the expected method of extrapolation of the risk-free rate within the Solvency II framework. Management has also selected this approach to facilitate comparison of EV results with certain of NN's peers in the European life insurance industry. However, other companies may apply methodologies, assumptions and adjustments which differ from those employed by NN.

The methodology, assumptions and results have been reviewed by Towers Watson in its capacity as consulting actuaries to NN. Towers Watson's report sets out the scope of their review and their resulting opinion, and is included under "*Annex: Consulting Actuaries' Report*".

Covered business

For the purposes of EV reporting, a distinction is drawn between "covered business" to which the Embedded Value methodology is applied, and "non-covered business" which, with the exception of a tax-related item, has been reported on an unadjusted IFRS shareholder's equity basis. Only business in-force at the valuation date is considered. The value of future new business is not included in EV reporting.

The Company defines covered business as all of its life products and their riders, deferred and immediate annuity (or pension) products and pension business. EV in respect of covered business is referred to as **Life EV**.

Non-covered business includes all business apart from covered business. The most significant businesses that are categorised as non-covered business are NN Bank and the Netherlands Non-Life and Investment Management segments as well as holding companies which are part of the Other segment.

Post-employment benefits and staff pension schemes follow IFRS reporting. The most material staff pension scheme is the Dutch pension scheme, which is included in non-covered business.

All non-covered business is included at its IFRS shareholder's equity value, except for the deferred tax liability for the Dutch entities. The treatment of tax for the Dutch entities in EV reporting is described below under "*—Additional matters relating to the methodology—Tax related*". The sum of these values for non-covered business and the Life EV is referred to as **Group EV**.

The table below provides an overview of the treatment of NN's IFRS business segments for the purposes of EV reporting:

Segment	Treatment in EV reporting
Netherlands Life	All material business is treated as covered business[1]
Netherlands Non-Life	All business is treated as non-covered business
Insurance Europe	All business is treated as covered business, with the exception of non-life business in Belgium and Spain[2]
Japan Life	All business is treated as covered business
Investment Management	All business is treated as non-covered business
Other	The life business in NN Re and the corporate overhead expenses related to life business are treated as covered business; the rest, including NN Bank, is treated as non-covered business
Japan Closed Block VA	All business is treated as covered business
Insurance Other	All business is treated as non-covered business

(1) Except for certain immaterial operations, e.g. the legal entity relating to Dutch personnel

(2) NN's Bulgaria, Hungary pension fund and Turkey businesses are included within Life EV on an adjusted IFRS shareholder's equity basis. As the Life EV for the Bulgaria, Hungary pension fund and Turkey businesses is not material, NN has elected not to develop EV reporting for these businesses at present. For Turkey, value of new business is calculated.

Where the Company does not have 100% ownership of the shares of an entity, a deduction is made for the corresponding minority interest.

Methodology

Life EV represents the present value of shareholders' interest in expected future distributable earnings from the covered business, adjusted for the risks to shareholders arising from uncertainty in the timing and amount of such earnings distributions.

Life EV consists of the net asset value (**NAV**) of assets allocated to the covered business, plus the value of in-force business (**VIF**), which is a time-weighted and risk-adjusted measure of future profits (as described further below).

Embedded Value will change over time due to the expected return on embedded value, the value of new business sold during the reporting period and dividends paid or capital injections made. In addition, economic and other experience variances and changes to future assumptions and models will impact on the Embedded Value.

Net Asset Value

NAV is defined as the market value of the assets allocated to the covered business not required to back the in-force regulatory reserves at the valuation date. Where a market price for assets is not available, a marked-to-model valuation is used.

NAV is comprised of required capital and free surplus. For EV purposes, **required capital** is the market value of the assets attributed to the covered business in excess of that required to cover the regulatory reserves for that business, which is restricted from being distributed to shareholders. It is equal to the higher of the minimum solvency capital required by regulators and the amount that management determines is sufficient to cover the capital needs of the operating segments under current regulatory regimes. **Free surplus** is the market value of any assets allocated to, but not required to support, the in-force business at the valuation date.

A reconciliation of Group EV to IFRS shareholder's equity is provided in "*—Group EV results—Reconciliation of IFRS shareholder's equity to Group EV*".

Value of in-force business

VIF is the value of the in-force business at the valuation date and consists of the following components:

- present value of future profits (**PVFP**);
- time value of financial options and guarantees (**TVOG**);

- frictional costs of capital (**FCoC**); and
- cost of residual non-hedgeable risk (**CRNHR**).

Each of the VIF components is described below. Certain units which do not have a material impact on NN's overall results, namely the Luxembourg business and the life business component of the Other segment, utilise certain approximations as a substitute for the full methodology set out below, with materially the same outcome.

Present value of future profits

PVFP is the present value of projected future after-tax shareholder profits arising from the current in-force portfolio. The future profits are based on the reserves calculated in accordance with local regulatory requirements. Future profits cover all of the material cash flows applicable to the business in-force including premiums, claims, expenses, commission and tax, together with investment income and the change in regulatory reserves. Future profits are projected using economic assumptions described below and best estimate non-economic assumptions.

In determining the PVFP a 'certainty equivalent' approach is followed, i.e. assets are assumed to earn a risk-free rate (referred to as the 'reference rate') and all future profits are discounted using the same reference rate.

The reference rate is based on prevailing swap rates, except for the Romania business, which uses Romanian government bond rates, as the swap market there is not considered sufficiently liquid. The reference rate methodology uses market data up to the last term where relevant markets are assumed to be sufficiently liquid and applies an extrapolation methodology to determine the reference rate beyond this point. In line with the expected Solvency II framework, for the euro swap rate curve an entry point of 20 years is used for the extrapolated part of the curve with convergence over the subsequent 40 year period to an ultimate forward rate (**UFR**). Further details on the economic assumptions used are provided under "*—Assumptions—Economic assumptions*". If additional market data had been used for the euro swap rate curve by using an entry point of 30 years for the curve extrapolation, this would have had a negative impact on Life EV of approximately EUR 800 million as at 31 December 2013 and EUR 1,500 million as at 31 December 2012. However, an adjustment was made to the CRNHR to reflect the uncertainty that arises from the use of an entry point of 20 years for the euro swap rate extrapolation and the UFR assumption. This adjustment reduced the Life EV by EUR 517 million as at 31 December 2013 and EUR 763 million as at 31 December 2012, and is described in more detail in "*—Cost of residual non-hedgeable risk*".

In line with market practice, an adjustment is made to the PVFP to allow for the ability of insurers to earn an illiquidity premium spread on credit risky assets such as corporate bonds. This is described further below under "*—Additional matters relating to the methodology—Illiquidity premium adjustment*".

The PVFP is calculated on a so-called 'look through' basis. It includes the value of future profits arising from internal group service companies to the extent that they relate to the covered business. Two exceptions are made to this. One relates to the treatment of tax for the Dutch covered businesses, explained further in "*—Additional matters relating to the methodology—Tax related*". Another exception is made for the Investment Management segment, where the Company has chosen to exclude from the PVFP the profits of its investment management companies on the assets managed for the covered business. Related investment management expenses are included based on the arm's length agreements between the covered business and Investment Management. This approach is used to give a clear split of earnings between the Investment Management segment and the life businesses in line with NN's primary IFRS accounts.

Time value of financial options and guarantees

The PVFP reflects the intrinsic value of financial options and guarantees in the single base (deterministic) scenario described above. However, a stochastic model is required to determine the total value of financial options and guarantees where cash flows vary asymmetrically with market returns. The stochastic model uses a number of simulations to project future cash flows under various economic scenarios.

The TVOG represents the difference between the intrinsic value and the total stochastic value of financial options and guarantees, and is calculated as the difference between the deterministic PVFP (before the illiquidity premium adjustment) and the mean of the stochastic PVFPs.

The most significant financial options and guarantees that are part of the in-force business are:

- options and guarantees in the Japan Closed Block VA segment;
- options and guarantees that are part of the group life business in the Netherlands; and
- absolute and relative performance guarantees for several of the pension funds in the Insurance Europe segment.

Other financial options and guarantees exist within the covered business, although those listed above currently contribute most materially to the TVOG.

Dynamic policyholder behaviour has been reflected where it is deemed material to the valuation under the different economic environments reflected in the stochastic PVFPs. In some cases the impact of dynamic policyholder behaviour has been reflected indirectly in the CRNHR.

Where future profit sharing is dependent upon economic conditions, the variability is taken into account in the TVOG. Where management actions have been taken into account, for example in determining the amount of profit sharing, these are consistent with policies signed-off by the respective boards.

The scenarios and key parameters used in the calculations of the TVOG are described under "—*Assumptions—Economic assumptions*".

Frictional costs of capital

FCoC reflects the present value of the additional costs to shareholders of holding the assets backing the required capital in an insurance company. The frictional costs allowed for are the taxation on the investment income on assets backing the required capital and the investment expenses incurred for the management of these assets. The investment return earned (before taxation and investment expenses) is assumed to be equal to the reference rate plus 100% of the assumed illiquidity premium spread. The discount rate used is equal to the assumed earned investment return. The required capital and related frictional costs are projected to determine the FCoC. The projection of future required capital is either calculated directly or estimated via appropriate drivers such as projected reserves.

Cost of residual non-hedgeable risk

The CRNHR allows for risks which are not sufficiently allowed for elsewhere in the valuation and recognises that:

- a single best estimate assumption may not fully capture the asymmetry in the impact of the risks on shareholder value;
- some allowance should be made for any risks that are not included in the PVFP and TVOG; and
- actual experience can vary from best estimate assumptions and hence some allowance for uncertainty may be needed.

There are two components to NN's CRNHR. The first component deals with most of the non-hedgeable risks described above. The second component allows specifically for the uncertainty in the extrapolated part of the euro swap rate curve where an entry point of 20 years is used for the extrapolated part of the curve with convergence over the subsequent 40 year period to the UFR.

The first component of the CRNHR allows for non-financial risks such as operational risks, and risks related to the uncertainty of non-financial assumptions such as mortality, longevity, lapse and expenses. The first component of the CRNHR also implicitly allows for the cost of several financial risks, for example the additional volatility from credit spreads. This first component is determined based on NN's internal economic capital methodology, using a "cost of capital" methodology similar to the approach that will be used for Solvency II to determine a risk margin. For this purpose the amount of capital is in respect of non-financial risks only. The FCoC is deducted from this risk margin to give the first component of the CRNHR. As at 31 December 2013 this equates (at a total level) to a 4.2% annual charge on the projected amounts of this capital for non-financial risks.

The second component of the CRNHR is calculated by stressing the UFR used in the euro swap rate extrapolation by 75 basis points, i.e. the UFR of 4.2% is reduced by 0.75%. This lowers the reference rate curve for all points after the entry point for extrapolation of 20 years. The second component has been calculated as the reduction in the PVFP for the Netherlands Life business due to the application of this lower reference rate curve and with no tax relief assumed on this reduction in value, as this is the component of value most affected by the extrapolation approach to the euro swap rate curve.

The application of the second component of the CRNHR had the effect of reducing Life EV by EUR 517 million as at 31 December 2013 and by EUR 763 million as at 31 December 2012.

Value of new business

The value of new business (**VNB**) is calculated consistently with VIF. VNB is defined as the present value, at the point of sale, of the projected after-tax distributable profits from the new business written in the year, taking into account all acquisition expenses and commissions. The TVOG, FCoC and CRNHR in respect of the year's new business are deducted from PVFP to derive the VNB. Where an illiquidity premium adjustment is warranted, the VNB includes this adjustment, as described under "—*Additional matters relating to the methodology—Illiquidity premium adjustment*".

The VNB is calculated for all lines of covered business and is based on best estimate non-economic assumptions available at point of sale. Economic assumptions used are typically based on those from the end of the quarter that the business was written. Group contracts in the Netherlands, where the economic assumptions used are those at the point in time when the first premium is recognised, are an exception, as is some business in Belgium, where economic assumptions representative of the average level over the quarter (consistent with their pricing) are used.

New business is defined as the business arising from the sale of new contracts during the 12 month period before the valuation date and any non-contractual premium increases to existing contracts. The VNB includes the value of expected future contractual increases on the new business.

The definition of new business for group contracts in the Netherlands is described in "—*Additional matters relating to the methodology—Group business in the Netherlands*".

Although Turkey is included in the Life EV using adjusted IFRS shareholder's equity, the VNB includes results for Turkey calculated as described above.

Additional matters relating to the methodology

Illiquidity premium adjustment

The predictable nature of some life insurance business cash flows gives insurers the ability to invest in fixed interest assets and hold such assets to maturity. Assets such as corporate bonds typically have yields in excess of those on equivalent more liquid risk-free fixed income assets, due to their credit risk premium and lower liquidity. The illiquidity premium adjustment (see "—*Methodology—Present value of future profits*") captures the estimated additional value to shareholders from earning that part of the excess yields on such assets that is not attributable to credit risk (referred to here as the illiquidity premium spread).

For details of the illiquidity premium spread assumptions, see "*Assumptions—Economic assumptions*". The rest of this section describes how the illiquidity premium adjustment has been calculated.

The illiquidity premium adjustment is only calculated in respect of general account products and is not applied for unit-linked or variable annuity contracts. In calculating the VNB, no illiquidity premium adjustment is made for regular premium business, except for the first year of regular premiums in the Netherlands Life segment. When applying the illiquidity premium spread to general account products, NN takes into account the specific features of each liability portfolio, rather than basing it on the actual asset holdings of NN.

The cash flows to which the illiquidity premium spread is applied are only those cash flows that do not vary with market returns and that are considered to be predictable. The predictable portion of the cash flows are determined based on the persistency shocks applied under NN's internal economic capital methodology. This adjustment is made to allow for the uncertainty in future non-economic experience for each portfolio.

An adjustment is also made, where appropriate, to reflect the fact that earning the assumed illiquidity premium spread can, on some contracts, lead to higher profit sharing payments to policyholders.

The table below sets forth the weighted average proportion of the general account business cash flows to which the illiquidity premium spread has been applied.

Segment	Weighted average proportion of general account cash flows on which the illiquidity premium spread is applied
Netherlands Life	83%
Insurance Europe[1]	60% – 75%
Japan Life	n.a.
Other	100%
Japan Closed Block VA	n.a.

(1) The range is based on material business units only.

Group business in the Netherlands

Group business in the Netherlands comprises general account and separate account business, typically with a five-year contract term after which the contract may be renewed.

In the EV calculation separate account business with guarantees are assumed to surrender or be made paid-up (i.e. no further premiums are payable) at the end of the contract term (the 'contractual end date'), depending on the funding level (which is the most important driver for what happens at that time for this business), and are assumed to convert at that time to general account business. Separate account business without guarantees are assumed to lapse at the end of the contract term, to reflect current pension regulation requirements that this type of contract must be cancelled by 1 January 2017. All other group contracts are assumed to be made paid-up at the contractual end date.

The projections of the in-force portfolio of group business until the contractual end date assume that new members joining existing group contracts replace each existing member leaving due to death, disability or turnover. Projected future premiums include increases of premiums due to salary increases or indexation of pensions of the existing members. If the actual numbers of employees or premium increases are different from these assumptions this is treated as an operating variance at the time such differences arise.

New business for group contracts are brand new group contracts sold and existing contracts that have been renewed (at the contractual end date) during the 12 month period before the valuation date. The value of new business recorded for existing contracts that renew is determined as the difference in the value of the whole contract before renewal (assuming it is paid-up) and the value of the whole contract after renewal (i.e. accrued benefits and the premiums and benefits until the next contract renewal date).

Tax related

Tax impacts included in EV reporting are in line with the tax regulations applicable in the relevant jurisdictions. Allowance is made for known future changes in tax legislation where such changes have been announced and are reasonably certain to be implemented.

Tax losses carried forward are allowed for in the projections. In some cases when assessing the extent to which the tax losses carried forward can be utilised, a limited amount of future new business (in line with business plan projections) has been taken into account, which has increased the value placed on these tax assets (the impact is not material in the case of the Life EVs presented herein).

In Belgium, companies may benefit from applying a notional interest deduction towards the taxation of earnings on assets corresponding to the equity capital of the company. This has been taken into account in the valuation of the Belgian entity.

In the Netherlands, under certain conditions equity and property investments are exempt from tax. Where applicable, this has been taken into account in the valuation of the Netherlands Life entities.

Dutch tax law provides for a tax consolidation of different legal entities, a so-called fiscal unity. Within this fiscal unity only the fiscal unity parent pays tax or is entitled to a tax refund. A fiscal unity member making a taxable profit makes a payment to the fiscal unity parent and a fiscal unity member making a taxable loss gets a receivable from the fiscal unity parent. Any write down of tax assets takes place in the fiscal unity parent without further allocation to members of the fiscal unity.

The Company makes use of this fiscal unity for its Dutch legal entities, which comprise both covered and non-covered business. The fiscal unity parent entity is part of non-covered business.

For EV reporting in the valuation of the covered business in the Netherlands, a taxable profit is assumed to be fully taxed and a taxable loss is assumed to lead to an immediate tax receivable (with the payment and/or receivable being made from the Dutch fiscal unity parent).

In order to ensure that an overall appropriate allowance for taxation is made in respect of covered business an adjustment is made to the Group EV at the fiscal unity parent level. The adjustment reflects the reduced value obtained in the Dutch fiscal unity parent on the embedded value basis (which assumes no future investment spreads other than the illiquidity premium spread), with the value from projected taxable losses on the Dutch covered business only recognised to the extent that there are projected taxable profits available from the in-force Dutch covered business. In practice, the fiscal unity parent entity combines the covered and non-covered business and expects to benefit from additional taxable profits available from non-covered business as well as earning spreads above the illiquidity premium on the covered business.

Regulatory changes

Changes in regulation are difficult to predict, so only known changes are included in the Embedded Value calculation and no specific allowance is made for the risk that regulations may change in the future.

Solvency II

In September 2012, the CFO Forum released interim transitional guidance for embedded value reporting in advance of the effective date of Solvency II. This stated that until there is full clarity on Solvency II, including the effective date and the publication of all relevant standards and guidance, there is no requirement to make allowance for Solvency II and associated consequences when complying with the EEV Principles.

NN believes that full clarity is not yet available on Solvency II and therefore the embedded value results, and related metrics, have been prepared assuming the current local regulatory requirements for determining reserves and required capital remain unchanged in future.

Poland pension fund reform

During 2013 changes to the regulation of the Polish pension fund regime were announced, most of which became effective on 1 February 2014. See "*—Key Factors affecting Consolidated Results of Operations—Regulatory changes and government policies—National pension fund regulations*" and "*Industry Overview—Central and Eastern Europe (CEE)—Industry trends and developments*".

These changes have been reflected in the Life EV as at 31 December 2013 and have had a significant impact. For more details, see "*—Life EV results—Life EV results by segment*". The most significant assumptions used in the valuation are as follows:

- a shift in the assumed future asset mix: 51.5% of assets (equal to 100% of the Polish government bonds and securities) were transferred out of the pension fund, leading to a different future asset mix; and
- 85% of participants are assumed to stop paying premiums immediately and 15% of the remaining participants are assumed to be made paid-up every four years in the projections.

There is still a significant amount of uncertainty regarding the impact of these changes, such as the impact on customer behaviour, and so there remains a significant amount of uncertainty regarding the appropriate assumptions to use. Additional sensitivities are provided in the section "*—Sensitivity analysis*" to illustrate the valuation impact of differences in the most critical assumptions, i.e. the paid-up rate and the equity allocation.

Participating business

Any profit sharing assumptions are based on contractual and regulatory requirements and take into account possible management discretion. The profit sharing assumptions, and the profit allocation between policyholders and shareholders, are determined consistently with the projection assumptions, established company practice and local market practice.

The portfolios in which profit sharing is most significant are:

- ***Group life business in the Netherlands***: for some contracts profit sharing is based on an external benchmark. For EV purposes the assumed future development of the external benchmark is taken into account in the projection to determine the level of future profit sharing.
- ***Individual life business in the Netherlands***: profit sharing for most of the applicable traditional life policies is allowed for in the EV calculation on a discretionary basis only, as the statutory profit sharing is immaterial on the EV basis. For this business, only profit sharing already earmarked for policyholders has been taken into account in the EV calculation.

Dutch unit-linked products

A provision has been recognised in the regulatory accounts in respect of compensation payments to unit-linked policyholders relating to settlement agreements, as described under "*Business—Legal Proceedings—Dutch unit-linked products*". This provision does not take into account any future claims under proceedings apart from those relating to the settlement agreements. For the purposes of the EV calculations, it has been assumed that the provision will be sufficient to meet the actual level of future compensation costs based on the agreements made. No provision has been made in the Life EV for future claims not already part of the settlement agreements.

Assumptions

This section describes the key assumptions used by NN in preparing the EV results set out in this section.

Economic assumptions

The economic assumptions are based on market conditions as at the relevant valuation date. The Company uses a certainty equivalent approach, as described in the section entitled "*—Methodology—Present value of future profits*". Where it is appropriate to incorporate an illiquidity premium spread, an adjustment is made to the PVFP to include an illiquidity premium adjustment as described under "*—Additional matters relating to the methodology—Illiquidity premium adjustment*". A stochastic model is required to determine the TVOG.

The methodology used for setting the economic assumptions does not always take into account all available market data. For example, as described in more detail below, market data is only used up to 20 years for the euro swap rate curve. For entities based in the eurozone, this means that projected cash flows after 20 years will not be valued in line with the market prices of similar financial instruments that are traded on capital markets or with euro-denominated fixed interest assets held by NN with an outstanding term greater than 20 years, which are valued at actual market prices. There are other cases where available market data is not used where this data is regarded as unreliable. These are described in the rest of this section on the economic assumptions.

The key economic assumptions for calculating the EV result are:

- the reference rate curve;
- the implied volatilities for swaptions, equity options, real estate and foreign exchange rates;
- market correlation assumptions;
- asset mix assumptions;
- illiquidity premium spreads;
- inflation; and
- foreign exchange rates.

Reference rate

All input data required for the construction of the reference rate curves comes from external providers such as Bloomberg and Reuters. The short-term reference rate curve (less than two years) is derived from money market rates (interbank/futures) and thereafter is based on swap rates. For Romania, the Romanian government bond yield curve is used as the basis for the reference rate curve as the swap market is not considered sufficiently liquid.

The reference rate methodology uses (mid-price) market data for swaps (or government bond yield in the case of Romania) up to the last term where each of the markets are assumed to be sufficiently liquid (referred to below as the extrapolation entry point) and applies an extrapolation methodology to determine the reference rate beyond this point.

The approach used for the extrapolation has been aligned with that expected under Solvency II and used by certain of NN's peers in the European life insurance industry for EV reporting. The method used determines forward rates after the extrapolation entry point by interpolating between the last observable liquid forward rate over a specified convergence period until an assumed UFR is reached.

The following table sets forth details of the assumptions for the entry point for extrapolation, convergence period and the UFRs for the currencies indicated.

Country/currency	Extrapolation entry point (years)	Convergence period (years)	UFR[2]
Euro	20	40	4.20%
Czech Republic	15	45	4.20%
Hungary	15	45	4.20%
Japan	30	30	3.20%
Poland	15	45	4.20%
Romania	10	50	4.20%
Turkey	10	50	5.20%
United States[1]	30	30	4.20%

(1) NN Re has some liabilities and assets denominated in U.S. dollars.

(2) UFR is reached at a duration equal to the extrapolation entry point plus convergence period.

The tables below set forth the reference rates used in the calculations as at the valuation dates indicated. The assumptions for dates other than as at 31 December are used for the calculation of VNB, as described in "—*Methodology—Value of new business*". The rates shown are continuously compounded zero coupon yields for the tenors indicated.

	As at 31 December 2013							
	Tenor in years							
Country/currency[1]	1	2	5	10	15	20	25	30
Euro	0.36%	0.52%	1.26%	2.19%	2.66%	2.80%	2.92%	3.07%
Czech Republic	0.61%	0.56%	1.28%	2.12%	2.62%	2.99%	3.22%	3.37%
Hungary	2.94%	3.15%	4.05%	5.31%	5.32%	5.13%	4.99%	4.87%
Japan	0.20%	0.21%	0.40%	0.94%	1.42%	1.77%	1.94%	2.02%
Poland	2.62%	2.93%	3.66%	4.19%	4.28%	4.30%	4.29%	4.27%
Romania	2.98%	3.62%	4.65%	5.31%	5.24%	5.12%	5.00%	4.89%
Turkey	9.55%	9.68%	10.02%	10.30%	10.06%	9.45%	8.84%	8.32%
United States	0.34%	0.48%	1.79%	3.20%	3.77%	3.99%	4.09%	4.13%

(1) Swap rates in all cases except for Romania, where government bond yield is used.

	As at 30 September 2013							
	Tenor in years							
Country/currency[1]	1	2	5	10	15	20	25	30
Euro	0.42%	0.56%	1.24%	2.12%	2.57%	2.70%	2.85%	2.99%
Czech Republic	0.55%	0.66%	1.29%	2.08%	2.57%	2.93%	3.16%	3.31%
Hungary	3.37%	3.60%	4.22%	5.19%	5.17%	5.01%	4.89%	4.80%
Japan	0.41%	0.24%	0.40%	0.87%	1.36%	1.72%	1.89%	1.96%
Poland	2.84%	3.19%	3.86%	4.30%	4.37%	4.35%	4.33%	4.30%
Romania	3.76%	3.95%	4.48%	5.16%	5.40%	5.36%	5.26%	5.14%
Turkey	7.88%	7.92%	8.76%	9.24%	9.22%	8.74%	8.19%	7.72%
United States[2]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

(1) Swap rates in all cases except for Romania, where government bond yield is used.

(2) No new business is sold in U.S. dollars, therefore this is not applicable.

	As at 30 June 2013							
	Tenor in years							
Country/currency[1]	**1**	**2**	**5**	**10**	**15**	**20**	**25**	**30**
Euro	0.44%	0.60%	1.23%	2.04%	2.46%	2.56%	2.71%	2.86%
Czech Republic	0.57%	0.87%	1.55%	2.02%	2.41%	2.73%	2.96%	3.13%
Hungary	4.14%	4.47%	5.00%	5.76%	5.60%	5.36%	5.18%	5.04%
Japan	0.42%	0.27%	0.51%	1.04%	1.51%	1.84%	1.99%	2.05%
Poland	2.77%	3.17%	3.84%	4.19%	4.25%	4.25%	4.25%	4.23%
Romania	4.70%	4.93%	5.24%	5.45%	5.42%	5.30%	5.16%	5.04%
Turkey	7.19%	7.53%	8.62%	9.21%	9.12%	8.65%	8.11%	7.65%
United States[2]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

(1) Swap rates in all cases except for Romania, where government bond yield is used.
(2) No new business sold in US dollars, hence not applicable

	As at 31 March 2013							
	Tenor in years							
Country/currency[1]	**1**	**2**	**5**	**10**	**15**	**20**	**25**	**30**
Euro	0.41%	0.50%	0.92%	1.70%	2.16%	2.33%	2.52%	2.70%
Czech Republic	0.58%	0.59%	0.85%	1.33%	1.73%	2.10%	2.40%	2.63%
Hungary	4.41%	4.37%	4.61%	5.37%	5.15%	4.88%	4.73%	4.64%
Japan	0.45%	0.22%	0.28%	0.66%	1.17%	1.56%	1.76%	1.85%
Poland	3.16%	3.19%	3.32%	3.64%	3.53%	3.48%	3.51%	3.56%
Romania	5.05%	5.19%	5.42%	5.66%	5.66%	5.52%	5.37%	5.22%
Turkey	6.21%	6.84%	7.41%	7.89%	7.83%	7.56%	7.24%	6.93%
United States[2]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

(1) Swap rates in all cases except for Romania, where government bond yield is used.
(2) No new business sold in U.S. dollars, hence not applicable

	As at 31 December 2012							
	Tenor in years							
Country/currency[1]	**1**	**2**	**5**	**10**	**15**	**20**	**25**	**30**
Euro	0.32%	0.37%	0.77%	1.59%	2.07%	2.24%	2.43%	2.63%
Czech Republic	0.68%	0.56%	0.79%	1.36%	1.80%	2.19%	2.49%	2.72%
Hungary	5.12%	4.97%	4.97%	5.35%	5.13%	4.89%	4.74%	4.64%
Japan	0.49%	0.22%	0.31%	0.85%	1.42%	1.80%	1.99%	2.07%
Poland	3.43%	3.37%	3.37%	3.61%	3.46%	3.38%	3.41%	3.47%
Romania	6.15%	6.06%	6.05%	6.68%	6.95%	6.83%	6.60%	6.36%
Turkey[2]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
United States	0.33%	0.39%	0.84%	1.83%	2.43%	2.69%	2.82%	2.91%

(1) Swap rates in all cases except for Romania, where government bond yield is used.
(2) Turkey only calculates VNB, therefore this is not applicable for year-end 2012.

Stochastic assumptions: calibration of economic scenarios used for TVOG

A stochastic model is required to calculate the TVOG. The economic scenarios used for the stochastic calculations have been calibrated to the same reference rates used to calculate the PVFP.

The features of each portfolio determine the number of scenarios to be used to achieve a suitably low simulation error. The number of scenarios used by NN typically varies between 1,000 and 3,500, with significantly more than this used for some of the Japan Closed Block VA business.

Implied volatilities for swaptions, equity options, real estate and foreign exchange rates

Implied volatility assumptions for swaptions, equity options, real estate and foreign exchanges rates are required for the valuation of options and guarantees embedded in the insurance liabilities of NN. The implied volatilities can be derived from the observed market prices of derivatives. The market data used for the implied volatility assumptions is sourced from external data providers. Consistent with the derivation of the reference rate curve, market data for determining the implied volatility assumptions is only used where there is assumed to be sufficient depth and liquidity. For illiquid or incomplete markets the implied volatility assumptions are determined using historical data. The calibration process determines the best-fitting model parameters. Recognised mathematical models are used to generate the economic scenarios.

Swaption implied volatilities

For euro swaption market volatility, the last market data point used is for a swaption with a forward start date of ten years and a swap term of 20 years. For Japanese yen, a last market data point is used similar to that for the euro. Where market data is not used for these currencies the assumptions are derived from long term volatility targets.

For currencies without a reliable swaption market the swaption volatility assumptions are constructed based on historical swap data (government bond data in the case of Romania).

Assets that carry credit risk such as corporate bonds are calibrated and treated in the same way as risk-free assets. An implicit allowance is included within the CRNHR for the estimated impact of the higher volatility that would be expected from credit spread volatility.

The tables below set forth samples of the resulting implied volatility assumptions for swaptions by currency. The assumptions shown are for at-the-money options on ten year swaps as at the dates and for the sample option maturities indicated. Where market data was either not available or not used (i.e. Hungary and Romania), the model output volatilities have been shown.

	As at 31 December 2013					
	Option maturity in years					
Country/currency	**1**	**2**	**5**	**10**	**15**	**20**
Euro	29.8%	28.5%	25.0%	22.4%	22.3%	21.8%
Czech Republic	36.8%	32.6%	26.3%	—	—	—
Hungary	38.8%	33.2%	25.2%	21.9%	19.7%	17.6%
Japan	40.5%	38.1%	29.9%	23.4%	—	—
Poland	24.6%	22.5%	20.6%	—	—	—
Romania	20.4%	20.0%	20.3%	22.6%	24.0%	25.0%
Turkey[1]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
United States	25.8%	24.3%	20.3%	16.7%	15.0%	13.9%

(1) Stochastic calculations not applicable to Turkey.

	As at 31 December 2012					
	Option maturity in years					
Country/currency	**1**	**2**	**5**	**10**	**15**	**20**
Euro	37.6%	34.8%	27.9%	24.5%	25.4%	25.6%
Czech Republic	101.1%	87.9%	63.3%	—	—	—
Hungary	27.2%	26.2%	24.6%	24.9%	23.4%	21.0%
Japan	38.1%	35.8%	29.6%	24.6%	—	—
Poland	23.5%	22.9%	22.8%	—	—	—
Romania	21.7%	20.7%	18.4%	17.6%	18.3%	18.9%
Turkey[1]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
United States	36.1%	33.6%	27.3%	23.7%	23.0%	21.7%

(1) Stochastic calculations not applicable to Turkey.

Equity option implied volatilities

The market data used depends on the equity index being modelled and the availability of data at each duration. For Euro Stoxx 50 the last liquid point used is ten years, for Amsterdam Exchange Index it is three years and for Nikkei 225 it is five years. For equity indices where there is insufficient market implied volatility data a volatility assumption is constructed using historic time series data for each index.

The tables below set forth samples of the resulting implied volatility assumptions for at-the-money equity options for key equity indices, as at the dates and for the sample option maturities indicated.

	Option maturity of 1 year	**As at 31 December**	
	Equity index	**2013**	**2012**
Country/currency			
Euro	Amsterdam Exchange Index	14.4%	17.0%
	Euro Stoxx 50	17.4%	21.6%
Japan	Nikkei 225	22.7%	21.4%
	TOPIX	20.2%	20.8%
Poland	Warsaw Index	21.2%	20.8%
Romania	Bucharest Exchange Index	27.0%	27.0%
United States	S&P 500	15.1%	18.6%

	Option maturity of 5 years	**As at 31 December**	
	Equity index	**2013**	**2012**
Country/currency			
Euro	Amsterdam Exchange Index	19.5%	21.0%
	Euro Stoxx 50	19.1%	23.1%
Japan	Nikkei 225	22.2%	23.7%
	TOPIX	22.6%	22.2%
Poland	Warsaw Index	22.6%	22.8%
Romania	Bucharest Exchange Index	29.9%	29.8%
United States	S&P 500	20.4%	22.8%

Real estate implied volatilities

Real estate is modelled in the same way as equities, with the real estate volatility assumption constructed from analysis of historic time series data. For example, the implied volatility assumption used for real estate is 25.5% for the at-the-money five year tenor assumption.

Foreign exchange rates implied volatilities

For the valuation of liabilities with cross-currency risks, the modelling of foreign exchange rates is required to prevent arbitrage opportunities. Foreign exchange rates are modelled consistently with the stochastic interest rates of both currencies. For the Japanese yen and U.S. dollar the last liquid point used is five years.

Market correlation assumptions

It is necessary to make assumptions about how returns on different asset classes and economies correlate to each other in order to develop a coherent set of market returns. The availability of market data that captures an implied market price for these correlations is limited and therefore historic correlations are used to generate stochastic scenarios. The assumed correlations between ten year euro swaps and the main euro equity market indices (Amsterdam Exchange Index, Euro Stoxx 50) are between 47% and 39%.

Asset mix assumptions

The economic assumptions described above are used in the models in conjunction with assumptions about the future asset mix to derive the projected fund volatility, which is a key driver of the TVOG in cases where the benefit is based on the actual investment return on the fund. The asset mix can also impact the EV in cases where the tax treatment of investment returns from different asset classes varies, for example in the Netherlands.

Certain information on the actual mix of the general account business as at 31 December 2013 and as at 31 December 2012 is provided in "*Business—Investments*". The future asset mix assumptions are based on the strategic asset allocations described in "*Business—Investments*".

For the most material entity, NN Life, the strategic asset allocation for the general account business assumes changes over time from the actual asset mix at the valuation dates. In the case of the calculation of the Life EV as at 31 December 2013, the proportion of assets held in equities and property is assumed to increase from 9% to 15% between 2013 and 2017 (with the real estate entities in Netherlands Life treated on a net asset value basis), the allocation to mortgages from 15% to 16% and the allocation to other fixed interest assets is assumed to reduce from 76% to 69%.

Illiquidity premium spreads

For all currencies where an illiquidity premium adjustment is included, a term structure for the illiquidity premium spread forward rates has been used, meaning that the illiquidity premium spread assumption varies by duration.

For the euro, NN uses the spreads of a mix of composite AAA covered bond indices over the reference rate to determine illiquidity premium spreads at a given point in time. NN considers the covered bond indices to be a suitable calibration instrument for the illiquidity premium spread due to its low level of credit risk and the bonds being fully collateralised, thus any spread is considered to be an illiquidity premium. As NN does not invest directly in the covered bond indices to back the general account liabilities, there can be mismatches between illiquidity premium spreads experienced on the Company's own assets and the illiquidity premium spread depicted by the covered bond index. The last liquid tenor for the covered bond indices has been set at 12 years. The forward rates for illiquidity premium spreads are assumed to gradually converge to zero between the 12 year and 20 year tenor after which forward rates are assumed to be zero.

For the Hungarian forint, Czech koruna and Polish zloty, the illiquidity premium spread is proxied by the difference between the respective government bond yield and the currency's swap rate. Government bonds for these currencies are considered the most risk free assets available for local investors. The last liquid tenor for the illiquidity premium spread has been chosen in line with the liquidity observed in the government bond markets, and for the Hungarian forint, Czech koruna and Polish zloty has been set at 15 years, after which forward rates for illiquidity premium spreads are assumed to be zero. For the Romanian leu the methodology is similar, leading to no illiquidity premium spread as the reference rate is already based on the government bond rate for this currency.

For the U.S. dollar, the QIS5 methodology is followed, which estimates the illiquidity premium spread based on the difference between a corporate bond index rate and a swap rate.

For the Turkish lira and Japanese yen, no illiquidity premium spread is assumed as neither would have a material impact on the results.

The additional illiquidity premium spreads applied for each currency are shown in the tables below, for sample tenors. Under NN's methodology the full illiquidity premium spread shown below is applied to a proportion of the cash flows, as described in more detail under "—*Additional matters relating to the methodology—Illiquidity premium adjustment*". The rates shown are continuously compounded zero coupon yields for the tenors indicated.

	As at 31 December 2013							
	Tenor in years							
Country/currency	**1**	**2**	**5**	**10**	**15**	**20**	**25**	**30**
Euro	0.00%	0.00%	0.00%	0.30%	0.24%	0.20%	0.16%	0.14%
Czech Republic	0.00%	0.00%	0.00%	0.53%	0.62%	0.46%	0.37%	0.31%
Hungary	0.00%	0.26%	0.71%	0.54%	0.85%	0.64%	0.51%	0.42%
Japan	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Poland	0.00%	0.00%	0.00%	0.08%	0.32%	0.24%	0.19%	0.16%
Romania	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Turkey	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
United States	0.45%	0.45%	0.45%	0.45%	0.45%	0.45%	0.45%	0.45%

	As at 31 December 2012							
	Tenor in years							
Country/currency	**1**	**2**	**5**	**10**	**15**	**20**	**25**	**30**
Euro	0.00%	0.00%	0.20%	0.38%	0.34%	0.28%	0.23%	0.19%
Czech Republic	0.00%	0.00%	0.15%	0.74%	0.76%	0.57%	0.45%	0.38%
Hungary	0.06%	0.31%	0.81%	0.78%	1.25%	0.94%	0.75%	0.62%
Japan	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Poland	0.00%	0.00%	0.00%	0.04%	0.36%	0.27%	0.22%	0.18%
Romania	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Turkey	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
United States	0.55%	0.55%	0.55%	0.55%	0.55%	0.55%	0.55%	0.55%

Inflation

Two approaches are used to set price inflation assumptions within NN. The approach selected depends on the nature of the liabilities being valued.

- ***Deterministic inflation assumption***: an assumption for price inflation is derived by taking the average or 'consensus' estimates from surveys of economic forecasters or from market data such as inflation linked swaps or inflation-linked bonds.
- ***Stochastic inflation assumption***: where a deterministic inflation assumption is not considered to properly reflect the inflation characteristics applicable to a business unit then a dynamic inflation assumption is used. A dynamic inflation assumption could be used when premiums, benefits or both are linked to inflation in a way that would impact the EV or VNB. When a dynamic inflation assumption is used there are two general approaches:
  - For Netherlands Life a stochastic price inflation parameter is included in the economic scenario set. This inflation parameter is calibrated to market instruments.
  - For other segments a stochastic inflation parameter is not included in the economic scenarios as suitable calibration instruments do not exist. When a stochastic assumption is required business units will typically link the inflation parameter to a short-term interest rate in the stochastic scenario set. It is calibrated to be consistent with the deterministic inflation assumption described above.

Other required inflation assumptions, such as for expenses, salary, premiums and claims, are set by making appropriate adjustments to the price inflation assumptions to take account of expected differences between price inflation and these other inflation assumptions.

The tables below set forth expense inflation assumptions (if a stochastic inflation assumption is used then the assumption for the PVFP calculation is shown) as at the dates indicated. The rates shown are forward rates for the tenors indicated.

	As at 31 December 2013		
	Expense inflation		
Country/currency	**Year 1**	**Year 10**	**Year 20**
Euro			
– Netherlands Life	1.2%	3.0%	2.7%
– Insurance Europe[1]	1.1%	2.1%	2.0%
Czech Republic	1.5%	2.4%	2.6%
Hungary	3.8%	2.3%	1.9%
Japan	2.2%	1.1%	1.2%
Poland	1.0%	3.2%	2.7%
Romania	0.0%	2.4%	1.6%
Turkey	3.6%	4.4%	4.4%

(1) Weighted average of Belgium, Spain, Greece and Slovakia.

	As at 31 December 2012		
	Expense inflation		
Country/currency	**Year 1**	**Year 10**	**Year 20**
Euro			
– Netherlands Life	2.0%	3.0%	2.9%
– Insurance Europe[1]	0.9%	2.0%	2.1%
Czech Republic	0.5%	1.8%	2.7%
Hungary	2.7%	2.4%	1.9%
Japan	0.0%	1.2%	1.2%
Poland	1.8%	2.9%	1.7%
Romania	3.2%	5.0%	3.1%
Turkey[2]	n.a.	n.a.	n.a.

(1) Weighted average of Belgium, Spain, Greece and Slovakia.
(2) Turkey only calculates VNB, therefore this is not applicable for year-end 2012.

Foreign currency exchange rates

EV results are calculated in local currencies and converted to euro using the corresponding foreign currency exchange rates at each reporting date. The exchange rates used are consistent with the rates used for the reporting of the IFRS balance sheet. Monthly average exchange rates were used to convert VNB and new business volume figures to euro. The monthly average exchange rates are calculated based on the daily closing rates. The table below sets forth the exchange rates of various currencies against the euro for the dates indicated.

Country	Currency	Closing rate as at 31 December 2012	Average rate for the month March 2013	Average rate for the month June 2013	Average rate for the month September 2013	Average rate for the month December 2013	Closing rate as at 31 December 2013
Czech Republic	CZK	25.11	25.71	25.82	25.73	27.39	27.40
Hungary	HUF	292.60	300.34	295.63	299.46	299.17	297.03
Japan	JPY	113.63	120.80	129.95	130.98	141.95	144.66
Poland	PLN	4.08	4.17	4.31	4.24	4.18	4.15
Romania	RON	4.44	4.39	4.42	4.45	4.46	4.47
Turkey	TRY	2.36	2.34	2.49	2.72	2.85	2.95
United States	USD	1.32	1.30	1.30	1.34	1.37	1.38

Real world assumptions

Real world economic assumptions are used in the calculation of the expected business contribution in the analysis of earnings, implied discount rates, internal rates of return, payback periods and projections of distributable earnings. These real world assumptions are set by the Company using consensus data and observable market data and reflect management's view of future interest rates and investment spreads.

The real world economic assumptions are set by reference to government bond rates and vary over time consistent with the assumed development of government bond rates. The real world risk-free rate assumptions differ from those used for the reference rate, being based on government bond rates and for some currencies the entry point for extrapolation of long-term risk-free rates is different.

The table below sets forth the government bond rate assumptions used by Management as at 31 December 2013 at the start of the projections. The rates shown are continuously compounded zero coupon yields for the tenors indicated, before an assumed allowance for default loss.

	As at 31 December 2013				
	Tenor in years				
Country	1	5	10	20	30
Belgium	0.16%	1.36%	2.77%	3.54%	3.60%
Czech Republic	0.09%	1.22%	2.65%	3.44%	3.66%
Germany	0.15%	0.97%	2.06%	2.67%	2.94%
Greece	5.81%	7.55%	8.20%	8.07%	7.17%
Hungary	2.90%	4.70%	5.76%	5.69%	5.24%
Japan	0.07%	0.22%	0.73%	1.75%	1.87%
Luxembourg	0.17%	1.19%	2.38%	2.99%	2.88%
Netherlands	0.17%	1.19%	2.38%	2.99%	2.88%
Poland	2.51%	3.71%	4.39%	4.59%	4.47%
Romania	2.98%	4.65%	5.31%	5.12%	4.89%
Slovakia	0.49%	1.55%	2.97%	3.68%	3.68%
Spain	0.96%	2.80%	4.28%	5.04%	5.32%
Turkey	9.60%	9.84%	10.21%	9.41%	8.29%
United States	0.13%	1.74%	3.17%	3.97%	4.16%

The table below sets forth corporate bond rates for different ratings classes of the most material corporate bonds as at 31 December 2013. The rates shown are continuously compounded yields for spot settlement for a five-year tenor, before an assumed allowance for default loss.

	As at 31 December 2013		
	Rating classes		
Country/currency	AAA/AA	A/BBB	High Yield
Euro denominated	1.66%	2.17%	4.81%
Japan	0.28%	0.64%	—
United States	2.22%	2.71%	5.28%

The table below sets forth equity and property risk premiums assumed relative to the government bond forward rates.

	As at 31 December 2013	
Country/currency	**Equity risk premium**	**Real estate risk premium**
Euro denominated	3.60%	2.70%
Japan	3.60%	2.70%
US	4.00%	3.00%

For the conversion of non-euro cash flows to euro for the purpose of calculating the internal rate of return (**IRR**), implied discount rate (as defined below) and projected distributable earnings information, foreign exchange implied forward rates have been used.

The table below sets forth the foreign exchange implied forward rate assumptions as at 31 December 2013.

		As at 31 December 2013				
		Tenor in years				
Country	**Currency**	**1**	**2**	**3**	**5**	**10**
Czech Republic	CZK	27.43	27.38	27.38	27.39	27.16
Hungary	HUF	304.76	313.09	322.06	341.41	405.47
Japan	JPY	144.64	143.98	142.78	138.76	127.80
Poland	PLN	4.25	4.36	4.47	4.69	5.08
Romania	RON	4.59	4.76	4.94	5.30	6.11
Turkey	TRY	3.25	3.56	3.88	4.59	6.66
United States	USD	1.38	1.38	1.38	1.42	1.52

Real world assumption sets for dates prior to 31 December 2013 have also been set in a similar manner, where required.

Non-economic assumptions

Expense assumptions

In general the best estimate expense assumptions have been set on a going concern basis and are based on the current level of expenses allocated to the covered businesses.

The current level of expenses are analysed and split between maintenance, acquisition and exceptional expenses. For maintenance expenses (excluding investment expenses), assumptions are derived for each business unit, which vary by product and are typically expressed as per policy amounts. Per policy maintenance expenses are assumed to increase in future with an appropriate level of inflation as described in "*Assumption—Economic assumptions—Inflation*". The amount of acquisition expenses in 2013 is allowed for as a deduction in the calculation of the VNB for 2013.

Investment expenses are allowed for separately in the projection of future cash flows. Actual investment expenses related to asset classes held by NN have been taken into account. Where applicable, the investment expenses reflect arms-length agreements with the Investment Management segment.

Expense assumptions also include any expenses related to the staff pension scheme or other post-employment benefits. For the Dutch entities the impact of the change in the defined benefit pension arrangement agreed in February 2014, as described in "*Business—Material Agreements—ING Pension Fund agreement*", has not been taken into account in setting the future expense levels. The impact on the Life EV and Group EV of this agreement is provided in the section "*—Sensitivity analysis*".

Exceptional expenses are excluded from the expense assumptions used to calculate the Life EV and VNB, and will impact the NAV of the Life EV as and when they are incurred. However, where exceptional expenses are expected to arise over several calendar years (e.g. Restructuring Netherlands and Solvency II development costs), the present value of those expected future expenses are included as a deduction in the VIF. In total this amounted to a deduction, after tax, of EUR 146 million in the Life EV as at 31 December 2013.

Additional details and comments on the expense assumptions for certain business units which are no longer writing significant levels of new business are provided below:

- For Netherlands Life, the volumes of individual life business in-force are expected to decline over time. The projected expenses allowed for in the Life EV assume that per policy maintenance expenses can continue at current levels (in real terms) and that total expenses can be reduced in line with the decline in the volumes of business in-force. Without management actions those expenses that are fixed in nature are spread over a smaller portfolio and per policy maintenance expenses would increase at a higher rate than has been assumed to calculate the Life EV.

  For the closed block individual life business, Management have plans in place to make the required expense reductions from 2013 to 2016 and further aim to change the mix of its costs, moving away from fixed costs to variable cost, and for costs to reduce proportionally with the decline in the number of policies expected in future, as described in "*Business—Strategy*". The reductions in total maintenance expenses included in the plans and ambitions are broadly consistent with the expected reductions in business volumes. The Life EV also allows for the expected exceptional expenses (including those associated with the expense reduction programmes) planned over this period. Therefore the explicit allowance made for expenses in the Life EV is consistent with Management's plans over the period from 2013 to 2016.

  As described earlier, allowance is included within the CRNHR in respect of general future expense risk.

  A sensitivity is provided in the section "*—Sensitivity analysis*", which shows the impact of per policy maintenance expenses for the Netherlands Life individual business escalating by an additional 2% per annum over the entire projection period.

- The VA portfolio in Japan is also expected to decline over the next few years. Only the expenses which are directly incurred in managing the Japan Closed Block VA segment (which arise both in Japan and NN Re) are allocated to the Japan Closed Block VA segment, and all overhead expenses are allocated to the Japan Life segment. The maintenance expenses allowed for in the Life EV for the VA portfolio are based on the direct expenses which are expected to be incurred in future in managing the run-off of this portfolio and make explicit allowance for any expenses which do not vary directly in proportion to the volumes of business in-force.

Head office expenses

Expenses incurred at head office level are split into expenses allocated to business units and expenses that have not been allocated to business units. The allocated head office expenses are allowed for in the business unit expense assumptions. Shareholder expenses are the remaining expenses incurred at the head office level that have not been recharged to the business units. Some of these costs are regarded as exceptional or one-off in nature. For EV purposes, the rest of the shareholder expenses have been allocated between covered business and non-covered business. The total amount of shareholder expenses in 2013 was EUR 136 million, of which EUR 23 million was regarded as exceptional and, of the remainder, EUR 96 million was allocated to covered business. Based on the nature of the shareholder expenses assigned to the covered business they are all considered to be maintenance expenses. In accordance with EEV Principles, an allowance has been made in the Life EV (in the Other segment) for future shareholder expenses relating to maintenance expenses. However, no allowance has been made in the VNB for such expenses. The treatment of the shareholder expenses in the Life EV analysis of earnings is described in "*—Life EV results—Life EV results by segment—Other*".

The allocation of head office expenses to business units will change during 2014. This is not included in the EV results shown below. A separate sensitivity to show the impact of this changed allocation on the EV results is shown in "*—Sensitivity analysis—Additional specific sensitivities*".

No allowance has been made in the Group EV for shareholder expenses expected to be incurred after the valuation date in respect of the operation of the non-covered business.

Demographic assumptions

The demographic assumptions used in the EV calculations have been set on a best estimate basis, with regard for recent experience and relevant industry data, where available, and future expectations. These assumptions include:

- ***Discontinuation***: net effect of surrender, lapses, persistency and other discontinuation and future levels of withdrawals;
- ***Mortality***: includes assumptions for current mortality for a specified group of insured persons based on industry or population mortality tables, adjusted to take into account own experience and the expected development of this mortality in the future. For example, for Netherlands Life the basis of the mortality assumption, adjusted for Netherlands Life's own experience, is the December 2012 mortality statistics published by the CBS (including mortality improvement trends);
- ***Morbidity***: this includes both assumptions for current incidence and recovery rates and the expected development in the future, including future expenses or costs, as appropriate;
- ***Annuitisation rates***: the rate at which an existing benefit is converted into an annuity;
- ***Policy option election rates***: the rate at which options embedded in policies are assumed to be elected; and
- ***Dynamic policyholder behaviour***: where such evidence exists, e.g. lapse rates on variable annuity business that vary depending on the level of the separate account value relative to the minimum guarantee in each economic scenario.

The best estimate assumptions reflect the characteristics of each product or group of homogeneous products. All best estimate assumptions are reviewed on a regular basis, and updated at each valuation date to reflect changes in emerging experience when considered appropriate to do so. For the Netherlands Life group life business the approach for determining the base level of mortality assumptions was changed in 2013 to give greater weight to more recent experience. See "—*Life EV results—Life EV results by segment*".

Required capital

The definition of required capital is described in "—*Methodology—Net Asset Value*". It is assumed that, for EV purposes, NN entities are at the higher of the minimum solvency capital required by regulators and an amount that management determines is sufficient to cover the capital needs of each business unit under current regulatory regimes. This is typically in the range of 125% to 150% of EU Solvency I minimum solvency capital requirements, with notable exceptions being NN Life at an assumed level of 175% of Solvency I, NN Re, which operates with a target based on the Company's internal economic capital methodology, and Japan Life, with a solvency margin ratio of 700%. For EV reporting Japan Life assumed that half of its target capital (set at a solvency margin ratio of 700%) can be covered by non-core capital. The EV NAV reflects the available core capital and required capital of a solvency margin ratio of 350% as that is what drives distributable earnings. It should be noted that the views of management on the capital needs of each business unit may change over time.

Tax assumptions

The tax assumptions applied are described above under "*—Additional matters relating to the methodology—Tax related*". The table below sets forth the marginal corporate tax rate assumptions as at the dates indicated:

	As at 31 December	
	2013	**2012**
Belgium	34%	34%
Czech Republic	19%	19%
Greece	26%	20%
Hungary	19%	19%
Japan[1]	31%	31%
Luxembourg	10%	10%
Netherlands	25%	25%
Poland	19%	19%
Romania	16%	16%
Slovakia	23%	23%
Spain	30%	30%
Turkey	20%	20%

(1) Rate shown applied from April 2015. Prior to that date 33% is assumed.

Group EV results

The Group EV is the sum of the Life EV and the value of the non-covered business. For non-covered business, IFRS shareholder's equity is used with an adjustment for the treatment of tax in the Dutch entities, as described below.

The table below sets forth the Group EV results as at 31 December 2013 and 2012.

	As at 31 December	
(in millions of EUR)	**2013**	**2012**
Covered business		
Value of in-force business (VIF)	1,627	283
Required capital	6,640	7,208
Free surplus	2,210	569
Life EV	**10,477**	**8,060**
Non-covered business		
IFRS equity non-covered business[1]	273	982
Dutch fiscal unity (covered business adjustment)	-450	-566
Total non-covered business	-178	416
Group EV	**10,300**	**8,477**

(1) Excluding U.S. IFRS equity.

The VIF increased significantly to EUR 1,627 million in 2013 (2012: EUR 283 million), mainly due to an increase in the regulatory reserves for the Netherlands Life business where the regulatory valuation interest rate curve was changed from being based on the EUR AAA government bond yields to one based on swap rates. The change to the valuation curve increased the margins embedded in the reserves and hence the amount of future profits expected to emerge, but also had a negative impact on free surplus.

The required capital allocated to the covered business decreased to EUR 6,640 million in 2013 (2012: EUR 7,208 million) as a result of a strengthening of the euro-yen exchange rate (EUR 233 million) and a reduction in required capital for Netherlands Life driven by individual life business (EUR 215 million).

Free surplus increased to EUR 2,210 million in 2013 (2012: EUR 569 million) principally as a result of the expected generation of free surplus of EUR 488 million, capital transfers totalling EUR 541 million, assumption changes of EUR 253 million for Netherlands Life and positive economic variances of EUR 1,545 million. This was partly offset by EUR 1,339 million due to the change of the valuation curve for the Netherlands Life business.

Overall the Life EV increased significantly to EUR 10,477 million in 2013 (2012: EUR 8,060 million)

For additional discussion and analysis of Life EV see the sections "*—Life EV results—Life EV analysis of earnings*" and "*—Life EV results—Life EV results by segment*".

IFRS shareholder's equity for non-covered business (excluding US) decreased to EUR 273 million in 2013 (2012: EUR 982 million) mainly due to the sale during 2013 of Asian businesses at a value less than the IFRS shareholder equity value.

As described in "*—Additional matters relating to the methodology—Tax related*", a deduction is made to the Group EV to reflect the reduced value obtained in the Dutch fiscal unity parent entity on projected taxable losses from the Dutch covered business. For the Group EV as at 31 December 2013 this deduction was EUR 450 million and is a reflection of the fact that there are insufficient taxable profits within the Dutch covered business to offset the projected taxable losses within the Dutch covered business on NN's embedded value basis. However the specific situation of the Dutch fiscal unity allows NN to combine the tax position of covered and non-covered business (and tax losses carried forward). Combining the covered and non-covered business in this way and applying the Company's accounting policy on recoverability of a deferred tax asset, in particular the inclusion of future IFRS profits from non-covered business in this recoverability assessment, would result in an estimated increase in the Group EV as at 31 December 2013 of up to EUR 450 million.

Group EV by segment

To facilitate a comparison between EV for covered business and IFRS equity for non-covered business, the table below sets forth a breakdown of Group EV by segment as at 31 December 2013.

	As at 31 December 2013		
	Covered business	**Non-covered business**	**Total**
(in millions of EUR)			
Netherlands Life	5,632	52	5,684
Netherlands Non-Life	—	734	734
Insurance Europe	3,055	191	3,246
Japan Life	1,165	—	1,165
Investment Management	—	359	359
Other	-521	-1,700[1]	-2,221
Japan Closed Block VA	1,147	—	1,147
Insurance Other	—	186	186
Total	**10,477**	**-178**	**10,300**

(1) The figure for the non-covered business part of the Other segment comprises the allocated equity for the Other segment of negative EUR 1,104 million (as described in the section "*Business—Overview*"), plus the allocated equity for the held for sale entities of EUR 168 million, less the allocated equity for the covered business part of the Other segment of EUR 314 million, plus the covered business adjustment for the Dutch fiscal unity of negative EUR 450 million.

Reconciliation of IFRS shareholder's equity to Group EV

The following table sets forth the reconciliation between IFRS shareholder's equity and Group EV as at 31 December 2013 and 2012.

	As at 31 December	
(in millions of EUR)	**2013**	**2012**
IFRS shareholder's equity	**14,227**	**26,423**
Deduct U.S. IFRS shareholder's equity		**-10,165**
Adjustments for covered business:		
IFRS intangibles[1]	-859	-1,473
Difference in asset values between IFRS and Life EV[2]	-421	-847
Difference in technical provisions between IFRS and Life EV[2]	-5,305	-7,364
Deferred tax difference	1,482	2,186
Value of in-force business (VIF)	1,627	283
Adjustments included in non-covered business:		
Dutch fiscal unity (covered business adjustment)	-450	-566
Group EV	**10,300**	**8,477**

(1) For Japan Closed Block VA, DAC in this line is shown net of related unearned revenue liability.

(2) For Japan Closed Block VA and Czech pension business there are items which are classified differently on IFRS and regulatory balance sheet but don't create differences in shareholder's equity on both bases. They are removed from this reconciliation to avoid distortion of individual movement items.

The Group EV differs from IFRS shareholder's equity with respect to the following items:

- ***IFRS intangibles***: IFRS intangibles in relation to the covered business are not included in the Life EV. The reduction in this item over 2013 of EUR 614 million is almost entirely due to the write-off of the DAC (net of unearned revenue liability) related to Japan Closed Block VA in the fourth quarter.
- ***Differences in asset values between IFRS and Life EV***: All assets on the regulatory balance sheet are allocated to either free surplus and required capital or regulatory reserves. Assets backing required capital and free surplus are valued at market value for EV and any difference between the market value and the IFRS value of these assets is reflected in this line. This item also includes differences between the IFRS value of assets backing regulatory reserves and the regulatory value of these assets.
- ***Difference in technical provisions between IFRS and Life EV***: This mostly comprises additional regulatory reserves required by Dutch legislation for NN Life. The reduction in this item over 2013 is mainly due to an increase in the level of interest rates offset by the change in the regulatory reserves for the Netherlands Life business where the regulatory valuation interest rate curve was changed from being based on the EUR AAA government bond yields to one based on swap rates.
- ***Deferred tax difference***: This difference corresponds to the net impact of above revaluations on deferred tax assets/liabilities.
- ***VIF***: As described above under "*—Methodology—Value of in-force business*" and "*—Group EV results*".
- ***Dutch fiscal unity (covered business adjustment)***: As described above under "*—Group EV results*".

Life EV results

This section provides an overview of the Life EV and its components, the movement in Life EV over the year, the maturity profile of projected distributable earnings and implied discount rates and value of new business metrics. This section also provides information on the results at a segment level.

Overview Life EV

The following table sets forth a breakdown of the Life EV by component as at 31 December 2013 and 2012.

	As at 31 December	
(in millions of EUR)	**2013**	**2012**
Present value of future profits (PVFP)	5,094	4,349
Time value of financial options and guarantees (TVOG)	-748	-532
Frictional costs of capital (FCoC)	-652	-629
Cost of residual non-hedgeable risk (CRNHR)	-2,066	-2,905
Value of in-force business (VIF)	**1,627**	**283**
Required capital	6,640	7,208
Free surplus	2,210	569
Net asset value (NAV)	**8,850**	**7,777**
Life EV	**10,477**	**8,060**

Life EV increased to EUR 10,477 million as at 31 December 2013 compared with EUR 8,060 million as at 31 December 2012, due to higher VIF and NAV. VIF increased to EUR 1,627 million, principally due to an increase in PVFP as a result of the change in the regulatory valuation interest rate curve for Netherlands Life and lower CRNHR as a result of an increase in the reference rate. The illiquidity premium adjustment, which is part of the PVFP, amounted to EUR 776 million as at 31 December 2013 and EUR 1,279 million as at 31 December 2012. The increase in NAV to EUR 8,850 million was due to favourable economic conditions and capital injections to Netherlands Life and Japan Closed Block VA offset by higher regulatory reserves for Netherlands Life due to the change in the regulatory valuation curve.

Life EV analysis of earnings

The following table sets forth an analysis of earnings for the Life EV for the year ended 31 December 2013.

	For the year ended 31 December 2013			
(in millions of EUR)	**Free surplus**	**Required capital**	**Value in-force**	**Life EV**
Opening Life EV	**569**	**7,208**	**283**	**8,060**
Opening adjustments	-1,142	-136	969	-309
Adjusted opening Life EV	**-573**	**7,072**	**1,253**	**7,751**
Value of new business (VNB)	0	0	129	129
Expected existing business contribution:				
reference rate	2	33	279	313
in excess of reference rate	-3	36	288	321
Transfer from VIF and required capital to free surplus:				
from in-force at start of year	897	-360	-537	0
from new business	-408	170	238	0
Operating experience variances	137	-13	35	159
Operating assumption changes	271	-23	268	516
Other operating variances	-132	103	113	84
Operating Life EV earnings	**764**	**-54**	**813**	**1,522**
Economic variances	1,545	-378	-51	1,115
Other non-operating variance	-67	0	-386	-453
Total Life EV earnings	**2,242**	**-432**	**375**	**2,185**
Capital and dividend flows	541	0	0	541
Acquired / divested business	0	0	0	0
Closing Life EV	**2,210**	**6,640**	**1,627**	**10,477**

The line items of the analysis of earnings are explained below. The VNB is separately discussed in "—*Value of new business (VNB) by segment*".

Overview of Life EV development

The increase in Life EV of EUR 2,417 million as at 31 December 2013 compared with 31 December 2012 was mainly due to positive economic variances, mainly from credit spreads (EUR 673 million), interest rates (EUR 477 million) and equities (EUR 376 million) offset by a decrease of the illiquidity premium adjustment (EUR 508 million). Assumptions changes were favourable mainly because of assumptions changes in Netherlands Life of EUR 482 million for expenses and EUR 335 million for mortality. Net capital movements of EUR 541 million also increased the Life EV. The Life EV earnings as a percentage of the adjusted opening Life EV shows a return of 28%.

Opening adjustments

The opening adjustments of negative EUR 309 million on EV relate to foreign exchange variance mainly in Japan Life. The free surplus change was mainly due to a change to the regulatory valuation interest rate curve for the Netherlands Life segment, as noted in "—*Group EV results*", with offsetting impacts on VIF and required capital.

Expected existing business contribution

The 'reference rate' component of the expected existing business contribution comprises the unwinding of the reference rate on the opening Life EV and also the release from risk in respect of TVOG and CRNHR and the expected impact of the illiquidity premium adjustment. However, the reference rate plus (where applicable) the illiquidity premium spread is not an estimate of the expected real world investment returns. Accordingly, the 'in excess of reference rate' component of the expected existing business contribution represents the impact on Life EV of earning expected real world returns in 2013 (on a similar basis to that set out under "—*Assumptions—Economic assumptions—Real world assumptions*" but using assumptions as at 31 December 2012) rather than the reference rate plus (where applicable) the illiquidity premium spread. The overall expected existing business contribution was EUR 634 million in 2013, with the largest contributions coming from Netherlands Life (EUR 404 million) and Insurance Europe (EUR 188 million). As a percentage of the adjusted opening Life EV, the expected existing business contribution is 8.2%.

Transfer from VIF and required capital to free surplus

The transfer from VIF and required capital to free surplus represents the expected profits from the business during 2013. It also includes the net projected releases from required capital. The transfer is shown separately for in-force business at the start of the year and the new business sold during the year.

The largest contributor to the expected transfer to free surplus from in-force of EUR 897 million was Netherlands Life (EUR 416 million), due to required capital expected to be released from the run-off of the individual life portfolio and investment spreads expected to be earned on assets backing the regulatory reserves. Insurance Europe new business absorbed EUR 225 million of free surplus out of the total of EUR 408 million required to finance new business.

Operating experience variances

Operating experience variances fall into current period and future period variances. Current period variances are caused by differences in the realised profit during the year versus the expected profits. Future period variances are variances that cause the end of period VIF to differ from the expected VIF. These variances arise from differences in actual in-force business volumes compared to what was expected, e.g. policy counts, fund values and premiums.

In 2013, operating experience variances amounted to EUR 159 million. The main driver of the operating experience variance in the period came from Netherlands Life with a variance of EUR 81 million, mainly due to lapse variances in the individual life portfolio.

Operating assumption changes

Operating assumption changes capture the impact on Life EV of changes to the underlying assumptions to reflect updates to the best estimate assumptions. Assumption changes can be split into different sources, with the most common ones being demographic and expense assumptions.

Operating assumption changes represented a positive contribution of EUR 516 million in 2013. The positive changes in assumptions relate primarily to Netherlands Life as a result of changes in expense and mortality assumptions, partially offset by persistency assumption changes.

Other operating variances

Other operating variances mainly comprise impacts due to management actions and model changes.

Other operating variances of EUR 84 million in 2013 were primarily due to the improvements in the Greek health portfolio which resulted in a positive impact of EUR 42 million.

Economic variances

Economic variances will arise as a result of actual investment performance being different from assumed investment returns as well as changes in future economic assumptions. This can be split into impacts caused by changes in interest rates, equity and real estate returns, credit spreads for fixed interest instruments and illiquidity premium spreads.

In 2013 economic variances increased the Life EV by EUR 1,115 million, largely due to narrowing credit spreads (EUR 673 million), higher interest rates (EUR 477 million) and increases in the value of equities (EUR 376 million), offset by a decrease of the illiquidity premium adjustment (EUR 508 million).

Other non-operating variances

Non-operating variances mainly comprise impacts due to mandatory changes in the tax or regulatory environment.

For 2013 the impact of non-operating variances was negative EUR 453 million, mostly due to the regulatory changes impacting the value in-force of the Polish pension fund business.

Capital and dividend flows

The following table gives more details on the capital and dividend flows per segment.

(in millions of EUR)	**Netherlands Life**	**Insurance Europe**	**Japan Life**	**Other**	**Japan CBVA**	**Total**
Capital injections	600	0	0	0	600	1,200
Dividends	0	-298	-183	0	0	-480
Inter-segment transfers	0	0	61	46	-97	10
FX hedge programme	0	0	0	0	-188	-188
Total	**600**	**-298**	**-121**	**46**	**315**	**541**

Inter-segment transfers refer to the transfers of equity between segments, but within the same legal entity. Japan Life received EUR 61 million from Japan Closed Block VA. In addition, Japan Closed Block VA also transferred EUR 36 million to NN Re non-covered business. The Other segment received EUR 46 million from the non-covered business of NN Re. The total inter-segment transfers of EUR 10 million represents a net transfer from non-covered to covered business.

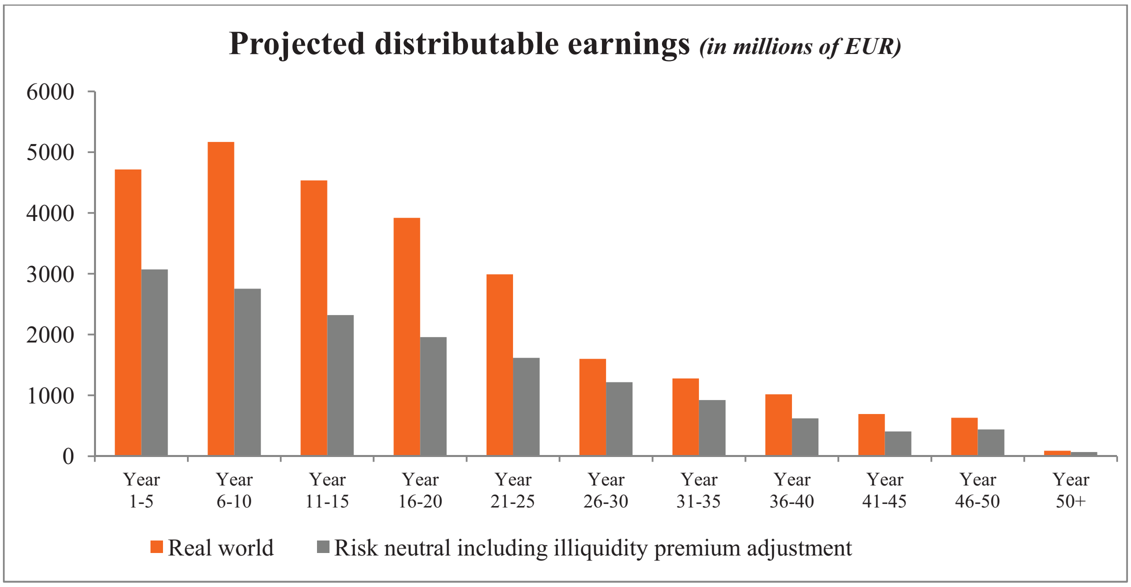
The line item FX hedge programme reflects the cash transfer to the Company due to a foreign exchange hedge programme between Japan Closed Block VA and the Company (non-covered business).

Maturity profile of projected risk neutral and real world distributable earnings on in-force business

Risk neutral distributable earnings are the projected profits included in the PVFP, including cash flows arising from the illiquidity premium adjustment, plus the projected releases of required capital and the net investment income earned (after tax) on the assets backing the projected required capital. No deduction has been included in the risk neutral projected distributable earnings in respect of the TVOG and CRNHR components.

Real world distributable earnings differ from risk neutral distributable earnings in that the projected investment returns earned are based on the economic assumptions described under "—*Economic assumptions—Real world assumptions*". For Netherlands Life, an adjustment is included in the real world distributable earnings to allow for the leverage impact in the real estate entities, which serves to increase the assumed exposure to real estate by approximately 3 percentage points.

The following graph sets forth the maturity profile of the projected risk neutral and real world distributable earnings in five-year time bands for NN's covered in-force portfolios as at 31 December 2013, on a total NN level. The projection reflects future shareholder expenses allocated to covered business which have not been allowed for elsewhere in the Life EV. Not included are future new business, non-covered business (including the cost of servicing debt) and the (immaterial) distributable earnings from in-force covered business from NN Re, Luxembourg, Turkey, the Hungary pension fund and Bulgaria.



An implied discount rate (**IDR**) has been calculated for NN. An IDR is the risk discount rate which, when used within a traditional embedded value approach using the real world economic assumptions described in "—*Assumptions—Economic assumptions—Real world assumptions*" and after allowance for traditional cost of required capital, but with no explicit allowance for TVOG or CRNHR, gives the same value as the corresponding Life EV. The underlying projected real world distributable earnings used in this calculation were those shown in the graph above. The annual IDR calculated as at 31 December 2013 for NN in total is 10.8%.

Life EV results by segment

The following table sets forth the Life EV by segment as at 31 December 2013.

	As at 31 December 2013					
(in millions of EUR)	**Total**	**Netherlands Life**	**Insurance Europe**	**Japan Life**	**Other**	**Japan Closed Block VA**
Present value of future profits (PVFP)	5,094	1,872	2,355	858	-578	587
Time value of financial options and guarantees (TVOG)	-748	-211	-93	0	-17	-427
Frictional costs of capital (FCoC)	-652	-563	-53	-23	-2	-10
Cost of residual non-hedgeable risk (CRNHR)	-2,066	-1,496	-352	-154	-11	-53
Value of in-force business (VIF)	**1,627**	**-398**	**1,857**	**680**	**-608**	**96**
Required capital	6,640	4,739	992	262	127	520
Free surplus	2,210	1,290	206	223	-40	531
Net asset value (NAV)	**8,850**	**6,030**	**1,198**	**485**	**87**	**1,050**
Life EV	**10,477**	**5,632**	**3,055**	**1,165**	**-521**	**1,147**

The following table sets forth the Life EV by segment as at 31 December 2012.

	As at 31 December 2012					
(in millions of EUR)	**Total**	**Netherlands Life**	**Insurance Europe**	**Japan Life**	**Other**	**Japan Closed Block VA**
Present value of future profits (PVFP)	4,349	899	2,569	959	-578	501
Time value of financial options and guarantees (TVOG)	-532	-210	-62	0	-21	-238
Frictional costs of capital (FCoC)	-629	-533	-52	-27	-2	-14
Cost of residual non-hedgeable risk (CRNHR)	-2,905	-2,215	-408	-162	-7	-114
Value of in-force business (VIF)	**283**	**-2,059**	**2,047**	**770**	**-609**	**135**
Required capital	7,208	4,938	1,044	324	117	786
Free surplus	569	415	308	175	-39	-289
Net asset value (NAV)	**7,777**	**5,353**	**1,352**	**499**	**77**	**496**
Life EV	**8,060**	**3,294**	**3,398**	**1,269**	**-532**	**631**

Value of new business (VNB) by segment

The following table sets forth the VNB by segment for the year ended 31 December 2013. There is no new business in the Other and Japan Closed Block VA segments. The table also includes results for two other metrics relating to new business, IRR and payback period (both defined below).

	For the year ended 31 December 2013			
(in millions of EUR)	**Total**	**Netherlands Life**	**Insurance Europe**	**Japan Life**
Present value of future profits (PVFP)	212	-37	138	112
Time value of financial options and guarantees (TVOG)	10	14	-4	0
Frictional costs of capital (FCoC)	-14	-4	-8	-3
Cost of residual non-hedgeable risk (CRNHR)	-79	-25	-30	-23
Value of new business (VNB)	**129**	**-53**	**96**	**86**
Single premium	1,582	466	990	126
Annual premium	982	121	382	480
APE[1]	1,140	167	481	492
Present value of new business premiums (PVNBP)	6,615	838	3,188	2,589
Average annual premium multiple[2]	5.1	3.1	5.8	5.1
VNB margin:				
as % of APE[3]	11.3%	-31.4%	19.9%	17.5%
as % of PVNBP[4]	2.0%	-6.3%	3.0%	3.3%
IRR (in %)	9.7%	4.5%	9.7%	17.3%
Payback period (in years)	10	15	9	8

(1) Calculated using the following formula: annual premium + 10% of single premium. Please note that the APE disclosed here is different from other parts of this Prospectus due to (i) some new business not being modelled in Insurance Europe and (ii) differences in Netherlands Life mainly due to timing of new business recognition and non-modelled new business.

(2) Calculated using the following formula: (PVNBP—single premium) / annual premium.

(3) Calculated using the following formula: VNB / APE.

(4) Calculated using the following formula: VNB / PVNBP.

An IRR is the discount rate at which the present value at the time of issue of projected real world distributable earnings from new business is zero, with no explicit allowance for TVOG or CRNHR. The payback period is calculated using the same cash flows as are used for the IRR calculations. The payback period is calculated as the time period (measured in years) at which the sum of all undiscounted distributable earnings, measured from the time of issue, first becomes greater than zero.

Insurance Europe and Japan Life contributed a similar amount to the total NN VNB figure, in contrast to the negative contribution from Netherlands Life. Most of the negative VNB for Netherlands Life comes from renewals of group life contracts. Negative VNB for Netherlands Life is driven by acquisition expense overruns of EUR 18 million and certain modelling and assumption differences between pricing and EV reporting.

Approximately 90% of the Insurance Europe VNB is comprised of life companies, with the balance arising from pension fund companies. The largest contributors were the life companies in Poland, Belgium and Romania, where the majority of value comes from traditional products and riders. A large part of the new business is annual premium business. The biggest APE contributor in Insurance

Europe is the Turkish pension business; however, due to low margins, the Turkish pension business does not contribute significantly to the VNB.

The Japan Life segment has the highest IRR because of acquisition expense underruns of EUR 12 million, quicker release of required capital and the relatively high margins driven by the high barriers to entering the Japanese COLI market and the benefit of a specialised network of agents selling the products for Japan Life. Currently Japan Life uses internal and external reinsurance to reduce the investment in new business. Going forward, Japan Life will reduce the use of such reinsurance, which will increase the capital used to write this business in future. By comparison, the IRR is about 14% without reinsurance.

The payback period is longest for Netherlands Life because of the long duration of the group life business.

Netherlands Life

The following table sets forth the Life EV analysis of earnings for Netherlands Life for the year ended 31 December 2013.

	For the year ended 31 December 2013			
(in millions of EUR)	**Free surplus**	**Required capital**	**Value in-force**	**Life EV**
Opening Life EV	**415**	**4,938**	**-2,059**	**3,294**
Opening adjustments	-1,339	114	1,225	0
Adjusted opening Life EV	**-924**	**5,052**	**-834**	**3,294**
Value of new business (VNB)	0	0	-53	-53
Expected existing business contribution:				
reference rate	-2	16	132	145
in excess of reference rate	-5	28	235	258
Transfer from VIF and required capital to free surplus:				
from in-force at start of year	416	-215	-201	0
from new business	-91	59	31	0
Operating experience variances	85	-22	17	81
Operating assumption changes	253	-34	403	623
Other operating variances	-208	104	176	72
Operating Life EV earnings	**449**	**-63**	**740**	**1,126**
Economic variances	1,166	-250	-304	612
Other non-operating variance	0	0	0	0
Total Life EV earnings	**1,615**	**-313**	**436**	**1,738**
Capital and dividend flows	600	0	0	600
Acquired / divested business	0	0	0	0
Closing Life EV	**1,290**	**4,739**	**-398**	**5,632**

In Netherlands Life, the Life EV increased to EUR 5,632 million as at 31 December 2013 from EUR 3,294 million as at 31 December 2012, primarily due to the expected existing business contribution, a positive contribution from operating assumption changes relating to expenses and mortality and favourable economic variances, mainly an increase to the reference rate and higher equity returns than expected. The Life EV earnings as a percentage of the adjusted opening Life EV shows a return of 53%.

Opening adjustments to the Life EV reflects a change to the regulatory valuation interest rate curve from being based on the EUR AAA government bond yields to one based on swap rates. This resulted in a reduction in free surplus of EUR 1,339 million with compensating increases in VIF of EUR 1,225 million and required capital of EUR 114 million.

VNB was negative EUR 53 million in 2013. This is mainly due to the renewal of group life contracts and includes acquisition expense overruns of EUR 18 million and certain modelling and assumption differences between pricing and EV reporting.

Expected existing business contribution was EUR 403 million, with EUR 145 million coming from the 'reference rate' component (which includes the release of risk margins) and EUR 258 million from the 'in excess of the reference rate' component mainly due to earning investment spreads on regulatory reserves.

Transfer from VIF and required capital to free surplus from in-force business at the start of the year of EUR 416 million in 2013 includes EUR 201 million attributable to the VIF, mostly from earning investment spreads on assets backing regulatory reserves. EUR 215 million is related to the release of required capital mainly due to the run-off of the individual life portfolio, but also includes EUR 44 million of investment income on required capital net of investment expenses.

Operating experience variances of EUR 81 million in 2013 were primarily due to lapse variances in the individual life closed block portfolio.

Operating assumption changes had a positive impact of EUR 623 million in 2013, primarily due to updated best estimate assumptions for experience mortality in the group life business (EUR 335 million), as a result of giving greater weight to more recent experience, and updated expense assumptions (EUR 482 million). The positive change attributable to expenses reflects a reduction of the cost base in 2013 which has been reflected in the assumed future expenses.

The remaining impact of operating assumption changes is primarily due to a reduction in fees charged to group life policyholders following a change in regulation and to a refinement in the allocation of investment expenses in the actuarial projections. An assumption change resulting in higher group life policyholder persistency also had a negative impact. The impacts of other assumption changes were largely offsetting.

Economic variances contributed EUR 612 million in 2013, and were mainly due to the higher swap curve and relative flattening of market interest rates between 20 and 30 years (EUR 379 million), lower credit spreads (EUR 340 million) and favourable equity returns (EUR 377 million). These positive impacts were partially offset by a reduction in the illiquidity premium adjustment of EUR 441 million.

Capital and dividend flows of EUR 600 million in 2013 reflect the capital injection by the Company into NN Life.

Insurance Europe

The following table sets forth the Life EV analysis of earnings for Insurance Europe for the year ended 31 December 2013.

	For the year ended 31 December 2013			
(in millions of EUR)	**Free surplus**	**Required capital**	**Value in-force**	**Life EV**
Opening Life EV	**308**	**1,044**	**2,047**	**3,398**
Opening adjustments	-3	-14	-53	-70
Adjusted opening Life EV	**305**	**1,029**	**1,994**	**3,329**
Value of new business (VNB)	0	0	96	96
Expected existing business contribution:				
reference rate	6	11	112	128
in excess of reference rate	2	8	50	60
Transfer from VIF and required capital to free surplus:				
from in-force at start of year	294	-142	-152	0
from new business	-225	82	143	0
Operating experience variances	3	6	13	21
Operating assumption changes	10	-10	-64	-64
Other operating variances	-15	3	-7	-19
Operating Life EV earnings	**74**	**-42**	**190**	**222**
Economic variances	133	4	76	213
Other non-operating variance	-8	0	-403	-411
Total Life EV earnings	**199**	**-37**	**-137**	**24**
Capital and dividend flows	-298	0	0	-298
Acquired / divested business	0	0	0	0
Closing Life EV	**206**	**992**	**1,857**	**3,055**

In Insurance Europe, the Life EV decreased to EUR 3,055 million as at 31 December 2013 from EUR 3,398 million as at 31 December 2012. The Life EV earnings as a percentage of the adjusted opening Life EV shows a return of 1%. Without the impact of Polish pension fund regulatory changes shown in Other non-operating variance, the Life EV earnings were EUR 403 million, corresponding to a return of 12% of the adjusted opening Life EV.

Opening adjustments of negative EUR 70 million reflected the depreciation of currencies against the euro and reduced the opening Embedded Value to EUR 3,329 million.

VNB contributed EUR 96 million in 2013, primarily driven by strong sales of traditional business in Belgium, Poland Life and Romania Life.

Expected existing business contribution was EUR 188 million in 2013. Most of this figure (EUR 128 million) came from the 'reference rate' component as earnings in excess of the reference rate were relatively low, given that the largest share of the assets backing regulatory reserves were invested in government bonds which are not expected to earn a large investment spread.

Transfer from VIF and required capital to free surplus was EUR 294 million on the in-force business at the start of the year. The expected transfer was spread across the region with the largest contributors being Poland Life and Czech Life. For the new business, EUR 225 million was transferred from the free surplus to set up the reserves and required capital. The business units requiring most capital to write new business were the life business in Poland and Spain.

Operating experience variances added EUR 21 million in 2013, principally from lower than expected expenses in several businesses across the Europe region.

Operating assumption changes were negative EUR 64 million in 2013, due to a strengthening of persistency assumptions (negative EUR 67 million) in the Czech, Slovakian and Spanish life businesses and higher expense assumptions for future years (negative EUR 53 million), partially offset by revisions in investment expense, morbidity and mortality assumptions.

Other operating variances had a negative effect of EUR 19 million in 2013. The main contributors to this impact include improvements in the Greek health portfolio (EUR 42 million) with this being offset by lower than expected salary increases over 2013 and revisions to career path derivation in the Romanian pension fund (with a combined negative impact of EUR 29 million).

Economic variances had a positive impact on the value of EUR 213 million in 2013. This increase was primarily driven by the narrowing of corporate and government bond credit spreads partially offset by a reduction in the illiquidity premium adjustment (net positive impact of EUR 164 million), mainly in the Belgian, Greek and Spanish portfolios. Other positive impacts come from changes in the reference rate and swaption implied volatility assumptions (EUR 48 million) and equity market performance (EUR 16 million).

Other non-operating variances led to a reduction of EUR 411 million in 2013, mainly as a result of regulatory changes during the year. Specifically, there was the impact of the Polish pension fund reforms reducing the market for private pensions (negative EUR 379 million), as described under "—*Additional matters relating to the methodology—Regulatory changes*".

Capital and dividend flows comprised dividends of EUR 298 million in 2013, paid by the Insurance Europe segment to the Company.

Japan Life

The following table sets forth the Life EV analysis of earnings for Japan Life for the year ended 31 December 2013.

	For the year ended 31 December 2013			
(in millions of EUR)	**Free surplus**	**Required capital**	**Value in-force**	**Life EV**
Opening Life EV	**175**	**324**	**770**	**1,269**
Opening adjustments	-49	-71	-174	-293
Adjusted opening Life EV	**126**	**254**	**596**	**976**
Value of new business (VNB)	0	0	86	86
Expected existing business contribution:				
reference rate	-0	2	12	13
in excess of reference rate	0	-0	-6	-6
Transfer from VIF and required capital to free surplus:				
from in-force at start of year	137	4	-141	0
from new business	-92	29	63	0
Operating experience variances	-16	13	26	23
Operating assumption changes	0	0	59	59
Other operating variances	41	-11	-36	-6
Operating Life EV earnings	**69**	**37**	**63**	**169**
Economic variances	136	-28	21	128
Other non-operating variance	13	0	0	13
Total Life EV earnings	**218**	**9**	**84**	**310**
Capital and dividend flows	-121	0	0	-121
Acquired / divested business	0	0	0	0
Closing Life EV	**223**	**262**	**680**	**1,165**

The Life EV of Japan Life decreased from EUR 1,269 million to EUR 1,165 million, driven by strong VNB and favourable operating and economic variances offset by negative foreign exchange rate impact and dividend payments. The Life EV earnings as a percentage of the adjusted opening Life EV shows a return of 32%.

Opening adjustments of negative EUR 293 million reflected the weakening of the Japanese yen against the euro and reduced the opening Embedded Value to EUR 976 million.

VNB contributed EUR 86 million in 2013 due to strong sales results driven by increased demands from SMEs for financial planning products as a result of the economic recovery in Japan.

Expected existing business contribution was EUR 7 million in 2013. The expected return was low mainly because of the large proportion of Japanese government bonds held by Japan Life which had negative spreads relative to Japanese swap rates.

Transfer from VIF and required capital to free surplus was EUR 137 million on the in-force business at the start of the year, mainly due to the release of margins in the regulatory reserves, of which EUR 92 million was reinvested in new business.

Operating experience variance contributed EUR 23 million in 2013, primarily reflecting favourable persistency experience (EUR 22 million).

Operating assumption changes added EUR 59 million to the EV in 2013. The most significant changes resulted from revised lapse assumptions (EUR 34 million), especially for the cancer and accelerated living disability term products, which comprise a relatively large share of the product mix.

Economic variances contributed EUR 128 million in 2013, principally due to the narrowing of credit spreads and reduction in fixed interest yields.

Capital and dividend flows totalled EUR 121 million during 2013. Japan Life paid a dividend of EUR 183 million to the Company. This was partly offset by a transfer from Japan Closed Block VA to Japan Life of EUR 61 million as described in "*—Life EV—Capital and dividend flows*".

Other

The following table sets forth the Life EV analysis of earnings for the Other segment for the year ended 31 December 2013.

	For the year ended 31 December 2013			
(in millions of EUR)	**Free surplus**	**Required capital**	**Value in-force**	**Life EV**
Opening Life EV	**-39**	**117**	**-609**	**-532**
Opening adjustments	-1	-3	-3	-6
Adjusted opening Life EV	**-40**	**114**	**-612**	**-538**
Value of new business (VNB)	0	0	0	0
Expected existing business contribution:				
reference rate	0	0	0	0
in excess of reference rate	0	0	0	0
Transfer from VIF and required capital to free surplus:				
from in-force at start of year	0	-3	3	0
from new business	0	0	0	0
Operating experience variances	2	0	1	2
Operating assumption changes	-26	23	-117	-120
Other operating variances	49	4	-15	38
Operating Life EV earnings	**25**	**25**	**-129**	**-80**
Economic variances	7	-12	116	111
Other non-operating variance	-77	0	17	-61
Total Life EV earnings	**-46**	**13**	**4**	**-29**
Capital and dividend flows	46	0	0	46
Acquired / divested business	0	0	0	0
Closing Life EV	**-40**	**127**	**-608**	**-521**

In the Other segment, the Life EV increased to negative EUR 521 million as at 31 December 2013 from negative EUR 532 million as at 31 December 2012. Excluding the impact of opening adjustments of negative EUR 6 million relating to the depreciation of the U.S. dollar against the euro, the Life EV improved by 3% on a constant currency basis, driven by favourable economic variances and partly offset by a negative impact on changing operating assumptions.

The most material part of the Other segment are the future shareholder expenses allocated to covered business, which have not been allowed for elsewhere in the Life EV. In the Life EV a valuation adjustment is made to allow for future shareholder expenses, i.e. only the negative impact on the VIF is included. For the purposes of the Life EV analysis of earnings, the shareholder expenses have been treated on a simplified basis, with the only impacts included in the VIF column and only for the operating assumption changes and economic variances entries. No impacts for shareholder expenses have been included in the free surplus column. In this presentation the actual shareholder expenses incurred in 2013 in respect of covered business have no impact on the Life EV earnings and instead are fully accounted for in the operating result of the Other segment as described in "*—Operating results by segment for the years ended 31 December 2013 and 2012—Other*". Had the allocated shareholder expenses for 2013 been included in the Life EV analysis of earnings, the Life EV earnings would have been lower.

As no new business is written in the segment, *VNB* is zero.

Operating experience variance of EUR 2 million mainly reflects the impact of persistency variance in NN Re.

Operating assumption changes decreased Life EV by EUR 120 million mainly due to an increase in future expectations in shareholder expenses related to the covered business.

Other operating variance amounted to EUR 38 million, mainly due to the termination of a reinsurance contract in NN Re. The contract termination reduced expected future costs from a letter of credit facility needed to support collateral requirements for the contract.

Economic variances led to an increase in Life EV of EUR 111 million. Approximately EUR 40 million is attributable to a reduction in the present value of future shareholder expenses due to an increase in interest rates, with the remainder mainly due to the impact of higher interest rates on NN Re (EUR 46 million).

Other non-operating variances decreased the Life EV by EUR 61 million is mainly due to a change in the tax arrangements for NN Re in Ireland, which will be subject to Dutch taxation in the future.

Capital and dividend flows consisted of a capital transfer of EUR 46 million from the non-covered part of NN Re as described in "*—Life EV—Capital and dividend flows*".

Japan Closed Block VA

The following table sets forth the Life EV analysis of earnings for Japan Closed Block VA for the year ended 31 December 2013.

	For the year ended 31 December 2013			
(in millions of EUR)	**Free surplus**	**Required capital**	**Value in-force**	**Life EV**
Opening Life EV	**-289**	**786**	**135**	**631**
Opening adjustments	250	-163	-27	60
Adjusted opening Life EV	**-40**	**623**	**108**	**691**
Value of new business (VNB)	0	0	0	0
Expected existing business contribution:				
reference rate	-1	4	24	26
in excess of reference rate	0	0	9	9
Transfer from VIF and required capital to free surplus:				
from in-force at start of year	50	-4	-46	0
from new business	0	0	0	0
Operating experience variances	64	-11	-21	32
Operating assumption changes	34	-2	-13	19
Other operating variances	2	2	-5	-1
Operating Life EV earnings	**148**	**-10**	**-52**	**85**
Economic variances	103	-93	40	51
Other non-operating variance	5	0	0	5
Total Life EV earnings	**256**	**-103**	**-12**	**141**
Capital and dividend flows	315	0	0	315
Acquired / divested business	0	0	0	0
Closing Life EV	**531**	**520**	**96**	**1,147**

In Japan Closed Block VA, the Life EV increased to EUR 1,147 million as at 31 December 2013 from EUR 631 million as at 31 December 2012. The majority of this increase is due to a capital injection of EUR 600 million, which was offset by capital transfers to other parts of NN. The Life EV earnings as a percentage of the adjusted opening Life EV shows a return of 20%.

Opening adjustments of EUR 60 million related to the weakening of the Japanese yen against the euro increased the opening Embedded Value to EUR 691 million. This includes a positive impact from external foreign exchange rate transactions that form part of the FX hedge programme operated between Japan Closed Block VA and the Company.

Expected existing business contribution was EUR 35 million in 2013. The expected contribution was low mainly because the assets backing the net asset value mostly consist of cash or cash equivalents.

Transfer from VIF and required capital to free surplus was EUR 50 million on the in-force business at the start of the year, mainly due to the release of the risk margin and expected earnings.

Operating experience variances contributed EUR 32 million in 2013, mainly due to favourable persistency experience over the year. Higher fund values closer to minimum guarantee levels led to higher lapses than expected.

Operating assumption changes contributed EUR 19 million in 2013. Assumptions on lapse and extension behaviour were refined as more experience became available; the assumptions improved resulting in a net release of reserves.

Economic variances contributed EUR 51 million in 2013, mainly from higher current and future investment fees on fund values as a result of improvements in the financial markets and the weakening of the Japanese yen against other major currencies.

Capital and dividend flows totalled EUR 315 million in 2013. The capital inflow was a capital injection of EUR 600 million from the Company to Japan Closed Block VA. Offsetting this injection were transfers of EUR 285 million to other parts of NN, explained in more detail in "*—Life EV—Capital and dividend flows*".

Sensitivity analysis

Embedded Value calculations rely upon best estimate non-economic assumptions including mortality rates, morbidity rates, lapse rates and expenses levels, as well as economic assumptions. This section provides information on the impact on Life EV and VNB of applying alternative economic and non-economic assumptions. The sensitivity results do not include the non-covered business, and therefore do not include the impact of the sensitivities on the tax adjustment made for the Dutch fiscal unity parent. Many of the sensitivities shown below are those specified by the CFO Forum. The sensitivities do not represent the boundaries of possible outcomes, but rather illustrate how alternative assumptions would affect the results.

In each sensitivity calculation, all other assumptions remain unchanged except where they are directly impacted by the changed assumption. Please note that if several assumption changes occurred at once, the results would not necessarily be the sum of the individual sensitivity tests. In respect of CRNHR, the sensitivities are based on the resulting annual charge percentages from the base results for the first component of the CRNHR as described previously in "*—Methodology—Cost of residual non-hedgeable risk*". The amount of the second component of the CRNHR is kept unchanged from the base results except for the interest rate sensitivities.

- ***Interest rate +/- 100 bps***: Sensitivity to a 100 basis point instantaneous change in market interest rates. This sensitivity indicates the impact of a sudden increase or decrease in the reference rate curve, accompanied by a shift in all economic assumptions including discount rates and market values of fixed income assets. Any resulting negative reference rates are set to zero. Salary inflation assumptions are changed but expense inflation assumptions are assumed to remain unchanged. The UFR used in these sensitivities remains the same as for the base scenario, meaning that the change in the reference rate curve in these sensitivities is only parallel up to the extrapolation entry point. However for the valuation of assets, a parallel shift in market interest rates is assumed. Also illiquidity premium spreads are not adjusted. For VNB the instantaneous change in interest rates is assumed to arise just before the first premium is invested, allowing no time for repricing.
- ***Equity and property -10%***: Sensitivity to a decrease of 10% in equity and property values at the valuation date. Rebalancing of the asset mix is assumed to the base case strategic asset allocation applicable to the business unit. For VNB the decrease in equity and property values is assumed to arise just before the first premium is invested. For Netherlands Life the sensitivity includes the impact on the underlying real estate investments held in the real estate entities, which serves to increase the exposure to real estate by approximately 3 percentage points.
- ***Equity and property implied volatility increase +25%***: Sensitivity to a 25% increase in equity and property implied volatilities up to the assumed last liquid point (e.g. a 20% volatility assumption becomes 25% in the sensitivity), together with a 25% increase in the long-term assumed volatility of equity/property returns in excess of cash. The effect of this approach is that this sensitivity represents an increase in equity implied volatilities that overall is less than 25%. This sensitivity will lead to a change in the TVOG.
- ***Swaption implied volatility +25%***: Sensitivity to a 25% increase in swaption implied volatilities across all maturities (e.g. a 20% volatility assumption becomes 25% in the sensitivity). Due to the approach used to generate the scenarios, the equity and property implied volatilities are also changed in this sensitivity. This sensitivity will lead to a change in the TVOG.

- ***Corporate credit spread +/- 50 bps***: Sensitivity to a 50 basis point instantaneous increase or decrease in corporate bond yields. The sensitivity impacts the market value of these assets, with other impacts limited to those cash flows directly impacted by the change (e.g. profit sharing). This sensitivity has only been applied to the general account assets. The illiquidity premium spread is not adjusted in this sensitivity.
- ***Illiquidity premium spread +10 bps***: Sensitivity to a ten basis point parallel shift in illiquidity premium spreads over the entire illiquidity premium spread curve.
- ***Mortality/morbidity (life) -5%***: Sensitivity to a decrease of 5% in mortality and morbidity rates for life assurance business only. For example, a 10% morbidity rate becomes 9.5% in the sensitivity.
- ***Mortality/morbidity (annuity) -5%***: Sensitivity to a decrease of 5% in mortality and morbidity rates for annuity business only. For example, a 2% mortality rate becomes 1.9% in the sensitivity.
- ***Lapse rates -10%***: Sensitivity to a decrease of 10% in surrender, lapse, paid-up or other discontinuance rates. For example, a 5% lapse rate becomes 4.5% in the sensitivity.
- ***Expenses -10%***: Sensitivity to a decrease of 10% in maintenance expenses. The head office shareholder expenses (in the Other segment) are also decreased by 10% in this sensitivity but exceptional expenses are assumed to be unchanged.
- ***Minimum regulatory capital***: Sensitivity to a change in the capital requirement, which is set equal to the level of the minimum local regulatory required capital.

The table below sets forth an overview of the sensitivity results for the Life EV as at 31 December 2013, by segment. The sensitivities shown do not take into account the rebalancing of dynamic hedges for Japan Closed Block VA, i.e. the impacts of the sensitivities on assets and liabilities are calculated as an instantaneous event.

	As at 31 December 2013						
(in millions of EUR)	**Netherlands Life**	**Insurance Europe**	**Japan Life**	**Other**	**Japan CBVA**	**Total**	*Total %*
Base value	**5,632**	**3,055**	**1,165**	**-521**	**1,147**	**10,477**	
Sensitivity to economic assumptions							
Interest rate +100 bps	-80	-34	-40	67	-86	**-173**	*-2%*
Interest rate -100 bps	258	2	26	-85	-49	**152**	*1%*
Equity and property -10%	-710	-37	0	0	-18	**-765**	*-7%*
Equity and property implied vol +25%	-2	-23	0	-5	-72	**-101**	*-1%*
Swaption implied vol +25%	-65	-40	0	0	-3	**-108**	*-1%*
Corporate credit spread +50 bps	-809	-44	-64	-31	0	**-947**	*-9%*
Corporate credit spread -50 bps	815	45	67	33	0	**959**	*9%*
Illiquidity premium spread +10 bps	380	31	0	2	0	**414**	*4%*
Sensitivity to non-economic assumptions							
Mortality/morbidity rates -5% (life)	17	44	27	6	3	**97**	*1%*
Mortality/morbidity rates -5% (annuity)	-321	-6	0	0	0	**-326**	*-3%*
Lapse rates -10%	11	66	113	-4	-8	**179**	*2%*
Expenses -10%	316	147	34	74	10	**581**	*6%*
Minimum required capital	240	15	19	1	0	**275**	*3%*

Due to close matching between assets and liabilities the interest rate sensitivities are limited for the size of the portfolio with the overall impacts being less than 2% of the Life EV. The overall impact is dampened by the Other segment impact, the sensitivity of which is the opposite direction to that of the other segments (apart from in one case) due to the shareholder expenses being the most material part of that segment. Non-parallel shifts in interest rates can give interest sensitivities that are different to the ones shown. For Netherlands Life, sensitivities are impacted by the inconsistency between the market valuation of euro-denominated fixed interest assets of durations of more than 20 years and the projection of distributable earnings for EV as described in "*—Assumptions—Economic assumptions*".

The equity and property stress has most impact on Netherlands Life where there are significant holdings of equity and property in the portfolio. Japan Closed Block VA has equity exposure but this exposure is hedged resulting in a small impact for this sensitivity.

Equity implied volatility is most significant for Japan Closed Block VA where the equity implied volatility exposure is only partially hedged.

The corporate credit spread sensitivities show a significant impact for the Netherlands Life business. However it should be noted that in practice the impact is likely to be mitigated by a change in the illiquidity premium adjustment.

The mortality/morbidity rates (annuity) sensitivity is almost entirely attributable to the Netherlands Life group life business where there is a significant exposure to longevity risk.

All segments are sensitive to a change in expenses assumptions with the largest impact being in Netherlands Life because of the long duration group life business and in Insurance Europe where the pension fund business also has a very long duration.

The table below sets forth an overview of the sensitivity results for the VNB for the year ended 31 December 2013, by segment. There is no new business in the Other and Japan Closed Block VA segments.

	For the year ended 31 December 2013			
(in millions of EUR)	**Netherlands Life**	**Insurance Europe**	**Japan Life**	**Total**
Base value	**-53**	**96**	**86**	**129**
Sensitivity to economic assumptions				
Interest rate +100 bps	64	4	48	**116**
Interest rate -100 bps	-85	-5	-54	**-145**
Equity and property -10%	-11	0	0	**-11**
Equity and property implied vol +25%	0	-1	0	**-1**
Swaption implied vol +25%	2	-1	0	**0**
Corporate credit spread +50 bps	0	0	0	**0**
Corporate credit spread -50 bps	0	0	0	**0**
Illiquidity premium spread +10 bps	4	1	0	**4**
Sensitivity to non-economic assumptions				
Mortality/morbidity rates -5% (life)	1	4	3	**8**
Mortality/morbidity rates -5% (annuity)	-3	0	0	**-3**
Lapse rates -10%	0	14	19	**33**
Expenses -10%	6	14	5	**25**
Minimum required capital	1	2	2	**5**

The most significant VNB sensitivities are in Netherlands Life and Japan Life where interest rate guarantees mean that the VNB changes significantly when interest rates change. No allowance for changes in the underlying product terms has been made when calculating these sensitivities e.g. due to re-pricing the underlying product.

Additional specific sensitivities

In addition to the sensitivities above the following additional sensitivities have been provided:

- ***Poland pension fund regulatory changes***: Persistency and asset mix assumptions are uncertain following changes in the regulation of Polish pension funds. Sensitivities have been performed to show the impact of higher and lower initial paid-up premium assumptions and a higher proportion of equity investments in the pension fund. The base case paid-up premium assumption is that 85% of participants stop paying premiums immediately; reducing that assumption to 70% increases the Life EV as at 31 December 2013 by EUR 41 million; and increasing that assumption to 100% reduces the Life EV by EUR 48 million. Increasing the proportion of equities in the fund from 65% to 100% reduces the Life EV as at 31 December 2013 by EUR 31 million.
- ***Insurance Europe regulatory risk***: No allowance has been made in the Life EV for the impact of any future changes in regulation of pension fund business in the Insurance Europe segment. Two sensitivities are provided to show the impact on the Life EV as at 31 December 2013 should no income be received after 2018 and 2023 from the pension fund business in Poland,

Romania, Czech Republic and Slovakia, i.e. the projection term is limited to 5 years and 10 years, respectively, with no gain or loss at the end of that period. If the projection term is limited to 5 years this reduces the Life EV by EUR 937 million. If the projection term is limited to 10 years, this reduces the Life EV by EUR 722 million. This is a prudent estimate of the Life EV impact as it does not consider the impact of the release of TVOG or CRNHR at the end of the shorter projection period.

- ***Pension expenses announcement in the first quarter of 2014***: On 28 February 2014 ING Groep announced changes to the defined benefit pension scheme operated for the benefit of ING and NN employees in the Netherlands. These changes were not reflected in the EV as at 31 December 2013 as the changes had not been agreed at that date. Reflecting these changes in the Embedded Value results in a reduction in the Group EV in the first quarter of 2014 of EUR 407 million.
- ***Netherlands Life future expense levels***: To reflect the uncertainty in future expense levels on the individual portfolio of Netherlands Life which is in run-off, a sensitivity is provided of 2% per annum higher expense inflation over the entire projection period for this portfolio. The negative impact on the Netherlands Life segment Life EV as at 31 December 2013 is EUR 357 million.
- ***Head office expense allocation to new model***: In January 2014 a revised expense allocation model for the allocation of head office expenses to business units was agreed. This is described in "—*Assumptions—Non-economic Assumptions—Expense assumptions—Head office expenses*". This new allocation model has not been reflected in the Embedded Value results. The new allocation model will have the effect of increasing the allocation of expenses to business units and reducing the expenses retained centrally. The impact on the total Life EV will be limited however there will be an increase in Life EV for the Other segment of approximately EUR 400 million and a decrease in Life EV of approximately EUR 400 million across the Netherlands Life, Insurance Europe, Japan Life and Japan Closed Block VA segments.

Statement of directors' responsibilities in respect of the Life EV results

When compliance with the EEV Principles is stated, those principles require the directors to prepare supplementary information in accordance with the methodology contained in the EEV Principles and to disclose and explain any non-compliance with the guidance included in the EEV Principles. In preparing this supplementary information, the directors of the Company have done so in accordance with the EEV Principles and have also fully complied with all the guidance therein and issued thereunder, apart from the exceptions described below under "—*Areas of non-compliance with EEV Principles and guidance*". Specifically, the directors have:

- determined assumptions on a realistic basis, having regard to past, current and expected future experience and to relevant external data, and then applied them consistently;
- made estimates that are reasonable and consistent; and
- provided additional disclosures when compliance with the specific requirements of the EEV Principles is insufficient to enable users to understand the impact of particular transactions, other events and conditions and NN's financial position and financial performance.

Areas of non-compliance with EEV Principles and guidance

EEV Principles require that the economic assumptions are internally consistent and consistent with observable, reliable market data. In some cases NN has used economic assumptions for EV that align with the expected Solvency II framework methodology and with the approach of certain of NN's peers in the European life insurance industry. In some circumstances this approach does not meet the aforementioned requirements of the EEV Principles. For example, market data for euro swap rates has only been used up to a term of 20 years and an extrapolation approach has been used from this point. This can also lead to an inconsistency between the market valuation of euro-denominated fixed interest assets of durations of more than 20 years and the projection of distributable earnings for EV. However NN has included an adjustment of EUR 763 million as at 31 December 2012 and EUR 517 million as at 31 December 2013 in the CRNHR as an allowance for the uncertainty relating to the extrapolation assumptions.

The EEV Principles require that the expected profits or losses of group companies that provide services to a covered business are included in the EV and VNB calculations to the extent that they relate to the covered business (often referred to as a 'look through' approach). Two exceptions have been made to this requirement:

- In the case of the Investment Management segment no such 'look through' has been allowed for. As a result, the profits from the Investment Management segment to the extent that they relate to the covered business are not included in the EV and VNB. This approach has been adopted to give a clear split of earnings between the Investment Management segment and the life businesses in line with NN's primary IFRS accounts.
- The Life EV and VNB for business in the Netherlands reflect the arrangements with the Dutch fiscal unity parent (a non-covered business) whereby covered businesses will book tax on any timing difference unconditionally as well as a full tax compensation for their taxable losses (either in cash or a tax receivable). The deferred tax asset position on consolidated level however is not fully recoverable in the Dutch fiscal unity parent against profits from the in-force covered business on NN's embedded value basis, which assumes no future investment spreads (other than the illiquidity premium spread). The deferred tax asset write off will occur in the Dutch fiscal unity parent only and no adjustment is made in the Life EV or VNB to reflect the resulting reduction in value.

According to the EEV Principles, all costs of the covered business should be allocated in the calculation of EV and VNB. In the case of head office expenses, an adjustment is made in the Other segment to reduce the EV in respect of the covered business share of head office costs that are not allowed for elsewhere in the valuation of the covered business. However no corresponding adjustment is made in the calculation of the VNB.

NON-LIFE INSURANCE CLAIMS RESERVES

Results for NN's non-life insurance business are significantly influenced by estimates of general insurance claims and claims expense provisions. NN is required by applicable insurance laws and regulations to establish provisions for payment of losses and loss adjustment expenses that arise from its insurance products. NN's provisions are an estimate of future amounts necessary to settle all outstanding and IBNR claims, including legal and other expenses, as of the relevant date. Such estimates are made on the basis of the facts available at the time the reserve is established and using generally accepted actuarial methodologies. The calculation of reserves is subject to assumptions reflecting, among other things, economic factors such as inflation rates, as well as legal and regulatory developments, which can change over time. NN continually reviews and updates the methods and assumptions used to determine such estimates and establish the resulting reserves. It records any such reserve adjustments in current income. See "*Risk Management*" for a further description of NN's reserving policies and the potential variability in NN's reserve estimates.

The facts and circumstances leading to NN's re-estimates of provisions relate to the development factors used to predict how losses are likely to develop from the end of a reporting period (accident year) until all claims have been paid. Re-estimates occur because actual losses are likely to be different from those predicted by the estimated development factors used in prior reserve estimates. As at 31 March 2014, the impact of a reserve re-estimation corresponding to a 1% increase or decrease in the claims reserves would be a decrease or increase of approximately EUR 32 million in result before tax.

Changes in claims reserves

The table below shows the development of claims provisions for NN's non-life business for the three months ended 31 March 2014 and the years ended 31 December 2013, 2012 and 2011.

	Provision net of reinsurance				Reinsurance contracts				Claims provision			
	31 March	31 December			31 March	31 December			31 March	31 December		
(*in millions of EUR*)	2014	2013	2012	2011	2014	2013	2012	2011	2014	2013	2012	2011
Opening balance	**3,238**	**3,179**	**3,113**	**3,103**	**78**	**84**	**92**	**100**	**3,316**	**3,263**	**3,205**	**3,203**
Changes in the composition of NN and other changes	—	1	-36	10	—	-1	-2		—		-38	10
	3,238	3,180	3,077	3,113	78	83	90	100	3,316	3,263	3,167	3,213
Additions:												
for the current period/year	218	1,176	1,213	1,166	1	9	6	10	219	1,185	1,219	1,176
for prior period/years	-203	-86	-39	-71	4	2	-11	-199	-86	-37	-82	
accrual on provision	6	40	45	40	—				6	40	45	40
	21	1,130	1,219	1,135	5	9	8	-1	26	1,139	1,227	1,134
Claim settlements and claim settlement costs:												
for the current period/year	—	-452	-473	-472	1	-1	-1	-1	1	-453	-474	-473
for prior period/years	36	-618	-643	-665	1	-13	-13	-6	38	-631	-656	-671
	36	-1,070	-1,116	-1,137	3	-14	-14	-7	39	-1,084	-1,130	-1,144
Exchange rate differences	-7	-2	-1	2	1	-6	-2	-1	2			
Closing balance	**3,216**	**3,238**	**3,179**	**3,113**	**82**	**78**	**84**	**92**	**3,298**	**3,316**	**3,263**	**3,205**

An *accident (or calendar) year* grouping of claims means that all claims relating to events (insured losses) that occurred in a certain (calendar) year are grouped together, irrespective of when they are actually reported or paid and regardless of the year in which the insurance cover commenced. Accident year accounting matches claims incurred in an accident year with the premiums earned in that year.

Claims reserves additions are additions to the provisions for the current year that are mainly caused by claims incurred in the current accident year. Provisions are established at nominal value for the majority of claims reported. Provisions are determined on a discounted basis, with interest accrued to the provisions at a pre-determined discount rate, only in the case of claims resulting from coverage under long-tail products such as liability and income protection. Also, additions to the claims provisions are made for losses which are expected to be reported in later years, but which result from coverage in the current accident year (i.e. IBNR losses) and for future claim handling costs.

Incurred claims in a book year comprises two components: (i) claims incurred in the current accident year including claim handling costs and (ii) adjustments on prior accident year claim estimates as a result of the uncertainty inherent in calculating provisions regardless of methodology and assumptions. Payment of claims will result in a decrease in the claims provisions. For short-tail non-life insurance products such as fire insurance, most claims will be reported and settled within the accident year itself. In other cases, the time lag between establishing the provision and settling the claim will surpass the calendar year, and the difference between the final claim settlement and the available provision will show up as a change in provisions related to prior years. It should also be noted that claims provisions are not calculated at the best estimate level, but at a higher confidence level (90%). This prudence in provisioning implies that, statistically, a release of the claims provision on prior years is to be expected in the majority of cases, as reflected in the table above.

Total incurred claims (before reinsurance) were estimated at EUR 1,217 million for accident year 2013 and EUR 1,182 million for accident year 2012. The estimate for 2013 showed a slight decrease as compared with the initial estimate of EUR 1,232 million in respect of 2012. This decrease was due to a lower amount of claims incurred, particularly under income protection products, and subsequent to measures taken to improve underwriting performance. The decrease was also related to a lower volume of premiums written, due to the increased strategic underwriting focus on value and return over volume.

Current year payments decreased to EUR 452 million in 2013 from EUR 473 million in 2012. Prior year payments also decreased to EUR 618 million in 2013 from EUR 643 million in 2012. The decrease in payments during this period can be attributed to the lower volume of the general insurance portfolio and improvement in claims frequency and duration, especially for income protection products.

Gross claims development table

The table below illustrates the development over time of estimated cumulative claims per accident year compared with estimates in earlier years. The estimates for each accident year increase or decrease as losses are paid and as more information becomes available about the frequency and severity of unpaid claims with respect to such accident year.

	Accident year										
(*in millions of EUR*)	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**Total**
Estimate of cumulative claims:											
At the end of accident year	1,096	1,109	1,100	1,020	1,078	1,200	1,169	1,217	1,232	1,217	
1 year later	979	1,041	1,057	923	1,060	1,213	1,198	1,244	1,182		
2 years later	856	940	978	859	1,033	1,153	1,159	1,191			
3 years later	840	911	965	861	1,032	1,146	1,157				
4 years later	843	896	974	842	1,024	1,129					
5 years later	836	893	960	837	1,041						
6 years later	834	875	965	849							
7 years later	834	875	970								
8 years later	828	875									
9 years later	835										
	835	875	970	849	1,041	1,129	1,157	1,191	1,182	1,217	**10,446**
Cumulative payments	-721	-775	-841	-679	-820	-867	-866	-793	-699	-453	**-7,514**
	114	100	129	170	221	262	291	398	483	764	**2,932**
Effect of discounting	-6	-13	-15	-24	-30	-32	-39	-54	-50	-34	**-297**
Liability recognised	108	87	114	146	191	230	252	344	433	730	**2,635**
Cumulative effect of exchange rate differences											—
Effect of acquisitions											—
Liability relating to accident years prior to 2004											**681**
Total amount recognised in the balance sheet											**3,316**

LIQUIDITY AND CAPITAL RESOURCES

Working capital

NN believes that the working capital available to it is sufficient for its present requirements; that is, for at least 12 months following the date of this Prospectus.

Cash flows

NN's cash flow statement is prepared in accordance with the indirect method, classifying cash flows as (net) cash flows from operating, investing and financing activities. In the net cash flow from operating activities, the result before tax is adjusted for those items in the profit and loss account, and changes in balance sheet items, which do not result in actual cash flows during the reporting period. The investment performance of assets held in separate accounts and the corresponding amounts credited to the separate account (policy)holders, are reported by NN as part of the net cash flow from operating activities. This concerns *inter alia* the separate account pension contracts in the Netherlands and the Japan Closed Block VA business. Cash proceeds from the sale of group companies are reported in the net cash flow from investing activities, whereas the cash proceeds related to the U.S. IPO are presented in the net cash flow from financing activities.

Insurance

NN's primary sources of cash consist of premium receipts, investment income, proceeds from the sale or redemption of investments and proceeds from borrowed funds. The major uses of these funds are the payment of life policyholder benefits and surrenders, non-life claims and related claims expenses, operating and interest expenses, purchase of investments and repayment of borrowed funds. Additionally, collateralisation of derivative portfolios can result in the requirement to receive or post cash depending on the movement of the underlying instrument. NN generates a substantial gross cash flow from operations as a result of premium receipts which by their nature precede claim payments or policyholder benefits coming due. These positive operating cash flows, along with that portion of the investment portfolio that is held in cash or cash equivalents and highly liquid securities, have historically met the liquidity requirements of NN's operations on a short-term and long-term basis. Netherlands Life and Netherlands Non-life maintain liquidity positions which are generally strong by holding assets and liabilities that are largely cash flow matched. Furthermore, a substantial part of NN's investment portfolio consists of liquid instruments or securities that can be liquidated or pledged against cash if needed. NN operating companies may have intercompany loans with the Company.

Bank

NN Bank manages its liquidity needs independent from NN's insurance and investment management operations. NN Bank predominantly carries residential mortgages that are funded by retail savings deposits and wholesale funding. NN Bank monitors its liquidity position by tracking the loan-to-deposit ratio, the net stable funding ratio and the liquidity coverage ratio, which were 103%, 101% and 187%, respectively, as at 31 December 2013.

Holding company

As a holding company, the Company's primary sources of cash are borrowings, dividends and interest payments from loans to subsidiaries. The dividend payments and repatriations of excess capital from the operating units are in most cases subject to regulatory approval and could be restricted in terms of dividend amount or capital requirements. The Company uses its funds to service its debt, pay corporate expenses, and fund its operating units and shareholders payments. To cover unexpected cash requirements, NN holds a centralised contingency of cash and cash equivalents, and has access to commercial paper, medium-term notes and committed credit facilities.

At a holding company level, the Company intends to keep sufficient cash to cover unanticipated capital requests from its operating segments (other than Netherlands Life, which is monitored separately), and to meet its needs for coverage of holding and interest expenses for 18 months.

On 11 April 2014, the Company (as borrower) entered into a EUR 1,000 million standby revolving credit facility with an international syndicate of banks, including ING Bank N.V. The notional amount of ING Bank N.V.'s participation in this facility is EUR 77 million. The credit facility is undrawn at the date of this Prospectus. The credit facility has been made available for a period of five years, maturing in April 2019. Any amounts borrowed under the credit facility shall be applied towards general corporate purposes of NN.

The table below presents a summary of NN's consolidated cash flows for the three months ended 31 March 2014 and the year ended 31 December 2013, as well as the reclassified cash flows for the three months ended 31 March 2013 and the years ended 31 December 2012 and 2011. Net cash flows other than from operating activities are based on changes in the reclassified consolidated balance sheet for the three months ended 31 March 2013 and the years ended 31 December 2012 and 2011. In these reclassified statements, the assets and liabilities of all businesses that have been presented as held for sale as at 31 December 2013 are reported as held for sale.

	Three months ended 31 March		**Year ended 31 December**		
	2014	**2013**	**2013**	**2012**	**2011**
(*millions of euros*)		**reclassified[1]**		**reclassified[1]**	**reclassified[1]**
Cash and cash equivalents at the beginning of the period/year[2]	**7,234**	**6,710[3]**	**6,717[3]**	**11,577**	**6,666**
Net cash flow from operating activities	-396	-1,408	-8,247	-448	-1,587
Net cash flow from investing activities	1,951	4,482	8,126	-806	1,548
Net cash flow from financing activities	-743	-824	457	-4,088	3,055
Net cash flow from entities held for sale				501	1,870
Effect of foreign exchange rate changes[3]	130	-48	182	-19	25
Closing cash and cash equivalents at the end of the period/year[2]	**8,176**	**8,912**	**7,235**	**6,717**	**11,577**

(1) In order to provide comparable information, NN has prepared Reclassified Balance Sheets. See "*Important Information—Presentation of Financial and Other Information*" and Note 54 of the 2013 Annual Accounts.

(2) As at 31 December, cash and cash equivalents classified as assets held for sale amounted to EUR 80 million in 2013, EUR 1,328 million in 2012 and nil in 2011.

(3) The EUR 7 million difference in cash and cash equivalents at the beginning of 2013 is due to the discontinuation of the proportionate consolidation method for joint ventures due to the implementation of IFRS 11 "Joint Arrangements" as at 1 January 2014.

(4) Effect on foreign exchange rate changes on cash and cash equivalents.

Net cash flow from operating activities

Net cash flow from operating activities was an outflow of EUR 8,247 million in 2013, principally due to payments to policyholders of maturing SPVA contracts in Japan and (net) settlement of other liabilities. In 2012, net cash flow from operating activities was an outflow of EUR 448 million, mainly caused by payments to policyholders of maturing SPVA contracts in Japan, largely offset by a net redemption of loans and advances to customers. Net cash flow from operating activities was a cash outflow of EUR 1,587 million in 2011, mostly due to an increase in loans and advances to customers.

Net cash flow from operating activities was an outflow of EUR 396 million in the three months ended 31 March 2014. This outflow was partly related to the EUR 214 million payment to the Dutch defined benefit pension fund as part of the agreement to transfer all future funding and indexation obligations under ING's closed defined benefit plan in the Netherlands to the Dutch ING Pension Fund. Net cash flow from operating activities was an outflow of EUR 1,408 million in the three months ended 31 March 2013, principally due to payments to policyholders of maturing SPVA contracts in Japan.

Net cash flow from investing activities

Net cash flow from investing activities was an inflow of EUR 8,126 million in 2013, due to EUR 2,548 million in cash proceeds from the divestment of group companies, primarily in Asia, and the net redemption of investments for the risk of policyholders, especially in the Japan Closed Block VA segment. In 2012, the net cash flow from investing activities was an outflow of EUR 806 million, despite EUR 1,332 million in cash proceeds from the disposal of the insurance businesses in Malaysia, principally due to the net redemption of investments for the risk of policyholders in the Japan Closed Block VA segment. Net cash flow from investing activities was an inflow of EUR 1,548 million in 2011, principally due to EUR 2,736 million in cash proceeds from the disposal of subsidiaries, mainly in Latin America.

Net cash flow from investing activities was an inflow of EUR 1,951 million in the three months ended 31 March 2014, principally due to the net redemption of investments for the risk of policyholders from guaranteed separate account pension contracts in the Netherlands. This net redemption was due to the transfer of EUR 1,978 million in pension assets from the separate account to the general account after changes in the product terms and conditions at the renewal of the contracts (usually in the first quarter). The transferred assets were partly reinvested (for risk of the Company) in available-for-sale investments and partly held in cash and cash equivalents. Net cash flow from investing activities was a cash inflow of EUR 4,482 million in the three months ended 31 March 2013, due to EUR 1,515 million in cash proceeds from the divestment of the insurance businesses in Hong Kong, Macau and Thailand, and the net redemption of investments for the risk of policyholders, especially in the Japan Closed Block VA segment.

Net cash flow from financing activities

Net cash flow from financing activities was an inflow of EUR 457 million in 2013, principally due to a EUR 1,330 million capital injection from ING Groep, partly offset by a dividend payment to ING Groep of EUR 882 million in connection with the divestments of ING U.S. and part of NN's equity interest in SulAmérica. The EUR 1,062 million in proceeds of the U.S. IPO were offset by the (net) redemption of EUR 1,249 million of debt securities and other borrowed funds. Net cash flow from financing activities was a cash outflow of EUR 4,088 million in 2012, principally due to (net) repayment of EUR 1,420 million in subordinated loans, EUR 2,161 million in debt securities and EUR 583 million in borrowed funds. The 2011 net cash flow from financing activities was an inflow of EUR 3,055 million, principally due to proceeds from debt securities and other borrowed funds.

Net cash flow from financing activities was an outflow of EUR 743 million in the three months ended 31 March 2014, mainly caused by the (net) redemption of other borrowed funds and a EUR 176 million dividend payment to ING Groep, representing the proceeds from the sale to Swiss Re Group of a 11.3% interest in SulAmérica. Net cash flow from financing activities was an outflow of EUR 824 million in the three months ended 31 March 2013, mainly due to the (net) redemption of other borrowed funds.

Holding company cash capital generation

The holding company cash capital generation of the Company's life insurance business is related to the ability of NN to generate returns on its existing in-force block of business and free surplus, as well as the release of required capital on maturing policies, offset by required capital and upfront costs associated with new business.

The table below sets forth movements in the cash position of the Company on a non-consolidated basis for the periods indicated.

	Three months ended 31 March	Year ended 31 December	
(millions of euros)	**2014**	**2013**	**2012**
Total holding company cash balance at beginning of period	**1,363**	**-688**	**435**
Capital injections to/Remittances from subsidiaries[1]	-55	-1,210	158
Netherlands Life	-45	-600	63
Netherlands Non-life	48	-198	6
Insurance Europe[2]	-6	177	-71
Japan Life	—	183	—
Investment Management	-51	87	90
Corporate line[3]	—	-942	22
Discontinued operations	—	82	49
Holding debt costs (after tax)	-25	-125	-163
Holding expenses and other items (after tax)	-26	-146	-278
Operating holding company cash position before dividend	**-105**	**-1,481**	**-283**
Cash dividend to shareholders	-176	-882	—
Operating holding company cash position after dividend	**-283**	**-2,363**	**-283**
Issue of intercompany debt	1,000	2,000	2,281
Repayment of internal and external debt	-1,000	-3,613	-4,185
Proceeds from divestments and liquidations	177	4,104	1,332
Subordinated loan to NN Life	-600	—	—
Capital injection from ING Groep	—	1,330	—
Repayment of intercompany loan by Lion Connecticut Holdings (U.S.)	—	387	—
Other net cash movements	-25	207	-269
Change in total holding company cash position	**-729**	**2,051**	**-1,124**
Total holding company cash balance at end of period	**634**	**1,363**	**-688**
Operating cash balance (A)	**—**	**—**	**-688**
Cash capital position of the holding company (B)	**634**	**1,363**	**—**
Total cash balance (A+B)	**634**	**1,363**	**-688**

(1) Capital injections are reflected as a negative impact on the holding company cash balance while remittances are reflected as a positive impact.

(2) Excludes remittances of EUR 90 million and EUR 25 million in respect of Czech Life in 2013 and 2012, respectively, as Czech Life is a branch of NN Life and should not be included when determining overall remittances to the Company. Figure for 2013 includes gross remittances of EUR 212 million (including a EUR 75 million one-off dividend related to Belgium and Spain) and a capital injection of EUR 34 million. Figure for 2012 includes gross remittances of EUR 137 million and a capital injection of EUR 208 million.

(3) Includes NN Re, NN Bank, SulAmérica and other entities that are not part of the ongoing business. Growing NN Bank will require additional capital funding, depending on the size and pace of growth.

The cash position of the Company improved in 2013, mainly due to a new loan of EUR 2 billion from ING Groep, a capital injection from ING Groep of EUR 1,330 million (EUR 1,000 million to redeem debt and EUR 330 million to acquire parts of WUB), partly offset by a dividend payment to ING Groep of EUR 882 million in connection with the divestments of ING U.S. and part of NN's equity interest in SulAmérica and proceeds from divestments and liquidations of EUR 4,104 million relating to insurance and investment management businesses in Hong Kong, Thailand, India and Korea. This was offset by outflows of EUR 3,613 million related to debt redemptions and capital injections of EUR 1,210 million, mainly into NN Life and NN Re Netherlands. Additionally, NN established a cash capital position of EUR 1,363 million at the holding company level, which has been set up as a centralised contingency buffer to maintain capital ratios of operating companies adequately after stress events and for coverage of interest and holding costs. The balance at the end of 2013 was temporarily elevated, as it included cash which was subsequently loaned to NN Life (EUR 600 million) in February 2014. The cash position at the end of 2012 was negative, mainly due to debt redemptions, tax settlements with subsidiaries pursuant to the Dutch fiscal unity tax regime, interest and other holding company activities. This shortfall was not resolved before year end 2012 in anticipation of the inflow of proceeds from the divestment of businesses in Hong Kong and Thailand, which strengthened the cash position in the first quarter of 2013.

Capital injections to subsidiaries in the first quarter of 2014 mainly relate to the impact of the agreement to make ING Groep's defined benefit pension plan in the Netherlands financially independent.

Unconsolidated balance sheet information by segment

The table below sets out the unconsolidated balance sheet of the Company with investments in subsidiaries divided by segment. The value of each segment is based on the sum of the equity allocated to the entities per segment. See "*Important Information—Presentation of Financial and Other Information*" on how NN calculates allocated equity per segment. The IFRS shareholder's equity for the Company is presented net of minorities, i.e. excluding the interests in subsidiaries not held by NN.

(*in millions of EUR*)	**Assets**					**Equity and liabilities**			
	As at 31 March	**As at 31 December**				**As at 31 March**	**As at 31 December**		
	2014	**2013**	**2012**	**2011**		**2014**	**2013**	**2012**	**2011**
		(unaudited)					*(unaudited)*		
Allocated equity per segment									
Netherlands Life	10,243	9,491	10,424	10,049	Shareholder's equity	14,682	14,227	26,423	23,412
Netherlands Non-life	695	734	555	458					
Insurance Europe	2,031	1,898	2,082	1,720	Subordinated loans	2,890	2,892	2,947	4,367
Japan Life	1,354	1,259	1,523	1,369					
Investment Management	351	359	365	423	Debt in issue	—	—	694	2,855
Other	886	865	611	1,044	Borrowings from ING Groep and ING Bank	1,000	1,000	1,311	300
Ongoing business	15,560	**14,605**	**15,560**	**15,064**	Borrowings from subsidiaries	—	—	923	-822
Japan Closed Block VA	1,058	1,236	1,440	987	**Total financial debt holding**	**1,000**	**1,000**	**2,927**	**2,333**
Held for sale operations	171	168	17,111	16,486					
Insurance Other	—	186	366	394	Financial debt held for sale operations and ING U.S.	—	—	2,842	3,138
Cash capital position	634	1,363	—	—	**Total debt**	3,890	**3,892**	**8,716**	**9,838**
Subordinated loan to NN Life	600	—	—	—					
Net other assets of the holding	550	560	662	320					
Total	**18,572**	**18,119**	**35,139**	**33,250**	**Total**	**18,572**	**18,119**	**35,139**	**33,250**

The decrease in shareholder's equity to EUR 14,227 million as at 31 December 2013 from EUR 26,423 million as at 31 December 2012 was mainly due to (a) EUR 3,793 million unrealised negative revaluations of available-for-sale investments, primarily in the bond portfolio, and the cash flow hedge reserve (net of deferred profit sharing), driven by higher market interest rates, and (b) a EUR 8,784 million change in the composition of the Company related to the initial public offering of ING U.S. and the transfer of the remaining stake in ING U.S. to ING Groep on 30 September 2013 through a dividend in kind. These reductions in shareholder's equity were partly offset by a EUR 1,330 million capital injection from ING Groep and the dividend payment to ING Groep of EUR 882 million in connection with the divestment of ING U.S. and part of NN's equity interest in SulAmerica.

Changes in the equity allocated to the segments in 2013 primarily relate to the following:

- The Netherlands Life and Netherlands Non-life segments received net capital injections of EUR 600 million and EUR 198 million, respectively. The decrease in equity allocated to the Netherlands Life segment is mainly due to a decrease in the revaluation reserve primarily related to unrealised negative revaluations of available-for-sale investments in the bond portfolio (net of deferred profit-sharing) due to higher market interest rates. The decrease in equity allocated to the Insurance Europe segment reflects dividend payments and capital repayments to the Company. The equity allocated to the Japan Life segment was negatively impacted by the payment of a dividend to the Company and the weakening of the Japanese yen against the euro. A DAC write-down and the weakening of the Japanese yen against the euro contributed to the lower equity allocated to the Japan Closed Block VA segment.

- The equity allocated to the held for sale operations reduced following the divestments of Asian operations, the U.S. IPO and the transfer of the remaining stake in ING U.S. to ING Groep. The cash capital position was formed in preparation of NN's separation from ING Groep to provide a buffer to cover interest payments, overhead expenses and potential capital injections into subsidiaries in a potential stress event. The senior debt decreased by EUR 1,000 million after the capital injection of EUR 1,330 million by ING Groep.

Shareholder's equity increased slightly to EUR 14,682 million as at 31 March 2014 from EUR 14,227 million as at 31 December 2013, mainly due to interest revaluation reserves, offset by the transfer of the proceeds and the remaining shares of SulAmérica to ING Groep, the move towards fair value accounting for the GMDB reserves of Japan Closed Block VA and the impact of the agreement to make ING Groep's defined benefit pension plan in the Netherlands financially independent.

Capital requirements

Management's objective is to maintain a robust and sustainable business, supported by an adequate capital base. NN's capital plan is aligned with Management's objectives for the business and balances the perspectives of its different stakeholders: regulators, rating agencies, investors and customers.

NN's Corporate Finance department manages the risk associated with NN's business activities through the management, planning and allocation of capital within NN. The Corporate Finance department also performs a treasury function, including the management and execution of capital markets transactions, term (capital) funding and risk management transactions.

The Corporate Finance department manages NN's capital on a pro-active basis and ensures that sufficient capital is available by setting targets and limits. Capital management takes into account the metrics and requirements of regulators (IGD Solvency I, Solvency 1.5, Tier 1 and BIS ratios and limits for hybrid capital), rating agencies (leverage ratios, adjusted equity and fixed coverage ratio) and internal metrics such as AFR and economic capital. The ongoing assessment and monitoring of capital adequacy is embedded in the Corporate Finance department's capital planning process. Following the annual budgeting process, each year a capital plan reflecting NN's risk appetite and risk management strategy is prepared for NN as a whole and for each of its segments. This plan is updated on a quarterly basis, at which time the Corporate Finance department assesses whether additional management actions are required in order to maintain sufficient financial flexibility to meet NN's financial objectives. Among the Corporate Finance department's key priorities are ensuring that stand-alone companies are adequately capitalised based on local regulatory and rating agency requirements.

In order to provide comparable information given the disposal of all material insurance and investment management operations of NN in the United States, Latin America, and Asia/Pacific (excluding Japan) (see "*Business-Material Agreements—Acquisitions and disposals*"), the information presented in this section excludes the entities that were divested in 2013 and 2012 and therefore these entities are not included in the information presented as at 31 December 2012 and 2011. See the "Capital Management" section in the 2013 Annual Accounts for more information on NN's capitalisation.

Insurance Groups Directive

NN's solvency position on a consolidated basis is calculated under the IGD and is calculated as the difference between (i) the consolidated assets eligible for the inclusion in the calculation of the solvency margin based on the consolidated data; and (ii) the minimum amount of the solvency margin calculated on the basis of the consolidated data. The IGD capital is defined as shareholder's equity plus hybrid capital, prudential filters and certain adjustments and is calculated in accordance with method three "method based on accounting consolidation" of the Dutch Financial Supervision Act. Required capital is based on the EU required capital base. In applying this method, a solvency deficit of an insurance subsidiary, if any, is taken into account, as well as regulatory adjustments of the Dutch insurance subsidiaries based on the Dutch Financial Supervision Act. The IGD Solvency I ratio is calculated by dividing the IGD capital by the EU required capital base.

The table below sets forth the capital position of NN as at the dates indicated.

	As at 31 March	As at 31 December	
(millions of euros)	**2014**	**2013**	**2012**
Shareholder's equity	14,682	14,227	26,423
Qualifying hybrids issued by the Company to ING Groep (perpetuals)[1]	2,394	2,394	2,438
Qualifying hybrids issued by the Company (dated)[2]	—	—	476
Regulatory cap on hybrids[3]	-160	-203	—
Required regulatory adjustments	-5,950	-5,410	-6,891
IGD capital[4,5]	10,966	11,007	22,446
EU required capital base[5]	4,468	4,381	9,523
IGD Solvency I ratio[6]	245%	251%	236%

(1) The notional amount of hybrids issued by the Company to ING Groep that meet the conditions set by DNB to be considered available capital for IGD.

(2) The notional amount of hybrids issued by the Company that meet the conditions set by DNB to be considered available capital for IGD. As from 1 January 2013 the hybrid issued by the Company with notional amount of EUR 476 million does not qualify as IGD capital under DNB regulations.

(3) 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.

(4) The IGD capital base is derived without adjustment for the held-for-sale classification of units to be divested.

(5) The required regulatory adjustments for IGD capital and EU required capital may differ, as statutory results are not final until filed with the regulators.

(6) The IGD Solvency I ratio of 245% reported in the Company's audited consolidated financial statements for the financial year ended 31 December 2012 is restated due to the change in accounting policy for employee benefits as described therein in the section "Changes in accounting policies in 2013".

The IGD ratio of NN increased to 251% as at 31 December 2013 from 236% as at 31 December 2012. This improvement reflects the effects of the release of required capital following the divestment of certain Asian operations during 2013, the U.S. IPO and the transfer of the remaining stake in ING U.S. to ING Groep. The IGD ratio improved because the ongoing operations of NN had a more favourable ratio than the businesses sold. The increase in the IGD ratio was also supported by favourable market developments, net operating results and the EUR 1,000 million debt-to-equity conversion by ING Groep. This was partially offset by the impact of the downgrade of France by Fitch on the NN Life solvency ratio, the exclusion of a EUR 476 million hybrid loan as IGD capital and the one-off charge to restore reserve adequacy for the Japan Closed Block VA business.

To reflect the move towards fair value accounting for the GMDB reserves of Japan Closed Block VA, the IGD ratio for NN was restated from 251% to 250% as at 31 December 2013. On the same basis, the IGD ratio decreased to 245% in the first quarter of 2014. This was mainly due to a dividend payment to ING Groep related to the proceeds and remaining shares of SulAmérica and the impact of the agreement to make ING Groep's closed defined benefits pension plan in the Netherlands financially independent. The EU required capital increased mainly due to the increased technical provisions of NN Life and ING Life Japan.

As at 31 March 2014, the pro-forma IGD ratio of NN, adjusted for the capital injection of ING Groep of EUR 850 million in May 2014, was 264%.

New solvency regulation

On 1 January 2014, an interim solvency regulation (commonly referred to as Solvency 1.5) came into force in the Netherlands, in addition to Solvency I. One of the changes is the introduction of the TSC, which applies to large and medium-sized life insurers in the Netherlands and aims to ensure that after the realisation of certain pre-defined stress scenarios, insurance companies will continue to be in compliance with their solvency requirements. For further information, see "*Supervision and Regulation-Dutch Regulatory Framework—Solvency 1.5*".

Financial leverage

Financial leverage is defined as the sum of hybrid capital and net financial debt. The financial leverage ratio is defined as the ratio of financial leverage over the total of financial leverage and IFRS equity adjusted for revaluation reserves for debt securities, related crediting to life policyholders, the cash flow hedge and goodwill and grossed up for minority interests. The fixed cost coverage ratio compares earnings before tax and interest to interest costs, and is a measure of a company's ability to service its debts.

NN strives to manage financial leverage in order to comfortably service debt over the long run in a manner that is consistent with a "single A" financial strength rating. Two important metrics are monitored closely in this respect: (i) the financial leverage ratio, or debt versus equity, and (ii) the fixed cost coverage ratio, which measures the ability of IFRS earnings to cover interest expenses on hybrids and other debt. NN aims to keep its financial leverage ratio below 30% and the fixed cost coverage ratio within the range of 4 to 8.

The table below sets forth a breakdown of the capital base and financial leverage of NN as at the dates indicated.

	As at 31 March	**As at 31 December**	
(millions of euros)	**2014**	**2013**	**2012**
Shareholder's equity	14,682	14,227	26,423
Revaluation reserve debt securities	-4,105	-2,804	-9,282
Revaluation reserve crediting to life policyholders	3,199	2,579	5,673
Revaluation reserve cash flow hedge	-3,038	-2,726	-3,548
Goodwill	-264	-264	-351
Minority interests	72	68	217
Capital base for financial leverage[1] (A)	**10,546**	**11,080**	**19,132**
Hybrids issued by the Company to ING Groep[2]	2,400	2,401	2,451
Hybrids issued by the Company[3]	490	491	496
Total hybrids	**2,890**	**2,892**	**2,947**
External debt issued by the Company	—	—	694
External debt issued by U.S. holding companies	—	—	2,307
On-lent ING Groep debt	1,000	1,000	1,311
Other net financial debt[4]	—	—	1,457
Total financial debt	**1,000**	**1,000**	**5,769**
Total financial leverage (B)	**3,890**	**3,892**	**8,716**
Financial leverage ratio[5] (B/(A+B))	**27%**	**26%**	**31%**
Fixed costs coverage ratio[6]	**5.6**	**4.9**	**1.2**

(1) The capital base for financial leverage of EUR 20,007 million as reported in the Company's audited consolidated financial statements for the financial year ended 31 December 2012 has been restated due to the change in accounting policy as described therein in the section "Changes in accounting policies in 2013".

(2) Hybrids issued by the Company to ING Groep at amortised cost value consistent with IFRS carrying value.

(3) Hybrids issued by the Company at amortised cost value consistent with IFRS carrying value.

(4) Includes net internal borrowings from operating subsidiaries, net of cash and current tax liabilities of the holding company.

(5) The financial leverage ratio is the ratio of financial leverage over the total of financial leverage and IFRS equity adjusted for revaluation reserves for debt securities, related crediting to life policyholders, the cash flow hedge and goodwill and grossed up for minority interests. Financial leverage is the sum of hybrid capital, subordinated debt and net financial debt.

(6) Calculated on last 12-months basis.

In 2013, the Company redeemed a total of EUR 3,613 million of debt. This included the repayment of an external senior loan of EUR 693 million, intercompany loans from ING Groep of EUR 2,307 million and a loan from a subsidiary of EUR 613 million. The redemptions were partly funded by proceeds from divestments and a new short-term intercompany loan of EUR 2,000 million from ING Groep. Furthermore, in preparation for the Offering, ING Groep converted EUR 1,000 million of debt into equity in December 2013 to strengthen the Company's capital position. At the same time, the Company strengthened the capitalisation of NN Life by EUR 600 million, which increased its local solvency ratio to 223% as at 31 December 2013. In February 2014, the Company provided a subordinated loan of EUR 600 million to NN Life to further strengthen the capital position. The financial leverage ratio increased slightly to 27% as at 31 March 2014 from 26% as at 31 December 2013, mainly due to the transfer of the proceeds and the remaining shares of SulAmérica to ING Groep and the move towards fair value accounting for the GMDB reserves of Japan Closed Block VA.

During 2013 NN reduced its financial leverage ratio substantially, to 26% as at 31 December 2013 compared with 31% as at 31 December 2012. This was mainly driven by the realisation of proceeds from the sale of the Asian insurance businesses, the capital injection from ING Groep, the transfer of the remaining stake in ING U.S. from NN to ING Groep and dividends from operating companies, and was partially offset by capital injections into operating companies and holding company interest costs and expenses.

The fixed costs coverage ratio improved to 5.6 as at 31 March 2014 (on a last 12-months basis) versus 4.9 in 2013 and 1.2 in 2012, mainly due to higher results and the substantial reduction in financial leverage in 2013. NN calculates its fixed costs coverage ratio as the sum of the result before tax for ongoing business and interest costs divided by interest costs. Result before tax for ongoing business is calculated by subtracting results on divestments, special items before tax and Japan Closed Block VA from the result before tax from continuing operations.

Capitalisation prior to the Offering

In line with ING Groep's intention to ensure that the Company is adequately capitalised ahead of the Offering, several capital measures were taken in 2013 and 2014. In the fourth quarter of 2013, ING Groep injected EUR 1,000 million of capital into the Company that was used to reduce the Company's financial leverage. In February 2014, the Company provided a hybrid loan of EUR 600 million to NN Life to strengthen its capital base. In May 2014, ING Groep injected EUR 850 million of capital into the Company. These funds were used to reduce debt owed to ING Groep by EUR 200 million, further strengthen the capital base of NN Life by EUR 450 million (in the form of a subordinated loan) and increase the cash capital position in the holding company by EUR 200 million.

The key components of NN's capital structure are (i) the capital position at operating unit level, (ii) the cash capital position of the Company and (iii) financial leverage. Pro-forma figures in this paragraph are based on the capital position as at 31 March 2014, adjusted for the EUR 850 million injection from ING Groep.

- The operating units are intended to be managed at their commercial capital levels, defined as Management's judgment of the amount of capital required to operate the business in a competitive manner. All surplus capital above the commercial capital levels should be returned to the holding company, subject to regulatory restrictions. As at the date of this Prospectus, all operating units are adequately capitalised at their respective commercial capital levels. NN's largest operating unit, NN Life, has a pro-forma Solvency I ratio of 251% as at 31 March 2014.
- The Company seeks to hold a cash capital position in the holding company to cover stress events and to fund 18 months of holding and interest expenses. On a pro-forma basis, the holding cash capital position was EUR 0.9 billion as at 31 March 2014.
- The Company aims to maintain leverage and fixed costs coverage ratios consistent with a "single A" financial strength rating. On a pro-forma basis, the financial leverage of EUR 3.9 billion was EUR 3.7 billion and the financial leverage ratio of 27% was 24% as at 31 March 2014.

Over time, assuming normal market conditions, current regulatory expectations and no material special items, the Company expects to generate free cash available to Shareholders in a range around NN's net operating result of the ongoing business. However, the annual cash generation is expected to be significantly more volatile than the operating result and will be driven by market volatility, regulatory discretion dictating remittances and other non-operating items. Capital generated in excess of the Company's capital ambition (which may change over time), is expected to be returned to Shareholders unless it can be used for any other appropriate corporate purpose, including investments in value creating corporate opportunities.

Economic capital framework

NN applies an internal economic capital framework intended to measure available capital based on current observable market rates, in particular reflecting the current low interest environment. The framework compares available financial resources to economic capital employed, as follows:

- Available financial resources (**AFR**) is a pre-tax market value concept, defined for the insurance operations as the market value of assets (**MVA**) less the market value of liabilities (**MVL**) on the balance sheet. The liabilities do not include perpetual hybrid capital, which is included in AFR. The AFR valuation of NN includes an adjustment for liquidity premium in order to properly reflect the illiquid nature of insurance liabilities. For other businesses a proxy is used for AFR, i.e. statutory net equity for third party pension funds and NN Bank, and IFRS equity (adjusted for goodwill and intangible assets) for Asian divestments and Investment Management companies.
- Economic capital comprises part of the (pre-tax) internal economic solvency framework that reflects the risk profile of NN's insurance operations. This measure is based on a 99.5% confidence interval and one year horizon. Economic capital is considered to be an interim step to the Solvency II capital framework. Economic capital for other businesses is based on a proxy, i.e. sectorial rules for third party pension funds and NN Bank, 150% EU required capital for Asian divestments, and (adjusted) IFRS equity for Investment Management companies. For further information, see "*Risk Management-NN's Risk Profile—Economic capital*".

The table below sets forth NN's AFR and economic capital positions as at the dates indicated.

	As at 31 December	
(billions of euros)	**2013**	**2012**
AFR	13.6	11.4
Economic capital	7.0	8.7
Excess AFR over economic capital	6.6	2.7
AFR/economic capital ratio	193%	131%

The AFR/economic capital ratio for NN (excluding Other) increased in 2013 as a result of higher AFR and lower economic capital. AFR was EUR 13.6 billion as at 31 December 2013, an increase of EUR 2.2 billion compared with EUR 11.4 billion as at 31 December 2012. The increase was mainly due to a capital injection from ING Groep of EUR 1,330 million (EUR 1,000 million to redeem debt and EUR 330 million to acquire part of the operations of WUB) and the inclusion of the UFR in the valuation curve of EUR 1.6 billion. This increase was partially offset by the change of treatment of pension assets (included in 2012 figures, but excluded in 2013) of EUR 0.7 billion and the change in treatment of external hybrids of EUR 0.5 billion, which were no longer eligible as AFR from 1 January 2013 (consistent with the IGD ratio). The change in economic capital during 2013 is explained further in the section entitled "*Risk Management*". During 2013, economic capital decreased due to a combination of scope changes, decreased expense levels and changes to the discount curve.

The pro-forma AFR/economic capital ratio for NN (excluding Other), adjusted for the EUR 850 million capital injection from ING Groep, was 203% as at 31 December 2013.

In connection with the calculation of Solvency II ratios, significant uncertainties remain in how the final regulations will be applied. It is expected, however, that NN's Solvency II ratio will be lower than the AFR/economic capital ratio reflected in the above table and that this difference may be potentially significant depending on the final calibrations. Various management actions will be reviewed to ensure that NN and its operating segments are prepared for the introduction of Solvency II, including the potential measure of a capital injection by NN into one or more of its subsidiaries.

Business specific frameworks

Overall capital management is directed on a group level. Capital generated by operating units and future capital releases (in particular, from the Dutch individual life closed block and the Japan VA closed block), will be allocated to profitable growth of new business or repatriated to shareholders, beyond the capital that is needed to sustain commercial capital levels at Management's targets. NN actively manages its in-force business which, in combination with capital releases from run-off businesses, is expected to result in substantial free capital generation over time. Additionally, business improvement and balance sheet restructuring should improve the capital generation capacity while improving the risk profile of the company.

The operating units are capitalised separately, and excess capital over management's targets are intended to be up-streamed to the holding company to the extent local regulations allow. Stress tests are conducted on a regular basis. For additional information on sensitivities to regulatory capital, see "*Risk Management*".

Each of NN's subsidiaries is required to comply with applicable local statutory requirements applicable to it in the country or countries in which it is regulated. Currently, a majority of the statutory capital requirements in Europe are based on Solvency I principles and are expected to migrate to Solvency II as of the start of 2016.

Funding is sourced at the holding level, but NN may strategically borrow through its larger operating units if and where relevant, to increase financial flexibility.

NN Life

The table below sets forth the AFR and economic capital positions and capital position of NN Life as at the dates indicated.

	As at 31 March	As at 31 December		
(millions of euros)	**2014**	**2013**	**2012**	**2011**
AFR	7,226	6,360	3,272	5,924
Economic capital[1]	3,711	3,663	3,848	4,408
AFR/economic capital ratio	195%	174%	85%	134%
Available capital	6,425	5,876	5,257	4,991
Minimum required capital	2,735	2,629	2,747	2,605
Solvency I ratio	235%	223%	191%	192%

(1) This measure is based on a 99.5% confidence interval and one year horizon.

Regulatory solvency in the Netherlands is determined for each legal entity in accordance with Solvency I methodology, including the application of a supplementary "test of adequacy" (**ToA**). The ToA is an adjustment to IFRS equity resulting in regulatory available capital that is fully measured on a mark-to-market basis. The largest components of the ToA are corrections for prevailing interest rates, best estimate longevity assumptions and a risk margin. This means that NN Life's regulatory available capital reflects current low interest rates, credit spreads, time value of options and guarantees and best estimates assumptions for expenses, mortality and longevity.

Under the Dutch solvency framework, the market value of liabilities can be determined based on the DNB swap curve or the ECB AAA curve. In July 2013, France was downgraded by Fitch, which resulted in its government bonds no longer being included in the ECB AAA curve. This led to a sudden decrease in the discount rate by 15 basis points on average, increasing the valuation of liabilities held by insurers and therefore a decrease in regulatory capital. As a consequence, NN Life and several other insurers shifted to a valuation based on the DNB swap curve instead. The combined impact resulted in a decrease in NN Life's solvency of approximately EUR 1 billion (39 percentage points).

Additionally, insurers are required to apply the UFR concept which gradually extrapolates the rate curve, with effect from 30 September 2012, to an ultimate forward rate of 4.2% after year 60. NN Life manages its interest rate positions on an economic basis, by investing in assets that match the cash flows of the liabilities within a bandwidth. Since the Dutch regulatory capital framework includes the UFR, the interest rate sensitivity of the liabilities on a regulatory basis is lower than that of the assets. As a consequence, when interest rates or credit spreads rise the assets will decrease in value faster than the liability and therefore the available capital will fall. The impact on the solvency ratio is partly mitigated by a decrease in required capital, as this is determined as a percentage of the market value of the liabilities.

Under Solvency I, required capital is calculated as a fixed percentage of insurance liabilities (at 4% when the investment risk is for own account or at 1% when the investment risk is for the policyholder). This means that required capital will decrease in line with the existing book as it runs off, thereby releasing capital. At the same time, new production and renewals will increase the capital requirement. As at 31 December 2013, the Solvency I required capital for the group pensions book was EUR 1.5 billion. As this book is open for new business and renewals on a net basis, no significant changes in the capital requirement are expected under Solvency I. The Solvency I required capital for the individual life book was EUR 1.1 billion as at the same date. As this book is comprised largely of closed block business, the Solvency I capital requirement is expected to decrease over time. Management anticipates a 25-30% decrease by 2018 and a 50-55% decrease by 2025, based on liability projections using best estimate and market consistent assumptions for future interest rates.

NN Life's Solvency I ratio was 223%, 191% and 192% as at 31 December 2013, 2012 and 2011, respectively. In 2013, the solvency position was impacted by the downgrade of France and the subsequent move to the DNB swap rate to calculate the liabilities. This was offset by capital generation and a capital injection (EUR 600 million) as part of the overall capitalisation plan of NN in preparation for its Offering. In 2012, the introduction of the UFR positively impacted solvency although this positive impact was partly mitigated by the impact of updated mortality tables in the Netherlands. In 2011, NN Life's regulatory capital was impacted by the widening of credit spreads on southern European government bonds, declining interest rates and equity markets, and EUR 1.1 billion of capital was injected by the parent to strengthen the solvency position.

In the first quarter of 2014, NN Life's Solvency I ratio increased to 235% as at 31 March 2014 from 223% as at 31 December 2013, reflecting the impact of a subordinated loan provided by the Company to NN Life of EUR 600 million and the impact of the agreement to make ING Groep's defined benefit pension plan in the Netherlands financially independent. In May 2014, an additional subordinated loan of EUR 450 million was provided to further strengthen the capital position of NN Life in anticipation of the Offering. The pro-forma 2014 Solvency I ratio as at 31 March 2014 was 251%.

NN Japan

The table below sets forth the capital position of NN Japan as at the dates indicated.

	As at 31 March	**As at 31 December**	**As at 31 March**	
(millions of euros)	**2014**	**2013**	**2013**	**2012**
Available capital	1,069	1,175	1,117	1,060
Minimum required capital (based on 100%)	88	86	113	126
Solvency margin ratio	1,210%	1,366%	989%	843%

The solvency margin ratio (**SMR**) is the relevant capital framework applied by the Japanese insurance regulator. The SMR is calculated as the ratio of available statutory capital as compared to half of the regulatory risk amount, with a minimum required level of 200%. Available statutory capital is mainly driven by retained earnings, business growth, unrealised gains/losses on securities and dividend payments. The regulatory risk amount is based on the individual types of risk exposures of the company. Regulatory restrictions could limit the possibilities to repatriate capital to the parent in the short-term.

NN Japan's SMR was 1,366% as at 31 December 2013 and 989% and 843% as at 31 March (the end of its financial year) 2013 and 2012, respectively. High capital levels are common in Japan, and management believes NN Japan's levels are broadly comparable to its industry peers. The increase was driven by favourable performance of the COLI business and interest rate and credit spread tightening, and was offset by a dividend payment of EUR 183 million in 2013. Required capital decreased, reflecting the decreasing SPVA minimum guarantees, which was driven by the favourable market developments and increased lapses.

NN Japan's SMR decreased to 1,210% as at 31 March 2014 from 1,366% as at 31 December 2013, mainly due to a dividend which is expected to be paid in June. Going forward, NN Japan's dividend capacity will be driven by regulatory factors, i.e. Japanese GAAP retained earnings, net unrealised losses on AFS securities and one-sixth of the aggregate of these items to be held as surplus reserve.

NN Re Netherlands

The table below sets forth the AFR and economic capital positions and capital position of NN Re Netherlands as at the dates indicated.

	As at 31 March	As at 31 December		
(millions of euros)	**2014**	**2013**	**2012**	**2011**
AFR	1,344	1,308	736	728
Economic capital[1]	714	735	863	568
AFR/economic capital ratio	188%	178%	85%	128%
Available capital	1,167	1,279	767	634
Minimum required capital	114	105	240	319
Solvency I ratio	1,021%	1,219%	320%	199%

(1) This measure is based on a 99.5% confidence interval and one year horizon reflecting diversification within NN Re Netherlands.

NN Re Netherlands' principal reinsurance contract is a treaty with NN Japan, under the terms of which NN Re Netherlands assumes the risks related to guarantees embedded in the VA portfolio. NN Re manages its capital on both a Solvency I and economic basis (AFR versus economic capital). The economic basis better reflects market movements and is a preferred measure for the Japan Closed Block VA book, for which market risks comprise the principal sensitivities.

NN Re's Solvency I ratio stood at 1,021%, 1,219%, 320% and 199% as at 31 March 2014 and 31 December 2013, 2012 and 2011, respectively. NN Re's AFR/economic capital ratio stood at 188%, 178%, 85% and 128% as at 31 March 2014 and 31 December 2013, 2012 and 2011, respectively. These ratios increased in 2013 mainly due to a capital injection of EUR 600 million, favourable market developments and a decrease in required capital. Required capital decreased in 2013 mainly due to the reduced value of guarantees for the reinsured Japan Closed Block VA business and the termination of reinsurance contracts with Poland and Ireland. The AFR/economic capital ratio increased in the first quarter of 2014 mainly due to favourable market developments.

Other subsidiaries

The table below sets out the available capital, minimum required capital and solvency ratios for certain insurance subsidiaries, apart from those discussed above, according to local regulatory capital frameworks.

	as at 31 December 2013			as at 31 December 2012
	(unaudited)			*(unaudited)*
(*in millions of EUR / %*)	**Available capital**	**Minimum required capital**	**Local solvency ratio**	**Local solvency ratio**
Legal entity	*EUR*	*EUR*	*%*	*%*
NN Non-life	629	242	260%	173%
NN Belgium Life	435	314	139%	132%
Nationale-Nederlanden Poland Pensions	134	118	113%	106%
Nationale-Nederlanden Poland Life	187	66	285%	247%
Nationale-Nederlanden Spain Life	206	130	158%	173%
NN Greece Life	86	53	161%	325%
NN Investment Partners Holding	199	77	258%	328%

NN's operating units are sufficiently capitalised at a local level. The capital position of some units was strengthened in 2013 as part of the preparations to become a standalone company. Excess capital is generally upstreamed to the Company and managed centrally. NN Greece's decrease in capital ratio reflects the gradual reduction of capital requirements during the financial crisis.

Rating agencies

NN is currently rated by Standard & Poor's, Moody's and Fitch (unsolicited). On 2 December 2013, Standard & Poor's decreased its rating on NN by one notch following the downgrade of the Netherlands. Standard & Poor's changed its outlook on NN from "stable" to "developing" on 2 June 2014. On 20 November 2013, Moody's changed its outlook on NN to "negative" following the agreement with the EC to include NN Japan in the Offering. Moody's affirmed this outlook on 26 March 2014. On 11 March 2014, Moody's upgraded its rating on hybrid securities issued by NN to Baa3, reflecting the progress made pursuant to the EC Restructuring Plan. On 30 April 2014, Fitch revised NN's outlook from "negative" to "stable," reflecting reduced uncertainty associated with NN's divestment.

The table below sets forth NN's short- and long-term credit ratings as at the date of this Prospectus.

	Standard & Poor's		Moody's		Fitch	
NN Group N.V.	**rating**	**outlook**	**rating**	**outlook**	**rating**	**outlook**
Short-term	**A-2**			**P-2**	**F2**	
Long-term	**BBB+**	**Developing**	**Baa2**	**Negative**	**A-**	**Stable**

PRINCIPAL ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

NN has identified the accounting policies that are most critical to its business operations and to the understanding of its results. These critical accounting policies are those which involve the most complex or subjective decisions or assessments, and relate to insurance provisions, DAC and value of business acquired (**VOBA**), the determination of the fair values of real estate and financial assets and liabilities, impairments and employee benefits. In each case, the determination of these items is fundamental to the financial condition and results of operations, and requires management to make complex judgements based on information and financial data that may change in future periods. As a result, determinations regarding these items necessarily involve the use of assumptions and subjective judgements as to future events and are subject to change, as the use of different assumptions or data could produce materially different results. For a further discussion of the application of these accounting policies, see the applicable notes to the consolidated financial statements and the information in the section of the 2013 Annual Accounts entitled "Principles of valuation and determination of results".

Insurance contracts

Under IFRS 4, an insurer may continue its existing pre-IFRS accounting policies for insurance contracts, provided that certain minimum requirements are met. Upon adoption of IFRS in 2005, NN decided to continue its then existing accounting principles for insurance contracts under IFRS. NN operates in many different countries and the accounting principles for insurance contracts follow local practice in these countries. NN's businesses in the Netherlands apply accounting standards generally accepted in the Netherlands (Dutch GAAP) for its provisions for liabilities under insurance contracts.

Insurance provisions, DAC and VOBA

The establishment of insurance provisions, DAC and VOBA is an inherently uncertain process, involving assumptions about factors such as court decisions, changes in laws, social, economic and demographic trends, inflation, investment returns, policyholder behaviour and other factors, and, in the life insurance business, assumptions concerning mortality and morbidity trends. Specifically, significant assumptions related to these items that could have a material impact on financial results include interest rates, mortality, morbidity, property and casualty claims, investment yields on equity and real estate, foreign currency exchange rates and reserve adequacy assumptions.

The use of different assumptions about these factors could have a material effect on insurance provisions and underwriting expenditure. Changes in assumptions may lead to changes in the insurance provisions over time. Furthermore, some of these assumptions can be volatile.

In addition, the adequacy of insurance provisions, net of DAC and VOBA, is evaluated regularly. The test involves comparing the established insurance provision with current best estimate assumptions about factors such as court decisions, changes in laws, social, economic and demographic trends, inflation, investment returns, policyholder behaviour, mortality and morbidity trends and other factors. The use of different assumptions in this test could lead to a different outcome.

Insurance provisions also include the impact of minimum guarantees which are contained within certain VA products. This impact is dependent upon the difference between the potential minimum benefits payable and the total account balance, expected mortality and surrender rates. The determination of the potential minimum benefits payable also involves the use of assumptions about factors such as inflation, investment returns, policyholder behaviour, mortality and morbidity trends and other factors. The use of different assumptions about these factors could have a material effect on insurance provisions and underwriting expenditure.

The process of defining methodologies and assumptions for insurance provisions, DAC and VOBA is governed by NN's risk management as described in "*Risk Management*".

The "*Risk Management*" section contains a sensitivity analysis of net result and shareholder's equity to insurance, interest rate, equity, foreign currency and real estate risks. These sensitivities are based on changes in assumptions that management considers reasonably likely at the balance sheet date.

Fair values of financial assets and liabilities

Fair values of financial assets and liabilities are determined using quoted market prices where available. Such quoted market prices are primarily obtained from exchange prices for listed instruments. Where an exchange price is not available, market prices may be obtained from independent market vendors, brokers or market makers. In general, positions are valued taking the bid price for a long position and the offer price for a short position. In some cases where positions are marked at mid-market prices, a fair value adjustment is calculated.

When markets are less liquid there may be a range of prices for the same security from different price sources, selecting the most appropriate price requires judgement and could result in different estimates of fair value.

For certain financial assets and liabilities quoted market prices are not available. For these financial assets and liabilities, fair value is determined using valuation techniques. These valuation techniques range from discounting of cash flows to valuation models, where relevant pricing factors including the market price of underlying reference instruments, market parameters (volatilities, correlations and credit ratings) and customer behaviour are taken into account. All valuation techniques used are subject to internal review and approval. Most data used in these valuation techniques are validated on a daily basis.

Valuation techniques are subjective in nature and significant judgement is involved in establishing fair values for certain financial assets and liabilities. Valuation techniques involve various assumptions regarding pricing factors. The use of different valuation techniques and assumptions could produce significantly different estimates of fair value.

Price testing is performed to assess whether the process of valuation has led to an appropriate fair value of the position and to an appropriate reflection of these valuations in the profit and loss account. Price testing is performed to minimise the potential risks for economic losses due to incorrect or misused models.

See Note 32 to the 2013 Annual Accounts entitled "Fair value of financial assets and liabilities" and "*Risk Management*" for the basis of the determination of the fair values of financial instruments and related sensitivities.

Impairments

Impairment evaluation is a complex process that inherently involves significant judgements and uncertainties that may have a significant impact on NN's consolidated financial statements. Impairments are especially relevant in two areas: available-for-sale debt and equity securities and goodwill/intangible assets.

All debt and equity securities (other than those carried at fair value through profit and loss) are subject to impairment testing every reporting period. The carrying value is reviewed in order to determine whether an impairment loss has been incurred. Evaluation for impairment includes both quantitative and qualitative considerations. For debt securities, such considerations include actual and estimated incurred credit losses indicated by payment default, market data on (estimated) incurred losses and other current evidence that the issuer may be unlikely to pay amounts when due. Equity securities are impaired when management believes that, based on a significant or prolonged decline of the fair value below the acquisition price, there is sufficient reason to believe that the acquisition cost may not be recovered. 'Significant' and 'prolonged' are interpreted on a case-by-case basis for specific equity securities. Generally, a 25% decrease in the value of the security compared with the initial acquisition cost is a trigger for 'significant'. A fair value that is below the initial acquisition cost for six months is a trigger for 'prolonged'. Upon impairment, the full difference between the (acquisition) cost and fair value is removed from equity and recognised in net result. Impairments on debt securities may be reversed if there is a decrease in the amount of the impairment which can be objectively related to an observable event. Impairments on equity securities cannot be reversed.

Impairment reviews with respect to goodwill and intangible assets are performed at least annually, and more frequently if events indicate that impairments may have occurred. Goodwill is tested for impairment by comparing the carrying value (including goodwill) of the reporting unit to the best estimate of the recoverable amount of that reporting unit. The carrying value is determined as the IFRS shareholder's equity including goodwill. The recoverable amount is estimated as the higher of fair value less cost to sell and value in use. Several methodologies are applied to arrive at the best estimate of the recoverable amount. A reporting unit is the lowest level at which goodwill is monitored. Intangible assets are tested for impairment by comparing the carrying value with the best estimate of the recoverable amount.

The identification of impairment is an inherently uncertain process involving various assumptions and factors, including financial condition of the counterparty, expected future cash flows, statistical loss data, discount rates, observable market prices, etc. Estimates and assumptions are based on management's judgement and other information available prior to the issuance of the financial statements. Significantly different results can occur as circumstances change and additional information becomes known.

Employee benefits

The Company and its subsidiaries operate various defined benefit retirement plans covering a significant number of NN's domestic and international employees.

The net defined benefit asset/liability recognised in the balance sheet in respect of the defined benefit pension plan is the fair value of the plan assets less the present value of the defined benefit obligation at the balance sheet date.

The determination of the defined benefit obligation is based on internal and external actuarial models and calculations. The defined benefit obligation is calculated using the projected unit credit method. Inherent in these actuarial models are assumptions including discount rates (in particular based on market yields on high quality corporate bonds), rates of increase in future salary and benefit levels, mortality rates, trend rates in health care costs and the consumer price index, which are updated on a quarterly basis.

The actuarial assumptions may differ significantly from the actual results due to changes in market conditions, economic and mortality trends, and other assumptions. Any changes in these assumptions could have a significant impact on the defined benefit plan liabilities and future pension costs. The effects of changes in actuarial assumptions and experience adjustments are not recognised in the profit and loss account unless the accumulated changes exceed 10% of the greater of the defined benefit obligation and the fair value of the plan assets. If such is the case the excess is then amortised over the employees' expected average remaining working lives. See Note 18 to the 2013 Annual Accounts entitled ''Other liabilities'' for the weighted averages of basic actuarial assumptions in connection with pension and other post-employment benefits'.

Income and expense recognition

- ***Gross premium income***: Premiums from life insurance policies are recognised as income when due from the policyholder. For non-life insurance policies, gross premium income is recognised on a pro-rata basis over the term of the related policy coverage. Receipts under investment contracts are not recognised as gross premium income.

- ***Interest***: Interest income and expense are recognised in the profit and loss account using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, NN estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

  All interest income and expenses from trading positions and non-trading derivatives are classified as interest income and interest expenses in the profit and loss account. Changes in the 'clean fair value' are included in net trading income and valuation results on non-trading derivatives.

- ***Fees and commissions***: Fees and commissions are generally recognised as the service is provided. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts as the service is provided. Asset management fees related to investment funds and investment contract fees are recognised on a pro-rata basis over the period the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time.

- ***Share-based payments***: Share-based payment expenses are recognised as a staff expense over the vesting period. A corresponding increase in equity is recognised if for equity-settled share-based payment transactions. The fair value of equity-settled share-based payment transactions is measured at the grant date. Rights granted will remain valid until the expiry date, even if the share-based payment scheme is discontinued. The rights are subject to certain conditions, including a pre-determined continuous period of service.

Impact of change in accounting policy

NN has moved towards fair value accounting for the GMDB reserves of the Japan Closed Block VA segment as of 1 January 2014. For more detail, see "*Selected Financial Information—Selected Operating Result Information by Segment—Change in accounting policy*".

Impact on net result of Japan Closed Block VA

The table below sets forth the cumulative impact of the move towards fair value accounting for the GMDB reserves of Japan Closed Block VA along with the impact on the results of the segment for 31 December 2013, 2012 and 2011 and prior years. The cumulative impact after tax as at 31 December 2013 is deducted from equity as of 1 January 2014.

(*in millions of EUR, unaudited*)	**Cumulative impact for the year ended 31 December 2013**[1]	**For the year ended 31 December**[2] **2013**	**2012**	**2011**	**prior years**
Change in technical provision (move towards fair value for GMDB) Japan Closed Block VA	-219	416	267	-215	-687
Taxation	54	-104	-66	54	170
Net impact on result Japan Closed Block VA	**-165**	**312**	**201**	**-161**	**-517**

(1) Transitional impact, being reflected in shareholder's equity as of 1 January 2014.

(2) Although the audited results for the years ended 31 December 2013, 2012 and 2011 are not restated, the above table shows the impact on the net result for the Japan Closed Block VA segment, as these results will be restated in the 2014 annual accounts.

Impact on net result of NN

The change in accounting policy impacts the result before tax of the segment Japan Closed Block VA and the line item taxation. The results of the ongoing businesses are not affected.

The table below sets forth the impact of the move towards fair value accounting for the GMDB reserves of Japan Closed Block VA on NN's net result from continuing operations, for the years ended 31 December 2013, 2012 and 2011.

	For the year ended 31 December[1]		
(*in millions of EUR, unaudited*)	**2013**	**2012**	**2011**
Net result from continuing operations (before change in accounting policy)	**-2**	**-132**	**453**
Impact restatement on result before tax Japan Closed Block VA	416	267	-214
Impact restatement on taxation	-104	-66	54
Net result from continuing operations, after change in accounting policy for move towards fair value for GMDB	**310**	**69**	**293**

(1) Although the audited results for the years ended 31 December 2013, 2012 and 2011 are not restated, the above table shows the impact on the net result for NN, as these results will be restated in the 2014 annual accounts.

The table below sets forth a breakdown of NN's adjusted net result from continuing operations by segment, showing the impact of the move towards fair value accounting for the GMDB reserves of Japan Closed Block VA, for the years ended 31 December 2013, 2012 and 2011.

	For the year ended 31 December[1]		
(*in millions of EUR, unaudited*)	**2013**	**2012**	**2011**
Operating result ongoing business	**905**	**852**	**1,150**
Non-operating items ongoing business	-229	-779	-660
Japan Closed Block VA (adjusted)	-252	373	-77
of which impact from move towards fair value for GMDB	*416*	*267*	*-214*
Insurance Other	-18	-22	-28
Special items before tax	-126	-451	-214
Result on divestments	84	50	83
Result before tax	**364**	**22**	**254**
Taxation (adjusted)	53	-47	-39
of which impact from move towards fair value for GMDB	*104*	*66*	*-54*
Net result from continuing operations, after change in accounting policy for move towards fair value for GMDB	**310**	**69**	**293**

(1) Although the audited results for the years ended 31 December 2013, 2012 and 2011 are not restated, the above table shows the impact on the net result for NN, as these results will be restated in the 2014 annual accounts.

CONTRACTUAL OBLIGATIONS

The table below includes all financial and non-financial liabilities by maturity based on contractual, undiscounted cash flows. Derivative liabilities are included on a net basis if cash flows are settled net. For other derivative liabilities the contractual gross cash flow payable is included. Non-financial liabilities are included based on a breakdown of the balance sheet amounts by expected maturity. The table below shows the cash payment requirements, due by period, from specified contractual obligations outstanding. For further information, please refer to Note 43 to the 2013 Annual Accounts.

The table below presents a summary of NN's contractual obligations as at 31 December 2013.

(*in millions of EUR*)	**Less than 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Maturity not applicable**	**Adjustment[1]**	**Total**
Subordinated loans	962	813	450	667				**2,892**
Other borrowed funds	2,731	1,001	11	155	919			**4,817**
Customer deposits and other funds on deposit			25	777	1,110	3,857		**5,769**
Non-trading derivatives	293	69	-26	-41	-2,290		3,838	**1,843**
Insurance and investment contracts	806	1,115	5,486	17,586	47,038	39,520		**111,551**
Other liabilities	1,419	-1	918	318	1,107	364		**4,125**
Total liabilities excl. liabilities held for sale	**6,211**	**2,997**	**6,864**	**19,462**	**47,884**	**43,741**	**3,838**	**130,997**
Liabilities held for sale	14	452	**466**					
Total liabilities	**6,225**	**2,997**	**7,316**	**19,462**	**47,884**	**43,741**	**3,838**	**131,463**

(1) This column reconciles the contractual undiscounted cash flow on financial liabilities to the balance sheet values. The adjustments mainly relate to the impact of discounting and, for derivatives, to the fact that the contractual cash flows are presented on a gross basis (unless the cash flows are actually settled net).

OFF-BALANCE SHEET ITEMS

In the normal course of business NN is party to activities whose risks are not reflected in whole or in part in the consolidated financial statements. NN has various contractual commitments in respect of investments in real property, mortgages and other commitments and guarantees that are not recognised in the balance sheet. For further information, please refer to Note 47 to the 2013 Annual Accounts.

	As at 31 December		
(*in millions of EUR*)	**2013**	**2012**	**2011**
Commitments			
Real property under construction or preparation	144	60	112
Mortgages	40	175	279
Other commitments	499	335	357
Guarantees			
Obligations on behalf of third parties	3	228	262
Subtotal commitments and guarantees	**686**	**798**	**1,010**
Commitments and guarantees held for sale entities[1]	—	684	1,089
Total commitments and guarantees	**686**	**1,482**	**2,099**

(1) Commitments and guarantees related to entities that are classified as discontinued operations are re-grouped in this line.

The Company has issued certain guarantees which are expected to expire without being drawn on and therefore do not necessarily represent future cash outflows. In addition to the items included in the table above, NN has issued guarantees as a participant in collective arrangements of national industry bodies and as a participant in government required collective guarantee schemes, which apply in different countries.

NN leases assets from third parties under operating leases as lessee. The table below sets forth the future rental commitments to be paid under non-cancellable leases as at 31 December 2013.

(*in millions of EUR*)	
2014	3
2015	3
2016	3
2017	3
2018	3
years after 2018	11

Aside from the foregoing, NN did not have any significant contingent liabilities and commitments as at 31 December 2013, 2012 and 2011 or during the three months ended 31 March 2014 or 2013.

11. CAPITALISATION AND INDEBTEDNESS

The following tables set out the Company's capitalisation and indebtedness as at 31 March 2014, as adjusted to reflect (i) the issuance of notional EUR 1,000 million subordinated notes on 8 April 2014 (book value of EUR 985 million), (ii) a capital injection by ING Groep into the Company of EUR 850 million on 28 May 2014 and (iii) the provision of a new unsecured senior loan by ING Groep to the Company in the aggregate amount of EUR 400 million on 28 May 2014.

Furthermore, in the context of the Offering, the Company will issue 349,625,000 Ordinary Shares to ING Groep on the Settlement Date which becomes effective as a result of the execution of the deed of amendment of the Articles of Association (the **Share Issuance**). The table below therefore also sets out the Company's capitalisation as at 31 March 2014, as adjusted to reflect the Share Issuance, as if the Share Issuance had been completed on 31 March 2014.

The Company will not receive any proceeds from the sale of the Offer Shares and the Additional Shares (if any). The proceeds of the Offering will be received by ING Groep and will therefore not affect the Company's capitalisation.

These tables and the information set out in them should be read in conjunction with the Company's interim consolidated financial statements for the three months ended 31 March 2014 and the rest of this Prospectus, including the information in "*Operating and Financial Review*".

These tables and the information set out in them have not been audited. The information as at 31 March 2014 has been reviewed.

Capitalisation[1]			
(*in millions of EUR*)	**Actual as at 31 March 2014**	**Pro forma as at 31 March 2014**[3, 4]	**As adjusted for the Share Issuance**
Total current debt	**1,000**	—	—
Guaranteed	—	—	—
Secured	—	—	—
Unguaranteed/Unsecured	—	—	—
ING Groep – senior debt	1,000	—	—
Total non-current debt	**2,890**	**3,690**	—
Guaranteed	—	—	—
Secured	—	—	—
Unguaranteed/Unsecured	—	—	—
Subordinated debt	490	1,475	—
ING Groep – subordinated debt	2,400	1,815	—
ING Groep – senior debt	—	400	—
Shareholder's equity	**14,682**	**15,532**	**12,140**
Share capital	0	0	42
Ordinary Shares[2]	0	0	42
Preference Shares	—	—	—
Share premium	11,290	12,140	12,098
Legal reserves	4,931	4,931	—
Other reserves	-1,539	-1,539	—
Total capitalisation	**18,572**	**19,222**	**12,140**

(1) Amounts in the table represent book values.

(2) Consists of 45,000 ordinary shares with a nominal value of EUR 1 euro each; after the Share Issuance there will be 350,000,000 Ordinary Shares with a nominal value of EUR 0.12 each.

(3) Pro-forma figures in this table are based on the capital position of the Company as at 31 March 2014, adjusted for the issue of notional EUR 1,000 million subordinated notes on 8 April 2014 (book value of EUR 985 million). In April 2014, the proceeds were used to redeem EUR 585 million subordinated notes from ING Groep and EUR 400 million current senior debt issued by ING Groep to the Company.

(4) On 28 May 2014, ING Groep injected EUR 850 million of capital into the Company and provided a new unsecured senior loan to the Company, which were used to strengthen the capitalisation of NN Life by EUR 450 million (in the form of a subordinated loan), to repay a EUR 600 million senior loan owed to ING Groep and to strengthen the cash capital position of the Company by EUR 200 million.

11. Capitalisation and Indebtedness

Indebtedness[1]		
(*in millions of EUR*)	**Actual as at 31 March 2014**	**Pro forma as at 31 March 2014**[2, 3]
Cash and cash equivalent	3,531	3,731
Trading securities	—	—
Liquidity	**3,531**	**3,731**
current financial receivable	**255**	**255**
Current bank debt	—	—
Current portion of non-current debt	3,153	3,153
Other current financial debt	1,000	—
Current financial debt	**4,153**	**3,153**
Net current financial indebtedness	**366**	**-834**
Non-current bank loans	—	—
Subordinated debt	490	1,475
ING Groep – subordinated debt	2,400	1,815
ING Groep – senior debt	—	400
Other non-current loans	—	—
Non-current financial indebtedness	**2,890**	**3,690**
Net financial indebtedness	**3,256**	**2,856**

(1) Amounts in the table represent book values.

(2) Pro-forma figures in this table are based on the capital position of the Company as at 31 March 2014, adjusted for the issue of notional EUR 1,000 million subordinated notes on 8 April 2014 (book value of EUR 985 million). In April 2014, the proceeds were used to redeem EUR 585 million subordinated notes from ING Groep and EUR 400 million current senior debt issued by ING Groep to the Company.

(3) On 28 May 2014, ING Groep injected EUR 850 million of capital into the Company and provided a new unsecured senior loan to the Company, which were used to strengthen the capitalisation of NN Life by EUR 450 million (in the form of a subordinated loan), to repay a EUR 600 million senior loan to ING Groep and to strengthen the cash capital position of the Company by EUR 200 million.

12. RISK MANAGEMENT

INTRODUCTION

Risk taking is integral to the business model for insurance, investment management, and banking organisations such as NN. NN has developed and implemented a risk management structure that is designed to identify, assess, control and monitor the risks associated with its business. Through its risk management practices, NN seeks to meet its obligations to policyholders and other customers and creditors, manage its capital efficiently, and comply with applicable laws and regulations.

NN's approach to risk management is based on the following components:

- ***Risk management structure and governance systems***. NN's risk management structure and governance systems follow the ''three lines of defence'' model, which outlines the decision-making, execution and oversight responsibilities for the implementation of NN's risk management. These structure and governance systems are embedded in each of NN's organisational layers, from the holding level to the individual business units.

- ***Risk management framework***. NN's risk management framework takes into account the relevant elements of risk management, including its integration into NN's strategic planning cycle, the management information generated, and a granular risk assessment.

- ***Risk management policies, standards and processes***. NN has a comprehensive set of risk management policies, standards and processes, which are updated regularly to align with market leading practices, applicable laws and regulations, and to changes in NN's business and risk profile. These risk management policies, standards and processes apply throughout NN and are used by NN to establish, define, and evaluate NN's risk tolerance levels and risk control processes and to ensure that the tolerance levels and policies are communicated throughout the organisational structure.

ORGANISATIONAL RISK MANAGEMENT STRUCTURE

Executive Board and its (sub)committees

The Executive Board is responsible for defining, installing, and monitoring the risk management organisation in order to ensure its control systems are effective.

The Executive Board or its (sub)committees approve all risk management policies as well as the quantitative and qualitative elements of NN's risk appetite. The Executive Board reports and discusses these topics with the Risk Committee, a committee of the Supervisory Board, on a quarterly basis.

While the Executive Board retains responsibility for NN's risk management, it has entrusted the day-to-day management and the overall strategic direction of the Company, including the structure and operation of NN's risk-management and control systems, to the Management Board, and has entrusted certain other responsibilities to a committee of the Executive Board, the Risk and Finance Committee. The sub-committees of the Risk and Finance Committee are the Assets and Liabilities Committee, the Non-Financial Risk Committee, the Product Risk Committee, the Model Committee, the Finance Committee, the Group Investment Committee and the Crisis Committee.

Pursuant to the Relationship Agreement, for so long as ING Groep's (direct or indirect) holding of Ordinary Shares represents 30% or more of the issued Shares (excluding Preference Shares), ING Groep is entitled to appoint one observer to each of the Risk and Finance Committee, the Group Investment Committee and the Assets and Liabilities Committee (or two observers, if it is unable to find a single person with appropriate experience and knowledge in both finance and risk disciplines). These observers are entitled to attend each meeting of the relevant committee and to receive all materials, reports and other communications to committee members. The presence or participation of these observers is not required for the committees to act and the observers do not have a vote.

Chief executive officer and chief risk officer

The chief executive officer (the **CEO**), a member of the Executive Board, bears responsibility for NN's risk management, including the following tasks:

- setting risk policies;
- formulating NN's risk management strategy and ensuring that it is implemented throughout NN;
- monitoring compliance with NN's overall risk policies;
- supervising the operation of NN's risk management and business control systems;
- reporting of NN's risks and the processes and internal business controls; and
- making risk management decisions with regard to matters which may have an impact on the financial results of NN or its reputation, without limiting the responsibility of each individual member of the Executive Board in relation to risk management.

The CEO is also primarily responsible for the communication of risk-related topics to the Supervisory Board and the Risk Committee and must, when requested, take part in meetings of the Risk Committee.

The Executive Board designates a chief risk officer (the **CRO**) from among the members of the Management Board, who is entrusted with the day-to-day execution of these tasks. Each business unit also has its own chief risk officer, who reports (directly or indirectly) functionally to the CRO.

Supervisory Board and its committees

The Supervisory Board is responsible for supervising the management of the Executive Board and the general affairs of the Company and its business and providing advice to the Executive Board. For risk management purposes the Supervisory Board is assisted by two committees:

- ***Risk Committee***: The Risk Committee assists the Supervisory Board in supervising and advising the Executive Board with respect to NN's risk management strategy and policies.
- ***Audit Committee***: The Audit Committee reviews and assesses the applicable accounting standards and the Company's compliance therewith, the going concern assumption, significant financial risk exposures, significant adjustments resulting from audit, compliance with statutory and legal requirements and regulations, tax and tax planning matters with a material impact on the financial statements of the Company, and detection of fraud and other illegal acts.

Three lines of defence model

The three lines of defence model, on which NN's risk management structure and governance is based, defines three risk management levels, each with distinct roles, decision making authority, execution responsibilities, and oversight responsibilities. This framework ensures that risk is managed in line with the risk appetite as defined by the Executive Board, ratified by the Supervisory Board, and cascaded throughout NN.

- ***First line of defence***: the chief executive officers of the business units of NN and the other management board members of the business units have primary accountability for the performance of the business, operations, compliance and effective control of risks affecting their businesses. They underwrite the insurance products that reflect local needs and thus know their customers and are well-positioned to act in both the customers' and NN's best interests.
- ***Second line of defence***: oversight functions at the Head Office and at the business units with a major role in the risk management organisation, corporate legal and the compliance function. The CEO and CRO steer a functional, independent risk organisation, which supports the commercial departments in their decision-making, but which also has sufficient countervailing power to prevent risk concentrations and other forms of unwanted or excessive risks. These oversight functions include:

- ○ developing the policies and guidance for specific risk and control areas;
- ○ encouraging and objectively challenging/monitoring sound risk management throughout the organisation and coordinating the reporting of risks;
- ○ supporting the first line of defence in making proper risk-return trade-offs; and
- ○ escalation power in relation to business activities that are judged to present unacceptable risks to NN.

- ***Third line of defence***: corporate audit services (**CAS**). CAS provides an independent assessment of the standard of internal control with respect to NN's business and support processes, including governance, risk management and internal controls.

RISK MANAGEMENT FRAMEWORK

NN's risk management framework comprises a series of sequential steps, through which NN seeks to identify, measure and manage the risks to which it is exposed. The diagram below sets out these steps.

- ***Objective setting***. Business planning and priority setting is undertaken through an annual medium term planning process, which is integrated with NN's own risk and solvency assessment (**ORSA**) process. At the start of the medium term planning process, NN establishes strategic objectives at a holding level. Those strategic objectives are used to establish and define NN's risk appetite, which consists of quantitative and qualitative statements defining those risks NN wishes to acquire, to avoid, to retain and to remove. The strategic objectives are cascaded through the enterprise and business unit plans and evaluated against the risk appetite. Targets and risk limits for the business units are derived from NN's overall strategy and risk appetite framework.

- ***Event identification***. NN identifies events that may potentially impact its risk position, recognising that uncertainties exist, and that NN cannot know with certainty which events will occur and when, or what the outcome or impact would be if it did occur. As part of event identification, NN considers both external and internal factors that affect event occurrence. External factors include economic, business, natural environment, political, demographic, social and technological factors. Internal factors reflect NN's choices and concern such matters as infrastructure, personnel, process and technology.

- ***Risk assessment***. NN, centrally at the executive level and at the business unit level, considers how events identified in the previous step might affect the achievement of NN's strategic objectives. Key risks are assessed on a regular basis and, where appropriate, this analysis is supported by models (such as for NN's economic capital calculation; see also "*—NN's Risk Profile—Economic capital*"). NN conducts regular top-down assessments of its key risks, both at the holding level and at the level of the individual business units.

- ***Risk response and control***. Once a risk is assessed, NN identifies potential responses to those risks and analyses the mitigating impact of those responses. Taking into account the risk tolerances set out in the risk appetite framework NN designs its response for each assessed risk. Risk and control activities are performed throughout NN, at all organisational levels.

- ***Information and communication***. Communication of information is a key part of NN's risk management framework. Risk management officers, departments, and committees within NN are informed regularly of NN's position compared to its strategic objectives and its risk appetite to enable them to monitor developments and to timely take appropriate decisions. Comprehensive reports on NN's financial and insurance risks, and on its non-financial risks, are prepared and discussed every quarter. These reports analyse, amongst others, developments in financial markets and their impact on NN's capital position, the effectiveness of NN's hedge positions, and any incidents that may have occurred.

- ***Monitoring***. The effectiveness of NN's risk management itself is also monitored. Regular monitoring ensures that risk management is maintained at all organisational levels of NN and is carried out by all three lines of defence.

RISK MANAGEMENT POLICIES, STANDARDS AND PROCESSES

NN has a comprehensive set of risk management policies, standards and processes in place. These policies, standards and processes are regularly updated to align with industry practices and changes in NN's business profile, and to comply with applicable laws and regulations. Key areas of risk management for which NN has established policies, standards and processes are set out below.

Risk appetite framework

NN's risk appetite framework determines which risks NN wishes to take, to avoid, to retain and to remove. The risk appetite framework consists of qualitative and quantitative statements as to risk preferences, risk tolerances, risk limits and risk controls. The risk appetite framework is based on three key quantitative measures that aim to:

- ensure cash capital is sufficient following a 1 in 20 annual risk sensitivity; NN quantifies this using regulatory capital sensitivities and potential capital management actions;

- ensure economic solvency is sufficient following a 1 in 20 annual risk sensitivity; NN quantifies this risk using AFR/economic capital and related sensitivities. AFR is a before tax market value surplus defined as market value of assets less market value of liabilities; and

- ensure IFRS results before tax are sufficient following a 1 in 20 annual risk sensitivity; NN quantifies this risk using sensitivities on the IFRS results before tax.

In addition to the key quantitative measures, qualitative statements form part of the risk appetite framework that serve to guide risk taking for conduct in the areas of underwriting, ALM, investing and operations. These statements support NN's strategy, contribute to avoiding unwanted or excessive risk taking, and aim to further optimise the use of capital. The qualitative risk appetite statements are organised under the following categories:

- ***Managing underwriting***. Underwriting and product development is paramount to the insurance business. NN strives for appealing, easy to understand and transparent value-for-money products that can be effectively risk-managed over the expected life of the contract.

- *ALM*. NN aims to match its asset portfolio to its liabilities with optimal strategic asset allocation and by limiting any mis-matches to an acceptable degree. The ALM process is integral in ensuring adequate liquidity for policyholder obligations.
- ***Managing investments***. NN has an appetite for investments that will provide an appropriate risk and return for NN's policyholders and shareholders.
- ***Managing operations***. Under this category, NN stipulates requirements for managing reputation, business continuity, processes and controls, as well as providing a safe and engaging work environment for a competent workforce.

Risk policy framework

NN's risk policy framework ensures that all risks are managed consistently and that NN as a whole operates within its risk tolerances. The policies/minimum standards focus on risk measurement, risk management and risk governance. To ensure that policies are efficient and effective they are governed by the risk committee structure. Potential waivers to the policies have to be approved through the respective risk committees.

Risk limits

The quantitative risk appetite statement is translated into quantitative risk limits for the business units. The business units report regularly on their risk profile compared to applicable risk appetite and risk limits.

Product approval and review process

The product approval and review process (**PARP**) has been developed to enable effective design, underwriting, and pricing of all products as well as to ensure that they can be managed throughout their lifetime. This process establishes requirements as to the product risk profile features to ensure that products are aligned with NN's strategy. The PARP takes into account customer benefits and product suitability, expected sales volumes, value-oriented pricing metrics and relevant policies. It includes requirements and standards to assess risks as per the risk categories, as well as the assessment of the administration and accounting aspects of the product.

New investment class and investment mandate process

NN maintains a new investment class approval and review process (**NICARP**) for approving new investment classes of assets. At the holding level, NN establishes a global list of asset classes in which the business units may invest. Each business unit also maintains a local asset list that is a subset of the global asset list. The local asset list includes asset allocation parameters, which prescribe the relative proportions in which the relevant business unit may invest in different asset classes, as well as asset, industry, regional, and credit concentration limits.

ORSA and internal capital adequacy assessment process

NN (and each of its regulated insurance subsidiaries) produces an ORSA at least once a year. In the ORSA, NN articulates its strategy and risk appetite, describes its key risks and how they are managed, analyses whether or not its risks and capital are appropriately modelled and how susceptible the capital position is to shocks through stress and scenario testing. Stress testing examines the effect of exceptional but plausible scenarios on the capital position of NN. Stress testing can also be initiated outside ORSA, either internally or by external parties such as DNB and the European Insurance and Occupational Pensions Authority (**EIOPA**). The ORSA includes an overall assessment of NN's solvency position in light of the risks it holds. NN's banking and investment management operations, at least once a year, run an internal capital adequacy assessment process (**ICAAP**) in conformity with Basel II requirements. ICAAP tests whether current capital positions are adequate for the financial risks that the relevant NN entities bear.

IFRS reserve adequacy test

All of NN's operating insurance entities need to ensure that their IFRS insurance reserves are tested for adequacy taking into account the insurance premium rate levels and the uncertainty of future returns on investments. The reserve adequacy test is executed by evaluating insurance liabilities on current best estimate actuarial assumptions plus a risk margin to ensure that the reserves remain adequate based on these assumptions. The assumed investment earnings are a combination of the run-off of portfolio yields on existing assets, anticipated new premiums and reinvestment rates in relation to maturing assets.

Non-financial risk dashboard

Non-financial risks are monitored through the non-financial risk dashboard (**NFRD**) process at all levels in the organisation. The NFRD is one tool which provides management at all organisational levels with information about key operational, compliance and legal risks and incidents. The exposure of NN to non-financial risks is regularly assessed through risk assessments and monitoring. After identification of the risks, each risk is assessed as to its likelihood of occurrence as well its potential impact should it occur. Actions required to mitigate the risks are identified and tracked until the risk is either reduced, if such a reduction is possible, or accepted as a residual risk if the risk cannot be mitigated.

Model governance and validation

NN's model governance and validation function seeks to ensure that NN's models achieve their intended purpose. Models and their disclosed metrics are approved by the Model Committee. The findings of the model validation function are also reported regularly to the Model Committee. This committee is responsible for modelling policies, processes, methodologies, and parameters which are applied within NN. Furthermore, the model validation function carries out validations of internal models related to Solvency II. To ensure independence from the business and other risk departments, the model validation department head reports directly to the CRO.

Recovery planning

NN has determined a set of measures for early detection of and potential response to a crisis should it occur. These include monitoring indicators which are expected to provide early-warning of emerging crises, advance preparation of options to raise or release capital, and allocation of roles and responsibilities in case of a crisis, and other practical arrangements that may be required depending on the type of crisis.

NN'S RISK PROFILE

Main types of risks

The following principle types of risk are associated with NN's business:

- ***Insurance risk***. Insurance risks are the risks related to the events insured by NN and comprise actuarial and underwriting risks such as mortality, longevity, morbidity, and non-life insurance risks, which result from the pricing and acceptance of insurance contracts.

- ***Business risk***. Business risks are the risks related to the management and development of the insurance portfolio but excludes risks directly connected to insured events. Business risk includes policyholder behaviour risks and expense risks. Business risks can occur because of internal, industry, or wider market factors.

- ***Market and credit risk***. Market risk is the risk of potential losses due to adverse movements in financial market variables. Counterparty default risk is the risk of potential losses due to default by NN's debtors (including bond issuers), trading counterparties or mortgage holders. In relation to market and credit risk, NN distinguishes between its general account businesses and its separate account businesses.

    - *General account businesses.* The general account businesses are those in which NN bears the market and credit risk. NN's earnings from the general account businesses depend not only on underwriting, but also on the performance of NN's investment portfolio. The general account includes NN's life insurance and non-life insurance businesses. Market and credit risks include (i) equity risk, (ii) real estate risk, (iii) interest rate risk, (iv) credit spread risk, (v) counterparty default risk and (vi) foreign exchange risk.

  - *Separate account businesses.* The separate account businesses are those in which the policyholder bears the market and credit risk. NN's earnings from the separate account businesses are primarily driven by fee income. However, in the case of variable annuities and the guaranteed separate account pension business in the Netherlands, NN retains risk associated with the guarantees provided to its policyholders. Businesses in this category are (i) the variable annuities portfolio, (ii) the group pension business in the Netherlands for which guarantees are provided, and (iii) other separate account business, primarily the unit-linked business.

- ***Liquidity risk***. Liquidity risk is the risk that one of NN's entities does not have sufficient liquid assets to meet its financial obligations when they become due and payable, at reasonable cost and in a timely manner.

- ***Operational risk***. Operational risk is a non-financial risk that includes direct or indirect losses resulting from inadequate or failed internal processes (including as a result of fraud and other misconduct), systems failure (including IT and communications systems), human error, and certain external events.

- ***Compliance risk***. Compliance risk is the risk of impairment of NN's integrity. It is a failure (or perceived failure) to comply with NN's business principles and the compliance risk-related laws, regulations and standards that are relevant to the specific financial services offered by a business or its ensuing activities, which could damage NN's reputation and lead to legal or regulatory sanctions and financial loss.

Economic capital

Economic capital is NN's internal measurement of the amount of capital required for the risks that NN is exposed to through its balance sheet, its business and its daily operations.

NN determines economic capital as the amount of additional assets it must hold above the market value of its liabilities in order to withstand adverse movements in one year, based on a 99.5% level of confidence and before any adjustment for tax impact. A 99.5% level of confidence means that NN would be able to fulfil its obligations to its policyholders without requiring additional capital in 199 out of 200 annual scenarios. NN's economic capital is calculated in three steps.

- In the first step, NN models the market and credit risks to which NN's balance sheet is exposed using 50,000 stochastic real-world scenarios over a one-year time horizon, which are calibrated to historically observed market data. The model then quantifies the extent to which NN's assets must exceed its liabilities to ensure it is able to fulfil its policyholder obligations at a 99.5% level of confidence. This constitutes the economic capital for market and credit risk.

- In the second step, NN models insurance and business risk by defining stress scenarios at a 99.5% confidence interval using empirical data, when available, and expert judgement on the characteristics of NN's portfolio. With regards to longevity and expense risk, these stress scenarios are measured over a multi-year horizon. Mortality, morbidity, and P&C risks are measured over a one-year horizon. These measurements are made at the individual business unit level and are modelled to capture the offsetting of certain risks, which occurs where certain risk events preclude the possibility of others. For example, if risk capital is based on the risk event that people will live longer (longevity risk), then the risk event that the same people will die earlier (mortality risk) is precluded. These risks are also aggregated with each other, as well as with the market and credit risk calculated in step one, using correlations based on expert judgement. As a result of this aggregation, the economic capital for the aggregate risk is less than the sum of the economic capital for the individual risks because the probability of all of the various risks materialising concurrently is less than 0.5%. This difference is the diversification benefit, reflecting the benefits of NN's risk pooling.

- In the third step, NN adds economic capital for operational risks and for business units that are not reflected in the internal model, without recognising any further diversification benefit. The economic capital for operational risk is based on the draft of the standard formula set out in Solvency II. Certain business units do not form part of NN's internal model. Depending on the type of business, the economic capital for these business units is approximated using commercial capital requirements, the Insurance Group Directive, local regulatory capital requirements or IFRS equity net of intangibles. See "—*Economic Capital for Entities outside of NN's Internal Model*".

NN's internal model uses, among others, statistics, observed historical market data, insurance policy terms and conditions, and NN's own judgment, expertise and experience, and includes assumptions as to the levels and timing of payment of premiums, benefits, claims, expenses, interest rates, credit spreads, investment portfolio performance (including equity market and debt market returns), longevity, mortality, morbidity and product persistency, and customer behaviour (including with respect to surrenders or extensions). NN follows strict governance, periodically revisiting these assumptions and regularly challenging them. NN also models risk to regulatory capital and IFRS results using models. As such, NN's economic capital calculations and risk sensitivities should be considered as estimates.

The table below sets out NN's economic capital by risk category as at 31 December 2013 and 2012, respectively.

Economic capital by risk category

	As at 31 December	
(*in millions of EUR*)	**2013**	**2012**
Insurance risk	1,697	1,918
Business risk	2,128	2,539
Market and credit risk[1]		
General account	3,211	3,214
Separate account	964	930
Diversification benefit between risk categories	-2,505	-2,783
Total modelled risk insurance operations	5,495	5,818
Operational risk	531	566
Economic capital of other business; NN Bank, Investment Management units on local required capital levels and other non-modelled	988	2,335
Total	**7,014**	**8,719**

(1) After taking into account diversification benefits of EUR 486 million between the general account and separate account, economic capital for market and credit risks is EUR 3,689 million.

The following sections will explain the risk profile, risk mitigation and risk measurement of all the categories above except for the diversification benefits between the different risk categories. Diversification benefits are recognised both on the risk category level (reflecting, for instance, diversification benefits between different countries, and diversification benefits between different risks within a particular risk category), as well as diversification benefits between risk categories. The diversification benefit between insurance risk, business risk, and market and credit risk of both the separate and general account decreased from 2012 to 2013. Insurance and business risks diversify well with each other and also with the market and credit risks, and in 2013 the reduced exposure to insurance and business risk resulted in an overall lower diversification benefit for NN.

The overall economic capital for NN decreased by over EUR 1.7 billion from 2012 to 2013 primarily because NN sold most of the Asian business units. This is further explained in "—*Economic Capital for Entities outside NN's Internal Model*".

The table below sets out the allocation of NN's economic capital by reporting segment as at 31 December 2013. As at 31 December 2013, the aggregate diversification benefit between segments was EUR 2.3 billion.

Economic capital by reporting segment	% of total economic capital
Netherlands Life	40%
Netherlands Non-Life	7%
Insurance Europe	22%
Japan Life	10%
Investment Management	3%
Japan Closed Block VA	7%
Other	11%
Total	**100%**

Solvency II

In 2013 NN continued the internal model pre-application process with regulators in order to ensure the model is approved as an internal model under the Solvency II regulations and is fit for local use in all of its regulated entities. Over the course of 2014, NN intends to move its economic capital calculations to full solvency capital requirements (**SCR**), in accordance with current drafts of the Solvency II regulations. Differences in the calculation of SCR compared to current calculations of economic capital will arise from the Omnibus II Directive, in particular related to long term guaranteed business. NN's economic capital ratio, calculated as AFR/economic capital will be adjusted to own funds/SCR.

The table below provides a summary of the largest expected differences in the calculation methodology of available and required capital from the current internal methodology to Solvency II, as interpreted by NN. Significant uncertainties remain with regard to the final Solvency II regulations (e.g. the size of the credit risk adjustment, the calibration of the matching adjustment, and the ability to apply the matching adjustment). Therefore it is too early to provide a reliable estimate of the impact. However, the Solvency II ratio is expected to be lower than the AFR/economic capital ratio; this difference can be potentially significant depending on final Solvency II calibrations. NN will review various management actions to ensure NN is prepared for the introduction of Solvency II. See also "*Operating and Financial Review—Liquidity and Capital Resources—Capital requirements—Economic capital framework*".

	Available capital		**Required capital**	
	Current AFR	**Solvency II own funds**	**Current economic capital**	**Solvency II capital requirements (SCR)**
Last liquid point[1]	20 years	20 years	30 years	20 years
Illiquidity adjustment	Illiquidity premium	Volatility balancer (65% application ratio) / matching adjustment	Illiquidity premium	Volatility balancer / matching adjustment
After-tax	No	Yes	No	Yes
Credit risk adjustment	No	Yes	No	Yes
Contract boundaries[2]	Internal model	Solvency II regulation – recognition of future fee income more narrow compared to internal model	Internal model	Solvency II regulation
Loss absorption of taxes and non availability of own funds	Full capital fungability assumed	After tax and availability at Company level of subsidiary own funds potentially restricted based on fungability and transferability	Full capital fungability assumed	Test the loss absorption capacity
Risk margin	Market value margin based on internal approach	Less diversification recognised than internal approach	Not applicable	Not applicable
Investment expenses	Expense of managing a hypothetical risk minimising portfolio	Investment expenses based on certain actual expenses	Not applicable	Not applicable
Supervisory action	Not applicable	Not applicable	Not applicable	Potential for capital add-on

(1) The last liquid point is the last point on the swap curve considered to be liquid and is used to define the discount rate under Solvency II. After the last liquid point the curve is extrapolated to the ultimate forward rate (**UFR**).

(2) The future date at which a policy may be terminated or varied in such a way that, pursuant to the expected requirements of Solvency II, cash flows from premiums may not be recognised.

INSURANCE RISK

Insurance risks are the risks related to the events insured by NN and comprise actuarial and underwriting risks such as mortality, longevity, morbidity, and non-life insurance risks, which result from the pricing and acceptance of insurance contracts.

Risk profile

Mortality risk occurs when claims are higher due to higher mortality experience (for instance in relation to term insurance). Longevity risk is the risk that insured persons live longer than expected due to mortality improvements. While NN is exposed to both longevity and mortality risks, these risks do not fully offset one another as the impact of the longevity risks in the pension business in the Netherlands is significantly larger than the mortality risk in the other businesses, not only due to the size of the business but also due to the current low interest rate environment. Changes in mortality tables impact the future expected benefits to be paid and the present value of these future impacts is reflected directly in measures like AFR and available regulatory capital in the Netherlands. Longevity risk exposes NN primarily to mortality improvements and the present value impact is larger when interest rates are low.

NN's morbidity risk lies in health insurance which pays out a fixed amount, reimburses losses (e.g. loss of income), or pays for expenses of medical treatment related to certain illness or disability events. The main exposures to morbidity risks within NN are the disability insurance policies underwritten in Netherlands Non-Life, the health and accidental death covers within the COLI business in Japan Life, and the healthcare insurance business in Greece.

The Netherlands Non-Life portfolio also includes P&C products covering risks such as fire damage, car accidents, personal and professional liability, windstorms, hail, and third party liabilities.

Risk mitigation

Proper pricing, underwriting, claims management, and diversification are the main risk mitigating actions for insurance risks.

By expanding insurance liabilities to cover multiple geographies, product benefits, lengths of contract, and both life and non-life risk, NN reduces the likelihood that a single risk event will have a material impact on NN's financial condition.

Management of the insurance risks is done by ensuring that the terms and conditions of the insurance policies that NN underwrites are correctly aligned with the intended policyholder benefits to mitigate the risk that unintended benefits are covered. This is achieved through NN's underwriting standards, product design requirements, and product approval and review processes.

Insurance risks are diversified between business units. Risk not mitigated by diversification is managed through concentration and exposure limits and through reinsurance:

- tolerance limits for non-life insurance risks are set by line of business for catastrophic events and individual risk; for instance, every year Netherlands Non-Life and NN Re reinsure windstorm catastrophe risks. As windstorm risk diversifies well with other risks taken by NN, from 2014 NN has increased its tolerance level for this risk and decreased the re-insurance cover for windstorm catastrophe risk;
- tolerance limits for life insurance risks are set per insured life and significant mortality events affecting multiple lives such as pandemics;
- reinsurance is used to manage risk levels (such as morbidity reinsurance in the COLI business in Japan Life). Reinsurance creates credit risk which is managed in line with the reinsurance credit risk policy of NN, and;
- NN participates in industry pools in various countries to mitigate the risk from terrorism.

Risk measurement

The table below sets out NN's economic capital for insurance risk as at 31 December 2013 and 2012, respectively.

Economic capital for insurance risk

	As at 31 December	
(*in millions of EUR*)	**2013**	**2012**
Mortality (including longevity)	1,556	1,805
Morbidity	380	385
P&C	429	367
Diversification benefit	-669	-639
Total	**1,697**	**1,918**

The economic capital for insurance risks is dominated by mortality risk, in particular by longevity risk in the Netherlands pension business. The economic capital amount related to longevity risk is also highly sensitive to the level of interest rates. The decrease in the mortality risk capital was mainly caused by a decrease in longevity risk capital because of the increase of the discount curve in 2013 and by surrenders and contract changes of defined benefit pension contracts. The morbidity risk is primarily due to Netherlands Non-Life illness and disability contracts, as well as Netherlands Life and Japan Life.

The P&C risk is primarily underwritten by Netherlands Non-Life and partially reinsured by NN Re. The higher windstorm catastrophe risk retention level for 2014 resulted in an overall increase in economic capital for P&C risk.

BUSINESS RISK

Business risks are the risks related to the management and development of the insurance portfolio but exclude risks directly connected to insured events. Business risk includes policyholder behaviour risks and expense risks. Business risks can occur because of internal, industry, or wider market factors.

Risk profile

Policyholder behaviour risk

Policyholder behaviour risk is the risk that policyholders use options available in the insurance contracts in a way that is different from that expected by NN. Depending on the terms and conditions of the insurance policy and the laws and regulations applicable to the policy, policyholders could have the option to surrender, change premiums, change investment fund selections, extend their contracts, take out policy loans, make choices about how to continue their annuity and pension savings contracts after the accumulation phase, or even change contract details. As a result, over the life of an insurance policy, a policyholder may seek to change the terms of that policy, and NN may consult with the relevant customer with a view to verifying that the relevant policy remains suitable for the policyholder, sometimes resulting in changes to the relevant insurance policy. Policyholder behaviour therefore affects the profitability of the insurance contracts. The risk that policyholders maintain their contracts longer than NN has assumed is specific to the variable annuity business when guarantees are higher than the value of the underlying policyholder funds, the pension business of Netherlands Life, and the older higher interest rate guaranteed savings business of Insurance Europe. The risk that policyholders hold their contracts for a shorter period than NN has assumed relates to the life business of Japan Life and the unit-linked businesses in CEE of Insurance Europe.

Changes in tax laws and regulations can affect policyholder behaviour, particularly when the tax treatment of their products affects the attractiveness of these products for customers. For instance, changes in tax treatment may affect the tax efficiency of the COLI products of Japan Life.

The available regulatory capital in the Netherlands and the economic capital calculations for policyholder behaviour risk take into account the present value impact of changes in assumptions.

A change in policyholder behaviour assumptions would result in an immediate change in the present value of the liabilities used to determine AFR, IFRS result before tax for variable annuities, and available regulatory capital in the Netherlands.

Expense risk

Total administrative expenses for NN in 2013 amounted to EUR 1,842 million. Part of these expenses is variable, depending on the size of the business and sales volumes, and part are fixed and cannot immediately be adjusted to reflect changes in the size of the business. Expense risk relates primarily to the fixed part of NN's expenses, and is the risk that actual per policy expenses in the future exceed the assumed per policy expenses. A significant portion of the fixed expenses is incurred in the closed block operations of Netherlands Life, where NN is exposed to the risk that the overheads relating to IT administration systems will remain constant, or even increase, while the number of policies in the in-force book gradually decreases, leading to a per policy expense increase.

A change in expense risk assumptions, though it would be reflected over time through IFRS result before tax, would result in an immediate change in the present value of the liabilities used to determine AFR and available regulatory capital in the Netherlands.

Risk mitigation

Policyholder behaviour risk

Policyholder behaviour risks are managed through the product development, product approval and review processes and by ensuring that appropriate advice is given to the customer, not only at the point of sale but also during the lifetime of the product. The policyholder behaviour experience of in force policies is assessed at least annually.

As part of its strategy, NN has put several programmes in place to improve the customer experience. These programmes seek to improve the match between customer needs and the benefits and options provided by NN's products and, over time, to improve NN's understanding and anticipation of the choices policyholders are likely to make, thereby decreasing the risk of a mismatch between actual and assumed policyholder behaviour.

Expense risk

Several initiatives have been put in place to manage expenses, such as the restructuring of Netherlands Life and NN's head office in the Netherlands. These initiatives also seek to convert fixed expenses into variable expenses so that expenses vary in accordance with the size of the in-force portfolio. This is particularly relevant for the closed blocks of business, the Dutch individual life closed block and the Japan Closed Block VA businesses.

Risk measurement

The table below sets out NN's economic capital for business risk as at 31 December 2013 and 2012, respectively.

Economic capital for business risk

	As at 31 December	
(*in millions of EUR*)	**2013**	**2012**
Policyholder behaviour	1,096	1,400
Expense	1,388	1,663
Diversification benefit	-356	-525
Total	**2,128**	**2,539**

The main contributors to policyholder behaviour risk in 2013 are the COLI business in Japan Life, Netherlands Life, the unit-linked business of Insurance Europe, and the Japan Closed Block VA. For the Japan Closed Block VA, policyholder behaviour experience is monitored monthly and NN's policyholder behaviour assumptions are re-evaluated at least annually. Economic capital for policyholder behaviour risk decreased due to the increase of the discount curve in Netherlands Life and the weakening Japanese yen.

Over 80% of the expense risk capital is driven by Netherlands Life. The economic capital amount related to expense risk in Netherlands Life is sensitive to the level of interest rates, and the decrease in the expense risk capital was primarily attributable to the increase of the discount curve in 2013, together with a decrease in overall expenses.

The diversification in business risk is driven by the fact that policyholder behaviour and expense risk are largely uncorrelated and therefore receive a benefit given the low likelihood that they will both occur concurrently.

MARKET AND CREDIT RISK: GENERAL ACCOUNT

Market and credit risks are the risks related to the impact of financial markets on NN's balance sheet. In relation to market and credit risk, NN distinguishes between its general account and its separate account. The table below sets out NN's asset class market values for the general account as at 31 December 2013 and 2012 (in this table derivatives are excluded and specific risk management asset classifications and valuations are applied). 2012 figures are on a comparable basis to 2013.

General account assets

	As at 31 December 2013		As at 31 December 2012	
(in millions of EUR : % of total)	**Market value**	**% of total**	**Market value**	**% of total**
Fixed income	**79,473**	**83%**	**79,104**	**83%**
Government bonds	44,251	46%	50,831	53%
Financial bonds	4,452	5%	5,845	6%
Corporate bonds	6,453	7%	7,503	8%
Asset backed securities	7,199	7%	7,267	8%
Mortgages	14,218	15%	5,398	6%
Other loans	2,900	3%	2,260	2%
Non-fixed income	**10,436**	**11%**	**10,017**	**10%**
Common and preferred stock	2,500	3%	2,087	2%
Private equity	943	1%	855	1%
Mutual funds	2,336	2%	2,020	2%
Real estate	4,657	5%	5,055	5%
Cash	**6,749**	**7%**	**6,778**	**7%**
Total investments	**96,658**	**100%**	**95,899**	**100%**

The economic capital for the fixed income bonds is calculated within spread risk and the economic capital for the fixed income loans (to the extent applicable) within counterparty default risk. For the non-fixed income assets, equity and real estate, NN uses asset-specific risks to calculate economic capital.

The table below sets out NN's economic capital for the general account as at 31 December 2013 and 2012, respectively.

Economic capital general account

	As at 31 December	
(in millions of EUR)	**2013**	**2012**
Equity risk	1,406	1,162
Real estate risk	744	807
Interest rate risk	262	194
Credit spread risk net of illiquidity premium offset	2,234	2,521
Foreign exchange risk	213	377
Inflation risk	51	8
Counterparty default risk	519	354
Diversification benefit	-2,219	-2,208
Total	**3,210**	**3,215**

Market and credit risk of the general account is dominated by credit spread and equity risk. Whilst there were significant movements in the underlying risks, overall the economic capital for market and credit risk remained fairly stable. The inflation risk relates to the disability business of Netherlands Non-life.

The following sections provide more detail per risk type.

Equity risk

Equity risk in the general account is due to impact of changes in prices of directly held equities and equity derivatives such as futures and options.

Risk profile

The table below sets out NN's general account equity assets as at 31 December 2013 and 2012, respectively.

General account equity assets		
	As at 31 December	
(in millions of EUR)	**2013**	**2012**
Common and preferred stock	2,500	2,087
Private equity	943	855
Mutual funds	2,336	2,020
Total	**5,779**	**4,962**

Overall equity exposure increased due to positive revaluations and net purchases of equities in line with strategic asset allocation.

The equity investments held in the Netherlands are part of the so-called "5% holdings", in which investors who hold 5% or more of the outstanding shares of a stock receive favourable tax treatment in the Netherlands. About EUR 2.3 billion is invested in these 5% holdings. For these equity investments, NN may not be able to liquidate its position quickly because of the size of these holdings.

NN invests in private equity through its holding of Parcom Capital Management. Parcom Capital Management is a captive mid-market private equity firm active in the Netherlands, France and Germany.

Price changes in equity holdings and equity-related derivatives are directly reflected in AFR, the IFRS balance sheet and in the regulatory available capital in the jurisdictions in which NN has general account equity holdings. Only value movements of derivatives and impairments of equity holdings are reflected in the IFRS result before tax.

Risk mitigation

Equity exposures belong to a well-diversified asset portfolio of an insurance company with long term illiquid liabilities. The concentration risk on individual issuers is mitigated under relevant investment mandates.

From time to time, NN protects the downside risk of the general account equity portfolio by buying put options and other hedge instruments. The most recent occasion on which NN did so was during the euro crisis in 2011 and 2012.

Risk measurement

Economic capital for equity risk in the general account increased from EUR 1,162 million in 2012 to EUR 1,406 million in 2013. This exposure includes mutual funds with both fixed income and equity underlying positions. On a look-through basis in the overall exposure, the weighting of equities, which requires a higher economic capital than fixed income investments, increased due to stock market developments.

Real estate risk

Real estate risk is the risk of loss of market value of real estate assets due to a change in rental prices, required investor yield, or other factors.

Risk profile

NN's general account real estate exposure decreased from EUR 5,055 million at 31 December 2012 to EUR 4,657 million as at 31 December 2013. The real estate exposure is mainly present in Netherlands Life and Netherlands Non-Life. NN has two different categories of real estate: (i) investments in real estate funds and real estate directly owned, and (ii) investments in buildings occupied by NN. Several of the real estate funds owned by NN include leverage and therefore the actual real estate exposure is larger than NN's positions in these funds. During 2013, the gross real estate exposure decreased mainly as a result of market value decreases.

The general account real estate portfolio is held for the long term and is illiquid. Furthermore there are no hedge instruments available in the market to effectively reduce the impact of market volatility.

The table below sets out NN's real estate exposure by sector type excluding leverage as at 31 December 2013 and 2012, respectively. Real estate is valued at fair value in the economic capital model and the available regulatory capital calculations in the Netherlands. Fair value revaluations of 53% of the real estate portfolio directly affect the IFRS result before tax.

General account real estate assets by sector

	As at 31 December 2013		As at 31 December 2012	
	Revalued through P&L	**Not revalued through P&L**	**Revalued through P&L**	**Not revalued through P&L**
Residential	3%	17%	2%	17%
Office	10%	9%	14%	10%
Retail	30%	9%	28%	7%
Industrial	9%	0%	8%	0%
Other	2%	12%	3%	11%
Total	**54%**	**47%**	**55%**	**45%**

Risk mitigation

Real estate exposures belong to a well-diversified asset portfolio of an insurance company holding long term illiquid liabilities. The concentration risk on individual issuers is mitigated under relevant investment mandates.

Risk measurement

Economic capital for real estate risk decreased from EUR 807 million at year-end 2012 to EUR 744 million at year-end 2013 due to reduced real estate exposures and lower leverage in the real estate funds.

Interest rate risk

Interest rate risk is the impact of interest rate changes on available capital as a result of the associated change in the value of the assets and liabilities. NN generally uses swap curves as benchmark interest rate curves when assessing interest rate risk.

Risk profile

The table below provides an overview of NN's general account undiscounted policyholder liability cash flows (net of expenses and commissions) by maturity.

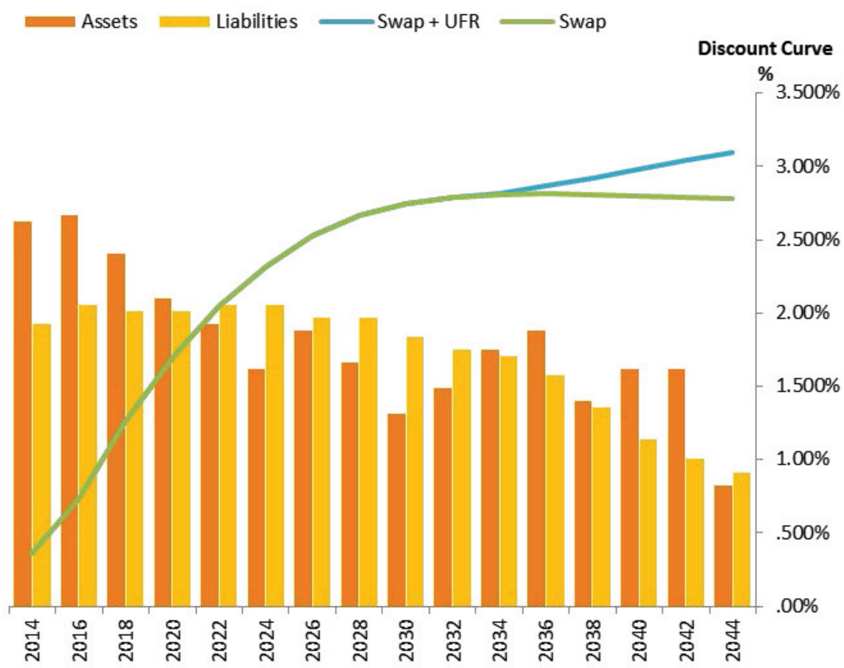
General account liabilities' annual undiscounted cash flows (net of expenses and commissions)[1]

	Liabilities originated in					
(in millions of EUR)	**EUR**		**JPY[2]**		**Other currencies[2]**	
Maturities	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
1	-4,627	-4,010	222	138	-183	-143
2	-4,148	-3,971	-84	-174	-177	-306
3	-5,235	-4,317	-307	-329	-168	-209
3-5	-7,452	-7,356	-870	-938	-352	-561
5-10	-15,076	-15,109	-2,204	-2,285	-786	-927
10-20	-23,545	-23,219	-2,357	-2,718	-1,087	-1,208
20-30	-15,422	-15,977	-907	-973	-413	-489
30+	-14,752	-16,976	-577	-515	-82	-95
Total	**-90,257**	**-90,935**	**-7,084**	**-7,794**	**-3,248**	**-3,938**

(1) The "minus" sign in the table means cash outflow from NN to the policyholders
(2) Japan and Other liabilities are presented at constant FX of 31 December 2013. Other includes CZK, HUF, PLN, RON, and USD.

To effectively match its assets to liabilities, NN looks at the undiscounted liability cash flows and then determines which assets to purchase to reduce interest rate risk. As can be seen in the table, the euro denominated liabilities have a significant amount of long—term liability cash flows, which relate primarily to the pension business in the Netherlands.

The table below provides an overview of the asset and liability cash flows for Netherlands Life as at 31 December 2013. The information in this table is unaudited.



Liability valuations depend on the discount rate applied and are sensitive to movements in that discount rate, particularly given that approximately one third of the liability cash outflows occur from year 20. Different policyholder liability discount rates apply depending on the accounting or regulatory framework; thus, the interest rate risk differs by accounting regime.

- ***IFRS result before tax***. Under IFRS, NN values its general account policyholder liabilities using a discount rate that is set when the policies are sold, and subjects them to a reserve adequacy test using current interest rates. As a result, changes in interest rates do not affect IFRS earnings through liability valuations, unless the adequacy of the reserves of a segment falls below the 50th percentile level. As of 1 January 2014, NN's reserves for all segments are adequate at the 90th percentile. Apart from a few exceptions, interest rate movements do not impact IFRS result before tax as investment income for fixed income assets is recorded as amortised cost value. A few derivative instruments not subject to hedge accounting could cause volatility in IFRS result before tax due to interest rates. See "*—Regulatory Capital and IFRS Result before Tax Sensitivities—Sensitivities of IFRS result before tax*".

- ***Available regulatory capital (outside the Netherlands)***. For the purposes of available regulatory capital in all jurisdictions outside the Netherlands in which NN operates, general account policyholder liabilities are valued at a single discount rate set when the policies are sold. General account fixed income assets are typically held at the same value as is reported on the IFRS balance sheet, although in several jurisdictions such as Japan, Spain and Greece, certain assets can be held at amortised cost on the regulatory balance sheet. Changes in interest rates affect available regulatory capital in these jurisdictions when fixed income assets are valued at market value, and the liability valuations are insensitive to interest rate movements

- ***Available regulatory capital (Netherlands).*** For the purposes of available regulatory capital in the Netherlands, general account policyholder liabilities are measured at fair market value based on the DNB swap curve. In 2013 NN moved from the discount curve based on the ECB AAA yield curve to the DNB swap curve, which, amongst other things, is more liquid and less subject to dislocations. Since mid-2012, the DNB curve has been adjusted to include an ultimate forward rate (**UFR**), extrapolating the curves beginning in year 20 to an UFR of 4.2% at year 60. General account fixed income assets are held at market value, thereby creating interest rate sensitivities in the available regulatory capital, which are the same as the liability sensitivities for matching cash flows up to 20 years. However, mismatches occur for longer-term cash flows due to the application of the UFR.

- ***Economic capital***. To determine economic capital, NN uses a swap curve plus an illiquidity premium to discount the insurance liabilities. The illiquidity premium is treated as part of the credit spread risk. NN extrapolates the euro swap curve from the 30 year point onwards to the UFR, as swap markets tend to be highly illiquid for durations longer than 30 years. To determine economic capital, all assets are valued at market value and therefore subject to interest rate risk. The economic capital for interest rate risk therefore primarily depends on the level of cash flow matching between assets and liabilities.

Risk mitigation

NN hedges its economic interest rate exposure by investing in long-term bonds matching liability maturities and further reduces the remaining interest rate gap through purchases of receiver swaps and swaptions. Interest rate risk is also mitigated through a disciplined pricing and renewal strategy in the Dutch corporate pensions business.

Risk measurement

The economic capital for general account interest rate risk increased from EUR 194 million at year-end 2012 to EUR 262 million at year-end 2013. This economic capital is small relative to the general account insurance provisions, due to effective ALM and interest rate hedges. The increase in capital is modest for the total balance sheet size and reflects a small reduction in asset duration.

Credit spread risk

Credit spread risk reflects the impact of credit spreads widening due to increased default expectation, illiquidity and any other risk premiums priced into the market value of bonds. Credit spread risk takes into account both the impact on the asset side as well as the corresponding interaction with the general account liabilities.

Risk profile

The nature of long-term insurance liabilities gives insurers the potential to hold fixed income assets even in adverse market conditions, thereby continuing to receive the coupons and the principal amount at maturity. Credit spread risk materialises in different ways depending on the different valuation curves used to discount assets and liabilities in order to determine these metrics.

- ***IFRS result before tax***. Market value movements of general account fixed income assets do not impact the IFRS result before tax as the assets are classified as available for sale. Therefore, there is no sensitivity to credit spread risk in IFRS result before tax. However fixed income securities might be subject to impairments under IFRS, affecting the IFRS result before tax.

- ***Available regulatory capital (outside the Netherlands)***. For the purposes of available regulatory capital in all jurisdictions outside the Netherlands in which NN operates, general account fixed income assets are typically held at the same value as is reported on the IFRS balance sheet, although in several jurisdictions such as Japan, Belgium, Spain and Greece, certain assets can be held at amortised cost on the regulatory balance sheet. In those cases where assets are held at fair value, credit spreads affect available regulatory capital through fixed income asset valuations, whereas the liability valuations are insensitive to credit spread movements.

- ***Available regulatory capital (Netherlands)***. On the regulatory capital balance sheet, general account fixed income assets are held at market value, thereby creating credit spread sensitivities in the available regulatory capital. The long duration of NN's fixed income assets amplifies the impact of credit spread sensitivities. By contrast, the liabilities are not sensitive to credit spread movements

- ***Economic capital***. To determine economic capital, general account fixed income assets are held at market value, thereby creating credit spread sensitivities. Just as in the available regulatory capital (Netherlands), the long duration of NN's fixed income assets amplifies the impact of credit spread sensitivities for economic capital. The discount rate to value the insurance liabilities consists of the swap rate plus an illiquidity premium. NN uses the spreads of a covered bond index to determine the illiquidity premium at a given point in time. The fact that the bonds are fully collateralised means that there is limited credit risk in relation to these bonds. Any spread movements in the covered bond index therefore represent illiquidity related to demand and supply characteristics and market sentiment at any point in time. As NN does not invest in the covered bond index to back the general account liabilities, there can be mismatches between illiquidity experienced on NN's own assets and the illiquidity depicted by the covered bond index.

The table below sets out the market value of NN's general account fixed-income bonds which are subject to credit spread risk by type of issuer at 31 December 2013 and 2012, respectively.

General account fixed-income bonds by type of issuer[1]

	Market Value		Percentage	
(in millions of EUR)	**2013**	**2012**	**2013**	**2012**
Government bonds	44,251	50,831	71%	71%
Asset backed securities	7,199	7,267	12%	10%
Financial institutions	4,452	5,845	7%	8%
Utilities	1,501	1,815	2%	3%
Transportation and logistics	857	449	1%	1%
Telecom	795	1,013	1%	1%
General industries	638	591	1%	1%
Food, beverages and personal care	622	675	1%	1%
Other corporate and financial bonds	2,040	2,961	3%	4%
Total	**62,355**	**71,447**	**100%**	**100%**

(1) Bond values include accrued interest

NN primarily uses long-term bonds issued by central governments and other public agencies of governments to match its long term liabilities as such bonds are amongst the few tradable fixed income securities generating cash flows for 20 years and longer. The table below sets out the market value of NN's general account assets invested in government bonds by country and maturity.

General account market value government bond exposures[1]

			Market value of government bond 2013 by number of years to maturity									
(in millions of EUR)	**Rating[2]**	**Domestic exposure[3]**	**1**	**2**	**3**	**3-5**	**5-10**	**10-20**	**20-30**	**30+**	**Total 2013**	**Total 2012**
Germany	AAA	0%	155	70	115	331	263	3,288	4,215	153	8,590	12,225
Netherlands	AAA	98%	17	132	82	104	1,210	1,458	3,399	—	6,402	7,183
France	AA+	0%	64	100	44	108	265	276	2,472	2,197	5,526	5,586
Belgium	AA	41%	141	242	210	830	1,413	911	1,498	69	5,314	4,739
Japan	AA-	99%	276	68	128	331	1,425	1,740	837	294	5,099	8,183
Austria	AAA	0%	210	44	85	174	803	1,462	588	728	4,094	3,937
Italy	BBB	0%	21	109	21	63	178	880	124	5	1,401	1,393
Multilateral	AAA	2%	81	65	132	44	345	285	376	34	1,362	719
Finland	AAA	0%	7	16	14	49	343	355	324	—	1,108	1,079
Spain	BBB-	65%	3	25	14	60	46	513	387	—	1,048	907
United States	AAA	0%	39	401	31	190	51	4	177	—	893	1,018
Others		46%	227	264	364	524	1,010	676	348	—	3,413	3,862
Total		**37%**	**1,241**	**1,536**	**1,240**	**2,808**	**7,352**	**11,848**	**14,745**	**3,480**	**44,250**	**50,831**

(1) Bond values include accrued interest.

(2) NN uses the second best rating of Fitch, Moody's and S&P to determine the credit rating label of its bonds.

(3) Percentage of the bonds held in the local unit, e.g. percentage of Dutch bonds held by entities registered in the Netherlands.

Exposures to Dutch, German and French government bonds are primarily held by Netherlands Life. Of the EUR 15 billion German and Dutch government bonds held by NN, more than half will mature after year 20, and more than 80% of the EUR 5.5 billion French government bonds held by NN will mature after year 20. These long-term government bonds are sensitive to sovereign credit spread movements versus euro swap rates. With regards to CEE, government bond exposures in Poland, the Czech Republic, Hungary, the Slovak Republic, Romania, and Turkey are mainly domestically held. In 2011 and 2012, NN reduced its Greek, Italian, Spanish and French government bond exposures in response to the deteriorating credit ratings of these countries and to alleviate concentration risk. The remaining Greek government bonds are all held by NN's Greek business unit, and 65% of the Spanish government bonds are held by NN's Spanish business unit. During 2013, NN began reducing its German and Dutch government bond positions to invest in higher-yielding asset classes. It also began reducing its holdings of government bonds in Japan where such bonds were held for liquidity reasons.

The table below sets out the general account market value of non-government fixed-income securities (excluding mortgages and derivatives) by rating and maturity. The AAA securities are primarily asset-backed securities.

General account market value of non-government fixed income securities[1]

	Market value of non-government bond securities 2013 by number of years to maturity									
(in millions of EUR)	**1**	**2**	**3**	**3-5**	**5-10**	**10-20**	**20-30**	**30+**	**Total 2013**	**Total 2012**
AAA	158	90	280	691	1,514	972	1,299	1,977	6,981	6,732
AA	238	140	300	323	620	549	320	—	2,490	3,615
A	348	472	700	880	1,344	465	410	95	4,714	6,053
BBB	321	248	291	411	692	405	149	648	3,165	3,209
BB	87	8	34	97	155	9	—	183	573	616
B	19	15	18	23	26	—	57	—	158	226
CCC	—	—	—	—	—	—	—	6	6	161
Other	1	—	—	—	12	2	—	—	15	2
Total	**1,172**	**973**	**1,623**	**2,425**	**4,363**	**2,402**	**2,235**	**2,909**	**18,101**	**20,614**

(1) Bond values include accrued interest.

The table below sets out NN's holdings of asset-backed securities by market value of asset type and the percentage of NN's total general account asset-backed securities portfolio as at 31 December 2013 and 2012, respectively.

General account asset backed securities

	As at 31 December 2013		As at 31 December 2012	
(in millions of EUR)	**Market value**	**% of total**	**Market value**	**% of total**
RMBS	3,822	53%	4,356	60%
Car loans	1,848	26%	1,415	19%
Credit cards	463	6%	382	5%
CMBS	358	5%	343	5%
Student loans	251	3%	318	4%
SME loans	233	3%	227	3%
Consumer loans	117	2%	134	2%
Other	106	1%	91	1%
Total	**7,198**	**100%**	**7,266**	**100%**

Risk mitigation

NN aims to maintain a low-risk, well diversified credit portfolio. NN has a policy of maintaining a high quality investment grade portfolio while avoiding large risk concentrations. In order to reduce the credit spread risk, NN has increased its investments in non-listed and own-originated assets. Going forward, the volatility in NN's credit spread risk will continue to have possible short term negative effects on the balance sheet. However, in the long run, these investments will back the long-dated and illiquid liabilities well. The concentration risk on individual issuers is managed using rating-based issuer limits on one (group of related) single name(s), effectively managing the default risk of the issuers.

Risk measurement

The economic capital for credit spread risk reflects, with 99.5% level of confidence, the maximum amount of capital needed to absorb the impact of spreads widening. Credit spreads are stressed depending on the assets with regard to the credit rating, duration, and region, to determine the economic capital for spread risk. Furthermore, the illiquidity premium on the liabilities is stressed to dampen the impact of credit spread stresses. From 2013, NN stresses all its fixed income assets except the highest rated sovereign bonds (e.g. German sovereign bonds) and non-euro domestically held sovereign bonds (e.g. Polish bonds held in Poland). For purposes of determining its economic capital, the stresses for credit movements applied by NN are higher than those currently contemplated by the Solvency II standard model. However, NN's economic capital also includes an illiquidity premium offset, which is not included in the Solvency II standard model.

The table below sets out NN's general account economic capital for credit spread risk.

General account economic capital for credit spread risk

	As at 31 December	
(in millions of EUR)	**2013**	**2012**
Credit spread risk assets	5,617	5,718
Illiquidity premium offset	-3,383	-3,197
Total credit spread risk net of illiquidity premium offset	**2,234**	**2,521**

Counterparty default risk

Counterparty default risk is the risk of loss of investments due to unexpected default, or deterioration in the credit standing, of the counterparties and debtors (including reinsurers) of NN. The economic capital for counterparty default risk is primarily based on the associated issuer's probability of default and the estimated loss-given-default on each individual asset combined with diversification across assets. Note that fixed income bonds are also subject to counterparty default risk, but this risk is included in credit spread risk.

Risk profile

Counterparty default risk emanating from residential mortgages and policy loans (retail credit risk) represent the majority of the portfolio of economic capital for counterparty default risk.

Loans form a relatively small source of credit risk for NN (as compared to bonds). Other sources of credit risk include the claims on counterparties from over-the-counter derivatives, money market exposures and reinsurance.

General account mortgages, reinsurance and loans and advances

	As at 31 December	
(in millions of EUR)	**2013**	**2012**
Mortgages	14,218	5,398
Reinsurance	331	348
Other loans	2,900	2,260
Cash	6,749	6,778
Total	**24,198**	**14,784**

NN has notably increased its exposure to Dutch residential mortgages during the course of 2013, both at NN Bank as well as Netherlands Life. In the third quarter of 2013, EUR 4.8 billion of Dutch residential mortgage loans were transferred from WUB to NN Bank's mortgage loan portfolio. In the fourth quarter of 2013, Netherlands Life's exposure to residential mortgages also increased, with the transfer of EUR 2.6 billion residential mortgages from ING Bank to Netherlands Life. As of 31 December 2013, the total general account risk exposure to mortgages is EUR 6.2 billion for NN Bank and EUR 8.0 billion for Netherlands Life.

The table below sets out the exposures to mortgage loans of Netherlands Life and NN Bank by category as at 31 December 2013.

Exposure to mortgage loans by category

(percentage of total)	**Netherlands Life**	**NN Bank**
Interest only	30%	35%
Savings-related[(1)]	67%	54%
Annuity	1%	9%
Other	2%	2%
Total	**100%**	**100%**

(1) Savings related loans include investment, bank savings, policy savings, and life insurance backed mortgages.

Risk mitigation

NN uses different credit risk mitigation techniques. For retail lending portfolios, mortgages on the house, pledges of insurance policies, or retaining the investment accounts of clients are all important elements of credit risk mitigation. For OTC derivatives, the use of ISDA master agreements accompanied with credit support annexes is an important example of risk mitigation. Other forms of credit risk mitigation include reinsurance collateral.

The loan to value (**LTV**) for residential mortgages, which is based on the net average indexed loan to value, at NN Bank and Netherlands Life stands at 92% and 96% respectively, due to the high proportion of interest-only mortgages. With the change in the Dutch tax regime in 2013 with regards to mortgage interest deductibility, a shift from interest-only mortgages to annuity and amortisation payment type mortgages is being observed. The inherent credit risk is compensated primarily by means of the underlying property, but also through the inclusion of mortgages guaranteed by the NHG and other secondary covers like savings, investments and life insurance policies. Mortgages with NHG accounted for 26% and 20% at NN Bank and Netherlands Life respectively at 31 December 2013.

The credit portfolio is under constant review to ensure troubled assets are identified early and managed properly. With regards to (mortgage) loans, all loans with past due financial obligations of 90 days or more are classified as non-performing loans. All loans not classified at initial recognition as being either (a) assets at market value through profit-and-loss, (b) assets held for trading, or (c) assets available-for-sale are measured against amortised cost value and are subject to impairment review. For bonds and other fixed income securities, criteria for impairment include (but are not limited to) expected and actual credit losses resulting from e.g. failure to pay, market information regarding expected and actual credit losses, as well as other evidence that the issuer/borrower will be unable to meet its financial obligations. Material breaches in financial covenants can also trigger the reclassification of a loan as being impaired.

Credit quality: NN mortgage loan portfolio delinquencies

	Netherlands Life		NN Bank	
	As at 31 December		As at 31 December	
(in millions of EUR)	**2013**	**2012**	**2013**	**2012**
0 days	7,769	5,107	6,118	136
Past due 1-90 days	185	129	93	2
Past due > 90 days	37	24	17	0.5
Total	**7,991**	**5,260**	**6,228**	**139**

If a payment of interest or principal is more than one day late, the loan is considered 'past-due'. If the arrear still exists after 90 days, the loan is categorised as a non-performing loan. It keeps this status until the arrear is resolved. As at 31 December 2013, non-performing loans were EUR 101 million for Netherlands Life and EUR 43 million for NN Bank. Of the mortgage loans that are past-due, 68% have been past-due for 1-30 days.

Aging analysis (past due but not impaired): NN mortgage portfolio outstanding

	Netherlands Life		NN Bank	
	As at 31 December		As at 31 December	
(in millions of EUR)	**2013**	**2012**	**2013**	**2012**
Past due for 1-30 days	125	96	64	2
Past due for 31-60 days	42	23	22	0
Past due for 61-90 days	19	10	8	0
Total	**185**	**129**	**93**	**2**

Risk measurement

The economic capital backing NN Bank's portion of the mortgage exposure is accounted for in non-modelled business because NN Bank applies Basel II for capital purposes (see "—*Economic Capital for Entities outside NN's Internal Model*"). The economic capital backing the Netherlands Life's portion of the mortgages is calculated in the counterparty default risk. The total mortgage exposure is managed at company level and included in the tables above.

Economic capital for counterparty default risk increased from EUR 354 million at year-end 2012 to EUR 519 million at year-end 2013. This increase is mainly due to the increased residential mortgage portfolio at Netherlands Life. As noted, related economic capital for fixed income bonds is included fully in credit spread risk.

Foreign exchange risk

Foreign exchange (**FX**) risk measures the impact of losses related to changes in currency exchange rates.

Risk profile

FX transaction risk can occur on a local entity level, while FX translation risk can occur when items included in the financial statements of each of NN's entities are measured using the country's functional currency instead of NN's reporting currency, the euro.

Risk mitigation

The FX risk at the local entity level is mitigated by limiting investment to the local currency assets. The exceptions are Japan Life, where USD and EUR assets are held to diversify the portfolio and the FX risk is managed through rolling FX forward contracts and in the large general account portfolio of Netherlands Life. The FX risk at the holding level is managed using FX forward contracts.

Risk measurement

Economic capital for foreign exchange risk decreased from EUR 377 million at year-end 2012 to EUR 213 million at year-end 2013 primarily due to the weakening of the yen in 2013.

MARKET AND CREDIT RISK: SEPARATE ACCOUNT

The separate account businesses are those in which the policyholder bears the majority of the market and credit risk. NN's earnings from the separate account businesses are primarily driven by fee income. However, in the case of variable annuities and the guaranteed separate account pension business in the Netherlands, NN retains risk associated with the guarantees provided to its policyholders. Businesses in this category are (i) the variable annuities portfolio, (ii) the group pension business in the Netherlands for which guarantees are provided, and (iii) other separate account business, primarily the unit-linked business.

Variable annuity portfolio

Risk profile

Variable annuity business overview, 2013

(in millions of EUR)	Number of policies	Account value[1]	Net amount at risk[2]	Additional IFRS reserve for guarantees[3]	Average remaining years
Variable annuity Japan GMAB	299,563	11,575	458	811	3.2
Variable annuity Japan GMDB	46,743	3,112	205	57	7.1
Variable annuity Insurance Europe	40,931	1,238	33	25	7.2

(1) The account value is the value of the underlying funds which belong to the policyholder.
(2) The net amount at risk is the difference between the guaranteed minimum value and the account value, for those policies where the guaranteed value exceeds the account value.
(3) The additional IFRS reserve for the guarantees backing the GMDB block as of 1 January 2014 is EUR 219 million higher (total EUR 276 million) due to the application of fair value accounting.

Variable annuity business overview, 2012

(in millions of EUR)	Number of policies	Account value[1]	Net amount at risk[2]	Additional IFRS reserve for guarantee	Average remaining years
Variable annuity Japan GMAB	317,402	13,150	2,841	3,038	4.2
Variable annuity Japan GMDB	60,050	3,744	1,346	268	9.5
Variable annuity Insurance Europe	44,330	1,147	47	78	7.5

(1) The account value is the value of the underlying funds which belong to the policyholder.
(2) The net amount at risk is the difference between the guaranteed minimum value and the account value, for those policies where the guaranteed value exceeds the account value.

From a risk management perspective, NN distinguishes three blocks of variable annuities:

- ***Guaranteed minimum accumulation benefit (GMAB) products of Japan Closed Block VA:*** Under this type of variable annuity, a guaranteed minimum benefit is paid upon death or at maturity of the policy at the end of the initial investment period. The survival guarantee is only available up until the original policy term, mainly 10 years, and cannot be changed. The guaranteed minimum benefit is either a single premium or an amount which may lock-in at a higher guarantee level depending on the product. The GMAB product was sold from 2005 until 2009 in Japan through banks and security brokers. The guarantees of this product were highly in the money but with the improving stock markets in Japan and the weakening of the Japanese yen, have moved closer to at-the-money. The volatility risks of the options and guarantees increase when the option is at the money and closer to maturity.

- ***Guaranteed minimum death benefit (GMDB) products of Japan Closed Block VA***: Under this type of variable annuity, a guaranteed minimum benefit is paid upon the death of the policyholder. The GMDB product has a generally predefined term of 10 years and provides the option to extend the guarantee of the policy during the investment phase up to age 90, and in the case of some policies, also allow further extension to whole of life. At death, the product pays a maximum of the guaranteed value and the account value. During the insured period, the client can receive the maximum of the guaranteed minimum benefit and the account value at death or at survival after the term of the product. There are different funds underlying the policyholder account value, including Japanese equity, Japanese bond, global equity and global bond funds. The value of the minimum guarantee depends on the level and volatility of equity, bond and foreign exchange markets.

- ***Variable annuity products of Insurance Europe***: NN has been selling VA products in Europe since 2008, including in Belgium, Italy, Luxembourg, Poland, Spain and Hungary. The products mostly have guaranteed minimum living benefits such as survival benefit or withdrawal benefits.

The number of GMAB policies that can still be extended by the policyholders is decreasing, reducing the uncertainty of the extension option. The number of policies of Japan Closed Block VA will have decreased by approximately 90% by the end of 2019, driven by the maturity of the GMAB products.

Risk mitigation

NN has hedging programs in place for the Japan Closed Block VA business and the Insurance Europe variable annuity business. These hedging programs target equity, interest rate, and FX risks. The market risks that remain for the Japan Closed Block VA business are increases to market volatility, both implied and realised, and basis risk. Basis risk is the difference in market movements between the benchmarks used for hedging and the actively managed funds in the separate account. The table below sets out the estimated changes in the value of these options and guarantees, and the corresponding estimated changes in the value of the assets hedging this portfolio for the years ended 31 December 2009 through 2013 with regard to the Japan Closed Block VA.

Japan Closed Block VA asset and liability movements					
(in millions of EUR)	**2013**	**2012**	**2011**	**2010**	**2009**
Change in value of policyholder guarantee	2,411	1,652	-748	-481	543
Change in value of hedge assets	2,367	1,482	-582	-537	458
Economic hedge result	44	170	-166	56	85

The change of the value of the policyholder guarantees depends on market movements. The value of the Japan Closed Block VA guarantees, which was considerable at year-end 2008 due to the credit crisis, moved significantly over the past years, decreasing in 2012 and 2013 as a result of the economic stimulus packages in Japan. In 2008 the hedge programme was not yet fully developed and was therefore only partially able to follow strong market movements, resulting in significant hedge losses. Losses were incurred in 2011 as well, partially attributable to significant spread movements that were not hedged in 2011.

Separate account guaranteed group pension business in the Netherlands

Risk profile

Separate account guaranteed group pension business in the Netherlands		
	as at 31 December	
(in millions of EUR)	**2013**	**2012**
Account value	10,858	12,487
Additional IFRS reserve for guarantee	606	744

In the Dutch separate account pension portfolio, investments are held in separate accounts on behalf of the sponsor employer who concluded the contract with NN. Regardless of actual returns on these investments, NN guarantees pension benefits for the beneficiaries under the contract. Contracts are typically re-negotiated every five years, but the guarantee obligations to the beneficiaries survive termination of the contract with the sponsor employer unless otherwise agreed.

The sponsor employer selects the investments based on a basket of equity and fixed income instruments and real estate and pays a fee for the guarantee. The value of the guarantee that NN provides is sensitive to interest rates, movements in the underlying funds and the volatility of those funds.

Risk mitigation

NN currently hedges the value of the guarantees it provided under group pension contracts in the Netherlands. For this purpose, the exposure under such guarantees is discounted at the swap curve without the extrapolation to the UFR. The hedge programme includes equity basket options, swaps and equity futures. Upon contract renewal, NN offers policyholders defined contribution products with investments in portfolios that NN can more easily hedge, thus reducing the risk to NN. The current hedge strategy includes the movement of policies to the general account at contract renewal, reducing the risk for Netherlands Life and generating investment yield. In 2013, EUR 10.9 billion was moved from the separate account to the general account. As of August 2013, NN aims to hedge the full economic risk of the guarantee provided. Before August 2013, the hedge was aimed at mitigating a combination of IFRS earnings volatility and regulatory capital volatility, although significant IFRS earnings volatility remains as a result of unhedged items (particularly basis risk).

Other separate account business

Risk profile

The other separate account business primarily consists of unit-linked insurance policies, which provide policyholders with fund selection combined with an insurance cover. In a unit-linked policy, the investment risk is borne by the policyholder, although there are some unit-linked products where NN has provided guarantees on the performance of specific underlying funds. Unit-linked products without guarantees do not expose NN to market risk, except to the extent that the present value of future fees is affected by market movements of the underlying policyholder funds.

Risk mitigation

The market risks of the unit-linked and other separate account business are managed at the design of the product. Currently NN does not hedge the market risks related to the present value of future fee income derived from this business.

Risk measurement

NN determines economic capital for the market and credit risks of the separate account business in aggregate through direct modelling or applying a hedge effectiveness ratio.

The table below sets out the economic capital for the market and credit risk of the separate account businesses as at 31 December 2013 and 2012, respectively.

Economic capital for the separate account businesses

	as at 31 December	
(in millions of EUR)	**2013**	**2012**
Variable annuity	591	812
Separate account guaranteed group pension business in the Netherlands	264	101
Other separate account business (unit-linked)	217	187
Diversification benefit	-108	-170
Total	**964**	**930**

The decrease in the variable annuity economic capital was due to a weakening Japanese yen over the course of 2013. The increase in economic capital in the group pension business in the Netherlands was mainly due to changes in the hedging position over the course of the year. Considering that the size of the group pension business in the Netherlands is EUR 10.9 billion, the overall risk on this portfolio remains relatively low and well-hedged. The increase in AuM of the funds underlying the other separate account business resulted in a higher present value of future fee income and therefore higher risk capital related to this future fee income.

LIQUIDITY RISK

Liquidity risk is the risk that one of NN's entities does not have sufficient liquid assets to meet its financial obligations when they become due and payable, at reasonable cost and in a timely manner. Liquidity in this context is the availability of funds, or certainty that funds will be available without significant losses, to honour all commitments when due.

Risk profile

NN identifies two related liquidity risks: funding liquidity risks and market liquidity risks. Funding liquidity risk is the risk that a company will have the funds to meet its financial obligations when due. This risk is in particular relevant for NN Bank. Market liquidity risk is the risk that an asset cannot be sold without significant losses. The connection between market and funding liquidity stems from the fact that when payments are due, and not enough cash is available, investment positions need to be converted into cash. When market liquidity is low, this would lead to a loss.

Risk mitigation

NN liquidity management principles include the following:

- interbank funding markets should be used to provide liquidity for day-to-day cash management purposes;
- a portion of assets must be invested in unencumbered marketable securities that can be used for collateralised borrowing or asset sales;
- strategic asset allocation should reflect the expected and contingent liquidity needs of liabilities; and
- adequate and up-to-date contingency liquidity plans should be in place to enable management to act effectively and efficiently in times of crisis.

NN defines three levels of liquidity management. Short-term liquidity, or cash management covers the day-to-day cash requirements under normal business conditions and targets funding liquidity risk. Long-term liquidity management considers business conditions, in which market liquidity risk materialises. Stress liquidity management looks at a company's ability to respond to a potential crisis situation. Two types of liquidity crisis events can be distinguished: a market event and an NN specific event. These events can be short-term or long-term and can both occur on a local, regional or global scale.

Risk measurement

Liquidity risk is measured through several metrics including ratios and cash flow scenario analysis, in the base case and under several stressed scenarios. The liquidity risk metrics indicate that liquidity resources would be sufficient to meet expected liquidity uses under the scenarios tested. NN does not hold a specific economic capital for liquidity risk in its insurance economic capital model as liquidity is sufficiently available in the insurance business units.

OPERATIONAL RISK

Risk profile

Operational risk is a non-financial risk that includes direct or indirect losses resulting from inadequate or failed internal processes (including as a result of fraud and other misconduct), systems failure (including IT and communications systems), human error, and certain external events.

The operational risk management areas can be defined as given below:

- ***Control and processing risk***: the risk due to non-adherence with business policies or guidelines as well as the risk of loss due to unintentional human error during (transaction) processing.
- ***Fraud risk***: the risk of loss due to abuse of procedures, systems, assets, products or services of NN by those who intend to unlawfully benefit themselves or others.

- ***Information (technology) risk***: the risk of financial or reputational loss due to inadequate information security, resulting in a loss of data confidentiality, integrity and availability.
- ***Continuity and security risk***: the risk of threats that might endanger the continuity of business operations and the security of NN's employees.
- ***Unauthorised activity risk***: the risk of *misuse* of procedures, systems, assets, products and services.
- ***Employment practise risk***: the risk of loss due to acts inconsistent with employment, health or safety laws, agreements and from payment of personal injury claims or diversity/discrimination events.

Risk mitigation

For operational risk NN has developed a framework governing the process of identifying, assessing, mitigating, monitoring and reporting operational risks.

Operational risk assessments are done not only based on historic data but also on a forward looking basis in order to capture future risks. Once mitigating measures have been implemented and proven to be effective through monitoring and testing, the residual risk becomes the managed risk.

Mitigation of operational risks can be preventive in nature (e.g. training and education of employees, preventive controls, etc.) or can be implemented upon discovery of a risk (e.g. enforcement of controls, disciplinary measures against employees). Risk mitigating actions or controls are based on a balance between the expected cost of implementation and the expected benefits.

NN conducts regular risk and control monitoring to measure and evaluate the effectiveness of the key risks and key controls. It determines whether the risks are within the norms for risk appetite and in line with the ambition levels and policies and standards.

The business process owners are responsible for the actual execution of the controls and for assessing the adequacy of their internal controls. Operational risk management, as part of the second line of defence, is responsible for providing management with an objective assessment of the effectiveness and efficiency of NN risks and controls.

Risk measurement

NN's economic capital for operational risk was EUR 531 million and EUR 566 million as at 31 December 2013 and 2012, respectively. The economic capital is calculated based on the standard formula for Solvency II. As it is additive to the total economic capital, it should be considered as net of diversification with other NN risks.

COMPLIANCE RISK

Risk profile

Compliance risk is the risk of impairment of NN's integrity. It is a failure (or perceived failure) to comply with NN's business principles and the compliance risk-related laws, regulations and standards that are relevant to the specific financial services offered by a business or its ensuing activities, which could damage NN's reputation and lead to legal or regulatory sanctions and financial loss.

Risk mitigation

NN's compliance function has developed a framework governing the process of identifying, assessing, mitigating, monitoring and reporting compliance risks. The compliance function works with a process to annually evaluate the level to which the compliance risk management framework is embedded in each business. NN continuously enhances its compliance risk management programme to comply with international standards and laws.

NN separates compliance risk into four risk areas: client conduct, personal conduct, organisational conduct, and financial services conduct. In addition to effective reporting systems, NN has a whistle blower procedure which protects and encourages staff to speak up if they know of or suspect a breach of external regulations, internal policies or business principles. NN also has policies and procedures regarding anti-money laundering, sanctions and anti-terrorist financing, gifts and entertainment, anti-bribery, customer suitability, Chinese walls and confidential and inside information, as well as a code of conduct for its personnel.

NN is fully committed to complying with all applicable sanction legislation and with all obligations and requirements under those applicable laws, including freezing and reporting obligations with regard to transactions involving a U.S., EU or UN sanction target. Furthermore, NN designates specific countries as ultra high risk and prohibits client engagements and transactions (including payments or facilitation) involving those countries. Certain exceptions on this policy are allowed after express and case-specific consent, and provided that the applicable sanctions laws and regulations are met. At present, the specified countries are Myanmar, North Korea, Sudan, South Sudan, Syria, Iran and Cuba. Each of these countries is subject to a variety of EU, U.S. and other sanctions regimes. NN has had a sanctions policy in place since 2007 and has a mandate to run down any existing commitments. As such, remaining exposure and contacts arise solely in the context of NN's on-going efforts to run down the legacy portfolio of commitments.

NN performs a due diligence process when developing products and invests considerably in the maintenance of risk management, legal and compliance procedures to monitor current sales practices. Customer protection regulations as well as changes in interpretation and perception by both the public at large and governmental authorities of acceptable market practices might influence customer expectations. The risk of potential reputational and financial impact from products and sales practices exists because of the market situation, customer expectations, and regulatory activity. For more information on the status of the unit-linked legal proceedings in the Netherlands, see "*Risk factors—Regulatory and litigation risks—Holders of NN's products where the customer bears all or part of the investment risk, or consumer protection organisations on their behalf, have filed claims or proceedings against NN and may continue to do so. A negative outcome of such claims and proceedings brought by customers or organisations acting on their behalf, actions taken by regulators or governmental authorities against NN or other insurers in respect of unit-linked products, settlements or any other actions for the benefit of customers by other insurers and sector-wide measures could substantially affect NN's insurance business and, as a result, may have a material adverse effect on NN's business, reputation, revenues, results of operations, solvency, financial condition and prospects. In addition, claims and proceedings may be brought against NN in respect of other products with one or more similar product characteristics sold, issued or advised on by NN in and outside the Netherlands*" and "*Business—Legal Proceedings*".

The compliance function and the business work closely together to optimise both products and services to meet the customers' needs. NN's compliance function has developed a framework governing the process of identifying, assessing, mitigating, monitoring and reporting compliance risks.

ECONOMIC CAPITAL FOR ENTITIES OUTSIDE NN'S INTERNAL MODEL

NN has several businesses which are not included in the internal model as the internal model has been developed for insurance operations. NN determines the economic capital for these businesses using an approach consistent with the way these businesses are included in the AFR calculations, as described in "*Operating and Financial Review—Capital requirements—Economic capital framework*".

Economic capital for other business; NN Bank, Investment Management units on local required capital levels and other non-modelled

	as at 31 December	
(in millions of EUR)	**2013**	**2012**
Pension fund business of Insurance Europe	178	157
NN Bank	271	34
Investment Management	191	223
Other non-modelled entities	236	417
Asia discontinued	112	1,504
Total	**988**	**2,335**

The pension fund businesses of Insurance Europe have been included on the basis of their local required capital using sectoral rules. NN Bank has been included in 2013 using 12% of risk weighted assets. At year-end 2012 NN Bank was not of meaningful size and its economic capital was based on its IFRS equity. The Investment Management entities and the other non-regulated business units have been included at their amount of IFRS equity adjusted for intangibles. The discontinued insurance operations in Asia have been included in the economic capital using 150% of the Solvency I requirement. The economic capital reduced significantly due to the 2013 closing of the sale of the life insurance businesses in Hong Kong, Macau, India, South Korea and Thailand as well as the closing of the sale of the investment management businesses in South Korea and China. At 31 December 2013, the life insurance joint venture in China and the investment management entities in Taiwan and India were the only remaining discontinued Asian businesses. The economic capital of these businesses is added without taking into account diversification benefits.

REGULATORY CAPITAL AND IFRS RESULT BEFORE TAX SENSITIVITIES

The following two sections will provide the sensitivities of regulatory capital and IFRS result before tax, which are also important risks monitored by management and can be different from economic sensitivities. The following table sets out the shocks to parameters used to assess the sensitivities.

Sensitivity descriptions		
	Regulatory capital	**IFRS result before tax**
Interest rate risk	Measured by the impact of a 30% upward and downward movement in interest rates (parallel shift based on 30% of the 10 year rate)	Same shock applied as under Regulatory Capital sensitivities
Equity risk	Measured by the impact of a 25% upward and downward movement in equity prices	Same shock applied as under regulatory capital sensitivities
FX risk	Measured by the impact of the worse of a 10% upward or downward movement in all currencies compared to the euro	Same shock applied as under regulatory capital sensitivities
Credit spread risk	Measured by the impact of a relative increase based on multiplying duration by a rating-based shock calibrated to the 1 in 10 sensitivities of the internal model (e.g. double A 10-year bond shock is 120 basis points) Spread shocks are performed based on asset type, rating and duration, and follow local accounting rules (no spread risk if the asset is accounted at book value) Shocks for structured credit are 50% higher than for similarly rated corporate and government bonds	Not calculated as spread risk is minimal for IFRS results
Real estate price risk	This is measured by the impact of a 10% drop in real estate prices only for the minority holdings and direct for all real estate re-valued through the P&L. Other holdings will be included in case of possible impairments caused by the drop in prices however as rental income is not assumed under the regulatory capital base case, the -10% shock applied is off-set by +5% rental income resulting in an effective shock of -5%.	This is measured by the impact of a 10% drop in real estate prices only for the minority holdings and direct for all real estate re-valued through P&L. Other holdings will be included in case of possible impairments caused by the drop in prices. As rental income is already included in planned annual earnings, no offset (to the -10% shock) is taken into account for rental income.
Variable Annuity risk	This is measured by a 1 in 10 impact of the aggregate market risk shocks of the internal model on the variable annuity business	Same shock as applied for the regulatory capital sensitivities. Note that both the 2013 and 2012 sensitivity have been based on the assumption that the accounting policy change for the Japan Closed Block VA GMDB business as of 1 January 2014 has already been implemented.
Mortality (including longevity)	Not shown. In general, similar to the IFRS sensitivity other than longevity risk in the Netherlands, for which changes to assumptions can impact available capital on a present value basis.	Mortality sensitivity is determined using a 1 in 10 mortality sensitivity of internal model
Morbidity	Not shown. In general, similar to IFRS sensitivities.	Morbidity sensitivity is determined using a 1 in 10 morbidity sensitivity of internal model
P&C	Not shown. In general, similar to IFRS sensitivities.	P&C sensitivity is determined using a 1 in 10 P&C sensitivity of internal model

Sensitivities of regulatory capital at risk

One of the three quantitative risk appetite statements of NN is to ensure that there is sufficient cash capital. The cash capital is determined by the ability of subsidiaries to pay dividends and their potential need for capital injections to continue operations within the local market. Whether or not a capital injection is necessary is assessed based on available regulatory capital and commercial target levels of regulatory required capital. Market stresses primarily impact the available regulatory capital, but in the case of regulated entities within Netherlands Life and Japan Life, required regulatory capital also moves with market movements.

Estimated regulatory capital sensitivities			
(in millions of EUR)		**2013**	**2012[1]**
Market risk and credit risk	Interest rate +30% in 10y rate[2]	-148	-50
	Interest rate -30% in 10y rate[2]	224	75
	Equity -25%	-747	-595
	Equity +25%	748	652
	Real estate -10%	-170	-192
	FX -10%	-106	-90
	Credit spread	-1,894	-1,902
	Counterparty default	-27	-7
	Variable annuity (Europe and Japan)	-260	-357

(1) In 2012, NN did not report regulatory capital sensitivities. Therefore, the 2012 regulatory capital sensitivities are high level estimates based on internal risk management reports.

(2) A high level estimate has been used to calculate the impact of interest rate stresses on the risk margin which is used to determine the regulatory available and required capital in Netherlands Life.

The credit spread sensitivity is the largest risk to cash capital and is primarily caused by Netherlands Life given the long term assets in the Netherlands Life portfolio and the spread risk to the liability discounted at the swap rate (see "*—Market and Credit Risk: General Account—Credit spread risk*"). Also, Netherlands Non-Life, Spain Life, Greece Life and Japan Life are exposed to credit spread risk on their regulatory balance sheet as assets are valued at market value.

The available regulatory capital balance sheet of Netherlands Life (which includes a significant amount of long-term liabilities) is modestly exposed to lower interest rates mostly due to the UFR impact on the liability discount curve. The other regulated entities are, however, exposed to higher interest rates as assets are at market value, but liabilities are not. This results in an overall position which is relatively insensitive to interest rates.

The equity sensitivity is primarily related to the general account equity holdings and increased during the year as the total value of equity securities increased.

FX primarily reflects open positions in investments held by Japan Life and Netherlands Life. This does not include any translation risk.

The variable annuity risk is dominated by Japan Closed Block VA and decreased significantly over 2013 due to depreciation of the Japanese yen versus the euro.

Apart from the estimated sensitivities set out above, NN is exposed to basis risk with regards to the separate account guaranteed group pension business in Netherlands Life. Netherlands Life is also exposed to changes in assumptions with regards to longevity, expenses and policyholder behaviour as the present value impact on the policyholder liabilities of such assumption changes will be immediately reflected in the available regulatory capital.

Sensitivities of IFRS result before tax

The table below sets out various market and insurance risk shocks for IFRS result before tax sensitivities.

Estimated IFRS result before tax sensitivities			
(in millions of EUR)		**2013**	**2012**
Market risk and credit risk	Interest rate +30% in 10y rate	-3	-56
	Interest rate -30% in 10y rate	7	99
	Equity -25%	-362	-437
	Equity +25%	273	367
	Real estate -10%	-485	-508
	FX -10%	-58	-53
	Counterparty default	-96	-85
	Variable annuity (Europe and Japan)	-260	-357
Insurance risk	Mortality (including longevity)	-26	-29
	Morbidity	-100	-100
	P&C	-92	-82

The reported market risk sensitivities for 2013 reflect the refinement of the accounting for the separate account pension business in the Netherlands. This change significantly reduced the sensitivity of NN's result before tax to interest rates as both the interest rate hedges and the technical provisions for this book move the same way with interest rates.

As at 31 December 2013, the result before tax sensitivities to equity risk primarily relate to the general account equity holdings in the Netherlands and Belgium, the hedging of the separate account pension business in the Netherlands and fee income from NN's investment management business, for which earnings sensitivities have been included as of year-end 2013. IFRS real estate sensitivities reflect investments in real estate funds and direct real estate assets. Market movements in real estate are reflected in the IFRS result before tax. The sensitivities decreased in 2013 due to lower real estate exposures.

The variable annuity risk for 2012 and 2013 primarily relates to Japan Closed Block VA and decreased due to FX movements. Both the 2012 and 2013 figures are adjusted to reflect the implementation of the move towards fair value accounting on the reserves for the GMDB business of the Japan Closed Block VA, as of 1 January 2014.

In 2013, result before tax sensitivities to P&C risk increased primarily due to increased retention levels for windstorm catastrophe risk.

13. SUPERVISION AND REGULATION

NN's operations and businesses are subject to a significant number of laws, regulations, administrative determinations and similar legal constraints. Such laws and regulations are generally designed to protect its policyholders and contract owners and clients, and not its shareholders or holders of other NN securities. Where applicable, NN entities have obtained the regulatory licences and approvals needed to operate their regulated businesses. Many of the laws and regulations to which NN is subject are regularly re-examined and existing or future laws and regulations may become more restrictive or otherwise adversely affect NN's operations.

The following is a description of certain legal and regulatory frameworks to which NN is or may be subject.

EC RESTRUCTURING PLAN

General

In 2009, ING Groep was required to develop and submit a restructuring plan to the EC as a condition to receiving approval from the EC for the Dutch State aid it received in 2008/2009. On 26 October 2009, ING Groep announced its 2009 Restructuring Plan, pursuant to which ING Groep is, *inter alia*, required to divest its insurance and investment management businesses, including the Company and its subsidiaries. On 18 November 2009, the 2009 Restructuring Plan received formal EC approval. On 25 November 2009, the divestment of all insurance and investment management businesses was approved by ING Groep's shareholders.

On 24 July 2012, ING Groep announced that the Dutch State and ING Groep were in dialogue with the EC on certain amendments to the 2009 Restructuring Plan, which were set out in the 2012 Restructuring Plan. On 16 November 2012, the 2012 Restructuring Plan was formally approved by the EC. The 2012 Restructuring Plan extended the time horizon, increased the flexibility for the completion of divestments and adjusted other commitments as set forth in the 2009 Restructuring Plan in light of market conditions, economic climate and more stringent regulation.

On 6 November 2013, ING Groep announced that, together with the Dutch State, it had reached an agreement with the EC on certain amendments to the 2012 Restructuring Plan, which were set out in the 2013 Restructuring Plan. The 2013 Restructuring Plan accelerated the divestment timeline for NN by two years, as a result of which ING Groep is required to divest more than 50% of its shareholding in the Company before 31 December 2015 and the remaining interest before 31 December 2016. Pursuant to the 2013 Restructuring Plan, the Japan Life and Japan Closed Block VA businesses are permitted to be divested in line with the divestment timeline for NN and are thus permitted to remain part of NN. The requirement to divest more than 50% of the Company includes the requirement for ING Groep to (a) no longer have a majority of representatives on the Executive Board and (b) deconsolidate the Company's financial statements from ING Groep's financial statements in line with IFRS accounting rules.

The EC's decisions regarding the EC Restructuring Plan (except for certain confidential information) are publicly available on the EC website.

Specific conditions and restrictions regarding ING, NN and NN Bank

In addition to the divestment requirements, the EC Restructuring Plan places certain conditions and restrictions on ING's (including NN's) business and operations. These conditions and restrictions include a ban on certain acquisitions as well as a requirement for ING Groep to fulfil certain commitments, including repaying the State aid received from the Dutch State. An EC-appointed trustee monitors ING's (including NN's and NN Bank's) performance against the conditions and restrictions.

In operating the business, NN has to abide by the requirements of the EC Restructuring Plan and may also be subject to requirements included in any future decisions, guidance or interpretation of the EC that may be applicable to NN for so long as it is controlled by ING Groep and possibly for so long as ING Groep has a sufficient interest in the Company's share capital. These requirements could therefore limit NN's business activities. See "*Risk Factors—Risks Related to the Separation from, and Continuing Relationship with, ING*".

Acquisitions restrictions

The EC Restructuring Plan requires ING Groep and its subsidiaries to refrain from making acquisitions of financial institutions and, if it would delay ING Groep's repayment of State aid, from making acquisitions of any other businesses. As a result, the Company may be prevented from making any such acquisitions for as long as ING Groep continues to hold a sufficient interest in the Company's share capital. In certain cases, the EC may grant its approval for an acquisition that would otherwise be prohibited by the EC Restructuring Plan; in particular, if such acquisition is essential in order to safeguard financial stability or competition in the relevant markets. This restriction will continue to apply until the earlier of 18 November 2015 and the date on which ING Groep has divested more than 50% of each of its insurance and investment management businesses (in each of Asia, the United States and Europe). A divestment of more than 50% of the Company also means that ING Groep (a) no longer has a majority of representatives on the boards of these businesses and (b) has deconsolidated these businesses' financial statements from ING Groep's financial statements in line with IFRS accounting rules.

Call or buy-back restrictions

The EC Restructuring Plan places limitations on the ability of ING Groep and its subsidiaries to call or buy back external tier 2 capital and tier 1 hybrid debt instruments until the earlier of 18 November 2014 and the date on which ING Groep has fully repaid the core tier 1 securities to the Dutch State (including the relevant accrued interest on core tier 1 coupons and exit premium fees). In addition, it contains provisions regarding ING Groep's exposure to residential mortgage-backed securities and commercial mortgage-backed securities.

To the extent that these limitations apply to NN, NN may be restricted in its ability to acquire residential mortgage-backed securities or commercial mortgage-backed securities, or to redeem any hybrid debt instruments it may issue in the future.

NN Bank conditions and restrictions

The EC Restructuring Plan also places certain conditions and restrictions on NN Bank's business and operations, in order to ensure that a business is created that is viable and competitive. The conditions and restrictions include, amongst others, certain targets for mortgage production and consumer credit production: (a) on an annual basis, and (b) before the date on which ING Groep has divested more than 50% of its interest in the Company. Renewals from the ING Bank-owned (NN branded) portfolio may be used to meet the annual mortgage production targets of NN Bank. The conditions and restrictions, comprising mortgage production and consumer credit production targets, as included in the EC Restructuring Plan and NN Bank's business strategy and performance have been aligned. The EC Restructuring Plan contains a number of mechanisms to offset (material) underperformance of NN Bank by means of supportive actions by ING Groep. Some of these actions may apply beyond the date on which ING Groep has divested more than 50% of its interest in the Company or beyond 2015.

In the event of changing or deteriorating business or market circumstances, meeting the conditions and restrictions of the EC Restructuring Plan that apply to NN Bank's business and operations could materially affect, directly or indirectly, NN Bank's performance or results. If the EC decides or requires so, these conditions and restrictions may apply to NN Bank until 31 December 2015 or beyond. Even before ING has divested more than 50% of its interest in the Company, NN Bank must be stand-alone and separate from the business retained by ING in order to establish a commercially independent position for NN Bank prior to its divestment. A divestment of more than 50% of the Company also means that ING Groep (a) no longer has a majority of representatives on the Executive Board and (b) has deconsolidated the Company's financial statements from ING Groep's financial statements in line with IFRS accounting rules.

To ensure that NN Bank is stand-alone and separate from the business retained by ING, ING Groep and several subsidiaries of ING Groep and the Company entered into a separation agreement on 1 July 2013. Under this agreement ING Groep has amongst others agreed to: (a) subject to relevant regulatory requirements and taking into account the relevant accounting requirements, make available to NN Bank an amount up to EUR 120 million if and when needed but ultimately just before the date on which ING Groep has divested more than 50% of its interest in the Company (if the Basel III leverage ratio becomes mandatory or when NN Bank needs capital to execute its business plan), and (b) directly or indirectly commit to an estimated EUR 182 million of Tier 2 capital if and when needed, but ultimately just before the date on which ING Groep has divested more than 50% of its interest in the Company, in order for NN Bank to comply with DNB's solvency requirements.

Possible consequences of non-compliance with the EC Restructuring Plan

If ING Groep does not meet any NN Bank-related commitments before the date on which ING Groep has divested more than 50% of its interest in the Company or, if the EC requires, before the end of 2015, if ING Groep does not (timely) divest NN as agreed with the EC or in case of other material non-compliance with the EC Restructuring Plan, the Dutch State will be obliged to re-notify the recapitalisation measure to the EC. A divestment of more than 50% of the Company also means that ING Groep (a) no longer has a majority of representatives on the Executive Board and (b) has deconsolidated the Company's financial statements from ING Groep's financial statements in line with IFRS accounting rules. See "*Risk Factors—Risks Related to the Separation from, and Continuing Relationship with, ING*" for a further description of these consequences.

GENERAL REGULATORY FRAMEWORK

The insurance, reinsurance, investment management and bank subsidiaries of NN are subject to governmental regulation in all of the countries in which they operate. The regulatory authorities in these countries are responsible for supervising NN's compliance with applicable regulations.

DNB and the AFM are the regulatory authorities for NN. NN is under group supervision of DNB with regard to its solvency. In addition, the AFM supervises the Company since its securities are listed on Euronext Amsterdam. Furthermore, the AFM and DNB are the regulators for those subsidiaries which are licensed in the Netherlands. DNB exercises prudential supervision, which is to ensure the financial soundness of financial undertakings and to contribute to the stability of the financial sector. AFM exercises conduct of business supervision, which focuses on orderly and transparent financial market processes, integrity in relations between market parties and due care in the provision of services to clients.

Furthermore, the Netherlands Consumer Authority, the Netherlands Competition Authority and the Netherlands Independent Post and Telecommunications Authority joined forces on 1 April 2013, creating a new independent regulator: the Netherlands Authority for Consumers and Markets (**ACM**). The ACM can conduct investigations into competition infringements both on its own initiative or as a result of complaints or leniency requests and can take enforcement action.

The Dutch Financial Supervision Act, together with the regulations promulgated thereunder and the General Administrative Law Act (*Algemene wet bestuursrecht*), set out the rights and duties of the Dutch regulators for the purposes of financial regulation. The Dutch Financial Supervision Act is derived in part from EU directives and other EU legislation. This is also the case for the regulatory laws of other Member States, which means that there is a significant degree of harmonisation in financial supervision regulation and financial market liberalisation across the EU. The scope of EU legislation also includes the EEA. Therefore, references in this section to EU legislation are intended to mean that such legislation is also applicable to the EEA.

The Dutch Data Protection Act, together with the regulations promulgated thereunder, sets out the rights and duties of the Dutch Data Protection Authority for the supervision of compliance with acts that regulate the use, processing and transfer of personal data. The Dutch Data Protection Act is derived in part from the European Privacy Directive 95/46/EC. This is also the case for the data protection laws of other Member States, which means that there is a degree of harmonisation in data protection supervision regulation across the EU.

In addition to the EU and Dutch laws and regulations described in this chapter, NN Investment Partners is also subject to extensive regulations in other countries in which it operates, such as Japan, Poland, Singapore, and the United States, or invests. Some of NN Investment Partners' subsidiaries are registered with the U.S. Securities and Exchange Commission (**SEC**) under the Investment Advisers Act of 1940, and some of NN Investment Partners' clients are registered with the SEC under the Company Act of 1940. The U.S. regulations impose many requirements on registered investment advisers including books and record-keeping, operating, and marketing/sales practices, disclosure and reporting, obligations, and prohibitions on fraudulent activities. Additionally, NN Investment Partners is also subject to other U.S. regulations, such as regulations promulgated under the Securities Exchange Act of 1934 and the Dodd-Frank Act, by investing in US-listed companies and trading with U.S. broker-dealers and counterparties.

EU REGULATORY FRAMEWORK

General

Anti-money laundering and sanctions

The EU anti-money laundering regime is set out primarily in three directives: Directive 91/308/EE (commonly known as MLD1), Directive 2001/97/EC (commonly known as MLD2) and Directive 2005/60/EC (commonly known as MLD3). In short, MLD1 was aimed at combating the laundering of drugs proceeds through the traditional financial sector. The regime thus applies to a wider scope of entities and is therefore relevant for all entities active in the financial sector. Amongst other things, it required Member States to prohibit money laundering and to oblige their financial sectors to (a) identify their customers, (b) keep appropriate records, (c) establish internal anti-money laundering procedures and (d) report any indications of money laundering to the relevant financial regulator. MLD2 extended MLD1 to cover the proceeds of a wider range of criminal activities and a number of non-financial activities and professions, including lawyers, notaries, accountants, estate agents, art dealers, jewellers, auctioneers and casinos.

The aim of MLD3 was to strengthen the existing EU anti-money laundering framework. It also harmonised standards across the EU relating to money laundering and terrorist financing, introduced more high-level and risk-based requirements than MLD1 and MLD2, and extended the definition of money laundering and the scope of the regulated sector. MLD3 applies to (a) credit institutions (as defined in Article 1(1) of the Banking Consolidation Directive 2000/12/EC), (b) financial institutions (as defined in Article 3(2) of MLD3), (c) auditors, external accountants and tax advisers acting in the exercise of their professional activities, (d) notaries and other independent legal professionals acting in the course of their professional activities when they participate, whether by acting for and on behalf of their customer in any financial or real estate transaction, or by assisting in the planning or execution of certain transactions for their customer, (e) trust or company service providers not falling within the categories listed above, (f) estate agents, (g) all natural or legal persons trading in goods to the extent that payments are made in cash in an amount of EUR 15,000 or more, whether the transaction is executed in a single operation or in several operations which appear to be linked, and (h) casinos.

MLD3 is a minimum harmonising directive, so Member States had flexibility when transposing it into national law to adopt stricter measures than those required by MLD3. As a result, MLD3 has allowed various differences in national implementation. There are various other sources of anti-money laundering-related law at the European level, including the Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime of 8 November 1990; the Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism, 16 May 2005 and the Wire Transfer Regulation (1781/2006).

On 5 February 2013, the EC published proposals for a new directive on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing and a new regulation on information accompanying transfers of funds to secure "due traceability" of these transfers. Both proposals are designed to strengthen the European regulatory framework on, *inter alia*, the prevention of money laundering and terrorist financing. The proposals are intended to be in line with the most recent standards of the Financial Action Task Force. Both proposals were referred to a joint committee on 10 October 2013. The plenary meeting of the European Parliament on these proposals took place on 11 March 2014.

NN is required to follow certain other economic and trade sanctions, such as programs administered by the U.S. Office of Foreign Asset Control that prohibit or restrict certain transactions with suspected countries, their governments and, in certain circumstances, their nationals. Responsible foreign authorities, including the U.S. Office of Foreign Asset Control, can take enforcement actions for non-compliance, such as cease-and-desist orders and fines.

EMIR

The European Market Infrastructure Regulation 648/2012 (**EMIR**) entered into force in all the Member States on August 16, 2012. EMIR aims to increase stability in European over-the-counter (**OTC**) derivatives markets and includes measures to require the clearing of certain OTC derivatives contracts through central clearing counterparties and to increase the transparency of OTC derivatives transactions. In connection with EMIR, various implementing technical standards have now come into force, but certain critical technical standards remain outstanding, including those addressing which classes of OTC derivative contracts will be subject to the clearing obligation and the scope of collateralisation obligations in respect of OTC derivative contracts which are not cleared. Prospective investors should be aware that the regulatory changes arising from EMIR may in due course significantly increase the cost for NN of entering into derivative contracts and may adversely affect their ability to engage in derivative contracts.

Insurance and insurance-related regulation

This paragraph is relevant for the European licensed insurance companies of NN. Since 1973, the EU has adopted a number of insurance directives that affect the underwriting and distribution of life insurance and other types of insurance. These directives have been implemented in the Netherlands and the other Member States through national legislation. The primary objective of these directives has been to grant insurers the freedom to establish branches and to provide services outside their home jurisdictions in accordance with the EU basic freedoms while ensuring certain minimum standards for insurance regulation in Europe.

The single licence principle is a core element for giving effect to the principles of the freedom of establishment and the freedom to provide services. Provided an insurance company is licensed in one Member State, it may do business directly or through branches in any other Member State without being subject to the licensing laws of that Member State (the so-called European passport principle). The EU legislative framework defines and coordinates the competencies of the national regulatory authorities.

The 1992 EU directives on life insurance and direct insurance other than life insurance are founded on the "home country control" principle, which provides that the ongoing regulation of insurance companies, including their non-home insurance operations (whether cross-border or through branches), is the responsibility of the home country insurance regulatory authority. The home country insurance regulatory authority monitors compliance with applicable regulations, the solvency of the insurer and its technical provisions as well as the assets of the insurer that support such technical provisions. Selling activities of non-home insurance operations, however, are regulated by the regulatory authorities in the country in which the sale of the insurance product takes place, and are therefore subject to, *inter alia*, the consumer protection and conduct of business rules of that particular jurisdiction.

The EC intended that the EU insurance directives establish a single European insurance market. These directives also provided for minimum requirements for life and non-life insurance companies, especially in relation to capitalisation levels. Insurance companies have to ensure that they are able to meet the obligations under their insurance contracts at any given time. They are required to maintain a level of their own funds in the amount of the solvency margin, which is based on the particular insurance company's business volume. For property/casualty insurance companies, the solvency margin is calculated by reference either to the annual collected premiums or the average amount of claims in the period of analysis, with whichever is the higher amount forming the basis of the solvency margin applicable. For life insurance companies, the solvency margin is calculated primarily on the basis of the capital-at-risk and certain technical insurance reserves. In addition to minimum capitalisation requirements, the existing EU directives require that the directors and officers of insurance companies have the required professional qualifications and expertise.

In order to prevent risks inherent to certain lines of insurance affecting other lines of insurance, the EU insurance directives prohibit insurance companies from writing both life insurance and non-life insurance business, which is referred to as the principle of separation of certain insurance lines. The principle does not, however, apply to the reinsurance business. Therefore, reinsurance companies may offer both non-life and life reinsurance. EU insurance directives emphasise prudence and prohibit insurance companies from operating non-insurance businesses in order to prevent insurance companies from taking on additional risks from non-insurance activities.

Directive 98/78/EC on the supplementary supervision of insurance undertakings in an insurance group introduced an additional layer of regulation for insurance companies that are members of an insurance group. Such insurance companies must also calculate their solvency at the group level (**IGD ratio**). This directive seeks to prevent companies from taking their own funds into account multiple times in calculating the solvency capital requirements of their various insurance company subsidiaries and prevent the intra-group creation of capital. Furthermore, certain types of intra-group transactions, especially in relation to intra-group financing, are subject to extensive regulation. In 2002, the EC introduced similar provisions for insurance companies which belong to a financial conglomerate.

EU directives impose additional requirements for particular insurance lines, such as motor third party liability insurance and legal expenses insurance. Additionally, some other elements of EU insurance regulation have been further harmonised, including accounting, reorganisation and liquidation of insurance companies.

Directive 2005/68/EC on reinsurance established a uniform licensing regime for reinsurance companies, with a degree of harmonisation roughly comparable to the level of harmonisation in primary insurance. Since the adoption of this directive, reinsurance companies have been licensed under the European passport principle and the competencies of national regulatory authorities over reinsurance companies has been coordinated and defined more clearly. In addition, European directives have also established uniform minimum requirements for reinsurance companies, particularly in relation to levels of capitalisation and the powers of the national regulatory authorities to intervene in the affairs of reinsurance companies.

EU insurance directives and regulations have led to standardised national minimum regulatory requirements for insurance companies. Although the Member States are permitted to exceed these minimum requirements, which they have done to varying degrees, insurance regulatory law is now highly harmonised throughout the EU. In 2004, the EC initiated a new reform process in order to achieve greater legal uniformity and eliminate certain drawbacks in the regulatory system, above all in relation to capitalisation calculations. These reform efforts led to the adoption of the Solvency II Directive in 2009, which is currently being supplemented at the EU level by implementation measures and is to be transformed in parallel in national law.

Solvency II Directive

The EU is adopting a full-scale revision of the solvency framework and prudential regime applicable to insurance, reinsurance companies and insurance groups known as 'Solvency II'. The framework for Solvency II is set out in the Solvency II Directive, which was adopted by the European Council on 10 November 2009 (Directive 2009/138/EC). The Solvency II Directive is scheduled to come into force on 1 January 2016.

On 19 January 2011, the EC presented a draft of a directive to amend the Solvency II Directive, the Omnibus II directive. On 13 November 2013, the EU Council and the European Parliament achieved a provisional political agreement on the Omnibus II Directive. This agreement was confirmed by the European Parliament on 12 March 2014. On 14 April 2014 the European Council approved the Omnibus II Directive.

The Omnibus II Directive takes into account the new supervisory architecture for insurance; namely, the setting up of EIOPA and the entry into force of the Lisbon Treaty, which required the adjustment of the EC powers to adopt implementing measures to empowerments for the EC to adopt implementing and delegated acts according to Article 290 of the Treaty on the Functioning of the European Union (**TFEU**). Negotiations regarding Omnibus II have centred on the need emerged to introduce measures on the treatment of insurance products with long-term guarantees under Solvency II. As agreed, the Omnibus II Directive contains provisions for long-term guarantees which have the objective of adjusting the Solvency II Directive to cope with "artificial" volatility and a low interest rate environment, and to allow for the smooth transition from the Solvency I regime to the Solvency

II regime. However, the level 2 implementing measures and the implementing technical standards remain subject to change (see below).

Solvency II is aimed at creating a new solvency framework in which the financial requirements that apply to an insurance, reinsurance company and insurance group, better reflect such company's specific risk profile. Solvency II will introduce economic risk-based solvency requirements across all Member States for the first time. While Solvency I includes a relatively simple solvency formula based on technical provisions and insurance premiums, Solvency II introduces a new 'total balance sheet' type regime where insurers' material risks and their interactions are considered. In addition to these quantitative requirements (Pillar 1), Solvency II also sets requirements for governance, risk management and effective supervision (Pillar 2), and disclosure and transparency requirements (Pillar 3).

Pillar 1

Under Pillar 1 of Solvency II, insurers are required to hold own funds equal to or in excess of a solvency capital requirement (**SCR**). Solvency II will categorise own funds into three tiers with differing qualifications as eligible available regulatory capital. Under Solvency II, own funds will use IFRS balance sheet items where these are at fair value and replace other balance sheet items using market consistent valuations. The determination of the technical provisions and the discount rate to be applied in determining the technical provisions is still under debate and the outcome of discussions regarding these matters is uncertain as key parameters will only be established in the level 2 implementing measures and implementing technical standards. However, it is certain that the determination of the technical provisions and the discount rate to be applied will have a material impact on the amount of own funds and the volatility of the level of own funds. The SCR is a risk-based capital requirement which will be determined using either the standard formula (set out in level 2 implementing measures), or, where approved by the relevant supervisory authority, an internal model. The internal model can be used in combination with, or as an alternative to, the standard formula as a basis for the calculation of an insurer's SCR. In the Netherlands, such a model (which would include an internal model of NN) must be approved by DNB.

Pillar 2

Solvency II lays down strict requirements that insurers (including NN) will have to adhere to, including requirements to:

- have effective governance systems in place, proportionate to their business;
- meet specific requirements regarding risk management, internal controls, data quality controls, internal audit functions, internal actuarial functions and control over outsourcing arrangements;
- integrate effective risk management systems, including strategies, processes and reporting procedures, in order to monitor, manage and report risk exposures;
- conduct an own risk and solvency assessment (ORSA) on a regular basis; and
- be effectively supervised by the National Competent Authorities (NCAs).

Pillar 3

Solvency II lays down extensive and frequent reporting requirements to supervisory authorities, and additional external reporting requirements.

With the approval of the Omnibus II Directive the definitive text of the framework directive is available. However it is not certain what the final form of the level 2 implementing measures and the implementing technical standards will contain. Given previous changes to the effective date of Solvency II and the possibility of further changes to the regime, there remains some uncertainty as to when and how the Solvency II framework will become effective. Accordingly, the future effect of Solvency II on NN's business, solvency margins and capital requirements is uncertain.

Should NN not be able to adequately comply with the Solvency II requirements in relation to capital, risk management, documentation, and reporting processes, this could have a material adverse effect on its business, results of operations and financial condition.

While the aim of Solvency II is to introduce a harmonised, risk-based approach to solvency capital, there is a risk of differences in interpretation and a risk of a failure by financial services regulators to align Solvency II approaches across Europe, resulting in an unequal competitive landscape. This risk may be exacerbated by discretionary powers afforded to financial services regulators in Member States. Moreover, it could be that Solvency II will include transitional provisions that will allow companies to continue to value assets and liabilities under the pre-Solvency II valuation rules. At present pre-Solvency II valuation rules in many countries are less onerous and significantly less affected by market volatility than is (or will be) the case under the Solvency II valuation requirements. This is not the case for the Netherlands, where the current legislative framework requires the valuation of insurance liabilities at lower discount rates than under Solvency II and creates higher volatility. It is therefore unlikely that NN will derive the full benefit of any such transitional measures, even were they to be introduced in the Netherlands, whereas certain of NN's competitors may benefit from such transitional measures, thus placing NN's business at a competitive disadvantage. Insurance Mediation Directive

Insurance Mediation Directive

The EU Directive 2002/92/EC on insurance mediation (**IMD**) regulates the point of sale of insurance products to ensure the rights of the consumer. The IMD is a minimum harmonisation instrument containing high level principles and has been implemented in each Member State in substantially different ways. During discussions in the European Parliament on Solvency II a specific request was made to review IMD to improve policyholder protection in the aftermath of the financial crisis and improvement of selling practises for different insurance products.

On 3 July 2012, the European Commission published proposals for a revision of the Insurance Mediation Directive (**IMD2**). Key proposals are, among others, mandatory disclosure requirements obliging insurance intermediaries to disclose to their customers the nature and amount of remuneration they receive, including any contingent commissions, or if the full amount of remuneration cannot be calculated, the basis of its calculation. According to the proposals, mandatory prior disclosure to customers will be required with respect to the amount of commission retained by the intermediary or paid by the insurer. Further, IMD2 will extend the scope of the current Insurance Mediation Directive to cover direct sales by insurance and reinsurance companies without the use of an intermediary. Insurers carrying out direct sales will be required to comply with information and disclosure requirements and certain conduct of business rules including a general obligation to act honestly, fairly and professionally in accordance with customers' best interests. In the case of the sale of bundled products, for instance, the insurance company will have to inform customers about the possibility to purchase the components of the package separately and about the costs of each component when purchased separately. In addition, the proposals set out stricter requirements for the sale of life insurance investment products, for example, the obligation to identify and disclose conflicts of interest or to gather information from customers to assess the appropriateness of the product.

European insurance regulatory authorities

Insurance companies are not yet directly regulated by EU regulatory authorities. However, as part of efforts to prevent future financial crises, the EU and national bodies have taken a number of steps to transfer certain powers to the EU level. A European System of Financial Supervision (**ESFS**) commenced operations at the beginning of 2011. The most important component of the ESFS is the European Supervisory Authorities (**ESA**). As of 1 January 2011, EIOPA replaced the former Committee of European Insurance and Occupational Pensions Supervisors. EIOPA's main responsibility is to develop technical regulatory and enforcement standards and recommendations and formulate guidelines for coordinating national insurance regulatory authorities. Technical regulatory and enforcement standards are adopted as delegated legal acts within the meaning of Article 290 TFEU and as enforcement acts within the meaning of Article 291 TFEU. Once the EC approves these standards, they will be legally binding and, thus, can directly impose obligations on insurance companies in the EU. Within the course of the final approval process, the EC is only authorised to deviate from the EIOPA proposals under limited circumstances.

EIOPA recommendations and guidelines are not directly binding on insurance companies but the national regulatory authorities are required to provide reasons for any deviations from the EIOPA supervisory practices under the "comply or explain" principle. In exceptional circumstances, such as continued legal breaches by national authorities, crisis situations or disputes between national authorities, EIOPA may issue instructions to national authorities and take direct action itself by issuing binding decisions on insurance companies if the national authorities fail to comply.

ComFrame

On 18 October 2013, the IAIS (International Association of Insurance Supervisors) released the 2013 draft of ComFrame for public consultation. ComFrame has three main objectives: (a) the development of methods of operating group-wide supervision of IAIGs, (b) the establishment of a comprehensive framework for supervisors to address group-wide activities and risks, and (c) the fostering of global convergence. In October 2013, the IAIS also announced its agreement to develop a risk-based global insurance capital standard within ComFrame. The release for public consultation is the next step in its three-year development phase. Finalisation is not expected until 2018.

Systemically important financial institutions

As the recent global financial crisis unfolded, the international community moved to protect the global financial system through preventing the failure of SIFIs or, if one does fail, limiting the adverse effects of its failure. In November 2011, the Financial Stability Board published a list of G-SIFIs. Subsequently, in July 2013, the Financial Stability Board designated nine global insurance companies as G-SIIs. As a result, these firms will be subject to enhanced supervision and increased regulatory requirements in the areas of recovery and resolution planning as well as capital. The implementation deadlines for these requirements start as early as July 2014 and, in the case of additional capital requirements, extend to 2019. Although neither NN nor any other Dutch insurer is included in this list, it cannot be ruled out that this supervision and regulation will be expanded to include NN in the future.

EU unisex rule

In March 2011, the European Court of Justice ruled that insurers in Europe cannot differentiate in price or benefits for the same insurance products, based on gender. This gender-neutral pricing, commonly called the unisex rule, states that as of 21 December 2012 life insurers must offer products that are identical for men and women. To comply with this new regulation, all product portfolios across the insurance business units were reviewed. More than 90 products were repriced in ING Insurance Central and the rest of Europe. In the Benelux, all products available for sale were reviewed in the past two years to ensure they were compliant with the EU unisex rule. From 21 December 2012, all of ING Insurance's products available for sale throughout the EU have been compliant with the rule.

Insurance guarantee schemes

Currently, certain jurisdictions in which NN's insurance subsidiaries operate require that life insurers doing business within the jurisdiction participate in guarantee associations, which raise funds to pay contractual benefits owed pursuant to insurance policies issued by impaired, insolvent or failed insurers. The occurrence of such a guarantee event may give rise to an obligation on the relevant insurance subsidiary to pay significant amounts under the guarantee. The EC has been discussing EU-wide insurance guarantee schemes for a few years now and intends to introduce an EU directive on insurance guarantee schemes. As at the date of this Prospectus, no proposals for this directive have been published.

Investment management-related regulation

In the area of funds and investment management, the EU has enacted three main bodies of legislation: the UCITS Directive, the AIFMD Directive and the MiFID Directive. Rules that apply here are relevant for the investment management business of NN that operate in the EU. Discussed below are only the most relevant recent developments. Nevertheless, other European legislation, such as Solvency II and non-European legislation, such as FATCA and Securities and Exchange Commission rules, also have an impact on the investment management business that should be taken into account.

UCITS

With regard to UCITS, the original 1985 UCITS Directive was amended by two 2001 EU directives (commonly known as UCITS III) and one 2009 EU directive (UCITS IV). UCITS III introduced provisions regulating the types of assets in which a UCITS may invest and gave UCITS management companies the possibility to use a "European passport" to operate throughout the EU. UCITS IV was approved as Directive 2009/65/EC and Member States needed to transpose the framework into national law by 1 July 2011. The UCITS IV Directive updated the existing regime by introducing substantial changes, the most important of which were (a) the simplification of the notification procedure for UCITS that wish to market their units in another Member State, (b) a requirement to publish the so-called "key investor information document", (c) the introduction of a framework for mergers between UCITS, and (d) regulation of master-feeder structures. On 3 July 2012, the EC adopted a proposal for a directive amending UCITS IV that seeks to introduce changes in relation to the depositary function, remuneration policies and sanctions.

AIFMD

The AIFMD is an EU regulatory initiative to regulate and supervise the alternative investment fund management industry. The AIFMD lays down the rules for the authorisation, ongoing operation and transparency of fund managers that manage and market AIFs in the EU. The final text came into force on 21 July 2011 and Member States needed to transpose the framework into national law by 22 July 2013. As a consequence of the implementation, AIFMs established within the EU required authorisation by 22 July 2013 (or will require authorisation by 22 July 2014 in Member States that use the transitional period provided for in the AIFMD). Licensed AIFMs will be subject to detailed rules on delegation, transparency, conduct of business, remuneration, leverage and reporting. Additionally, licensed AIFMs will be required to appoint an independent custodian for each AIF that they manage and have independent risk management and valuation functions. Similarly to the UCITS regime, AIFMs authorised under the AIFMD will be granted the possibility to passport their licence to either manage AIFs in other Member States or market units or shares in AIFs to professional investors. In short, the AIFMD created a uniform regulatory system for the EU for managers of alternative investment funds that do not constitute UCITS.

MiFID

Another important piece of legislation in this area is the Markets in Financial Instruments Directive (Directive 2004/39/EC, **MiFID**), which is implemented in European legislation. MiFID regulates, *inter alia*, the cross-border provision of investment services and regulated markets and replaces the 1993 EU Investment Services Directive that established the single passport for investment firms. MiFID provides a harmonised regime for investment services and aims to increase competition and reinforce investor protection. It streamlines supervision on the basis of home country control and enhances the transparency of markets. It harmonises conduct of business rules, including best execution, conflict of interest and customer order handling rules. MiFID abolishes the concentration rule, creating a more competitive regime between order-execution venues. It also imposes market transparency rules for investment firms, regulated markets and multilateral trading systems for both pre- and post-trading for equities.

MiFID also has consequences for intermediaries in financial products. It envisages, *inter alia*, the harmonisation of regulation in respect of commission payments and remuneration transparency. MiFID prescribes commission payment rules which should lead to appropriate commissions. These rules are intended to better protect customers if they wish to purchase certain financial products, such as "complex" structured products because there might be a risk of reward-driven advice issued by intermediaries since intermediaries are often paid by the provider of the financial product.

On 20 October 2011, the EC published proposals for the revision of MiFID. The new rules consist of a directive 'MiFID II' and a regulation 'MiFIR' and aim to make financial markets more efficient, resilient and transparent, and to strengthen protection of investors. The new framework will also increase the supervisory powers of regulators and provide clear operating rules for all trading activities. The final texts of these new rules have been published on 12 June 2014. Member States shall adopt and publish, by 3 July 2016, the laws, regulations and administrative provisions necessary to comply with this Directive. The Regulation applies directly from 3 January 2017.

Key elements of the new rules are:

- More robust and efficient market structures: Revision will bring a new type of trading venue into its regulatory framework, the Organised Trading Facility. Furthermore, in order to facilitate better access to capital markets for SMEs, the new rules will also introduce the creation of a specific label for SME markets.
- Taking account of technological innovations: MiFID II will introduce new safeguards for algorithmic and high-frequency trading activities, which have both drastically increased the speed of trading and pose possible systemic risks. Also, the new rules will improve conditions for competition in essential post-trade services such as clearing.
- Reinforced supervisory powers and a stricter framework for commodity derivatives markets: The new rules will reinforce the role and powers of regulators. In coordination with ESMA and under defined circumstances, supervisors will be able to ban specific products, services or practices in case of threats to investor protection, financial stability or the orderly functioning of markets.
- Stronger investor protection: Building on a comprehensive set of rules already in place, the revised MiFID sets stricter requirements for portfolio management, investment advice and the offer of complex financial products such as structured products. In order to prevent potential conflict of interest, independent advisers and portfolio managers will be prohibited from making or receiving third party payments or other monetary gains.

Finally, rules on corporate governance and managers' responsibility are introduced for all investment firms.

Banking and banking-related regulation

The EU Financial Services Action Plan 1999-2005 laid the foundations for a single financial market in the EU and has brought about many changes. In its Strategy on Financial Services for 2005-2010, the EC set out its objectives to achieve an integrated and competitive EU financial market. It proposed doing so by removing remaining barriers, especially in the retail area so that financial services can be provided and capital can circulate freely throughout the EU at the lowest possible cost, resulting in high levels of financial stability, consumer benefits and consumer protection. The financial services sector includes three major areas on which EU regulatory policies apply: banking, capital markets and investment management. This paragraph focuses on the banking-related activities of NN as contemplated by NN Bank.

Basel II sets out the details for adopting more risk-sensitive minimum capital requirements for banking organisations. It reinforces these risk-sensitive requirements by laying out principles for banks to assess the adequacy of their capital and for supervisors to review such assessments to ensure banks have adequate capital to support their risks. It also seeks to strengthen market discipline by enhancing transparency in banks' financial reporting. The Basel II framework is implemented through European directives and regulations, including the EU Recast Banking Directive 2006/48/EC.

This directive sets out rules concerning the taking-up and pursuit of the business of credit institutions and their prudential supervision. Under this directive, a bank can offer banking services in all Member States on the basis of a single banking licence (the so-called European passport principle) through the establishment of a branch or cross-border provision of services in all Member States.

The EU Recast Banking Directive 2006/48/EC is the first part of the capital requirements framework, which was adopted in June 2006 as the EU Capital Requirements Directive (**CRD**); the second part is the EU Recast Capital Adequacy Directive 2006/49/EC. The CRD is the legal vehicle pursuant to which the Basel II framework was implemented into EU law. The directive sets out the capital adequacy requirements that apply to investment firms and credit institutions.

In October 2008, the EC adopted proposals to amend the CRD in view of the financial crisis. Proposals addressed items such as large exposures, supervisory arrangements and crisis management and securitisation (directive 2009/111/EC).

On 20 July 2011, a legislative package was adopted by the EC replacing the current CRD (directives 2006/48/EC and 2006/49/EC) with a directive (2013/36/EC) and a regulation (EU No. 575/2013). This CRD IV package, which transposes the new global standards on bank capital into EU legislation, entered into force in July 2013. The new rules are to be implemented from January 2014 and tackle some of the vulnerabilities shown by the banking institutions during the crisis; namely, the insufficient level of capital, both in quantity and in quality, resulting in the need for unprecedented support from national authorities. The rules also apply to investment firms and therefore are relevant for subsidiaries of the Company that are licensed as an investment firm. They set stronger prudential requirements for banks and investment firms, requiring them to keep sufficient capital reserves and liquidity. This new framework intends to make EU banks and investment firms stronger and will strengthen their capacity to adequately manage the risks linked to their activities, and absorb any losses they may incur in doing business. For the Dutch implementation of these rules, see "*—Dutch Regulatory Framework—Banking and banking—related regulation—Solvency supervision*".

Following further ambitions on harmonisation of the European supervisory framework, the CRD framework now includes more than 150 mandates for the ESAs to work on more detailed specifications of the CRD provisions. Many of these mandates take the form of tasking the European Banking Authority (**EBA**) with submitting draft binding technical standards for adoption to the EC. These binding technical standards will have the meaning of European level two regulations after adoption by the EC and subsequent formal procedures. In addition the EBA is empowered to investigate and research the application of the CRD in many specific areas.

Deposit guarantee schemes

The EC also adopted a proposal for amendments to the EU Deposit Guarantee Schemes Directive. The resulting EU Directive 2009/14/EC provides for an increase of the minimum coverage level for depositors from EUR 20,000 to EUR 50,000 with a further increase to EUR 100,000 by 31 December 2010 and a reduction in the pay-out delay. In October 2013, the EU restarted discussions on a renewal of the EU Deposit Guarantee Schemes Directive. On 15 April 2014 European Parliament approved updated deposit guarantee rules and on 12 June the final texts were published. The majority of the articles must be implemented in national legislation by 3 July 2015. The updated deposit guarantee scheme will oblige EU countries to set up their own bank financed schemes to reimburse guaranteed deposits up to EUR 100,000 when a struggling bank is not able to do so itself. This will ensure that taxpayers will not have to bear the costs of guaranteeing such deposits. Furthermore, the total amount of the guaranteed deposit of the depositors would be available within seven working days and a subsistence amount (decided country by country) within five days. For recent Dutch developments in this area, see "*—Dutch Regulatory Framework—Banking and banking—related regulation—Deposit guarantee scheme*".

Dutch Banking Code

The Dutch Banking Association has drawn up governance principles for banks (the **Dutch Banking Code**). In March 2013 the Banking Code Monitoring Commission (*Monitoring Commissie Code Banken*) published the outcome of its review report of the Dutch Banking Code, "Recommendations regarding the Future of the Banking Code". On 10 April 2014, the Dutch Banking Association started a public consultation on a draft of the Social Charter, a new version of the Dutch Banking Code and Rules of Conduct for persons working at a bank in the Netherlands, under the common denominator "Future oriented banking". The final version of these documents is expected to enter into force in the second half of 2014.

EU crisis management framework

On 6 June 2012, the EC published the draft Recovery and Resolution Directive. Political agreement was reached on this draft Directive in December 2013. The most important elements are recovery and resolution planning, bail-in requirements and the set-up of resolution arrangements. The Directive is to enter into force on 1 January 2015 and the bail-in system is to take effect on 1 January 2016. In March 2014 political agreement was also reached on a draft Regulation to set up a Single Resolution Fund for banks in the Eurozone to which banks, including NN Bank, will need to contribute. This resolution fund would reach a target level of at least 1% of covered deposits over an eight-year period starting from 2015. Both the Directive and the Regulation were approved by European Parliament on 15 April 2014 and the final texts of these new rules were published on 12 June 2014.

On 5 October 2012, the EC launched a consultation on a possible framework for the recovery and resolution of financial institutions other than banks. It examined whether and how the failure of different kinds of non-bank financial institutions, notably central counterparties, central securities depositaries, and global systemically important insurance companies, should be managed by specific steps to ensure orderly recovery and resolution where necessary. The consultation closed on 28 December 2012. In anticipation of the entry into force of this crisis management framework, regulators may impose a requirement to maintain a plan for rapid recovery or orderly dissolution in the event of severe financial distress, which may include binding instructions on the management of the business or to transfer authority to manage the relevant company to the regulator. If this were to happen to NN, NN cannot predict how rating agencies, or NN's creditors, would respond or whether, or how, this would impact NN's financing and hedging costs.

DUTCH REGULATORY FRAMEWORK

General

The Dutch NN insurance, reinsurance, investment management, bank and financial services providers' subsidiaries are supervised in the Netherlands by DNB and the AFM.

The regulatory system in the Netherlands is a comprehensive system based on the provisions of the Dutch Financial Supervision Act which came into effect on 1 January 2007. The Dutch Financial Supervision Act sets out rules regarding conduct of business supervision (exercised by the AFM) and prudential supervision (exercised by DNB). Conduct of business supervision focuses on ensuring orderly and transparent financial market processes, proper relationships between market participants and the exercise of due care by financial enterprises in dealing with customers. For this purpose, it is necessary to create market conditions where supply and demand can be brought together (orderliness) and to ensure that market participants have access to information needed to make decisions (transparency). For an efficient financial market it is also necessary to have rules that govern the transactions between participants in the market and help to achieve market equilibrium (proper relations between market participants). To achieve this, the AFM's conduct of business supervision intends to realise that financial enterprises treat their customers with due care, in order to minimise the potential information gap between providers of financial services and products and their customers. In case of breach of conduct of business rules of the Dutch Financial Supervision Act, the AFM may, *inter alia*, issue instructions (*aanwijzingen geven*), impose fines and make public information on any imposed sanctions and the context thereof. The AFM is the primary regulator of NN's Dutch investment management and financial services providers' subsidiaries.

DNB's prudential supervision is to ensure the financial soundness of financial undertakings and to contribute to the stability of the financial sector. In order to do so, it protects the interests of bank creditors, policyholders, investors and financial services customers of financial enterprises. It is naturally in the interests of customers of financial enterprises to be able to rely on the fact that the financial enterprises will fulfil their obligations. Prudential supervision comprises solvency and liquidity supervision designed to check that financial enterprises can always meet their payment obligations. The supervision aims to reduce the risk of bankruptcy, although this risk can never be entirely excluded in a market economy. Prudential supervision also includes supervision of the scope and composition of the technical provisions of insurers for performance of their insurance obligations. In case of breach of the prudential provisions of the Dutch Financial Supervision Act, DNB may, *inter alia*, issue directions, impose fines and make public information on any imposed sanctions and the context thereof. DNB is the primary regulator of NN's Dutch insurance and bank subsidiaries.

Supervision of financial groups

The Dutch Financial Supervision Act contains specific provisions concerning the prudential supervision of financial groups. These provisions deal with: (a) the consolidated supervision of credit institutions and investment firms, (b) the supervision of life insurers, non-life insurers and reinsurers in an insurance group, and (c) the supervision of financial conglomerates, in order to enable DNB to form a correct picture of the financial soundness of the group, so as to ensure, *inter alia*, that a group's solvency is not presented in an excessively favourable light.

The Company is a holding company of a group of licensed insurance companies, investment firms and banks and as such is subject to supplementary supervision. As long as the Company is a subsidiary of ING Groep, the Company is part of the ING Groep financial conglomerate. As a result of, amongst others, the commitments given by ING Groep to the EC to ensure that NN Bank must reach, amongst others, certain targets for mortgage production and consumer credit, the Dutch Central Bank might decide in the near term that NN qualifies as a financial conglomerate. However, as long as the Company is a subsidiary of ING Groep, the prudential supervision provisions continue to apply to ING Groep.

Oath

The Dutch government has introduced a mandatory oath for executive and supervisory board members of financial institutions licensed in the Netherlands, effective as of 1 January 2013. For NN this means that the board and supervisory board members of all financial institutions of NN that are licensed in the Netherlands must take this mandatory oath. In this oath, executive and supervisory board members declare that they will: (a) perform their duties with integrity and care, (b) carefully consider all the interests involved in the financial institution, i.e. those of the customers, the shareholders, the employees and the society in which it operates, (c) in doing so, give paramount importance to the customer's interests and inform the customer to the best of their ability, (d) comply with the laws, regulations and codes of conduct applicable to them, (e) observe confidentiality in respect of matters entrusted to them, (f) not abuse their knowledge, (g) act in an open and assessable manner and know their responsibility towards society, and (h) endeavour to maintain and promote confidence in the financial sector. If they break the oath, the supervisory authority (DNB/AFM) can decide to reassess their suitability. The Dutch Minister of Finance has announced that employees of Dutch-based banks and insurers will need to take a similar oath as from 2015 and the Dutch Banking Association, (*Nederlandse Vereniging van Banken*) supports the fact that employees from banks also become subject to disciplinary rules (*tuchtrecht*).

Dutch Intervention Act

In June 2012, the Dutch Intervention Act (*Wet bijzondere maatregelen financiële ondernemingen*) came into force in the Netherlands, with retroactive effect from 20 January 2012. The Dutch Intervention Act allows Dutch authorities to take certain actions when banks and insurers fail and cannot be wound up under ordinary insolvency rules due to concerns regarding the stability of the overall financial system. The rules apply to the Netherlands-regulated insurance companies of NN and to NN Bank. It is composed of two categories of measures.

The first category of measures can be applied if a bank or insurer experiences serious financial problems and includes measures related to the timely and efficient liquidation of failing banks and insurers and gives DNB far-reaching authority to intervene. DNB has the power to transfer customer deposits, assets and liabilities other than deposits and issued shares of an entity to third parties or to a bridge bank or insurer if DNB deems that, in respect of the relevant bank or insurer, there are signs of an adverse development with respect to its funds, solvency, liquidity or technical provisions and it can be reasonably foreseen that such development will not be sufficiently reversed in a timely fashion. DNB would also be granted the power to influence the internal decision-making of failing institutions.

The second category of measures can be applied if the stability of the financial system is in serious and immediate danger as a result of the situation of a bank or insurer and includes measures intended to safeguard the stability of the financial system as a whole. This set of measures grants authority to the Minister of Finance to take immediate measures or proceed to expropriation of assets or securities such as shares and debt obligations issued by the failing institution or its parent company.

The Dutch Intervention Act also contains measures that limit the ability of counterparties to invoke contractual rights (such as, for instance, contractual rights to terminate or to invoke a right of set-off or to require security to be posted) if the right to exercise such rights is triggered by intervention of DNB or the Dutch Minister of Finance based on the Dutch Intervention Act or by a circumstance which is the consequence of such intervention.

A few provisions of the Dutch Intervention Act, including the provision with respect to the future financing of the deposit guarantee and the investor compensation scheme, have not yet come into force and there are certain differences between the provisions of the Dutch Intervention Act and the Recovery and Resolution Directive, which may result in future changes to the Dutch Intervention Act. See also "*—EU Regulatory Framework—Banking and banking—related regulation*".

General duty of care

A general duty of care has been introduced in the Netherlands in January 2014 for all financial service providers, such as insurance intermediaries. The general duty of care entails that a financial service provider must take the legitimate interests of a consumer or a beneficiary into account in a careful manner. In addition, a financial service provider providing advice must act in the interest of the consumer or beneficiary. The AFM can only issue an instruction within the meaning of Section 1:75 of the Dutch Financial Supervision Act in the case of obvious abuses that can damage the trust in the financial service provider or the financial markets.

Commission payment rules

On 1 January 2013, the commission payment rules for complex (non-MiFID) products were amended in the Netherlands by the introduction of a complete ban on third party commission payments. The ban means that financial service providers (e.g. insurance intermediaries with regard to life insurances) are no longer allowed to receive commission payments for acting as an intermediary or adviser in respect of these products. The ban only applies to contracts that were entered into on or after 1 January 2013.

In addition to this ban, a ban on third party commission payments for investment firms was introduced on 1 January 2014. The ban applies to the investment services (individual) asset management, investment advice and execution-only services of NN. The ban is limited to investment services to non-professional clients.

Remuneration

Variable pay constraints

As from 2011, credit institutions and investment firms based in Member States have to comply with the variable pay constraints following from CRD III (2010/76/EC) and the Guidelines on Remuneration Policies and Practices of the Committee of European Banking Supervisors (currently, the EBA) of 10 December 2010. These variable pay constraints are applicable to all operations of credit institutions and investment firms based in Member States (including their operations outside the EU). DNB has implemented these variable pay constraints in the Regulation of DNB of 16 December 2010 on Sound Remuneration Policies pursuant to the Dutch Financial Supervision Act (*Regeling Beheerst beloningsbeleid Wft 2011*) and has extended the scope to include also Dutch-based insurance companies and their group companies. As a result the variable pay constraints apply to the insurance, bank and investment management activities of NN. Consequently, unlike its competitors in the United States, Asia and other European countries, NN has to apply these variable pay constraints to staff in its European, U.S. and Asian operations. These pay constraints may limit NN's abilities to attract and retain top talented staff.

As of 1 January 2014, additional pay constraints pursuant to CRD IV, including a bonus cap of 100% of fixed pay (or 200% if shareholders approve), came into force, subject to the implementation in Dutch legislation, the date of which is not yet known at the date of this Prospectus. In principle, the CRD IV bonus cap does not apply to Dutch-based insurance companies. However, as NN is part of ING Groep's group of companies (which includes a credit institution) and, depending on national implementation, the CRD IV bonus cap might nevertheless apply to NN. On 26 November 2013, the Dutch Minister of Finance opened up a consultation on draft legislation on remuneration policies within the financial sector (*Wet beloningsbeleid financiële ondernemingen*), which will also be applicable to Dutch-based insurance companies and their group companies. The consultation closed on 31 December 2013. It is currently expected that the proposal will result in legislation being adopted in the course of 2014 and becoming effective as of 1 January 2015. The legislation introduces a cap for variable remuneration of 20% of fixed remuneration for staff covered by a collective labour agreement in the Netherlands. In the current draft legislation, the following exceptions are included: (i) for staff in the Netherlands who are not exclusively covered by a collective labour agreement, the 20% cap does not apply on an individual basis, but it applies to the average variable remuneration across NN in the Netherlands; (ii) for staff that work predominantly outside of the Netherlands, but within the EU, there is an individual variable remuneration cap of 100% of fixed remuneration; (iii) for staff that work predominantly outside the EU, an individual variable remuneration cap of 200% of fixed remuneration applies, subject to shareholder approval and notification to the regulator; and (iv) the 20% cap does not apply to legal entities whose regular business is managing one or more collective investment undertakings which are subject to AIFMD or UCITS. In addition, the draft legislation also covers a number of other topics, such as strict conditions on severance pay, prohibition on guaranteed bonuses and claw-back of variable remuneration and severance pay. Although exceptions to the 20% cap will be available, these new pay constraints may further limit NN's ability to attract and retain top talented staff.

Claw-back of bonuses

On 1 January 2014 the Dutch act on the revision and claw-back of bonuses and profit-sharing arrangements of directors and day-to-day management entered into force. The act applies to management board members of Dutch public companies and financial institutions as defined in the Dutch Financial Supervision Act, which includes banks and insurers. For financial institutions, the scope of the act is not limited to bonuses of management board members but also to those who are in charge of day-to-day management. The rules provide for the possibility to: (a) revise a bonus prior to payment, if unaltered payment of the bonus would be unacceptable pursuant to the criteria of ''reasonableness and fairness'', and (b) claw-back (part of) a paid bonus, if payment took place on the basis of incorrect information on the fulfilment of the bonus targets or conditions for payment of the bonus.

A specific provision applies in the event of a ''change of control'' situation for Dutch-listed companies, such as a public offer, a sale of a substantial part of the business, a merger or a demerger. In those situations the company must determine whether there is an increase in value of the securities that have been granted to a board member as part of his remuneration. The starting point is the value of the relevant securities four weeks before the public offer or merger/demerger is announced or a 2:107a Dutch Civil Code transaction is put to the shareholders' meeting. This original value must be compared with the value of the relevant securities on the day the board member either sells the securities or the board membership ends. If there is an increase in the value of the securities, the amount of the increase, to a certain maximum, must be deducted from the remuneration to be paid to the board member. Specific rules apply in relation to a merger and demerger. The change of control arrangement applies as well to Dutch public companies that are also or only listed on a regulated market in another Member State.

Dutch Financial Reporting Supervision Act

The Dutch Financial Reporting Supervision Act (*Wet toezicht financiële verslaggeving*) entered into force on 31 December 2006. The Dutch Financial Reporting Supervision Act replaced the statutory provisions governing legal proceedings on annual accounts and financial reports. Pursuant to the Dutch Financial Reporting Supervision Act, the AFM supervises the application of financial reporting standards by companies whose corporate seat is in the Netherlands and whose securities are listed on a regulated Dutch or foreign stock exchange. Under the Dutch Financial Reporting Supervision Act, the AFM has an independent right to: (a) request an explanation from listed companies to which the Dutch Financial Reporting Supervision Act applies regarding their application of financial reporting standards if, based on publicly known facts or circumstances, it has reason to doubt that their financial reporting meets the applicable standards, and (b) recommend to such companies the publication of further explanations.

If a listed company to which the Dutch Financial Reporting Supervision Act applies does not comply with such a request or recommendation, the AFM may request that the Enterprise Chamber of the Amsterdam Court of Appeal order the Company to: (a) prepare its financial reports in accordance with the Enterprise Chamber's instructions, and (b) provide an explanation of the way it has applied financial reporting standards to its financial reports.

Dutch Prevention of Money Laundering and the Financing of Terrorism Act

On 1 August 2008, the Prevention of Money Laundering and the Financing of Terrorism Act (*Wet ter voorkoming van witwassen en financieren van terrorisme*) (the **PMLA**) entered into effect. The PMLA implements MLD3 in the Netherlands. The PMLA applies to, *inter alia*, financial institutions, including insurance companies and banks. The aim of the PMLA is to combat the laundering of the proceeds of crime and the financing of terrorism. The PMLA introduces a risk-oriented and principle-based approach and creates flexibility for the institutions. At the same time it implies greater responsibility. The institutions have to assess the risk exposure entailed by certain customers and products and have to align their efforts accordingly. Mandatory rules are no longer imposed on institutions on how to comply, but rather what has to be complied with. An institution, however, must ensure that its employees are familiar with the provisions of the PMLA and that they receive training in order to enable them to recognise unusual transactions. The PMLA imposes requirements regarding, *inter alia*, customer due diligence and the reporting of unusual transactions.

The PMLA is regularly changed. The most extensive change came into force on 1 January 2013, following the Mutual Evaluation Report of the Netherlands by the Financial Action Task Force of 25 February 2011. Supervision under the PMLA is conducted by, *inter alia*, DNB and the AFM.

Dutch Sanctions Act 1977

Sanctions are political instruments in the foreign and security policy of countries and international organisations (such as the United Nations and EU). In general, sanctions are mandatory instruments, used in response to breaches of international laws and human rights, or to effect change when legal or democratic principles are not being adhered to. Sanctions also play a role in the fight against terrorism. Usually, sanctions imposed by the United Nations are incorporated as soon as possible by the EU into European legislation.

EU sanctions regulations have direct effect in the Dutch legal system. The content of the regulations concerned indicate the kind of sanctions involved, their purport, and the states, territories, persons or entities they are aimed at.

The Dutch legal framework regarding sanctions is based on the Dutch Sanctions Act 1977. Pursuant to the Dutch Sanctions Act 1977, the Dutch government can issue subsidiary legislation through which a breach of international sanctions (e.g. EU sanctions regulations) is made a criminal offence. DNB is the designated authority for the supervision of banks and insurers for compliance with the provisions of the Dutch Sanctions Act 1977. DNB can take administrative measures for non-compliance, including imposing a cease-and-desist order or an administrative fine.

The Dutch Sanctions Act 1977 and subsidiary legislation impose requirements on financial enterprises, including insurers and banks, regarding their administrative organisation and internal control, which includes a reporting obligation.

Dutch Data Protection Act

This subparagraph is applicable to all NN businesses that are processing personal data in the Netherlands.

The Dutch Data Protection Act (*Wet bescherming persoonsgegevens*) entered into force on 1 September 2001. The legislation implemented EU Directive 95/46/EC of 4 October 1995 on the protection of individuals with regard to the processing of personal data and the free movement of such data and imposes restrictions on the collection, use and other forms of processing of personal data.

Under the Dutch Data Protection Act, personal data may only be processed if the criteria for making data processing legitimate are met. This safeguard is a prerequisite for all contemplated data processing. If the data processing is indeed legitimate (i.e. if the statutory criteria apply), then such processing must at all times comply with the rules set out in the Dutch Data Protection Act.

In the Netherlands, the Dutch Association of Banks and the Dutch Association of Insurers prepared a code of conduct for the processing of personal data by financial institutions that includes specific rules for healthcare insurers. This code was approved by the Dutch Data Protection Authority for a period of five years. While this approval lapsed on 5 February 2008, banks and insurers indicated that they would continue to comply with this code of conduct until a new one has been approved. On 30 July 2009, the Dutch Data Protection Authority announced its intention to approve a newly proposed draft code. Following this announcement, the Dutch Data Protection Authority approved this code on 13 April 2010 for a period of five years stating that, given the specific features of this sector, this code is a correct implementation of the Dutch Data Protection Act and other legislative provisions regarding the processing of personal data.

In January 2012 a formal draft of the new EU Data Protection Regulation was issued. This new regulation aims to (a) better protect personal data of EU citizens, (b) replace the current (national) legislation and (c) adjust it to twenty-first century requirements and technology. The EU Data Protection Regulation will be directly binding for EU countries. Note that it is unlikely that this new regulation will be in force before 2015.

Insurance and insurance-related regulation

The Dutch Financial Supervision Act provides that no entity with its registered office in the Netherlands may carry on the business of a life insurer or non-life insurer without an authorisation granted by DNB. The Dutch Financial Supervision Act contains similar provisions for cases where such a business is operated from a Netherlands-based branch of an institution with its registered office outside the EU. In the event that such business is operated from a Netherlands-based branch of an institution with its registered office within the EU, the "home country control" principle applies. See "—*EU Regulatory Framework—Insurance and insurance—related regulation*" for more information about the "home country control" principle.

Once an insurer has been allowed access to the market, the supervision consists of collecting and assessing information and, if necessary, acting on such information. DNB collects information in various ways: by receiving reports and documentation, conducting discussions and carrying out onsite investigations. More indirectly, DNB also uses information from analyses of developments in the financial sector and from contacts with other supervisory authorities. DNB can also make very specific requests for information from the insurer itself as well as from other parties involved. Based on the information, DNB carries out prudential analyses. The information and analyses together form the basis for the judgment as to whether an insurer is complying with the supervisory requirements. DNB uses its findings also in the operational supervision of the relevant insurer.

In the context of guiding, and intervening in, a supervised insurer, DNB has a number of tools at its disposal to direct the conduct of a supervised insurer. DNB can issue an instruction to an insurer instructing it to adopt a certain course of conduct on specific points. DNB can issue such an instruction if either: (a) the insurer fails to comply with the provisions of the Dutch Financial Supervision Act or related secondary legislation, or (b) DNB identifies signs of a development that may endanger the funds, solvency or liquidity of that insurer.

Further, DNB may appoint an administrator (*curator*) for all or some corporate bodies or representatives of an insurer, which means that those bodies or representatives may only exercise their powers after obtaining the administrator's approval. The situations in which DNB will resort to this measure correspond to the cases in which DNB can issue an instruction as set out above. In the event of the breach of certain provisions listed in the Dutch Financial Supervision Act, DNB can impose a cease-and-desist order or an administrative fine on the offending insurer. DNB also has certain powers under the Dutch Financial Supervision Act to make information public; this involves issuing a public warning and announcing a decision to impose an administrative fine or a cease-and-desist order.

Supervision of technical provisions

The Dutch Financial Supervision Act provides that an insurer must maintain technical provisions (*technische voorzieningen*). Technical provisions function as a buffer facility in order to cover possible claims by policyholders. The size of the technical provisions is dependent on the type of insurer concerned (e.g. life or non-life). An insurer must keep assets as a cover for the technical provisions. The relevant legislation prescribes what assets are permitted and what conditions and maximums apply to specific assets; DNB is the supervisory authority in this respect.

Solvency supervision

Pursuant to the Dutch Financial Supervision Act, insurers are obliged to meet solvency criteria. These criteria have been implemented in Dutch legislation pursuant to the EU insurance directives; see "—*EU Regulatory Framework—Insurance and insurance—related regulation—Solvency II Directive*". The purpose of the solvency criteria is to absorb unforeseen events such as an economic downturn or a shortfall of expectations in the insurer's investment activities. Different criteria apply to different types of insurance policies. DNB supervises the solvency criteria applicable to a Dutch insurer.

Solvency 1.5

On 1 January 2014, an interim solvency regulation (commonly referred to as Solvency 1.5) came into force in the Netherlands, in addition to Solvency I and in anticipation of Solvency II. The regulation fits within the Minister of Finance's strategy to make the supervision of insurance companies more risk-sensitive and forward-looking. One of the changes is the introduction of the Theoretical Solvability Criterion (*Theoretisch Solvabiliteitscriterium*) (**TSC**), which applies to large- and medium-sized life insurers in the Netherlands. The aim of the TSC is to ensure that after the realisation of some pre-defined stress scenarios, insurance companies still comply with their solvency requirement. The TSC is not a new solvency requirement, as the current regulatory regime, Solvency I, remains in force.

The TSC could lead to an early identification of insurers with a high-risk profile. The following risks are included in the TSC: equity risk, interest rate risk, property risk, spread risk, counterparty default risk, longevity and mortality risk, and cost risk. This framework provides for risk-based supervision and stronger insurance companies to anticipate the Solvency II framework. The TSC was introduced in January 2014. Nevertheless, in March 2014, the Dutch Minister of Finance published a legislative proposal which would remove the TSC as of 1 January 2015, in anticipation of Solvency II. The reason for the removal of the TSC is that for the distribution of dividends an insurance company must look forward 12 months. As such, from 1 January 2015 an insurance company will have to assess whether or not it will comply with the Solvency II requirements, which will apply from 1 January 2016.

Furthermore, on 1 January 2014 article 3:97 of the Dutch Financial Supervision Act came into force in the Netherlands. This article provides additional rules on when a Dutch-based insurer is required to obtain a declaration of no objection from DNB.

A declaration of no objection needs to be obtained if the insurer would like to reduce its own funds by means of (a) repayment of capital or (b) pay-out of reserves, while the insurer does not meet the solvency capital requirements (i) at the date of distribution or (ii) when it is foreseeable that the insurer will not meet the solvency capital requirements in the coming 12 months. The rule applies, for instance, to dividend distributions and the repayment of subordinated loans.

Since life insurers must on a yearly basis calculate their TSC on an annual basis, article 3:97 directly connects the TSC to a declaration of no objection from DNB. In case the solvency position of an insurer is below the level prescribed by the TSC, a declaration of no objection from DNB is required for dividend payments and other withdrawals from own funds; for example, the repayment of debt. Additionally, DNB could require the insurance company to submit a recovery plan.

Structural supervision

Holding an interest or control of 10% or more (*gekwalificeerde deelneming*, a qualifying holding) in a Dutch-based insurer or other financial enterprise (such as a Dutch bank or licensed investment manager), requires a declaration of no objection to be issued by DNB. A declaration of no objection is issued dependent on the outcome of an assessment of the potential holder of the participating interest. The shareholder, the shareholder's trustworthiness, the extent of control the shareholder will acquire over the insurer, possible conflicts with sound and prudent operations of the insurer, and other considerations are assessed before DNB issues or refuses a declaration of no objection.

Dutch Insurers' Code

The Dutch Association of Insurers' governance principles (the **Dutch Insurers' Code**) are applicable to the Dutch subsidiaries of the Company pursuing insurance business. The Dutch Insurers' Code was published in December 2010 by the Dutch Association of Insurers and lays out the principles for Dutch insurance companies in terms of corporate governance, risk management, audit and remuneration. The Dutch Insurers' Code is a form of self-regulation that took effect on 1 January 2011 on a 'comply or explain' basis, and was drawn up to contribute to restoring trust in the financial sector as a whole. An updated version of the Dutch Insurer's Code entered into force on 1 July 2013.

Insurance intermediaries

Conducting insurance intermediary services requires a licence. Under the Dutch Financial Supervision Act, an insurance intermediary (*verzekeringstussenpersoon*) is the party that advises (*adviseur*), provides brokerage services (including in respect of reinsurance) (*bemiddelaar*), or acts as an authorised agent (*gevolmachtigd agent*) given a power of attorney, or sub-power of attorney in respect of an insurance product. The supervision, exercised by the AFM, is focused on orderly and transparent financial market processes, integrity of relations between market players and due care in the provision of services to customers. Rules on the sale of insurance products to customers are based on the IMD; please see "*—EU Regulatory Framework—Insurance and insurance related regulation—Insurance Mediation Directive*" for more information on proposed regulation in this respect.

As of 1 January 2013, a ban on third party commission payments was introduced in the Netherlands. The ban means that, *inter alia*, insurance intermediaries are not allowed to receive commission payments for advising or providing brokerage services in respect of insurance products, other than non-life insurance products, and insurers are not allowed to pay such commission payments to insurance intermediaries. Consumers must pay the commission payments directly to the intermediary. Insurers are not allowed to waive commission payments when offering insurances directly (without being an insurance intermediary involved) to the consumer.

Insurance intermediaries advising or providing brokerage services in respect of non-life insurances may only receive commission payments to the extent these commission payments are appropriate and necessary for the services rendered by the intermediary. The intermediary must be transparent to the consumer on the commission payments received. The AFM has issued guidelines for the application of the commission payment rules that apply to non-life insurance intermediaries. An important part of the specific requirements that relate to commission payments are included in open standards. The AFM's guidelines mainly relate to these open standards, including the manner in which commissions should be made transparent. The AFM provides starting points for the application of the commission payment rules; for instance, through the use of examples.

Insurance intermediaries acting as an authorised agent may receive commission payments to the extent these payments are necessary for, or enable the provision of, the services.

Pensions

In the Netherlands there is a strict distinction between pension benefits as provided by the employer to its employees as an employment benefit and other private life insurance benefits. The main law in the Netherlands applicable to pension providers, including insurers of pension benefits, is the Dutch Pensions Act that as of 1 January 2007 replaced the Dutch Pensions and Savings Funds Act of 1953. Under and pursuant to the Dutch Pensions Act several additional regulations have been published and are applicable to providers of pension benefits. The prudential and material supervision of pension providers, such as industry-wide pension funds, occupational pension funds, company pension funds, and insurance companies is exercised by DNB under the Dutch Pensions Act. The AFM exercises the conduct supervision.

Funds and investment management-related regulation

The regulatory framework in relation to AIFMs, UCITS and investment services has been greatly harmonised throughout the EU through the AIFMD, the UCITS Directive and the MiFID. For a description of these EU regimes, see "*—EU Regulatory Framework—Investment management—related regulation*". In the Netherlands, the AIFMD, UCITS Directive and MiFID have been implemented in the Dutch Financial Supervision Act. The AFM is the licensing body for investment firms, managers of alternative investment institutions and UCITS as referred to in the Dutch Financial Supervision Act.

Banking and banking-related regulation

General

Prudential supervision of credit institutions is exercised by DNB under the Dutch Financial Supervision Act. No enterprise or institution established in the Netherlands may pursue the business of a credit institution unless it has obtained prior authorisation from DNB. Its supervisory activities under the Dutch Financial Supervision Act focus on the supervision of solvency, liquidity and administrative organisation, including risk management and internal control.

If, in the opinion of DNB, a credit institution fails to comply with the rules and regulations regarding the above-mentioned subjects, DNB will notify the credit institution and may instruct it to behave in a prescribed manner. If the credit institution does not respond to any such instructions to the satisfaction of DNB, DNB is allowed to exercise additional supervisory measures that may include the imposition of fines or withdrawal of its banking licence. The Dutch Financial Supervision Act provides that each supervised credit institution must submit periodic reports to DNB.

With regard to supervision of investment services MiFID is implemented in the Dutch Financial Supervision Act; see "*—EU Regulatory Framework—Investment management related regulation—MiFID*".

Solvency supervision

CRD represents the translation of the Basel framework into EU legislation; see "*—EU Regulatory Framework—Banking and banking—related regulation*". The latest changes in the Basel framework were translated into CRD IV and the EU Capital Requirement Regulation. The Directive will be implemented into the Dutch Financial Supervision Act and adjoining regulations issued pursuant thereto and is expected to be implemented in phases starting in January 2015. The Capital Requirement Regulation is directly applicable since 1 January 2014, resulting in more stringent rules and, in comparison with the former Dutch framework, additional reporting requirements apply. Since supervisory authorities and explanation of regulations also lie with EBA, DNB has less room to exercise discretion and specific Dutch policies.

Liquidity supervision

Banks are required to report their liquidity position on a consolidated level to DNB on a monthly basis. The liquidity reporting rules seek to ensure, *inter alia*, that banks are in a position to cope with an acute short-term liquidity shortage, on the assumption that banks would remain solvent. In principle, the liquidity reporting rules cover all direct domestic and foreign establishments (subsidiaries/branches), including majority participations. The regulatory report also takes into consideration the liquidity effects of derivatives and the potential drawings under committed facilities. The liquidity regulation places emphasis on the short term.

Structural supervision

An interest or control of 10% or more in a Dutch-based bank requires a declaration of no objection issued by DNB; see "*—Dutch Regulatory Framework—Insurance and insurance—related regulation—Supervision of financial groups*". Aside from this declaration of no objection requirement, banks may also be required to apply for a declaration of no objection for obtaining or increasing a qualifying holding in another company. This is the case if the participating interest exceeds a given threshold value; for example, when the participating interest constitutes more than 1% of the balance sheet total of the receiving bank.

In addition, a bank requires a declaration of no objection for specific acts; for example, if it wishes to reduce its own funds or alter its financial or corporate structure.

Supervision of financial groups

See "*—EU Regulatory Framework—Banking and banking—related regulation—EU crisis management framework*".

Deposit guarantee scheme

In August 2011, the Dutch Ministry of Finance and DNB published their proposal to establish an *ex-ante* funded (i.e. pre-funded) deposit guarantee scheme in the Netherlands. The scheme was expected to be introduced on 1 July 2013. However, as a consequence of the arrangements made by the Dutch government related to the nationalisation of SNS REAAL, ING Bank and the other Dutch banks will be required to pay a one-time levy of EUR 1 billion in 2014. NN Bank is expected to pay a one-time levy of approximately EUR 10 million in 2014. To avoid a disproportionate financial burden for banks and in view of the ability of banks to lend to the real economy, the *ex-ante* deposit guarantee scheme contribution has now been postponed by two years until 1 July 2015. Specifics of the new rules and obligations are still under discussion. These new rules concerning the deposit guarantee scheme are relevant for NN Bank.

Other Dutch regulatory developments

There are still various areas where new rules in the Dutch regulatory framework are to be expected. For example the proposal is to expand the scope of the oath from executive and supervisory board members to certain employees of banks and insurance companies and to apply disciplinary rules. Also, it is proposed to increase the leverage ratio for banks in the Netherlands to 4% instead of the European minimum of 3% and in addition it is not yet clear what impact the European Single Supervision Mechanism on NN Bank will have. Furthermore, the proposal to implement a financial transaction tax is generally supported by the Dutch government and as already mentioned above the Dutch rules regarding the recovery plans for banks might need revision by implementing the EU Recovery and Resolution Directive.

14. DESCRIPTION OF SHARE CAPITAL AND CORPORATE STRUCTURE

GENERAL

Set out below is a summary of certain relevant information concerning the Company's share capital and a brief summary of certain significant provisions of Dutch law as in effect on the date of this Prospectus and the Articles of Association. On 6 May 2014, the General Meeting resolved to amend the articles of association of the Company effective from the Settlement Date. Below is a summary of those amended Articles of Association (under the assumption that the deed of amendment of the Articles of Association will be executed).

This summary does not purport to be complete and is qualified in its entirety by reference to, and should be read in conjunction with, the Articles of Association or with Dutch law, as the case may be and should not be considered legal advice regarding these matters. The full text of the Articles of Association is incorporated in this Prospectus by reference and will be available free of charge for the life of the Prospectus, in Dutch and in English, at the Company's head office and in electronic form on the Company's website. See "*General Information—Availability of Documents*". In the event of any discrepancy between the Dutch version of the Articles of Association and the unofficial English translation, the Dutch version prevails.

THE COMPANY

The Company is a public limited liability company (*naamloze vennootschap*) incorporated under the laws of the Netherlands by a notarial deed dated 29 March 2011 under the name ING Insurance Topholding N.V. On 28 February 2014, the Company entered into a legal merger with its wholly-owned subsidiary ING Verzekeringen N.V. As a result of this merger, ING Verzekeringen N.V. ceased to exist by operation of law and the Company acquired all assets and liabilities of ING Verzekeringen N.V. under universal title of succession. On 1 March 2014, the legal merger became effective and the Company was renamed NN Group N.V.

The Company has its statutory seat (*statutaire zetel*) in Amsterdam, the Netherlands, and its registered office at Amstelveenseweg 500, 1081 KL Amsterdam, the Netherlands. The Company is registered with the trade register of the Chamber of Commerce under number 52387534.

CORPORATE PURPOSE

Pursuant to article 3 of the Articles of Association, the Company's objects are to participate in, conduct the management of, finance and furnish personal or real security for the obligations of and provide services to other enterprises and institutions of whatever kind, but in particular enterprises and institutions active in the insurance business, banking, investments and/or other financial services, as well as to perform all that which is related or may be conducive to the foregoing.

DUTCH LARGE COMPANY REGIME

The Company voluntarily applies the Dutch mitigated large company regime (*gemitigeerde structuurregime*) as set forth in the provisions of articles 2:152 up to and including 2:161a and article 2:164 of the Dutch Civil Code.

As of the earlier of: (a) the end of the three consecutive years transition period as referred to in Section 2:154 of the Dutch Civil Code; and (b) the date on which ING Groep's direct or indirect shareholding in the Company drops below 30% of the Shares, the Company will apply the full large company regime.

The Articles of Association include such articles to comply with the mitigated large company regime as well as the full large company regime, once applicable. Companies to which the mitigated or the full large company regime applies are obliged by law to have a supervisory board. The general meeting appoints the members of the supervisory board on the nomination of the supervisory board. The general meeting may reject the nomination by an absolute majority of the votes cast by shareholders representing at least one-third of the issued share capital. The general meeting and the works council both have a right of recommendation regarding the appointment of supervisory board members. One-third of the members of the supervisory board must be nominated on the basis of the enhanced recommendation (*versterkt aanbevelingsrecht*) of the works council. For these members of the supervisory board, the supervisory board can only object to the recommendation of the works council on the grounds that the recommended candidate is not suitable to fulfil the duties of a supervisory board member or that the supervisory board will not be properly composed if the nominated candidate would be appointed. For a more detailed description of the appointment of the Supervisory Board, see "*Executive Board, Management Board, Supervisory Board and Employees—Supervisory Board*". The supervisory board has extensive powers under the mitigated and the full large company regime. Major strategic and organisational decisions taken within a company require the approval of the supervisory board.

Pursuant to the mitigated large company regime, the members of the executive board are appointed by the general meeting upon nomination of the supervisory board. The general meeting may reject the nomination by a two-thirds majority of the votes cast by shareholders representing more than half of the issued share capital. For a more detailed description of the appointment of the Executive Board, see "*Executive Board, Management Board, Supervisory Board and Employees—Executive Board*". Under the full large company regime, the members of the executive board are appointed by the supervisory board. The supervisory board must notify the general meeting of an intended appointment of an executive board member.

SHARES AND SHARE CAPITAL

Historic overview share capital

Set out below is an overview of the amount of the Company's authorised and issued share capital for the years ended 31 December 2013, 2012 and 2011.

Share capital

	Year ended 31 December					
(in EUR)	**2013**		**2012**		**2011**	
	Share capital		**Share capital**		**Share capital**	
	Authorised	***Issued***	***Authorised***	***Issued***	***Authorised***	***Issued***
Ordinary Shares	225,000	45,000	225,000	45,000	225,000	45,000
Preference Shares	—	—	—	—	—	—
Total	**225,000**	**45,000**	**225,000**	**45,000**	**225,000**	**45,000**

Authorised and issued share capital

On 28 February 2014, the Company entered into a legal merger with its wholly-owned subsidiary ING Verzekeringen N.V. which became effective on 1 March 2014. As a result of this merger, ING Verzekeringen N.V. ceased to exist by operation of law and the shares in the capital of ING Verzekeringen N.V. were cancelled.

As at the date of this Prospectus, the Company's authorised share capital amounts to EUR 225,000, divided into 225,000 Ordinary Shares, each with a nominal value of EUR 1.

Under the Articles of Association, as a result of the execution of the deed of amendment of the Articles of Association, the Company's authorised share capital will amount to EUR 168,000,000, divided into 700,000,000 Ordinary Shares and 700,000,000 Preference Shares, each with a nominal value of EUR 0.12.

As at the date of this Prospectus, the Company's issued share capital amounts to EUR 45,000, divided into 45,000 Ordinary Shares, each with a nominal value of EUR 1. All outstanding Ordinary Shares are paid up. At the date of this Prospectus, the Company's sole shareholder is ING Groep.

On 6 May 2014, the General Meeting resolved to designate the Executive Board as the competent body to (a) issue such number of Ordinary Shares to ING Groep as required for the Offering and to grant rights to subscribe for Ordinary Shares and (b) limit or exclude pre-emptive rights of shareholders when issuing the Ordinary Shares or granting rights to subscribe for the Ordinary Shares as set out under (i), both for a term until and including the Settlement Date. On 1 July 2014, the Executive Board will resolve to issue 349,625,000 Ordinary Shares to ING Groep, subject to the condition precedent of the execution of the deed of amendment of the Articles of Association, and the exclusion of pre-emptive rights in connection therewith. These Ordinary Shares will be issued at the expense of the freely distributable reserves of the Company, as much as possible from any other reserve than the recognised share premium reserve for Dutch dividend tax purposes.

As a result of the execution of a deed of issuance of 349,625,000 Ordinary Shares which becomes effective as a result of the execution of the deed of amendment of the Articles of Association on the Settlement Date, the Company's outstanding capital will amount to EUR 42,000,000, divided into 350,000,000 Ordinary Shares, each with a nominal value of EUR 0.12.

Warrants to be issued to ING Groep

On 10 June 2014, the Company and ING Groep entered into a warrant agreement in which the Company has agreed, in conjunction with the Offering, to issue warrants to ING Groep that will be exercisable for a number of Ordinary Shares up to 9.99% in the aggregate of the issued Ordinary Shares immediately following the Settlement Date or 34,965,000 Ordinary Shares (the **Warrants**). The initial exercise price of the Warrants will be equal to 200% of the Offer Price. The Warrants will include certain customary anti-dilution provisions which provide for adjustments of both the initial exercise price and the number of Ordinary Shares to which the holder of the Warrants is entitled to in case of corporate events which lead to an immediate impact on the share price. The Warrants will be exercisable starting on the first anniversary of the Settlement Date and expire on the tenth anniversary of the Settlement Date. ING Groep commits to not exercise its Warrant before the third anniversary of the Settlement Date. Upon exercise of a Warrant, the holder thereof will receive the number of Ordinary Shares into which such Warrant is exercisable against payment of the aggregate exercise price.

The holders of Warrants will not be entitled, by virtue of holding Warrants, to vote, to consent, to receive dividends, if any, to receive notices as Shareholders with respect to any General Meeting or to exercise any rights whatsoever as the Shareholders until they become holders of the Ordinary Shares issued upon exercise of the Warrants.

The Warrants will not be subject to any contractual restrictions on transfer. However, initially, the transfer of the Warrants by ING Groep will be subject to the 180 days lock-up arrangement entered into by ING Groep with the Underwriters. See "*Plan of Distribution—Lock-up arrangements*".

Form of Shares

The Company's share capital is divided into Ordinary Shares and Preference Shares. All Shares are in registered form and are only available in the form of an entry in the Company's shareholders' register and not in certificate form. The Shares are subject to, and have been created under, the laws of the Netherlands.

The Ordinary Shares may be entered into a collection deposit (*verzameldepot*) and/or giro deposit (*girodepot*) on the basis of the Dutch Securities Giro Act (*Wet Giraal Effectenverkeer*) by transfer or issuance to Euroclear Nederland or to an intermediary. The intermediaries, as defined in the Dutch Securities Giro Act, are responsible for the management of the collection deposit and Euroclear Nederland, being the central institute for the purposes of the Dutch Securities Giro Act, will be responsible for the management of the giro deposit.

Register of Shareholders

Subject to Dutch law and the Articles of Association, the Company must keep a register of Shareholders. The Company's shareholders' register must be kept up to date and records the names and addresses of all holders of Shares, showing the date on which the Shares were acquired, the date of the acknowledgement by or notification of the Company as well as the amount paid on each Share. The register also includes the names and addresses of those with a right of usufruct (*vruchtgebruik*) or a pledge (*pandrecht*) in respect of Shares.

If Shares are transferred to an intermediary for inclusion in a collection deposit or to the central institute for inclusion in a giro depot, the name and address of the intermediary, or the central institute respectively, will be entered in the Company's shareholders' register, mentioning the date on which the Shares concerned were included in a collection deposit, or a giro deposit respectively, the date of acknowledgement by or giving of notice to the Company, as well as the amount paid on each Share and the number of Shares.

Issue of Shares

Under the Articles of Association the General Meeting may resolve to issue Shares, or grant rights to subscribe for Shares, upon a proposal of the Executive Board which has been approved by the Supervisory Board. The Articles of Association provide that the General Meeting may delegate the authority to issue Shares, or grant rights to subscribe for Shares, to the Executive Board, upon a proposal of the Executive Board which has been approved by the Supervisory Board. Such approval by the Supervisory Board requires the affirmative vote of the Supervisory Board members appointed by ING Groep for so long as ING Groep's (direct or indirect) holding of Ordinary Shares represents 30% or more of the issued Shares (excluding Preference Shares).

If the Executive Board has been designated as the body authorised to resolve upon an issue of Shares, the number of Shares of each class concerned must be specified in such designation. Upon such designation, the duration of the designation shall be set, which shall not exceed five years. The designation may be extended, from time to time, by a resolution of the General Meeting for a subsequent period of up to five years each time. If not otherwise determined in the resolution, such authority can only be withdrawn at the proposal of the Executive Board which has been approved by the Supervisory Board.

A resolution of the Executive Board to issue Shares requires the approval of the Supervisory Board. Any issue of Shares other than issuances to subsidiaries of the Company, issuances to members of the Executive Board or employees of NN pursuant to an equity compensation plan approved by the Supervisory Board or issuances that, in the reasonable judgement of the Executive Board, are necessary to maintain: (a) adequate capitalisation of NN or any subsidiary, (b) compliance with covenants contained in any instrument under which NN or any subsidiary has issued indebtedness, or (c) compliance with applicable laws in addition requires the affirmative vote of the Supervisory Board members appointed by ING Groep for so long as ING Groep's (direct or indirect) holding of Ordinary Shares represents 30% or more of the issued Shares (excluding Preference Shares).

On 6 May 2014, the General Meeting resolved to designate the Executive Board as the competent body to issue Ordinary Shares and to grant rights to subscribe for Ordinary Shares for a period of 18 months with effect as of the Settlement Date. The power of the Executive Board is limited to a maximum of 10% of the total issued Ordinary Shares at the time the authority is used for the first time plus a further 10% of the total issued Ordinary Shares in connection with or at the occasion an issue occurs as part of a merger or acquisition, or if necessary in the opinion of the Executive Board and Supervisory Board, to safeguard of conserve the capital position of the Company. In addition, the General Meeting resolved to designate the Executive Board as the competent body to grant rights to the Foundation to subscribe for Preference Shares for a period until 18 months after the Settlement Date. The power of the Executive Board is limited to such number of Preference Shares as is equal to the issued share capital of the Company immediately prior to the exercise of the call option, less one share, from which maximum any Preference Shares already placed with the Foundation at the time of the exercise of the call option shall be deducted.

No resolution of the General Meeting or the Executive Board is required for an issue of Shares pursuant to the exercise of a previously granted right to subscribe for Shares.

In the event of an issue of Preference Shares, a General Meeting shall be convened, to be held not later than 20 months after the date on which Preference Shares were issued for the first time. See "—*Anti-takeover measures*" for a more detailed description of the issue of Preference Shares.

Pre-emptive rights

Under Dutch law and the Articles of Association, each holder of Ordinary Shares has a pre-emptive right in proportion to the aggregate nominal value of its shareholding of Ordinary Shares upon the issue of new Ordinary Shares (or the granting of rights to subscribe for Ordinary Shares). Holders of Ordinary Shares have no pre-emptive right upon (a) the issue of new Ordinary Shares (or the granting of rights to subscribe for Ordinary Shares): (i) against a payment in kind (contribution other than in cash); (ii) to employees of NN; or (iii) to persons exercising a previously-granted right to subscribe for Ordinary Shares and (b) the issue of Preference Shares.

Upon a proposal of the Executive Board which has been approved by the Supervisory Board (including an affirmative vote of the Supervisory Board members nominated by ING Groep for so long as ING Groep's (direct or indirect) holding of Ordinary Shares represents 30% or more of the issued Shares (excluding Preference Shares)), the General Meeting may resolve to limit or exclude the pre-emptive rights or to designate the Executive Board to resolve to limit or exclude the pre-emptive rights. Both resolutions require a majority of at least two-thirds of the votes cast, if less than one-half of the issued share capital is represented at the General Meeting. A resolution of the Executive Board to limit or exclude the pre-emptive rights requires the approval of the Supervisory Board (including an affirmative vote of the Supervisory Board members appointed by ING Groep for so long as ING Groep's (direct or indirect) holding of Ordinary Shares represents 30% or more of the issued Shares (excluding Preference Shares)). The designation to the Executive Board to resolve to limit or exclude the pre-emptive rights may be granted for a specified period of time of not more than five years and only if the Executive Board has also been designated or is simultaneously designated the authority to resolve to issue Ordinary Shares. The designation may be extended for no longer than five years at a time and only applies as long as the designation to issue Ordinary Shares is in force.

On 6 May 2014, the General Meeting resolved to designate the Executive Board as the competent body to limit or exclude the pre-emptive rights upon the issuance of Ordinary Shares for a period of 18 months with effect as of the Settlement Date, simultaneously with the designation of the Executive Board as the competent body to issue Ordinary Shares. See "—*Shares and share capital—Issue of Shares*".

Acquisition of own Shares

The Company may acquire fully paid-up Shares for no consideration (*om niet*) or if: (a) the Company's shareholder's equity less the payment required to make the acquisition, does not fall below the sum of called-up and paid-in share capital and any statutory reserves, and (b) the nominal value of the Shares which the Company acquires, holds or holds as pledge or which are held by a subsidiary does not exceed half of the issued capital. The acquisition of Shares by the Company for consideration requires authorisation by the General Meeting. Such authorisation may be granted for a period not exceeding 18 months and shall specify the number of Shares which may be repurchased, the manner in which the Shares may be acquired and the price range within which Shares may be acquired.

The authorisation is not required for the acquisition of Shares for employees of the Company or any another member of NN, under a scheme applicable to such employees. The Executive Board may resolve, subject to the approval of the Supervisory Board, to dispose of Shares acquired by the Company in its own capital.

The resolution of the Executive Board to acquire Shares for consideration requires the prior approval of the Supervisory Board (including an affirmative vote of the Supervisory Board members appointed by ING Groep for so long as ING Groep's (direct or indirect) holding of Ordinary Shares represents 30% or more of the issued Shares (excluding Preference Shares)).

The Company cannot derive any right to any distribution from Shares acquired by the Company. No voting rights may be exercised in the General Meeting with respect to any Share held by the Company or by any other member of NN, or any Share for which the Company or any other member of NN holds the depositary receipts.

On 6 May 2014, the General Meeting authorised the Executive Board to repurchase Ordinary Shares for a period of 18 months with effect as of the Settlement Date, representing no more than 10% of the issued Ordinary Shares immediately following the Settlement Date plus an additional 10% in case of a major capital restructuring against a repurchase price between, on the one hand, the nominal value of the Ordinary Shares concerned and, on the other hand, the highest market price on Euronext Amsterdam on the date of the transaction or on the preceding day of stock market trading.

Reduction of share capital

At the proposal of the Executive Board, subject to the approval of the Supervisory Board (including an affirmative vote of the Supervisory Board members appointed by ING Groep for so long as ING Groep's (direct or indirect) holding of Ordinary Shares represents 30% or more of the issued Shares (excluding preference Shares)), the General Meeting may resolve to reduce the issued share capital by cancellation of Shares or by reducing the nominal value of Shares by an amendment of the Articles of Association. Under Dutch law, the resolution to reduce the issued share capital must specifically state the shares concerned and lay down rules for the implementation of the resolution. A resolution to cancel Shares can only relate (a) to Shares held by the Company or for which the Company holds depositary receipts; or (b) to all Preference Shares.

A resolution of the General Meeting to reduce the issued share capital of the Company requires a majority of at least two-thirds of the votes cast, if less than one-half of the Company's issued capital is represented at the General Meeting. A reduction of the nominal value of the Shares without repayment and without release from the obligation to pay up the Shares shall take place proportionally on all Shares of the same class. The requirement of proportion may be deviated from with the consent of all Shareholders concerned. A resolution to cancel the outstanding Preference Shares shall require the approval of the meeting of holders of Preference Shares.

Transfer of Shares

All Shares are in registered form. The transfer of a registered Ordinary Share or of a restricted right thereto requires a deed of transfer drawn up for that purpose and acknowledgement of the transfer by the Company in writing. The latter condition is not required in the event that the Company is party to the transfer.

If a registered Ordinary Share is transferred for inclusion in a collection deposit, the transfer will be accepted by the intermediary concerned. If a registered Ordinary Share is transferred for inclusion in a giro deposit, the transfer will be accepted by the central institute, being Euroclear Nederland. The transfer and acceptance of Ordinary Shares in the collection deposit or giro deposit, respectively, can be effected without the cooperation of the other participants in the collection deposit or giro deposit, respectively.

Upon issue of a new Ordinary Share to Euroclear Nederland respectively to an intermediary, the transfer in order to include the Ordinary Share in the giro deposit respectively the collection deposit will be effected without the cooperation of the other participants in the collection deposit or the giro deposit, respectively. Ordinary Shares included in the collective depot or giro depot can only be delivered from a collective depot or giro depot with due observance of the related provisions of the Dutch Securities Giro Act. The transfer by a deposit shareholder of its book-entry rights representing such Ordinary Shares shall be effected in accordance with the provisions of the Dutch Securities Giro Act. The same applies to the establishment of a right of pledge and the establishment or transfer of a usufruct on these book-entry rights.

Any transfer of Preference Shares requires the prior approval of the Executive Board. An application for approval must be made in writing and include the number of Preference Shares the applicant wishes to transfer and the person to whom the applicant wishes to transfer the Preference Shares concerned.

GENERAL MEETING AND VOTING RIGHTS

General Meetings

An annual General Meeting must be held not later than in the month of June following the end of the Company's preceding financial year (which coincides with the calendar year). Typical agenda items are: the annual report, the adoption of the annual accounts, the proposal to distribute dividends (if applicable), release of the Executive Board members and Supervisory Board members from liability, appointment of an external auditor, the policy on reserves and dividends, the designation of a body of the Company authorised to issue Shares, authorisation of the Executive Board to make the Company acquire own Shares or depositary receipts for Shares and any other subjects presented for discussion by the Supervisory Board or the Executive Board.

Extraordinary General Meetings are held whenever the Supervisory Board or the Executive Board deems such to be necessary. In addition, pursuant to Article 2:110 of the Dutch Civil code, one or more Shareholders, who jointly represent at least 10% of the issued share capital of the Company or such lesser amount as is provided by the Articles of Association may, on application, be authorised by the court in interlocutory proceedings of the district court to convene a General Meeting.

Place of meetings, chairman and minutes

The Articles of Association provide that General Meetings must be held in Amsterdam, Haarlemmermeer (including Schiphol Airport), Rotterdam or The Hague, the Netherlands, at the choice of those who call the General Meeting.

The General Meeting shall be presided over by the chairman of the Supervisory Board or his replacement. The Supervisory Board may appoint someone else to chair the General Meeting. The chairman will have all powers necessary to ensure the proper and orderly functioning of the General Meeting. Without the chairman of the Supervisory Board having appointed someone else to chair in his absence, the General Meeting itself shall appoint the chairman, provided that so long as such election has not taken place, the chairmanship will be held by an Executive Board member designated for that purpose by the members of the Executive Board present at the General Meeting.

Minutes will be kept of the proceedings at the General Meeting by, or under supervision of, the Company secretary, which will be adopted by the chairman and the secretary and will be signed by them as evidence thereof. However, the chairman may determine that notarial minutes will be prepared of the proceedings of the meeting. In that case the co-signature of the chairman will be sufficient.

Convocation notice and agenda

A General Meeting can be convened by the Executive Board or the Supervisory Board by a convening notice, which must be given no later than the 42nd day before the date of the General Meeting. Such notice must include the location and the time of the meeting, an agenda indicating the items for discussion and any proposals for the agenda, the admission and participation procedure and the address of the Company's website. All convocations, announcements, notifications and communications to Shareholders have to be made in accordance with the relevant provisions of Dutch law and the convocation and other notices may also occur by means of sending an electronically transmitted legible and reproducible message to the address of those Shareholders which consented to this method of convocation.

Proposals of Shareholders and/or other persons entitled to attend and address the General Meetings will only be included in the agenda, if the Shareholders and/or other persons entitled to attend and address the General Meetings, alone or jointly, represent shares amounting to at least 3% of the issued share capital and such proposal (together with the reasons for such request) is received in writing by the chairman of the Executive Board or the chairman of the Supervisory Board at least 60 days before the date of the General Meeting.

Admission and registration

Each Shareholder entitled to vote, and each other person entitled to attend and address the General Meetings, shall be authorised to attend the General Meeting, to address the General Meeting and to exercise his/her voting rights. They may be represented by a proxy holder authorised in writing. For each General Meeting a statutory record date will in accordance with Dutch law be set on the 28th day prior to the General Meeting, in order to determine in which persons voting rights and rights to attend and address the General Meeting are vested. The record date and the manner in which persons holding such rights can register and exercise their rights will be set out in the notice convening the General Meeting.

Those entitled to attend and address a General Meeting may be represented at a General Meeting by a proxy holder authorised in writing.

Members of the Executive Board and the Supervisory Board have the right to attend and address the General Meeting. In these General Meetings, they have an advisory role. Also the external auditor of the Company is authorised to attend and address the General Meeting.

Voting rights

Each Share confers the right on the holder to cast one vote at a General Meeting. Majority shareholders have the same voting rights per Ordinary Share as other holders of Ordinary Shares. At the General Meeting, resolutions are passed by a simple majority of the valid votes cast, unless Dutch law or the Articles of Association prescribe a greater majority. If there is a tie in voting, the proposal concerned will be rejected.

ANNUAL ACCOUNTS, SEMI-ANNUAL ACCOUNTS AND QUARTERLY STATEMENTS

The financial year of the Company coincides with the calendar year. Annually, not later than four months after the end of the financial year, the Executive Board must prepare the annual accounts and make them generally available for inspection by the Shareholders and other persons entitled to attend and address the General Meetings at the offices of the Company. The annual accounts must be accompanied by an independent auditor's report, the annual report and certain other information required under Dutch law. All members of the Executive Board and the Supervisory Board must sign the annual accounts. If the signature of one or more of them is missing, this will be stated and reasons for this omission will be given.

The annual accounts, the annual report, the report of the Supervisory Board, the independent auditor's report and other information required under Dutch law must be made available to the Shareholders and other persons entitled to attend and address the General Meetings at the offices of the Company from the date of the notice convening the annual General Meeting.

The annual accounts are adopted by the General Meeting. At the General Meeting at which it is resolved to adopt the annual accounts, it may be separately proposed that the members of the Executive Board and the Supervisory Board be released from liability for their respective duties, insofar as the exercise of such duties is reflected in the annual accounts or otherwise disclosed to the General Meeting prior to taking the proposed resolution relating to the release from liability.

Within two months after the end of the first six months of the financial year, the Executive Board must prepare semi-annual accounts and make them publicly available. If the semi-annual accounts are audited or reviewed, the independent auditor's report must be made publicly available together with the semi-annual accounts.

During a period between ten weeks after the start and six weeks before the end of each half of the financial year the Executive Board must prepare an interim statement and make it publicly available. The interim statement includes an explanation of the important events and transactions that took place during the period between the start of the financial year and publication of the interim statement and the consequences for the financial position of the Company. The interim statement also includes a general description of the financial position and the performance of the Company during that period.

The Company will be obliged to publish the annual accounts, the semi-annual accounts and the quarterly statements and comply with other reporting obligations, including those resulting from the listing of the Ordinary Shares on Euronext Amsterdam, in accordance with relevant Dutch law.

PROFITS AND DISTRIBUTIONS

The Company may only make distributions to its Shareholders insofar as the Company's equity exceeds the amount of the paid-in and called-up part of the issued capital, increased by the reserves which must be maintained pursuant to Dutch law or the Articles of Association.

Under the Articles of Association, any profits must first be applied to pay a dividend on the Preference Shares, if any are outstanding, before distribution of any remaining distributable profits to the other Shareholders. No Preference Shares are outstanding at the date of this Prospectus. The Executive Board is authorised, subject to the approval of the Supervisory Board, to determine each year which part of any profits remaining after such dividend payment on the Preference Shares will be reserved. Any profits remaining after such reservation and dividend payment on the Preference Shares will be at the disposal of the General Meeting. Distributions from the Company's distributable reserves are made pursuant to a resolution of the General Meeting on the proposal of the Executive Board, with the approval of the Supervisory Board.

Subject to Dutch law and the Articles of Association, the Executive Board may, with the approval of the Supervisory Board, resolve to distribute an interim dividend.

Dividends and other distributions will be made payable pursuant to a resolution of the Executive Board within four weeks after adoption of the annual accounts, unless the Executive Board sets another date for payment. Different payment release dates may be set for the Ordinary Shares and the Preference Shares.

Any entitlement to any dividend distribution by a Shareholder expires five years after the date on which those dividends where released for payment. Any dividend that is not collected within this period reverts to the Company. See also "*Dividends and Dividend Policy*".

AMENDMENT OF THE ARTICLES OF ASSOCIATION

The General Meeting may resolve to amend the Articles of Association, upon a proposal of the Executive Board with the prior approval of the Supervisory Board, which approval must include the affirmative vote of the Supervisory Board members appointed by ING Groep for so long as ING Groep's (direct or indirect) holding of Ordinary Shares represents 30% or more of the issued Shares (excluding Preference Shares). A resolution by the General Meeting to amend the Articles of Association requires an absolute majority of the votes cast. The Relationship Agreement provides that no amendment of the Articles of Association may be proposed by the Company or ING Groep that would violate the Relationship Agreement.

DISSOLUTION AND LIQUIDATION

The General Meeting may resolve to dissolve the Company, upon a proposal of the Executive Board thereto with the prior approval of the Supervisory Board, which approval must include the affirmative vote of the Supervisory Board members appointed by ING Groep for so long as ING Groep's (direct or indirect) holding of Ordinary Shares represents 30% or more of the issued Shares (excluding Preference Shares). A resolution by the General Meeting to dissolve the Company requires an absolute majority of the votes cast.

In the event of the dissolution of the Company, the Company will be liquidated in accordance with Dutch law and the Articles of Association. The members of the Executive Board shall be charged with effecting the liquidation of the Company's affairs and the Supervisory Board members will be charged with the supervision thereof. During liquidation, the provisions of the Articles of Association will remain in force to the extent possible.

The balance of the Company's assets remaining after all liabilities have been paid shall, if possible, first be applied for the payment of all the holders of the Preference Shares of the nominal amount paid-up on their Preference Shares plus the dividend still payable at the time of the liquidation on such Preference Shares. This does not apply if the Preference Shares outstanding were issued and paid at the expense of the Company's reserves. Any balance remaining shall be distributed between the holders of the Ordinary Shares. All distributions shall be made in proportion to the number of Shares of the class concerned held by each Shareholder.

ANTI-TAKEOVER MEASURES

The Foundation is incorporated under Dutch law and was established on 11 June 2014. The Foundation has its statutory seat in Amsterdam, the Netherlands and its registered office at Amstelveenseweg 500, 1081 KL Amsterdam, the Netherlands, the Netherlands. The Foundation is registered with the trade register of the Chamber of Commerce in Amsterdam under the number 60848669.

The Foundation's objects are to protect the interests of the Company, the business maintained by the Company and the entities with which the Company forms a group and all persons involved therein, in such way that the interest of the Company and those businesses and all persons involved therein are protected to the best of its abilities, and by making every effort to prevent anything which may affect the independence and/or the continuity and/or the identity of the Company and of those businesses in violation of the interests referred above. The Foundation shall pursue its objects, *inter alia*, by acquiring and holding Preference Shares and by enforcing the rights, in particular the voting rights, attached to those Preference Shares, as well as by exercising (whether or not in legal proceedings) rights attributed to it pursuant to Dutch law, the articles of association or any agreement. The Foundation is not authorised to sell any Preference Shares it holds other than to the Company. The Foundation is only authorised to pledge any Preference Shares it holds to the extent that the voting rights attached to such Preference Shares are not passed to the pledgee. The possibility of issuing Preference Shares is an anti-takeover measure.

To this end, the Foundation will be granted a call option by the Company. The Foundation may not exercise the call option without the prior consent of ING Groep for so long as ING Groep's (direct or indirect) holding of Ordinary Shares represents 30% or more of the issued Shares (excluding Preference Shares). On each exercise of the call option, the Foundation is entitled to acquire from the Company up to a maximum corresponding with 100% of the issued share capital of the Company excluding the Preference Shares as outstanding immediately prior to the exercise of the call option, less one Share, from which maximum any Preference Shares already placed with the Foundation at the time of the exercise of the call option shall be deducted. The Foundation may exercise its option right repeatedly, each time up to the aforementioned maximum. The call option can be exercised by the Foundation in order to, *inter alia*, but not limited to:

- prevent, slow down or otherwise complicate an unsolicited takeover bid for and an unsolicited acquisition of Shares by means of an acquisition at the stock market or otherwise; and/or
- prevent and countervail concentration of voting rights in the General Meeting; and/or
- resist unwanted influence by and pressure from Shareholders to amend the strategy of the Executive Board.

If the Foundation exercises the call option, the Company shall issue such number of Preference Shares as for which the Foundation exercised its call option. Upon issuance of Preference Shares, at least one fourth of the nominal value thereof must be paid-up. The Foundation shall be required to pay up any additional amounts only if and when the Company will have claimed such additional payments. If the Company and the Foundation so agree, the Preference Shares can be paid-up in full at the expense of the reserves of the Company.

If Preference Shares are issued to the Foundation, the Executive Board is obliged to convene a General Meeting within 20 months after the date Preference Shares have been issued for the first time, or within 60 days after the Foundation has submitted a proposal at the General Meeting for the repurchase or cancellation of all Preference Shares held by the Foundation. The agenda for that meeting must include a resolution relating to the repurchase or cancellation of these Preference Shares. If at that meeting it is not resolved to repurchase or cancel the relevant Preference Shares, the Executive Board is obliged to each time within six months of the previous meeting in which such proposal has been placed on the agenda, convene a General Meeting at which such proposal is again submitted, until such time as no more Preference Shares remain outstanding.

If Preference Shares are repurchased or cancelled, this will take place against repayment of the amounts paid-up on these Preference Shares and payment of any distribution still lacking, if any. If the relevant Preference Shares were paid-up in full at expense of the reserves of the Company, the paid-up amount will not be paid to the Foundation but will fall to the Company.

The Foundation will perform its role, and take all actions required, at its sole discretion. The Foundation shall exercise the voting rights attached to the Preference Shares issued to the Foundation, independently, in accordance with its objects according to its articles of association. The Foundation is managed by a board. All members of the board are independent from the Company.

The Foundation meets the independence requirement as referred to in Article 5:71(1)(c) of the Dutch Financial Supervision Act.

The board of the Foundation currently consists of: Mr M. van Gelder, Mr F. Waller and Mr S. Perrick.

Board of the Foundation			
Name	**Position**	**Age**	**Curriculum vitae**
Mr M. van Gelder	Chairman	53	Mr M. van Gelder is currently member of the supervisory board of Maxeda and Action. Mr M. van Gelder has held various positions including, chief executive officer of Mediq, various positions at Royal Ahold and associate principal at McKinsey & Company.
Mr F. Waller	Treasurer	55	Mr F. Waller is currently vice-chairman of the supervisory board of Klaverblad Verzekeringen. Mr F. Waller has held various positions including, chief financial officer of Pon, chief financial officer of Corporate Express, various positions at Unilever and member of the supervisory board and chairman audit committee of Vion, Crucell and Univar.
Mr S. Perrick	Secretary	65	Mr S. Perrick is currently a partner at the Dutch law firm Spinath & Wakkie. He practices corporate law, including corporate governance, mergers and acquisitions and joint ventures, securities regulations and private (international) law. Mr S. Perrick is a professor of law at the University of Amsterdam and an ad hoc justice in the court of appeal in Arnhem. He was previously a partner at the international law firm Freshfields Bruckhaus Deringer, member of the supervisory board of Reed Elsevier and professor of law at the Erasmus University in Rotterdam.

See *''—Profits and distributions*'' and *''—Dissolution and liquidation*'' for a description of the position of holders of Preference Shares in the event of a distribution by the Company, respectively, the liquidation of the Company.

OBLIGATIONS TO DISCLOSE HOLDINGS AND TRANSACTIONS

Shareholders may be subject to notification obligations under the Dutch Financial Supervision Act. Pursuant to chapter 5.3 of the Dutch Financial Supervision Act, upon the Company becoming a listed company, any person who, directly or indirectly, acquires or disposes of a capital interest and/ or voting rights in the Company must immediately give written notice to the AFM of such acquisition or disposal by means of a standard form if, as a result of such acquisition or disposal, the percentage of capital interest and/or voting rights held by such person reaches, exceeds or falls below the following thresholds: 3%, 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%.

Furthermore, any person whose capital interest or voting rights in the Company reaches, exceeds or falls below a threshold due to a change in the Company's outstanding share capital, or in votes that can be cast on the Shares as notified to the AFM by the Company, should notify the AFM no later than the fourth trading day after the AFM has published the Company's notification of the change in its outstanding share capital.

Any person with a capital interest or voting rights in the Company of at least 3% will be required to notify the AFM of any changes in the composition (actual or potential) of this interest annually within four weeks from 31 December at 24:00 hours CET.

For the purpose of calculating the percentage of capital interest or voting rights, the following interests must, *inter alia*, be taken into account: (a) Shares and/or voting rights directly held (or acquired or disposed of) by any person, (b) Shares and/or voting rights held (or acquired or disposed of) by such person's controlled entities or by a third party for such person's account, (c) voting rights held (or acquired or disposed of) by a third party with whom such person has concluded an oral or written voting agreement, (d) voting rights acquired pursuant to an agreement providing for a temporary transfer of voting rights in consideration for a payment, and (e) Shares, which such person, or any controlled entity or third party referred to above, may acquire pursuant to any option or other right to acquire Shares.

Controlled entities (within the meaning of the Dutch Financial Supervision Act) do not themselves have notification obligations under the Dutch Financial Supervision Act as their direct and indirect interests are attributed to their (ultimate) parent. If a person who has a 3% or larger interest in the Company's share capital or voting rights ceases to be a controlled entity it must immediately notify the AFM, and all notification obligations under the Dutch Financial Supervision Act will become applicable to such former controlled entity.

Special rules apply to the attribution of Shares and/or voting rights which are part of the property of a partnership or other form of joint ownership. A holder of a pledge or right of usufruct in respect of Shares can also be subject to notification obligations, if such person has, or can acquire, the right to vote on the Shares. The acquisition of (conditional) voting rights by a pledgee or beneficial owner may also trigger notification obligations as if the pledgee or beneficial owner were the legal holder of the Shares and/or voting rights.

Furthermore, each member of the Executive Board and Supervisory Board must immediately give written notice to the AFM by means of a standard form of any change in his holding of Shares and voting rights in the Company.

Since the Company is a holding company of various Dutch licensed entities, a declaration of no objection from DNB may be required if a qualified holding (10% or more) is acquired in the Company, see "*Supervision and Regulation—Dutch Regulatory Framework—Insurance and insurance-related regulation—Structural supervision*" and "*Supervision and Regulation—Dutch Regulatory Framework—Banking and banking-related regulation—Structural supervision*". Also regulators in other jurisdictions may require prior approval before acquiring (indirectly, through a shareholding in the Company) a relatively large shareholding in the Company's foreign regulated affiliates.

Shareholders are advised to consult with their own legal advisers to determine whether the disclosure obligations apply to them.

NOTIFICATION OF SHORT POSITIONS

Net short position

Pursuant to EU regulation No 236/2012, each person holding a net short position representing 0.2% of the issued share capital of a Dutch listed company must report this position, and any subsequent increase by 0.1% to the AFM. Each net short position equal to 0.5% of the issued share capital of a Dutch listed company and any subsequent increase of that position by 0.1% will be made public via the AFM short selling register. To calculate whether a natural person or legal person has a net short position, their short positions and long positions must be examined. A short transaction in a share can only be contracted if a reasonable case can be made that the shares sold can actually be delivered, which requires confirmation by a third party that the shares have been located. Shareholders are advised to consult with their own legal advisors to determine whether the net short selling notification obligation applies to them.

Gross short position

Each person holding a gross short position in relation to the issued share capital of a Dutch listed company that reaches, exceeds or falls below any one of the following thresholds: 3%, 5%, 10 %, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%, must immediately give written notice to the AFM.

If a person's gross short position reaches, exceeds or falls below one of the above mentioned thresholds as a result of a change in the Company's issued share capital, such person is required to make a notification not later than the fourth trading day after the AFM has published the Company's notification in the public register of the AFM. Shareholders are advised to consult with their own legal advisors to determine whether the gross short selling notification obligation applies to them.

PUBLIC REGISTRY

The AFM keeps a public register of all notifications made pursuant to the disclosure obligations and publishes any notification received. Non-compliance with the disclosure and notification obligations is an economic offence and may lead to criminal prosecution, criminal fines, administrative fines, imprisonment or other sanctions.

IDENTITY OF SHAREHOLDERS

Under the amended Dutch Securities Giro Act, the Company may request the central institute, associated institutions, intermediaries, institutions abroad, and management companies of collective investment schemes to give certain information on the identity of its Shareholders. Such request may only be made during a period of 60 days up to the day on which a General Meeting is held. No information will be given on Shareholders with an interest of less than 0.5% of the issued share capital. A Shareholder who, alone or together with other Shareholders, holds an interest of at least 10% of the issued share capital may request the Company to establish the identity of its Shareholders. This request may only be made during a period of 60 days until (and not including) the 42nd day before the day on which the General Meeting will be held.

PUBLIC OFFER RULES

In accordance with Directive 2004/25/EC, each Member State should ensure the protection of minority shareholders by obliging any person that acquires control of a company to make an offer to all the holders of that company's voting securities for all their holdings at an equitable price.

The Directive applies to all companies governed by the laws of a Member State of which all or some voting securities are admitted to trading on a regulated market in one or more Member States. The laws of the Member State in which a company has its registered office will determine the percentage of voting rights that is regarded as conferring control over that company.

Under Dutch law, the above percentage has been determined to be 30%. In accordance with article 5:70 of the Dutch Financial Supervision Act, any person – whether acting alone or in concert with others – who, directly or indirectly, acquires 30% or more of the Company's voting rights will be obliged to launch a public offer for all outstanding Shares in the Company's share capital. An exception is, *inter alia*, made for Shareholders who – whether alone or acting in concert with others – have an interest of at least 30% of the Company's voting rights before the Ordinary Shares are first admitted to trading on Euronext Amsterdam and who still have such an interest after the first admittance to trading. Considering that immediately after the first admittance to trading of the Ordinary Shares on Euronext Amsterdam, ING Groep will still be able to exercise 30% or more of the Company's voting rights, such exception will apply to ING Groep upon such first admittance and will continue to apply to ING Groep for as long as its holding of Ordinary Shares will remain at or over 30% of the Company's voting rights. Subject to certain conditions, the obligation to make a public offer does not apply to the Foundation. Furthermore, in general, it is prohibited to launch a public offer for shares of a listed company unless an offer memorandum has been approved by the AFM. A public offer is launched by way of making the approved offer memorandum publicly available.

DUTCH SQUEEZE-OUT PROCEEDINGS

Pursuant to article 2:92a of the Dutch Civil Code a shareholder who, for its own account, holds at least 95% of the issued share capital of a company, being the controlling company, may institute proceedings against the holders of the remaining shares for the transfer of their shares to it. The proceedings are held before the Dutch Enterprise Chamber of the Amsterdam Court of Appeal (the **Enterprise Chamber**) and can be instituted by means of a writ of summons served upon each of the minority shareholders in accordance with the provisions of the Dutch Code of Civil Procedure. The Enterprise Chamber may grant the claim for the squeeze-out in relation to all minority shareholders and will determine the price to be paid for the shares, if necessary after appointment of one or three experts who will offer an opinion to the Enterprise Chamber on the value to be paid for the shares of the minority shareholders. Once the order to transfer becomes final before the Enterprise Chamber, the person acquiring the shares must give written notice of the date and place of payment and the price to the holders of the shares to be acquired whose addresses are known to it. Unless the addresses of all of them are known to it, it must also publish the same in a Dutch daily newspaper with a national circulation.

The offeror under a public offer is also entitled to start a squeeze-out procedure if, following the public offer, the offeror holds at least 95% of the outstanding share capital and represents at least 95% of the total voting rights. The claim of a takeover squeeze-out must be filed with the Enterprise Chamber within three months following the expiry of the acceptance period of the offer. The Enterprise Chamber may grant the claim for a takeover squeeze-out in relation to all minority shareholders and will determine the price to be paid for the shares, if necessary after appointment of one or three experts who will offer an opinion to the Enterprise Chamber on the value to be paid for the shares of the minority shareholders. In the event of a mandatory offer, the mandatory offer price is in principle deemed to be a reasonable price that must be accepted by minority shareholders. In the event of a voluntary public offer, the offered price is considered reasonable if at least 90% of the shares have been acquired.

The Dutch Civil Code also entitles those minority shareholders that have not previously tendered their shares under an offer to transfer their shares to the offeror, provided that the offeror has acquired at least 95% of the outstanding share capital and represents at least 95% of the total voting rights. With respect to price, the same procedure as for takeover squeeze-out proceedings initiated by an offeror applies. This claim must also be filed with the Enterprise Chamber within three months following the expiry of the acceptance period of the offer.

MARKET ABUSE REGIME

Pursuant to the Dutch Financial Supervision Act, members of the Executive Board or Supervisory Board and any other person who has managerial responsibilities within the Company and in that capacity is authorised to make decisions affecting the future developments and business prospects of the Company and who has regular access to inside information relating, directly or indirectly, to the Company (each, an **Insider**) must notify the AFM of all transactions, conducted or carried out for his own account, relating to the Shares or financial instruments, the value of which is (in part) determined by the value of the Shares.

In addition, persons designated by the Dutch Market abuse decree (*Besluit Marktmisbruik Wft*) (the **Market Abuse Decree**) who are closely associated with members of the Executive Board or Supervisory Board or any of the other Insiders must notify the AFM of all transactions conducted for their own account relating to the Shares or financial instruments, the value of which is (in part) determined by the value of the Shares. The Market Abuse Decree designates the following categories of persons: (a) the spouse or any partner considered by national law as equivalent to the spouse, (b) dependent children, (c) other relatives who have shared the same household for at least one year at the relevant transaction date, and (d) any legal person, trust or partnership, among other things, whose managerial responsibilities are discharged by a member of the Executive Board or Supervisory Board or any other Insider or by a person referred to under (a), (b) or (c) above.

The notification must be made no later than the fifth business day following the transaction date by means of a standard form. Notification may be postponed until the date that the value of the transactions carried out on a person's own account, together with the transactions carried out by the persons associated with that person, reach or exceed the amount of EUR 5,000 in the calendar year in question. The AFM keeps a public register of all notifications made pursuant to the Dutch Financial Supervision Act. Non-compliance with these reporting obligations under the Dutch Financial Supervision Act could lead to criminal penalties, administrative fines and cease-and-desist orders (and the publication thereof), imprisonment or other sanctions. In addition, non-compliance with the reporting obligations under the Dutch Financial Supervision Act may lead to civil sanctions,

The Company has adopted an internal code on inside information in respect of the holding of and carrying out of transactions with respect to the Shares by the member of the Executive Board, the Supervisory Board and employees. Furthermore, the Company has drawn up a list of those persons working for NN who could have access to inside information on a regular or incidental basis and has informed the persons concerned of the rules on insider trading and market manipulation, including the sanctions which can be imposed in the event of a violation of those rules.

DUTCH FINANCIAL REPORTING SUPERVISION ACT

On the basis of the Dutch Financial Reporting Supervision Act (FRSA), the AFM supervises the application of financial reporting standards by, among others, companies whose corporate seat is in the Netherlands and whose securities are listed on a regulated Dutch or foreign stock exchange. See "*Supervision and Regulation—Dutch Regulatory Framework—General-Dutch Financial Reporting Supervision Act*".

15. EXECUTIVE BOARD, MANAGEMENT BOARD, SUPERVISORY BOARD AND EMPLOYEES

GENERAL

The Company has a two-tier board structure consisting of an executive board (*raad van bestuur*) (the **Executive Board**) and a supervisory board (*raad van commissarissen*) (the **Supervisory Board**), in accordance with the Dutch mitigated company regime (*gemitigeerd structuurregime*) as set forth in the provisions of articles 2:152 up to and including 2:161a and article 2:164 of the Dutch Civil Code, which the Company voluntarily applies.

Below is a summary of relevant information concerning the Executive Board, the Management Board, the Supervisory Board and other employees as well as a brief summary of certain significant provisions of Dutch corporate law, the Articles of Association and the relevant charters of the Company applicable at the date of this Prospectus, and the Dutch corporate governance code (the **Code**), in respect of the Executive Board and the Supervisory Board. See also "*Description of Share Capital and Corporate Structure*".

EXECUTIVE BOARD

Powers, responsibilities and functioning

The Executive Board is the executive body and is entrusted with the management, the strategy and the operations of the Company under the supervision of the Supervisory Board. In performing its duties, the Executive Board must carefully consider and act in accordance with the interests of the Company and the business connected with it, taking into consideration the interest of all the stakeholders of the Company. The Executive Board is required to keep the Supervisory Board informed, to consult with the Supervisory Board on important matters and to submit certain important decisions to the Supervisory Board for its approval as more fully described below. At least once a year, the Executive Board must provide the Supervisory Board with a written report outlining the Company's strategy, the general and financial risks faced by the Company and the Company's management and control system.

The Executive Board may perform all acts necessary or useful for achieving the Company's corporate purposes, except for those expressly attributed to the General Meeting or the Supervisory Board as a matter of Dutch law or pursuant to the Articles of Association.

The Executive Board as a whole is entitled to represent the Company. Additionally, two members of the Executive Board acting jointly are authorised to represent the Company as well as one member of the Executive Board acting jointly with an officer with general power. In the event of a conflict of interest, the Executive Board as a whole as well as two (other) members of the Executive Board acting jointly, if applicable, or one member of the Executive Board acting jointly with an officer with general power are still authorized to represent the Company. Furthermore, in all matters concerning the relationship of an Executive Board member and the Company, the Company may also be represented by two or more members of the Supervisory Board acting jointly.

Meetings and decision-making

The Executive Board holds in principle one meeting every two weeks, or more (or less) often as deemed necessary or desirable for the proper functioning of the Executive Board by one or more members of the Executive Board, but not less than once a month. If no larger majority is stipulated by Dutch law or pursuant to the Articles of Association or the Executive Board Charter (as defined below), the Executive Board may adopt resolutions with an absolute majority of the votes cast at the meeting. The Executive Board may also adopt resolutions without having a meeting, provided such resolutions are adopted in writing and that the proposed resolution has been submitted to all members of the Executive Board entitled to vote and none of them opposes this manner of adopting a resolution. Adoption of resolutions in writing will be effected by written statements from all members of the Executive Board in office.

Pursuant to the Articles of Association the Executive Board has adopted rules regarding its decision-making process and working methods as laid down in the charter of the Executive Board (the **Executive Board Charter**). The Executive Board Charter may be amended from time to time by resolution of the Executive Board and subject to the prior approval of the Supervisory Board. The

Executive Board Charter is published on and can be downloaded from the Company's website (www.nn-group.com).

In the event of a conflict of interest, the relevant member of the Executive Board may not participate in deliberating or decision-making within the Executive Board in respect of the subject or transaction to which the conflict of interest relates.

Certain resolutions of the Executive Board identified in the Articles of Association and the charters of the Executive Board and the Supervisory Board require the approval of the Supervisory Board. Furthermore, the Executive Board requires the approval of the General Meeting for resolutions regarding a significant change in the identity or character of the Company or its business. See "*Major Shareholder and Related Party Transactions—Related Party Transactions—Relationship with ING following the Offering—Relationship agreement—Reserved matters*". Certain resolutions of the General Meeting can only be made at the proposal of the Executive Board. See "*Description of Share Capital and Corporate Structure*" and "*Major Shareholder and Related Party Transactions—Related Party Transactions—Relationship with ING following the Offering—Relationship agreement—Initiative rights*".

Composition, appointment, term and dismissal

The Executive Board must consist of two or more members, with the total number of members of the Executive Board determined by the Supervisory Board after consultation with the Executive Board.

As long as the Company applies the mitigated large company regime, the members of the Executive Board are appointed by the General Meeting upon nomination of the Supervisory Board. The General Meeting may reject the nomination by a two-thirds majority of the votes cast by Shareholders representing more than fifty percent of the Company's issued share capital.

As of the moment the Company applies the full large company regime, the members of the Executive Board will be appointed by the Supervisory Board. Prior to appointing a member of the Executive Board, the Supervisory Board must notify the General Meeting of such intended appointment.

One of the members will be appointed as chairman and chief executive officer (the **CEO**) and one of the other members will be appointed as chief financial officer (the **CFO**) by the Supervisory Board. A member of the Executive Board is appointed for a maximum period of four years, and unless a member of the Executive Board resigns earlier, his appointment shall end at the close of the first General Meeting held four years after his appointment. A member of the Executive Board may be reappointed for a term of not more than four years at a time.

As long as the Company applies the mitigated large company regime, the General Meeting may suspend or remove a member of the Executive Board at any time. A resolution to suspend or remove a member of the Executive Board other than pursuant to a proposal of the Supervisory Board requires a two-thirds majority of votes cast representing more than fifty percent of the Company's issued share capital. If such two-thirds majority of votes cast represents less than fifty percent of the issued share capital, no new meeting can be convened.

As of the moment the Company applies the full large company regime, only the Supervisory Board may suspend or remove a member of the Executive Board. However, the Supervisory Board is only entitled to remove a member of the Executive Board after the General Meeting has been consulted on the intended removal.

Any suspension may be extended one or more times, but may not last longer than three months in aggregate. If, at the end of that period, no decision had been taken on termination of the suspension or on removal, the suspension will end.

Members of the Executive Board

As at the date of this Prospectus, the Executive Board consists of Ralph Hamers (chairman), Lard Friese (vice-chairman), Doug Caldwell, Patrick Flynn, Wilfred Nagel, Delfin Rueda and Dorothee van Vredenburch. As at the Settlement Date, the Executive Board will consist of Lard Friese and Delfin Rueda. The table below sets out the details of each of the members of the Executive Board as at the

Settlement Date. The term of each of the members of the Executive Board will terminate at the close of the General Meeting of shareholders in the year indicated below.

All references in this chapter to "Executive Board" refer to the Executive Board as of the Settlement Date, unless indicated otherwise. The business address of the members of the Executive Board is the registered address of the Company at Amstelveenseweg 500, 1081 KL Amsterdam, the Netherlands.

The members of the Executive Board were appointed to the Executive Board on 1 March 2014. Before that, each member of the Executive Board was a member of the management board of the Company's former subsidiary ING Verzekeringen N.V. as from 1 October 2013, which entity ceased to exist as a result of the legal merger between the Company and ING Verzekeringen N.V.; see "*General Information—The Company*".

The following table sets forth the composition of the Executive Board as at the Settlement Date.

Executive Board				
Name	**Position**	**Age**	**Date of appointment**	**Termination/ reappointment date**
E. (Lard) Friese	Chairman, chief executive officer (CEO)	51	1 March 2014	2017
Delfin Rueda Arroyo	Chief financial officer (CFO)	50	1 March 2014	2018

E. (Lard) Friese was appointed as member and vice-chairman of the Executive Board on 1 March 2014 and will be chairman and CEO as from the Settlement Date. From 1 October 2013 until the legal merger on 1 March 2014 between the Company and its subsidiary ING Verzekeringen N.V. he was a member and vice-chairman of the management board of ING Verzekeringen N.V. He has been a member of the management board of ING Insurance Eurasia N.V., a direct subsidiary of the Company, (**ING Insurance Eurasia**) since 30 March 2011. He was appointed to the management board of ING Verzekeringen N.V. on 1 January 2011 until 3 November 2011. Mr Friese is responsible for the business strategy, performance and day-to-day operations of NN. Mr Friese has been employed by ING since 2008 in various positions. He was appointed CEO of Nationale-Nederlanden and chairman of the Dutch Intermediary Division (Nationale-Nederlanden, Movir, Westland Utrecht) on 1 September 2008. In 2009, he became CEO ING Insurance Benelux responsible for the whole of ING Insurance's operations in the Netherlands, Belgium and Luxembourg. He was appointed to the management board of ING Verzekeringen N.V. with responsibility for the Insurance operations in the Netherlands, Belgium and Luxembourg, Central and Rest of Europe and Asia/Pacific on 1 January 2011 until 3 November 2011. On 30 March 2011 he was appointed to the management board of ING Insurance Eurasia with the same responsibilities. As of 1 July 2013 he also assumed responsibility for Investment Management in the management board of ING Insurance Eurasia and, as from the end of 2013, also for the insurance business in Japan. From 2006 to 2008 Mr Friese was employed by Ceska Pojistovna a.s. (Prague, Czech Republic) as chief executive officer and vice-chairman of the board of directors and was a member of the executive committee of Generali PPF Holding (Prague, Czech Republic). From 2003 to 2006 Mr Friese was employed by VNU/ACNielsen (Brussels, Belgium) as senior vice president and chief retail services officer Europe and he was a member of the European board. Before that, from 1993 to 2003, he worked at Aegon N.V. as a member of the board of directors of Aegon Levensverzekering N.V. (life insurance) in The Hague, the Netherlands and as senior vice-president of Aegon The Netherlands in Tokyo, Japan. Between 1988 and 1993 Mr Friese held various positions at insurance company NOG Verzekeringen (Amsterdam, the Netherlands). Mr Friese began his career in 1986 as a (junior) tax consultant at Kammer Luhrmann Van Dien & Co (now PwC) in Utrecht and Arnhem, the Netherlands. Mr Friese holds a Master of Law degree from Utrecht University (the Netherlands). Mr Friese is Dutch.

Delfin Rueda Arroyo was appointed to the Executive Board as chief financial officer on 1 March 2014. From 1 October 2013 until the legal merger between the Company and its subsidiary ING Verzekeringen N.V. he was a member of the management board and chief financial officer of ING Verzekeringen N.V. Mr Rueda has served as chief financial officer and as a member of the management board of ING Insurance Eurasia from 1 November 2012. Mr Rueda is responsible for NN's finance departments and investor relations. Prior to joining ING in November 2012, Mr Rueda served as chief financial and risk officer and as a member of the management board at Atradius (2005-2012). From 2000 to 2005, Mr Rueda served as senior vice-president of the Financial Institutions Group, Corporate Finance at J.P. Morgan. Prior to that, from 1993 to 2000, he was executive director of the Financial Institutions Group, Corporate Finance at UBS Investment Bank. Mr Rueda began his career with Andersen Consulting, which later became Accenture, as a (senior) consultant in strategic management services from 1987 to 1991. Mr Rueda has a degree in Economic Analysis and Quantitative Economics from the Complutense University of Madrid (Spain) and an MBA with a Finance major from the Wharton School, University of Pennsylvania (U.S.). Mr Rueda is Spanish.

Potential conflicts of interest

The Company is not aware of any actual or potential conflicts of interest between any duties owed by the members of the Executive Board to the Company and any private interests or other duties that such persons may have. There is no family relationship between any member of the Executive Board, the Management Board or the Supervisory Board.

Conflicting interests are considered to be absent and are not reported if a member of the Executive Board obtains financial products and services, other than loans, which are provided by any subsidiary of ING Groep or the Company in the ordinary course of business on terms that apply to all employees. In connection with the foregoing, 'loans' does not include financial products in which the granting of credit is of a subordinated nature, e.g. credit cards and overdrafts in current accounts, because of a lack of materiality.

Other information in relation to members of the Executive Board

The Company is not aware of: (a) any convictions of members of the Executive Board for fraudulent offences in the last five years; (b) any bankruptcies, receiverships or liquidations of any entities with which members of the Executive Board were associated in the last five years other than liquidation of companies within NN or ING in the ordinary course of business; or (c) any official public incrimination or sanctions of any members of the Executive Board by statutory or regulatory authorities (including designated professional bodies) or disqualification by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer in the last five years.

Commission contracts of the Executive Board

As at the date of this Prospectus, Lard Friese and Delfin Rueda are employed by ING Insurance Eurasia on the basis of an employment agreement for an indefinite term. These employment agreements will terminate on the Settlement Date. Both members of the Executive Board will enter into a commission contract (*overeenkomst van opdracht*) with the Company effective as per the Settlement Date. The commission contracts of the members of the Executive Board can be terminated with a notice period of six months. If the commission contract of a member of the Executive Board is terminated by the Company, the member of the Executive Board, in that capacity, will be eligible for a gross severance payment equal to his fixed annual salary at that time. However, such member of the Executive Board will not be eligible for such severance payment if, among other reasons, the contract is terminated owing to gross negligence or wilful misconduct or for a compelling reason as stated in Article 7:678 of the Dutch Civil Code.

Limitation of supervisory positions

Dutch legislation came into force on 1 January 2013 limiting the number of supervisory positions to be occupied by members of the executive boards of "large Dutch companies". The term "large Dutch company" applies to any Dutch company or Dutch foundation which at two consecutive balance sheet dates meets at least two of the following criteria: (i) the value of its assets, as given in its balance sheet (together with explanatory notes) on the basis of their acquisition price and production costs, is more than EUR 17.5 million; (ii) its net turnover in the applicable year is more than EUR 35 million; and (iii) the average number of employees in the applicable financial year is at least 250.

The new rules provide that (i) a person cannot be appointed as a an executive director of a large Dutch company if he already holds more than two supervisory positions at another large Dutch company or if he is the chairman of the supervisory board or one-tier board of another large Dutch company; and (ii) a person cannot be appointed as a supervisory director or non-executive director of a large Dutch company if he already holds five or more supervisory positions at another large Dutch company, whereby the position of chairman of the supervisory board or one-tier board of another large Dutch company is counted twice. An appointment in violation of these restrictions will result in that last appointment being void. Earlier appointments at other entities are not affected. The fact that an appointment is thus void does not affect the validity of decision-making. The Company qualifies as a large Dutch company. The members of the Executive Board comply with these rules because, among other things, they do not hold positions at other large Dutch companies.

Diversity policy

Dutch legislation came into force on 1 January 2013 requiring large Dutch companies to pursue a policy of having at least 30% of the seats on both the executive board and the supervisory board to be held by men and at least 30% of those seats to be held by women. This allocation of seats will be taken into account in connection with the following actions: (i) the appointment, or nomination for the appointment, of executive and non-executive directors; (ii) drafting the criteria for the size and composition of the executive board, as well as the designation, appointment, recommendation and nomination for appointment of non executive directors; and (iii) drafting the criteria for the non-executive directors. The Company currently does not meet these gender diversity targets. If the Company continues to fail to meet these requirements over the remainder of 2014 it will be required to explain in its 2014 annual report: (i) why the seats are not allocated in a well-balanced manner; (ii) how the Company has attempted to achieve a well-balanced allocation; and (iii) how the Company aims to achieve a well-balanced allocation in the future. This rule is temporary and will cease to have effect on 1 January 2016.

MANAGEMENT BOARD

Powers, responsibilities and functioning

The Management Board is entrusted with the day-to-day management of the Company and the overall strategic direction of the Company. In performing its duties, the Management Board must carefully consider and act in accordance with the interests of the Company and its associated business, taking into consideration the interests of all the stakeholders of the Company. The members of the Management Board acknowledge that the authority to manage the Company is vested in the Executive Board as a whole, notwithstanding that each of the members of the Management Board is responsible and accountable towards the Executive Board and within the Management Board for the specific tasks as assigned. The Management Board, through the CEO, is required to keep the Supervisory Board informed on important matters and the members of the Management Board will attend Supervisory Board meetings if so requested.

Meetings and decision-making

The Management Board may adopt resolutions with an absolute majority of votes cast at the meeting, if no unanimity can be reached. Management Board resolutions can only be validly adopted when at least one of the Executive Board members is present. A resolution of the Management Board comprising the votes in favour of the proposal of all members of the Executive Board, or if the Executive Board consists of more than two members, the majority of the members of the Executive Board, is considered to be a resolution of the Executive Board. Certain resolutions of the Management Board do require the votes in favour of the proposal of all members of the Executive Board, or if the Executive Board consists of more than two members, the majority of the members of the Executive Board. The Executive Board as a whole shall, subject to exceptions by law, remain responsible for the decisions prepared and resolutions adopted by the Management Board. The Executive Board, being the corporate body as referred to in Section 2:129 of the Dutch Civil Code, has ultimate responsibility for the management of the Company and reporting to the Supervisory Board and the Shareholders, including providing the General Meeting with information. The Executive Board has the authority to adopt resolutions independent from the Management Board.

The Management Board holds in principle one meeting every two weeks, or more (or less) often as deemed necessary or desirable for a proper functioning of the Management Board by one or more members of the Management Board, but not less than once a month. Under the charter of the Management Board, the members of the Management Board shall endeavour to achieve that resolutions are as much as possible adopted unanimously. When no unanimity can be reached and the Articles of Association, the charter of the Management Board or applicable law do not prescribe a larger majority, all resolutions of the Management Board shall be adopted by an absolute majority of the votes cast in a meeting at which at least a majority of the members of the Management Board are present or represented. Moreover, no decision may be taken or adopted if the decision relates to a matter belonging to the area of expertise or responsibility of a member of the Management Board who is not present or represented at the meeting, unless the proposal was approved by the relevant member beforehand.

Pursuant to the Executive Board Charter, the Executive Board has adopted rules regarding the role and responsibilities of the Management Board, its composition and the manner in which the Management Board performs its duties.

Composition, appointment, term and dismissal

The Executive Board must establish a Management Board consisting of the members of the Executive Board and such other members to be appointed by the Executive Board after consultation with the Supervisory Board. The number of members of the Management Board will be determined by the Executive Board. The Executive Board may grant titles to the members of the Management Board. The members of the Management Board may be suspended and dismissed by the Executive Board. Prior to the appointment, suspension or dismissal of a member of the Management Board, the Supervisory Board shall be consulted by the Executive Board.

Pursuant to the Relationship Agreement, the Management Board will as of the Settlement Date consist of seven members with the following titles: chairman and chief executive officer (CEO), chief financial officer (CFO), chief risk officer (CRO), chief change and organisation (CCO), chief executive officer NN Investment Partners, chief executive officer Netherlands Insurance and chief executive officer International Insurance.

Members of the Management Board

The following table sets forth the composition of the Management Board as at the Settlement Date. The Management Board will consist of the following members:

Management Board		
Name	**Position**	**Age**
E. (Lard) Friese	Chairman, chief executive officer (CEO)	51
Delfin Rueda Arroyo	Chief financial officer (CFO)	50
Stan Beckers	Chief executive officer NN Investment Partners	62
S.D. (Doug) Caldwell	Chief risk officer (CRO)	44
Dorothee E. de Graaff – van Vredenburch	Chief change and organisation (CCO)	49
David Knibbe	Chief executive officer Netherlands Insurance[1]	43
Vacancy	Chief executive officer International Insurance[2]	—

(1) Mr Knibbe's position as chief executive officer Netherlands Insurance will commence on 1 September 2014. For further details see to the biography of Mr Knibbe as set out below.

(2) The chief executive officer International Insurance will be responsible for Insurance Europe, Japan Life, Japan Closed Block VA and NN Re. Until this vacancy is filled, the following temporary measures will be implemented: Mr Knibbe will hold ad interim responsibility for Insurance Europe in addition to his new role as chief executive officer Netherlands Insurance as of 1 September 2014. Mr Caldwell will hold ad interim responsibility for Japan Closed Block VA and NN Re in addition to his role as chief risk officer. Japan Life will ad interim report directly to Mr Friese.

All references in this chapter to "Management Board" refer to the Management Board as of the Settlement Date. The business address of all members of the Management Board is the registered address of the Company at Amstelveenseweg 500, 1081 KL Amsterdam, the Netherlands.

All members of the Management Board have been appointed to the Management Board as from the Settlement Date for an indefinite period of time. As at the date of this Prospectus, there is one vacancy for the Management Board as regards the position of the chief executive officer International

Insurance. This position, once filled, will be responsible for Insurance Europe, Japan Life, Japan Closed Block VA and NN Re.

For information in respect of the members of the Executive Board who are also members of the Management Board, Mr Friese and Mr Rueda, see "*—Executive Board—Members of the Executive Board*".

S.D. (Doug) Caldwell has been appointed to the Management Board as chief risk officer as from the Settlement Date. From 1 October 2013 until the Settlement Date, he first was a member of the management board and chief risk officer of ING Verzekeringen N.V. and, after the legal merger between the Company and its subsidiary ING Verzekeringen N.V., of the Company. Since 1 December 2012, he has been chief risk officer and a member of the management board of ING Insurance Eurasia and is, until the new chief executive officer International Insurance joins, also responsible for Japan Closed Block VA and NN Re. Mr Caldwell is responsible for NN's overall risk framework with direct responsibility for the risk management departments. Mr Caldwell has been employed by ING since 1999 in various positions. From 2010 to 2012, he was chief risk officer of ING Insurance Asia Pacific, Hong Kong. Prior to joining ING, Mr Caldwell served as a consultant at Ernst & Young Accountants LLP in Atlanta (from 1990 to 1996) and as valuation actuary at ARM Financial Group in Louisville (from 1996 to 1999). Mr Caldwell has a degree in Mathematics from Auburn University (U.S.); he is a Fellow of the Society of Actuaries and is a Chartered Enterprise Risk Analyst. Mr Caldwell is a U.S. citizen.

Dorothee E. de Graaff – van Vredenburch has been appointed to the Management Board as chief change and organisation as from the Settlement Date. From 1 October 2013 until the Settlement Date, she first was a member of the management board of ING Verzekeringen N.V. and, after the legal merger between the Company and its subsidiary ING Verzekeringen N.V., of the Company. Mrs Van Vredenburch has also been a member of the management board of ING Insurance Eurasia since 1 November 2012. Mrs Van Vredenburch is responsible for NN's corporate development, HR and communications. Mrs Van Vredenburch joined ING in 2009 as managing director of Corporate Communications and Affairs (CC&A) of ING Groep and, from 2010, also of ING Insurance Eurasia. Prior to joining ING in 2009, Mrs Van Vredenburch served as managing director and chairman of the board for Citigate Europe (from 2001 to 2005) and in 2007 she founded RedZebra Group, a Netherlands-based consulting firm. Mrs Van Vredenburch started her career in 1987 as investment analyst at Amro International Services (London) and had similar roles at Swiss Bank Corporation and at Carnegie International Securities Ltd. in London until 1992. In 1993 she founded First Financial Communications B.V., a financial communications firm that later became part of the global marketing and communications Incepta Group (Citigate), which merged with Huntsworth Plc. Mrs Van Vredenburch holds a BTEC HND degree in Business and Finance from CCAT in Cambridge (UK). Mrs Van Vredenburch is Dutch.

Stan Beckers has been appointed to the Management Board as chief executive officer NN Investment Partners as from the Settlement Date. From 1 July 2013 until the Settlement Date, he was a member of the management board and chief executive officer of ING Investment Management International. Mr Beckers is responsible for NN's investment management business. Prior to joining ING in 2013, Mr Beckers held various positions in Barclays Global Investors which was later acquired by Blackrock. Mr Beckers served as co-head of Blackrock Solutions EMEA (2010-2013), he was chief investment officer of Barclays Global Investors Europe Active Equity Group (2008-2010) and he served as chief executive officer and chief investment officer of Alpha Management Group of Barclays Global Investors (2004-2007). From 2003 to 2004, Mr Beckers served as chief investment officer of Kedge Capital. From 2000 to 2003, Mr Beckers served as chief investment officer of WestLB Asset Management. Prior to that, from 1982 to 2000, he held various functions, the last one being chief executive officer of Barra Institutional Analytics. Mr Beckers started his career in 1979 as a professor of Finance at KU Leuven, Belgium. Over the past 25 years, Mr Beckers also has been a member of the Investment Committees at several pension funds and of the supervisory board at KAS Bank, Robeco, Econowealth and St Lawrence Trading Inc. Mr Beckers has a PhD in Business Administration from the University of California, Berkeley (U.S.) and has an engineering degree in Quantitative Methods and Computer Sciences from KU Leuven (Belgium). Mr Beckers is Belgian.

David Knibbe has been appointed to the Management Board as from the Settlement Date. From 1 January 2011 until 1 September 2014, he serves as chief executive officer of ING Insurance Europe. If on 1 September 2014 no new chief executive officer of International Insurance is appointed, he will also remain ad interim responsible for Insurance Europe until that vacancy is filled. From 1 September 2014, Mr Knibbe will be appointed as chief executive officer of Netherlands Insurance. In his role as chief executive officer Netherlands Insurance, Mr Knibbe will be responsible for NN's insurance and banking business in the Netherlands. He will also be responsible for IT globally. From 2010 to 2011, Mr Knibbe was general manager of Insurance Corporate Clients in the Netherlands. From 2007 to 2008, Mr Knibbe was general manager of Nationale Nederlanden Individual Life (retail life and individual pensions), which then became Intermediary Pensions and Retail Life with the addition of the SME pensions business in 2008. In 2009, Mr Knibbe became general manager Pensions with the addition of corporate pensions and removal of retail life from his area of responsibility. Prior to that, from 2004 to 2007, Mr Knibbe was director Income Insurances of Nationale Nederlanden. From 2002 to 2004, he was managing director of ING's life insurance and employee benefits joint venture with Piraeus Bank in Greece. Mr Knibbe was head of Investments of Central Holland of ING Bank from 2000 to 2002. Mr Knibbe started his professional career in 1997 when he joined ING, serving in various positions in investment management and banking. Mr Knibbe has a degree in Monetary Economics from the Erasmus University in Rotterdam (the Netherlands). Mr Knibbe is Dutch.

Potential conflicts of interest

The Company is not aware of any actual or potential conflicts of interest between any duties owed by the members of the Management Board to the Company and any private interests or other duties that such persons may have. There is no family relationship between any member of the Executive Board, the Management Board or the Supervisory Board.

Conflicting interests are considered to be absent and are not reported if a member of the Management Board obtains financial products and services, other than loans, which are provided by any subsidiary of ING Groep or the Company in the ordinary course of business on terms that apply to all employees. In connection with the foregoing, 'loans' does not include financial products in which the granting of credit is of a subordinated nature, e.g. credit cards and overdrafts in current accounts, because of a lack of materiality.

Other information in relation to members of the Management Board

The Company is not aware of: (a) any convictions of members of the Management Board for fraudulent offences in the last five years; (b) any bankruptcies, receiverships or liquidations of any entities with which members of the Management Board were associated in the last five years other than liquidation of companies within NN or ING in the ordinary course of business; or (c) any official public incrimination or sanctions of any members of the Management Board by statutory or regulatory authorities (including designated professional bodies) or disqualification by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer in the last five years.

SUPERVISORY BOARD

Powers, responsibilities and functioning

The Supervisory Board is responsible for supervising the management of the Executive Board and the general course of affairs of the Company and the business connected with it and providing advice to the Executive Board. The Supervisory Board may, on its own initiative, provide the Executive Board with advice and may request any information from the Executive Board that it deems appropriate. In performing its duties, the Supervisory Board must consider and act in accordance with the interests of the Company and the business connected with it, taking into consideration the relevant interests of all the stakeholders of the Company. The Executive Board must timely provide the Supervisory Board with the information necessary for the performance of its duties. At least once a year, the Executive Board must provide the Supervisory Board with a written report outlining the Company's strategy, the general and financial risks faced by the Company and the Company's management and control system.

The Supervisory Board will appoint one of its members as chairman. The Supervisory Board is assisted by the company secretary.

Meetings and decision-making

The Supervisory Board holds at least six meetings per year, or more often as deemed necessary or desirable by one or more members of the Supervisory Board or the Executive Board. If no larger majority is stipulated by Dutch law or pursuant to the Articles of Association or the Supervisory Board Charter (as defined below), the Supervisory Board may adopt resolutions with an absolute majority of the votes cast at the meeting. The Supervisory Board is only entitled to make decisions if at least half of its members are present or represented. In the event of a tie in voting the chairman will have a deciding vote, but only if more than two members of the Supervisory Board are present. The Supervisory Board may also adopt resolutions without having a meeting, provided such resolutions are adopted in writing and that the proposed resolution has been submitted to all members of the Supervisory Board entitled to vote, none of them opposes this manner of adopting a resolution and the majority of such members have voted in favour of the proposed resolution. At the first meeting of the Supervisory Board held after members of the Supervisory Board adopt a resolution without a meeting, the chairman of the meeting will communicate the result of the voting.

Pursuant to the Articles of Association, the Supervisory Board has adopted rules regarding its decision-making process and working methods as laid down in the charter of the Supervisory Board (the **Supervisory Board Charter**). The Supervisory Board Charter may be amended from time to time by resolution of the Supervisory Board to that effect. The Supervisory Board Charter is published on and can be downloaded from the Company's website (www.nn-group.com).

In the event of a conflict of interest between the Company and a member of the Supervisory Board, the relevant member of the Supervisory Board may not participate in deliberating or decision-making within the Supervisory Board. If all members of the Supervisory Board are conflicted, then the matter can nevertheless be decided upon by the Supervisory Board, provided with the consent of all members of the Supervisory Board in office.

Composition, appointment, term and dismissal

The Supervisory Board must consist of at least three members, with the total number of members of the Supervisory Board determined by the Supervisory Board. Only individuals (not legal entities) may be members of the Supervisory Board. The following persons cannot be appointed as Supervisory Board members: (a) persons in the service of the Company; (b) persons in the service of a dependent company (*afhankelijke maatschappij*); and (c) officials or persons in the service of a trade union which is usually involved in determining the terms of employment of the persons referred to under (a) and (b).

The members of the Supervisory Board are appointed by the General Meeting upon nomination of the Supervisory Board. The General Meeting and the Works Council may recommend candidates for nomination to the Supervisory Board. The Supervisory Board must simultaneously inform the General Meeting and the Works Council of the nomination. The nomination must state the reasons on which it is based. The Supervisory Board is required to nominate one-third of the Supervisory Board members on the enhanced recommendation (*versterkt aanbevelingsrecht*) of the Works Council, unless the Supervisory Board objects to the recommendation on the grounds that the recommended candidate is not suitable to fulfil the duties of a member of the Supervisory Board or that the Supervisory Board will not be properly composed if the nominated candidate would be appointed.

The General Meeting may reject the nomination of a Supervisory Board member by an absolute majority of the votes cast by Shareholders representing at least one-third of the Company's issued share capital. If the General Meeting resolves to reject the nomination by an absolute majority of the votes cast, but this majority does not represent at least one-third of the Company's issued share capital, a new meeting can be convened in where the nomination can be rejected by an absolute majority of the votes cast, irrespective of the part of the Company's issued share capital represented. If the General Meeting resolved to reject the recommendation, the Supervisory Board will then prepare a new nomination. If the General Meeting does not appoint the person nominated by the

Supervisory Board and does not resolve to reject the nomination, the Supervisory Board will appoint the person nominated.

A member of the Supervisory Board is appointed for a maximum period of four years, and unless the member of the Supervisory Board resigns earlier, his appointment shall end at the close of the first General Meeting after expiry of the term of his appointment. The members of the Supervisory Board retire periodically in accordance with a rotation plan drawn up by the Supervisory Board. The Supervisory Board has adopted a profile (*profielschets*) of its size and composition, taking account of the nature of the business, its activities and the desired expertise and background of the members of the Supervisory Board. Each modification of the profile will be discussed with the General Meeting and the Works Council. With each appointment of a member of the Supervisory Board, the profile must be taken into account. The Supervisory Board profile is published on and can be downloaded from the Company's website (www.nn-group.com).

Pursuant to the Relationship Agreement, the Supervisory Board will as of the Settlement Date consist of seven members. ING Groep has the right to nominate three Supervisory Board members (each an **ING Groep Nominated Supervisory Board Member**) and to nominate and propose replacements for ING Groep Nominated Supervisory Board Members. The Supervisory Board will furthermore consist of four independent Supervisory Board members. The Supervisory Board will appoint one of the four independent members of the Supervisory Board as chairman.

As of the Settlement Date, the Works Council will only exercise its enhanced recommendation right in respect of one independent member of the Supervisory Board. The Works Council agreed that it will only further exercise its enhanced recommendation right upon the date on which ING Groep's (direct or indirect) holding of Ordinary Shares falls below 35% of the issued Ordinary Shares and an ING Groep Nominated Supervisory Board Member resigns in accordance with the arrangement as further described below, in respect of the replacement for such ING Groep Nominated Supervisory Board Member.

ING Groep's right to nominate the ING Groep Nominated Supervisory Board Members and to nominate and propose replacements for ING Groep Nominated Supervisory Board Members lapses if and when ING Groep's (direct or indirect) holding of Ordinary Shares falls below 15% of the issued Ordinary Shares. If ING Groep's (direct or indirect) holding of Ordinary Shares falls between 15% and 35% of the issued Ordinary Shares, ING Groep's rights will be limited to two ING Groep Nominated Supervisory Board Members. The nomination rights of ING Groep will not revive should ING Groep's shareholding subsequently re-exceed the relevant thresholds.

Upon appointment, each member of the Supervisory Board will sign a deed of adherence in which he or she confirms to the Company that he or she (a) undertakes to observe all the provisions of the Relationship Agreement applicable to a member of the Supervisory Board, (b) undertakes to comply with the Supervisory Board Charter and (c) is aware of the duties of a member of the supervisory board of a Dutch company, as set out in section 2:140 of the Dutch Civil Code.

The Supervisory Board may suspend a member of the Supervisory Board. The suspension will lapse by law if the Company has not submitted a petition to the Commercial Division of the Amsterdam Court of Appeal (*Ondernemingskamer van het Gerechtshof te Amsterdam*) within one month after commencement of the suspension. The General Meeting can, by an absolute majority of votes cast, representing at least one-third of the issued share capital, resolve to abandon its trust (*het vertrouwen opzeggen*) in the entire Supervisory Board. A resolution to dismiss the Supervisory Board for lack of confidence cannot be adopted until the Executive Board has notified the Works Council of the proposal for the resolution and the reasons therefor. If the General Meeting dismisses the Supervisory Board members for lack of confidence, the Executive Board must request the Commercial Division of the Amsterdam Court of Appeal to temporarily appoint one or more Supervisory Board members.

Members of the Supervisory Board

As at the date of this Prospectus, the Supervisory Board consists of Jeroen van der Veer (chairman), Henk Breukink, Isabel Martín Castellá, Carin Gorter, Jan Holsboer, Joost Kuiper, Hermann-Josef Lamberti, Robert Reibestein, Yvonne van Rooy and Eric Boyer de la Giroday. The table below sets forth the composition of the Supervisory Board as at the Settlement Date. As at the Settlement Date, the Supervisory Board will consist of Mr Holsboer, Mrs Van Rooy, Mr Hamers, Mr Flynn and Mr Nagel, Mr Hauser and Mr Schoen. The term of each of the members of the Supervisory Board will terminate at the close of the General Meeting in the year indicated below.

All references in this chapter to "Supervisory Board" refer to the Supervisory Board as of the Settlement Date, unless indicated otherwise. The business address of all members of the Supervisory Board is the registered address of the Company at Amstelveenseweg 500, 1081 KL Amsterdam, the Netherlands.

Mr Holsboer and Mrs Van Rooy were appointed to the Supervisory Board on 1 March 2014. Before that, Mr Holsboer and Mrs Van Rooy were members of the supervisory board of the Company's former subsidiary ING Verzekeringen N.V., which entity ceased to exist as a result of the legal merger between the Company and ING Verzekeringen N.V., see "*General Information—The Company*". All other members of the Supervisory Board have been appointed to the Supervisory Board as from the Settlement Date. As per the Settlement Date, Mr Holsboer and Mrs Van Rooy will resign as supervisory board members of ING Groep, ING Bank N.V. and ING Insurance Eurasia.

Supervisory Board

Name	Position	Age	Date of appointment	Termination/ reappointment date
J.H. (Jan) Holsboer	Chairman (independent)	67	1 March 2014	2016
Y.C.M.T. (Yvonne) van Rooy	Member (independent, nominated by the Works Council)	62	1 March 2014	2016
R.A.J.G. (Ralph) Hamers	Member (nominated by ING Groep)	47	Settlement Date	2017
P.G. (Patrick) Flynn	Member (nominated by ING Groep)	53	Settlement Date	2017
W.F. (Wilfred) Nagel	Member (nominated by ING Groep)	57	Settlement Date	2017
H.-J. (Heijo) Hauser	Member (independent)	58	Settlement Date	2018
J.W. (Hans) Schoen	Member (independent)	59	Settlement Date	2018

J.H. (Jan) Holsboer was appointed to the Supervisory Board on 1 March 2014. From 14 May 2012 until the legal merger between the Company and its subsidiary ING Verzekeringen N.V., he was a member of the supervisory board of ING Verzekeringen N.V. From 14 May 2012 until the Settlement Date, Mr Holsboer is also be a member of the supervisory board of ING Groep, ING Bank and ING Insurance Eurasia. Previously, Mr Holsboer was a member of the executive board of Univar N.V. and from 1990 until 1999 he was a member of the executive boards of Nationale Nederlanden and ING Groep. Besides being a member of the Supervisory Board, Mr Holsboer is non-executive (senior independent) director of PartnerRe Ltd (Bermuda), chairman of the supervisory board of TD Bank N.V., non-executive director of YAFA S.p.A. (Turin, Italy), a member of the supervisory board of YAM Invest N.V., chairman of the supervisory board of Vither Hyperthermia B.V. and chairman of the board of Foundation Imtech. Mr Holsboer is Dutch.

Y.C.M.T (Yvonne) van Rooy was appointed to the Supervisory Board on 1 March 2014. From 14 May 2012 until the legal merger between the Company and its subsidiary ING Verzekeringen N.V., she was a member of the supervisory board of ING Verzekeringen N.V. From 14 May 2012 until the Settlement Date, Mrs Van Rooy is also a member of the supervisory board of ING Groep, ING Bank and ING Insurance Eurasia. Besides being a member of the Supervisory Board, Mrs Van Rooy is chairperson of Nederlandse Vereniging van Ziekenhuizen (Dutch association of hospitals), a member of the board of Trust Foundation Koninklijke Brill N.V., a member of the board of Royal Concertgebouw Orchestra, a member of the advisory board of Nexus Institute, a member of the board of Stichting Instituut GAK, a member of the advisory board of Stichting Nationaal Fonds Kunstbezit and a member of the Public Interest Committee of PwC. Mrs Van Rooy's previous positions include, among others, Minister of Foreign Trade, member of the Dutch Parliament and member of the European Parliament. She was also President of Utrecht University. Mrs Van Rooy is Dutch.

R.A.J.G. (Ralph) Hamers has been appointed as a member of the Supervisory Board as from the Settlement Date. He has served as chairman of the Executive Board since 1 October 2013. Mr Hamers is also a member of the executive boards of ING Groep, ING Bank and, until the Settlement Date, of ING Insurance Eurasia and until the legal merger between Company and its subsidiary ING Verzekeringen N.V., he was a member of the management board of ING Verzekeringen N.V., all since 13 May 2013. On 1 October 2013, he succeeded Mr Hommen as chairman and chief executive officer of these companies. Mr Hamers has been employed by ING since 1991 in various positions, most recently as chief executive officer of ING Belgium and Luxembourg from 2011 to 2013 and as head of Network Management for Retail Banking Direct and International from 2010 to 2011. Mr Hamers holds a Master of Science degree in Business Econometrics/Operations Research from Tilburg University (the Netherlands). Mr Hamers is Dutch.

P.G. (Patrick) Flynn has been appointed as a member of the Supervisory Board as from the Settlement Date. From 29 March 2011 until the Settlement Date, he is a member of the management board of the Company and until 1 October 2013 he was also chief financial officer of the Company. From 27 April 2009 until the legal merger between the Company and its subsidiary ING Verzekeringen N.V., he was a member of the management board of ING Verzekeringen N.V. Mr Flynn also serves as a member and chief financial officer on the executive boards of ING Groep and ING Bank. From 30 March 2011 until the Settlement Date, he is also a member of the management board of ING Insurance Eurasia. Prior to joining ING, Mr Flynn was employed by HSBC from 1989 to 2009 serving as chief financial officer for HSBC's banking and insurance operations in South America from 2002 to 2007, and ultimately advanced to chief financial officer of HSBC's London-based global insurance business from 2007 to 2009. From 1984 to 1989 he was employed by KPMG in Dublin, Ireland. Mr Flynn holds a Bachelor's degree in Business Studies from Trinity College Dublin (Ireland). Further, he is a fellow of the Institute of Chartered Accountants, Ireland and a member of the Association of Corporate Treasurers (UK). Mr Flynn is Irish.

W.F. (Wilfred) Nagel has been appointed as a member of the Supervisory Board as from the Settlement Date. From 5 October 2011 until the Settlement Date, he is a member of the management board of the Company and until 1 October 2013 he was also chief risk officer of the Company. From 5 October 2011 until the legal merger between the Company and its subsidiary ING Verzekeringen N.V., he was a member of the management board of ING Verzekeringen N.V. Mr Nagel also serves as a member and chief risk officer on the executive boards of ING Groep and ING Bank from 14 May 2012 and 5 October 2011, respectively. From 5 October 2011 until the Settlement Date he is also a member of the management board of ING Insurance Eurasia. Mr Nagel has been employed by ING since 1991 in various positions. From January 2010 to October 2011 he was chief executive officer of ING Bank Turkey and from 2005 to 2010 he was chief executive officer of ING Wholesale Bank Asia. From 2008 to 2011, Mr Nagel was a member of the supervisory board of TMB Bank. From 1981 to 1991, he was employed by ABN AMRO Bank N.V. (and its predecessor Amro Bank), most recently as head of Aerospace and Structured Finance. Mr Nagel holds a Master's degree in Economics from VU University Amsterdam (the Netherlands). Mr Nagel is Dutch.

H.J. (Heijo) Hauser has been appointed as member of the Supervisory Board as from the Settlement Date. From January 1991 until June 2011, Mr Hauser was managing director of Towers Watson in Germany. From September 1987 until December 1990, Mr Hauser was managing director of Metro in Germany. Other previous positions include sales director of Deutsche Krankenversicherung and marketing actuary of Victoria Lebensversicherung. Mr Hauser holds a Master's degree in Mathematics from the Ruhr University of Bochum (Germany). Mr Hauser is German.

J.W. (Hans) Schoen has been appointed as member of the Supervisory Board as from the Settlement Date. From September 1977 until October 2008, Mr Schoen worked at KPMG Accountants and was a partner from January 1989 onwards. He specialised in providing audit and advisory services to domestic and foreign insurance companies. Other former significant positions of Mr Schoen include member and chairman of several insurance industry committees of the NIVRA and the Dutch Accounting Standard Boards, member of the governmental advice committee Traas in respect of the financial and prudential reporting obligations of Dutch insurance companies, and member of several advisory committees of the IASC/IASB on insurance company financial reporting requirements. After having been a member of the Technical Expert Group of EFRAG in Brussels (Belgium) for six years, he became the part-time acting director of research of this group. Mr Schoen holds a degree in

Economics and a Postdoctoral degree in Accountancy from the University of Amsterdam (the Netherlands). Mr Schoen is Dutch.

Potential conflicts of interest

Other than the fact that the three ING Groep Nominated Supervisory Board Members are not independent within the meaning of the Code, because they are former members of the Executive Board of the Company, the Company is not aware of any actual or potential conflicts of interests between any duties owed by the members of the Supervisory Board to the Company and any private interests or other duties that such person may have. There is no family relationship between any member of the Executive Board, the Management Board or the Supervisory Board.

Conflicting interests are considered to be absent in case of a relationship that a member of the Supervisory Board may have with any subsidiary of ING Groep or the Company as an ordinary, private individual, with the exception of any loans that may have been granted.

Other information in relation to members of the Supervisory Board

On 21 December 2012, Mr Schoen received a warning from the Accountancy Division (*Accountantskamer*), the professional disciplinary body for registered accountants and accounting consultants, following complaints made by the AFM. The Accountancy Division issued a warning to Mr Schoen for breaching the fundamental principle of expert knowledge and due care in his role as external auditor of Stichting Philips Pensioenfonds by insufficiently testing the objectivity of the external valuator for the valuation of certain real estate investments in the 2006 financial statements of Stichting Philips Pensioenfonds. Mr Schoen and the AFM both lodged an appeal against the decision of the Accountancy Division with the Administrative High Court for Trade and Industry.

Other than the above, the Company is not aware of: (a) any convictions of members of the Supervisory Board for fraudulent offences in the last five years; (b) any bankruptcies, receiverships or liquidations of any entities with which members of the Supervisory Board were associated in the last five years; or (c) any official public incrimination or sanctions of any members of the Supervisory Board by statutory or regulatory authorities (including designated professional bodies) or disqualification by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer in the last five years.

SUPERVISORY BOARD COMMITTEES

General

The Supervisory Board has established from among its members four committees: the Audit Committee, the Risk Committee, the Nomination and Corporate Governance Committee and the Remuneration Committee. The function of these committees is to prepare the discussion and decision-making of the Supervisory Board. The by-laws and membership of these committees will be constituted as follows upon the Settlement Date.

Audit Committee

The Audit Committee assists the Supervisory Board in supervising the activities of the Executive Board with respect to: (a) the structure and operation of the internal risk-management and control systems, (b) the financial-reporting process and the establishment and maintenance of the internal controls over financial reporting, (c) the preparation and disclosure of periodic financial reports and any ad hoc financial information and the disclosure of other information on matters that may substantially influence the price of any listed security issued by the Company to the relevant parties in the financial markets, (d) the implementation of any recommendation made by the external auditor and in compliance with legislation and regulations applicable to the Company and its subsidiaries, (e) the Company's corporate structure, (f) administering the Company's relationship with the Company's external auditor, including its nomination, determining its remuneration and handling any conflicts of interest between the Company's external auditor and the Company or its subsidiaries, (g) determining, together with the Executive Board, the corporate governance structure of the Company and (h) ensuring that procedures are established for the receipt, recording and handling of complaints regarding accounting, internal accounting controls or auditing matters or the violation of internal or external matters.

The Audit Committee will meet as often as it determines, but at least quarterly before the publication of the Company's annual accounts, the Company's semi-annual accounts and quarterly statements. The Audit Committee will meet at least once a year with the Company's external auditor.

The Audit Committee consists of three members, of which at least one member shall be a financial expert (as specified in the charter of the Audit Committee). All members of the Audit Committee, with the exception of not more than one person, shall be independent within the meaning of the Code. The chairman of the Audit Committee may not be the chairman of the Supervisory Board.

Pursuant to the Relationship Agreement, the Audit Committee will comprise one ING Groep Nominated Supervisory Board Member until the date on which ING Groep's (direct or indirect) holding of Ordinary Shares falls below 20% of the issued Ordinary Shares. The relevant ING Groep Nominated Supervisory Board Member will be the chairman of the Audit Committee until the date on which ING Groep is no longer required under IFRS to consolidate the Company's financial statements with its financial statements. The roles and responsibilities of the Audit Committee as well as the composition are set out in the charter of the Audit Committee included in the Supervisory Board Charter.

The members of the Audit Committee upon the Settlement Date will be Mr Flynn (chairman), Mr Hauser and Mr Schoen.

Risk Committee

The Risk Committee assists the Supervisory Board in supervising the activities of the Executive Board with respect to the Company's strategy, its financial policies and risk policies, including the risks inherent in its business activities and the financing of the Company.

The Risk Committee will meet as often as it determines, but at least four times a year. Meetings can also take place when the chairman of the Risk Committee deems it necessary or upon request of the Supervisory Board or the CEO of the Company.

The Risk Committee consists of three members. All members of the Risk Committee, with the exception of not more than one person, shall be independent within the meaning of the Code.

Pursuant to the Relationship Agreement, the Risk Committee will comprise one ING Groep Nominated Supervisory Board Member until the date on which ING Groep's (direct or indirect) holding of Ordinary Shares falls below 20% of the issued Ordinary Shares. The relevant ING Groep Nominated Supervisory Board Member will be the chairman of the Risk Committee until the date on which ING Groep is no longer required under IFRS to consolidate the Company's financial statements with its financial statements.

The roles and responsibilities of the Risk Committee as well as the composition are set out in the charter of the Risk Committee included in the Supervisory Board Charter.

The members of the Risk Committee upon the Settlement Date will be Mr Nagel (chairman), Mr Hauser and Mr Schoen.

Nomination and Corporate Governance Committee

The Nomination and Corporate Governance Committee assists the Supervisory Board in supervising the activities of the Executive Board with respect to: (a) selecting and nominating candidates for appointment to the Executive Board, and suspending or proposing to dismiss Executive Board members as well as taking measures to manage the Company if the Executive Board is unable to perform its duties, (b) determining the number of Executive Board members after consultation with the Executive Board and designating the division of tasks within the Executive Board, (c) selecting and nominating candidates for appointment or reappointment to the Supervisory Board as well as proposing to suspend or dismiss Supervisory Board members, (d) ensuring the corporate governance of the Company as a whole and the policy on which it is based is fully transparent and described in the annual report and to the General Meeting, (e) performing an annual evaluation of the corporate governance of the Company as a whole and (f) ensuring that an annual evaluation by the Supervisory Board of the corporate governance of the Executive Board, the governance relations between the Executive Board and the Supervisory Board and of the functioning of the Supervisory Board and its Committees takes place.

The Nomination and Corporate Governance Committee will meet at least twice a year, provided that at least one meeting will be held shortly prior to the Supervisory Board meeting where the annual report and the agenda for the General Meeting are determined and one meeting will be devoted to policies and procedures. Meetings can also take place when the chairman of the Nomination and Corporate Governance Committee deems it necessary or upon request of the Supervisory Board or the CEO of the Company.

The Nomination and Corporate Governance Committee consists of three members. No more than one member may be not independent (as specified in the Supervisory Board Charter). Such member may not be appointed as chairman of the Nomination and Corporate Governance Committee.

Pursuant to the Relationship Agreement, the Nomination and Corporate Governance Committee will comprise one ING Groep Nominated Supervisory Board Member until the date on which ING Groep's (direct or indirect) holding of Ordinary Shares falls below 20% of the issued Ordinary Shares. The roles and responsibilities of the Nomination and Corporate Governance Committee as well as the composition are set out in the charter of the Nomination and Corporate Governance Committee included in the Supervisory Board Charter.

The members of the Nomination and Corporate Governance Committee upon the Settlement Date will be Mr Holsboer (chairman), Mr Hamers and Mrs Van Rooy.

Remuneration Committee

The Remuneration Committee assists the Supervisory Board in (a) designing the remuneration policy for Executive Board members and proposing such policy for adoption to the General Meeting and (b) implementing and evaluating the remuneration policy for Executive Board members, including determining the remuneration and other terms and conditions of employment of the Executive Board members, as well as readjusting and/or reclaiming any variable remuneration payable or paid to Executive Board members and (c) supervising and advising the Executive Board with respect to the remuneration of employees (including certain senior managers and identified staff).

The Remuneration Committee will meet at least twice a year, provided that at least one meeting will be held shortly prior to the Supervisory Board meeting where the annual report and the agenda for the General Meeting are determined and one meeting will be devoted to policies and procedures. Meetings can also take place when the chairman of the Remuneration Committee deems it necessary or upon request of the Supervisory Board or the CEO of the Company.

The Remuneration Committee consists of three members. No more than one member may be not independent (as specified in the Supervisory Board Charter), or be an executive board member of another Dutch listed company, or a former member of the Executive Board and/or chairman of the Supervisory board. Such member may not be appointed as chairman of the Remuneration Committee.

Pursuant to the Relationship Agreement, the Remuneration Committee will comprise one ING Groep Nominated Supervisory Board Member until the date on which ING Groep's (direct or indirect) holding of Ordinary Shares falls below 20% of the issued Ordinary Shares.

The roles and responsibilities of the Remuneration Committee as well as the composition are set out in the rules for the Remuneration Committee included in the Supervisory Board Charter.

The members of the Remuneration Committee upon the Settlement Date will be Mrs Van Rooy (chairman), Mr Flynn and Mr Holsboer.

REMUNERATION

Remuneration of the Executive Board

Former compensation scheme

Until 31 December 2013, the Executive Board's remuneration consisted, in accordance with the remuneration policy of the Executive Board, of a combination of (a) fixed remuneration, (b) variable remuneration, (c) pension and (d) other emoluments.

Variable remuneration

The remuneration policy for the Executive Board provided for a balanced mix between fixed and variable remuneration. Variable remuneration could not exceed 100% (as a maximum) of fixed salary at the time of allocation. Fixed compensation was determined in line with the relevant market environment as an integral part of total direct compensation, and was reviewed from time to time by the Supervisory Board. Subject to applicable restrictions, the variable remuneration target opportunity of the members of the Executive Board was set to a certain percentage of their base salary. If performance criteria (as predetermined by the Supervisory Board) are exceeded, the variable component could be increased from target to maximum, not exceeding 100% (as a maximum) of base salary at the time of allocation.

The remuneration policy for the Executive Board combined the short and long-term variable components into one structure. This structure intended to support both long-term value creation and short-term company objectives. The emphasis on long-term performance indicators within the variable component of the compensation package was increased by means of deferral, a reasonableness test and claw back mechanisms.

The allocation of variable remuneration was conditional on the achievement of a number of performance objectives. These objectives were linked to four broad categories, as follows:

1. **Financial measures**: these were linked to the key financial performance measures agreed with the Supervisory Board for the year 2013;

2. **Customer & Society measures**: this included measures such as customer suitability and net promotor score as well as sustainability initiatives;

3. **Operations & Processes**: this included such projects as preparation for the Offering and cost reduction initiatives; and

4. **Organisation & People**: this included items such as focus on employee engagement and the organisation to be ready to become a standalone company.

The short-term component, at maximum 40% of total variable remuneration, was equally divided between cash (i.e. the upfront cash element) and shares (i.e. the upfront shares element) and awarded in the year following the performance year.

The other 60% of the total variable remuneration was deferred and also equally divided between cash (i.e. the deferred cash element) and shares (i.e. the deferred shares element). This long-term component was intended to serve the objective of retaining the members of the Executive Board for a longer period of time. The value of the stock award was set such that total variable remuneration at the time that the maximum number of shares to be granted as determined would stay within the 100% limit. The component was subject to a tiered vesting on the first, second and third anniversary of the grant date (one-third per annum). The entire long-term component was subject to an ex-post performance assessment by the Supervisory Board. The ex-post performance assessment could not lead to an upward adjustment of the value of the cash deferred portion or the number of deferred shares.

To all share awards granted to Executive Board members in their capacity as member of the Executive Board, a retention period of five years from the grant date was applicable. However, they were allowed to sell part of their depositary receipts at the date of vesting to pay tax over the vested share award.

The actual award was determined based on the Executive Board member's individual financial and non-financial objectives, business line/business unit objectives and the results of ING and NN. The upfront cash element was normally paid in May following the relevant performance year. The upfront shares element was awarded by ING Groep in the form of unconditional ING Groep shares normally in May of the year following the relevant performance year. As set out above, these shares are subject to a retention period of five years following the date of the award.

The deferred cash was normally awarded in April of the year following the relevant performance year in the form of conditional rights to receive an amount of cash. The deferred shares were normally awarded by ING Groep in May of the year following the relevant performance year in the form of conditional rights to receive ING Groep shares. As set out above, both the deferred cash and deferred shares components were subject to a tiered vesting schedule and vested in three approximately equal instalments on the first, second and third anniversary of the date of grant. After vesting, the deferred shares were subject to a retention period of five years following the date of award. All variable pay elements, with the exception of upfront cash, were awarded under the terms and conditions of the ING Long-Term Sustainable Performance Plan or an equivalent Executive Board or Management Board arrangement (**LSPP**).

Prior to 1 January 2011, ING Groep granted performance shares and options to the members of the Executive Board, being conditional rights to depositary receipts for ING Groep shares under the LSPP and the Long-Term Equity Ownership Plan (**LEO Plan**).

Pension scheme

The members of the Executive Board participated in a defined contribution plan. Executive Board members as well as senior directors contributed to the premium costs by paying the same percentage of employee contribution as employees falling under the scope of the NN collective labour agreement.

Other emoluments

Members of the Executive Board were eligible for a range of other emoluments such as the use of company cars and, if applicable, expatriate allowances. Members of the Executive Board obtained services from the Company's subsidiaries provided by such companies in the ordinary course of their business and on terms that apply to other employees of NN. In addition, tax and financial planning services were provided to the members of the Executive Board to ensure compliance with the relevant legislative requirements.

Remuneration awarded in respect of the 2013 performance year

Fixed and variable remuneration

The table below sets out the remuneration (including any contingent or deferred compensation) paid by NN to each member of the Executive Board for their services to NN for the year ended 31 December 2013. The variable remuneration paid and granted, i.e. the upfront cash paid and the upfront shares granted and the deferred cash and deferred shares granted, in the year 2014 relates to the performance year 2013. Base salary and upfront cash have been paid and deferred cash has been granted by ING Insurance Eurasia, a direct subsidiary of the Company, and upfront shares and deferred shares have been granted by ING Groep. The table below also sets out the pension costs in relation to each member of the Executive Board and aggregate details on other emoluments paid by NN for the year ended 31 December 2013.

Remuneration Executive Board 2013 (including any contingent or deferred compensation)				
(in EUR and gross)	**Base salary**	**Variable remuneration granted**[1]	**Pension costs**	**Other emoluments**
E. (Lard) Friese	786,250[2]	625,000	186,917[3]	75,133
Delfin Rueda Arroyo	700,000	490,000	140,651[4]	74,559

(1) Payments and grants in 2014 in relation to the performance year 2013. The table below sets out the various elements of the variable remuneration paid and granted.

(2) Base salary until 1 October 2013 was EUR 765,000 gross. Base salary after 1 October 2013 was EUR 850,000 gross following the appointment of Mr Friese as vice chairman.

(3) The total pension costs for Mr Friese were EUR 209,489 of which EUR 186,917 were employer costs and the remainder is the contribution by Mr Friese.

(4) The total pension costs for Mr Rueda were EUR 160,705 of which EUR 140,651 were employer costs and the remainder is the contribution by Mr Rueda.

The table below sets out the various elements of the variable remuneration paid and granted in the year 2014, relating to the performance year 2013, as referred to in the table above.

Variable remuneration paid and granted to the Executive Board 2013					
(in EUR and gross)	**Upfront cash paid**	**Upfront ING Groep shares granted**[1&2]	**Deferred cash granted**	**Deferred ING Groep shares granted**[2]	**Total**
E. (Lard) Friese	125,000	125,000	187,500	187,500	625,000
Delfin Rueda Arroyo	98,000	98,000	147,000	147,000	490,000

(1) Upfront ING Groep shares that were granted were immediately vested but are subject to a five year holding restriction.

(2) Both upfront ING Groep shares and deferred ING Groep shares were awarded at a stock price of EUR 10,46. Additionally, members of the Executive Board were allowed to sell part of their upfront ING Groep shares immediately on award to pay taxes due in respect of the upfront ING Groep share award.

The members of the Executive Board currently have no outstanding loans with NN.

Remuneration awarded in respect of previous performance years (2012 and before), outstanding as at 31 December 2013

The amounts stated in this paragraph consist of outstanding deferred cash entitlements, outstanding ING Groep equity entitlements and outstanding ING Groep options as at 31 December 2013 and do not include vested remuneration, including that which has vested and is subject to holding restrictions. On 31 December 2013 the total number of ING Groep shares held in a blocked account subject to holding restrictions as required under the CRD III regulations (and not including those that relate to upfront shares awarded in respect of the 2013 performance year) was 17,826 for Mr Friese and was 14,907 for Mr Rueda.

Deferred cash awarded in respect of performance years 2011 and 2012

ING Insurance Eurasia granted deferred cash awards to members of the Executive Board after 1 January 2012. The table below sets out the outstanding deferred cash entitlements at 1 January 2013, the deferred cash granted during 2013 in relation to the performance year 2012, the deferred cash paid during 2013 in relation to earlier performance years and the outstanding deferred cash entitlements at 31 December 2013. Any deferred cash granted in 2014 in relation to the performance year 2013 are not included here but in the table "Remuneration Executive Board 2013 (including any contingent or deferred compensation)" above.

Deferred cash				
(in EUR and gross)	**Balance at 1 January 2013**	**Granted during 2013**	**Paid during 2013**	**Balance at 31 December 2013**
E. (Lard) Friese	181,305	76,500	60,435	197,370
Delfin Rueda Arroyo[1]	150,000	0	50,000	100,000

(1) This relates to the 'buy-out' that Mr Rueda received as compensation for deferred compensation that he would have received had he not resigned from his former employer. The buy-out award consists of two components: (i) a short-term component with a monetary value of EUR 200,000 gross as per 1 November 2012 and a long-term component with a monetary value of EUR 300,000 gross as per 1 November 2012. The long-term component will vest during a 3-year period, whereby one-third will vest on each of the first, second and third anniversary of the buy-out award.

Deferred share awards awarded in respect of performance years 2010, 2011 and 2012

ING Groep granted deferred share awards in respect of ING Groep shares to the members of the Executive Board after 1 January 2011. The table below sets out the outstanding deferred share entitlements at 1 January 2013, the deferred shares granted during 2013 in relation to the performance year 2012, the deferred shares transferred during 2013 in relation to earlier performance years and the outstanding deferred share entitlements at 31 December 2013. Any deferred shares granted in 2014 in relation to the performance year 2013 are not included here but in the table "Remuneration Executive Board 2013 (including any contingent or deferred compensation)" above.

Deferred ING Groep shares				
(number of ING Groep deferred shares)	**Balance at 1 January 2013**	**Granted during 2013**	**Transferred or settled during 2013[1]**	**Balance at 31 December 2013**
E. (Lard) Friese	43,747	11,284	17,512	37,519
Delfin Rueda Arroyo	21,930	0	7,310	14,620

(1) Vested ING Groep shares are subject to a retention period of five years from the original grant date as applicable. Additionally, members of the Executive Board were allowed to sell part of their ING Groep shares at the date of vesting to pay tax over the vested ING Groep share award.

Option rights (LEO Plan) awarded in 2009 and 2010 in respect of performance years 2008 and 2009

ING Groep granted option rights on ING Groep shares under the LEO Plan to Mr Friese prior to 1 January 2011. The existing option schemes through 2011 will run off in the coming years. The option rights are valid for a period of ten years. Option rights that are not exercised within this period will lapse. Option rights granted will remain valid until the expiry date, even if the scheme is discontinued. The exercise price of the options is the same as the quoted prices of ING Groep shares at the date on which the options were granted. The table below sets out the outstanding options at 1 January 2013 and the applicable exercise price (reference is made to the first column), options exercised and options expired in 2013 and the outstanding options at 31 December 2013.

ING Groep Options LEO Plan				
(number of ING Groep options)	**Balance at 1 January 2013**	**Exercised during 2013**	**Expired during 2013**	**Balance at 31 December 2013**
E. (Lard) Friese				
2009 (EUR 2.90)	145,884	0	0	145,884
2010 (EUR 7.35)	161,136	0	0	161,136

In 2013, no payments were made to members of the Executive Board by NN in respect of exercised options.

Performance share awards LSPP and LEO awarded in 2010 and 2011 in respect of performance years 2009 and 2010

ING Groep granted performance share awards in respect of ING Groep shares under the LSPP and LEO Plan to Mr Friese prior to 1 January 2012. The table below sets out the outstanding performance share entitlements at 1 January 2013, vested performance share entitlements in 2013 and the outstanding performance share entitlements at 31 December 2013.

ING Groep Performance shares LEO Plan/LSPP			
(number of ING Groep performance shares)	**Balance at 1 January 2013**	**Vested during 2013**	**Balance at 31 December 2013**
E. (Lard) Friese			
2010 – LEO Plan performance shares	63,191	63,191	0
2011 – LSPP performance shares	56,118	28,058	28,060

Current compensation scheme

As per 1 January 2014, the Executive Board's remuneration consists, in accordance with the remuneration policy of the Executive Board, of a combination of (a) fixed remuneration, (b) variable remuneration, (c) pension and (d) other emoluments.

Variable remuneration

The variable remuneration structure as per 1 January 2014 is equal to the variable remuneration structure prior to that date. See "*—Remuneration—Remuneration of the Executive Board—Former compensation scheme*". However, as per the Settlement Date, the Executive Board will be entitled to variable remuneration comprising of upfront cash, upfront shares, deferred cash and deferred shares delivered under the NN Group Aligned Remuneration Plan or the equivalent Executive Board or Management Board arrangement (the **ARP**) that will become effective as per the Settlement Date instead of the LSPP. See "*—Equity Holdings—ARP*". As in 2013, Variable Remuneration will remain conditional on achievement of a number of performance objectives which are in the same categories as described above for the 2013 performance year. See "*—Remuneration of the Executive Board—Variable Remuneration*".

Pension scheme

The members of the Executive Board are participants in the defined contribution plan. They contribute to the premium costs by paying the same percentage of employee contribution as employees falling under the scope of the NN collective labour agreement.

Other emoluments

Members of the Executive Board are eligible for a range of other emoluments such as the use of company cars and, if applicable, expatriate allowances. Members of the Executive Board may obtain services from the Company's subsidiaries provided by such companies in the ordinary course of their business and on terms that apply to other employees of NN. In addition, tax and financial planning services are provided to the members of the Executive Board to ensure compliance with the relevant legislative requirements.

Remuneration of the Management Board

Fixed and variable remuneration

The table below sets out the aggregate remuneration (including any contingent or deferred compensation) paid by NN to the members of the Management Board (other than the members of the Executive Board and excluding the remuneration as regards the vacant position) for their services to NN for the year ended 31 December 2013. The variable remuneration granted in the year 2014 relates to the performance year 2013. Base salary and upfront cash (variable remuneration) have been paid and deferred cash (variable remuneration) has been granted by ING Insurance Eurasia, a direct subsidiary of the Company, and upfront shares (variable remuneration) and deferred shares (variable remuneration) have been granted by ING Groep.

Remuneration Management Board 2013 (including any contingent or deferred compensation) other than members of the Executive Board

(in EUR and gross)	Base salary	Variable remuneration granted	Pension costs	Other emoluments
Management Board	1,870,000*	1,417,500	352,7232	211,260

(1) One member of the Management Board joined in July 2013 and the figures above represent the pro-rated amounts paid in 2013.
(2) Total pension costs amount to EUR 406.751 of which EUR 54.028 is paid by the board members and EUR 352.723 is paid by the employer.

Remuneration of the Supervisory Board

The General Meeting adopted the remuneration policy of the Supervisory Board effective as of the Settlement Date. As per the Settlement Date, the remuneration of the Supervisory Board will be as follows: chairman EUR 75,000, vice-chairman EUR 65,000, other members EUR 45,000 per annum. The remuneration for the membership of committees is as follows: chairman of the audit committee EUR 15,000, members of the audit committee EUR 10,000, chairman of other Supervisory Board committees EUR 11,000 and members of other Supervisory Board committees EUR 7,000 per annum.

The remuneration policy consists of fixed annual fees for the Supervisory Board and the committees based upon the number of meetings as stated in the Supervisory Board Charter and the Supervisory Board committee charters. Only if the actual number of meetings exceeds the number of meetings stated in the Supervisory Board Charter and the Supervisory Board committee charters by at least 2 meetings, an additional pro-rata fee is paid.

In addition to the remuneration set out above, each Supervisory Board member will receive a gross expense allowance of EUR 500 per Supervisory Board meeting to cover all out-of-pocket expenses. Travel and lodging expenses will be paid by the Company. An additional fee is payable in the event of additional time requirements when intercontinental or international travel is required for attending meetings. This fee compensates additional time commitments in excess for attending domestic meetings and amounts EUR 3,500 for intercontinental meetings and EUR 1,000 for international meetings.

Remuneration 2013

The table below sets out the remuneration of each Supervisory Board member for all of his/her services to NN for the year ended 31 December 2013. This only includes information for Mr Holsboer and Mrs Van Rooy in their capacity as members of the supervisory board of the Company's former subsidiary ING Verzekeringen N.V. In 2013, the other Supervisory Board members were not members of the Supervisory Board of NN or any of its subsidiaries.

Remuneration Supervisory Board 2013		
(gross amounts in thousands of EUR)	**Remuneration**	**VAT***
J.H. (Jan) Holsboer	68	14
Y.C.M.T. (Yvonne) van Rooy	67	14

(1) As per 1 January 2013 new VAT legislation was implemented based on which the Dutch Supervisory Board members qualify as VAT taxable persons and are obliged to charge 21% VAT to a financial organisation on their remuneration.

No variable remuneration is granted to Supervisory Board members. The members of the Supervisory Board currently have no outstanding loans with NN. In 2013, there were no pension entitlements or option schemes for Supervisory Board members. The members of the Supervisory Board have no written agreement with the Company in respect of their services to the Company. No member of the Supervisory Board is entitled to a contractual severance payment on termination of service.

EQUITY HOLDINGS

ARP

The Company plans to make equity-based awards to the members of the Executive Board, the members of the Management Board and other employees of NN in Ordinary Shares under the ARP that will become effective as of the Settlement Date. The ARP will replace ING Groep's LSPP and NN Investment Partners' Investment Management Long Term Compensation Plan or the equivalent Executive Board or Management Board arrangement (**NN LTCP**). The ARP mirrors the ING Groep's LSPP and the NN LTCP.

The purpose of the ARP is to align the long-term financial interests of the members of the Executive Board, the members of the Management Board and other employees of NN with those of the Shareholders, to attract and retain those individuals by providing compensation opportunities that are consistent with NN's compensation philosophy, and to provide incentives to those individuals who contribute significantly to NN's long-term performance and growth.

In general, identified staff may be entitled to upfront cash, upfront shares, deferred cash, deferred shares and investment entitlements and non-identified staff may be entitled to upfront cash, deferred shares and investment entitlements. The ARP provides for the possibility to award upfront shares, deferred shares and deferred cash to the members of the Executive Board, the members of the Management Board and other employees of NN. The ARP also provides for the possibility to award investment entitlements to employees of NN Investment Partners only. The ARP does not contain any provisions on the award of upfront cash as this element is paid directly to the members of the Executive Board, the members of the Management Board and other employees of NN without the further need to have rules governing vesting and retention.

- ***Upfront shares***: an upfront share award is an unconditional right to receive a number of Ordinary Shares.
- ***Deferred shares***: a deferred share award is a conditional right to receive a number Ordinary Shares upon vesting (i.e. the satisfaction of the requirements of the terms of vesting of an award).

Instead of upfront shares and deferred shares, upfront share units and deferred share units may be awarded, being awards equal to a specified amount which will resemble all other characteristics of an upfront or deferred share.

- ***Deferred cash***: a deferred cash award is a conditional right to receive payment in the form of cash at the relevant vesting date.

  In general, a three-year tiered vesting schedule applies in respect of the deferred cash and deferred share awards. A retention period of five years from the date of the award applies for the members of the Executive Board of a retention period of one year from the date of vesting applies for other identified staff. During the retention period, the disposal of upfront shares and deferred shares acquired is not allowed.

- ***Investment entitlement***: an investment entitlement award is a right to receive payment in cash equal to the value of an amount awarded that will be virtually invested by the Company in certain appointed funds (i.e. the fund or certain funds managed by NN), including deposited funds distribution, being dividend or other distributions virtually paid out on the virtual investment after deduction and which is virtually held on a non-interest bearing cash-line and reinvested in securities in the appointed funds, if any, according to the closing prices of such appointed funds on the relevant vesting date.

The awards under the ARP are subject to hold back and claw back provisions.

Up to 3% of the total issued and outstanding Ordinary Shares immediately following the Settlement Date have been reserved and are available for issue under the ARP, for the funding of ShareSave (see "—*Employees—ShareSave*") and the delivery of the outstanding unvested awards under the LSPP converted into awards of Ordinary Shares.

ING Groep equity awards granted prior to the Settlement Date

As at the date of this Prospectus, the members of the Executive Board, some members of the Management Board and certain other employees of NN have outstanding entitlements in respect of ING Groep ordinary shares and deferred cash under the ING Groep's incentive plans, including the LEO Plan and the LSPP (the **ING Groep Incentive Plans**).

Equity administration agreement

On 10 June 2014, the Company entered into an equity administration agreement with ING Groep that sets forth certain of the Company's and ING Groep's responsibilities with respect to (i) the conversion of outstanding unvested awards under the LSPP into awards of Ordinary Shares and (ii) the administration of the ING Groep Incentive Plans. The equity administration agreement will become effective as per the Settlement Date.

Conversion outstanding unvested awards under the LSPP

ING Groep and the Company have agreed that at the Settlement Date any outstanding unvested awards under the LSPP granted prior to the Settlement Date of individuals who, immediately following the First Trading Date, will be employed by NN will be converted into comparable awards over Ordinary Shares as follows: each outstanding entitlement to a deferred share or a performance share as defined in the LSPP, i.e. each a conditional right to receive a depository receipt representing one ordinary share of ING Groep, shall be multiplied by a fraction, the numerator of which is the average of the closing price on Euronext Amsterdam of one bearer depository receipt representing one ordinary share of ING Groep for each of the five trading days immediately preceding the Settlement Date and the denominator of which is the price per Ordinary Share offered in the Offering (as specified in the Pricing Statement). ING Groep and the Company have agreed that ING Groep will assign to the Company the award agreements with the abovementioned individuals pursuant to which the converted awards were granted. The converted awards will be governed by a plan of the Company mirroring the LSPP. Existing vesting schedules, performance measures and applicable retention periods as regards the outstanding unvested awards under the LSPP will be maintained following the conversion into awards of Ordinary Shares.

The table below provides an overview of the outstanding share related entitlements under the LSPP as at 31 May 2014 of the members of the Executive Board, the members of the Management Board and the other employees of NN under the LSPP at the date of this Prospectus.

ING Groep unvested share entitlement under LSPP	
(number of shares)	**as at 31 May 2014**
Executive Board	62,844
Management Board (excluding the Executive Board)	70,015
Other NN employees	2,735,898
Total	2,868,757

Administration of the ING Groep Incentive Plans

ING Groep and the Company also agreed that all outstanding option awards of the members of the Executive Board, some of the members of the Management Board and other employees of NN as at the date of this Prospectus in respect of ING Groep shares under the ING Groep Incentive Plans will remain outstanding in accordance with their terms and will continue to vest in accordance with the original vesting schedule, with service for the Company or its successor after the Settlement Date satisfying any ING Groep service requirements under the awards, notwithstanding any reduction of ING Groep's holding of Ordinary Shares below 50.1%. Such awards will otherwise remain subject in all instances to their original terms.

Pursuant to the terms of the equity administration agreement, ING Groep will continue to facilitate the exercise of options under the ING Groep Incentive Plans held by the members of the Executive Board, the members of the Management Board or other employees of NN under the ING Groep Incentive Plans. The equity administration agreement also provides that the Company will cooperate and negotiate with ING Groep where necessary to administer the ING Groep Incentive Plans in accordance with the intent of the equity administration agreement.

The equity administration agreement provides that the Company will promptly reimburse ING Groep for the cost of any liabilities satisfied by ING Groep that are, or that have been made pursuant to the equity administration agreement, the Company's responsibility and that ING Groep shall promptly reimburse the Company for the cost of any liabilities satisfied by NN that are, or that have been made pursuant to the equity administration agreement, the responsibility of ING Groep.

INDEMNITY AND DIRECTOR'S AND OFFICER'S INSURANCE

Under Dutch law, members of the Executive Board and members of the Supervisory Board may be liable to the Company and to third parties for damages in the event of improper or negligent performance of their duties. In certain circumstances they may be liable for damages to the Company and to third parties for infringement of the Articles of Association or of certain provisions of the Dutch Civil Code. Also, in certain circumstances, they may incur additional specific civil and criminal liabilities.

The Articles of Association provide that, unless Dutch law provides otherwise, the Company will indemnify each (current and former) member of the Executive Board and the Supervisory Board for liability and hold each member of the Executive Board and the Supervisory Board harmless against claims with respect to acts or failures to act (a) in their capacity as member of the Executive Board and the Supervisory Board and, if applicable, (b) in their capacity as a member of any corporate body of a group company of the Company and, if applicable, (c) in any other position such person holds at the request of or with the approval from the Company, all subject to customary limitations, amongst others, if a member of the Executive Board or the Supervisory Board: (i) obtained any profit or advantage from the conduct in question to which he was not legally entitled or (ii) committed any deliberate criminal, deliberate dishonest or deliberate fraudulent act, as determined by a final, irrevocable, adjudication or judgement by the relevant court in the same proceeding that involves the claim concerned or a written admission by the (former) member of such conduct.

As of and following the First Trading Date NN's directors and officers will cease to be insured under the directors' and officers' liability and fiduciary liability insurance (Side A) taken out by ING Groep (the **ING Groep D&O Policy**) with respect to any liability arising out of any wrongful act as defined in the ING Groep D&O Policy that may occur on or after the First Trading Date and the Company will have taken out a new directors' and officers' liability and fiduciary liability insurance, effective upon the First Trading Date, on terms and conditions that are materially not less advantageous to NN's directors and officers than the ING Groep D&O Policy pursuant to the Relationship Agreement. The ING Groep D&O Policy will continue to provide coverage to any of NN's directors and officers who incurs any liability arising out of any wrongful act as defined in the ING Groep D&O Policy that occurred prior to the First Trading Date that is covered and indemnifiable under the ING Groep D&O Policy. A non-accumulation of insured limits of the NN Group D&O Policy and the ING Groep D&O Policy will be applicable for joint and common claims of NN Group and ING Groep.

The directors & officers liability indemnity statement issued by ING Groep (the **ING Groep D&O Indemnity Statement**) continues to provide coverage to NN's directors and officers who incur liability arising out of a wrongful act as defined in the ING Groep D&O Statement that occurs prior to the First Trading Date that is covered and indemnifiable under the ING Groep D&O Indemnity Statement. If ING Groep reimburses a director or officer of NN pursuant to the ING Groep D&O Statement, the Company will indemnify and reimburse ING Groep in full for the amount of any such payment. As of and following the First Trading Date NN's directors and officers will cease to be indemnified by ING Groep with respect to any liability arising out of any wrongful act as defined in the ING Groep D&O Indemnity Statement that may occur on or after the First Trading Date and the Company will have issued a NN Group D&O Indemnity Statement, effective upon the First Trading Date, on terms and conditions that are materially not less advantageous to NN's directors and officers than the ING Groep D&O Indemnity Statement pursuant to the Relationship Agreement.

EMPLOYEES

General

The table below sets out the number of FTEs employed by NN as at 31 December 2013, 2012 and 2011.

Employees (FTEs) of NN

	As at 31 December		
	2013	**2012**	**2011**
Permanent FTEs, excluding staff in operations held for sale[1]	12,245	12,662	13,021
Temporary FTEs, excluding staff in operations held for sale[2]	1,838	1,940	889
Permanent FTEs deployed in operations held for sale	436	2,172	2,073
Temporary FTEs deployed in operations held for sale	101	152	0
Total number of FTEs	**14,620**	**16,926**	**15,983**

(*) Permanent FTEs are employees employed by NN under an employment agreement for a definite or an indefinite term (for the avoidance of doubt, including Japan).

(*) Temporary FTEs are staff that are not employed by NN under an employment agreement, but who work on the basis of another type of agreement, such as temporary workers (*uitzendkrachten*), self-employed workers (zzp-ers), freelancers, independent consultants, etc. (for the avoidance of doubt, including Japan).

The tables below set out the number of permanent FTEs employed by NN as at 31 December 2013, 2012 and 2011, broken down by segments and regions, excluding staff in operations held for sale.

Permanent FTEs by segment

	As at 31 December		
	2013	**2012**	**2011**
Netherlands Life	2,571	2,739	2,930
Netherlands Non-life	1,999	2,110	2,293
Insurance Europe	4,016	4,074	4,048
Japan Life	637	665	668
Japan Closed Block VA	111	117	115
Investment Management	1,134	1,204	1,203
Other (NN Bank and ING Re and Group Staff)	1,777	1,753	1,764
Total	**12,245**	**12,662**	**13,021**

Permanent FTEs by region

	As at 31 December		
	2013	**2012**	**2011**
The Netherlands	7,176	7,332	7,724
Rest of Europe	4,231	4,291	4,269
Japan	748	782	783
Other	90	257	245
Total	**12,245**	**12,662**	**13,021**

ShareSave

NN adopted a share save plan that will become effective as of the Settlement Date (**ShareSave**). Employees of NN can participate in ShareSave. The purpose of ShareSave is to enable participants to benefit from an increase in the price of Ordinary Shares during a period of three years following the Settlement Date. Participants must elect the monthly (net) savings contribution upon enrolment which cannot be less than the minimum savings contribution of EUR 25 nor exceed the maximum savings contribution of EUR 250. After three years and under the condition that the relevant participant remained employed by NN and has paid all his savings contributions, the relevant participant will receive (i) the total amount of his savings contributions and (ii), if applicable, the gross gain, being the gross amount equal to the total of the relevant participant's savings contributions times the share price increase percentage, if any, where the share price increase percentage is capped to 100%. The share price increase percentage is the increase in the Ordinary Share price consisting of the difference between the Offer Price per Ordinary Share and the volume weighted average trading price in euro of Ordinary Shares over the five immediate preceding trading days prior to the last day of the three year period. The members of the Executive Board and the and the Supervisory Board and any persons designated by the Executive Board are excluded from participation in ShareSave.

Dutch works council

A works council is a representative body of the employees of a Dutch enterprise and is elected by the employees. The management of any company that runs an enterprise with a works council must seek the non-binding advice of the works council before implementing certain decisions with respect to the enterprise, such as those related to a major restructuring or a change of control. If the decision to be implemented is not in line with the advice of the works council, the implementation of the relevant decision must be suspended for one month, during which period the works council may file an appeal against the decision with the Enterprise Chamber. Certain other decisions by management directly involving employment conditions that apply either to all employees or to certain groups of employees may only be taken with the works council's consent. In the absence of such prior consent, the decision may nonetheless be taken with the prior consent of the relevant sector cantonal of the district court.

Apart from a number of works councils established at certain NN operating companies, NN has established a group works council (*GOR Verzekeren*), which will act as the central works council of NN, and which will also formally become the central works council of NN (*COR Verzekeren*) upon the date that ING Groep's (direct or indirect) shareholding in NN falls below 50% of the issued Ordinary Shares. The Works Council will have an enhanced recommendation right (*versterkt aanbevelingsrecht*) in respect of one-third of the Supervisory Board members in accordance with section 2:158 of the Dutch Civil Code; see "*—Supervisory Board—Appointment, term and dismissal*"). The existing European works council of ING Groep will be split into a European works council for ING and a European works council for NN.

Pension schemes

The Netherlands

Since 1 January 2014, the employees of NN other than the members of the Executive Board, the Management Board and senior managers have been participating in the NN pension fund (*NN CDC pensioenfonds*). This pension fund administrates a collective defined contribution plan (the **NN CDC-pension plan**) which implies that the premium is yearly calculated in a predefined way for a number of years. The pension plan is a career average defined benefit plan and seeks to provide accrual of old age pension benefits at a level of 2% over the uncapped pensionable salary and taking into account a non-pensionable deduction (franchise) (which is EUR 15,000 in 2014) and with a retirement date of 67. The pension plan also includes accrual of partner pension benefits (70% of the accruable old age pension benefits), orphan pension benefits (14% of the accruable old age pension benefits) and paid-up accrual of pension benefits during disability. Indexation is conditional and dependent upon the financial situation of the pension fund.

The NN CDC-pension plan as provided for by the NN pension fund does not include any obligation for NN to provide additional means for indexation or if the fixed premium is not sufficient to cover the accrual of benefits. If the premium is insufficient, this will imply that the accrual percentage of 2% will have to be lowered. At the same time, in case of overfunding, NN will not be entitled to any premium reduction. As a result, the NN CDC-pension plan is a defined benefit plan according to the Dutch Pensions Act but can be considered under IFRS as being a defined contribution plan.

The maximum employee contribution will be 2.5% in 2014, 3.0% in 2015, 4.0% in 2016, 5.0% in 2017, 6.0% in 2018, 7.0% in 2019 and 7.5% in 2020. In general, the employee contribution is capped at 7.5% of the pensionable salary (being the salary minus the non-pensionable deduction).

There is a collective insurance of additional disability pension benefits for employees falling under the scope of the NN collective labour agreement and earning a salary up to EUR 250,000 and as far as exceeding the maximum salary taken into account for the insurance of social security disability benefits (*Wet werk en inkomen naar arbeidsvermogen*, or *WIA*). There is the option to save for additional pension benefits on an individual basis.

As of 1 January 2014, two new defined contribution pension plans for Dutch employees, one for employees of ING Bank and one for employees of NN, replaced the pensions plans for employees of ING Groep as provided for by the ING Pension Fund which closed on 31 December 2013. All benefits as accrued up to 31 December 2013 in the ING Pension Fund have been paid-up (*premievrije aanspraken*).

In February 2014, several subsidiaries of ING Groep, including several subsidiaries of the Company, the ING Pension Fund and the trade unions (CNV Dienstenbond, FNV Finance and De Unie) reached an agreement on the transfer of all future funding and indexation obligations towards the ING Pension Fund. The agreement contains the following:

- ING fully financed the indexation 2014, being 0% for the active employees of NN and 0.9% for the inactive employees (pensioners and deferred members) based upon the price index. The total payment (including the ING indexation) amounted to EUR 330 million of which EUR 39 million was for NN.

- As of 1 January 2015 the paid-up benefits with the ING Pension Fund will be indexed as follows:
  - the accrued benefits of deferred participants and pensioners inactive on 31 December 2013 will conditionally be indexed on a yearly basis in line with the development of the consumer price index up to 3%;
  - the accrued benefits of deferred participants and pensioners who terminated their employment with ING or NN before 1 January 2002, who were entitled to a conditional indexation in line with the structural raises of the general bank collective labour agreement, will be conditionally indexed in line with the structural raises of the NN collective labour agreement; and
  - in order to make it possible for the ING Pension Fund to index the accrued benefits of the participants active on 31 December 2013 on a yearly basis with the percentage of the structural raises of the NN collective labour agreement as long as these participants remain in service of NN, ING paid the ING Pension Fund a one-time lump sum of EUR 170 million of which EUR 51 million for NN.
- ING paid a one-time lump sum to the ING Pension Fund of EUR 379 million to be released from its future financial obligations (i.e. the obligation to finance indexations as of 1 January 2015 and the obligation to restore the coverage ratio of the ING Pension Fund) towards the ING Pension Fund of which EUR 121 million is for NN. Consequently, ING Bank and NN are no longer jointly and severally liable for the funding of the obligations of the ING Pension Fund.
- ING will reduce the employees' own contribution to the pension premium under the new defined contribution plan by a total amount of approximately EUR 80 million over a six year period of which a total amount of approximately EUR 20 million is for NN.

The removal of the net pension asset related to the ING Pension Fund from NN's balance sheet, NN's contribution to the payment to the ING Pension Fund of EUR 211 million and the reduction of the employees' own contribution to the pension premium result in a charge to be recognised, as a special item, in the results over the first quarter of 2014. See "*Operating and Financial Review—Key Factors Affecting Consolidated Results of Operations—Special items*".

In addition to the pension plans as administered by the ING Pension Fund up to 2014, the following additional pension plans exist or were applicable:

- The insurance for additional old age state pension benefits (*AOW-aanvullingsverzekering*) for employees temporarily working and living outside the Netherlands. This insurance has been closed.
- A non-mandatory insurance for additional partner pension benefits (*Anw-hiatenverzekering*). Each employee can decide whether or not to participate and the premium is paid for by the individual employee (with an employer contribution of 20%). This insurance, originally for all employees of ING and NN, has been split and currently the insurance is applicable only for the employees of NN.
- Two additional insured defined contribution plans are applicable. The NN Prestatie Pensioen plan and the EURO pension plan. Both these plans provided for the accrual of pension benefits up to 2014 based upon the salary above the maximum salary taken into account in the pension plan of the ING Pension Fund. Participation in these plans was optional (upon choice of the individual employee) and the premium was paid for by the employer including a contribution of the employee in line with the employee contribution rated as stated in the ING collective labour agreement. The total contribution was age-dependent and between 5.9% (for employees under 20) and 34.1% (for employees between 60 and 65). The plans will be closed as of 2015 and replaced by a new plan. During the year 2014 no premiums will be paid into these plans and therefore the final and only payment of EUR 0.7 million was made in the beginning of 2014 to cover the costs of administration of the plans in 2014.

- Two pension plans were already closed before 1 January 2014 and have only inactive participants: the Amfas pension plan, a final pay defined benefit pension plan, and the Movir pension plan. Both plans include indexation liabilities for which NN is still responsible.

The total pension premiums paid in 2013 amounted to EUR 102 million, including an amount of EUR 8 million paid for by the employees. In 2013 no additional amounts for indexation were paid for by ING and NN, but arbitration proceedings started by the ING Pension Fund against ING Groep's decision not to provide funding for indexing pensions insured with the ING Pension Fund in 2013 resulted in a verdict of 20 December 2013. ING Groep will have to provide full funding of both the indexation as of 1 January 2013 and the indexation as of 1 August 2013 for a total amount (including interest) of EUR 242 million. The financial effect for NN is EUR 76 million. See "*Business—Legal Proceedings*".

Arbitration proceedings started by the ING Pension Fund in a dispute with ING Groep, the Company and certain of their Dutch subsidiaries concerning the adjusted mortality tables used in the calculation of premiums and provisions resulted in the agreement that the ING Pension Fund will remain using a surcharge of 1.7% and the ING Pension Fund and ING Groep will share the costs of the 1.7% surcharge over 2013. The payment of 50% of the surcharge in 2013 by ING Groep is included in the payment of the one-time lump sum to the ING Pension Fund of EUR 379 million to release ING Groep from future financial obligations. The premium contributions in 2013 were also adjusted based upon this agreement. See "*Business—Legal Proceedings*".

Pensions outside the Netherlands

In the following jurisdictions, all jurisdictions with over 500 employees, the following pension schemes are applicable.

Japan

In Japan three pension plans are in place: the Director Retirement Allowance Plan, the Employee Retirement Allowance Plan and the Employee Early Retirement Allowance Plan. All three plans are defined benefit plans as the accruable benefits are based upon final monthly base salary, years of credited service and mode of exit. All benefits are payable in lump sum form; however, certain qualifying employees under the Employee Retirement Allowance Plan have the option to convert their lump sum payment into annuities at a pre-agreed conversion factor. All plans are administered internally, with all benefits paid from company book reserves. There are no externally funded assets to meet plan benefits.

Spain

In Spain, Nationale-Nederlanden Life and Nationale-Nederlanden Non-Life each have their own pension plan. These defined contribution plans were established in 2001 to provide employees with retirement benefits (in the form of annuities or a lump sum payment at retirement), disability benefits and survival pension to their beneficiaries.

Poland

In Poland there is no company pension plan.

16. CORPORATE GOVERNANCE

DUTCH CORPORATE GOVERNANCE CODE

The Company is required under Dutch law to report in its annual report whether or not it complies with the provisions of the Code and, if it does not comply with those provisions, to explain the reasons why. The Code contains both principles and best practice provisions for listed companies in respect of their managing boards, supervisory boards, general meetings of shareholders, financial reporting, auditors, disclosure, compliance and enforcement standards. The current Code entered into force on 1 January 2009.

The Code defines a company as a long-term alliance between the various parties involved in the company. The various stakeholders are the different groups and individuals who, directly or indirectly influence – or are influenced by – the attainment of the company's objects: i.e. employees, shareholders and other lenders, suppliers, customers, the public sector and civil society. The Executive Board and the Supervisory Board should take account of the interests of the various stakeholders. According to the Code, good corporate governance results in balanced decision-making in a manner which enhances shareholder value and enables a company to maintain a culture of integrity, transparency and trust.

The Company acknowledges the importance of good corporate governance. It has reviewed the Code and generally supports the best practice provisions of the Code. The Company will therefore comply with the best practice provisions of the Code, subject to the exceptions set out below. The Company will apply the Code as of the First Trading Date.

The following best practice provisions of the Code are not applied in full for the reasons given below:

- ***Best practice provision III.2.1***: "All supervisory board members, with the exception of not more than one person, shall be independent within the meaning of best practice provision III.2.2." The Supervisory Board has three members who are not independent within the meaning of best practice provision III.2.2. They have been a member of the Executive Board in the five years prior to their appointment. The Company believes this deviation is justified by ING Groep's shareholding in the Company after the Settlement Date and the specific knowledge and experience of the business of the Company held by these Supervisory Board members. Pursuant to the Relationship Agreement, ING Groep is entitled to nominate and propose replacements for three members of the Supervisory Board and ING Groep has nominated these three members of the Supervisory Board. ING Groep's right to nominate and propose replacements for three members of the Supervisory Board will lapse in accordance with the following provisions of the Relationship Agreement: (a) as of the date on which ING Groep's (direct or indirect) holding of Ordinary Shares falls below 35% of the issued Ordinary Shares, ING Groep's right will be limited to having two members of the Supervisory Board; and (b) as of the date on which ING Groep's (direct or indirect) holding of Ordinary Shares falls below 15% of the issued Ordinary Shares, ING Groep will no longer have the right to have any members on the Supervisory Board. The members of the Supervisory Board appointed by ING Groep, even if not independent, are obliged to perform their tasks in the best interest of the Company, its business and its stakeholders. In accordance with the provisions of the Relationship Agreement the Supervisory Board shall in exercising its task carefully consider the interests of the Company and the group of which it forms part of, its business and its stakeholders, giving paramount importance to its client's interests, and in that context the Supervisory Board shall specifically give weight to the reasonable interests of ING Groep.

- ***Best practice provision III.4.1 paragraph f***: "The chairman of the supervisory board shall ensure that: f) the supervisory board elects a vice chairman". A vice-chairman of the Supervisory Board has not been elected yet.

- ***Best practice provision III.5.6***: "The audit committee may not be chaired by the chairman of the supervisory board or by a former member of the management board of the company." Until the date on which ING Groep is no longer required under IFRS to consolidate the Company's financial statements with its financial statements, the chairman of the audit committee will be a member of the Supervisory Board nominated by ING Groep and a former member of the Executive Board. The Company believes that this deviation from the Code is justified as ING

Groep will only hold this right to have a chairman of the audit committee that is a member nominated by ING Groep during the period ING Groep holds a major interest in the Company.

DUTCH INSURERS' CODE

In December 2010, the Dutch Association of Insurers (*Verbond van Verzekeraars*) published its governance principles, the Dutch Insurers' Code, which entered into force on 1 January 2011. An updated version of the Dutch Insurer's Code entered into force on 1 July 2013. The Dutch Insurers' Code sets out principles for Dutch insurance companies having a license granted under the Dutch Financial Supervision Act in terms of corporate governance, risk management, audit and remuneration. Dutch insurance companies are required under Dutch law to explain in their annual report or on their website how they have applied the Dutch Insurers' Code. If a company deviates from a principle in the Dutch Insurers' Code, it is obliged to provide a reasoned explanation for this.

The Dutch Insurers' Code is applicable to the Dutch insurance subsidiaries of the Company with a license granted under the Dutch Financial Supervision Act. The Company and its subsidiaries jointly comply with almost all governance principles of the Dutch Insurers' Code, except for the following governance principle. The Dutch Insurers' Code requires the member of the Executive Board (*raad van bestuur*) responsible for preparing risk management decisions to be independent of commercial and operational activities. As the CRO is a member of the Management Board and reports to the CEO who is primarily responsible for risk management within the Executive Board, this model deviates from the Dutch Insurers' Code.

17. MAJOR SHAREHOLDER AND RELATED PARTY TRANSACTIONS

MAJOR SHAREHOLDER

ING Groep

As at the date of this Prospectus, the Company has one shareholder: ING Groep. ING Groep is a public limited liability company (*naamloze vennootschap*) incorporated in the Netherlands with its statutory seat in Amsterdam, the Netherlands and its registered office at Amsterdamse Poort, Bijlmerplein 888, 1102 MG Amsterdam, the Netherlands. Depositary receipts for ordinary shares in ING Groep are listed on Euronext Amsterdam, Euronext Brussels and NYSE. ING Groep currently holds 100% of the Company's total nominal issued share capital. ING is a global financial institution offering retail banking and commercial banking services.

Foundation

The Company will grant a call option to the Foundation. The Foundation may not exercise the call option without the prior consent of ING Groep for so long as ING Groep's (direct or indirect) holding of Ordinary Shares represents 30% or more of the issued Shares (excluding Preference Shares). On each exercise of the call option, the Foundation is entitled to acquire from the Company up to a maximum corresponding with 100% of the issued share capital of the Company excluding the Preference Shares as outstanding immediately prior to the exercise of the call option, less one Share, from which maximum any Preference Shares already placed with the Foundation at the time of the exercise of the call option shall be deducted. The Foundation may exercise its option right repeatedly, each time up to the aforementioned maximum. See "*Description of Share Capital and Corporate Structure—Anti-takeover measures*" for a description of the events which could trigger the Foundation's exercise of the call option.

RELATED PARTY TRANSACTIONS

Relationship with ING following the Offering

General

Until the completion of the Offering, the Company is a wholly-owned subsidiary of ING Groep, and has been part of ING Groep's consolidated business operations. Following the completion of the Offering, it is expected that ING Groep will continue to hold a majority of the Ordinary Shares. Under the 2013 Restructuring Plan, ING Groep is required to divest more than 50% of its shareholding in the Company before 31 December 2015 and the remaining interest before 31 December 2016. As a result ING Groep will continue to have significant influence over NN's business, including pursuant to the agreements described below. See "*Risk Factors—Risks Related to the Separation from, and Continuing Relationship with, ING*". In addition, the Company expects that ING Groep will continue to consolidate NN's financial results in its financial statements.

Relationship agreement

On 10 June 2014, the Company and ING Groep entered into the Relationship Agreement. The Relationship Agreement contains certain arrangements regarding the continuing relationship between the Company and ING Groep. The Relationship Agreement will be effective as of the First Trading Date. The full text of the Relationship Agreement is available on the Company's website (www.nn-group.com). Please note that certain elements of the Relationship Agreement have been described in other sections of this Prospectus. See "*Description of Share Capital and Corporate Structure*", "*Executive Board, Management Board, Supervisory Board and Employees*", "*—Transitional intellectual property license agreement*" and "*Risk Management—Organisational Risk Management Structure*". Below is a summary of certain other elements of the Relationship Agreement.

Reserved matters

Approval Supervisory Board including affirmative vote ING Groep Supervisory Board Members

Certain resolutions of the Executive Board identified in the Relationship Agreement, the Articles of Association, the charters of the Executive Board and the Supervisory Board require the prior approval of the Supervisory Board including the affirmative vote of the ING Groep Nominated Supervisory Board Members for so long as ING Groep's (direct or indirect) holding of Ordinary Shares represents 30% or more of the issued Shares (excluding Preference Shares). These resolutions relate, amongst others, to the following matters: (a) any acquisition, disposition or securitisation of securities, assets or liabilities (including through reinsurance transactions) with a value of at least 25%

of the issued capital plus reserves of the Company or involving a consideration or book value greater than EUR 300 million, other than transactions involving assets invested in the Company's consolidated general account and approved in accordance with the Company's established policies and procedures to monitor invested assets, (b) amendments of the Articles of Association, (c) any issuance, acquisition, disposal or reduction of Shares or shares of any of the Company's subsidiaries (the latter, other than intragroup transactions), except for customary exceptions, (d) any issuance or acquisition of any listed debt security of NN with a maturity greater than one year (other than intra-group transactions) in each case involving an aggregate principal amount exceeding EUR 500 million, (e) any incurrence of a debt obligation of, or entry into any other senior or subordinated funding by NN with a maturity greater than one year and a principal amount greater than EUR 500 million (other than intra-group transactions), (f) investments requiring an amount equal to at least 25% of the amount of issued capital with reserves of NN or an amount greater than EUR 300 million, (g) the listing or delisting of securities on a securities exchange, with the exception of listing or delisting debt securities on Euronext Amsterdam, (g) making use of any of the initiative rights (a) to (e) as described under "—*Initiative Rights*" below and (h) any implementation, amendment or rescission of certain identified policies with respect to capital management, risk management or dividend.

Approval Supervisory Board

In addition to the resolutions described above, there are also certain resolutions of the Executive Board identified in the Relationship Agreement, the Articles of Association, the charters of the Executive Board and the Supervisory Board that require the prior approval of the Supervisory Board but do not require the affirmative vote of ING Groep Nominated Supervisory Board Members. These resolutions relate, amongst others, to the following matters: (a) to make use of the initiative right (f) as described under "—*Initiative Rights*" below to make a proposal to the General Meeting to adopt a resolution in respect of the repayment or distribution of any capital or the reserves, (b) to decide on which percentage of the profits of the Company will be reserved and to propose to the General Meeting which percentage of the profits will be available for distribution to Shareholders and (c) the resolutions that require the affirmative vote of the ING Groep Nominated Supervisory Board Members as described above, with, for some resolutions, lower or no thresholds or a broader scope.

Approval General Meeting

Certain resolutions of the Executive Board require the prior approval of the General Meeting. These resolutions relate, amongst others, to the following matters: (a) a resolution to issue Shares, (b) a resolution to restrict or exclude the pre-emptive rights unless delegated by resolution of the General Meeting to the Executive Board and (c) a resolution to amend the Articles of Association.

Initiative rights

The Company and ING Groep agreed that the General Meeting may adopt any of the following resolutions only after the proposal thereto has been made by the Executive Board and such proposal has been submitted to the General Meeting: (a) a resolution to amend the Articles of Association, (b) a resolution to restrict or exclude the pre-emptive rights, (c) a resolution to dissolve the Company, (d) a resolution to reduce the issued share capital of the Company, (e) a resolution to issue Shares (other than Preference Shares) and (f) a resolution in respect of the repayment or distribution of any capital or the reserves.

The Executive Board can only exercise these rights after prior approval of the Supervisory Board. Such approval requires the affirmative vote of the ING Groep Nominated Supervisory Board Members with respect to (a) – (e) for so long as ING Groep's (direct or indirect) holding of Ordinary Shares represents 30% or more of the issued Ordinary Shares.

Information and reporting

The Company has agreed to provide ING Groep with certain information and data related to the business, including financial results, of NN and provide access to NN's personnel, data and systems, in each case in the same manner and frequency as it does immediately prior to the Settlement Date and in accordance with the Relationship Agreement, to enable ING Groep to satisfy its ongoing financial reporting, audit and other legal and regulatory requirements, including ING Groep's tax, risk management and control procedures. It is taken into account that the Company has to comply with legal obligations concerning the content and timing of disclosure and rules on disclosure. ING

Groep has agreed not to use the information for any other purpose than to satisfy the relevant requirements applicable to ING. The Company will schedule to publish its periodic financial reports on the same date as ING Groep's report over the same period. ING Groep may require that the external auditor of ING Groep and the Company are the same (but with different lead partners) at least for as long as ING Groep applies equity accounting in respect of its interest in the Company.

As of the Settlement Date, the Company and ING Groep will form the Reporting and Information Process Committee to govern practicalities of the information and reporting arrangements. The Reporting and Information Process Committee will consist of eight members, four members delegated by each party.

Policies and procedures

As of the Settlement Date, the Company will implement certain identified policies required to regulate the business of NN as of the Settlement Date as well as certain financial reporting policies, all of which policies will be in line with ING Groep's policies relating to the same, taking into account the different nature of the business and the reasonable interests of NN (the **Insurance Policy House**).

Until the date on which ING Groep is no longer required under IFRS to consolidate the Company's financial statements with its financial statements, the Company will not implement, amend or rescind any policy of the Insurance Policy House, unless with ING Groep's prior written consent (such consent not to be unreasonably withheld taking into account, *inter alia*, the reasonable interests of, and the mandatory legal and regulatory requirements that apply to, NN), provided that any implementation, amendment or rescission of any of the identified policies concerning risk, capital management and dividend are not subject to ING Groep's prior written consent, but require the prior approval of the Supervisory Board including the affirmative vote of the ING Groep Nominated Supervisory Board Members.

Capital management, risk management and dividend policy

The Company and ING Groep have agreed a capital management, risk management and dividend policy that will apply to NN as of the Settlement Date. This policy provides for the principles and objectives that NN will apply to maintain a strong capital position in line with its risk appetite statements to support the Company's dividend policy. See "*Risk Management—Risk Management Policies, Standards and Processes*" for a description of NN's risk appetite framework.

On the basis of the capital management principles that the Company and ING Groep have agreed, the Company has developed a capital structure for a standalone future, with the goal of establishing a strong balance sheet at the time of the Offering. This capital structure is described in "*Operational and Financial Review—Liquidity and Capital Resources—Capital Requirements—Capitalisation prior to the Offering*".

The Company's dividend policy is set out in "*Dividends and Dividend Policy—Dividend Policy*".

As part of capital management, risk management and dividend policy, the Company and ING Groep also agreed on an arrangement regarding the internal hybrid loans that are outstanding between the Company and ING Groep with a notional value of EUR 2,394 million as at 31 March 2014 and EUR 1,810 million as at the date of this Prospectus. See "*—Historical related party transactions—Financing arrangements—Internal hybrid loans*" for a description of these internal hybrid loans. These internal hybrid loans have no maturity. In order to normalise financial intercompany relations, the Company has the aim to redeem the internal hybrid loans and refinance externally as soon as possible in light of market circumstances. Any redemption of the internal hybrid loans will be done pro-rata over the different instruments outstanding, to leave the average spread paid the same.

By the end of 2016, any remaining outstanding amount of the internal hybrid loans will, subject to regulatory approval, be replaced by a new hybrid loan provided by ING Groep at the then market conform yield plus 50 basis points. The coupon will be capped at a level corresponding to a credit spread of 400 basis points. This hybrid loan will be a marketable security and Solvency II compliant.

Furthermore, the parties agreed arrangements regarding the sharing of information for the purposes of proper functioning of the capital management of both the Company and ING Groep and the involvement of the other party in discussions with regulators that relate to NN.

As of the Settlement Date, the Company and ING Groep will form the Joint Risk and Capital Assessment Committee to monitor compliance with the capital management, risk management and dividend policy as agreed between the Company and ING Groep. The Joint Risk and Capital Assessment Committee will furthermore function as a platform to consider the impact of risk and capital decisions on ING Groep and to allow for ING Groep's view to be taken into account. The Joint Risk and Capital Assessment Committee will consist of six members, three members delegated by each party.

EC Restructuring Plan

The Company and ING Groep have agreed that the Company will, and shall procure that its subsidiaries will, fully cooperate with the requirements of the EC as included in its decisions or any other requirements imposed by the EC on ING Groep as a consequence of the state aid received by ING Groep up to and including 5 November 2013, that may apply to NN. With respect to any amendments to or new EC requirements that have only been imposed on ING Groep after the Settlement Date and may apply to NN, the Company will, and shall procure that each of its subsidiaries will, use its best efforts to fully cooperate with such EC requirements. ING Groep will consult the Company before entering into any form of agreement with the EC in relation to any amendment of the EC Restructuring Plan or any new requirements from the EC that may apply to the Company and/or its subsidiaries. ING Groep shall take into account the reasonable interests of the Company, its business and its stakeholders in negotiating any agreement with the EC after the Settlement Date. See "*Supervision and Regulation—EC Restructuring Plan*" for a description of the current EC requirements as included in the EC Restructuring Plan.

NN Bank

As of the Settlement Date, ING Groep will have the right to recommend a candidate for the appointment of one supervisory board member at Nationale-Nederlanden Bank N.V. Such supervisory board member shall be a member of the supervisory board of Nationale-Nederlanden Bank N.V. for so long as any EC requirements apply to NN Bank. The management board of NN Bank and of any subsidiaries of NN Bank shall require the prior written approval of the supervisory board of NN Bank, including the affirmative vote of the supervisory board member appointed upon the recommendation of ING Groep, for any decision that would jeopardise meeting any EC requirements with respect to NN Bank and its subsidiaries.

Anti-dilution

The Company and ING Groep have agreed certain anti-dilution arrangements pursuant to which the Company will offer ING Groep the right to participate in any issuances by the Company of any Shares or securities convertible or exchangeable for Shares on a *pro rata* basis for so long as ING Groep's (direct or indirect) holding of Ordinary Shares represents 20% or more of the issued Ordinary Shares (subject to customary exceptions). The resolution of the Executive Board to issue Shares requires the prior approval of the Supervisory Board, including the affirmative vote of the ING Groep Nominated Supervisory Board Members for so long as ING Groep's (direct or indirect) holding of Ordinary Shares represents 30% or more of the issued Ordinary Shares.

Termination

Except for certain specific provisions, the Relationship Agreement shall terminate if and when ING Groep, directly or indirectly, holds less than 15% of the issued Ordinary Shares in the Company.

Governing law

The Relationship Agreement is governed by Dutch law and any disputes arising from the Relationship Agreement will be settled exclusively before the competent court in Amsterdam, the Netherlands.

Transitional intellectual property license agreement

On 10 June 2014, the Company entered into a transitional intellectual property license agreement with ING Groep (the **IP Agreement**). The IP Agreement will become effective as per the Settlement Date. Pursuant to the IP Agreement, ING Groep will grant the Company a limited, non-exclusive, royalty-free, non-transferable license to use certain trademarks including the name "ING" and the ING lion logo, with respect to NN's business, in the countries in which such business provides products or services prior to the Settlement Date. The license is sub-licensable to subsidiaries. The license term shall commence on the Settlement Date and end on 31 December 2016, with the option to extend this period in accordance with the IP Agreement. Under the IP Agreement, during the transition period the Company is required to use commercially reasonable efforts to transition to its new brand and to cease using the ING Groep trademarks as soon as commercially reasonably practicable. In addition, during the transition period, the Company shall make all relevant filings necessary to change its name to eliminate the name "ING" from all registrations and certificates. The IP Agreement will expire, together with all sublicenses granted under the IP Agreement, upon the expiration of the transition period. Upon expiration or termination of the IP Agreement, the Company agrees not to use the licensed trademarks such as "ING" or any mark confusingly similar thereto.

Joinder agreement

Concurrently with the entry into the IP Agreement, NN entered into a joinder agreement (the **Joinder Agreement**) with ING Groep that will become effective once the Company ceases to be an "affiliate" of ING Groep as defined in the co-existence agreement dated 17 February 2012, among ING Groep, ING Direct N.V., ING Direct Bancorp, ING Bank, fsb and Capital One Financial Corporation. Pursuant to the co-existence agreement ING Groep and its affiliates are not allowed to adopt, use or attempt to register certain trademarks in the United States for a period of five years, ending on 17 February 2017. Pursuant to the Joinder Agreement, the Company will be deemed to have joined the co-existence agreement as if it remained an affiliate of ING Groep. The Company's new logo (which it has already registered as a trademark in the United States) may be argued to be a trademark that the Company is not allowed to adopt, use or attempt to register under the co-existence agreement. Capital One Financial Corporation has consented to the current and future adoption, use and registration of the new logo in connection with the business of the Company in the United States.

Warrant agreement

On 10 June 2014, the Company and ING Groep entered into a warrant agreement in which the Company has agreed to issue the Warrants to ING Groep. See "*Description of Share Capital and Corporate Structure—Share and share capital—Warrants to be issued to ING Groep*".

Equity administration agreement

On 10 June 2014, the Company entered into an equity administration agreement with ING Groep that sets forth certain of the Company's and ING Groep's responsibilities with respect to (i) the conversion of outstanding unvested awards under the LSPP into awards of Ordinary Shares and (ii) the administration of the ING Groep Incentive Plans. The equity administration agreement will become effective as per the Settlement Date. See "*Executive Board, Management Board, Supervisory Board and Employees—Equity Holdings—Equity administration agreement*" for further details.

Master claim agreement

In 2012, ING Groep, ING U.S. and ING Insurance Eurasia entered into a master claim agreement to (a) allocate existing claims between these three parties, and (b) agree on criteria for how to allocate future claims between the three parties. The master claim agreement contains further details on claim handling, conduct of litigation and dispute resolution.

Indemnification and allocation agreement

ING Groep and NN entered into an indemnification and allocation agreement, in which ING Groep has agreed to indemnify NN for certain liabilities that relate to the business of or control over certain (former) U.S. and Latin American subsidiaries of the Company in the period until 30 September 2013 or, if the relevant subsidiary was divested by NN after 30 September 2013, such later date of divestment. These liabilities mainly include contingent liabilities that may arise as a result of the initial public offering of ING U.S. (such as prospectus liability) and the sales of the Latin American businesses (such as claims under warranties and other buyer protection clauses), the liabilities for the claims concerning the performance of certain interest-sensitive products that were sold by a former subsidiary of NN in Mexico, and the claims (which were settled in March 2014) filed by the purchaser of certain Mexican subsidiaries of NN claiming that the financial condition of the subsidiaries was not accurately depicted. See the segments Other and Insurance Other in "*Business—Business Segments*".

Memorandum of understanding regarding present and future collaboration

On 15 April 2014, the Company, ING Groep and ING Bank entered into a memorandum of understanding reflecting a framework for present and future collaboration between the three parties. The parties have agreed that any commercial arrangements between the parties may only be entered into at arm's length terms. The memorandum of understanding relates to, amongst others: (a) payments and cash management arrangements and cash correspondence business and (b) financial markets and treasury activities. The framework stipulates that the Company and ING Bank shall use best efforts to ultimately at the end of 2014 formalise their intentions to enable the Company to act as one of the anchor investors for ING Bank-sponsored illiquid infrastructure lending opportunities in the Netherlands, Belgium and Luxembourg. Also, provided certain conditions are met, the Company agreed to provide ING Bank a right of first refusal to become part of the group of lead/(joint) book runner banks for any future placements or refinancings in the syndicated loan or debt capital markets, and to grant ING Bank a global coordinator role in future equity capital markets transactions. Some of the above mentioned arrangements are linked to ING Groep still holding a certain percentage of shares in the Company.

Historical related party transactions

NN has entered into a number of intercompany arrangements with ING Groep and its subsidiaries, other than the Company and its subsidiaries.

Financing arrangements

NN has entered into a number of financing arrangements with ING Groep and with ING Bank:

- ***Pooled bank accounts***: On 19 January 2012, NN entered into a pooled bank accounts agreement (*fiat- en rentestelsel*) with ING Bank, to arrange for (i) a current account deficit facility, and (ii) debit/credit interest on a set of pooled bank accounts of NN, whereby obligations of NN are secured by a right of pledge on bank accounts in favour of ING Bank.

- ***WUB guarantees and indemnities***: NN has entered into certain (unlimited) guarantee agreements for the benefit of and with WUB, pursuant to which NN guarantees certain unsubordinated debt obligations of WUB (including senior notes issued under WUB's debt issuance programme of 1997). Subsequently, NN has entered into an unlimited indemnity agreement with ING Bank under which NN is indemnified by ING Bank for its obligations under these guarantees. The expiry date of the last outstanding obligations covered by these guarantees is 25 March 2032. Under these guarantees in aggregate EUR 213 million was outstanding as of 31 December 2013.

- ***ING U.S – ISDA guarantee***: NN has guaranteed the obligations under an ISDA Master Agreement entered into by a subsidiary of ING U.S. (which is currently 42% owned by ING Groep). NN is indemnified by ING Groep for this guarantee as outlined in an indemnity agreement between ING Groep and the Company.

- ***LOC facility***: NN Re (as debtor) and the Company (as guarantor) entered into a letter of credit agreement (LOC) with ING Bank on 29 April 2010, pursuant to which ING Bank may issue LOCs up to the maximum facility amount of USD 185 million to third parties for the benefit of NN Re. This LOC is secured by an unlimited guarantee from the Company for the performance of NN Re's payment obligations hereunder. Under this LOC in aggregate EUR 116 million was outstanding as of 31 December 2013. All obligations under this LOC will expire at the end of 2014.

- ***Senior (bridge) loan***: On 18 September 2013, the Company (as borrower) entered into a senior loan agreement with ING Groep (as lender), in the aggregate amount of EUR 1,000 million. In March 2014 this loan was divided into a senior bridge loan in the amount of EUR 400 million, which was repaid on 22 April 2014, and a senior bridge loan in the amount of EUR 600 million (maturity date 30 June 2014) which was repaid on 28 May 2014.

- ***Revolving credit facility***: On 1 July 2013, NN Bank (as borrower) entered into a senior revolving credit facility agreement with ING Bank (as lender) in the aggregate amount of EUR 250 million (under which currently no amounts have been drawn), for liquidity back-up purposes. The final repayment date of this facility is 1 July 2015.

- ***Senior unsecured notes***: On 1 July 2013, NN Bank issued senior unsecured notes and placed the notes with ING Bank in the aggregate amount of EUR 270 million, to strengthen its capital base. The maturity date of these notes is 1 July 2023.

- ***Pledge financial collateral agreement***: On 20 December 2012, NN (as pledgee) entered into a financial collateral pledge agreement with ING Bank by which a right of pledge was created in favour of NN on certain securities held by ING Bank. The pledge serves as security for the duly repayment of cash deposits that NN has placed with ING Bank. This agreement will expire on 20 June 2014.

- ***Syndicated revolving credit facility***: On 11 April 2014, the Company (as borrower) entered into a EUR 1,000 million standby revolving credit facility with an international syndicate of banks, including ING Bank N.V. The notional amount of ING Bank's participation in the facility is EUR 77 million. The credit facility is undrawn at the date of this Prospectus. The credit facility has been made available for a period of five years, maturing in April 2019. Any amounts borrowed under the credit facility shall be applied towards general corporate purposes of NN.

- ***Internal hybrid loans***: The Company has entered into the following subordinated loan agreements with ING Groep to strengthen the capital base of NN:

  - subordinated loan agreement dated 8 June 2005; EUR 169 million was outstanding on 31 December 2013;

  - subordinated loan agreement dated 3 October 2005; EUR 74 million was outstanding on 31 December 2013;

  - subordinated loan agreement dated 3 October 2005; EUR 148 million was outstanding on 31 December 2013;

  - two subordinated loan agreements dated 4 October 2007, each for a notional amount of EUR 370 million, were outstanding on 31 December 2013;

  - subordinated loan agreement dated 17 March 2008; EUR 813 million was outstanding on 31 December 2013;

  - subordinated loan agreement dated 5 January 2012; EUR 450 million was outstanding on 31 December 2013.

  On 22 April 2014, the Company fully repaid the subordinated loan agreement dated 5 January 2012. On 22 April 2014, the Company has repaid an amount of EUR 135 million of one of the two subordinated loan agreements dated 4 October 2007 (notional amount EUR 370 million). In order to normalise financial intercompany relations, the Company has the aim to redeem the internal hybrids loans and refinance externally as soon as possible in light of market circumstances. See "*—Relationship with ING following the Offering—Relationship agreement—Capital management, risk management and dividend policy*".

- ***Cash investments***: ING Bank holds, for the benefit of NN (i) cash positions in current accounts, in the aggregate amount of EUR 829 million as of 31 December 2013, and (ii) investments in money market instruments, in the aggregate amount of EUR 5,383 million as of 31 December 2013.

- ***Derivative transactions***: for general hedging purposes, NN has entered into various derivative transactions with ING Bank on the basis of standard legal (master) derivative documentation.

- ***Securities lending***: The Dutch insurance subsidiaries of the Company have a securities lending agency programme in place with a lending agent. The range of counterparty borrowers is diverse. Among those borrowers is ING Bank. The market value of the securities lent by the Dutch insurance subsidiaries of the Company to ING Bank was EUR 700 million as of 31 December 2013. The collateral received relating to these transactions consisted of both cash and securities. In addition, one of the Belgian insurance subsidiaries of NN has a securities lending principal programme in place with ING Bank under which the total market value of the securities lent to ING Bank was approximately EUR 400 million as of 31 December 2013.

- ***Securitisations***: On 8 July 2013, NN Bank (as seller) has sold and transferred to ING Bank (as noteholder) Class A3 Notes in the aggregate amount of EUR 400 million (of which currently EUR 400 million is outstanding) . Such Notes were issued by Hypenn RMBS I B.V. (as issuer), as part of a RMBS-transaction, for the purpose of funding housing mortgage loans to be provided to retail clients of NN Bank. On 14 May 2014, NN Bank entered into a second RMBS-transaction. In this transaction, ING Bank and the issuer of the notes (Hypenn RMBS II B.V) entered into a swap transaction. Subsequently, NN Bank and ING Bank entered into a back-to-back swap.

- ***Funding to NN Bank***: On the basis of the 2012 Restructuring Plan, ING Bank will make available funding to NN Bank for a maximum of up to EUR 2,700 million until the end of 2015. This funding has to take the form of marketable securities at arm's length pricing.

- ***Commercial agreement real estate loans***: On 28 February 2014, ING Bank, the Company and NN Investment Partners entered into a commercial agreement for real estate loans. The purpose of this agreement is to provide institutional investors, including NN Life, direct access to the commercial real estate mortgage loan markets in the Netherlands as well as in other European countries. Both ING Bank and NN Investment Partners, the latter on behalf of its clients in accordance with the investment criteria agreed with such clients, will participate in commercial real estate mortgage loans in various structures. Through the partnership with ING Bank, NN Investment Partners and its clients have gained access to ING Bank's network and expertise in real estate mortgage loans. NN Life will participate up to an amount of EUR 750 million.

- ***Senior loan agreement***: On 28 May 2014, the Company (as borrower) entered into a senior loan agreement with ING Groep (as lender) for an unsecured loan in the aggregate amount of EUR 400 million. The final repayment date of this loan facility is 30 December 2015.

Distribution agreements for NN insurance and banking products

NN has entered into a number of distribution agreements with ING Bank, a wholly owned subsidiary of ING Groep, to distribute life, and under several of the distribution agreements also non-life, insurance products to customers of ING Bank and its subsidiaries in the Netherlands, Belgium, Luxembourg, Poland and Turkey, and branches in Romania and Spain. NN has also entered into a distribution agreement with ING Bank and its subsidiaries to distribute banking products to customers of NN in the Czech Republic. These agreements will remain in place following the Offering.

In the Netherlands, a commercial agreement has been entered into between (a) ING Bank and the insurance companies of Nationale-Nederlanden Nederland B.V., being Nationale-Nederlanden Levensverzekering Maatschappij N.V., Nationale-Nederlanden Schadeverzekering Maatschappij N.V. and ING Insurance Services N.V. (for the purpose of this section of the Prospectus together referred to as the **Insurance Companies**), and (b) ING Bank and Mandema en Partners B.V. This commercial agreement was concluded at arm's length terms and has a term of ten years, commencing on 1 January 2012. The main items of this commercial agreement are as follows:

- ING Bank is lead provider to the Insurance Companies for life insurance products;

- ING Bank will provide its internet channel to the Insurance Companies for life insurance products (direct sales);
- ING Bank is broker to the Insurance Companies for life insurance products that are linked to ING mortgage products;
- ING Bank is broker to the Insurance Companies for non-life insurance products; and
- ING Bank will lead business clients to Mandema en Partners B.V. for insurance products.

In Belgium, Luxembourg, Poland, Romania, Spain and Turkey the agreements with ING Bank to distribute life, and for Belgium and Spain non-life, insurance products to customers of ING Bank have been concluded at arm's length terms and have a term of ten years (Belgium 11 years). The agreement for Luxembourg terminates in 2020 and the other agreements in 2024.

Distribution agreements for ING funds

NN Investment Partners manages global investment funds, based in Luxembourg, that are open to both retail and institutional customers. NN Investment Partners furthermore manages local investment funds in the Netherlands, Belgium, Poland, Hungary, Greece, Japan and the Cayman Islands.

For Luxembourg and Belgium funds, one of NN Investment Partners' subsidiaries has been appointed as global distributor. In this capacity, the subsidiary is authorised to enter into agreements with the purpose of establishing an international distribution network with affiliated and non-affiliated counterparties, pursuant to which remuneration may be paid in the form of distribution fees to intermediaries or discounts to direct investors. Depending on the contractual terms, the counterparties may further distribute the funds to retail and institutional investors.

The ING funds domiciled in the Netherlands, Belgium, Poland, Hungary, Greece and Japan may be distributed in their country of domiciliation only, whereas the funds domiciled in the Cayman Islands are used for distribution in Japan. NN Investment Partners has entered into various agreements with affiliated and non-affiliated counterparties, pursuant to which a remuneration may be paid in the form of a distribution fee or a discount.

The agreements are on arm's length terms and are generally entered into for an indefinite period of time, with a notice period of thirty days for termination. Since 1 January 2014, rebate payments by fund management companies to distributors are prohibited in the Netherlands. NN Investment Partners has informed the relevant distributors of this prohibition or amended the agreements accordingly. It is still allowed to pay discounts to direct investors.

Transitional services agreements

In 2009, ING Groep announced that it would begin the process of separating its insurance and banking business and divesting certain businesses; see "*Supervision and Regulation—EC Restructuring Plan*". As part of this process, NN entered into a number of transitional services agreements with subsidiaries of ING Groep to continue to provide or receive services for certain periods. The majority of the various transitional services agreements has been terminated as per January 2014. For the Netherlands the remaining transitional services agreements mainly relate to Finance and HR and will terminate in 2014. In Belgium a number of transitional services agreements will remain in force, concerning, *inter alia*, IT risk, Infrastructure, Facilities, Domestic Products and Insurance Application Services. These Belgian transitional services agreements will ultimately expire on 31 December 2017, subject to early termination.

Sourcing/procurement

NN contracts directly with third parties for most of its strategic sourcing and procurement needs. In a few instances, NN has entered into consolidated agreements (covering a variety of sourcing needs, including software licenses and market data services) with ING Bank as the main contracting entity to achieve greater leverage. These agreements generally contain divestiture clauses which will be triggered by the Offering or minority ownership. In most cases NN will maintain the current commercial conditions which apply to ING Groep and its subsidiaries until the next anniversary date of the contract. In other cases, NN will renegotiate stand-alone agreements based upon the NN volume after the closing of the Offering or when ING Groep, directly or indirectly, holds less than 50% of the issued Ordinary Shares.

Service agreement NN Re Netherlands

On 31 August 2011, NN Re Netherlands (as customer) and ING Bank (as service provider) entered into a service agreement, pursuant to which ING Bank shall provide certain services to NN Re Netherlands in relation to the existing hedge programme for NN Japan's closed block single premium variable annuity (SPVA) portfolio. The initial term of the agreement is three years and the agreement shall be automatically extended by one year upon the expiration of the initial term or any renewal term, unless a party provides a three months' termination notice. After the initial term, the parties can agree to expand the services to also include the hedge programme for Insurance Europe's variable annuity portfolio.

ING Pension Fund allocation agreement

As of 1 January 2014, two new defined contribution pension plans for Dutch employees, one for employees of ING Bank and one for employees of NN, replaced the pensions plans for employees of ING Groep as provided for by the ING Pension Fund which closed on 31 December 2013. All benefits as accrued up to 31 December 2013 in the ING Pension Fund have been made paid-up (premievrije aanspraken). See "*Business—Material Agreements—ING Pension Fund agreement*". According to an agreement between the ING Pension Fund and the relevant subsidiaries of the Company and ING Groep, the ING Pension Fund may charge its administrative expenses relating to the closed pension plans to the employer. The relevant subsidiaries of the Company and ING Groep entered into an allocation agreement on 28 May 2014 to allocate these costs between them on the basis of the weighted number of participants, former participants and pensioners allocated to each of them. This allocation will remain in place until the ING Pension Fund will be split into two separate pension funds. It is not feasible to predict whether and when such a split will be effected.

Insurance coverage

Risk management programme (RMP)

ING Groep operates a self-insured insurance programme that encompasses professional liability, fidelity/crime and employment practices liability exposures of ING Groep and its subsidiaries (the **RMP**). Under the RMP professional liability, fidelity/crime and employment practices liability insurance policies are issued directly by a third party insurer to ING Groep and its subsidiaries, which pay premiums directly to a non-affiliated broker which, in turn, remits these premiums directly to the insurer. The insurer, in turn, cedes 100% of these insured RMP risks, along with 100% of the remitted premiums, to NN Re Netherlands. The annual premium charges due by the Company and its subsidiaries include taxes, fees and premiums. As of and following the Settlement Date, the Company will be responsible for and handle the existing RMP with respect to exposures of NN and its (divested) subsidiaries pursuant to the Relationship Agreement.

ING U.S. and its subsidiaries ceased to participate in the RMP upon completion of the ING U.S. IPO with respect to any professional liability, fidelity/crime and employment practices liability exposures arising from events occurring on or after completion of the ING U.S. IPO. With respect to professional and employment practices liabilities arising before the end of 2014 from events that occurred prior to completion of the ING U.S. IPO, such liabilities will remain subject to the RMP reinsured by NN Re Netherlands if reported by the end of 2014 pursuant to the extended reporting period expiring by the end of 2014 taken out by ING U.S.

ING Groep and its subsidiaries (excluding Company, ING U.S. and their subsidiaries) will cease to participate in the RMP reinsured by NN Re Netherlands as of and following 1 January 2015 with respect to any exposures that will take place after 31 December 2014. RMP liabilities arising before 1 January 2015 or during the extended reporting period, if taken out by the subsidiaries of ING Groep (excluding the Company, ING U.S. and their subsidiaries), from events that occurred prior to 1 January 2015, such liabilities will remain subject to the RMP reinsured by NN Re Netherlands, if these RMP liabilities have been reported before 15 February 2015, or alternatively before the end of an extended reporting period (if taken out), beyond that date.

On 13 June 2014, in order to remove the exposure of NN Re Netherlands under the RMP in respect of RMP liabilities of ING U.S., former Latin American insurance and investment management businesses and ING Bank entities, ING Groep, ING Bank N.V. and NN Re Netherlands entered into a settlement agreement, setting out terms and conditions of a settlement mechanism whereby ING Groep will reimburse NN Re Netherlands to the extent claims paid by NN Re Netherlands under the RMP in respect of RMP liabilities of ING U.S., former Latin American insurance businesses and ING Bank entities will exceed the premiums received by NN Re Netherlands in respect of these RMP risks and NN Re Netherlands will pay to ING Groep to the extent such premiums will exceed such claims. In connection with this settlement agreement, ING Bank N.V. and NN Re Netherlands entered into an outsourcing agreement on the same date, pursuant to which ING Bank N.V. will provide claim handling services to NN Re Netherlands and will be authorised to settle, on behalf of NN Re Netherlands, certain claims received by NN Re Netherlands under the RMP in respect of RMP liabilities of ING U.S., former Latin American insurance and investment management businesses and ING Bank entities. Finally, ING Groep and the Company entered into an indemnity agreement on the same date, setting out terms and conditions under which the Company will indemnify ING Groep in the event ING Groep is obliged to indemnify the third party insurer in case of NN Re Netherlands failing to pay under the reinsurance agreements under which the third party insurer has ceded RMP risks in respect of the Company and its (former) subsidiaries (excluding ING U.S., former Latin American insurance and investment management businesses and ING Bank entities).

D&O liability insurance

As of and following the First Trading Date NN's directors and officers will cease to be insured under the directors' and officers' liability and fiduciary liability insurance (Side A) taken out by ING Groep (the ING Groep D&O Policy) with respect to any liability arising out of any wrongful act as defined in the ING Groep D&O Policy that may occur on or after the First Trading Date and the Company will have taken out a new directors' and officers' liability and fiduciary liability insurance, effective upon the First Trading Date, on terms and conditions that are materially not less advantageous to NN's directors and officers than the ING Groep D&O Policy pursuant to the Relationship Agreement. The ING Groep D&O Policy will continue to provide coverage to any of NN's directors and officers who incurs any liability arising out of any wrongful act as defined in the ING Groep D&O Policy that occurred prior to the First Trading Date that is covered and indemnifiable under the ING Groep D&O Policy. A non-accumulation of insured limits of the NN Group D&O Policy and the ING Groep D&O Policy will be applicable for joint and common claims of NN Group and ING Groep.

Indemnification directors and officers

The directors & officers liability indemnity statement issued by ING Groep (the **ING Groep D&O Indemnity Statement**) continues to provide coverage to NN's directors and officers who incur liability arising out of a wrongful act as defined in the ING Groep D&O Statement that occurred prior to the First Trading Date that is covered and indemnifiable under the ING Groep D&O Indemnity Statement. If ING Groep reimburses a director or officer of NN pursuant to the ING Groep D&O Statement, the Company will indemnify and reimburse ING Groep in full for the amount of any such payment. As of and following the First Trading Date NN's directors and officers will cease to be indemnified by ING Groep with respect to any liability arising out of any wrongful act as defined in the ING Groep D&O Indemnity Statement that may occur on or after the First Trading Date and the Company will have issued a NN Group D&O Indemnity Statement, effective upon the First Trading Date, on terms and conditions that are materially not less advantageous to NN's directors and officers than the ING Groep D&O Indemnity Statement pursuant to the Relationship Agreement.

Public offering securities insurance

ING Groep has taken out a public offering securities insurance (**POSI**) policy with respect to any liabilities arising out of the Offering covering ING Groep and its subsidiaries, the Company and its subsidiaries and their respective directors, officers and employees equally and to the same extent. ING Groep pays the premium of the POSI. The premium for the POSI will be borne by ING Groep and the Company.

Agreements related to restructurings with ING Groep

- ***Polish pension fund***: In May 2014, ING Bank Śląski S.A. and ING Continental Europe Holdings B.V., a wholly-owned subsidiary of the Company, entered into a non-binding agreement regarding the proposed acquisition by ING Continental Europe Holdings B.V. of 20% of the shares in ING Powszechne Towarzystwo Emerytalne S.A. (**ING PTE**), in which ING Continental Europe Holdings B.V. currently holds 80% of the shares. ING PTE manages the second pillar open-ended pension fund ING Otwarty Fundusz Emerytalny (**ING OFE**), which has been among the leaders in the pension funds market in Poland, and the open-ended third pillar voluntary pension fund ING Dobrowolny Fundusz Emerytalny. The parties expect to enter into a binding agreement on arm's length terms in the fourth quarter of 2014. Any such transaction, if entered into, will be subject to regulatory approval.

  The initial price indicated in the non-binding agreement is approximately PLN 242 million which will be adjusted for dividends paid over 2013 and 2014, the actual customer retention rate in ING OFE at the end of 2014 and the financial result for 2014. The price will be supported by a fairness opinion. In the event of a decision by the Polish Constitutional Court relating to the new Polish pension fund reform legislation (see "*Industry Overview—Central and Eastern Europe (CEE)—Industry trends and developments*"), amendment of this legislation due to such court decision or appeal to such court or sums received by ING PTE based upon a decision by appropriate authority or court or any settlement in connection with such court decision or amendment of this legislation as a result of such court decision, ING Bank Śląski S.A. may request a price adjustment based on a new valuation of ING PTE to be prepared in line with pre-agreed valuation assumptions. The new valuation will be supported by a fairness opinion.

- ***ING U.S.***: In May 2013, ING Insurance International B.V. sold 25% of the common stock in the initial public offering of ING U.S., its U.S.-based retirement, investment and insurance business. The shares began trading on 2 May 2013 on the NYSE under the ticker symbol "VOYA". The initial public offering of ING U.S. consisted of both a primary component of shares offered by ING U.S. and a secondary component of shares offered by NN. The total offering amounted to USD 1,385 billion. In May 2013, the underwriters exercised in full their overallotment option. The sale of these additional shares further reduced NN's ownership in ING U.S. from 75% to approximately 71% of the common stock of ING U.S. The gross proceeds from the exercise of the option were approximately USD 191 million.

  In preparation for a stand-alone future of NN, approximately 71% of the common stock of ING U.S. held by ING Insurance International B.V. was transferred to ING Groep as at 30 September 2013. Following a transfer of the legal title of the common stock to ING Verzekeringen N.V., the common stock was distributed by ING Verzekeringen N.V. to its sole shareholder ING Insurance Topholding N.V. (now the Company), followed by a distribution of the common stock by ING Insurance Topholding N.V. to ING Groep. Both distributions were made at the expense of the freely distributable reserves. NN's shareholding in ING U.S. of approximately 71% was transferred to ING Groep at carrying value by way of a distribution to ING Groep at the expense of the Company's freely distributable reserves in the amount of EUR 6,827 million, lowering the Company's shareholder's equity by the same amount. Since 30 September 2013, NN has no interest in ING U.S.

  NN has been indemnified by ING Groep against any liabilities arising from this disposal (see "*Major Shareholder and Related Party Transactions—Related Party Transactions—Relationship with ING following the Offering—Indemnification and allocation agreement*").

- ***ING Australia Holdings Limited***: On 30 September 2013, ING Insurance International B.V. sold and transferred its shares in ING Australia Holdings Limited to ING Bank at net asset value and assigned to ING Bank its outstanding debt, including accrued interest, with ING Australia Holdings Limited. The net transfer value was AUD 513,942.

- ***WestlandUtrecht Bank***: Pursuant to the 2012 Restructuring Plan, ING Groep committed to combine the commercial operations of WUB with the retail banking activities of Nationale-Nederlanden. In order to fulfil this commitment, Nationale-Nederlanden Bank N.V. acquired all outstanding shares in WestlandUtrecht Effectenbank N.V. and Nationale-Nederlanden Financiële

Diensten B.V. from WUB. In addition, Nationale-Nederlanden Bank N.V. acquired certain business assets from WUB, which mainly included IT systems. The total consideration for the transferred entities and assets amounted to approximately EUR 34 million. The assets held by WestlandUtrecht Effectenbank N.V. and Nationale-Nederlanden Financiële Diensten B.V. at the date of transfer included a consumer loans book of EUR 155 million, a savings book of EUR 3.7 billion and a retail securities portfolio of EUR 1,000 million AuM. Furthermore, all rights relating to certain pre-selected mortgage receivables with a nominal value of EUR 3.8 billion, which were originated by Nationale-Nederlanden Levensverzekering Maatschappij N.V. for the account and risk of Nationale-Nederlanden Hypotheekbedrijf N.V., were sold and transferred to Nationale-Nederlanden Bank N.V. for book value. These transactions were closed on 1 July 2013 and have been agreed in several agreements between the relevant entities. These agreements contain certain limited representations and warranties regarding the transferred entities and mortgage receivables in favour of NN Bank, in line with the nature of the transaction as an inter-company transaction.

In addition, Nationale-Nederlanden Bank N.V. and Nationale-Nederlanden Levensverzekering Maatschappij N.V., subsidiaries of the Company on the one hand and WUB, Nationale-Nederlanden Hypotheekbedrijf N.V and RVS Hypotheekbank N.V., subsidiaries of ING Groep on the other hand, entered into a cooperation agreement on 1 July 2013. This agreement covers the management of mortgage loans that Nationale-Nederlanden Bank N.V. performs on behalf of Nationale-Nederlanden Hypotheekbedrijf N.V. and RVS Hypotheekbank N.V. Furthermore, this agreement deals with the transfer of further mortgage loans from Nationale-Nederlanden Hypotheekbedrijf N.V. to Nationale-Nederlanden Bank N.V. if and when the relevant mortgage loan is renewed by the customer at the interest reset date. The agreement also governs the process and valuation criteria for the transfer of the mortgage loans and provides for the transfer of mortgage receivables up to a maximum of EUR 1,600 million per annum. The term of the agreement is indefinite, but can be terminated by each party with an earliest effective date of 31 December 2015, provided a notice period of 18 months is given. In May 2014, parties have agreed to negotiate and enter into an additional cooperation agreement with an effective date of 1 January 2016. The prolonged cooperation is expected to result in an additional transfer of mortgage loans of EUR 4,900 million from 2016 until 2020. Such mortgage loans will be transferred from Nationale-Nederlanden Hypotheekbedrijf N.V. to Nationale-Nederlanden Bank N.V. if and when the relevant mortgage loan is renewed by the customer at the interest reset date. The parties will furthermore agree to a number of amendments to the existing cooperation agreement. These include, but are not limited to, the introduction of a material adverse change clause relating to certain material adverse changes to the capital and liquidity position of NN Bank and amendments to the terms under which the mortgage loans in default are to be transferred and the change of control clause. The term of this new agreement will be indefinite, but each party will have the right to terminate the agreement with an earliest effective date of 31 December 2020, provided a notice period of 18 months is given.

Furthermore, on 19 December 2013 Dutch mortgages with a nominal value of EUR 2,618 million were transferred from ING Bank to NN Life at arm's length terms.

Advisory transactions

Several of ING U.S.'s investment management subsidiaries have served and continue to serve as investment managers or sub-managers, investment advisers or sub-advisers, and portfolio managers or sub-managers for various funds pertaining to the asset management subsidiaries of the Company. The amount of fees NN pays depends, in part, on the performance of the funds or the returns earned on the accounts on which ING U.S. subsidiaries are advising.

Transfer pricing agreements

ING Groep has charged the Company certain specified amounts for various services provided by the ING Groep head office. The total charges for the services provided pursuant to the transfer pricing agreement are a part of the administrative overhead described below.

NETHERLANDS TAX CONSIDERATIONS

General

The following summary outlines certain principal Dutch tax consequences of the acquisition, holding, redemption and disposal of the Ordinary Shares, but does not purport to be a comprehensive description of all Dutch tax considerations that may be relevant. For the purposes of Dutch tax law, a holder of Ordinary Shares may include an individual or entity who does not have the legal title of these Ordinary Shares, but to whom nevertheless the Ordinary Shares or the income thereof is attributed based on specific statutory provisions or on the basis of such individual or entity having an interest in the Ordinary Shares or the income thereof. This summary is intended as general information only and each prospective investor should consult a professional tax adviser about the tax consequences of the acquisition, holding, redemption and disposal of Ordinary Shares.

This summary is based on tax legislation, published case law, treaties, regulations and published policy, in each case as in force as of the date of this Prospectus, and does not take into account any developments or amendments thereof after that date whether or not such developments or amendments have retroactive effect.

This summary does not address the Dutch tax consequences for:

(a) Dutch investment institutions (*fiscale beleggingsinstellingen*);

(b) pension funds, exempt investment institutions (*vrijgestelde beleggingsinstellingen*) or other entities that are not subject to or exempt from Dutch corporate income tax;

(c) corporate holders of Ordinary Shares which qualify for the participation exemption (*deelnemingsvrijstelling*). Generally speaking, a shareholding is considered to qualify as a participation for the participation exemption if it represents an interest of 5% or more of the nominal paid-up share capital;

(d) holders of Ordinary Shares holding a substantial interest (*aanmerkelijk belang*) or deemed substantial interest (*fictief aanmerkelijk belang*) in the Company and holders of Ordinary Shares of whom a certain related person holds a substantial interest in the Company. Generally speaking, a substantial interest in the Company arises if a person, alone or, where such person is an individual, together with his or her partner (statutory defined term), directly or indirectly, holds or is deemed to hold (i) an interest of 5% or more of the total issued capital of the Company or of 5% or more of the issued capital of a certain class of shares of the Company, (ii) rights to acquire, directly or indirectly, such interest or (iii) certain profit-sharing rights in the Company;

(e) persons to whom the Ordinary Shares and the income from the Ordinary Shares are attributed based on the separated private assets (*afgezonderd particulier vermogen*) provisions of the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*) and the Dutch Gift and Inheritance Tax Act 1956 (*Successiewet 1956*);

(f) entities which are resident in Aruba, Curacao or Saint Maarten that have an enterprise which is carried on through a permanent establishment or a permanent representative on Bonaire, Saint Eustatius or Saba and the Ordinary Shares are attributable to such permanent establishment or permanent representative;

(g) holders of Ordinary Shares which are not considered the beneficial owner (*uiteindelijk gerechtigde*) of these Ordinary Shares or the benefits derived from or realised in respect of these Ordinary Shares; and

(h) individuals to whom Ordinary Shares or the income therefrom are attributable to employment activities which are taxed as employment income in the Netherlands.

Where this summary refers to the Netherlands, such reference is restricted to the part of the Kingdom of the Netherlands that is situated in Europe and the legislation applicable in that part of the Kingdom.

Dividend tax

Withholding requirement

The Company is required to withhold 15% Dutch dividend tax in respect of dividends paid on the Ordinary Shares. In the Dutch Dividend Tax Act 1965 (*Wet op de dividendbelasting 1965*), dividends are defined as the proceeds from shares, which include:

(a) direct or indirect distributions of profit, regardless of their name or form;

(b) liquidation proceeds, proceeds on redemption of the Ordinary Shares and, as a rule, the consideration for the repurchase of the Ordinary Shares by the Company each in excess of its average paid-in capital recognised for Dutch dividend tax purposes, unless, in case of a repurchase, a particular statutory exemption applies;

(c) the nominal value of Ordinary Shares issued to a holder of the Ordinary Shares or an increase of the nominal value of the Ordinary Shares, insofar as the nominal value of the Ordinary Shares or an increase thereof is not funded out of the Company's paid-in capital as recognised for Dutch dividend tax purposes; and

(d) partial repayments of paid-in capital recognised for Dutch dividend tax purposes, if and to the extent there are qualifying profits (*zuivere winst*), unless the General Meeting has resolved in advance to make such repayment and provided that the nominal value of the Ordinary Shares concerned has been reduced by an equal amount by way of an amendment of the Articles of Association.

Netherlands Dividend Tax upon Redistribution of Foreign Dividends

Generally, the Company must transfer to the Dutch tax authorities all Netherlands dividend tax it withholds on dividends it distributed with respect to the Shares. However, provided certain conditions are met, the Company may apply a reduction with respect to the dividend tax that it has to transfer to the Dutch tax authorities. This reduction can be applied if the Company distributes dividends that stem from dividends the Company itself has received from certain qualifying non-Netherlands subsidiaries, provided these dividends the Company has received are exempt from Dutch corporate income tax and were subject to a withholding tax of at least 5% upon distribution to the Company. The reduction is applied to the Netherlands dividend tax that the Company must pay to the Netherlands tax authorities and not to the amount of the Netherlands dividend tax that the Company must withhold. The reduction is equal to the lesser of: (i) 3% of the amount of the dividends distributed by the Company that are subject to Netherlands dividend tax, and (ii) 3% of the gross amount of the dividends received during a certain period from the qualifying non-Netherlands subsidiaries. Upon request, the Company will provide Shareholders with information regarding the portion of the Dutch withholding tax that was retained by the Company.

Residents of the Netherlands

If a holder of Ordinary Shares is a resident of the Netherlands or deemed to be a resident of the Netherlands for Dutch corporate or individual income tax purposes, Dutch dividend tax which is withheld with respect to proceeds from Ordinary Shares will generally be creditable for Dutch corporate income tax or Dutch income tax purposes.

Non-residents of the Netherlands

If a holder of Ordinary Shares is a resident of a country other than the Netherlands and if a treaty for the avoidance of double taxation with respect to taxes on income is in effect between the Netherlands and that country, and such holder is a resident for the purposes of such treaty, such holder may, depending on the terms of that particular treaty, qualify for full or partial relief at source or for a refund in whole or in part of the Dutch dividend tax. The income tax treaty between the Netherlands and the United States generally provides for a 15% tax rate on dividends, subject to certain exceptions.

A refund of the Dutch dividend tax is available to entities resident in another Member State, Norway, Iceland or Liechtenstein provided (a) these entities are not subject to corporate income tax there and (b) these entities would not be subject to Dutch corporate income tax if these entities would be tax resident in the Netherlands for corporate income tax purposes and (c) these entities are not comparable to investment institutions (*fiscale beleggingsinstellingen*) or exempt investment institutions (*vrijgestelde beleggingsinstellingen*). Furthermore, a similar refund of Dutch dividend tax may be available to entities resident in other countries, under the additional conditions that (i) the Ordinary Shares are considered portfolio investments and (ii) the Netherlands can exchange information with this other country in line with the international standards for the exchange of information.

Beneficial owner

A recipient of proceeds from the Ordinary Shares will not be entitled to any exemption, reduction, refund or credit of Dutch dividend tax if such recipient is not considered to be the beneficial owner of such proceeds. The recipient will not be considered the beneficial owner of these proceeds, if, in connection with such proceeds, the recipient has paid a consideration as part of a series of transactions in respect of which it is likely:

(a) that the proceeds have in whole or in part accumulated, directly or indirectly, to a person or legal entity that would:

  (i) as opposed to the recipient paying the consideration, not be entitled to an exemption from dividend tax; or

  (ii) in comparison to the recipient paying the consideration, to a lesser extent be entitled to a reduction or refund of dividend tax; and

(b) that such person or legal entity has, directly or indirectly, retained or acquired an interest in Ordinary Shares, profit-sharing certificates or loans, comparable to the interest it had in similar instruments prior to the series of transactions being initiated.

Corporate and individual income tax

Residents of the Netherlands

If a holder of Ordinary Shares is a resident of the Netherlands or deemed to be a resident of the Netherlands for Dutch corporate income tax purposes and is fully subject to Dutch corporate income tax or is only subject to Dutch corporate income tax in respect of an enterprise to which the Ordinary Shares are attributable, income derived from the Ordinary Shares and gains realised upon the redemption or disposal of the Ordinary Shares are generally taxable in the Netherlands (at up to a maximum rate of 25%).

If an individual is a resident of the Netherlands or deemed to be a resident of the Netherlands for Dutch individual income tax purposes or has opted to be treated as a resident of the Netherlands for individual income tax purposes, income derived from the Ordinary Shares and gains realised upon the redemption or disposal of the Ordinary Shares are taxable at the progressive rates (at up to a maximum rate of 52%) under the Dutch Income Tax Act 2001, if:

(a) the individual is an entrepreneur (*ondernemer*) and has an enterprise to which the Ordinary Shares are attributable or the individual has, other than as a shareholder, a co-entitlement to the net worth of an enterprise (*medegerechtigde*), to which enterprise the Ordinary Shares are attributable; or

(b) such income or gains qualify as income from miscellaneous activities (*resultaat uit overige werkzaamheden*), which includes activities with respect to the Ordinary Shares that exceed regular, active portfolio management (*normaal, actief vermogensbeheer*).

If neither condition (a) nor condition (b) above applies, an individual that holds the Ordinary Shares must determine taxable income with regard to the Ordinary Shares on the basis of a deemed return on income from savings and investments (*sparen en beleggen*), rather than on the basis of income actually received or gains actually realised. This deemed return on income from savings and investments has been fixed at a rate of 4% of the individual's yield basis (*rendementsgrondslag*) at the beginning of the calendar year (1 January), insofar as the individual's yield basis exceeds a certain threshold (*heffingsvrij vermogen*). The individual's yield basis is determined as the fair market value of certain qualifying assets held by the individual less the fair market value of certain qualifying liabilities on 1 January. The fair market value of the Ordinary Shares will be included as an asset in the individual's yield basis. The 4% deemed return on income from savings and investments is taxed at a rate of 30%.

Non-residents of the Netherlands

If a person is not a resident of the Netherlands, nor is deemed to be a resident of the Netherlands for Dutch corporate or individual income tax purposes, nor has opted to be treated as a resident of the Netherlands for individual income tax purposes, such person is not liable to Dutch income tax in respect of income derived from the Ordinary Shares and gains realised upon the redemption or disposal of the Ordinary Shares, unless:

(a) the person is not an individual and such person (i) has an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands to which permanent establishment or a permanent representative the Ordinary Shares are attributable, or (ii) is (other than by way of securities) entitled to a share in the profits of an enterprise or a co-entitlement to the net worth of an enterprise, which is effectively managed in the Netherlands and to which enterprise the Ordinary Shares are attributable.

    This income is subject to Dutch corporate income tax at up to a maximum rate of 25%.

(b) the person is an individual and such individual (i) has an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands to which permanent establishment or permanent representative the Ordinary Shares are attributable, or (ii) realises income or gains with respect to the Ordinary Shares that qualify as income from miscellaneous activities in the Netherlands which includes activities with respect to the Ordinary Shares that exceed regular, active portfolio management, or (iii) is other than by way of securities entitled to a share in the profits of an enterprise that is effectively managed in the Netherlands and to which enterprise the Ordinary Shares are attributable.

Income derived from the Ordinary Shares as specified under (i) and (ii) of (b) by an individual is subject to individual income tax at progressive rates up to a maximum rate of 52%. Income derived from a share in the profits of an enterprise as specified under (iii) that is not already included under (i) or (ii) will be taxed on the basis of a deemed return on income from savings and investments (as described above under "—*Residents of the Netherlands*"). The fair market value of the share in the profits of the enterprise (which may include the Ordinary Shares) will be part of the individual's Dutch yield basis.

Gift and inheritance tax

Dutch gift or inheritance taxes will not be levied on the occasion of the transfer of the Ordinary Shares by way of gift by, or on the death of, a holder of the Ordinary Shares, unless:

(a) the holder of the Ordinary Shares is, or is deemed to be, resident in the Netherlands for the purpose of the relevant provisions; or

(b) the transfer is construed as an inheritance or gift made by, or on behalf of, a person who, at the time of the gift or death, is or is deemed to be resident in the Netherlands for the purpose of the relevant provisions.

Value added tax

In general, no value added tax will arise in respect of payments in consideration for the issue of the Ordinary Shares or in respect of a cash payment made under the Ordinary Shares, or in respect of a transfer of Ordinary Shares.

Other taxes and duties

No registration tax, customs duty, transfer tax, stamp duty, capital tax or any other similar documentary tax or duty will be payable in the Netherlands by a holder in respect of or in connection with the subscription, issue, placement, allotment, delivery or transfer of the Ordinary Shares.

UNITED STATES TAX CONSIDERATIONS

TO ENSURE COMPLIANCE WITH INTERNAL REVENUE SERVICE (IRS) CIRCULAR 230, EACH TAXPAYER IS HEREBY NOTIFIED THAT: (A) ANY TAX DISCUSSION HEREIN IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY THE TAXPAYER FOR THE PURPOSE OF AVOIDING U.S. FEDERAL INCOME TAX PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER; (B) ANY SUCH TAX DISCUSSION WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) THE TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

The following is a summary of certain U.S. federal income tax considerations relevant to U.S. Holders and non-U.S. Holders (as defined below) acquiring, holding and disposing of Ordinary Shares. This summary is based on the U.S. Internal Revenue Code of 1986, final, temporary and proposed U.S. Treasury regulations, administrative and judicial interpretations, all of which are subject to change, possibly with retroactive effect, as well as on the income tax treaty between the United States and the Netherlands as currently in force (the **Income Tax Treaty**).

This summary does not discuss all aspects of U.S. federal income taxation that may be relevant to investors in light of their particular circumstances, such as investors subject to special tax rules (including, without limitation: (a) certain financial institutions, (b) insurance companies, (c) dealers in stocks, securities, or currencies or notional principal contracts, (d) regulated investment companies, (e) real estate investment trusts, (f) tax-exempt organisations, (g) partnerships, passthru entities, or persons that hold Ordinary Shares through passthru entities, (h) holders that own (directly, indirectly or constructively) 10% or more of the voting stock of the Company, (i) investors that hold Ordinary Shares as part of a straddle, hedge, conversion, constructive sale or other integrated transaction for U.S. federal income tax purposes, (j) investors that have a functional currency other than the USD and (k) certain U.S. expatriates and former long-term residents of the United States, all of whom may be subject to tax rules that differ significantly from those summarised below. This summary does not address tax consequences applicable to holders of equity interests in a holder of the Ordinary Shares, U.S. federal estate, gift or alternative minimum tax considerations, any aspect of the Medicare tax on net investment income or non-U.S., state or local tax considerations. This summary only addresses investors that will acquire Ordinary Shares in the Offering, and it assumes that investors will hold their Ordinary Shares as capital assets (generally, property held for investment).

For the purposes of this summary, a **U.S. Holder** is a beneficial owner of Ordinary Shares that is for U.S. federal income tax purposes (a) an individual who is a citizen or resident of the United States, (b) a corporation created in, or organised under the laws of, the United States or any state thereof, including the District of Columbia, (c) an estate the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source or (d) a trust that is subject to U.S. tax on its worldwide income regardless of its source. A **Non-U.S. Holder** is a beneficial owner of Ordinary Shares that is not a U.S. Holder and is not a partnership for U.S. federal income tax purposes.

If a partnership is a beneficial owner of the Ordinary Shares, the tax treatment of a partner in that partnership will generally depend upon the status of the partner and the activities of the partnership. Partnerships holding the Ordinary Shares and partners in such partnerships are urged to consult their tax advisers as to the particular United States federal income tax consequences of an investment in the Ordinary Shares.

Taxation of Distributions

Subject to the passive foreign investment company (**PFIC**) rules discussed below, a distribution made by the Company on the Ordinary Shares (including amounts withheld in respect of foreign income tax) will be treated as a dividend includible in the gross income of a U.S. Holder as ordinary income to the extent of the Company's current and accumulated earnings and profits as determined under U.S. federal income tax principles. Such dividends will not be eligible for the dividends received deduction allowed to corporations. To the extent the amount of such distribution exceeds the Company's current and accumulated earnings and profits as so computed, the distribution will be treated first as a non-taxable return of capital to the extent of such U.S. Holder's adjusted tax basis in the Ordinary Shares and, to the extent the amount of such distribution exceeds such adjusted tax basis, will be treated as gain from the sale of such shares. The Company does not expect to maintain calculations of earnings and profits for U.S. federal income tax purposes. Therefore, a U.S. Holder should expect that such distribution will generally be treated as a dividend.

Qualified dividend income received by individuals and certain other non-corporate U.S. Holders, will be subject to reduced rates applicable to long-term capital gain if (a) the Company is a "qualified foreign corporation" (as defined below) and (b) such dividend is paid on Ordinary Shares that have been held by such U.S. Holder for at least 61 days during the 121-day period beginning 60 days before the ex-dividend date. The Company generally will be a qualified foreign corporation if (a) it is eligible for the benefits of the Income Tax Treaty and (b) it is not a PFIC in the taxable year of the distribution or the immediately preceding taxable year. The Company expects to be eligible for the benefits of the Income Tax Treaty. As discussed below under "*—United States Tax Considerations—Passive foreign investment company rules*", the Company does not believe it was a PFIC for the taxable year ending 31 December 2013 and does not expect to be a PFIC for the current year or in the foreseeable future.

Dividends on the Ordinary Shares generally will constitute income from sources outside the United States for foreign tax credit limitation purposes. The amount of any distribution of property other than cash will be the fair market value of the property on the date of the distribution. Subject to applicable limitations, Dutch income taxes withheld from dividends on the Ordinary Shares at a rate not exceeding any applicable Income Tax Treaty rate will be creditable against the U.S. Holder's United States federal income tax liability. As described in "*Netherlands Tax Considerations—Dividend Tax—Netherlands Dividend Tax upon Redistribution of Foreign Dividends*", upon making a distribution to shareholders, the Company may be permitted to retain a portion of the amounts withheld as Dutch dividend withholding tax. The amount of Dutch withholding tax that the Company may retain reduces the amount of dividend withholding tax that the Company is required to pay to the Dutch tax authorities, but does not reduce the amount of tax the Company is required to withhold from dividends paid to U.S. Holders. In these circumstances, it is likely that the portion of dividend withholding tax that the Company is not required to pay to the Dutch tax authorities with respect to dividends distributed to U.S. Holders would not qualify as a creditable tax for United States foreign tax credit purposes. The rules governing foreign tax credits are complex, and U.S. Holders should consult their tax advisers regarding the creditability of foreign taxes in their particular circumstances.

The USD value of any distribution made by the Company in foreign currency must be calculated by reference to the exchange rate in effect on the date of receipt of such distribution by the U.S. Holder, regardless of whether the foreign currency is in fact converted into USD. If the foreign currency so received is converted into USD on the date of receipt, such U.S. Holder generally will not recognise foreign currency gain or loss on such conversion. If the foreign currency so received is not converted into USD on the date of receipt, such U.S. Holder will have a basis in the foreign currency equal to its USD value on the date of receipt. Any gain on a subsequent conversion or other disposition of the foreign currency generally will be treated as ordinary income or loss to such U.S. Holder and generally will be income or loss from sources within the United States for foreign tax credit limitation purposes.

Sale or other disposition

A U.S. Holder generally will recognise gain or loss for U.S. federal income tax purposes upon a sale or other disposition of its Ordinary Shares in an amount equal to the difference between the amount realised from such sale or disposition and the U.S. Holder's adjusted tax basis in such Ordinary Shares, as determined in USD. Subject to the PFIC rules discussed below, such gain or loss generally will be capital gain or loss and will be long-term capital gain (taxable at preferential rates for non-corporate U.S. Holders, such as individuals) or loss if, on the date of sale or disposition, such Ordinary Shares were held by such U.S. Holder for more than one year. The deductibility of capital loss is subject to significant limitations. Such gain or loss realised generally will be treated as derived from U.S. sources.

A U.S. Holder that receives foreign currency from a sale or disposition of Ordinary Shares generally will realise an amount equal to the USD value of the foreign currency on the date of sale or disposition or, if such U.S. Holder is a cash basis or electing accrual basis taxpayer and the Ordinary Shares are treated as being traded on an established securities market for this purpose, the settlement date. If the Ordinary Shares are so treated and the foreign currency received is converted into USD on the settlement date, a cash basis or electing accrual basis U.S. Holder will not recognise foreign currency gain or loss on the conversion. If the foreign currency received is not converted into USD on the settlement date, the U.S. Holder will have a basis in the foreign currency equal to the USD value on the settlement date. Any gain or loss on a subsequent conversion or other disposition of the foreign currency generally will be treated as ordinary income or loss to such U.S. Holder and generally will be income or loss from sources within the United States for foreign tax credit limitation purposes.

Passive foreign investment company rules

In general, a corporation organised or incorporated outside the United States is a PFIC in any taxable year in which, after taking into account the income and assets of certain subsidiaries, either (a) at least 75% of its gross income is classified as passive income or (b) at least 50% of the average quarterly value attributable to its assets produce or are held for the production of passive income. Passive income for this purpose generally includes dividends, interest, royalties, rents and gains from commodities and securities transactions.

The PFIC rules provide that income derived in the active conduct of an insurance business by a corporation which is predominantly engaged in an insurance business (as determined under U.S. tax principles) is not treated as passive income. This exception is intended to ensure that income derived by a *bona fide* insurance company is not treated as passive income, except to the extent such income is attributable to financial reserves in excess of the reasonable needs of the insurance business.

Based on the present nature of its activities and the present composition of its assets and sources of income, the Company believes that it was not a PFIC for the year ending on 31 December 2013 and does not expect to become a PFIC for the current year or in the foreseeable future. There can be no assurances, however, that the Company will not be considered to be a PFIC for any particular year because PFIC status is factual in nature, is determined annually and generally cannot be determined until the close of the taxable year in question. If the Company is classified as a PFIC in any year that a U.S. Holder is a shareholder, the Company generally will continue to be treated as a PFIC for that U.S. Holder in all succeeding years, regardless of whether the Company continues to meet the income or asset test described above. If the Company were a PFIC in any taxable year, materially adverse U.S. federal income tax consequences could result for U.S. Holders.

In general, if the Company is a PFIC for any taxable year during which a U.S. Holder owns the Company's ordinary shares, the U.S. Holder will be subject to special tax rules with respect to any excess distribution received and any gain realised from a sale or other disposition (including a pledge) of Ordinary Shares. Distributions received in a taxable year that are greater than 125% of the average annual distributions received during the shorter of the three preceding taxable years or the U.S. Holder's holding period for the Ordinary Shares will be treated as excess distributions. Under these special tax rules, (a) the excess distribution or gain will be allocated rateably over the U.S. Holder's holding period for the Ordinary Shares, (b) the amount allocated to the current taxable year will be treated as ordinary income, and (c) the amount allocated to each other year will be subject to tax at the highest tax rate in effect for that year and an interest charge (at the rate generally applicable to underpayments of tax for the period from such year to the current year) will be imposed on the resulting tax attributable to each such year.

A U.S. Holder subject to the PFIC rules discussed above or below is generally required to file annually IRS Form 8621 with respect to its investment in the Ordinary Shares.

Mark-to-market election

If the Company were a PFIC for any taxable year, a U.S. Holder may be able to make an election to include gain or loss on the Ordinary Shares as ordinary income or loss under a mark-to-market method, provided that the Ordinary Shares are regularly traded on a qualified exchange. Application has been made for the Ordinary Shares to be admitted to Euronext Amsterdam, which the Company expects to be a qualified exchange. No assurance can be given that the Ordinary Shares will be regularly traded for purposes of the mark-to-market election. If a U.S. Holder makes an effective mark-to-market election, the U.S. Holder will include in any year as ordinary income the excess of the fair market value of its Ordinary Shares at the end of the year over its adjusted tax basis in the Ordinary Shares. The U.S. Holder will be entitled to deduct as an ordinary loss each year the excess of its adjusted tax basis in the Ordinary Shares over their fair market value at the end of the year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. A U.S. Holder's adjusted tax basis in the Ordinary Shares will be increased by the amount of any income inclusion and decreased by the amount of any deductions under the mark-to-market rules. In addition, gains from an actual sale or other disposition of Ordinary Shares will be treated as ordinary income, and any losses will be treated as ordinary losses to the extent of any mark-to-market gains for prior years.

Qualified electing fund election

To mitigate the application of the PFIC rules discussed above, a U.S. Holder may make an election to treat the Company as a qualified electing fund (**QEF**) for U.S. federal income tax purposes. To make a QEF election, the Company must provide U.S. Holders with information compiled according to U.S. federal income tax principles. The Company currently does not intend to compile such information for U.S. Holders, and therefore it is expected that this election will be unavailable.

Non-U.S. Holders

A Non-U.S. Holder generally should not be subject to U.S. federal income or withholding tax on any distributions made on the Ordinary Shares or gain from the sale, redemption or other disposition of the Ordinary Shares unless: (a) that distribution and/or gain is effectively connected with the conduct by that Non-U.S. Holder of a trade or business in the United States, or (b) in the case of any gain realised on the sale or exchange of a Share by an individual Non-U.S. Holder, that Non-U.S. Holder is present in the United States for 183 days or more in the taxable year of the sale, exchange or retirement and certain other conditions are met.

U.S. information reporting and backup withholding tax

A U.S. Holder may be subject to information reporting unless it establishes that payments to it are exempt from these rules. For example, payments to corporations generally are exempt from information reporting and backup withholding. Payments that are subject to information reporting may be subject to backup withholding if a U.S. Holder does not provide its taxpayer identification number and otherwise comply with the backup withholding rules. Non-U.S. Holders may be required to comply with applicable certification procedures to establish that they are not U.S. Holders in order to avoid the application of such information reporting requirements and backup withholding. Backup withholding is not an additional tax. Amounts withheld under the backup withholding rules are available to be credited against a U.S. Holder's U.S. federal income tax liability and may be refunded to the extent they exceed such liability, provided the required information is timely provided to the IRS.

Certain U.S. holders may be required to report to the IRS certain information with respect to their ownership of the Ordinary Shares. Shareholders who fail to report required information could be subject to substantial penalties.

Foreign Account Tax Compliance Act

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (**FATCA**) impose a reporting regime and potentially a 30% withholding tax with respect to certain "foreign passthru payments" (a term not yet defined) made by a foreign financial institution or FFI (as defined by FATCA) that has become a **Participating FFI** by entering into an agreement with the IRS to provide the IRS with certain information in respect of its U.S. accountholders and U.S. investors, to (a) an FFI that is not a participating FFI or is not otherwise exempt from or in deemed compliance with FATCA, and (b) any accountholder or investor that does not provide information sufficient to determine whether the accountholder or investor is a U.S. person or should otherwise be treated as holding a United States account of the Company. The Company is classified as an FFI.

The withholding regime will apply to "foreign passthru payments" no earlier than 1 January 2017.

The United States and the Netherlands have signed an interngovernmental agreement that modifies the FATCA withholding regime described above (the **U.S.-Netherlands IGA**).The Company expects to be a reporting FI under the U.S.-Netherlands IGA and does not anticipate being obliged to withhold under FATCA or the U.S.-Netherlands IGA (or any law implementing an IGA) (any such withholding **FATCA Withholding**) on payments it makes. However, it is not yet entirely clear how the U.S.-Netherlands IGA or any other IGA applicable to any financial intermediary will address "foreign passthru payments" and whether such agreement may relieve a reporting FI (as defined in the applicable IGA) of any obligation to withhold on foreign passthru payments.

FATCA is particularly complex and its application to securities such as the Ordinary Shares is uncertain. The above description is based in part on regulations, official guidance, the U.S.-Netherlands IGA and model IGAs, all of which are subject to change or may be implemented in a materially different form. Prospective investors should consult their tax advisers on how these rules may apply to the Company and to payments they may receive in connection with the Ordinary Shares.

19. THE OFFERING

INTRODUCTION

Offer Shares in the Offering

The Offering consists of: (a) a public offering to institutional and retail investors in the Netherlands and (b) a private placement to certain institutional investors in various other jurisdictions. ING Groep is offering 70,000,000 Offer Shares, representing 20% of the issued Ordinary Shares of the Company immediately following the Settlement Date. In addition, ING Groep has granted the Joint Global Coordinators, on behalf of the Underwriters the Over-Allotment Option.

The Offer Shares and the Additional Shares (if any) have not been and will not be registered under the U.S. Securities Act. The Offer Shares are being offered: (a) within the United States to persons reasonably believed to be QIBs in reliance on Rule 144A under the U.S. Securities Act and (b) outside the United States in "offshore transactions" as defined in, and in compliance with, Regulation S.

Over-allotment option

ING Groep has granted to the Joint Global Coordinators, on behalf of the Underwriters, the Over-Allotment Option, exercisable within 30 calendar days after the First Trading Date, pursuant to which the Joint Global Coordinators, on behalf of the Underwriters, may require ING Groep to sell at the Offer Price Additional Shares held by ING Groep, comprising up to 15% of the total number of Offer Shares sold in the Offering to cover short positions resulting from any over-allotments made in connection with the Offering or stabilisation transactions, if any.

The table below sets out the maximum number of Ordinary Shares that may be allotted as part of the Offering, assuming no exercise and assuming full exercise of the Over-Allotment Option.

Ordinary Shares as part of the Offering	**Maximum number of Ordinary Shares allotted without exercise of Over-Allotment Option**	**Maximum number of Ordinary Shares allotted with full exercise of Over-Allotment Option**
Offer Shares	70,000,000	70,000,000
Additional Shares	0	10,500,000
Total	**70,000,000**	**80,500,000**

Expected timetable

The timetable below lists certain expected key dates for the Offering.

Timetable for the Offering	
Event	**Time and date**
Start of Offer Period	10:00 hours CET on 17 June 2014
End of Offer Period	13:00 hours CET on 1 July 2014
Pricing	1 July 2014
Allocation	2 July 2014
First Trading Date (trading on an "if-and-when-delivered" basis)	2 July 2014
Settlement Date	7 July 2014

APPLICATION TO PURCHASE OFFER SHARES

Offer Period

Subject to acceleration or extension of the timetable for the Offering, prospective investors may apply for Offer Shares during the period commencing on 17 June 2014 at 10:00 hours CET and ending on 1 July 2014 at 13:00 CET. The Joint Bookrunners may open and close the Offer Period at different dates for each of the retail and institutional investors. In the event of an acceleration or extension of the Offer Period, pricing, Allocation, listing, first trading, payment for and delivery of the Offer Shares may be advanced or extended accordingly.

Acceleration or extension

Any extension of the timetable for the Offering will be published in a press release on the Company's website at least three hours before the end of the original Offer Period, provided that any extension will be for a minimum of one full business day. Any acceleration of the timetable for the Offering will be published in a press release on the Company's website at least three hours before the proposed end of the accelerated Offer Period. In any event, the Offer Period will be at least six business days.

Offer Price and number of Offer Shares

The Offer Price and the actual number of Offer Shares will be determined on the basis of a book-building process. The Offer Price may be set within, above or below the Offer Price Range. The Offer Price Range is between EUR 18.50 and EUR 22.00 per Offer Share. The Offer Price Range is an indicative price range.

The Offer Price and the exact number of Offer Shares and, if applicable, Additional Shares offered will be determined after the Offer Period has ended by ING Groep after consultation with the Company and following recommendations from the Joint Global Coordinators, on behalf of the Underwriters, taking into account market conditions and factors, including:

- the Offer Price Range;
- a qualitative assessment of demand for the Offer Shares;
- the Company's financial information;
- the history of, and prospects for, NN and the industry in which NN competes;
- an assessment of NN's management, its past and present operations and the prospects for, and timing of, NN's future revenues;
- the present state of NN's development;
- the above factors in relation to the market valuation of companies engaged in activities similar to those of NN;
- the economic and market conditions, including those in the debt and equity markets; and
- any other factors deemed appropriate.

The Offer Price and the exact number of Offer Shares offered will be determined after the end of the Offer Period. The Offer Price and the exact number of Offer Shares offered in the Offering will be set out in the Pricing Statement that will be deposited with the AFM and published in a press release on the Company's website as well as on the website of Euronext. Printed copies of the Pricing Statement will be made available at the registered office of the Company.

Change of Offer Price Range or number of Offer Shares

The Offer Price Range is an indicative price range. ING Groep, after consultation with the Company and following recommendations from the Joint Global Coordinators, reserves the right to change the Offer Price Range and/or to increase or decrease the maximum number of Offer Shares being offered prior to the date on which Allocation takes place. Any change in the Offer Price Range and/or the number of Offer Shares being offered will be published in a press release on the Company's website. If the top end of the Offer Price Range is increased, the revised Offer Price Range will be published in a press release on the Company's website, the Company will publish a supplement to this Prospectus and investors who have already agreed to purchase Offer Shares may exercise their withdrawal rights as set out in "—*Withdrawal rights*" below.

Change to information included in Prospectus

If a significant new factor, material mistake or inaccuracy relating to the information included in this Prospectus which is capable of affecting the assessment of the Offer Shares or Additional Shares arises or is noted prior to the end of the Offer Period, a supplement to this Prospectus will be published and investors who have already agreed to purchase Offer Shares may exercise their withdrawal rights as set out in "—*Withdrawal rights*" below.

Subscription by eligible retail investors

Eligible retail investors who wish to purchase Offer Shares should instruct their financial intermediary. The financial intermediary will be responsible for collecting applications from eligible retail investors and for informing ING Bank N.V., acting as the bank coordinating demands sourced by the banks participating in the public offering to retail investors in the Netherlands (**Retail Banks Coordinator**), of their application. All questions concerning the timelines, validity and form of instructions to a financial intermediary in relation to the purchase of Offer Shares and, if applicable, Additional Shares will be determined by the financial intermediaries in accordance with their usual procedures or as otherwise notified to the retail investors. The Company, ING Groep and the Joint Global Coordinators are not liable for any action or failure to act by a financial intermediary in connection with any purchase, or purported purchase, of Offer Shares and, if applicable, Additional Shares.

ALLOCATION

Allocation is expected to take place on the first business day after the end of the Offer Period. Full discretion will be exercised as to whether or not and how to allocate to investors the Offer Shares applied for. Investors may not be allocated all of the Offer Shares for which they apply. Any monies received in respect of applications which are not accepted in whole or in part will be returned to the investors without interest and at the investors' risk. Ultimately, ING Groep, after consultation with the Company following recommendations from the Joint Global Coordinators on behalf of the Underwriters, will determine the number of Offer Shares to be allocated.

Applications by eligible retail investors for the Offer Shares will only be made on a market order (*bestens*) basis. Accordingly, eligible retail investors will be bound to purchase and pay for the Offer Shares set out in their application and as allocated to them at the Offer Price, even if the Offer Price is above the upper end of the original Offer Price Range (see "—*Application to Purchase Offer Shares—Change of Offer Price Range or number of Offer Shares*"). Retail investors are entitled to cancel or amend their application to the financial intermediary to whom their original application was submitted at any time prior to the end of the Offer Period (if applicable, as amended or extended). Such cancellations or amendments may be subject to the terms of the financial intermediary involved.

Investors participating in the Offering will be deemed to have checked whether, and, if applicable, confirmed that they have met, the selling and transfer restrictions as described in "*Selling and Transfer Restrictions*". Each investor should consult his or her own advisers as to the legal, tax, business, financial and related aspects of a purchase of the Offer Shares.

On the date that Allocation occurs, ING Bank N.V., as Retail Banks Coordinator, on behalf of the Underwriters, will communicate to the members of Euronext the aggregate number of Offer Shares allocated to their respective retail investors. It is up to the members of Euronext to notify retail investors of their individual allocations. The Joint Bookrunners will communicate to the institutional investors the number of Offer Shares allocated to them on the date that Allocation occurs.

PREFERENTIAL EMPLOYEE ALLOCATION

Up to 94 eligible employees of the Company and ING Groep will be entitled to subscribe for Offer Shares at the Offer Price on a preferential basis for a minimum amount of EUR 2,000 up to a maximum amount of EUR 75,000. Eligible employees are members of the Executive Board and Management Board and certain other eligible (senior) employees of the Company and ING Groep. The preferential allocation of Offer Shares to eligible employees will not exceed 1% of the Offer Shares.

Each of the members of the Executive Board and Management Board will purchase Offer Shares in the Preferential Employee Allocation.

Lock-up

Offer Shares subscribed for by and allocated to members of the Executive Board and Management Board will be subject to a lock-up period of 180 days after the Settlement Date. For Offer Shares subscribed for by and allocated to other eligible (senior) employees of the Company and ING Groep, a lock-up period will apply for 120 days after the Settlement Date.

Subscription period

To be eligible for the Preferential Employee Allocation, eligible employees must place their subscriptions for Offer Shares during the period commencing on 17 June 2014 at 10:00 CET and ending on 26 June 2014 at 17:00 CET.

Any acceleration or extension of the timetable for the Offering will also lead to corresponding accelerations or extensions of the subscription period of the Preferential Employee Allocation. See "—*Application to purchase Offer Shares—Acceleration or extension*".

Allocation mechanism

In the Preferential Employee Allocation, the minimum subscription amount is EUR 2,000 and the maximum subscription amount is EUR 75,000. All eligible employees will receive full allocation in the Preferential Employee Allocation pursuant to their orders, rounded down to the nearest whole number of Offer Shares. As a result of such adjustment, the payable amount may be adjusted down accordingly.

Employees subscribing for Offer Shares under the Preferential Employee Allocation will be allocated all of the Offer Shares for which they subscribe, up to a maximum amount of EUR 75,000. For any additional subscriptions outside the Preferential Employee Allocation, eligible employees will have no preferential allocation and will be subject to the same terms as other retail investors, see "—*Subscription by eligible retail investors*".

WITHDRAWAL RIGHTS

In the event that the Company is required to publish a supplement to this Prospectus, investors who have already agreed to purchase Offer Shares may withdraw their applications within two business days following the date of publication of the supplement to this Prospectus.

The right to withdraw an application to acquire Offer Shares in the Offering in these circumstances will be available to all investors in the Offering. If the application is not withdrawn within the stipulated period, any offer to apply for Offer Shares in the Offering will remain valid and binding. Details of how to withdraw an application will be made available if a supplement to this Prospectus is published.

ANCHOR INVESTORS

On 30 April 2014 ING Groep entered into an investment agreement with each of RRJ Capital, Ossa Investments and SeaTown who have agreed to invest an aggregate sum of EUR 1,275 million in the Company by participating in the Offering as anchor investors (EUR 150 million) and by acquiring 4% Notes from ING Groep (EUR 1,125 million). The Notes are mandatorily exchangeable into Ordinary Shares in three tranches.

The Anchor Investors will participate in the Offering for an aggregate amount of EUR 150 million. RRJ Capital agreed to purchase EUR 88.235 million in Offer Shares, Ossa Investments agreed to purchase EUR 50 million in Offer Shares and SeaTown agreed to purchase EUR 11.765 million in Offer Shares.

The Notes were issued to the Anchor Investors on 16 May 2014 and will be mandatorily exchanged for Ordinary Shares in three tranches. The first tranche (EUR 264.7 million for RRJ Capital, EUR 150 million for Ossa Investments and EUR 35.3 for SeaTown) plus accrued interest will be mandatorily exchanged at the Settlement Date at a discount of 1.5% to the Offer Price. The second tranche (EUR 198.5 million for RRJ Capital, EUR 112.5 million for Ossa Investments and

EUR 26.5 million for SeaTown) plus accrued interest will be mandatorily exchanged at any time in 2015 at the discretion of ING Groep at the lower of (i) the closing share price of the Ordinary Shares on the day of the notice of exchange given by ING Groep minus 3%, and (ii) 100% of the Volume Weighted Average Price (VWAP) during the five trading days preceding the notice, inclusive of the day of notice. The third tranche (198.5 million for RRJ Capital, EUR 112.5 million for Ossa Investments and EUR 26.5 million for SeaTown) plus accrued interest will be mandatorily exchanged at any time in 2015 or 2016, after the exchange of the second tranche and at the discretion of ING Groep at the lower of (i) the closing share price of the Ordinary Shares on the day of the notice of exchange given by ING Groep minus 3%, and (ii) 100% of the Volume Weighted Average Price (VWAP) during the five trading days preceding the notice, inclusive of the day of notice. Upon a mandatory exchange, ING Groep has the right to pay any accrued interest in cash to the Anchor Investors. Such Anchor Investors then have the right to use part or all of the interest amount to be received to purchase from ING Groep further Ordinary Shares using the same pricing methodology as applies to the exchange of the principal amount of the relevant Notes.

This investment does not preclude ING Groep from pursuing alternative divestment routes for NN, such as a sale of the Residual Shares through a single tranche or multiple tranches, to a single party or multiple parties (including a strategic trade sale), or by Spin-off either before or after the settlement of the Offering.

None of the Anchor Investors is an existing shareholder of the Company. A brief description of each of the Anchor Investors is set out below. The information set out below in respect of each of the Anchor Investors has been provided by each relevant Anchor Investor.

RRJ Capital

RRJ Capital is a Hong Kong based investment management company. At the date of this Prospectus it manages two private equity funds with a combined size of US$ 5.9 billion. RRJ Capital strategically focuses on the sectors Financial Institutions, Consumer, Energy, Food and Industrials.

RRJ Capital acquired EUR 661.7 million principal amount of Notes (EUR 264.7 million first tranche, EUR 198.5 million second tranche and EUR 198.5 million third tranche) and agreed to purchase EUR 88.235 million in Offer Shares in the Offering.

Ossa Investments

Ossa Investments is a wholly-owned subsidiary of Temasek Holdings (Private) Limited. Temasek Holdings (Private) Limited, incorporated in 1974, is an investment company based in Singapore. Supported by 11 offices globally, Temasek Holdings (Private) Limited owns a S$ 215 billion (US$ 173 billion) portfolio as at 31 March 2013, with more than 70% of its underlying assets in Asia (including Singapore).

Ossa Investments acquired EUR 375 million principal amount of Notes (EUR 150 million first tranche, EUR 112.5 million second tranche and EUR 112.5 million third tranche) and agreed to purchase EUR 50 million in Offer Shares in the Offering.

SeaTown

SeaTown, based in Singapore, is a wholly owned subsidiary of Temasek Holdings (Private) Limited and was established in 2009 as an investment manager focused on absolute returns. SeaTown seeks to achieve consistent, superior risk-adjusted investment returns with its core strategy in value investing across the capital structure in companies globally.

SeaTown acquired EUR 88.3 million principal amount of Notes (EUR 35.3 million first tranche, EUR 26.5 million second tranche and EUR 26.5 million third tranche) and agreed to purchase EUR 11.765 million in Offer Shares in the Offering.

Participation in the Offering

Based on an Offer Price at the mid-point of the Offer Price Range, the aggregate number of Ordinary Shares subscribed for by the Anchor Investors in the Offering will be 7,407,405 Offer Shares, which represent approximately 2.1% of the issued and outstanding Ordinary Shares immediately following the Offering (being 1.2% for RRJ Capital, 0.7% for Ossa Investments and 0.2% for SeaTown), in each case assuming no exercise of the Over-Allotment Option. The Ordinary Shares to be acquired by each of the Anchor Investors pursuant to their investment agreements will rank parri passu in all respects with the other Ordinary Shares.

Terms of the Notes

The Notes issued will be mandatorily exchanged for Ordinary Shares in three tranches as set out in the table below. This investment does not preclude ING Groep from pursuing alternative divestment routes for NN, such as a sale of the Residual Shares through a single tranche or multiple tranches, to a single party or multiple parties (including a strategic trade sale), or by Spin-off either before or after the settlement of the Offering.

Anchor investors				
(in millions of EUR)	**RRJ Capital**	**Ossa Investments**	**SeaTown**	**Exchange date, exchange price and lock-up period**
First tranche	EUR 264.7	EUR 150.0	EUR 35.3	Exchange at the Settlement Date. Exchange price at a discount of 1.5% to the Offer Price. Lock-up until the later of 6 months after settlement of the Offering or 9 months from the date of issue of the Notes.
Second tranche	EUR 198.5	EUR 112.5	EUR 26.5	Exchange at any time in 2015 at the discretion of ING Groep. Exchange price is the lower of (i) a 3% discount to the Company's closing share price, and (ii) the 5 day volume weighted average price. Lock-up of 3 months after the exchange date.
Third tranche	EUR 198.5	EUR 112.5	EUR 26.5	Exchange at any time in 2015 or 2016, after the exchange of the second tranche and at the discretion of ING Groep. Exchange price is the lower of (i) a 3% discount to the Company's closing share price, and (ii) the 5 day volume weighted average price. No lock-up.
Aggregate	**EUR 661.7**	**EUR 375.0**	**EUR 88.3**	

Lock-up arrangements

The Anchor Investors agreed on a lock-up provision in favour of ING Groep. The lock-up period for the Ordinary Shares that the Anchor Investors acquire as a result of the exchange of the first tranche shall be until the later of nine months after 16 May 2014 and six months after the Settlement Date. The lock-up period for the Ordinary Shares that the Anchor Investors acquire as a result of the exchange of the second tranche shall be until three months after the exchange date.

The Offer Shares purchased by the Anchor Investors as anchor investors in the Offering, the Ordinary Shares that the Anchor Investors acquire as a result of the exchange of the third tranche, and the Ordinary Shares acquired by the Anchor Investors in the market or otherwise outside the context of their respective investment agreements, shall not be subject to any lock-up arrangements.

During the lock-up period the Anchor Investors will not, without the prior consent of ING Groep (a) offer, sell, contract to issue or sell, grant any option, right or warrant to purchase or otherwise transfer or dispose of Ordinary Shares, (b) enter into any swap or any other agreement or any transaction that transfer in whole or in part, directly or indirectly, any economic consequences of ownership of Ordinary Shares; or (c) create any charge or security interest over Ordinary Shares, except that RRJ Capital and SeaTown can create a charge or security interest over Ordinary Shares for the benefit of their existing lenders. The lock-up restrictions will not apply to any transfer or disposal of Ordinary Shares to a wholly-owned subsidiary of RRJ Capital and SeaTown or to an affiliate of Ossa Investments.

In the event of:

(a) any sale by ING Groep of substantially all of its Ordinary Shares that would result in a change of control of the Company;

(b) a public offer in respect of at least 30% of the total issued and outstanding Ordinary Shares; or

(c) a mandatory offer being required to be made by an Anchor Investor as a result of a circumstance outside the control of such Anchor Investor,

the Ordinary Shares held by such Anchor Investor pursuant to prior exchanges will be freely transferable at the option of such Anchor Investor to the relevant purchaser or to such person(s). In such event, no lock-up restriction will be applicable.

Offering of Ordinary Shares and orderly market arrangements

If ING Groep intends to sell Ordinary Shares in an offering pursuant to a book-building of equity or equity-linked securities of more than EUR 500 million at any time in 2015 and 2016, it may give the Anchor Investors a written notice of this intention. In that event, the Anchor Investors will be bound by lock-up restrictions for trading in securities of the Company. ING Groep will afford the Anchor Investors the opportunity to join such book-build offering for any amount of Ordinary Shares jointly up to half of the amount being offered by ING Groep. Such Ordinary Shares may include any Ordinary Shares which are subject to the lock-up restrictions. If an Anchor Investor decides not to participate in the book-build offering, it will be allowed to sell Ordinary Shares to the market up to a daily maximum of 5% of the average daily trading volume in the Ordinary Shares from 30 days after completion of the book-build offering until the end of the lock-up period (being the earlier of (i) 90 days of after completion of the book-building, and (ii) such date as agreed between ING Groep and any global coordinators and book runners relating to the book-building).

For the period up to 31 December 2016, an Anchor Investor shall only dispose of the Ordinary Shares held by it in an orderly market way either by way of disposing (i) in daily amounts less of than 25% of the average daily trading volume of the Ordinary Shares; or (ii) in a book-build offering managed by one or more reputable international investment banks. If the Anchor Investors and ING Groep both want to sell Ordinary Shares at the same time, this will be done in a coordinated manner.

OTHER

Payment

Payment for the Offer Shares and payment for Additional Shares pursuant to the Over-Allotment Option, if such option has been exercised prior to the Settlement Date, is expected to take place on the Settlement Date. The Offer Price must be paid in full in euro and is exclusive of any taxes and expenses, if any, which must be borne by the investor (see "*Taxation*"). Retail investors may be charged expenses by their financial intermediary. The Offer Price must be paid by retail investors in cash upon remittance of their share application or, alternatively, by authorising their financial intermediary to debit their bank account with such amount for value on or around the Settlement Date (or earlier in the case of an early closing of the Offer Period and consequent acceleration of pricing, Allocation, first trading and payment and delivery).

Delivery, clearing and settlement

The Ordinary Shares are registered shares which will be entered into the collection deposit (*verzameldepot*) and giro deposit (*girodepot*) on the basis of the Dutch Securities Giro Act. Application has been made for the Ordinary Shares to be accepted for delivery through the book-entry facilities of Euroclear Nederland. Euroclear Nederland is located at Herengracht 459-469, 1017 BS Amsterdam, the Netherlands. Delivery of the Offer Shares and the Additional Shares pursuant to the Over-Allotment Option, if such option has been exercised prior to the Settlement Date, is expected to take place on the Settlement Date through the book-entry facilities of Euroclear Nederland, in accordance with its normal settlement procedures applicable to equity securities and against payment for the Offer Shares and, if applicable, the Additional Shares, in immediately available funds.

Subject to acceleration or extension of the timetable for the Offering, the Settlement Date is expected to be 7 July 2014, the third business day following the First Trading Date (T+3). The closing of the Offering may not take place on the Settlement Date or at all if certain conditions or events referred to in the Underwriting Agreement are not satisfied or waived on or prior to such date. Such conditions include: (a) execution of the Pricing Agreement, (b) receipt of opinions on certain legal matters from counsel, (c) receipt of customary officers' certificates, (d) the absence of a material adverse effect on the business, financial position, results of operations or prospects of the Company and its subsidiaries taken as a whole since the date of the Pricing Agreement and (e) certain other conditions (see "*Plan of Distribution—Underwriting Arrangement*").

There are certain restrictions on the transfer of Ordinary Shares, as set forth in "*Selling and Transfer Restrictions*".

Listing and trading

Prior to the Offering, there has been no public market for the Ordinary Shares. Application has been made to list all of the Ordinary Shares on Euronext Amsterdam under the symbol "NN". The ISIN (International Security Identification Number) is NL0010773842 and the common code is 107643095.

Subject to acceleration or extension of the timetable for the Offering, trading in the Ordinary Shares on Euronext Amsterdam is expected to commence on the First Trading Date. Trading in the Ordinary Shares before the closing of the Offering will take place on an "if-and-when-delivered" basis. The closing of the Offering may not take place on the Settlement Date or at all if certain conditions or events referred to in the Underwriting Agreement are not satisfied or waived on or prior to such date (see "*Plan of Distribution—Underwriting Arrangement*"). If closing of the Offering does not take place on the Settlement Date or at all, the Offering will be withdrawn, all applications for the Offer Shares will be disregarded, any allotments made will be deemed not to have been made, any payments made will be returned without interest or other compensation and Euronext may annul transactions in Ordinary Shares that have occurred. All dealings in Ordinary Shares prior to settlement and delivery are at the sole risk of the parties concerned.

The Underwriters, the Company, ING Groep, the Listing Agent and Euronext do not accept any responsibility or liability with respect to any person as a result of the withdrawal of the Offering or the related annulment of any transaction in Ordinary Shares on Euronext Amsterdam.

Listing Agent and Paying Agent

ING Bank N.V., is acting as Listing Agent with respect to the listing of the Ordinary Shares on Euronext Amsterdam and is also acting as Paying Agent for the Ordinary Shares in the Netherlands. The address of ING Bank N.V. is Amsterdamse Poort, Bijlmerplein 888, 1102 MG Amsterdam, the Netherlands.

Information agent

The Company has appointed Georgeson as its information agent for the Offering. Georgeson will receive inquiries from Dutch retail investors regarding the Offering and this Prospectus requests via telephone as of 17 June 2014 at 00800 3813 3813.

Underwriters' compensation

In consideration of the agreement by the Underwriters to purchase the Offer Shares and, if applicable, the Additional Shares, at the Offer Price and subject to the Offer Shares being sold as provided for in the Underwriting Agreement, ING Groep has agreed to pay to the Underwriters certain selling, underwriting and management commissions of 1.5% of the product of the Offer Price and the aggregate number of Offer Shares and Additional Shares, if any. In addition, at the sole discretion of ING Groep, ING Groep may pay a discretionary commission of up to 1.25% of the product of the Offer Price and the aggregate number of Offer Shares and Additional Shares, if any. J.P. Morgan and Morgan Stanley will each receive an additional commission of EUR 1.5 million in consideration of their work in preparation of the Offering, upon successful completion of the Offering.

In consideration of their services in connection with the participation of the Anchor Investors in the Offering, ING Groep has agreed to pay J.P. Morgan and Morgan Stanley a total commission equal to 1.5% of the aggregate amount of EUR 150 million for which the Anchor Investors will participate in the Offering, upon successful completion of the Offering. J.P. Morgan and Morgan Stanley will be entitled to an equal share of the total commission.

Proceeds

ING Groep will receive the net proceeds from the Offering and, if the Over-allotment Option is exercised, the net proceeds from the sale of the Additional Shares. The proceeds received by ING Groep will be entirely at their disposition. The Company will not receive any proceeds from the Offering.

Governing law

The Offer Shares, if applicable, the Additional Shares, the terms and conditions of the Offering and any non-contractual obligations arising out of or in connection with the Offer Shares, if applicable, the Additional Shares and the terms and conditions of the Offering are governed by and shall be construed in accordance with the laws of the Netherlands.

20. PLAN OF DISTRIBUTION

UNDERWRITING ARRANGEMENT

Under the terms and subject to the conditions set forth in the Underwriting Agreement, the Underwriters have severally, and not jointly, agreed to purchase, and ING Groep has agreed to sell to the Underwriters, the Offer Shares. The proportion of Offer Shares which each Underwriter may severally, and not jointly, be required to purchase is indicated below.

Percentage of Offer Shares per Underwriter

Underwriters	**Percentage of Offer Shares**
J.P. Morgan Chase & Co. Securities Ltd.	19%
Morgan Stanley & Co. International plc.	19%
ING Bank N.V.	10%
Deutsche Bank AG, London branch	11%
BNP PARIBAS	5%
Citigroup Global Markets Limited	6%
COMMERZBANK AG	5%
Credit Suisse Securities (Europe) limited	6%
Nomura International plc.	5%
ABN AMRO Bank N.V.	2%
HSBC Bank plc	2%
RBC Europe Limited	2%
Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (acting as Rabobank International)	1%
Keefe, Bruyette & Woods Ltd.	1%
Banco Bilbao Vizcaya Argentaria, S.A	0.85%
Erste Group Bank AG	0.85%
KBC Securities NV	0.85%
Mediobanca – Banca di Credito Finanziario S.p.A.	0.85%
Natixis	0.85%
Raiffeisen Centrobank AG	0.85%
UniCredit Bank AG, London branch	0.85%
Total	**100%**

The Underwriting Agreement provides that the obligations of the Underwriters to purchase the Offer Shares, and, if applicable, the Additional Shares, are subject to: (a) execution of the Pricing Agreement between the Company, ING Groep and the Joint Global Coordinators on behalf of the Underwriters, (b) receipt of opinions on certain legal matters from counsel, (c) receipt of customary officers' certificates, (d) the absence of a material adverse effect on the business, financial position, results of operations or prospects of the Company and its subsidiaries taken as a whole since the date of the Pricing Agreement and (e) certain other conditions.

In consideration of the agreement by the Underwriters to purchase the Offer Shares, and, if applicable, the Additional Shares, at the Offer Price and subject to the Offer Shares being sold as provided for in the Underwriting Agreement, ING Groep has agreed to pay to the Underwriters certain selling, underwriting and management commissions of 1.5% of the product of the Offer Price and the aggregate number of Offer Shares and Additional Shares, if any. In addition, at the sole discretion of ING Groep, ING Groep may pay a discretionary commission of up to 1.25% of the product of the Offer Price and the aggregate number of Offer Shares and Additional Shares, if any. Furthermore, J.P. Morgan and Morgan Stanley will each receive additional commission of EUR 1.5 million in consideration of their work in preparation of the Offering, upon succesful completion of the Offering.

In consideration of their services in connection with the participation of the Anchor Investors in the Offering, ING Groep has agreed to pay J.P. Morgan and Morgan Stanley a total commission equal to 1.5% of the aggregate amount of EUR 150 million for which the Anchor Investors will participate in the Offering, upon successful completion of the Offering. J.P. Morgan and Morgan Stanley will be entitled to an equal share of the total commission.

The Company and ING Groep have been advised by the Underwriters that the Underwriters propose to offer the Offer Shares and, if applicable, the Additional Shares, subject to execution of the Pricing Agreement. The Offering will comprise (a) a public offering to institutional and retail investors in the Netherlands and (b) a private placement to certain institutional investors in various jurisdictions. As part of the Offering, there is a preferential allocation of Offer Shares at the Offer Price to eligible employees of the Company and ING Groep. See "*The Offering*".

The Offering is made: (a) within the United States, to persons reasonably believed to be QIBs in reliance on Rule 144A under the U.S. Securities Act; and (b) outside the United States, in "offshore transactions" as defined in, and in compliance with, Regulation S. Neither the Offer Shares nor the Additional Shares (if any) have been or will be registered under the U.S. Securities Act and may not be offered or sold within the United States unless the Offer Shares and the Additional Shares (if any) are registered under the U.S. Securities Act or an exemption from the registration requirements of the U.S. Securities Act is available.

Any offer and sale in the United States will be made by affiliates of the Underwriters who are broker-dealers registered under the U.S. Securities Exchange Act of 1934, as amended.

OVER-ALLOTMENT AND STABILISATION

In connection with the Offering, J.P. Morgan as Stabilisation Agent, or its agents, on behalf of the Underwriters, may, to the extent permitted by applicable laws, over-allot or effect transactions with a view to supporting the market price of the Ordinary Shares, or any options, warrants or rights with respect to, or other interest in, the Ordinary Shares, if any, or other securities of the Company. These activities may raise or maintain the market price of the Ordinary Shares above independent market levels or prevent or retard a decline in the market price of the Ordinary Shares. Such transactions may be effected on Euronext Amsterdam, in the over-the-counter markets or otherwise. The Stabilisation Agent and its agents are not required to engage in any of these activities and, as such, there is no assurance that these activities will be undertaken. Such stabilisation, if commenced, may be discontinued at any time. Stabilising activities may take place from the First Trading Date and must be brought to an end within 30 days after the First Trading Date. Save as required by law or regulation, the Stabilisation Agent does not intend to disclose the extent of any stabilisation transactions under the Offering. The Stabilisation Agent may, for stabilisation purposes, over-allot Ordinary Shares up to a maximum of 15% of the total number of Offer Shares sold in the Offering.

None of the Company, ING Groep or any of the Underwriters makes any representation or prediction as to the direction or the magnitude of any effect that the transactions described above may have on the price of the Ordinary Shares. In addition, none of the Company, ING Groep or any of the Underwriters makes any representation that the Stabilisation Agent will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

LOCK-UP ARRANGEMENTS

The Company and ING Groep have agreed with the Underwriters that, for a period of 180 days after the Settlement Date, they will not, subject to certain customary exceptions, without the prior consent of the Joint Global Coordinators on behalf of the Underwriters offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any Ordinary Shares or any securities convertible into or exercisable or exchangeable for Ordinary Shares, or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Ordinary Shares, whether any such transactions are to be settled by delivery of the Ordinary Shares or other securities, in cash or otherwise.

GENERAL

The Underwriters and/or their respective affiliates have from time to time been engaged, and may in the future engage, in commercial banking, investment banking and financial advisory and ancillary activities in the course of their business with the Company and/or ING Groep or any parties related to any of them, for which they have received and may in the future receive customary compensation.

Additionally, the Underwriters may, in the ordinary course of their business, have held and in the future may hold the Company's securities for investment. In respect of the aforementioned, the sharing of information is generally restricted for reasons of confidentiality, by internal procedures or by rules and regulations (including those issued by the AFM). As a result of these transactions, the Underwriters may have interests that may not be aligned, or could potentially conflict, with the interests of investors or with the interests of NN. ING Bank N.V. is an Underwriter and also a wholly-owned subsidiary of ING Groep.

In connection with the Offering, each of the Underwriters and any of its affiliates acting as an investor for its own account may take up the Offer Shares and Additional Shares (if any) and, in that capacity, may retain, purchase or sell for its own account such securities and any securities of the Company or related investments, and may offer or sell such securities or other investments otherwise than in connection with the Offering. Accordingly, references in this Prospectus to the Offer Shares or the Additional Shares being offered or placed should be read as including any offering or placement of securities to any of the Underwriters and any affiliate acting in such capacity. The Underwriters do not intend to disclose the extent of any such investment or transaction otherwise than in accordance with any legal or regulatory obligation to do so.

Prior to the Offering, there has been no public market for the Ordinary Shares. The Offer Price, which may be set within, above or below the Offer Price Range, which is an indicative price range, and the exact number of Offer Shares and, if applicable, Additional Shares offered will be determined by ING Groep after consultation with the Company and following recommendations from the Joint Global Coordinators, on behalf of the Underwriters, taking into account market conditions and other factors. See "*The Offering—Application to Purchase Offer Shares—Offer Price and number of Offer Shares*".

21. SELLING AND TRANSFER RESTRICTIONS

NOTICE TO INVESTORS

The offering of the Offer Shares to persons resident in, or who are citizens of, a particular jurisdiction may be affected by the laws of that jurisdiction. Investors should consult their professional adviser as to whether the investor requires any governmental or any other consent or needs to observe any other formalities to enable the investor to accept, sell or purchase Offer Shares.

No action has been or will be taken to permit a public offering of the Offer Shares in any jurisdiction outside the Netherlands. Receipt of this Prospectus will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, this Prospectus will be sent for informational purposes only and should not be copied or redistributed.

If an investor receives a copy of this Prospectus in any territory other than the Netherlands, the investor may not treat this Prospectus as constituting an invitation or offer to the investor of the Offer Shares and, if applicable, the Additional Shares, unless, in the relevant jurisdiction, such an offer could lawfully be made to the investor, or the Offer Shares could lawfully be dealt in without contravention of any unfulfilled registration or other legal requirements. Accordingly, if the investor receives a copy of this Prospectus or any other offering materials or advertisements, the investor should not distribute or send the same to any person in or into any jurisdiction where to do so would or may contravene local securities laws or regulations. If the investor forwards this Prospectus or any other offering materials or advertisements into any such territories (whether under a contractual or legal obligation or otherwise) the investor should draw the recipient's attention to the contents of this "*Selling and Transfer Restrictions*" section.

Subject to the specific restrictions described below, if investors (including, without limitation, any investor's nominees and trustees) are outside the Netherlands and wish to accept, sell or purchase Offer Shares, they must satisfy themselves as to full observance of the applicable laws of any relevant territory including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territories.

The information set out in this "*Selling and Transfer Restrictions*" section is intended as a general guideline only. Investors that are in any doubt as to whether they are eligible to purchase Offer Shares should consult their professional adviser without delay.

The Company, ING Groep, the Underwriters and their affiliates, and others will rely upon the truth and accuracy of the investor's representations, acknowledgements and agreements. Any provision of false information or subsequent breach of these representations, acknowledgements and agreements may subject the investor to liability. The Company, ING Groep and the Underwriters reserve the right, in their sole and absolute discretion, to reject any purchase of Offer Shares that the Company, ING Groep or the Underwriters believe may give rise to a breach or violation of any law, rule or regulation.

For investors in the European Economic Area

In relation to a Relevant Member State, an offer to the public of the Ordinary Shares which are the subject of the Offering contemplated by this Prospectus may not be made in that Relevant Member State prior to the publication of a prospectus in relation to the Offer Shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that an offer of any Offer Shares may be made to the public in that Relevant Member State at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

(a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of: (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than EUR 43 million; and (iii) an annual net turnover of more than EUR 50 million, as shown in its last annual or consolidated accounts (if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, this exception is no longer valid);

(c) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than a person that is a qualified investor within the meaning of Article 2(1)I of the Prospectus Directive); or

(d) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Ordinary Shares shall result in a requirement for the publication of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an ''offer to the public'' in relation to any Ordinary Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Offering and the Ordinary Shares to be offered, so as to enable an investor to decide to purchase any Ordinary Shares, as that definition may be varied in that Relevant Member State by any measure implementing the Prospectus Directive.

For investors in the United States

The Offer Shares and, if applicable, the Additional Shares, have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state of the United States and may not be offered or sold within the United States, except in reliance on Rule 144A and in accordance with any applicable securities laws of any state or other jurisdiction of the United States, unless the Offer Shares and the Additional Shares (if any) are registered under the U.S. Securities Act or an exemption from the registration requirements of the U.S. Securities Act is available. In addition, until the end of the 40th calendar day after the commencement of the Offering, an offer or sale of the Offer Shares within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made other than in accordance with Rule 144A under the U.S. Securities Act.

Each purchaser of the Offer Shares and the Additional Shares (if any) outside the United States will, pursuant to Regulation S, be deemed to have represented and agreed that it has received a copy of the Prospectus and such other information as it deems necessary to make an informed investment decision and that:

(a) the purchaser acknowledges that the Offer Shares and, if applicable, the Additional Shares have not been and will not be registered under the U.S. Securities Act, or with any securities regulatory authority of any state of the United States, and are subject to significant restrictions on transfer;

(b) the purchaser is purchasing the Offer Shares and, if applicable, the Additional Shares, in an ''offshore transaction'' as defined in Regulation S;

(c) the purchaser is aware of the restrictions on the offer and sale of the Offer Shares pursuant to Regulation S as described in this Prospectus; and

(d) the purchaser acknowledges that Company shall not recognise any offer, sale, pledge or other transfer of the Offer Shares or the Additional Shares (if any), made other than in compliance with the above-stated restrictions.

Each purchaser of the Offer Shares and the Additional Shares (if any) within the United States purchasing pursuant to Rule 144A will be deemed to have represented and agreed that it has received a copy of the Prospectus and such other information as it deems necessary to make an informed investment decision and that:

(a) the purchaser acknowledges that the Offer Shares and, if applicable, the Additional Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state of the United States, and may not be offered, sold, pledged or otherwise transferred, directly or indirectly, other than in accordance with paragraph (d) below;

(b) the purchaser is (i) a QIB (as defined in Rule 144A), (ii) is aware that the sale to it is being made in reliance on Rule 144A under the U.S. Securities Act and (iii) acquiring such Offer Shares or, if applicable, such Additional Shares for its own account or for the account of one or more QIBs for investment purposes;

(c) the purchaser is aware that the Offer Shares and the Additional Shares (if any) are being offered in the United States in a transaction not involving any public offering in the United States within the meaning of the U.S. Securities Act;

(d) if, in the future, the purchaser decides to offer, resell, pledge or otherwise transfer such Offer Shares or, if applicable, such Additional Shares, such Offer Shares or such Additional Shares may be offered, sold, pledged or otherwise transferred only (i) to a person who is reasonably believed to be a QIB in a transaction meeting the requirements of Rule 144A, (ii) in compliance with Regulation S, or (iii) in accordance with Rule 144 under the U.S. Securities Act (if available), in each case in accordance with any applicable securities laws of any state of the United States or any other jurisdiction;

(e) the Offer Shares and, if applicable, the Additional Shares are "restricted securities" within the meaning of Rule 144(a)(3) and no representation is made as to the availability of the exemption provided by Rule 144 for resales of any such Offer Shares or such Additional Shares;

(f) the purchaser will not deposit or cause to be deposited such Offer Shares or, if applicable, such Additional Shares into any depositary receipt facility established or maintained by a depositary bank other than a Rule 144A restricted depositary receipt facility, so long as such Offer Shares or such Additional Shares are "restricted securities" within the meaning of Rule 144(a)(3); and

(g) the purchaser acknowledges that the Company shall not recognise any offer, sale, pledge or other transfer of the Offer Shares or the Additional Shares (if any), made other than in compliance with the above-stated restrictions.

For investors in the United Kingdom

This Prospectus and any other material in relation to the Offer Shares described herein is only being distributed to, and is only directed at, persons in the United Kingdom who are "qualified investors" or otherwise in circumstances which do not require publication by the Company of a prospectus pursuant to section 85(1) of the UK Financial Services and Markets Act 2000.

Any investment or investment activity to which this Prospectus relates is available only to, and will be engaged only with, investment professionals falling within Article 19(5), or high-net-worth entities falling within Article 49(2), of the UK Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 or other persons to whom such investment or investment activity may lawfully be made available (together, "relevant persons"). Any person in the United Kingdom who is not a relevant person should not take any action on the basis of this Prospectus and should not act or rely on it.

For investors in Switzerland

This Prospectus is not intended to constitute an offer or solicitation to purchase or invest in the Offer Shares described herein. The Offer Shares may not be publicly offered (as such term is defined under the current practice of the Swiss Financial Markets Supervisory Authority FINMA (FINMA)), sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this Prospectus nor any other offering or marketing material relating to the Offer Shares or the Offering constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other exchange or regulated trading facility in Switzerland. Neither this Prospectus nor any other offering or marketing material relating to the Offer Shares or the Offering may be publicly distributed or otherwise made publicly available in Switzerland.

For investors in Australia

This Prospectus and the Offering is only made available in Australia to persons to whom a disclosure document is not required to be given under Chapter 6D of the Corporations Act 2001. This Prospectus does not constitute a prospectus or other disclosure document for the purposes of the Corporations Act 2001 and does not purport to include the information required for a prospectus or other disclosure document under the Corporations Act 2001.

This Prospectus is being distributed in Australia by the Underwriters to persons (the "Exempt Investors") who are "sophisticated investors" (within the meaning of section 708(8) of the Corporations Act 2001), to "professional investors" (within the meaning of section 708(11) of the Corporations Act 2001). The entity receiving this Prospectus represents and warrants that it is in Australia, it is either a professional or a sophisticated investor and that it will not distribute this document to any other person.

The persons referred to in this Prospectus may not hold Australian financial services licences and may not be licenced to provide financial product advice in relation to the Offer Shares. No "cooling-off" regime will apply to an acquisition of the Offer Shares.

This Prospectus does not take into account the investment objectives, financial situation or needs of any particular person. Accordingly, before making any investment decision in relation to this Prospectus, persons should assess whether the acquisition of the Offer Shares is appropriate in light of their own financial circumstances or seek professional advice.

This Prospectus has not been, and will not be, lodged with the Australian Securities and Investments Commission as a disclosure document for the purposes of the Corporations Act 2001. The Offer Shares acquired by Exempt Investors in Australia must not be offered for sale (or transferred, assigned or otherwise alienated) in Australia for at least 12 months from the date of issue, except in circumstances where disclosure to investors is not required under Chapter 6D of the Corporations Act 2001 or unless a disclosure document that complies with the Corporations Act 2001 is lodged with Australian Securities and Investments Commission. The entity receiving this Prospectus acknowledges the above and, by applying for the Offer Shares under this document, gives an undertaking not to sell those Offer Shares (except in the circumstances referred to above) for 12 months after their issue.

For investors in Singapore

The Prospectus has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the Prospectus and any other documentation or material in connection with the offer or sale, or invitation for subscription or purchase, of the Offer Shares may not be circulated or distributed, nor may the Offer Shares be offered or sold or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (a) to an "institutional investor" pursuant to Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the **SFA**), (b) to a relevant person defined in Section 275(2) and pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Offer Shares are subscribed for or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an "accredited investor" (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

"securities" (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest howsoever described in that trust shall not be transferred within six months after that corporation or that trust has acquired the Offer Shares pursuant to an offer made under Section 275 of the SFA except: (i) to an institutional investor pursuant to Section 274 of the SFA or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA; (ii) where no consideration is or will be given for the transfer; (iii) where the transfer is by operation of law; or (iv) pursuant to Section 276(7) of the SFA or Regulation 32 of the Securities and Futures (Offers of Investments)(Shares and Debentures) Regulations.

For investors in Hong Kong

This document has not been approved by the Securities and Futures Commission in Hong Kong. The Offer Shares have not been offered or sold and will not be offered or sold in Hong Kong, by means of any document, other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made thereunder; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance. No advertisement, invitation or document relating to the Offer Shares has been or may be issued or has been or may be in the possession of any person for the purposes of issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Offer Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as set out above).

For investors in Japan

The Offer Shares, have not been, and will not be, registered under the Financial Instruments and Exchange Law of Japan, as amended (the **FIEL**) and disclosure under the FIEL has not been and will not be made with respect to the Offer Shares. Accordingly, the Offer Shares may not be offered, sold or delivered, directly or indirectly, in or into Japan or to or for the account or benefit of, or for reoffering or resale to, any Japanese Person, except under circumstances which will result in full compliance with the FIEL and all other applicable laws and regulations promulgated by the relevant Japanese authorities in effect at the relevant time. For the purpose of this paragraph, "Japanese Person" shall mean any person resident in Japan, including any corporation or other entity established or organized under the laws of Japan.

22. GENERAL INFORMATION

THE COMPANY

The Company is a public limited company (*naamloze vennootschap*) organised under Dutch law, and incorporated on 29 March 2011 under the name ING Insurance Topholding N.V. On 28 February 2014, the Company entered into a legal merger with its wholly owned subsidiary ING Verzekeringen N.V. As a result of this merger, ING Verzekeringen N.V. ceased to exist by operation of law and the Company acquired all assets and liabilities of ING Verzekeringen N.V. under universal title of succession. On 1 March 2014, the legal merger became effective and the Company was renamed NN Group N.V.

The Company has its corporate seat in Amsterdam, the Netherlands, and its registered office at Amstelveenseweg 500, 1081 KL Amsterdam, the Netherlands, telephone number +31 (0)20 5415566 and fax number +31 (0)20 5416767. It is registered with the trade register of the Chamber of Commerce in Amsterdam under number 52387534.

RECENT DEVELOPMENTS

On 8 April 2014, the Company issued notional EUR 1,000,000,000 fixed to floating rate subordinated notes due April 2044. The subordinated notes bear a fixed rate of interest of 4.625% per annum up to the first call date (8 April 2024) and thereafter will bear a floating rate of interest by reference to 3-months Euribor plus an agreed credit spread (295bps). The Company can in certain circumstances optionally or mandatorily defer interest payments on the subordinated notes. The Company has the right to call the subordinated notes on 8 April 2024 and each interest payment date thereafter. In addition, the Company has the right upon the occurrence of tax, regulatory and rating events to substitute the subordinated notes or adjust their terms. The subordinated notes qualify as Tier 2 capital under the applicable capital adequacy regulations. The cash proceeds of the subordinated notes issuance were EUR 985 million. In April 2014, these proceeds were used to redeem EUR 585 million subordinated notes from ING Groep and EUR 400 million current senior debt issued by ING Groep to the Company.

On 28 May 2014, ING Groep injected EUR 850 million of capital into the Company and the Company (as borrower) entered into a senior loan agreement with ING Groep (as lender) for an unsecured senior loan in the aggregate amount of EUR 400 million. The final repayment date of this loan facility is 30 December 2015. These funds were used to strengthen the capitalisation of NN Life by EUR 450 million (in the form of a subordinated loan), to repay a EUR 600 million senior loan owed to ING Groep and to strengthen the cash capital position of the Company by EUR 200 million.

ORGANISATIONAL STRUCTURE

The Company is a holding company. The principal assets of the Company are the equity interests it directly or indirectly holds in its subsidiaries. As a result, the Company is dependent on loans, dividends and other payments from its subsidiaries to generate the funds necessary to meet its financial obligations, including the payment of dividends. See "*Dividends and Dividend Policy*".

MATERIAL SUBSIDIARIES

The Company is the holding company of a group that includes the following material subsidiaries (held directly or indirectly by the Company) as at the date of this Prospectus, all of which are engaged in the Company's business:

Material subsidiaries

	Country of incorporation	Field of activity	Shareholding and voting percentage held by the Company (directly or indirectly)
Nationale-Nederlanden Levensverzekering Maatschappij N.V.	The Netherlands	life insurance	100%
Nationale-Nederlanden Schadeverzekering Maatschappij N.V.	The Netherlands	non-life insurance	100%
Parcom Capital B.V.	The Netherlands	private equity	100%
Nationale-Nederlanden Services N.V.	The Netherlands	life insurance	100%
Movir N.V.	The Netherlands	non-life insurance	100%
ING Re (Netherlands) N.V.	The Netherlands	reinsurance	100%
Nationale-Nederlanden Bank N.V.	The Netherlands	bank-related activities	100%
ING Investment Management Holdings N.V.	The Netherlands	investment management	100%
ING Pojistovna, a.s.	Czech Republic	non-life insurance	100%
ING Uslugi Finansowe S.A.	Poland	financial services	100%
ING Biztosító Zártkörûen Mûködõ Részvénytársaság	Hungary	life insurance	100%
ING Pensionno-Osigoritelno Druzestvo EAD	Bulgaria	pension-related activities	100%
ING Životná poist'ovna, a.s.	Slovak Republic	life insurance	100%
ING Asigurari de Viata S.A	Romania	life insurance	100%
ING Powszechne Towarzystwo Emerytalne S.A.	Poland	pension-related activities	80%[1]
ING Life Belgium NV	Belgium	life insurance	100%
ING Non Life Belgium NV	Belgium	non-life insurance	100%
ING Life Luxemburg S.A.	Luxembourg	life insurance	100%
Nationale-Nederlanden Vida, Compania de Seguros y Reaseguros S.A.	Spain	life insurance	100%
Nationale Nederlanden Generales, Compania de Seguros y Reaseguros S.A.	Spain	non-life insurance	100%
ING Greek Life Insurance Company S.A.	Greece	life insurance	100%
ING Emeklilik A.S.	Turkey	pension-related activities	100%
ING Life Insurance Company, Ltd.	Japan	life insurance	100%

(1) In May 2014, ING Bank Śląski S.A. and ING Continental Europe Holdings B.V., a wholly-owned subsidiary of the Company, entered into a non-binding agreement regarding the proposed acquisition by ING Continental Europe Holdings B.V. of 20% of the shares in ING Powszechne Towarzystwo Emerytalne S.A

AVAILABILITY OF DOCUMENTS

Copies of the Articles of Association (in Dutch, and an English translation) and the audited consolidated financial statements of the Company for the financial years ended 31 December 2013, 2012 and 2011 are available in electronic form from the Company's website at www.nn-group.com.

Copies of this Prospectus and any supplement to this Prospectus (if any) may be obtained at no cost from the date of this Prospectus at the Company's head office during normal business hours for the life of this Prospectus. Alternatively, this Prospectus can also be accessed electronically on the website of the Company at www.nn-group.com. This Prospectus can also be found electronically on the website of the AFM at www.afm.nl (Dutch residents only). In addition, a copy of this Prospectus may be obtained free of charge by sending a request in writing or by email to ING Bank N.V., as Listing Agent:

ING Bank N.V.
Attn.: Paying Agency Services
Loc code AMPL02.007
Email iss.pas@ing.nl
Amsterdamse Poort
Bijlmerplein 888
1102 MG Amsterdam
The Netherlands

INDEPENDENT AUDITORS

The Company's consolidated financial statements for the years ended 31 December 2013, 2012 and 2011 have been audited by Ernst &Young Accountants LLP, independent auditors. The auditors of Ernst & Young Accountants LLP are members of the Netherlands Institute of Chartered Accountants (*Nederlandse Beroepsorganisatie van Accountants*). Ernst & Young Accountants LLP is located at Antonio Vivaldistraat 150, 1083 HP Amsterdam, the Netherlands.

Ernst & Young Accountants LLP have issued unqualified auditor's reports on the consolidated financial statements for the years ended 31 December 2013, 2012 and 2011 dated 17 March 2014, 18 March 2013 and 12 March 2012, respectively. These auditor's reports have been included in the form and context in which they appear with the consent of Ernst & Young Accountants LLP, who have authorised the contents of these auditor's reports.

CONSULTING ACTUARIES

Towers Watson Limited, Consulting Actuaries, whose business address is MidCity Place, 71 High Holborn, London WC1V 6TP, United Kingdom, has undertaken an independent actuarial review of the methodology and assumptions used by the Company to calculate the Embedded Value. Towers Watson's report, which is included in "*Annex: Consulting Actuaries' Report*" of this Prospectus, sets out the scope of their review and their resulting opinion. Towers Watson has given, and has not withdrawn, its consent to the inclusion of its report in this Prospectus in the form and context in which it is included.

23. DEFINITIONS

The following definitions are used throughout this Prospectus.

2010 PD Amending Directive	the Directive 2010/73/EU of the European Parliament and of the Council of the EU amending EU Directive 2003/71/EC, including all relevant implementing measures
2009 Restructuring Plan	the restructuring plan submitted to the EC by ING Groep in October 2009 as approved by the EC in November 2009
2012 Restructuring Plan	the amended 2009 Restructuring Plan as approved by the EC in November 2012
2013 Annual Accounts	NN's audited consolidated financial statements for the financial year ended 31 December 2013
2013 Restructuring Plan	the amended 2012 Restructuring Plan as approved by the EC in November 2013
2014 Interim Accounts	NN's unaudited, condensed consolidated interim financial statements for the three months ended 31 March 2014
ABS	asset-backed securities
Additional Shares	up to 10,500,000 additional existing Ordinary Shares held by ING Groep comprising up to 15% of the total number of Offer Shares sold in the Offering, which ING Groep may be required to sell pursuant to the Over-Allotment Option
AFM	the Dutch Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*)
AFR	available financial resources
AIF	alternative investment fund
AIFM	alternative investment fund manager
AIFMD	EU directive on alternative investment fund managers
ALCO	NN's Asset & Liability Committee
ALM	asset and liability management
Allocation	the allocation of the Offer Shares and, if applicable, the Additional Shares to investors
Amending Scheme of Arrangement	the amendment to the Original Scheme of Arrangement
Anchor Investors	each of RRJ Capital, Ossa Investments and SeaTown
APE	annual premium equivalent, calculated as the total amount of recurring premiums from new business plus 10% of the total amount of single premiums on business written during the year
ARP	NN Group Aligned Remuneration Plan
Articles of Association	the articles of association of the Company that will become effective on the Settlement Date
Audit Committee	the audit committee of the Supervisory Board
AuM	assets under management

Basel II	the Basel Accord of 2004, the revised capital adequacy framework developed for the banking sector by the Basel Committee
BBVA	Banco Bilbao Vizcaya Argentaria, S.A
CAGR	compounded annual growth rate
CAS	corporate audit services
CBS	Statistics Netherlands (*Centraal Bureau voor de Statistiek*)
CEE	Central and Eastern Europe
CEO	chief executive officer
CET	Central European Time
CFO	chief financial officer
CFO Forum	a group representing the chief financial officers of major European insurers
CMBS	commercial mortgage-backed securities
Code	the Dutch corporate governance code
Co-Lead Managers	Banco Bilbao Vizcaya Argentaria, S.A, Erste Group Bank AG, KBC Securities NV, Natixis, Raiffeisen Centrobank AG, Mediobanca – Banca di Credito Finanziario S.p.A. and UniCredit Bank AG, London branch
COLI	corporate-owned life insurance
ComFrame	Common Framework for the Supervision of IAIGs
Company	NN Group N.V., formerly known as ING Insurance Topholding N.V., which company merged with ING Verzekeringen N.V.
CPPI	constant proportion portfolio insurance
CRD	EU Capital Requirements Directive
CRD III	Directive 2010/76/EC
CRD IV	Directive 2013/36/EC and Regulation EU No 575/2013
CRNHR	cost of residual non-hedgeable risk
CRO	the chief risk officer of NN
DAC	deferred acquisition costs
De Nederlanden	Assurantie Maatschappij tegen Brandschade N.V., later renamed to De Nederlanden van 1845 N.V.
Deutsche Bank	Deutsche Bank AG, London branch
DNB	the Dutch Central Bank (*De Nederlandsche Bank N.V.*)
Dutch Banking Code	the Dutch Banking Association's (*Nederlandse Vereniging van Banken*) governance principles
Dutch Financial Supervision Act	the Dutch Financial Supervision Act (*Wet op het financieel toezicht*) and the rules promulgated thereunder

Dutch Insurers' Code	Dutch Association of Insurers' governance principles
D&A	disability and accident
EBA	European Banking Authority
EC	European Commission
ECB	European Central Bank
EC Restructuring Plan	the 2009 Restructuring Plan, together with the 2012 Restructuring Plan and 2013 Restructuring Plan
EEA	European Economic Area
EEV Principles	the European Embedded Value Principles and Guidance published in May 2004 and October 2005 by the CFO Forum
EFAMA	European Fund and Asset Management Association
EIOPA	European Insurance and Occupational Pensions Authority
Embedded Value; EV	a valuation methodology which provides an estimate of the economic value of the in-force life insurance business to shareholders, excluding any value attributable to future new business
EMIR	European Market Infrastructure Regulation 648/2012
Enterprise Chamber	Enterprise Chamber of the Amsterdam Court of Appeal
Erste Group	Erste Group Bank AG
ESA	European Supervisory Authority
ESFS	European System of Financial Supervision
ESMA	European Securities and Market Association
EU	European Union
EUR or **euro** or **€**	the currency of the European Monetary Union
Euroclear Nederland	Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V. trading as Euroclear Nederland, the Dutch depositary and settlement institute, a subsidiary of Euroclear
Euronext	Euronext Amsterdam N.V.
Euronext Amsterdam	the regulated market operated by Euronext in Amsterdam
Executive Board	the executive board (*raad van bestuur*) of the Company
Executive Board Charter	the charter of the Executive Board containing rules regarding its decision-making process and working methods that will become effective on the Settlement Date
FATCA	Foreign Account Tax Compliance Act
FATCA Withholding	withholding under FATCA or an IGA (or any law implementing an IGA) by an FFI
FcoC	frictional costs of capital

FFI	foreign financial institution
FIEL	Financial Instruments and Exchange Law of Japan, as amended
First Trading Date	the date that trading in the Ordinary Shares on an "if-and-when-delivered" basis on Euronext Amsterdam is expected to commence which, subject to acceleration or extension of the timetable for the Offering, is expected to be on or around 2 July 2014
Fitch	Fitch Ratings Ltd.
Foundation	Stichting Continuïteit NN Group
Free surplus	the market value of any assets allocated to, but not required to support, the in-force business at the EV valuation date
FTE	full-time equivalent
FTT	financial transaction tax
GDP	gross domestic product
General Meeting	the general meeting of Shareholders
GMAB	guaranteed minimum accumulation benefit
GMDB	guaranteed minimum death benefit
GMSB	guaranteed minimum survival benefit
Group EV	the sum of non-covered business, included at its IFRS shareholder's equity (except for the deferred tax liability for the Dutch entities), and Life EV
G-SIFI	Global systemically important financial institution
G-SII	Global systemically important issuer
GWP	gross written premiums; total premiums (whether or not earned) for insurance contracts written or assumed during a specific period, without deduction for premiums ceded
IAIG	Internationally Active Insurance Group
IAIS	International Association of Insurance Supervisors
IBNR	incurred but not reported
ICAAP	internal capital adequacy assessment process
IDR	implied discount rate
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards as adopted by the EU
IGA	intergovernmental agreement
IGD	EU Insurance Groups Directive
Income Tax Treaty	income tax treaty between the United States and the Netherlands as currently in force

Independent Source	an independent industry publication, government publication, report by a market research firm or another independent publication
ING	ING Groep and its subsidiaries (including ING Bank and excluding NN)
ING Bank	ING Bank N.V. and its subsidiaries and branches
ING Bank Poland	ING Bank Slaski S.A.
ING Bank Turkey	ING Bank A.S.
ING Bank Romania	ING Bank N.V., Bucharest branch
ING Bank Belgium	ING België NV
ING Bank Spain	ING Bank N.V., Spain branch
ING Bank Luxembourg	ING Luxembourg S.A.
ING Groep	ING Groep N.V.
ING Groep D&O Indemnity Statement	the directors & officers liability indemnity statement issued by ING Groep
ING Groep D&O policy	the directors' and officers' liability and fiduciary liability insurance (Side A) taken out by ING Groep
ING Groep Incentive Plans	ING Groep's incentive plans, including the LEO Plan and the LSPP
ING Groep Nominated Supervisory Board Members	the members of the Supervisory Board nominated by ING Groep in accordance with the Relationship Agreement
ING Insurance Eurasia	ING Insurance Eurasia N.V.
ING Pension Fund	the Dutch ING pension fund (*Stichting Pensioenfonds ING*)
ING U.S.	Voya Financial, Inc., until 7 April 2014 known as ING U.S., Inc.
INGV	ING Verzekeringen N.V.
Insider	members of the Executive Board or Supervisory Board and any other person who has managerial responsibilities within the Company and in that capacity is authorised to make decisions affecting the future developments and business prospects of the Company and who has regular access to inside information relating, directly or indirectly, to the Company
Insurance Policy House	certain identified policies required to regulate the business of NN as of the Settlement Date as well as certain financial reporting policies, all of which policies will be in line with ING Groep's policies relating to the same, taking into account the different nature of the business and the reasonable interests of NN
IP Agreement	transitional intellectual property licence agreement between the Company and ING Groep dated 10 June 2014
IPT	insurance premium tax
IRR	internal rate of return

IRS	U.S. Internal Revenue Service
IT	information technology
IVR	ING Verzekeringen Retail
Joint Bookrunners	the Joint Global Coordinators, BNP PARIBAS, Citigroup Global Markets Limited, COMMERZBANK AG, Credit Suisse Securities (Europe) limited and Nomura International plc.
Joint Global Coordinators	J.P. Morgan Chase & Co. Securities Ltd., Morgan Stanley & Co. International plc., ING Bank N.V. and Deutsche Bank AG, London Branch
Joint Lead Managers	ABN AMRO Bank N.V., HSBC Bank plc and RBC Europe Limited
J.P. Morgan	J.P. Morgan Chase & Co. Securities Ltd.
KBC Securities	KBC Securities NV
KNF	The Polish Financial Supervision Authority (*Komisja Nadzoru Finansowego*)
L&O	The London and Overseas Insurance Company PLC, which has subsequently been renamed London and Overseas Insurance Company Limited
LAT	DNB's Liability Adequacy Test
LEO Plan	ING Long-Term Equity Ownership Plan
Life EV	EV in respect of the covered business
Listing Agent	ING Bank N.V.
LLP	last liquid point
LSPP	ING Long-Term Sustainable Performance Plan
LTMV	loan-to-market-value
LTV	loan-to-value
Management	NN's management
Mediobanca	Mediobanca, Banca di Credito Finanziario S.p.A.
Member State	a member state of the EU
MiFID	the EU Markets in Financial Instruments Directive
MiFID II	the revised EU Markets in Financial Instruments Directive
MLD1	EU Anti-Money Laundering Directive 91/308/EE
MLD2	EU Anti-Money Laundering Directive 2001/97/EC
MLD3	EU Anti-Money Laundering Directive 2005/60/EC
MLD	the EU Anti-Money Laundering Directive
Moody's	Moody's Investors Service Ltd.
Morgan Stanley	Morgan Stanley & Co. International plc

MVA	market value of assets
MVL	market value of liabilities
NAR	net amount at risk
Nationale	Nationale Levensverzekering-Bank N.V.
Nationale-Nederlanden Poland	ING Towarzystwo Ubezpieczen na Zycie S.A. and ING Powszechne Towarzystwo Emerytalne S.A.
Nationale-Nederlanden Poland Pension	ING Powszechne Towarzystwo Emerytalne S.A.
Nationale-Nederlanden Poland Life	ING Towarzystwo Ubezpieczen na Zycie S.A.
Nationale-Nederlanden Spain Life	Nationale Nederlanden Vida, Compania de Seguros y Reaseguros. S.A.
Nationale-Nederlanden Spain	Nationale Nederlanden Vida, Compania de Seguros y Reaseguros. S.A. and Nationale Nederlanden Generales, Compania de Seguros y Reaseguros, S.A.
NAV	net asset value
Net Operating ROE	net operating return on equity, calculated as NN's (annualised) net operating result of the ongoing business (or a segment) as a percentage of the average adjusted allocated equity of the ongoing business (or a segment)
NICARP	new investment class approval and review process
NN	the Company and its subsidiaries
NN Bank	Nationale-Nederlanden Bank N.V. and its subsidiaries
NN Belgium	ING Life Belgium NV and ING Non-Life Belgium NV
NN Belgium Life	ING Life Belgium NV
NN Bulgaria	ING Pensionno-Osigoritelno Druzestvo EAD and ING Biztosító Zártkörûen Mûködõ Részvénytársaság (a branch of ING Biztosító Zártkörûen Mûködõ Részvénytársaság in Hungary)
NN CDC-Pension Plan	NN Pension fund in which the employees of NN other than the members of the Executive Board are participating as of 1 January 2014
NN Czech Republic	ING Životná poisťovňa, a.s., pobočka pro Českou republiku (a branch of Nationale-Nederlanden Levensverzekering Maatschappij N.V. in the Netherlands), ING pojistovna, a.s., ING Penzijní společnost, a.s. and ING Tatry-Sympatia, d.d.s., a.s. (a branch of ING Tatry -Sympatia, d.d.s., a.s. in Slovak Republic)
NN Greece	ING Greek Life Insurance Company S.A. and its subsidiary ING Greek Insurance Brokerage S.A.
NN Greece Life	ING Greek Life Insurance Company S.A.
NN Hungary	ING Biztosító Zártkörûen Mûködõ Részvénytársaság
NN Investment Partners	ING Investment Management Holdings N.V. and its subsidiaries

NN Investment Partners Holding	ING Investment Management Holdings N.V.
NN Japan	ING Life Insurance Company, Ltd.
NN Life	Nationale-Nederlanden Levensverzekering Maatschappij N.V.
NN LTCP	NN Investment Partners' Investment Management Long Term Compensation Plan
NN Luxembourg	ING Life Luxembourg S.A.
Nomination and Corporate Governance Committee	the nomination and corporate governance committee of the Supervisory Board
Notes	mandatory exchangeable subordinated notes issued by ING Groep to the Anchor Investors on 16 May 2014
NN Non-Life	Nationale-Nederlanden Schadeverzekering Maatschappij N.V.
NN Re	NN's reinsurance business, as conducted by ING Re (Netherlands) N.V., ING Re (Ireland) Ltd. And ING Reinsurance Company International Ltd.
NN Re Netherlands	ING Re (Netherlands) N.V.
NN Romania	ING Asigurari de Viata S.A. and ING Pensii Societate de Administrare a unui Fond de Pensii Administrat Privat S.A.
NN Slovak Republic	ING Životná poist'ovna, a.s., ING Tatry – Sympatia, d.d.s., a.s. and ING Dochodková správcovská spoločnos', a.s.
NN Turkey	ING Emeklilik A.Ş and its subsidiaries
Non-U.S. Holder	a beneficial owner of Ordinary Shares that is not a U.S. Holder
Notes	mandatory exchangeable subordinated notes
NVM	Nederlandse Vereniging van Makelaars, Dutch Association of Real Estate Agents
NYSE	New York Stock Exchange
OECD	Organisation for Economic Co-operation and Development
Offering	the offering of Offer Shares as described in this Prospectus
Offer Period	the period in which prospective investors may apply for Offer Shares, being from 17 June 2014 at 10:00 CET until 1 July 2014 at 13:00 CET
Offer Price	the price of the Offer Shares and, if applicable, the Additional Shares, to be determined after the Offer Period has ended
Offer Price Range	the range of the Offer Price from EUR 18.50 to EUR 22.00 (inclusive) per Offer Share
Offer Shares	70,000,000 existing Ordinary Shares
Omnibus II	directive to revise the Solvency II Directive
OPF	open pension fund
Ordinary Shares	the ordinary shares in the capital of the Company with a nominal value of EUR 0.12 each

Original Scheme of Arrangement	the creditor's scheme of arrangement in relation to each of Orion and L&O, which became effective in 1997
Orion	Orion Insurance Company PLC, which has subsequently been renamed OIC Run-Off Limited
ORSA	own risk and solvency assessment
Ossa Investments	Ossa Investments Pte. Ltd, a wholly-owned subsidiary of Temasek Holdings (Private) Limited
OTC	over the counter
Over-Allotment Option	an option which has been granted to the Joint Global Coordinators by ING Groep exercisable within 30 calendar days after the First Trading Date, pursuant to which the Joint Global Coordinators may require ING Groep to sell Additional Shares at the Offer Price to cover short positions resulting from over-allotments made, if any, in connection with the Offering
Own Funds	the own funds under Solvency II
PARP	product approval and review process
Participating FFI	FFI that has entered into an agreement with the IRS
Paying Agent	ING Bank N.V.
PFIC	passive foreign investment company
PMLA	Prevention of Money Laundering and the Financing of Terrorism Act (*Wet ter voorkoming van witwassen en financieren van terrorisme)*
PPI	premium pension institution (*premie pensioen instelling*) that can operate a defined contribution pension scheme
Preference Shares	the preference shares in the capital of the Company with a nominal value of EUR 0.12 each
Preferential Employee Allocation	the preferential allocation of Offer Shares at the Offer Price to eligible employees of the Company and ING Groep
Pricing Agreement	pricing agreement between the Company, ING Groep and the Joint Global Coordinators on behalf of the Underwriters dated 1 July 2014
Pricing Statement	a pricing statement that sets out the Offer Price and the exact number of Offer Shares, that will be deposited with the AFM and published in a press release on the Company's website and on the website of Euronext
Prospectus	this prospectus dated 17 June 2014
Prospectus Directive	EU Directive 2003/71/EC of the European Parliament and of the Council of the EU (and amendments thereto, including the 2010 PD Amending Directive to the extent implemented in the Relevant Member State), including all relevant implementing measures
PVFP	present value of future profits
P&C	property and casualty

QEF	qualified electing fund
QIB	Qualified Institutional Buyer as defined in Rule 144A
Raiffeisen Centrobank	Raiffeisen Centrobank AG
Reclassified Balance Sheets	the reclassified balance sheets, which NN provides, on a voluntary basis, in addition to the historical balance sheets, for the years 2012 and 2011, which are comparable to the consolidated balance sheets for the year 2013
Recovery and Resolution Directive	proposal for a directive establishing a framework for the recovery and resolution of credit institutions and investment firms published by the EC on 6 June 2012
Regulation S	Regulation S under the U.S. Securities Act
Relationship Agreement	the relationship agreement between the Company and ING Groep dated 10 June 2014
Relevant Member State	each member state of the EEA that has implemented the Prospectus Directive
Remuneration Committee	the remuneration committee of the Supervisory Board
Required capital	for EV purposes, required capital is the market value of the assets attributed to the covered business in excess of that required to cover the regulatory reserves for that business, which is restricted from being distributed to shareholders
Residual Shares	the Ordinary Shares that ING Groep will continue to hold after the Offering
Retail Banks Coordinator	ING, acting as the bank coordinating demands sourced by the banks participating in the public offering to retail investors in the Netherlands
Risk Committee	the risk committee of the Supervisory Board
RMP	Risk management programme
RMBS	residential mortgage-backed securities
RRJ Capital	RRJ Capital Master Fund II, L.P. (together with four wholly-owned subsidiaries of RRJ Capital Master Fund II, L.P to which RRJ Capital Master Fund II, L.P. has subsequently assigned certain rights under the investment agreement)
Rule 144A	Rule 144A under the U.S. Securities Act
SCR	solvency capital requirements
SeaTown	SeaTown Master Fund
Senior Co-Lead Managers	Keefe, Bruyette & Woods Ltd. and Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (acting as Rabobank International).
Settlement Date	the date on which the Offer Shares will be received by investors, which, subject to acceleration or extension of the timetable of the Offering, is expected to be on or around 7 July 2014 (the third business day following the First Trading Date)

SFA	Securities and Futures Act
Share	share in the capital of the Company
Shareholder	a holder of at least one Share
Share Issuance	the issuance by the Company of 349,625,000 Ordinary Shares in the context of the Offering on the Settlement Date
Share Save	a share save plan adopted by NN that will become effective as of the Settlement Date
SIFI	systemically important financial institution
SME	small- or medium-sized enterprise
SMR	solvency margin ratio
Solvency 1.5	amendments in the regulatory framework for insurance companies introduced by the Dutch Ministry of Finance in January 2014. The legislation also introduces the TSC which aims to ensure that, after the realisation of some pre-defined stress scenarios, insurance companies still comply with their solvency requirements.
Solvency I	European regulatory framework for the prudential supervision of insurance and reinsurance companies
Solvency II Directive	Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 and the implementing measures by the EC thereunder, as amended
Spin-off	distribution of the Residual Shares to the shareholders of ING Groep in the form of a repayment of capital in kind
SPVA	single premium variable annuity
Stabilisation Agent	J.P. Morgan Chase & Co. Securities Ltd.
Standard & Poor's	Standard & Poor's Credit Market Services Europe Limited
SulAmérica	SulAmérica S.A.
Supervisory Board	the supervisory board (*raad van commissarissen*) of the Company
Supervisory Board Charter	the charter of the Supervisory Board containing rules regarding its decision-making process and working methods that will become effective on the Settlement Date
TFEU	Treaty on the Functioning of the European Union
ToA	Test of Adequacy
TSC	theoretical solvability criterion
TVOG	time value of financial options and guarantees
UCITS	EU Undertakings for Collective Investment in Transferable Securities Directive
UFR	ultimate forward rate
Underwriters	the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Senior Co-Lead Managers and the Co-Lead Managers jointly.

Underwriting Agreement	underwriting agreement between ING Groep, the Company and the Joint Global Coordinators on behalf of the Underwriters dated 17 June 2014
UniCredit	UniCredit Bank AG, London branch
United Kingdom or **UK**	the United Kingdom of Great Britain and Northern Ireland
United States or **U.S.**	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
USD	United States dollar
U.S. Holder	a beneficial owner of Ordinary Shares that is for U.S. federal income tax purposes (a) an individual who is a citizen or resident of the United States, (b) a corporation created in, or organised under the laws of, the United States or any state thereof, including the District of Columbia, (c) an estate the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source or (d) a trust that is subject to U.S. tax on its worldwide income regardless of its source
U.S. IPO	listing of the shares of ING U.S. on the NYSE in May 2013 under the ticker symbol "VOYA"
U.S. Securities Act	the United States Securities Act of 1933, as amended
VA	variable annuity
Value of new business; VNB	the present value, at the point of sale, of the projected after-tax distributable profits from the new business written in the year, taking into account all acquisition expenses and commissions
VIF	value of in-force business; a time-weighted and risk-adjusted measure of future profits
VOBA	value of business acquired
Warrants	in conjunction with the Offering, the Company will issue to ING Groep warrants that will be exercisable for a number of Ordinary Shares up to 9.99% in the aggregate of the issued Ordinary Shares immediately following the Settlement Date or 34,965,000 Ordinary Shares
Works Council	the Company's works council
WUB	WestlandUtrecht Bank N.V. and its subsidiaries

24. GLOSSARY OF INSURANCE AND INVESTMENT MANAGEMENT TERMS

actuarial consulting firm	specialised firm for life insurance focused on advising mid-sized and large corporate customers on pension plans, and work on a fee basis
annual premium	an insurance policy where the policyholder makes periodic payments; the annual premium includes the annualised amount of premiums that occur at different frequencies than annual
annuity	a contract between an annuitant and an insurance company, under which the annuitant makes a lump sum payment or a series of payments; in return, the insurer agrees to make periodic payments to the annuitant beginning immediately or at some future date
asset-backed securities; ABS	a type of bond or note that is based on pools of assets, or collaterised by the cash flows from a specified pool of underlying assets
bancassurance	insurance companies using a bank's distribution network, including branches, call centres, financial centres and internet platforms to reach customers and distribute their products
bank annuities	a long-term savings and investment product that provides economic returns to customers that are similar to, and otherwise substitute for, individual life annuity products in the Netherlands
brokers	companies (traditional broker companies as well as product comparison websites) that offer a variety of products from a wide range of insurance companies; the advisory services are more standardised and usually based on the cross-product comparison of certain characteristics
cede; ceding insurer; cession	when an insurer reinsures its risk with another insurer (a "cession"), it "cedes" business and is referred to as the "ceding insurer"
claim	a demand made by the insured, or the insured's beneficiary, for payment of the benefits as provided by the policy
claims ratio	claims, including claims handling expenses, expressed as a percentage of net earned premiums
closed block	the block of business is closed, meaning the insurer no longer writes new business although existing policies within the closed block remain in effect (and the insurer may continue to collect premiums) until they run-off
combined ratio	the sum of the loss ratio and the expense ratio for a non-life insurance company or a reinsurance company; a combined ratio below 100 generally indicates profitable underwriting; a combined ratio over 100 generally indicates unprofitable underwriting; an insurance company with a combined ratio over 100 may be profitable to the extent net investment results exceed underwriting losses
deferred acquisition costs; DAC	commissions and certain other underwriting, policy issuance and selling expenses that are directly related to the production of business are referred to as policy acquisition costs; policy acquisition costs that vary based on the level of production are deferred and later amortised to achieve matching revenues and expenses

defined benefit	a pension plan where specified benefits are accrued that equal a certain percentage of the insured's "pensionable income" for each year that the insured participates in the plan; after the pension date, the insured will receive a predetermined fixed annuity, including or excluding corrections for inflation
defined contribution	a pension plan where specified contributions are paid into an account for the insured and then invested, with returns credited to the employee's account; upon termination of the plan, the balance of the employee's account is used to purchase an annuity
direct channel	distribution through proprietary channels of insurance companies and banks respectively (e.g. online platforms, call centres, in-house advisers)
economic capital	the minimum amount of capital that is required to absorb unexpected losses in times of severe stress; for NN the economic capital is calculated based on a confidence level of 99.5%, which is aligned with the Solvency II Directive
expense ratio	the ratio of non-life insurance or reinsurance operating expenses (acquisition costs, plus policy administration expenses, less reinsurance commission and profit participation) to net earned premiums; these operating expenses are also referred to as technical expenses
general account	the assets of an insurance company that support its insurance and other obligations (excluding unit-linked (separate account) obligations)
group insurance	insurance of a collective pension plan for a group of employees, usually taken out by an employer that is not affiliated with an industry-wide or company pension fund
high-net-worth individual	a person with a high net worth; these individuals have investable finance (financial assets not including primary residence) in excess of EUR 1 million
incurred but not reported; IBNR	reserves for estimated losses and loss adjustment expenses which have been incurred but not yet reported to the insurer or reinsurer, including the future development of claims which have been reported to the insurer or reinsurer but where the established reserves may ultimately prove to be inadequate
independent agent	advisers that sell products from more than one insurer, taking into account product characteristics and the supplier when helping a customer choose; compensation is based on fees and/or commissions
individual insurance	life insurance for an individual and his/her family
intermediaries	independent intermediaries through which life and non-life insurance products and pension funds are distributed, which include independent agents, actuarial consulting firms, brokers and mandated brokers; for the avoidance of doubt, each type of intermediary may not be used in each geographical market
loss	an injury, harm, damage or financial detriment that a person sustains; losses may be covered, limited or excluded from coverage, depending on the terms of the policy

loss ratio	the ratio of a non-life insurance or reinsurance company's net incurred losses and loss adjustment expenses to net earned premiums
mandated broker	a company offering insurance policies under its own brand with a mandate from an insurance company to underwrite policies; however, the insurance company bears the risk related to the issued policies
mass affluent retail customers	customers who hold EUR 50,000 to EUR 1 million in liquid assets
money market fund	fund investing in money-market instruments (certificate of deposit, treasury bills and bank deposits) with a short average maturity (typically less than six months)
penetration rate	indicates the level of development of the insurance sector in a country and is measured as the ratio of GWP to the GDP in a particular year; the penetration rate is calculated as follows: penetration rate = GWP/GDP * 100%
recurring premium	an insurance policy where the policyholder makes periodic payments
reinsurance	the practice whereby one insurer, called the reinsurer, in consideration for premiums received, agrees to indemnify the reinsured or ceding insurer for part or all of the liability assumed by the reinsured under a contract or contracts of insurance which the reinsured has issued; the legal rights of the insured generally are not affected by the reinsurance transaction, and the insurance enterprise issuing the insurance contract remains liable to the insured for payment of policy benefits
renewal commission	typically a certain percentage a year of the recurring gross premium income, is a loyalty rebate that is paid to financial advisers or insurance brokers over the lifetime of insurance products
reserves	liabilities established by insurers and reinsurers to reflect the estimated cost of claims payments and benefits payments and the related expenses that the insurer or reinsurer will ultimately be required to pay in accordance with the insurance or reinsurance it has written
retention	the amount or portion of risk which a ceding insurer retains for its own account; losses and loss expenses paid by the ceding insurer in excess of the retention level are then reimbursed to the insurer by the reinsurer; in proportional insurance, the retention may be a percentage of the original policy's limit; in non-proportional insurance, the retention is an amount of loss, a loss ratio or a percentage
rider	provision of an insurance policy that is purchased separately from the basic policy and that provides additional benefits
separate account	an investment account established and maintained by an insurer to which funds have been allocated for certain insurance policies or contracts of the insurer. The income, gains and losses realised from assets allocated to the account are, in accordance with the insurance policies or contracts, credited to or charged against the account without regard to other income, gains or losses of the insurer or the insurer's other separate accounts. Separate accounts cannot

	generally be charged with the liabilities of the general account. The policyholders bear all of the investment risk for these products
single premium	an insurance policy where the policyholder pays a single, one-off premium
surrender	many life insurance products permit the insured to withdraw a portion or all of the cash surrender value of the contract; future benefits are reduced accordingly
technical expenses	those non-life insurance or reinsurance operating expenses which are used to calculate the expense ratio
term life insurance	life insurance protection for a limited period which expires without maturity value if the insured survives the period specified in the policy
tied agent	adviser that sells insurance contracts exclusively for one specific insurance company, with his payment predominantly based on commissions
traditional life insurance	life insurance where claims paid consist of a predetermined amount, sometimes supplemented by a profit-sharing arrangement
underwriting	the process whereby an insurer or reinsurer reviews applications submitted for insurance or reinsurance coverage and determines whether it will provide all or part of the coverage being requested for an agreed premium
unit-linked insurance	life insurance where the value of investment benefits paid to the policyholder depends on the performance of investments funded by premiums paid by the policyholder
universal life insurance	a life insurance product under which premiums are generally flexible, the level of death benefits may be adjusted, and expenses and other charges are specifically disclosed to the policyholder and deducted from his account balance
value new business	the present value, at the point of sale, of the projected after-tax distributable profits from the new business written in the year, taking into account all acquisition expenses and commissions

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17 June 2014

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Dear Sirs

Consulting Actuaries' Report

Introduction

NN Group N.V. has prepared results in respect of NN Group N.V. and its subsidiaries on an embedded value basis for its life insurance and pension business. The results cover the twelve month period ended 31 December 2013. In this report "NN" refers to all of NN Group N.V. and its subsidiaries.

Towers Watson Limited ("Towers Watson") has been engaged by ING Groep N.V. and NN Group N.V. to review certain matters relating to these results, in connection with the listing of shares in NN Group N.V. on Euronext in Amsterdam.

This report, which has been produced for inclusion in the prospectus dated 17 June 2014 (the "Prospectus"), sets out the scope of the work we have undertaken and summarises the conclusions of our work. The reader's attention is drawn to the section later on in this report which sets out certain reliances and limitations relating to the use of this report.

This report is addressed to ING Groep N.V. and NN Group N.V. in accordance with the terms of Towers Watson's engagement letter. To the fullest extent permitted by applicable law or regulation, Towers Watson does not accept or assume any responsibility, duty of care or liability to anyone other than ING Groep N.V. and NN Group N.V. for or in connection with its review work, the opinions it has formed, or for any statement set forth in this report.

This report should be read in conjunction with the rest of the Prospectus, which provides a description of the business of, and risk factors relating to, NN.

Scope of work

The scope of our work comprised the following two elements:

1 To review the methodology and assumptions used by NN Group N.V. to calculate the embedded value results against the requirements of the European Embedded Value ("EEV") Principles and Guidance as published by the CFO Forum in May 2004 and October 2005; and

2 To review the embedded value results calculated by NN Group N.V. against the methodology and assumptions set out in the Prospectus.

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Registration number: 5379716, Registered address: Watson House, London Road, Reigate, Surrey RH2 9PQ, UK.
Authorised and regulated by the Financial Conduct Authority.

TOWERS WATSON

The Directors of ING Groep N.V. and NN Group N.V.
17 June 2014

The results covered by the above scope of work are:

- Life EV as at 31 December 2012 and as at 31 December 2013;
- VNB for the year ended 31 December 2013;
- Life EV analysis of earnings for 2013;
- Sensitivity results for the Life EV as at 31 December 2013 and the VNB for the year ended 31 December 2013;
- Group EV as at 31 December 2012 and as at 31 December 2013; and
- Maturity profile of projected distributable earnings from the in-force business as at 31 December 2013 on the Life EV basis.

In relation to the net asset values determined for the Life EV and Group EV and the results shown in the Life EV analysis of earnings, we have not reviewed the underlying audited accounting information.

NN Group N.V. has also provided the following additional information to investors which is not required by the EEV Principles:

- Maturity profile of projected distributable earnings from the in-force business as at 31 December 2013 on a real-world basis;
- Implied discount rate; and
- IRRs and payback periods in respect of 2013 new business calculated on a real-world basis.

The scope of our work for these additional results related solely to a review of the preparation of these results against the stated methodology and assumptions, but did not include providing any opinion on the methodology and assumptions used to calculate these results.

The methodology and assumptions that have been used by NN Group N.V. to prepare the embedded value results of NN are documented, together with the results, in the part of the Prospectus entitled "*Operating and Financial Review—Embedded Value*" ("OFR-EV"), and this report should be read in conjunction with that part of the Prospectus.

The directors of NN Group N.V. are responsible for the methodology and assumptions that have been used and for preparing the results.

Explanations and definitions for the references in this report to Life EV, VNB, Group EV, Life EV analysis of earnings, distributable earnings, implied discount rate, IRRs, payback periods, CRNHR, covered business and non-covered business can be found in the OFR-EV part of the Prospectus.

Opinion

Based on the scope of work set out above, and subject to the reliances and limitations set out later on in this report, we report below our conclusions on each of the elements of our review.

Compliance with EEV Principles and Guidance

Subject to the exceptions noted below, we have concluded that the methodology and assumptions used by NN Group N.V. in calculating the embedded value results that are set out in the OFR-EV part of the Prospectus comply with the EEV Principles and Guidance.

The exceptions referred to above are as follows:

- EEV Principles require that the economic assumptions are internally consistent and consistent with observable, reliable market data. We do not consider this requirement has been met in all cases, in particular in relation to business denominated in euros where market data for swap rates has only been directly used up to a term of 20 years and thereafter an extrapolation approach is used to an assumed ultimate forward rate. This approach ignores market data beyond 20 years that is observable and reliable, and also leads to an internal inconsistency with the valuation of euro-denominated fixed interest assets at market value where these have an outstanding term greater than 20 years. We note that the inclusion of the second component of the CRNHR, as described in the OFR-EV part of the Prospectus, reduces the impact on value of only using market data for euro swap rates up to a term of 20 years.

- The per policy maintenance expense assumptions used to calculate the Life EV for the Netherlands Life segment individual business are based on the current level of expenses and then increase with an assumed rate of expense inflation. The volumes of this business are expected to decline over time and expense savings will be needed in future if these per policy maintenance expense assumptions are to be realised.

  As explained in the OFR-EV part of the Prospectus, NN's management have plans to reduce expenses in the period from 2013 to 2016 and further aim to reduce expenses beyond that point proportionally with the expected future decline in the number of policies. The reductions in total maintenance expenses included in those plans are broadly consistent with the expected reductions in business volumes over this period.

  However, EEV Principles require that "Changes in future experience should be allowed for in the value of in-force when sufficient evidence exists and the changes are reasonably certain." They give further Guidance that "Favourable changes … should not normally be included beyond what has been achieved by the end of the reporting period".

  Given the execution risk in achieving the required savings, the expense assumptions do not, in our opinion, meet the "reasonable certainty" requirements of the Principles. We note, however, that NN make additional allowance, in the CRNHR, for risks which are not allowed for elsewhere in the valuation including, inter alia, future expense risk and uncertainty.

  NN Group N.V. has provided a sensitivity in the OFR-EV part of the Prospectus, which shows the impact of per policy maintenance expenses for the Netherlands Life individual business escalating by an additional 2.0% per annum, to help illustrate the impact if the required expense savings cannot be fully achieved.

- NN's approach for determining the mortality assumptions for the Netherlands Life segment group life business for the Life EV as at 31 December 2012 resulted in prudent assumptions, which led to an understatement of the Life EV. In 2013 the approach was changed by NN to give greater weight to more recent experience, resulting in assumptions being used for the Life EV as at 31 December 2013 that comply with the EEV Principles. The impact of these changes is quantified in the results section of the OFR-EV part of the Prospectus.

- It is a requirement of EEV Guidance that expected profits or losses to an internal group company on services provided to the covered business should be allowed for in the Life EV and VNB (referred to in the EEV Guidance as a "look through" basis). There are two instances where this requirement has not been followed:

  – The value of expected future profits arising in the Investment Management segment relating to managing assets of the covered business, have been excluded from the Life EV and VNB;

  – The Life EV and VNB for business in the Netherlands reflect the arrangements with the Dutch fiscal unity parent (a 'non-covered' business) whereby immediate payments are received by the covered businesses for their taxable losses. Such losses are not fully recoverable in the Dutch fiscal unity parent against taxable profits from the in-force covered business on NN Group N.V.'s embedded value basis, which assumes no future investment spreads (other than the illiquidity premium spread), and no adjustment has been made in the Life EV or VNB to reflect the resulting reduction in value. We note however that an adjustment has been made to the value of the Dutch fiscal unity parent in the Group EV to reflect this reduction in value. Further details can be found in the OFR-EV part of the Prospectus.

- In the calculation of the Life EV an adjustment is made in the Other segment to allow for the head office expenses not allocated to the business units. However, no corresponding adjustment is made in the calculation of the VNB.

Review of embedded value results

We have reviewed the embedded value results as set out in the OFR-EV part of the Prospectus against the disclosed methodology and assumptions in that part of the Prospectus. Our review of the embedded value results was intended to satisfy ourselves on the overall reasonableness of these results, in relation to the disclosed methodology and assumptions of NN Group N.V. Our review included: a number of reasonableness checks on the projected aggregate revenue account output from NN's models; detailed testing of results for a limited number of sample model points; checks on the validation of the models to accounting data; and reasonableness checks on the consolidation of the results from the models to arrive at the final results. However, we have not carried out detailed checking of the models and processes involved in calculating the results.

On the basis of this review, we are satisfied that the embedded value results set out in the OFR-EV part of the Prospectus have been compiled in a manner consistent, in all material respects, with the methodology and assumptions set out in that part of the Prospectus.

Reliances and Limitations

In carrying out this review and preparing this report we have relied on audited and unaudited information supplied to us by, or on behalf of, the management of NN, including information given orally, and on information from a range of other sources. We relied on the accuracy and completeness of this information without independent verification. In particular, reliance was placed on, but not limited to, the accuracy of the following:

- Annual accounts and statutory statements of NN at each valuation date, including the net asset values used to derive the net asset value component of the Life EV and the earnings incorporated into the Life EV analysis of earnings;

- EEV reports prepared by NN;

- Statistical data and the results of experience studies relating to the current and historical operating experience of NN;

- Information contained in future expense plans for the Netherlands Life segment;

- Files and data supporting the derivation of the economic assumptions;

- Policy data in respect of the in-force business of NN at each valuation date;
- Information on the asset values and regulatory liabilities of NN at each valuation date, and the bases used to calculate the regulatory liabilities;
- New business data for the reporting period;
- Information on the tax position of NN;
- Financial projection models of NN used for calculating the embedded value results;
- Premium rates, commission rates, product charges, profit sharing arrangements, and reinsurance arrangements and terms;
- Product terms and conditions as described in product documentation and other written and oral descriptions of product features; and
- NN Group N.V.'s financial statements for the IFRS net asset values incorporated in the Group EV.

We have also relied on the directors of NN Group N.V. having brought to our attention any other information or data which ought to have been made available to us that might materially affect our opinion set out herein. A Letter of Representation verifying the accuracy and completeness of the information utilised by Towers Watson for the purposes of this report has been provided by two directors of NN Group N.V.

Judgements as to the contents of this report should be made only after studying this report in its entirety, together with the rest of the Prospectus, as the conclusions reached by review of a section or sections on an isolated basis may be incorrect.

This report is produced for the directors of ING Groep N.V. and NN Group N.V. and designed solely to meet their requirements in relation to the proposed listing of shares in NN Group N.V. on Euronext in Amsterdam.

We have not attempted to determine the quality of the current asset portfolios of NN, nor have we reviewed the adequacy of the balance sheet provisions held or the solvency capital requirements. Towers Watson does not provide any warranty regarding the adequacy of the reserves or solvency capital requirements of NN.

The embedded value results only consider claims by policyholders in the normal course of business under the terms of the policies issued to them. No attempt has been made to determine the effect upon the results of any other claims by or against NN. It has been assumed that the provision made by the Netherlands Life segment in their regulatory accounts in respect of compensation payments to Dutch unit-linked policyholders relating to settlement agreements (as described in the OFR-EV part of the Prospectus) will be sufficient to meet the actual level of these claims. We are not in a position (and nor does it form part of our remit) to ascertain whether such provision in the accounts is sufficient or not.

The embedded value results are based on a series of assumptions as to the future. It should be recognised that actual future results will differ from those shown, on account of changes in the operating, economic and regulatory environments and natural variations in experience, which could have a significant effect on the results and the conclusions of this report. No warranty is given by Towers Watson that future experience will be in line with the assumptions made.

The embedded value results do not consider the possible financial implications arising from the introduction of new regulatory solvency requirements (such as Solvency II), or changes to existing

TOWERS WATSON

The Directors of ING Groep N.V. and NN Group N.V.
17 June 2014

regulatory requirements, which may, for example, increase the level of capital support required to sustain the business or constrain the way in which the assets are invested.

The embedded value results shown are not intended to represent an opinion of market value and should not be interpreted in that manner. This report does not purport to encompass all of the many factors that may bear upon a market value.

We have assumed that all of NN's reinsurance protection will be valid and collectable. Contingent liability may exist for any reinsurance recoveries that may prove to be uncollectable.

This report and the results, opinions and conclusions herein are presented as at 31 December 2013 and may be rendered inaccurate by developments after this date.

Disclosures and Consents

This opinion is made solely to ING Groep N.V. and NN Group N.V. in accordance with the terms of Towers Watson's engagement letter. Towers Watson has given, and not withdrawn, its written consent to the inclusion of this report and its name within the Prospectus only in the form and context in which they are included. Towers Watson does not authorise or cause the issue of such Prospectus and takes no responsibility for its contents, other than this report to the extent stated herein.

Yours faithfully

For and on behalf of Towers Watson Limited

Peter Needleman
Managing Director

Fergal O'Shea
Director

NN Group Annual Accounts 2013 Contents

Consolidated balance sheet of NN Group

as at 31 December

amounts in millions of euros	2013	2012	2011
Assets			
Cash and cash equivalents 2	**7,155**	5,389	11,577
Financial assets at fair value through profit or loss: 3			
– trading assets	**736**	586	534
– investments for risk of policyholders	**39,589**	98,765	116,438
– non-trading derivatives	**3,126**	5,107	7,285
– designated as at fair value through profit or loss	**482**	2,000	2,616
Available-for-sale investments 4	**61,014**	119,305	133,604
Loans and advances to customers 5	**25,319**	25,823	32,928
Reinsurance contracts 17	**252**	5,290	5,870
Investments in associates 6	**1,028**	1,352	1,526
Real estate investments 7	**764**	805	954
Property and equipment 8	**164**	338	469
Intangible assets 9	**392**	1,018	1,972
Deferred acquisition costs 10	**1,353**	4,549	10,204
Assets held for sale 11	**630**	61,691	
Other assets 12	**3,754**	6,735	9,631
Total assets	**145,758**	338,753	335,608
Equity 13			
Shareholder's equity (parent)	**14,227**	26,423	23,412
Minority interests	**68**	217	62
Total equity	**14,295**	26,640	23,474
Liabilities			
Subordinated loans 14	**2,892**	2,947	4,367
Debt securities in issue 15		1,910	3,436
Other borrowed funds 16	**4,817**	7,442	7,307
Insurance and investment contracts 17	**111,551**	229,950	278,833
Customer deposits and other funds on deposit 18	**5,769**		
Financial liabilities at fair value through profit or loss: 19			
– non-trading derivatives	**1,843**	3,258	4,404
Liabilities held for sale 11	**466**	55,655	
Other liabilities 20	**4,125**	10,951	13,787
Total liabilities	**131,463**	312,113	312,134
Total equity and liabilities	**145,758**	338,753	335,608

The amounts for 2011 and 2012 have been restated to reflect the change in accounting policy for defined benefit plans as disclosed in the section “Changes in accounting policies in 2013” on page F9.

The comparison of the Consolidated balance sheets is impacted by the transfer of ING U.S. to ING Groep N.V., the classification to continuing operations of NN Group's business in Japan (as of 2013) and the classification as held for sale of the insurance and investment management businesses in Asia (as of 2012) as disclosed in the section “Other significant changes in 2013” on page F11.

References relate to the notes starting on page F30. These form an integral part of the consolidated annual accounts.

Consolidated profit and loss account of NN Group

for the year ended 31 December

amounts in millions of euros	2013	2013	2012	2012	2011	2011
Continuing operations						
Gross premium income 21		**9,530**		10,705		11,292
Investment income 22		**3,619**		3,739		3,483
Result on disposals of group companies 23		**–45**				–4
Gross commission income	**956**		924		1,337	
Commission expense	**–330**		–331		–700	
Commission income 24		**626**		593		637
Valuation results on non-trading derivatives 25		**–2,891**		–2,574		1,025
Foreign currency results and net trading income 26		**186**		539		–117
Share of result from associates 6		**97**		37		190
Other income 27		**39**		–22		110
Total income		**11,161**		13,017		16,616
Gross underwriting expenditure	**13,585**		15,867		13,444	
Investment result for risk of policyholders	**–4,930**		–5,517		–206	
Reinsurance recoveries	**–70**		–73		–81	
Underwriting expenditure 28		**8,585**		10,277		13,157
Intangible amortisation and other impairments 29		**11**		69		42
Staff expense 30		**1,178**		1,037		1,128
Interest expense 31		**591**		605		728
Other operating expense 32		**848**		1,274		1,093
Total expense		**11,213**		13,262		16,148
Result before tax from continuing operations		**–52**		–245		468
Taxation 39		**–50**		–113		15
Net result from continuing operations		**–2**		–132		453
Discontinued operations 33						
Net result from discontinued operations		**45**		839		–202
Net result from classification as discontinued operations		**–42**		–394		
Net result from disposal of discontinued operations		**17**		752		995
Total net result from discontinued operations		**20**		1,197		793
Net result from continuing and discontinued operations (before minority interests)		**18**		1,065		1,246

The amounts for 2012 and 2011 have been restated to reflect the change in accounting policy for defined benefit plans as disclosed in the section “Changes in accounting policies in 2013” on page F9.

References relate to the notes starting on page F61. These form an integral part of the consolidated annual accounts.

Consolidated profit and loss account of NN Group continued

for the year ended 31 December

amounts in millions of euros	2013	2012	2011
Net result from continuing and discontinued operations attributable to:			
Shareholder of the parent	**10**	1,038	1,226
Minority interests	**8**	27	20
	18	1,065	1,246
Net result from continuing operations attributable to:			
Shareholder of the parent	**–18**	–153	439
Minority interests	**16**	21	14
	–2	–132	453
Total net result from discontinued operations attributable to:			
Shareholder of the parent	**28**	1,191	787
Minority interests	**–8**	6	6
	20	1,197	793

	2013	2012	2011
Total amount of dividend paid (in millions of euros) 13	**882**	0	0

In 2013, the remaining interest in ING U.S., Inc. (“ING U.S.”) was transferred to ING Groep N.V. by way of dividend in kind. Reference is made to Note 53 “Other events” for more details on the transaction.

Consolidated statement of comprehensive income of NN Group

for the year ended 31 December

amounts in millions of euros	2013	2012	2011
Net result from continuing and discontinued operations	**18**	1,065	1,246
Items that will not be reclassified to the profit and loss account:			
Remeasurement of the net defined benefit asset/liability 38	**–42**	–910	430
Unrealised revaluations property in own use	**–1**	–13	2
Items that may be reclassified subsequently to the profit and loss account:			
Unrealised revaluations available-for-sale investments and other	**–4,678**	5,084	1,997
Realised gains/losses transferred to the profit and loss account	**90**	–367	473
Changes in cash flow hedge reserve	**–832**	665	1,316
Transfer to insurance liabilities/DAC	**2,154**	–2,181	–2,004
Other revaluations		10	36
Exchange rate differences	**–744**	–370	240
Total comprehensive income	**–4,035**	2,983	3,736
Comprehensive income attributable to:			
Shareholder of the parent	**–3,940**	2,949	3,718
Minority interests	**–95**	34	18
	–4,035	2,983	3,736

The amounts for 2012 and 2011 have been restated to reflect the change in accounting policy for defined benefit plans as disclosed in the section “Changes in accounting policies in 2013” on page F9.

Reference is made to Note 39 “Taxation” for the disclosure on the income tax effects on each component of the other comprehensive income.

Consolidated statement of cash flows of NN Group

for the year ended 31 December

amounts in millions of euros		2013	2012	2011
Result before tax [(1)]		**103**	1,044	1,254
Adjusted for:	– depreciation	**144**	171	191
	– deferred acquisition costs and value of business acquired	**1,289**	–484	248
	– increase in provisions for insurance and investment contracts	**–6,604**	–3,178	4,389
	– other	**1,275**	3,177	–2,362
Taxation paid		**–268**	–3	–206
Changes in:	– trading assets	**–146**	–70	87
	– non-trading derivatives	**–631**	430	1,142
	– other financial assets at fair value through profit or loss	**1,977**	–2,313	42
	– loans and advances to customers	**–192**	4,397	–1,268
	– other assets	**1,248**	2,049	944
	– customer deposits and other funds on deposits	**2,066**		
	– other financial liabilities at fair value through profit or loss	**–3,623**	–1,590	–280
	– other liabilities	**–4,885**	–2,907	–2,113
Net cash flow from operating activities		**–8,247**	723	2,068
Investments and advances:	– group companies 49	**–23**		
	– associates	**–48**	–6	–105
	– available-for-sale investments	**–46,964**	–72,358	–68,540
	– real estate investments	**–200**	–56	–23
	– property and equipment	**–30**	–60	–77
	– investments for risk of policyholders	**–47,102**	–67,986	–57,130
	– other investments	**–4,563**	–85	–77
Disposals and redemptions:	– group companies 49	**2,548**	1,332	2,736
	– associates	**323**	63	120
	– available-for-sale investments	**48,966**	63,978	63,616
	– real estate investments	**229**	71	35
	– property and equipment	**3**	18	15
	– investments for risk of policyholders	**54,979**	72,201	61,898
	– other investments	**8**	7	9
Net cash flow from investing activities		**8,126**	–2,881	2,477
Proceeds from issuance of subordinated loans				450
Repayments of subordinated loans			–1,381	–455
Proceeds from borrowed funds and debt securities		**12,791**	32,717	41,920
Repayments of borrowed funds and debt securities		**–13,854**	–34,069	–43,471
Capital injection		**1,330**		
Payments to acquire treasury shares			–17	–13
Sales of treasury shares		**10**	13	11
Proceeds of IPO ING U.S. 53		**1,062**		
Dividend paid 13		**–882**		
Net cash flow from financing activities		**457**	–2,737	–1,558
Net cash flow 35		**336**	–4,895	2,987
Cash and cash equivalents at beginning of year		**6,717**	11,577	8,646
Effect of exchange rate changes on cash and cash equivalents		**182**	35	–56
Cash and cash equivalents at end of year 2		**7,235**	6,717	11,577

[(1)] Includes result before tax from continuing operations of EUR –52 million (2012: EUR –245 million; 2011: EUR 468 million) and result before tax from discontinued operations of EUR 155 million (2012: EUR 1,289 million; 2011: EUR 786 million). Result after tax from discontinued operations is EUR 20 million (2012: EUR 1,197 million; 2011: EUR 793 million).

The amounts for 2012 and 2011 have been restated to reflect the change in accounting policy for defined benefit plans as disclosed in the section “Changes in accounting policies in 2013” on page F9.

References relate to the notes starting on page F72. These form an integral part of the consolidated annual accounts.

Consolidated statement of changes in equity of NN Group

amounts in millions of euros	Share capital [1]	Share premium	Reserves	Total share-holder's equity (parent)	Minority interest	Total equity
Balance as at 1 January 2011 (before change in accounting policy)	0	17,750	2,409	20,159	111	20,270
Effect of change in accounting policy [2]			–520	–520		–520
Balance as at 1 January 2011 (after change in accounting policy)	0	17,750	1,889	19,639	111	19,750
Remeasurement of the net defined benefit asset/liability			430	430		430
Unrealised revaluations property in own use			2	2		2
Unrealised revaluations available-for-sale investments and other			1,996	1,996	1	1,997
Realised gains/losses transferred to profit and loss account			473	473		473
Changes in cash flow hedge reserve			1,316	1,316		1,316
Transfer to insurance liabilities/DAC			–2,004	–2,004		–2,004
Other revaluations			36	36		36
Exchange rate difference			243	243	–3	240
Total amount recognised directly in equity (Other comprehensive income)	0	0	2,492	2,492	–2	2,490
Net result from continuing and discontinued operations			1,226	1,226	20	1,246
Total comprehensive income	0	0	3,718	3,718	18	3,736
Employee stock option and share plans			55	55		55
Changes in composition of the group and other changes					–43	–43
Dividend					–34	–34
Capital injection					10	10
Balance as at 31 December 2011	0	17,750	5,662	23,412	62	23,474
Remeasurement of the net defined benefit asset/liability			–910	–910		–910
Unrealised revaluations property in own use			–13	–13		–13
Unrealised revaluations available-for-sale investments and other			5,076	5,076	8	5,084
Realised gains/losses transferred to profit and loss account			–367	–367		–367
Changes in cash flow hedge reserve			665	665		665
Transfer to insurance liabilities/DAC			–2,181	–2,181		–2,181
Other revaluations			10	10		10
Exchange rate difference			–369	–369	–1	–370
Total amount recognised directly in equity (Other comprehensive income)	0	0	1,911	1,911	7	1,918
Net result from continuing and discontinued operations			1,038	1,038	27	1,065
Total comprehensive income	0	0	2,949	2,949	34	2,983
Employee stock option and share plans			62	62		62
Changes in composition of the group and other changes					127	127
Dividend					–6	–6
Balance as at 31 December 2012	0	17,750	8,673	26,423	217	26,640

[1] NN Group has an issued share capital of EUR 45,000. Reference is made to Note 13 “Equity”.
[2] The change in accounting policy for defined benefit plans is disclosed in the section “Changes in accounting policies in 2013” on page F9.

Consolidated statement of changes in equity of NN Group continued

amounts in millions of euros	Share capital [1]	Share premium	Reserves	Total share-holder's equity (parent)	Minority interest	Total equity
Balance as at 31 December 2012		17,750	8,673	26,423	217	26,640
Remeasurement of the net defined benefit asset/liability 18			–42	–42		–42
Unrealised revaluations property in own use			–1	–1		–1
Unrealised revaluations available-for-sale investments and other			–4,672	–4,672	–6	–4,678
Realised gains/losses transferred to profit and loss			90	90		90
Changes in cash flow hedge reserve			–832	–832		–832
Transfer to insurance liabilities/DAC			2,154	2,154		2,154
Exchange rate difference			–647	–647	–97	–744
Total amount recognised directly in equity (Other comprehensive income)	0	0	–3,950	–3,950	–103	–4,053
Net result from continuing and discontinued operations			10	10	8	18
Total comprehensive income	0	0	–3,940	–3,940	–95	–4,035
Capital contribution		1,330		1,330		1,330
Employee stock option and share plans			37	37	6	43
Changes in composition of the group and other changes		–6,826	43	–6,783	–3,010	–9,793
Impact of IPO ING U.S. 53			–1,958	–1,958	2,954	996
Dividend 13		–649	–233	–882	–4	–886
Balance as at 31 December 2013	0	11,605	2,622	14,227	68	14,295

[1] NN Group has an issued share capital of EUR 45,000. Reference is made to Note 13 "Equity".

Notes to the Consolidated annual accounts of NN Group

amounts in millions of euros, unless stated otherwise

ESTABLISHMENT OF NN GROUP

Until recently, ING Verzekeringen N.V. (“ING Insurance”) was the holding company of the insurance and investment management activities of ING. As such, ING Insurance prepared Consolidated annual accounts under IFRS-EU that included ING Insurance and all its subsidiaries. ING Insurance was a wholly-owned subsidiary of ING Insurance Topholding N.V. (“ING Topholding”), a wholly-owned subsidiary of the ultimate parent ING Groep N.V. ING Topholding was a holding company with no other assets, liabilities and activities than its 100% holding in ING Insurance.

On 28 February 2014, before the finalisation of the 2013 Consolidated annual accounts, ING Insurance and ING Topholding legally merged. Through this merger, the legal entity ING Verzekeringen N.V. ceased to exist. The legal merger became effective on 1 March 2014 and on that date the merged entity was renamed NN Group N.V. (“NN Group”).

The merged entity NN Group N.V. is in substance a continuation of ING Insurance. As of 2013, NN Group prepares Consolidated annual accounts under IFRS-EU in which all assets and liabilities of ING Insurance and its subsidiaries are included at their existing carrying values. As a result, the financial position and results of NN Group are not significantly different from what these would have been for ING Insurance.

AUTHORISATION OF ANNUAL ACCOUNTS

The Consolidated annual accounts of NN Group N.V. (“NN Group”) for the year ended 31 December 2013 were authorised for issue in accordance with a resolution of the Management Board NN Group on 17 March 2014. The Management Board NN Group may decide to amend the annual accounts as long as these are not adopted by the General Meeting of Shareholders. The General Meeting of Shareholders may decide not to adopt the annual accounts, but may not amend these. NN Group N.V. is incorporated and domiciled in Amsterdam, the Netherlands. The principal activities of NN Group are described in “ING and NN Group at a glance” of the NN Group N.V. Annual Report 2013 on page 4 [(1)].

1 ACCOUNTING POLICIES

NN Group applies International Financial Reporting Standards as adopted by the European Union (“IFRS-EU”). In the annual accounts the term “IFRS-EU” is used to refer to these standards, including the decisions NN Group made with regard to the options available under IFRS-EU.

IFRS-EU provides a number of options in accounting policies. The key areas in which IFRS-EU allows accounting policy choices, and the related NN Group accounting policy, are summarised as follows:

- Under IFRS 4, an insurer may continue to apply its existing pre-IFRS accounting policies for insurance contracts, provided that certain minimum requirements are met. Upon adoption of IFRS in 2005, NN Group decided to continue the then existing accounting principles for insurance contracts. NN Group operates in different countries and the accounting principles for insurance contracts follow local practice in these countries. For NN Group’s businesses in the Netherlands, NN Group for example applies accounting standards generally accepted in the Netherlands (Dutch GAAP) for its provisions for liabilities under insurance contracts;
- NN Group’s accounting policy for Real estate investments is fair value, with changes in the fair value reflected immediately in the Consolidated profit and loss account;
- NN Group’s accounting policy for Property for own use is fair value, with changes in the fair value reflected, after tax, in the revaluation reserve in equity (“Other comprehensive income”). A net negative revaluation on individual properties is reflected immediately in the Consolidated profit and loss account; and
- NN Group’s accounting policy for joint ventures is proportionate consolidation.

NN Group’s accounting policies under IFRS-EU and its decision on the options available are included in the section “Principles of valuation and determination of results” below. Except for the options included above, the principles in section “Principles of valuation and determination of results” are IFRS-EU and do not include other significant accounting policy choices made by ING. The accounting policies that are most significant to NN Group are included in section “Critical accounting policies”.

CHANGES IN ACCOUNTING POLICIES IN 2013

The following new and/or amended IFRS-EU standards were implemented by NN Group in 2013:

- Amendments to IAS 19 “Employee Benefits”;
- Amendments to IAS 1 “Presentation of Financial Statements”;
- Amendments to IFRS 7 “Financial instruments: Disclosures”; and
- IFRS 13 “Fair Value Measurement”.

(1) In this Prospectus, the principal activities of NN Group are described in the section “Business”.

Notes to the Consolidated annual accounts of NN Group continued

Amendments to IAS 19 “Employee Benefits”
The most significant change in the revised IAS 19 “Employee Benefits” relates to the accounting for defined benefit pension obligations and the corresponding plan assets. The amendments require immediate recognition in Other comprehensive income (i.e. in equity) of changes in the defined benefit obligation and in the fair value of plan assets due to actuarial gains and losses. The deferral of actuarial gains and losses through the “corridor approach”, which was applied under the previous version of IAS 19 until the end of 2012, is no longer allowed. As a related consequence, deferred actuarial gains and losses are no longer released to the Consolidated profit and loss account upon curtailment. Furthermore, the amendments require the return on plan assets for the purpose of calculating the pension expense to be determined using a high-quality corporate bond rate, equal to the discount rate of the defined benefit obligation; until the end of December 2012 management’s best estimate was applied. The amendments also introduce a number of other changes and extended disclosure requirements. The implementation of the amendments to IAS 19 resulted in the recognition of accumulated actuarial gains and losses in equity as at 1 January 2013. As a result, Shareholder’s equity decreased with EUR –0.9 billion (after tax) (EUR –1.2 billion before tax) at 1 January 2013. The recognition of actuarial gains and losses in equity will create volatility in Total equity going forward. The changes in IAS 19 are implemented retrospectively; as a result, comparative amounts for previous periods have been restated and are presented as if the new requirements were always applied.

The impact of the changes in IAS 19 for the year 2013 mainly relates to the recognition of the remeasurement of the Net defined benefit asset/liability in equity. As disclosed in Note 13 “Equity” the amount of the Net defined benefit asset/liability remeasurement reserve is EUR –1,042 million at 31 December 2013 (31 December 2012: EUR –1,000 million; 31 December 2011: EUR –90 million). Without the changes in IAS 19, this negative reserve would not have reduced equity.

The impact of changes in IAS 19 on previous annual reporting periods is as follows:

Impact on Shareholder’s equity	31 December 2012	31 December 2011	1 January 2011
Shareholder’s equity (before change in accounting policy)	27,298	23,475	20,159
Change in Other assets – net defined benefit asset	–805	221	–451
Change in Other liabilities – net defined benefit liability	–417	–352	–278
Change in Liabilities held for sale	–4		
Change in net defined benefit asset/liability before tax	–1,226	–131	–729
Tax effect	351	68	209
Shareholder’s equity (after change in accounting policy)	26,423	23,412	19,639

Impact on Net result	2012	2011
Net result from continuing operations (before change in accounting policy)	–194	421
Impact on staff expenses – Pension and other staff-related benefit costs	92	25
Tax effect	–22	–7
	–124	439
Discontinued operations after tax	1,189	807
Net result from continuing and discontinued operations (after change in accounting policy)	1,065	1,246

Impact on Other comprehensive income	2012	2011
Total amount recognised directly in equity (before change in accounting policy)	2,828	2,059
Remeasurement of the net defined benefit asset/liability	–1,234	581
Changes in the composition of the group and other changes	2	–533
Tax effect	322	–137
Total amount recognised directly in equity (after change in accounting policy)	1,918	1,970

Amendments to IAS 1 “Presentation of Financial Statements”
The amendments to IAS 1 “Presentation of Financial Statements” resulted in changes to the presentation in the Consolidated statement of other comprehensive income, including a split of Other comprehensive income into items that may be recognised in the profit and loss account in future periods and items that will never be recognised in the Consolidated profit and loss account. There was no impact on Shareholder’s equity, Net result and/or Other comprehensive income.

Notes to the Consolidated annual accounts of NN Group continued

Amendments to IFRS 7 "Financial instruments: Disclosures"
The amendments to IFRS 7 "Financial instruments: Disclosures" introduced additional disclosures on offsetting (netting) of financial instruments in the Consolidated balance sheet and on the potential effect of netting arrangements. There was no impact on Shareholder's equity, Net result and/or Other comprehensive income. Reference is made to Note 46 "Offsetting financial assets and liabilities".

IFRS 13 "Fair Value Measurement"
IFRS 13 "Fair Value Measurement" brings together in one standard all guidance on how to determine fair value. It does not change the scope of assets/liabilities that are measured at fair value. NN Group's interpretation of fair value measurement is not significantly different from the guidance in IFRS 13. Therefore, the implementation of IFRS 13 "Fair Value Measurement" at 1 January 2013 did not have a significant impact on Shareholder's equity, Net result and/or Other comprehensive income. In addition, IFRS 13 introduces an extended scope for the disclosure of the fair value by level of fair value hierarchy for non-financial assets and liabilities and financial instruments not measured at fair value. Reference is made to Note 40 "Fair value of assets and liabilities".

OTHER SIGNIFICANT CHANGES IN 2013
The comparison of balance sheet items between 31 December 2013 and 31 December 2012 is impacted by the Initial Public Offering ("IPO") of ING U.S., Inc. the U.S.-based retirement, investment and insurance business ("ING U.S."),the transfer of ING U.S. to ING Groep N.V., the classification to continuing operations of ING Life Japan and the Japanese Closed Block VA guarantees reinsured to ING RE ("NN Group's business in Japan"), the divestment of companies as disclosed in Note 49 "Companies and businesses acquired and divested" and by the held for sale classification as disclosed in Note 11 "Assets and liabilities held for sale" and Note 33 "Discontinued operations".

Changes in assets and liabilities due to the transfer of ING U.S., the classification to continuing operations of NN Group's business in Japan and as a result of the classification of other disposal groups as held for sale are included in the notes in the line "Changes in the composition of the group and other changes".

ING U.S.
In May 2013, ING U.S. was successfully listed on the New York Stock Exchange (NYSE). As a result of the IPO, ING's ownership interest in ING U.S. was reduced from 100% to 71.25%. At 30 September 2013, the remaining interest in ING U.S. was transferred to ING Groep N.V. by way of dividend in kind. As of the date of transfer, ING U.S. ceased to be consolidated; the results for the period until transfer are presented as discontinued operations.

Reference is made to Note 53 "Other events".

NN GROUP'S BUSINESS IN JAPAN
After carefully exploring and evaluating the options available for the divestment of ING Life Japan, it was concluded that a standalone divestment of ING Life Japan, including its Corporate Owned Life Insurance (COLI) and Closed Block VA businesses, is not feasible in a manner that would appropriately meet the demands of regulators and other stakeholders in ING Group and ING Life Japan. Therefore, ING Life Japan will be combined ING's European insurance and investment management businesses in the base case IPO of NN Group in 2014. As a result, ING Life Japan and the Japanese Closed Block VA guarantees reinsured to ING Re ("NN Group's business in Japan") are no longer classified as held for sale and discontinued operations. Reference is made to Note 53 "Other events".

Based on the above events, changes were made to the segment reporting as disclosed in Note 36 "Segments".

The presentation of, and certain terms used in, the consolidated balance sheet, the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of cash flows, the consolidated statement of changes in equity and certain notes has been changed to provide additional and more relevant information or (for changes in comparative information) to better align with the current period presentation. The impact of these changes is explained in the respective notes when significant.

UPCOMING CHANGES AFTER 2013
The following new or revised standards and interpretations will become effective for NN Group from 1 January 2014, if and when endorsed by the EU:
- IFRS 10 "Consolidated Financial Statements";
- IFRS 11 "Joint Arrangements" and amendments to IAS 28 "Investments in Associates and Joint Ventures";
- IFRS 12 "Disclosure of Interests in Other Entities";
- Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27);
- Amendments to IAS 32 "Presentation – Offsetting Financial Assets and Financial Liabilities";
- Amendments to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting";
- IFRIC 21 "Levies"; and
- Amendments to IAS 36 "Recoverable amount disclosures for non-financial assets".

Notes to the Consolidated annual accounts of NN Group continued

The significant upcoming changes in IFRS-EU after 2013 are explained below.

IFRS 10 “Consolidated Financial Statements”
IFRS 10 “Consolidated Financial Statements” introduces amendments to the criteria for consolidation. Similar to the requirements that are applicable until the end of 2013, all entities controlled by NN Group will be included in the Consolidated annual accounts. However, IFRS 10 redefines control as being exposed to variable returns and having the ability to affect those returns through power over the investee. The requirements of IFRS 10 are generally similar to the policies and interpretations that NN Group applied prior to the introduction of IFRS 10. Therefore the implementation of the standard as at 1 January 2014 will not have a significant impact on Shareholder’s equity, Net result and/or Other comprehensive income.

IFRS 11 “Joint Arrangements” and amendments to IAS 28 “Investments in Associates and Joint Ventures”
IFRS 11 “Joint Arrangements” and the related amendments to IAS 28 “Investments in Associates and Joint Ventures” eliminate the proportionate consolidation method for joint ventures that was applied by NN Group. Under the new requirements, all joint ventures will be reported using the equity method of accounting (similar to the accounting that is already applied for Investments in associates). The implementation of IFRS 11 as at 1 January 2014 will not have a significant impact on Shareholder’s equity, Net result and/or Other comprehensive income. The impact of the application of IFRS 11 “Joint Arrangements” is included in the table below.

IFRS 12 “Disclosure of Interests in Other Entities”
IFRS 12 “Disclosure of Interests in Other Entities” introduces extended disclosure requirements for subsidiaries, associates, joint ventures and structured entities. The implementation of IFRS 12 will not have an impact on Shareholder’s equity, Net result and/or Other comprehensive income.

Summary of impact as at 1 January 2014
The impact of the above mentioned changes of IFRS requirements that are implemented as of 1 January 2014 is summarised as follows:

Upcoming changes in IFRS-EU in 2014

	IFRS 11 “Joint Arrange-ments”
Assets held for sale	–442
Assets – other	–1
Impact on Total assets	–443
Liabilities held for sale	–442
Liabilities – other	–1
Impact on Total liabilities	–443
Impact on Shareholder’s equity	0

IFRS 9 “Financial Instruments”
IFRS 9 “Financial Instruments” was originally issued in November 2009, reissued in October 2010, and then amended in November 2013. Further amendments are expected to be finalised in 2014. The current version of IFRS 9 does not include a mandatory effective date. An effective date will be added when all phases of the project are complete and a final version of IFRS 9 is issued. The mandatory effective date of IFRS 9 is expected to be 2018. IFRS 9 is also not yet endorsed by the EU. Implementation of IFRS 9, if and when finalised and endorsed by the EU, may have a significant impact on Shareholder’s equity, Net result and/or Other comprehensive income.

Accounting for GMDB in Japan Closed Block VA
NN Group applies fair value accounting to the reserves for Guaranteed Minimum Death Benefits (GMDB) of the Japan Closed Block VA from 1 January 2014. Reference is made to Note 55 “Subsequent events”.

Notes to the Consolidated annual accounts of NN Group continued

CRITICAL ACCOUNTING POLICIES

NN Group has identified the accounting policies that are most critical to its business operations and to the understanding of its results. These critical accounting policies are those which involve the most complex or subjective decisions or assessments, and relate to insurance provisions, deferred acquisition costs and value of business acquired, the determination of the fair value of real estate and financial assets and liabilities, impairments and employee benefits. In each case, the determination of these items is fundamental to the financial condition and results of operations, and requires management to make complex judgements based on information and financial data that may change in future periods. As a result, determinations regarding these items necessarily involve the use of assumptions and subjective judgements as to future events and are subject to change, as the use of different assumptions or data could produce significantly different results. For a further discussion of the application of these accounting policies, reference is made to the applicable notes to the consolidated annual accounts and the information below under “Principles of valuation and determination of results”.

INSURANCE PROVISIONS, DEFERRED ACQUISITION COSTS (DAC) AND VALUE OF BUSINESS ACQUIRED (VOBA)

The determination of insurance provisions, DAC and VOBA is an inherently uncertain process, involving assumptions about factors such as court decisions, changes in laws, social, economic and demographic trends, inflation, investment returns, policyholder behaviour and other factors, and, in the life insurance business, assumptions concerning mortality and morbidity trends. Specifically, assumptions related to these items that could have a significant impact on financial results include interest rates, mortality, morbidity, property and casualty claims, investment yields on equity and real estate, foreign currency exchange rates and reserve adequacy assumptions.

The use of different assumptions could have a significant effect on insurance provisions and underwriting expenditure. Changes in assumptions may lead to changes in the insurance provisions over time. Furthermore, some of these assumptions can be volatile.

In addition, the adequacy of insurance provisions, net of DAC and VOBA, is evaluated regularly. The test involves comparing the established insurance provision with current best estimate assumptions about factors such as court decisions, changes in laws, social, economic and demographic trends, inflation, investment returns, policyholder behaviour, mortality and morbidity trends and other factors. The use of different assumptions in this test could lead to a different outcome.

Insurance provisions also include the impact of minimum guarantees which are contained within certain variable annuity products. This impact is dependent upon the difference between the potential minimum benefits payable and the total account balance, expected mortality and surrender rates. The determination of the potential minimum benefits payable also involves the use of assumptions about factors such as inflation, investment returns, policyholder behaviour, mortality and morbidity trends and other factors. The use of different assumptions about these factors could have a significant effect on insurance provisions and underwriting expenditure.

The process of defining methodologies and assumptions for insurance provisions, DAC and VOBA is governed by risk management of NN Group as described in the “Risk management” section.

Reference is made to the “Risk management” section for a sensitivity analysis of Net result to insurance, interest rate, equity, foreign currency and real estate risks. These sensitivities are based on changes in assumptions that management considers reasonably likely at the balance sheet date.

FAIR VALUE OF REAL ESTATE

Real estate investments are reported at fair value. The fair value of real estate investments is based on regular appraisals by independent, qualified valuers. The fair value is established using valuation methods such as: comparable market transactions, capitalisation of income methods or discounted cash flow calculations. The underlying assumption used in the valuation is that the properties are let or sold to third parties based on the actual letting status. The discounted cash flow analyses and capitalisation of income method are based on calculations of the future rental income in accordance with the terms in existing leases and estimations of the rental values for new leases when leases expire and incentives like rental free periods. The cash flows are discounted using market based interest rates that reflect appropriately the risk characteristics of real estate.

Market conditions in recent years have led to a reduced level of real estate transactions. Consequently, the fair value presented may not be indicative of the net realisable value. In addition, the calculation of the estimated fair value is based on market conditions at a specific point in time and may not be indicative of the future fair value. Transaction values were significantly impacted by low volumes of actual transactions. As a result comparable market transactions have been used less in valuing NN Group’s real estate investments by independent qualified valuers. More emphasis has been placed on discounted cash flow analysis and capitalisation of income method.

Reference is made to Note 40 “Fair value of assets and liabilities” for more disclosure on fair value at balance sheet date of real estate investments.

The use of different assumptions and techniques could produce significantly different valuations. To illustrate the uncertainty of the real estate investments valuation, a sensitivity analysis on the changes in fair value of real estate is provided in the “Risk management” section.

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES
The fair value of financial assets and liabilities are based on unadjusted quoted market price at the balance sheet date where available. Such quoted market prices are primarily obtained from exchange prices for listed instruments. Where an exchange price is not available, market prices may be obtained from independent market vendors, brokers or market makers. In general, positions are valued taking the bid price for a long position and the offer price for a short position. In some cases where positions are marked at mid-market prices, a fair value adjustment is calculated.

When markets are less liquid there may be a range of prices for the same security from different price sources, selecting the most appropriate price requires judgement and could result in different estimates of the fair value.

For certain financial assets and liabilities quoted market prices are not available. For these financial assets and liabilities, fair value is determined using valuation techniques. These valuation techniques range from discounting of cash flows to valuation models, where relevant pricing factors including the market price of underlying reference instruments, market parameters (volatilities, correlations and credit ratings) and customer behaviour are taken into account. All valuation techniques used are subject to internal review and approval. Most data used in these valuation techniques are validated on a daily basis.

Valuation techniques are subjective in nature and significant judgement is involved in establishing the fair value for certain financial assets and liabilities. Valuation techniques involve various assumptions regarding pricing factors. The use of different valuation techniques and assumptions could produce significantly different estimates of the fair value.

Price testing is performed to assess whether the process of valuation has led to an appropriate fair value of the position and to an appropriate reflection of these valuations in the profit and loss account. Price testing is performed to minimise the potential risks for economic losses due to incorrect or misused models.

Reference is made to Note 40 “Fair value of assets and liabilities” and the “Risk management” section for the basis of the determination of the fair value of financial instruments and related sensitivities.

IMPAIRMENTS
Impairment evaluation is a complex process that inherently involves significant judgements and uncertainties that may have an impact on NN Group’s Consolidated annual accounts. Impairments are especially relevant in two areas: Available-for-sale debt and equity securities and Goodwill/Intangible assets.

All debt and equity securities (other than those carried at fair value through profit or loss) are subject to impairment testing every reporting period. The carrying value is reviewed in order to determine whether an impairment loss has been incurred. Evaluation for impairment includes both quantitative and qualitative considerations. For debt securities, such considerations include actual and estimated incurred credit losses indicated by payment default, market data on (estimated) incurred losses and other current evidence that the issuer may be unlikely to pay amounts when due. Equity securities are impaired when management believes that, based on a significant or prolonged decline of the fair value below the acquisition price, there is sufficient reason to believe that the acquisition cost may not be recovered. “Significant” and “prolonged” are interpreted on a case-by-case basis for specific equity securities. Generally 25% and 6 months are used as triggers. Upon impairment, the full difference between the (acquisition) cost and fair value is removed from equity and recognised in Net result. Impairments on debt securities may be reversed if there is a decrease in the amount of the impairment which can be objectively related to an observable event. Impairments on equity securities cannot be reversed.

Impairments on other debt instruments (Loans and advances to customers) are part of the loan loss provision as described below.

Impairment reviews with respect to goodwill and intangible assets are performed at least annually, and more frequently if events indicate that impairments may have occurred. Goodwill is tested for impairment by comparing the carrying value (including goodwill) of the reporting unit to the best estimate of the recoverable amount of that reporting unit. The carrying value is determined as the IFRS-EU net asset value including goodwill. The recoverable amount is estimated as the higher of fair value less cost to sell and value in use. Several methodologies are applied to arrive at the best estimate of the recoverable amount. A reporting unit is the lowest level at which goodwill is monitored. Intangible assets are tested for impairment by comparing the carrying value with the best estimate of the recoverable amount.

Notes to the Consolidated annual accounts of NN Group continued

The identification of impairment is an inherently uncertain process involving various assumptions and factors, including financial condition of the counterparty, expected future cash flows, statistical loss data, discount rates, observable market prices, etc. Estimates and assumptions are based on management's judgement and other information available prior to the issuance of the financial statements. Significantly different results can occur as circumstances change and additional information becomes known.

EMPLOYEE BENEFITS
Group companies operate defined benefit retirement plans covering a significant number of NN Group's employees.

The net defined benefit asset/liability recognised in the balance sheet in respect of the defined benefit pension plans is the fair value of the plan assets less the present value of the defined benefit obligation at the balance sheet date.

The determination of the defined benefit obligation is based on internal and external actuarial models and calculations. The defined benefit obligation is calculated using the projected unit credit method. Inherent in these actuarial models are assumptions including discount rates (in particular based on market yields on high quality corporate bonds), rates of increase in future salary and benefit levels, mortality rates, trend rates in health care costs and consumer price index and are updated on a quarterly basis.

The actuarial assumptions may differ significantly from the actual parameters due to changes in market conditions, economic and mortality trends, and other assumptions. Any changes in these assumptions could have a significant impact on the net defined benefit asset/liability and future pension costs. Reference is made to Note 38 "Pension and other post-employment benefits" for the weighted averages of basic actuarial assumptions in connection with pension and other post-employment benefits.

PRINCIPLES OF VALUATION AND DETERMINATION OF RESULTS

CONSOLIDATION
NN Group comprises NN Group N.V. and all its subsidiaries. The consolidated financial statements of NN Group comprise the accounts of NN Group N.V. and all entities in which it either owns, directly or indirectly, more than half of the voting power or over which it has control of their operating and financial policies through situations including, but not limited to:

- Ability to appoint or remove the majority of the board of directors;
- Power to govern such policies under statute or agreement; and
- Power over more than half of the voting rights through an agreement with other investors.

A list of principal subsidiaries is included in Note 50 "Principal subsidiaries".

The existence and effect of potential voting rights that are currently exercisable or convertible are considered in assessing whether NN Group controls another entity. For interests in investment vehicles, the existence of control is determined taking into account both NN Group's financial interests for own risk and its role as investment manager. Financial interests for risk of policyholders are not taken into account when the policyholders decide on the investment allocations of their insurance policies and assume all risks and benefits on these investments.

The results of the operations and the net assets of subsidiaries are included in the profit and loss account and the balance sheet from the date control is obtained until the date control is lost. On disposal, the difference between the sales proceeds, net of directly attributable transaction costs, and the net assets is included in Net result.

A subsidiary which NN Group has agreed to sell but is still legally owned by NN Group may still be controlled by NN Group at the balance sheet date and, therefore, still be included in the consolidation. Such a subsidiary may be presented as held for sale if certain conditions are met.

All intercompany transactions, balances and unrealised surpluses and deficits on transactions between group companies are eliminated. Where necessary, the accounting policies used by subsidiaries are changed to ensure consistency with NN Group policies. In general, the reporting dates of subsidiaries are the same as the reporting date of NN Group N.V.

NN Group N.V. and its Dutch group companies are subject to legal restrictions regarding the amount of dividends they can pay to their shareholders. The Dutch Civil Code contains the restriction that dividends can only be paid up to an amount equal to the excess of the company's own funds over the sum of the paid–up capital, and reserves required by law. Additionally, certain group companies are subject to restrictions on the amount of funds they may transfer in the form of dividends, or otherwise, to the parent company.

Furthermore, in addition to the restrictions in respect of minimum capital requirements that are imposed by industry regulators in the countries in which the subsidiaries operate, other limitations exist in certain countries.

NN Group’s interests in jointly controlled entities are accounted for using proportionate consolidation. NN Group proportionately consolidates its share of the joint ventures’ individual income and expenses, assets and liabilities, and cash flows on a line-by-line basis with similar items in NN Group’s financial statements. NN Group recognises the portion of gains or losses on the sale of assets to the joint venture that is attributable to the other venturers. NN Group does not recognise its share of profits or losses from the joint venture that results from the purchase of assets by NN Group from the joint venture until it resells the assets to a third party. However, if a loss on the transaction provides evidence of a reduction in the net realisable value of current assets or an impairment loss, the loss is recognised immediately.

Disposal groups classified as held for sale or discontinued operations

Disposal groups (and groups of non-current assets) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This is only the case when the sale is highly probable and the disposal group (or group of assets) is available for immediate sale in its present condition; management must be committed to the sale, which is expected to occur within one year from the date of classification as held for sale.

Upon classification as held for sale, the carrying amount of the disposal group (or group of assets) is compared to their fair value less cost to sell. If the fair value less cost to sell is lower than the carrying value, this expected loss is recognised through a reduction of the carrying value of any goodwill related to the disposal group or the carrying value of certain other non-current non-financial assets to the extent that the carrying value of those assets exceeds their fair value. Any excess of the expected loss over the reduction of the carrying amount of these relevant assets is not recognised upon classification as held for sale, but is recognised as part of the result on disposal if and when a divestment transaction occurs.

Classification into or out of held for sale does not result in restating comparative amounts in the balance sheet.

When a group of assets that is classified as held for sale or is sold also represents a major line of business or geographical area the disposal group classifies as discontinued operations. In the Consolidated profit and loss account, the income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of result after tax for both the current year and for comparative years.

USE OF ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements necessitates the use of estimates and assumptions. These estimates and assumptions affect the reported amounts of the assets and liabilities and the amounts of the contingent liabilities at the balance sheet date, as well as reported income and expenses for the year. The actual outcome may differ from these estimates.

The process of setting assumptions is subject to internal control procedures and approvals, and takes into account internal and external studies, industry statistics, environmental factors and trends, and regulatory requirements.

SEGMENT REPORTING

A segment is a distinguishable component of NN Group, engaged in providing products or services, subject to risks and returns that are different from those of other segments. A geographical area is a distinguishable component of NN Group engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments. The geographical analyses are based on the location of the office from which the transactions are originated.

ANALYSIS OF INSURANCE BUSINESS

Where amounts are analysed into “life” or “non-life”, health and disability insurance business which is similar in nature to life insurance business is included in “life”.

FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

Items included in the financial statements of each of NN Group’s entities are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The consolidated financial statements are presented in euros, which is NN Group’s functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transactions. Exchange rate differences resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account, except when deferred in equity as part of qualifying cash flow hedges or qualifying net investment hedges.

Exchange rate differences on non-monetary items, measured at fair value through profit or loss are reported as part of the fair value gain or loss. Non-monetary items are translated at each date the fair value is determined. Exchange rate differences on non-monetary items measured at fair value through OCI are included in the revaluation reserve in equity.

Notes to the Consolidated annual accounts of NN Group continued

Exchange rate differences in the profit and loss account are generally included in Net trading income. Reference is made to Note 26 “Foreign currency results and Net trading income”, which discloses the amounts included in the profit and loss account. Exchange rate differences relating to the disposal of available-for-sale debt and equity securities are considered to be an inherent part of the capital gains and losses recognised in Investment income. As mentioned below in Group companies relating to the disposals of group companies, any exchange rate difference deferred in equity is recognised in the profit and loss account in Result on disposals of group companies. Reference is also made to Note 13 “Equity”, which discloses the amounts included in the profit and loss account.

Group companies
The results and financial positions of all group companies that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities included in each balance sheet are translated at the closing rate at the date of that balance sheet;
- Income and expenses included in each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange rate differences are recognised in a separate component of equity.

On consolidation, exchange rate differences arising from the translation of a monetary item that form part of the net investment in a foreign operation, and of borrowings and other instruments designated as hedges of such investments, are taken to Shareholder’s equity. When a foreign operation is sold the corresponding exchange rate differences are recognised in the profit and loss account as part of the gain or loss on sale.

Goodwill and fair value adjustments arising from the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the exchange rate prevailing at the balance sheet date.

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES
The fair value of financial instruments are based on unadjusted quoted market prices at the balance sheet date where available. The quoted market price used for financial assets held by NN Group is the current bid price; the quoted market price used for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market are determined using valuation techniques. NN Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

Reference is made to Note 40 “Fair value of assets and liabilities” for the basis of determination of the fair value of financial instruments.

RECOGNITION AND DERECOGNITION OF FINANCIAL INSTRUMENTS
Recognition of financial assets
All purchases and sales of financial assets classified as fair value through profit and loss (excluding investments for risk of policyholders) or available-for-sale that require delivery within the time frame established by regulation or market convention (“regular way” purchases and sales) are recognised at trade date, which is the date on which NN Group commits to purchase or sell the asset. Loans and receivables are recognised at settlement date, which is the date on which NN Group receives or delivers the asset.

Derecognition of financial assets
Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where NN Group has transferred substantially all risks and rewards of ownership. If NN Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, it derecognises the financial asset if it no longer has control over the asset.

Financial liabilities
Debt securities in issue are recognised and derecognised at trade date.

Realised gains and losses on investments
Realised gains and losses on investments are determined as the difference between the sale proceeds and (amortised) cost. For equity securities the cost is determined using a weighted average per portfolio. For debt securities, the cost is determined by specific identification.

CLASSIFICATION OF FINANCIAL INSTRUMENTS

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include: equity securities, debt securities, derivatives and other, and comprise the following sub-categories: trading assets, non-trading derivatives, financial assets designated at fair value through profit or loss by management, and investments for risk of policyholders.

A financial asset is classified as at fair value through profit or loss if acquired principally for the purpose of selling in the short term or if designated by management as such. Management will make this designation only if this eliminates a measurement inconsistency or if the related assets and liabilities are managed on a fair value basis.

Investments for risk of policyholders are investments against insurance liabilities for which all changes in the fair value of invested assets are offset by similar changes in insurance liabilities.

Transaction costs on initial recognition are expensed as incurred. Interest income from debt securities and loans and receivables classified as at fair value through profit or loss is recognised in Investment income in the profit and loss account using the effective interest method.

Dividend income from equity instruments classified as at fair value through profit or loss is generally recognised in Investment income in the profit and loss account when dividend has been declared. Investment result from investments for risk of policyholders is recognised in Investment result for risk of policyholders. For derivatives reference is made to the “Derivatives and hedge accounting” section. For all other financial assets classified as at fair value through profit or loss, changes in fair value are recognised in Net trading income.

Available-for-sale investments

Investments (including loans quoted in active markets) classified as available-for-sale are initially recognised at fair value plus transaction costs. Investment securities and actively traded loans intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices, are classified as available-for-sale.

Available-for-sale financial assets include available-for-sale debt securities and available-for-sale equity securities. Available-for-sale financial assets are initially recognised at fair value plus transaction costs. For available-for-sale debt securities, the difference between cost and redemption value is amortised. Interest income is recognised using the effective interest method. Available-for-sale financial assets are subsequently measured at fair value. Interest income from debt securities classified as available-for-sale is recognised in Investment income in the profit and loss account. Dividend income from equity instruments classified as available-for-sale is generally recognised in Investment income in the profit and loss account when the dividend has been declared.

Unrealised gains and losses arising from changes in the fair value are recognised in equity. When the securities are disposed of, the related accumulated fair value adjustments are included in the profit and loss account as Investment income. For impairments of available-for-sale financial assets reference is made to the section “Impairments of other financial assets”. Investments in prepayment sensitive securities such as Interest-Only and Principal-Only strips are generally classified as available-for-sale.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at fair value plus transaction costs. Subsequently, they are carried at amortised cost using the effective interest method less any impairment losses. Loans and receivables include Loans and advances to customers and Other assets and are reflected in these balance sheet line items. Interest income from loans and receivables is recognised in Investment income in the profit and loss account using the effective interest method.

Notes to the Consolidated annual accounts of NN Group continued

Credit risk management classification
Credit risk management disclosures are provided in the “Risk management” section. The relationship between credit risk classifications in that section and the Consolidated balance sheet classifications above is explained below:

- Lending risk arises when NN Group grants a loan to a customer, or issues guarantees on behalf of a customer and mainly relates to the balance sheet classification Loans and advances to customers and off balance sheet items e.g. obligations under financial guarantees and letters of credit;
- Investment risk comprises the credit default and migration risk that is associated with NN Group’s investment portfolio and mainly relates to the balance sheet classification Available-for-sale investments;
- Money market risk arises when NN Group places short term deposits with a counterparty in order to manage excess liquidity and among others relates to the balance sheet classifications Cash and cash equivalents and Loans and advances to customers;
- Pre-settlement risk arises when a counterparty defaults on a transaction before settlement and NN Group has to replace the contract by a trade with another counterparty at the then prevailing (possibly unfavourable) market price. The pre-settlement risk classification mainly relates to the balance sheet classification Financial assets at fair value through profit or loss (trading assets and non-trading derivatives); and
- Settlement risk arises when there is an exchange of value (funds, instruments or commodities) for the same or different value dates and receipt is not verified or expected until NN Group has paid or delivered its side of the trade. Settlement risk mainly relates to the risk arising on disposal of financial instruments that are classified in the balance sheet as Financial assets at fair value through profit or loss (trading assets and non-trading derivatives) and Available-for-sale investments.

Maximum credit risk exposure
The maximum credit risk exposure for items on the balance sheet is generally the carrying value for the relevant financial assets. For the off-balance sheet items the maximum credit exposure is the maximum amount that could be required to be paid. Reference is made to Note 47 “Contingent liabilities and commitments” for these off-balance sheet items. Collateral received is not taken into account when determining the maximum credit risk exposure.

The manner in which NN Group manages credit risk and determines credit risk exposures for that purpose is explained in the “Risk management” section.

DERIVATIVES AND HEDGE ACCOUNTING
Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value. The fair value is obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques such as discounted cash flow models and options pricing models, as appropriate. Derivatives are presented as assets when the fair value is positive and as liabilities when the fair value is negative.

Some credit protection contracts that take the legal form of a derivative, such as certain credit default swaps, are accounted for as financial guarantees.

Certain derivatives embedded in other contracts are measured as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract, the host contract is not carried at fair value through profit or loss, and if a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative. These embedded derivatives are measured at fair value with changes in fair value recognised in the profit and loss account. An assessment is carried out when NN Group first becomes party to the contract. A reassessment is carried out only when there is a change in the terms of the contract that significantly modifies the expected cash flows.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. NN Group designates certain derivatives as hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge), hedges of highly probable future cash flows attributable to a recognised asset or liability or a forecast transaction (cash flow hedge), or hedges of a net investment in a foreign operation. Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

At the inception of the transaction NN Group documents the relationship between hedging instruments and hedged items, its risk management objectives, together with the methods selected to assess hedge effectiveness. In addition NN Group documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair value or cash flows of the hedged items.

Notes to the Consolidated annual accounts of NN Group continued

Fair value hedges
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in the profit and loss account, together with fair value adjustments to the hedged item attributable to the hedged risk. If the hedge relationship no longer meets the criteria for hedge accounting, the cumulative adjustment of the hedged item is, in the case of interest bearing instruments, amortised through the profit and loss account over the remaining term of the original hedge or recognised directly when the hedged item is derecognised. For non-interest bearing instruments, the cumulative adjustment of the hedged item is recognised in the profit and loss account only when the hedged item is derecognised.

Cash flow hedges
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity in the cash flow hedge reserve. The gain or loss relating to the ineffective portion is recognised immediately in the profit and loss account. Amounts accumulated in equity are recycled to the profit and loss account in the periods in which the hedged item affects Net result. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the profit and loss account. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is transferred immediately to the profit and loss account.

Net investment hedges
Hedges of net investments in foreign operations are accounted for in a similar way to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity in the cash flow hedge reserve and the gain or loss relating to the ineffective portion is recognised immediately in the profit and loss account. Gains and losses accumulated in equity are included in the profit and loss account when the foreign operation is disposed.

Non-trading derivatives that do not qualify for hedge accounting
Derivatives that are used by NN Group as part of its risk management strategies, that do not qualify for hedge accounting under NN Group's accounting policies, are presented as non-trading derivatives. Non-trading derivatives are measured at fair value with changes in the fair value taken to "Valuation results on non-trading derivatives" in the Consolidated profit and loss account.

OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES
Financial assets and financial liabilities are offset, and the net amount reported in the balance sheet when NN Group has a current legally enforceable right to set off the recognised amounts and intends to either settle on a net basis or to realise the asset and settle the liability simultaneously.

IMPAIRMENTS OF LOANS AND ADVANCES TO CUSTOMERS (LOAN LOSS PROVISIONS)
NN Group assesses periodically and at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, but before the balance sheet date, (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The following circumstances, among others, are considered objective evidence that a financial asset or group of assets is impaired:
- The borrower has sought or has been placed in bankruptcy or similar protection and this leads to the avoidance of or delays in repayment of the financial asset;
- The borrower has failed in the repayment of principal, interest or fees and the payment failure has remained unsolved for a certain period;
- The borrower has demonstrated significant financial difficulty, to the extent that it will have a negative impact on the expected future cash flows of the financial asset;
- The credit obligation has been restructured for non-commercial reasons. NN Group has granted concessions, for economic or legal reasons relating to the borrower's financial difficulty, the effect of which is a reduction in the expected future cash flows of the financial asset; and
- Historical experience, updated for current events where necessary, provides evidence that a proportion of a group of assets is impaired although the related events that represent impairment triggers are not yet captured by NN Group's credit risk systems.

In certain circumstances NN Group grants borrowers postponement and/or reduction of loan principal and/or interest payments for a temporary period of time to maximise collection opportunities and, if possible, avoid default, foreclosure or repossession. When such postponement and/or reduction of loan principal and/or interest payments is executed based on credit concerns it is also referred to as "forbearance". In general, forbearance represents an impairment trigger under IFRS-EU. In such cases, the net present value of the postponement and/or reduction of loan and/or interest payments is taken into account in the determination of the appropriate level of Loan loss provisioning as described below. If the forbearance results in a substantial modification of the terms of the loan, the original loan is derecognised and a new loan is recognised at its fair value at the modification date.

Notes to the Consolidated annual accounts of NN Group continued

NN Group does not consider events that may be expected to occur in the future as objective evidence, and consequently they are not used as a basis for concluding that a financial asset or group of assets is impaired.

In determining the impairment, expected future cash flows are estimated on the basis of the contractual cash flows of the assets in the portfolio and historical loss experience for assets with credit risk characteristics similar to those in the portfolio. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist. Losses expected as a result of future events, no matter how likely, are not recognised.

NN Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and then individually or collectively for financial assets that are not individually significant. If NN Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on an asset carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account ("Loan loss provision") and the amount of the loss is recognised in the profit and loss account under "Investment income". If the asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. The collective evaluation of impairment includes the application of a "loss confirmation period" to default probabilities. The loss confirmation period is a concept which recognises that there is a period of time between the emergence of impairment triggers and the point in time at which those events are captured by NN Group's credit risk systems. Accordingly, the application of the loss confirmation period ensures that impairments that are incurred but not yet identified are adequately reflected in NN Group's loan loss provision. Although the loss confirmation periods are inherently uncertain, NN Group applies estimates to sub-portfolios (e.g. large corporations, small and medium size enterprises and retail portfolios) that reflect factors such as the frequency with which customers in the sub-portfolio disclose credit risk sensitive information and the frequency with which they are subject to review by the NN Group's account managers. Generally, the frequency increases in relation to the size of the borrower. Loss confirmation periods are based on historical experience and are validated, and revised where necessary, through regular back-testing to ensure that they reflect recent experience and current events.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the provision. The amount of the reversal is recognised in the profit and loss account.

When a loan is uncollectable, it is written off against the related loan loss provision. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are recognised in the profit and loss account.

IMPAIRMENT OF OTHER FINANCIAL ASSETS
At each balance sheet date NN Group assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the specific case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. "Significant" and "prolonged" are interpreted on a case-by-case basis for specific equity securities; generally 25% and 6 months are used as triggers. If any objective evidence exists for available-for-sale debt and equity investments, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in Net result – is removed from equity and recognised in the profit and loss account. Impairment losses recognised on equity instruments can never be reversed. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the profit and loss account, the impairment loss is reversed through the profit and loss account.

INVESTMENTS IN ASSOCIATES
Associates are all entities over which NN Group has significant influence but not control. Significant influence generally results from a shareholding of between 20% and 50% of the voting rights, but also is the ability to participate in the financial and operating policies through situations including, but not limited to one or more of the following:

- Representation on the board of directors;
- Participation in the policy making process; and
- Interchange of managerial personnel.

Investments in associates are initially recognised at cost and subsequently accounted for using the equity method of accounting.

NN Group's investment in associates (net of any accumulated impairment loss) includes goodwill identified on acquisition. NN Group's share of its associates' post-acquisition profits or losses is recognised in the profit and loss account, and its share of post-acquisition changes in reserves is recognised in equity. The cumulative post-acquisition changes are adjusted against the carrying amount of the investment. When NN Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, NN Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between NN Group and its associates are eliminated to the extent of NN Group's interest in the associates. Unrealised losses are also eliminated unless they provide evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by NN Group. The reporting dates of all significant associates are consistent with the reporting date of NN Group.

For interests in investment vehicles the existence of significant influence is determined taking into account both NN Group's financial interests for own risk and its role as investment manager.

REAL ESTATE INVESTMENTS
Real estate investments are recognised at fair value at the balance sheet date. Changes in the carrying amount resulting from revaluations are recognised in the profit and loss account. On disposal the difference between the sale proceeds and carrying value is recognised in the profit and loss account.

The fair value of real estate investments is based on regular appraisals by independent qualified valuers. For each reporting period every property is valued either by an independent valuer or internally. Indexation is used when a property is valued internally. The index is based on the results of the independent valuations carried out in that period. Market transactions and disposals made by NN Group are monitored as part of the validation procedures to test the indexation methodology. Valuations performed earlier in the year are updated if necessary to reflect the situation at the year-end. All properties are valued independently at least every five years and more frequently if necessary.

The fair value represents the estimated amount for which the property could be exchanged on the date of valuation between a willing buyer and willing seller in an at-arm's-length transaction after proper marketing wherein the parties each acted knowledgeably, prudently and without compulsion. The fair value is based on appraisals using valuation methods such as: comparable market transactions, capitalisation of income methods or discounted cash flow calculations. The underlying assumption used in the valuation is that the properties are let or sold to third parties based on the actual letting status. The discounted cash flow analyses and capitalisation of income method are based on calculations of the future rental income in accordance with the terms in existing leases and estimations of the rental values for new leases when leases expire and incentives like rent free periods. The cash flows are discounted using market based interest rates that reflect appropriately the risk characteristics of real estate.

NN Group owns a real estate portfolio, diversified by region, by investment segment (Office, Retail and Residential) and by investment type. The valuation of different investments is performed using different discount rates ("yields"), dependent on specific characteristics of each property, including occupancy, quality of rent payments and specific local market circumstances. For NN Group's main direct properties in its main locations, the yields applied in the 2013 year-end valuation generally are in the range of 5% to 8%.

The valuation of real estate investments takes (expected) vacancies into account. Occupancy rates differ significantly from investment to investment.

Subsequent expenditures are recognised as part of the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to NN Group and the cost of an item can be measured reliably. All other repairs and maintenance costs are recognised in the profit and loss account.

For real estate investments held through (minority shares in) real estate investment funds, the valuations are performed under the responsibility of the funds' asset manager.

Notes to the Consolidated annual accounts of NN Group continued

PROPERTY AND EQUIPMENT
Property in own use
Land and buildings held for own use are stated at fair value at the balance sheet date. Increases in the carrying amount arising on revaluation of land and buildings held for own use are credited to the revaluation reserve in Shareholder's equity. Decreases in the carrying amount that offset previous increases of the same asset are charged against the revaluation reserve directly in equity; all other decreases are charged to the profit and loss account. Increases that reverse a revaluation decrease on the same asset previously recognised in net result are recognised in the profit and loss account. Depreciation is recognised based on the fair value and the estimated useful life (in general 20-50 years). Depreciation is calculated on a straight-line basis. On disposal the related revaluation reserve is transferred to retained earnings.

The fair value of land and buildings are based on regular appraisals by independent qualified valuers or internally, similar to appraisals of real estate investments. Subsequent expenditure is included in the asset's carrying amount when it is probable that future economic benefits associated with the item will flow to NN Group and the cost of the item can be measured reliably.

Property obtained from foreclosures
Property obtained from foreclosures is stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Property obtained from foreclosures is included in Other assets – Property development and obtained from foreclosures.

Property under development
Property developed and under development for which NN Group has the intention to sell the property after its completion is included in Other assets – Property development and obtained from foreclosures.

Property developed and under development for which NN Group has the intention to sell the property under development after its completion and where there is not yet a specifically negotiated contract is measured at direct construction cost incurred up to the balance sheet date, including borrowing costs incurred during construction and NN Group's own directly attributable development and supervision expenses less any impairment losses. Profit is recognised using the completed contract method (on sale date of the property). Impairment is recognised if the estimated selling price in the ordinary course of business, less applicable variable selling expenses is lower than carrying value.

Property under development for which NN Group has the intention to sell the property under development after its completion and where there is a specifically negotiated contract, is valued using the percentage of completion method (pro rata profit recognition). The stage of completion is measured by reference to costs incurred to date as a percentage of total estimated costs for each contract.

Property under development is stated at fair value (with changes in fair value recognised in the profit and loss account) if NN Group has the intention to recognise the property under development after completion as real estate investments.

Equipment
Equipment is stated at cost less accumulated depreciation and any impairment losses. The cost of the assets is depreciated on a straight-line basis over their estimated useful lives, which are generally as follows: for data processing equipment two to five years, and four to ten years for fixtures and fittings. Expenditure incurred on maintenance and repairs is recognised in the profit and loss account as incurred. Expenditure incurred on major improvements is capitalised and depreciated.

Disposals
The difference between the proceeds on disposal and net carrying value is recognised in the profit and loss account under Other income.

Borrowing costs
Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Borrowing costs are determined at the weighted average cost of capital of the project.

LEASES
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date.

NN Group as the lessee
The leases entered into by NN Group are primarily operating leases. The total payments made under operating leases are recognised in the profit and loss account on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any penalty payment to be made to the lessor is recognised as an expense in the period in which termination takes place.

ACQUISITIONS, GOODWILL AND OTHER INTANGIBLE ASSETS

Acquisitions and goodwill

NN Group's acquisitions are accounted for using the acquisition method of accounting. The consideration for each acquisition is measured at the aggregate of the fair value (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued in exchange for control of the acquiree. Goodwill, being the difference between the cost of the acquisition (including assumed debt) and NN Group's interest in the fair value of the acquired assets, liabilities and contingent liabilities as at the date of acquisition, is capitalised as an intangible asset. The results of the operations of the acquired companies are included in the profit and loss account from the date control is obtained.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRS's, taking into account the initial accounting period below. Changes in the fair value of the contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, NN Group's previously held interests in the assets and liabilities of the acquired entity are remeasured to fair value at the acquisition date (i.e. the date NN Group obtains control) and the resulting gain or loss, if any, is recognised in the profit and loss account. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to the profit and loss account, where such treatment would be appropriate if that interest were disposed of. Acquisition-related costs are recognised in the profit and loss account as incurred and presented in the profit and loss account as Other operating expenses.

Until 2009, before IFRS 3 "Business Combinations" was revised, the accounting of previously held interests in the assets and liabilities of the acquired entity were not remeasured at the acquisition date and the acquisition-related costs were considered to be part of the total consideration.

The initial accounting for the fair value of the net assets of the companies acquired during the year may be determined only provisionally as the determination of the fair value can be complex and the time between the acquisition and the preparation of the Annual Accounts can be limited. The initial accounting shall be completed within a year after acquisition.

Goodwill is only capitalised on acquisitions after the implementation date of IFRS-EU (1 January 2004). Accounting for acquisitions before that date has not been restated; goodwill and internally generated intangibles on these acquisitions were recognised directly in Shareholder's equity. Goodwill is allocated to reporting units for the purpose of impairment testing. These reporting units represent the lowest level at which goodwill is monitored for internal management purposes. This test is performed annually or more frequently if there are indicators of impairment. Under the impairment tests, the carrying value of the reporting units (including goodwill) is compared to its recoverable amount which is the higher of its fair value less costs to sell and its value in use.

Adjustments to the fair value at the date of acquisition of acquired assets and liabilities that are identified within one year after acquisition are recognised as an adjustment to goodwill; any subsequent adjustment is recognised as income or expense. On disposal of group companies, the difference between the sale proceeds and carrying value (including goodwill) and the unrealised results (including the currency translation reserve in equity) is included in the profit and loss account.

Computer software

Computer software that has been purchased or generated internally for own use is stated at cost less amortisation and any impairment losses. Amortisation is calculated on a straight-line basis over its useful life. This period will generally not exceed three years. Amortisation is included in Other operating expenses.

Value of business acquired (VOBA)

VOBA is an asset that represents the present value of estimated net cash flows embedded in the insurance contracts of an acquired company, which existed at the time the company was acquired. It represents the difference between the fair value of insurance liabilities and their carrying value. VOBA is amortised in a similar manner to the amortisation of deferred acquisition costs as described in the section "Deferred acquisition costs".

Other intangible assets

Other intangible assets are capitalised and amortised over their expected economic life, which is generally between three and ten years. Intangible assets with an indefinite life are not amortised.

DEFERRED ACQUISITION COSTS

Deferred acquisition costs (DAC) are an asset and represent costs of acquiring insurance and investment contracts that are deferred and amortised. The deferred costs, all of which vary with (and are primarily related to) the production of new and renewal business, consist principally of commissions, certain underwriting and contract issuance expenses, and certain agency expenses.

Notes to the Consolidated annual accounts of NN Group continued

For traditional life insurance contracts, certain types of flexible life insurance contracts and non-life contracts, DAC is amortised over the premium payment period in proportion to the premium revenue recognised.

For other types of flexible life insurance contracts DAC is amortised over the lives of the policies in relation to the emergence of estimated gross profits. Amortisation is adjusted when estimates of current or future gross profits, to be realised from a group of products, are revised. The estimates and the assumptions are reassessed at the end of each reporting period. Higher/lower expected profits (e.g. reflecting stock market performance or a change in the level of assets under management) may cause a lower/higher balance of DAC due to the catch-up of amortisation in previous and future years. This process is known as DAC unlocking. The impact of the DAC unlocking is recognised in the profit and loss account of the period in which the unlocking occurs.

DAC is evaluated for recoverability at issue. Subsequently it is tested on a regular basis together with the provision for life insurance liabilities and VOBA. The test for recoverability is described in the section “Insurance, Investment and Reinsurance Contracts”.

For certain products DAC is adjusted for the impact of unrealised results on allocated investments through equity.

TAXATION
Income tax on the result for the year comprises current and deferred tax. Income tax is recognised in the profit and loss account but is recognised directly in equity if the tax relates to items that are recognised directly in equity.

Deferred income tax
Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) applicable in the jurisdictions in which NN Group is liable to taxation, that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax assets and liabilities are not discounted.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising from investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by NN Group and it is probable that the difference will not reverse in the foreseeable future. The tax effects of income tax losses available for carry forward are recognised as an asset where it is probable that future taxable profits will be available against which these losses can be utilised.

Deferred tax related to fair value remeasurement of available-for-sale investments and cash flow hedges, which are recognised directly in equity, is also recognised directly in equity and is subsequently recognised in the profit and loss account together with the deferred gain or loss.

FINANCIAL LIABILITIES
Financial liabilities at amortised cost
Financial liabilities at amortised cost include the following sub-categories: Other borrowed funds, debt securities in issue and subordinated loans. Borrowings are recognised initially at their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds net of transaction costs, and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

If NN Group purchases its own debt, it is removed from the balance sheet, and the difference between the carrying amount of the liability and the consideration paid is included in the profit and loss account.

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss comprise non-trading derivatives.

INSURANCE, INVESTMENT AND REINSURANCE CONTRACTS
Provisions for liabilities under insurance contracts are established in accordance with IFRS 4 “Insurance Contracts”. Under IFRS 4, an insurer may continue its existing pre-IFRS accounting policies for insurance contracts, provided that certain minimum requirements are met. Upon adoption of IFRS-EU in 2005, NN Group decided to continue the then existing accounting principles for insurance contracts under IFRS-EU. NN Group operates in many different countries and the accounting principles for insurance contracts follow local practice in these countries. For NN Group’s businesses in the Netherlands, NN Group for example applies accounting standards generally accepted in the Netherlands (Dutch GAAP) for its provisions for liabilities under insurance contracts.

Changes in those local accounting standards (including Dutch GAAP) subsequent to the adoption of IFRS-EU are considered for adoption on a case-by-case basis. If adopted, the impact thereof is accounted for as a change in accounting policy under IFRS-EU.

Notes to the Consolidated annual accounts of NN Group continued

In addition, for certain specific products or components thereof, NN Group applies the option in IFRS 4 to measure (components of) the provisions for liabilities under insurance contracts using market consistent interest rates and other current estimates and assumptions. This relates mainly to certain guarantees embedded in insurance contracts in Japan.

Insurance contracts
Insurance policies which bear significant insurance risk and/or contain discretionary participation features are presented as insurance contracts. Provisions for liabilities under insurance contracts represent estimates of future payouts that will be required for life and non-life insurance claims, including expenses relating to such claims. For some insurance contracts the measurement reflects current market assumptions. Unless indicated otherwise below changes in the insurance provisions are recognised in the profit and loss account.

Provision for life insurance
The Provision for life insurance is generally calculated on the basis of a prudent prospective actuarial method, taking into account the conditions for current insurance contracts. Specific methodologies may differ between business units as they may reflect local regulatory requirements and local practices for specific product features in the local markets.

Insurance provisions on traditional life policies are calculated using various assumptions, including assumptions on mortality, morbidity, expenses, investment returns and surrenders. Assumptions for insurance provisions on traditional life insurance contracts, including traditional whole life and term life insurance contracts, are based on best estimate assumptions including margins for adverse deviations. Generally the assumptions are set initially at the policy issue date and remain constant throughout the life of the policy.

Insurance provisions for universal life, variable life and annuity contracts, unit-linked contracts, etc. are generally set equal to the balance that accrues to the benefit of the policyholders. Certain variable annuity products contain minimum guarantees on the amounts payable upon death and/or maturity. The insurance provisions include the impact of these minimum guarantees, taking into account the difference between the potential minimum benefit payable and the total account balance, expected mortality and surrender rates.

The as yet unamortised interest rate rebates on periodic and single premium contracts are deducted from the Provision for life insurance. Interest rate rebates granted during the year are capitalised and amortised in conformity with the anticipated recovery pattern and are recognised in the profit and loss account.

Provision for unearned premiums and unexpired insurance risks
The provision is calculated in proportion to the unexpired periods of risk. For insurance policies covering a risk increasing during the term of the policy at premium rates independent of age, this risk is taken into account when determining the provision. Further provisions are made to cover claims under unexpired insurance contracts, which may exceed the unearned premiums and the premiums due in respect of these contracts.

Claims provision
The Claims provision is calculated either on a case-by-case basis or by approximation on the basis of experience. Provisions have also been made for claims incurred but not reported (IBNR) and for future claims handling expenses. The adequacy of the Claims provision is evaluated each year using standard actuarial techniques. In addition, “IBNR” reserves are set to recognise the estimated cost of losses that have occurred but which have not yet been notified to NN Group.

Deferred profit sharing
For insurance contracts with discretionary participation features a deferred profit sharing amount is recognised for the full amount of the unrealised revaluation on allocated investments. Upon realisation, the profit sharing on unrealised revaluations is reversed and a deferred profit sharing amount is recognised for the share of realised results on allocated investments that is expected to be shared with policyholders. The deferred profit sharing amount is reduced by the actual allocation of profit sharing to individual policyholders.

The change in the deferred profit sharing amount on unrealised revaluation (net of deferred tax) is recognised in equity in the revaluation reserve.

Provisions for life insurance for risk of policyholders
For investment contracts for risk of policyholders the provisions are generally shown at the balance sheet value of the related investments.

Reinsurance contracts
Reinsurance premiums, commissions and claim settlements, as well as the reinsurance element of insurance contracts are accounted for in the same way as the original contracts for which the reinsurance was concluded. If the reinsurers are unable to meet their obligations, NN Group remains liable to its policyholders for the portion reinsured. Consequently, provisions are made for receivables on reinsurance contracts which are deemed uncollectable.

Notes to the Consolidated annual accounts of NN Group continued

Adequacy test
The adequacy of the provision for life insurance, net of unamortised interest rate rebates, DAC and VOBA (the net insurance liabilities), is evaluated regularly by each business unit for the business originated in that business unit. The test considers current estimates of all contractual and related cash flows, and future developments. It includes investment income on the same basis as it is included in the profit and loss account.

If, for any business unit, it is determined using a best estimate (50%) confidence level, that a shortfall exists, and there are no offsetting amounts within other business units in the same segment (Business Line), the shortfall is recognised immediately in the profit and loss account.

If, for any business unit, the net insurance liabilities are not adequate using a prudent (90%) confidence level, but there are offsetting amounts within other business units, then the business unit is allowed to take measures to strengthen the net insurance liabilities over a period no longer than the expected life of the policies. To the extent that there are no offsetting amounts within other business units, any shortfall at the 90% confidence level is recognised immediately in the profit and loss account.

If the net insurance liabilities are determined to be adequate at above the 90% confidence level, no reduction in the net insurance liabilities is recognised.

The adequacy test continues to be applied to businesses that are presented as discontinued operations but have not been divested yet; the relevant businesses continue to be evaluated as part of the adequacy test of the business line in which these were included before classification as discontinued operations.

Investment contracts
Insurance policies without discretionary participation features which do not bear significant insurance risk are presented as Investment contracts. Provisions for liabilities under investment contracts are determined either at amortised cost, using the effective interest method (including certain initial acquisition expenses), or at fair value.

OTHER LIABILITIES
Employee benefits – pension obligations
Defined benefit plans
The net defined benefit asset or liability recognised in the balance sheet in respect of defined benefit pension plans is the fair value of the plan assets less the present value of the defined benefit obligation at the balance sheet date.

Plan assets are measured at fair value at the balance sheet date. For determining the pension expense, the expected return on plan assets is determined using a high quality corporate bond rate identical to the discount rate used in determining the defined benefit obligation.

Changes in plan assets that effect Shareholder’s equity and/or Net result, include mainly:
- expected return on plan assets using a high quality corporate bond rate at the start of the reporting period which are recognised as staff costs in the profit and loss account; and
- remeasurements which are recognised in Other comprehensive income (equity).

The defined benefit obligation is calculated by internal and external actuaries through actuarial models and calculations using the projected unit credit method. This method considers expected future payments required to settle the obligation resulting from employee service in the current and prior periods, discounted using a high quality corporate bond rate. Inherent in these actuarial models are assumptions including discount rates, rates of increase in future salary and benefit levels, mortality rates, trend rates in health care costs, consumer price index and the expected level of indexation. The assumptions are based on available market data as well as management expectations and are updated regularly. The actuarial assumptions may differ significantly from the actual results due to changes in market conditions, economic and mortality trends, and other assumptions. Any changes in these assumptions could have a significant impact on the defined benefit plan obligation and future pension costs.

Changes in the defined benefit obligation that effects Shareholder’s equity and/or Net result, include mainly:
- service cost which are recognised as staff costs in the profit and loss account;
- interest expenses using a high quality corporate bond rate at the start of the period which are recognised as staff costs in the profit and loss account; and
- remeasurements which are recognised in Other comprehensive income (equity).

Remeasurements recognised in Other comprehensive income are not recycled to the profit and loss account. Any past service cost relating to a plan amendment is recognised in profit or loss in the period of the plan amendment. Gains and losses on curtailments and settlements are recognised in the profit and loss account when the curtailment or settlement occurs.

The recognition of a net defined benefit asset in the consolidated balance sheet is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

Defined contribution plans
For defined contribution plans, NN Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. NN Group has no further payment obligations once the contributions have been paid. The contributions are recognised as staff expenses in the profit and loss account when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Other post-employment obligations
Some NN Group companies provide post-employment healthcare and other benefits to certain employees and former employees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans.

Other provisions
A provision involves a present obligation arising from past events, the settlement of which is expected to result in an outflow from the company of resources embodying economic benefits, however the timing or the amount is uncertain. Provisions are discounted when the effect of the time value of money is significant, using a before tax discount rate. The determination of provisions is an inherently uncertain process involving estimates regarding amounts and timing of cash flows.

Reorganisation provisions include employee termination benefits when NN Group is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

INCOME RECOGNITION
Gross premium income
Premiums from life insurance policies are recognised as income when due from the policyholder. For non-life insurance policies, gross premium income is recognised on a pro-rata basis over the term of the related policy coverage. Receipts under investment contracts are not recognised as gross premium income.

Interest
Interest income and expense are recognised in the profit and loss account using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, NN Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

All interest income and expenses from trading positions and non-trading derivatives are classified as interest income and interest expenses in the profit and loss account. Changes in the “clean fair value” are included in Net trading income and Valuation results on non-trading derivatives.

Fees and commissions
Fees and commissions are generally recognised as the service is provided. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts as the service is provided. Asset management fees related to investment funds and investment contract fees are recognised on a pro-rata basis over the period the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time.

EXPENSE RECOGNITION
Expenses are recognised in the profit and loss account as incurred or when a decrease in future economic benefits related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Notes to the Consolidated annual accounts of NN Group continued

Share-based payments
Share-based payment expenses are recognised as a staff expense over the vesting period. A corresponding increase in equity is recognised for equity-settled share-based payment transactions. The fair value of equity-settled share-based payment transactions is measured at the grant date. Rights granted will remain valid until the expiry date, even if the share-based payment scheme is discontinued. The rights are subject to certain conditions, including a pre-determined continuous period of service.

GOVERNMENT GRANTS
Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, the grant is recognised over the period necessary to match the grant on a systematic basis to the expense that it is intended to compensate. In such case, the grant is deducted from the related expense in the profit and loss account.

FIDUCIARY ACTIVITIES
NN Group commonly acts as trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of NN Group.

STATEMENT OF CASH FLOWS
The statement of cash flows is prepared in accordance with the indirect method, classifying cash flows as cash flows from operating, investing and financing activities. In the net cash flow from operating activities, the result before tax is adjusted for those items in the profit and loss account, and changes in balance sheet items, which do not result in actual cash flows during the year.

For the purposes of the statement of cash flows, Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition. Investments qualify as a cash equivalent if they are readily convertible to a known amount of cash and are not subject to significant risk of changes in value.

Cash flows arising from foreign currency transactions are translated into the functional currency using the exchange rates at the date of the cash flows.

The difference between the net cash flow in accordance with the statement of cash flows and the change in Cash and cash equivalents in the balance sheet is due to exchange rate differences and is accounted separately for as part of the reconciliation of the net cash flow and the balance sheet change in Cash and cash equivalents.

Notes to the Consolidated annual accounts of NN Group continued

BALANCE SHEET
ASSETS
2 CASH AND CASH EQUIVALENTS

Cash and cash equivalents	2013	2012	2011
Cash and bank balances	**1,997**	2,980	3,230
Short term deposits	**5,158**	2,409	8,347
	7,155	5,389	11,577

Cash and cash equivalents classified as Assets held for sale amounted EUR 80 million (2012: EUR 1,328 million; 2011: nil) resulting in EUR 7,235 million (2012: EUR 6,717 million; 2011: EUR 11,577 million) reported as Cash and cash equivalents at the end of the year in the Consolidated statement of Cash flows.

The majority of the short-term deposits reported, are held with ING Bank. Reference is made to Note 52 “Related parties” for an overview of all transactions with ING Bank.

As at 31 December 2013, NN Group held EUR 354 million (2012: nil; 2011: nil) at central banks.

3 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss	2013	2012	2011
Trading assets	**736**	586	534
Investments for risk of policyholders	**39,589**	98,765	116,438
Non-trading derivatives	**3,126**	5,107	7,285
Designated as at fair value through profit or loss	**482**	2,000	2,616
	43,933	106,458	126,873

In 2013, the change in Financial assets at fair value through profit and loss includes EUR –78,101 million as a result of the transfer of ING U.S. and EUR 16,357 million as a result of the classification to continuing operations of NN Group’s business in Japan. Reference is made to Note 53 “Other events”.

In 2012, the change in “Investments for risk of policyholders” was mainly the result of the income for the year as well as the classification as held for sale of the insurance and investment management business in Asia. Reference is made to Note 11 “Assets and liabilities held for sale” and Note 28 “Underwriting expenditure”.

Trading assets by type	2013	2012	2011
Equity securities	**724**	576	490
Debt securities	**12**	10	44
	736	586	534

Trading assets includes EUR 723 million (2012: EUR 546 million; 2011: EUR 475 million), private equity investments at fair value through profit or loss.

Investments for risk of policyholders by type	2013	2012	2011
Equity securities	**36,919**	89,994	105,580
Debt securities	**1,821**	6,940	9,612
Loans or receivables	**849**	1,831	1,246
	39,589	98,765	116,438

Investments in investment funds (with underlying investments in debt and equity securities, real estate and derivatives) are included under equity securities.

Notes to the Consolidated annual accounts of NN Group continued

Non-trading derivatives by type			
	2013	2012	2011
Derivatives used in:			
– fair value hedges	**1**		
– cash flow hedges	**1,433**	2,450	2,572
– hedges of net investments in foreign operations		2	5
Other non-trading derivatives	**1,692**	2,655	4,708
	3,126	5,107	7,285

Other non-trading derivatives mainly includes interest rate swaps for which no hedge accounting is applied.

Designated as at fair value through profit or loss by type			
	2013	2012	2011
Equity securities	**427**		15
Debt securities	**43**	1,096	1,159
Other	**12**	904	1,442
	482	2,000	2,616

Other includes investments in private equity funds, hedge funds, other non-traditional investment vehicles and limited partnerships.

4 AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments by type			
	2013	2012	2011
Equity securities	**5,620**	5,073	6,839
Debt securities	**55,394**	114,232	126,765
	61,014	119,305	133,604

Equity securities in 2013 include EUR 1,832 million shares in NN Group managed investment finds and EUR 1,565 million shares in third party managed investment funds.

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

Debt securities			
	2013	2012	2011
Available-for-sale investments	**55,394**	114,232	126,765
Loans and advances to customers	**6,479**	6,323	6,681
Available-for-sale investments and Assets at amortised cost	**61,873**	120,555	133,446
Trading assets	**12**	10	44
Investments for risk of policyholders	**1,821**	6,940	9,612
Designated as at fair value through profit or loss	**43**	1,096	1,159
Financial assets at fair value through profit or loss	**1,876**	8,046	10,815
	63,749	128,601	144,261

Notes to the Consolidated annual accounts of NN Group continued

NN Group's total exposure to debt securities included in Available-for-sale investments and assets at amortised cost of EUR 61,873 million (2012: EUR 120,555 million; 2011: EUR 133,446 million) is specified as follows by type of exposure:

Debt securities by type and balance sheet line – Available-for-sale investments and Assets at amortised cost

	Available-for-sale investments			Loans and advances to customers			Total		
	2013	2012	2011	**2013**	2012	2011	**2013**	2012	2011
Government bonds	**43,307**	49,420	54,732				**43,307**	49,420	54,732
Covered bonds	**721**	996	1,118				**721**	996	1,118
Corporate bonds	**6,436**	43,072	45,260				**6,436**	43,072	45,260
Financial institution bonds	**4,303**	9,037	11,700				**4,303**	9,037	11,700
Bond portfolio (excluding ABS)	**54,767**	102,525	112,810	**0**	0	0	**54,767**	102,525	112,810
US agency RMBS	**143**	4,216	5,228				**143**	4,216	5,228
US prime RMBS	**1**	1,025	1,380				**1**	1,025	1,380
US Alt-A RMBS	**5**	284	295				**5**	284	295
US subprime RMBS		733	752				**0**	733	752
NON-US RMBS	**210**	215	513	**3,410**	3,745	4,515	**3,620**	3,960	5,028
CDO/CLO	**39**	130	183	**197**	290	505	**236**	420	688
Other ABS	**218**	1,440	1,459	**2,531**	1,997	1,346	**2,749**	3,437	2,805
CMBS	**11**	3,664	4,145	**341**	291	315	**352**	3,955	4,460
ABS portfolio	**627**	11,707	13,955	**6,479**	6,323	6,681	**7,106**	18,030	20,636
	55,394	114,232	126,765	**6,479**	6,323	6,681	**61,873**	120,555	133,446

Exposure to certain Asset backed securities
The table below shows certain ABS (US Subprime RMBS, Alt-A RMBS, CMBS and CDO/CLOs). It includes exposures in all relevant balance sheet lines, including not only loans and advances and available-for-sale investments as disclosed above, but also financial assets designated as at fair value through profit or loss.

Exposures, revaluations and losses on certain ABS bonds

	31 December 2013		**Change in 2013**			31 December 2012	
	Balance sheet value (1)	**Before tax revalu-ation reserve**	**Changes through equity (before tax)**	**Changes through profit and loss (before tax)**	**Other changes**	Balance sheet value [(1)]	Before tax revalu-ation reserve
US Subprime RMBS			**32**		**–765**	733	–32
US Alt-A RMBS	**5**		**–49**		**–230**	284	49
CDO/CLOs	**236**	**–2**	**5**		**–189**	420	–7
CMBS	**352**	**–3**	**–41**		**–3,649**	4,042	38
Total ABS	**593**	**–5**	**–53**	**0**	**–4,833**	5,479	48

(1) For assets classified as loans and receivables: amortised cost; otherwise: fair value.

In 2013, "Other changes" mainly relate to the transfer of ING U.S. Reference is made to Note 53 "Other events".

Exposures, revaluations and losses on certain ABS bonds

	31 December 2012		Change in 2012			31 December 2011	
	Balance sheet value [(1)]	Before tax revalu-ation reserve	Changes through equity (before tax)	Changes through profit and loss (before tax)	Other changes	Balance sheet value [(1)]	Before tax revalu-ation reserve
US Subprime RMBS	733	–32	158		–177	752	–190
US Alt-A RMBS	284	49	31	–2	–40	295	18
CDO/CLOs	420	–7	16		–284	688	–23
CMBS	4,042	38	445	2	–956	4,551	–407
Total ABS	5,479	48	650	0	–1,457	6,286	–602

(1) For assets classified as loans and receivables: amortised cost; otherwise: fair value.

Notes to the Consolidated annual accounts of NN Group continued

In 2012, “Other changes” mainly relate to the de-risking program of NN Group and includes sales and redemptions of certain ABS bonds.

Approximately 90% of the exposure in the ABS portfolio is externally rated AAA, AA or A.

Reference is made to Note 40 “Fair value of assets and liabilities” for disclosure by fair value hierarchy and Note 22 “Investment income” for impairments on available-for-sale debt securities.

Exposure to Government bonds and Unsecured Financial institutions’ bonds of Greece, Italy, Ireland, Portugal and Spain
Since 2010 concerns arose regarding the creditworthiness of certain European countries. As a result of these concerns the value of sovereign debt decreased and exposures in those countries are being monitored closely. With regard to the sovereign debt crisis, NN Group’s main focus is on Greece, Italy, Ireland, Portugal and Spain as these countries have either applied for support from the European Financial Stability Facility (“EFSF”) or receive support from the European Central Bank (“ECB”) via government bond purchases in the secondary market. For these countries, NN Group’s main focus is on exposure to Government bonds and Unsecured Financial institutions’ bonds.

At 31 December 2013, NN Group’s balance sheet value of “Government bonds” and “Unsecured Financial institutions” bonds to Greece, Italy, Ireland, Portugal and Spain and the related revaluation reserve in equity (before tax) was as follows:

Greece, Italy, Ireland, Portugal and Spain – Government bonds and Unsecured Financial institutions’ bonds [1]

2013	Balance sheet value	Before tax revaluation reserve	Amortised cost value
Greece			
Government bonds available-for-sale	105	66	39
Italy			
Government bonds available-for-sale	1,391	85	1,306
Financial institutions available-for-sale	55	1	54
Ireland			
Government bonds available-for-sale	59	6	53
Portugal			
Government bonds available-for-sale	4	–1	5
Financial institutions available-for-sale	27	1	26
Spain			
Government bonds available-for-sale	1,012	2	1,010
Financial institutions available-for-sale	79	3	76
Total	2,732	163	2,569

(1) Exposures are included based on the country of residence.

The revaluation reserve on debt securities in 2013 includes EUR 3,280 million (before tax) related to Government bonds. This amount comprises EUR 158 million revaluation reserve for Government bonds from Greece, Italy, Ireland, Portugal and Spain.

Notes to the Consolidated annual accounts of NN Group continued

At 31 December 2012, NN Group's balance sheet value of "Government bonds" and "Unsecured Financial institutions" bonds to Greece, Italy, Ireland, Portugal and Spain and the related revaluation reserve in equity (before tax) was as follows:

Greece, Italy, Ireland, Portugal and Spain – Government bonds and Unsecured Financial institutions' bonds [1]

2012	Balance sheet value	Before tax revaluation reserve	Before tax impairments	Amortised cost value
Greece				
Government bonds available-for-sale	76	40		36
Italy				
Government bonds available-for-sale	1,377	32		1,345
Financial institutions available-for-sale	51	–1		52
Ireland				
Government bonds available-for-sale	55	1		54
Financial institutions available-for-sale	15			15
Portugal				
Government bonds available-for-sale	7	–3		10
Financial institutions available-for-sale	40	2		38
Spain				
Government bonds available-for-sale	872	–97		969
Financial institutions available-for-sale	96	–2	–11	109
Total	2,589	–28	–11	2,628

(1) Exposures are included based on the country of residence.

The revaluation reserve on debt securities in 2012 included EUR 6,298 million (before tax) related to Government bonds. This amount comprises EUR 27 million negative revaluation reserve for Government bonds from Greece, Italy, Ireland, Portugal and Spain, which is more than offset by EUR 6,325 million positive revaluation reserves for Government bonds from other countries.

At 31 December 2011, NN Group's balance sheet value of "Government bonds" and "Unsecured Financial institutions" bonds to Greece, Italy, Ireland, Portugal and Spain and the related before tax revaluation reserve in equity was as follows:

Greece, Italy, Ireland, Portugal and Spain – Government bonds and Unsecured Financial institutions' bonds [1]

2011	Balance sheet value	Before tax revaluation reserve	Before tax impairments [2]	Amortised cost value
Greece				
Government bonds available-for-sale	104		–352	456
Italy				
Government bonds available-for-sale	1,207	–219		1,426
Financial institutions available-for-sale	83	–21		104
Ireland				
Government bonds available-for-sale	43	–10		53
Financial institutions available-for-sale	15			15
Portugal				
Government bonds available-for-sale	95	–88		183
Financial institutions available-for-sale	47	–17		64
Spain				
Government bonds available-for-sale	866	–118		984
Financial institutions available-for-sale	163	–30		193
Total	2,623	–503	–352	3,478

(1) Exposures are included based on the country of residence.
(2) Before tax impairments relate to bonds held at 31 December 2011. In addition, EUR 38 million and EUR 189 million impairments were recognised in 2011 on Greek government bonds and Irish unsecured Financial institutions' bonds that were no longer held at 31 December 2011. The total amount of impairments recognised on Greek Government bonds and Irish unsecured Financial institutions' bonds in 2011 is therefore EUR 390 million and EUR 189 million as explained below.

Notes to the Consolidated annual accounts of NN Group continued

The revaluation reserve on debt securities in 2011 included EUR 3,868 million (before tax) related to Government bonds. This amount comprised EUR 435 million negative revaluation reserve for Government bonds from Greece, Italy, Ireland, Portugal and Spain, which was more than offset by EUR 4,303 million positive revaluation reserves for Government bonds from other countries.

On 21 July 2011, a Private Sector Involvement ("PSI") to support Greece was announced. This initiative involved a voluntary exchange of existing Greek Government bonds together with a Buyback facility. Due to this initiative, NN Group impaired all its Greek Government bonds to market value at 31 December 2011, bringing total impairments on these bonds to EUR 390 million.

In 2012, the agreement under the PSI to exchange Greek Government bonds into new instruments was executed. Under this exchange NN Group received new listed Greek Government bonds (for a notional amount of 31.5% of the notional of the exchanged bonds, maturities between 2023 and 2042), listed European Financial Stability Facility ("EFSF") notes (for a notional amount of 15% of the notional of the exchanged bonds, maturities of one to two years) and listed short-term EFSF notes (maturity of 6 months, in discharge of all unpaid interest accrued on the exchanged bonds). These new securities were recognised as available-for-sale instruments. Furthermore, NN Group received listed GDP-linked securities issued by Greece (notional equal to notional of the new Greek Government bonds, maturity 2042). The exchange was executed on 12 March 2012. The exchanged bonds were derecognised and the new instruments were recognised at fair value on the exchange date. The exchange resulted in a loss of EUR 7 million in 2012, being the difference between amortised cost (net of cumulative impairments) of the exchanged bonds and fair value of the new instruments at the date of exchange. This result was included in "Investment income".

In 2011, NN Group recognised a total impairment of EUR 189 million on subordinated debt from Irish banks.

Reference is made to Note 40 "Fair value of assets and liabilities" for disclosure by fair value hierarchy and Note 22 "Investment income" for impairments on available-for-sale debt securities.

Further information on NN Group's risk exposure with regard to Greece, Italy, Ireland, Portugal and Spain is provided in the "Risk management" section.

Changes in available-for-sale investments

	Equity securities			Debt securities			Total		
	2013	2012	2011	**2013**	2012	2011	**2013**	2012	2011
Opening balance	**5,073**	6,839	7,013	**114,232**	126,765	116,334	**119,305**	133,604	123,347
Additions	**908**	1,474	1,391	**45,005**	70,884	67,149	**45,913**	72,358	68,540
Amortisation				**–581**	–304	–395	**–581**	–304	–395
Transfers and reclassifications			904				**0**	0	904
Changes in the composition of the group and other changes	**409**	–1,335	–153	**–47,407**	–26,805	–645	**–46,998**	–28,140	–798
Changes in unrealised revaluations	**258**	475	–382	**–6,205**	6,931	4,309	**–5,947**	7,406	3,927
Impairments	**–174**	–159	–188	**–10**	–48	–741	**–184**	–207	–929
Reversal of impairments				**2**	8	5	**2**	8	5
Disposals and redemptions	**–818**	–2,224	–1,765	**–47,278**	–61,753	–61,851	**–48,096**	–63,977	–63,616
Exchange rate differences	**–36**	3	19	**–2,364**	–1,446	2,600	**–2,400**	–1,443	2,619
Closing balance	**5,620**	5,073	6,839	**55,394**	114,232	126,765	**61,014**	119,305	133,604

In 2013, Changes in the composition of the group and other changes includes EUR –56,467 million as a result of the transfer of ING U.S. and EUR 9,674 million as a result of the classification to continuing operations of NN Group's business in Japan. Reference is made to Note 53 "Other events".

In 2012, Changes in the composition of the group and other changes related mainly to the classification of the insurance and investment management businesses in Asia as a disposal group held for sale. Reference is made to Note 11 "Assets and liabilities held for sale".

Reference is made to Note 22 "Investment income" for details on impairments.

Transfers and reclassifications of available-for-sale investments

	Equity securities			Debt securities			Total		
	2013	2012	2011	**2013**	2012	2011	**2013**	2012	2011
To/from investments in associates			904						904

Notes to the Consolidated annual accounts of NN Group continued

In 2011, Transfers and reclassifications related to the reclassification from associates to available-for-sale equity securities as a result of the fact that significant influence ceased to exist for certain real estate funds due to the sale of ING Real Estate Investment Management.

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

Reclassifications to Loans and advances to customers

	Q2 2009
As per reclassification date	
Fair value	6,135
Range of effective interest rates (weighted average)	1.4%-24.8%
Expected recoverable cash flows	7,118
Unrealised fair value losses in shareholder’s equity (before tax)	–896
Recognised fair value gains (losses) in shareholder’s equity (before tax) between the beginning of the year in which the reclassification too place and the reclassification date	173
Recognised fair value gains (losses) in shareholder’s equity (before tax) in the year prior to reclassification	–971
Recognised impairment (before tax) between the beginning of the year in which the reclassification took place and the reclassification date	nil
Recognised impairment (before tax) in the year prior to reclassification	nil

Impact on the financial years after reclassification

	2013	2012	2011	2010	2009
Carrying value as at 31 December	**1,098**	1,694	3,057	4,465	5,550
Fair value as at 31 December	**1,108**	1,667	2,883	4,594	5,871
Unrealised fair value losses in shareholder’s equity (before tax) as at 31 December	**111**	–186	–307	–491	–734
Effect on shareholder’s equity (before tax) if reclassification had not been made	**10**	–27	–174	129	321
Effect on result (before tax) if reclassification had not been made	**nil**	nil	nil	nil	nil
Effect on result (before tax) after the reclassification until 31 December(mainly interest income)	**n/a**	n/a	n/a	n/a	121
Effect on result (before tax) for the year (interest income and sales results)	**–10**	–47	90	89	n/a
Recognised impairments (before tax)	**nil**	nil	nil	nil	nil
Recognised provision for credit losses (before tax)	**nil**	nil	nil	nil	nil

In 2012, the decrease in the carrying value of the reclassified Loans and advances to customers, compared to 2011 was mainly due to disposals.

Available-for-sale equity securities

	2013	2012	2011
Listed	**2,688**	2,297	3,807
Unlisted	**2,932**	2,776	3,032
	5,620	5,073	6,839

Borrowed debt securities are not recognised in the balance sheet and amounted to nil as at 31 December 2013 (2012: nil; 2011: EUR 466 million).

NN Group did not have Available-for-sale investments that did not produce any income for the year ended 31 December 2013, 2012 and 2011.

Notes to the Consolidated annual accounts of NN Group continued

5 LOANS AND ADVANCES TO CUSTOMERS

Loans and advances to customers by type

	Netherlands			International			Total		
	2013	2012	2011	**2013**	2012	2011	**2013**	2012	2011
Policy loans	**33**	38	44	**146**	1,704	3,308	**179**	1,742	3,352
Loans secured by mortgages	**15,365**	6,376	6,450	**9**	7,327	7,692	**15,374**	13,703	14,142
Unsecured loans	**2,457**	2,070	2,143	**70**	1,231	5,135	**2,527**	3,301	7,278
Asset backed securities	**6,479**	6,323	6,681				**6,479**	6,323	6,681
Other	**835**	338	355	**14**	527	1,244	**849**	865	1,599
	25,169	15,145	15,673	**239**	10,789	17,379	**25,408**	25,934	33,052
Loan loss provisions	**–83**	–68	–80	**–6**	–43	–44	**–89**	–111	–124
	25,086	15,077	15,593	**233**	10,746	17,335	**25,319**	25,823	32,928

Changes in loan loss provisions

	2013	2012	2011
Opening balance	**111**	124	117
Changes in the composition of the group and other changes	**–33**	–4	–2
Write–offs	**–31**	–39	–24
Recoveries	**1**		2
Increase in loan loss provisions	**42**	29	33
Exchange rate differences	**–1**	1	–2
Closing balance	**89**	111	124

In 2013, Changes in the composition of the group and other changes includes EUR 5 million as a result of the transfer of ING U.S. and nil as a result of the classification to continuing operations of NN Group's business in Japan. Reference is made to Note 53 "Other events". Furthermore Changes in the composition of the group and other changes relates to the sale of ING's mortgage business in Mexico. Reference is made to Note 49 "Companies and businesses acquired and divested".

Loans and advances to customers increased by EUR 8.0 billion due to the transfer of mortgages from ING Bank to NN Group. Reference is made to Note 49 "Companies and businesses acquired and divested".

6 INVESTMENTS IN ASSOCIATES

Investments in associates

2013	**Interest held (%)**	**Fair value of listed invest-ments**	**Balance sheet value**	**Total assets**	**Total liabilities**	**Total income**	**Total expenses**
Sul América S.A.	**21**	**332**	**186**	**4,656**	**3,787**	**2,752**	**2,692**
CBRE Lionbrook Property Partnership LP	**29**		**146**	**567**	**55**	**79**	**28**
CBRE Retail Property Fund Iberica LP	**29**		**118**	**1,322**	**902**		**67**
CBRE Property Fund Central Europe LP	**25**		**100**	**851**	**450**	**45**	**39**
CBRE Retail Property Fund France Belgium C.V.	**15**		**77**	**1,336**	**822**	**71**	**78**
CBRE French Residential Fund C.V.	**42**		**76**	**240**	**58**	**12**	**10**
CBRE Property Fund Central and Eastern Europe	**21**		**51**	**688**	**439**	**47**	**55**
Other investments in associates			**274**				
			1,028				

Investments in associates other than Sul América S.A., are mainly real estate investment funds or vehicles, operating predominantly in Europe.

Other investments in associates represents a large number of associates with an individual balance sheet of less than EUR 50 million.

Notes to the Consolidated annual accounts of NN Group continued

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

No accumulated impairments have been recognised in 2013, 2012 and 2011.

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

In general the reporting dates of all significant associates are consistent with the reporting date of NN Group. However the reporting dates of certain associates can differ from the reporting date of NN Group, but is no more than three months.

Where the listed fair value is lower than the balance sheet value, an impairment review and an evaluation of the going concern basis has been performed.

The associates of NN Group are subject to legal and regulatory restrictions regarding the amount of dividends it can pay to NN Group. These restrictions are for example dependant on the laws in the country of incorporation for declaring dividends or as a result of minimum capital requirements that are imposed by industry regulators in the countries in which the associates operate. In addition, the associates also consider other factors in determining the appropriate levels of equity needed. These factors and limitations include, but are not limited to, rating agency and regulatory views, which can change over time.

Investments in associates

2012	Interest held (%)	Fair value of listed invest-ments	Balance sheet value	Total assets	Total liabilities	Total income	Total expenses
Sul América S.A.	36	674	366	5,037	4,048	4,285	3,969
CBRE Retail Property Fund Iberica LP	29		129	1,423	964	–22	75
CBRE Lionbrook Property Partnership LP	20		102	577	77	31	23
CBRE Property Fund Central Europe LP	25		97	907	519	66	30
CBRE French Residential Fund C.V.	42		76	253	71	11	8
CBRE Retail Property Fund France Belgium C.V.	15		76	1,388	882	123	78
CBRE Nordic Property Fund FGR	14		55	1,057	674	19	68
Other investments in associates			451				
			1,352				

Investments in associates

2011	Interest held (%)	Fair value of listed invest-ments	Balance sheet value	Total assets	Total liabilities	Total income	Total expenses
Sul América S.A.	36	641	394	5,353	4,292	3,941	3,662
CBRE Retail Property Fund Iberica LP	29		147	1,666	1,146	96	65
CBRE Lionbrook Property Partnership LP	20		102	604	92	50	17
CBRE Property Fund Central Europe LP	25		90	897	536	87	4
CBRE French Residential Fund C.V.	42		78	249	65	24	8
The Capital (London) Fund	20		77	387	3	14	3
CBRE Retail Property Fund France Belgium C.V.	15		73	1,374	889	117	57
CBRE Nordic Property Fund FGR	14		60	1,079	662	92	67
CBRE Property Fund Central and Eastern Europe	21		51	747	509	122	57
Other investments in associates			454				
			1,526				

Notes to the Consolidated annual accounts of NN Group continued

Changes in investments in associates	2013	2012	2011
Opening balance	**1,352**	1,526	2,428
Additions	**48**	23	118
Changes in the composition of the group and other changes	**–88**	–46	–14
Transfers to and from Available-for-sale Investments			–904
Revaluations	**20**	–30	–17
Share of result	**97**	37	194
Dividends received	**–36**	–56	–126
Disposals	**–335**	–75	–131
Exchange rate differences	**–30**	–27	–22
Closing balance	**1,028**	1,352	1,526

In 2013, Changes in the composition of the group and other changes includes EUR –64 million as a result of the transfer of ING U.S. and EUR –17 million as a result of the classification to continuing operations of NN Group's business in Japan. Reference is made to Note 53 "Other events".

In 2013, Share of results includes EUR 128 million (2012: EUR 80 million; 2011: EUR 92 million) relating to Sul América S.A. and the remainder to individually not significant associates.

In 2013, the 36.5% interest in Sul América S.A. was reduced to 21.3% through two separate transactions, included in Disposals. In the International Finance Corporation transaction, a share of interest of approximately 7.9% in Sul América S.A was sold for a total consideration of approximately EUR 140 million. Under the terms of the Larragoiti transaction, a share of interest in Sul América S.A. of approximately 7% was sold to the Larragoiti family, the remaining indirect stake for tradable units was swapped, and the existing shareholder's agreement unwound. A net gain of EUR 64 million is recognised in the "Result on disposal of Group companies" in the Consolidated profit and loss account on these transactions.

On 7 January 2014, the sale to Swiss Re Group of 37.7 million units in Sul América S.A. was completed. The transaction further reduced the interest in the Brazilian insurance holding to approximately 10%. A total cash consideration of EUR 176 million was received. The transaction resulted in a net gain of EUR 56 million which represents the difference between the carrying value and the fair value for both the 11.3% interest in scope of the transaction with Swiss Re and the retained 10% interest. The net gain will be recognised in the first quarter of 2014. In 2014, the remaining interest was transferred to ING Group by way of dividend in kind .Together with a dividend paid to ING Group for the proceeds of the 11% divestment, this resulted in a dividend of EUR 315 million in 2014.

In 2013, Exchange rate differences includes EUR –42 million (2012: EUR –42 million; 2011: EUR –32 million) relating to Sul América S.A. and the remainder to individually not significant associates.

In 2011, Transfers to and from Investments relates to the real estate funds for which significant influence ceased to exist due to the sale of ING Real Estate Investment Management.

7 REAL ESTATE INVESTMENTS

Changes in real estate investments	2013	2012	2011
Opening balance	**805**	954	1,063
Additions	**200**	56	23
Changes in the composition of the group and other changes	**–6**	–87	–93
Transfers to and from Other assets		–2	
Fair value gains/(losses)	**–6**	–48	2
Disposals	**–229**	–71	–35
Exchange rate differences		3	–6
Closing balance	**764**	805	954

In 2013, Changes in the composition of the group and other changes includes EUR –6 million as a result of the transfer of ING U.S. and nil as a result of the classification to continuing operations of NN Group's business in Japan. Reference is made to Note 53 "Other events".

Notes to the Consolidated annual accounts of NN Group continued

The total amount of rental income recognised in the profit and loss account for the year ended 31 December 2013 is EUR 63 million (2012: EUR 69 million; 2011: EUR 65 million). No contingent rent was recognised in the Consolidated profit and loss account.

The total amount of direct operating expenses (including repairs and maintenance) in relation to Real estate investments that generated rental income for the year ended 31 December 2013 is EUR 13 million (2012: EUR 14 million; 2011: EUR 17 million). The total amount of direct operating expenses (including repairs and maintenance) incurred on Real estate investments that did not generate rental income for the year ended 31 December 2013 is nil (2012: EUR 3 million; 2011: EUR 1 million).

Real estate investments by year of most recent appraisal by independent qualified valuers

In percentages	**2013**	2012	2011
Most recent appraisal in current year	**100**	100	100

NN Group's exposure to real estate is included in the following balance sheet lines:

Real estate exposure

	2013	2012	2011
Real estate investments	**764**	805	954
Investments in associates	**807**	869	956
Other assets – property development and obtained from foreclosures	**3**	72	72
Property and equipment – property in own use	**100**	220	292
Investments – available-for-sale	**1,358**	1,412	1,511
	3,032	3,378	3,785

Furthermore, the exposure is impacted by third party interests, leverage in funds and off-balance commitments, resulting in an overall exposure of EUR 4.8 billion (2012: EUR 5.4 billion; 2011: EUR 5.9 billion). Reference is made to the "Risk management" section.

Notes to the Consolidated annual accounts of NN Group continued

8 PROPERTY AND EQUIPMENT

Property and equipment by type

	2013	2012	2011
Property in own use	**100**	220	292
Equipment	**64**	118	177
	164	338	469

Changes in property in own use

	2013	2012	2011
Opening balance	**220**	292	313
Additions	**5**		3
Changes in the composition of the group and other changes	**–105**	–25	–16
Transfers to and from other assets		1	
Depreciation	**–2**	–3	–4
Revaluations	**–15**	–33	–6
Impairments	**–1**		
Disposals	**–1**	–11	–2
Exchange rate differences	**–1**	–1	4
Closing balance	**100**	220	292
Gross carrying amount as at 31 December	**133**	255	327
Accumulated depreciation as at 31 December	**–29**	–32	–32
Accumulated impairments as at 31 December	**–4**	–3	–3
Net carrying value as at 31 December	**100**	220	292
Revaluation surplus			
Opening balance	**27**	44	43
Revaluation in year	**–2**	–16	1
Released in year	**–16**	–1	
Closing balance	**9**	27	44

In 2013, Changes in the composition of the group and other changes includes EUR –104 million as a result of the transfer of ING U.S. and nil as a result of the classification to continuing operations of NN Group's business in Japan. Reference is made to Note 53 “Other events”.

The cost or the purchase price amounted to EUR 124 million (2012: EUR 228 million; 2011: EUR 283 million). Cost or the purchase price less accumulated depreciation and impairments would have been EUR 91 million (2012: EUR 193 million; 2011: EUR 248 million) had property in own use been valued at cost instead of fair value.

Property in own use by year of most recent appraisal by independent qualified valuers

In percentages	2013	2012	2011
Most recent appraisal in current year	**76**	84	45
Most recent appraisal one year ago	**21**		16
Most recent appraisal two years ago	**1**	15	
Most recent appraisal three years ago			39
Most recent appraisal four years ago	**2**	1	
	100	100	100

Notes to the Consolidated annual accounts of NN Group continued

Changes in equipment									
	Data processing equipment			Fixtures and fittings and other equipment			Total		
	2013	2012	2011	**2013**	2012	2011	**2013**	2012	2011
Opening balance	**51**	65	67	**67**	112	137	**118**	177	204
Additions	**16**	38	38	**9**	22	36	**25**	60	74
Changes in the composition of the group and other changes	**–13**	–14	–10	**–8**	–30	–12	**–21**	–44	–22
Disposals	**–2**	–2	–1		–5	–12	**–2**	–7	–13
Depreciation	**–26**	–36	–29	**–27**	–31	–36	**–53**	–67	–65
Impairments					–1	–1		–1	–1
Exchange rate differences	**–1**			**–2**			**–3**		
Closing balance	**25**	51	65	**39**	67	112	**64**	118	177
Gross carrying amount as at 31 December	**85**	198	256	**177**	265	394	**262**	463	650
Accumulated depreciation as at 31 December	**–60**	–147	–191	**–138**	–198	–282	**–198**	–345	–473
Net carrying value as at 31 December	**25**	51	65	**39**	67	112	**64**	118	177

9 INTANGIBLE ASSETS

Changes in intangible assets					
2013	**Value of business acquired**	**Goodwill**	**Software**	**Other**	**Total**
Opening balance	**513**	**277**	**108**	**120**	**1,018**
Additions			**43**		**43**
Capitalised expenses	**50**		**18**		**68**
Amortisation and unlocking	**–25**		**–55**	**–13**	**–93**
Impairments			**–2**		**–2**
Effect of unrealised revaluations in equity	**308**				**308**
Changes in the composition of the group and other changes	**–819**		**–26**	**–72**	**–917**
Exchange rate differences	**–7**	**–13**	**–2**	**–3**	**–25**
Disposals			**–8**		**–8**
Closing balance	**20**	**264**	**76**	**32**	**392**
Gross carrying amount as at 31 December	**41**	**385**	**649**	**118**	**1,193**
Accumulated amortisation as at 31 December	**–21**		**–532**	**–40**	**–593**
Accumulated impairments as at 31 December		**–121**	**–41**	**–46**	**–208**
Net carrying value as at 31 December	**20**	**264**	**76**	**32**	**392**

In 2013, Changes in the composition of the group and other changes includes EUR –909 million as a result of the transfer of ING U.S. and EUR 4 million as a result of the classification to continuing operations of NN Group’s business in Japan. Reference is made to Note 53 “Other events”.

Amortisation of software and other intangible assets is included in the profit and loss account in “Other operating expenses” and “Intangible amortisation and other impairments”. Amortisation of VOBA is included in Underwriting expenditure.

Notes to the Consolidated annual accounts of NN Group continued

Changes in intangible assets

2012	Value of business acquired	Goodwill	Software	Other	Total
Opening balance	871	786	135	180	1,972
Additions			82		82
Capitalised expenses	83		3		86
Amortisation and unlocking	–207		–60	–30	–297
Impairments		–56	–2		–58
Effect of unrealised revaluations in equity	–140				–140
Changes in the composition of the group and other changes	–89	–469	–44	–30	–632
Exchange rate differences	–5	16	1		12
Disposals			–7		–7
Closing balance	513	277	108	120	1,018
Gross carrying amount as at 31 December	1,977	1,019	783	286	4,065
Accumulated amortisation as at 31 December	–1,464		–646	–120	–2,230
Accumulated impairments as at 31 December		–742	–29	–46	–817
Net carrying value as at 31 December	513	277	108	120	1,018

Changes in intangible assets

2011	Value of business acquired	Goodwill	Software	Other	Total
Opening balance	1,320	1,425	166	345	3,256
Additions		8	73	1	82
Capitalised expenses	81		2		83
Amortisation and unlocking	–244		–59	–48	–351
Impairments			–34		–34
Effect of unrealised revaluations in equity	–250				–250
Changes in the composition of the group and other changes	–43	–575	–2	–108	–728
Exchange rate differences	7	–72	–2	–10	–77
Disposals			–9		–9
Closing balance	871	786	135	180	1,972
Gross carrying amount as at 31 December	2,244	1,471	818	369	4,902
Accumulated amortisation as at 31 December	–1,373		–646	–143	–2,162
Accumulated impairments as at 31 December		–685	–37	–46	–768
Net carrying value as at 31 December	871	786	135	180	1,972

Goodwill

Changes in Goodwill

2012 – Impairment

In 2012, a goodwill impairment of EUR 56 million was recognised relating to the reporting unit Netherlands-Life (formerly part of Insurance Benelux). In the impairment test, the IFRS-EU carrying value (including goodwill) was compared with a valuation based on the surplus in the market consistent balance sheet and the market value of new business. These are commonly used metrics in the European insurance industry. During 2012, the carrying value of the reporting unit increased, mainly as a result of declining interest rates being reflected in the fair value of assets but with no corresponding increase in the IFRS-EU carrying value of insurance liabilities. As the market value surplus (MVS) of the reporting unit did not increase similarly, the margin of MVS over IFRS-EUR carrying value, which supported the goodwill, became negative and, as a result, goodwill was fully impaired. This charge was included in the Consolidated profit and loss account in the line “Intangible amortisation and other impairments”. Goodwill is recognised in the Corporate Line and, therefore, this charge was included in the segment reporting in Other.

Notes to the Consolidated annual accounts of NN Group continued

2012 – Changes in composition of the group and other changes
In 2012, "Changes in composition of the group and other changes" represents the classification of goodwill to "Assets held for sale". This included all goodwill that relates to businesses that were classified as held for sale. For 2012, the amount was EUR 469 million and related to Insurance Korea (EUR 200 million), Investment Management Korea (EUR 180 million), Insurance India (EUR 41 million) and Investment Management Taiwan (EUR 48 million). As businesses to which these goodwill amounts relate to were classified as held for sale, the related goodwill was no longer evaluated at the level of the reporting unit to which it was allocated in the regular goodwill impairment test. Instead, it is reviewed as part of the valuation of the disposal unit that is presented as held for sale. Reference is made to Note 11 "Assets and liabilities held for sale".

2011 – Changes in composition of the group and other changes
In 2011, "Changes in composition of the group and other changes" related mainly to the disposal of the Latin American operations.

Allocation of Goodwill to reporting units
After the above changes, the remaining goodwill is allocated to goodwill reporting units as follows:

Goodwill allocation to reporting units

	2013	2012	2011
Netherlands Life			56
Insurance Europe	**101**	114	112
Investment Management (IM)	**163**	163	382
Other			236
Total Insurance	**264**	277	786

Goodwill impairment testing
Goodwill is tested for impairment at the lowest level at which it is monitored for internal management purposes. This level is defined as the so called "reporting units" as set out above. The changes in reportable segments as disclosed in Note 36 "Segments" resulted in the above reporting units but did not impact the outcome of the impairment test. Goodwill is tested for impairment by comparing the carrying value of the reporting unit to the best estimate of the recoverable amount of that reporting unit. The carrying value is determined as the IFRS-EU net asset value including goodwill. The recoverable amount is estimated as the higher of fair value less cost to sell and value in use. Several methodologies are applied to arrive at the best estimate of the recoverable amount.

As a first step of the impairment test, the best estimate of the recoverable amount of reporting units to which goodwill is allocated is determined separately for each relevant reporting unit based on Price to Earnings, Price to Book, and Price to Assets under management ratios. The main assumptions in this valuation are the multiples for Price to Earnings, Price to Book and Price to Assets under management; these are developed internally but are either derived from or corroborated against market information that is related to observable transactions in the market for comparable businesses. Earnings and carrying values are equal to or derived from the relevant measure under IFRS-EU. Where available the test includes the use of market prices for listed business units.

If the outcome of this first step indicates that the difference between recoverable amount and carrying value may not be sufficient to support the amount of goodwill allocated to the reporting unit, an additional analysis is performed in order to determine a recoverable amount in a manner that better addresses the specific characteristics of the relevant reporting unit.

Such additional analyses were performed for the goodwill that was concluded to be impaired as set out above. For other reporting units, the goodwill allocated to these reporting units was fully supported in the first step.

Notes to the Consolidated annual accounts of NN Group continued

10 DEFERRED ACQUISITION COSTS

Changes in deferred acquisition costs	Life insurance			Non-life insurance			Total		
	2013	2012	2011	**2013**	2012	2011	**2013**	2012	2011
Opening balance	**4,513**	10,165	10,457	**36**	39	42	**4,549**	10,204	10,499
Capitalised	**616**	1,659	1,575	**8**	15	12	**624**	1,674	1,587
Amortisation and unlocking	**–1,885**	–1,051	–1,689	**–7**	–15	–13	**–1,892**	–1,066	–1,702
Effect of unrealised revaluations in equity	**660**	–251	–526				**660**	–251	–526
Changes in the composition of the group and other changes	**–2,094**	–5,765	44		–3	–2	**–2,094**	–5,768	42
Exchange rate differences	**–494**	–244	304				**–494**	–244	304
Closing balance	**1,316**	4,513	10,165	**37**	36	39	**1,353**	4,549	10,204

For flexible life insurance contracts the growth rate assumption used to calculate the amortisation of the deferred acquisition costs for 2013 is 6.0% gross and is 4.3% net of investment management fees (2012: 8.1% gross and 7.3% net of investment management fees; 2011: 8.1% gross and 7.4% net of investment management fees). Percentages are based on the portfolios from continuing operations for the respective years.

In 2013, Changes in the composition of the group and other changes includes EUR –4,493 million as a result of the transfer of ING U.S. and EUR 2,409 million as a result of the classification to continuing operations of NN Group's business in Japan. Reference is made to Note 53 “Other events”.

The separate reporting of the Japan Closed Block VA business line triggered a write-off of all deferred acquisition costs (DAC) related to the Japan Closed Block VA business of EUR 1,405 million partly compensated by a release of the Life insurance provision related to unearned revenues of EUR 867 million. The write-off is included in Amortisation and unlocking for the year 2013. Reference is made to Note 53 “Other events”.

In 2012, Changes in the composition of the group and other changes related mainly to the classification of the insurance and investment management businesses in Asia as held for sale. Reference is made to Note 11 “Assets and liabilities held for sale”.

In 2011, Amortisation and unlocking includes EUR 488 million related to the assumption review for the Insurance US Closed Block Variable Annuity (VA) business. This effect has been included as part of Net result from discontinued operations in the Consolidated profit and loss account.

11 ASSETS AND LIABILITIES HELD FOR SALE

Assets and liabilities held for sale includes disposal groups whose carrying amount will be recovered principally through a sale transaction rather than through continuing operations. This relates to businesses for which a sale is agreed upon but for which the transaction has not yet closed or a sale is highly probable at the balance sheet date but for which no sale has yet been agreed.

As at 31 December 2013 Assets and liabilities held for sale relates to the remaining insurance and investment management businesses in Asia (“Asia”) excluding NN Group's business in Japan.

After carefully exploring and evaluating the options available for the divestment of ING Life Japan, it was concluded that ING Life Japan will be included with NN Group's European insurance and investment management businesses in the base case IPO of NN Group in 2014. As a result, ING Life Japan and the Japanese Closed Block VA guarantees reinsured to ING Re (“NN Group's business in Japan”) are no longer classified as held for sale as at 31 December 2013. Reference is made to Note 53 “Other events”.

As at 31 December 2012 Assets and liabilities held for sale related to insurance and investment management businesses in Asia (“Asia”) including NN Group's business in Japan.

There were no Assets and liabilities classified as held for sale as at 31 December 2011.

During 2013, the divestments of the insurance businesses in Hong Kong, Macau and Thailand, the investment management business in Malaysia and Thailand and the joint ventures in South Korea and India, closed. During 2012, the divestment of the insurance business in Malaysia closed. As a result these businesses are no longer consolidated.

Furthermore, some divestments were agreed that are expected to close or closed in 2014, including ING-BOB Life and the Taiwanese investment management businesses; these remain to be classified as held for sale as at 31 December 2013. Reference is made to Note 49 “Companies and businesses acquired and divested”.

Notes to the Consolidated annual accounts of NN Group continued

Assets held for sale	2013	2012
Cash and cash equivalents	**80**	1,328
Financial assets at fair value through profit or loss	**16**	26,688
Available-for-sale investments	**297**	24,805
Loans and advances to customers	**156**	2,084
Reinsurance contracts		98
Investments in associates		37
Property and equipment	**3**	33
Intangible assets		176
Deferred acquisition costs	**27**	5,124
Other assets	**51**	1,318
	630	61,691

Liabilities held for sale	2013	2012
Insurance and investments contracts	**418**	51,198
Financial liabilities at fair value through profit or loss		2,073
Other liabilities	**48**	2,384
	466	55,655

Included in Shareholder's equity is cumulative other comprehensive income of EUR 5 million (2012: EUR 1,585 million; 2011: nil) related to Assets and liabilities held for sale.

Goodwill
At 31 December 2013, there was no goodwill presented under Assets held for sale (2012: EUR 469 million; 2011: nil). In 2012, EUR 469 million goodwill was reclassified to Assets held for sale. This related to Insurance Korea (EUR 200 million), Investment Management Korea (EUR 180 million), Insurance India (EUR 41 million) and Investment Management Taiwan (EUR 48 million).

For businesses classified as held for sale, the related goodwill is no longer evaluated at the level of the reporting unit to which it was allocated in the regular goodwill impairment test. Instead, it is reviewed as part of the valuation of the disposal unit that is presented as held for sale. In 2012, goodwill of EUR 180 million related to Investment Management Korea, EUR 200 million related to ING Life Korea and EUR 15 million related to ING Vysya Life Insurance was written off, as the related businesses were expected to be sold below carrying value. In 2013, goodwill of EUR 42 million related to Investment Management Taiwan was written off. The developments in the sales process of Investment Management Taiwan during 2013 (resulting in a sale in January 2014) indicated that the expected sales proceeds were no longer above the carrying value. The related charges were included in the Consolidated profit and loss account in Net result from classification as discontinued operations.

Fair value measurement
The fair value hierarchy of assets and liabilities measured at fair value, that are presented as held for sale is included below. The fair value hierarchy consists of three levels, depending upon whether fair value were determined based on unadjusted quoted prices in an active market (Level 1), valuation techniques supported by observable inputs (Level 2) or valuation techniques that incorporate inputs which are unobservable and which have a more than insignificant impact on the fair value of the instrument (Level 3). Reference is made to Note 40 "Fair value of assets and liabilities" for more details on the methods applied in determining the fair value.

Methods applied in determining the fair value of financial assets and liabilities – Held for sale

2013	Level 1	Level 2	Level 3	Total
Financial Assets				
Trading assets	**14**			**14**
Investments for risk of policyholders	**2**			**2**
Available-for-sale investments	**296**	**1**		**297**
	312	**1**	**0**	**313**

Notes to the Consolidated annual accounts of NN Group continued

Methods applied in determining the fair value of financial assets and liabilities – Held for sale

2012	Level 1	Level 2	Level 3	Total
Assets				
Trading assets	18			18
Investments for risk of policyholders	22,452		116	22,568
Non-trading derivatives		1,447		1,447
Financial assets designated as at fair value through profit or loss		2,640	15	2,655
Available-for-sale investments	16,180	8,386	239	24,805
	38,650	12,473	370	51,493
Liabilities				
Non-trading derivatives	287	1,786		2,073
Investment contracts (for contracts carried at fair value)	95			95
	382	1,786	0	2,168

12 OTHER ASSETS

Other assets by type

	2013	2012	2011
Reinsurance and insurance receivables	**642**	1,763	1,971
Deferred tax assets	**51**	76	186
Property development and obtained from foreclosures	**3**	72	72
Income tax receivable	**137**	44	82
Accrued interest and rents	**1,741**	2,448	2,999
Other accrued assets	**274**	1,040	1,670
Net defined benefit asset	**383**	670	1,472
Other	**523**	622	1,179
	3,754	6,735	9,631

The change in amounts reported in Other assets is mainly due to EUR –2,495 million as a result of the transfer of ING U.S. and EUR 1,251 million as a result of the classification to continuing operations of NN Group's business in Japan. Reference is made to Note 53 "Other events".

Disclosures in respect of deferred tax assets are provided in Note 39 "Taxation" and disclosures in respect of Net defined benefit assets are provided in Note 38 "Pension and other post-employment benefits".

Accrued interest and rents includes EUR 1,272 million (2012: EUR 1,948 million; 2011: EUR 2,216 million) accrued interest on assets measured at amortised cost under the IAS 39 classification Loans and receivables.

Reinsurance and insurance receivables

	2013	2012	2011
Receivables on account of direct insurance from:			
– policyholders	**500**	1,083	1,238
– intermediaries	**51**	50	67
Reinsurance receivables	**91**	630	666
	642	1,763	1,971

The allowance for uncollectable reinsurance and insurance receivables amounts to EUR 53 million as at 31 December 2013 (2012: EUR 50 million; 2011: EUR 66 million). The allowance is deducted from this receivable.

Notes to the Consolidated annual accounts of NN Group continued

EQUITY
13 EQUITY

Total equity

	2013	2012	2011
Share capital			
Share premium	**11,605**	17,750	17,750
Revaluation reserve	**3,949**	8,333	5,060
Currency translation reserve	**–252**	–331	131
Net defined benefit asset/liability	**–1,042**	–1,000	–90
Other reserves	**–33**	1,671	561
Shareholder’s equity (parent)	**14,227**	26,423	23,412
Minority interests	**68**	217	62
Total equity	**14,295**	26,640	23,474

The Revaluation reserve, Share of associates reserve (included in Other reserves) and Currency translation reserve cannot be freely distributed.

Reference is made to Note 38 “Pension and other post-employment benefits” for information on the amounts recognised directly in equity (Other comprehensive income) related to the net defined benefit asset/liability remeasurement.

Share capital

	Ordinary shares (par value EUR 1.00)					
	Number x 1,000			Amount		
	2013	2012	2011	2013	2012	2011
Authorised share capital	**225**	225	225			
Unissued share capital	**180**	180	180			
Issued share capital	**45**	45	45	**0**	0	0

NN Group has an issued share capital of EUR 45,000.

Ordinary shares
All shares are in registered form. No share certificates have been issued. Shares may be transferred by means of a deed of transfer, subject to the approval of the Management Board NN Group. The par value of ordinary shares is EUR 1.00.

Dividend restrictions
NN Group N.V. and its Dutch group companies are subject to legal restrictions regarding the amount of dividends they can pay to their shareholders. The Dutch Civil Code contains the restriction that dividends can only be paid up to an amount equal to the excess of the company’s own funds over the sum of the paid–up capital, and reserves required by law. Additionally, certain group companies are subject to restrictions on the amount of funds they may transfer in the form of dividends or otherwise to the parent company.

Furthermore, in addition to the restrictions in respect of minimum capital requirements that are imposed by industry regulators in the countries in which the subsidiaries operate, other limitations exist in certain countries.

Changes in Share premium

	2013
Opening balance	**17,750**
Capital contribution	**1,330**
Transfer of ING U.S.	**–6,826**
Dividend	**–649**
Closing balance	**11,605**

Notes to the Consolidated annual accounts of NN Group continued

Changes in revaluation reserve

2013	Property revaluation reserve	Available-for-sale reserve	Cash flow hedge reserve	Total
Opening balance	18	4,768	3,548	8,334
Changes in the composition of the group and other changes	–8	–419	12	–415
Impact of IPO of ING U.S.	–3	–359	–2	–364
Unrealised revaluations	–1	–4,804		–4,805
Realised gains/losses transferred to profit and loss		–123		–123
Change in cash flow hedge reserve			–832	–832
Transfer to insurance liabilities/DAC		2,154		2,154
Closing balance	6	1,217	2,726	3,949

Changes in the composition of the group and other changes relates to the transfer of ING U.S. Reference is made to Note 53 “Other events”.

Transfer to insurance liabilities/DAC includes the change in the deferred profit sharing liability (net of deferred tax). Reference is made to Note 17 “Insurance and investment contracts, reinsurance contracts”.

Changes in revaluation reserve

2012	Property revaluation reserve	Available-for-sale reserve	Cash flow hedge reserve	Total
Opening balance	31	2,146	2,883	5,060
Unrealised revaluations	–13	5,102		5,089
Realised gains/losses transferred to profit and loss		–299		–299
Change in cash flow hedge reserve			665	665
Transfer to insurance liabilities/DAC		–2,181		–2,181
Closing balance	18	4,768	3,548	8,334

Changes in revaluation reserve

2011	Property revaluation reserve	Available-for-sale reserve	Cash flow hedge reserve	Total
Opening balance	29	1,749	1,567	3,345
Unrealised revaluations	2	2,084		2,086
Realised gains/losses transferred to profit and loss		317		317
Change in cash flow hedge reserve			1,316	1,316
Transfer to insurance liabilities/DAC		–2,004		–2,004
Closing balance	31	2,146	2,883	5,060

Changes in currency translation reserve

	2013	2012	2011
Opening balance	–331	131	–178
Changes in the composition of the group and other changes	381		
Unrealised revaluations	132	–25	–90
Realised gains/losses transferred to profit and loss	213	–68	156
Exchange rate differences	–647	–369	243
Closing balance	–252	–331	131

Changes in the composition of the group and other changes relates to the transfer of ING U.S. Reference is made to Note 53 “Other events”.

The unrealised revaluations relate to changes in the value of hedging instruments that are designated as net investment hedges.

Notes to the Consolidated annual accounts of NN Group continued

Changes in other reserves

2013	Retained earnings	Share of associates reserve	Total
Opening balance	1,331	340	1,671
Result for the year	10		10
Transfer to share of associates reserve	–118	118	0
Changes in the composition of the group and other changes	76		76
Impact of IPO of ING U.S.	–1,594		–1,594
Dividend	–233		–233
Employee stock options and share plans	37		37
Closing balance	–491	458	–33

Changes in the composition of the group and other changes relates to the transfer of ING U.S. Reference is made to Note 53 “Other events”.

Changes in other reserves

2012	Retained earnings	Share of associates reserve	Total
Opening balance	385	176	561
Result for the year	1,038		1,038
Unrealised revaluations	10		10
Transfer to share of associates reserve	–164	164	0
Employee stock options and share plans	62		62
Closing balance	1,331	340	1,671

Changes in other reserves

2011	Retained earnings	Share of associates reserve	Total
Opening balance	–897	140	–757
Result for the year	1,226		1,226
Unrealised revaluations	37		37
Transfer to share of associates reserve	–36	36	0
Employee stock options and share plans	55		55
Closing balance	385	176	561

Dividend
In connection with the divestments of ING Life Korea and the 7.9% share of interest in Sul América, dividend declared and paid was EUR 882 million in 2013, of which EUR 649 million was charged to Share premium and EUR 233 million to Retained earnings.

Furthermore, in 2013 ING U.S. was transferred to ING Group by way of dividend in kind of EUR 6.826 million, which was charged to Share premium in full. Reference is made to Note 53 “Other events”.

Reference is made to Note 6 “Investments in associates” for details on dividend declared for the year 2014 in relation to the divestment of Sul América.

Notes to the Consolidated annual accounts of NN Group continued

LIABILITIES
14 SUBORDINATED LOANS

Subordinated loans

Interest rate	Year of Issue	Due date		Notional amount	Balance sheet value 2013	2012	2011
8.000%	2011	Perpetual	EUR	450	**450**	450	450
Variable	2008	Perpetual	EUR	813	**813**	834	850
Variable	2007	Perpetual	EUR	740	**740**	758	772
4.176%	2005	Perpetual	EUR	169	**176**	181	313
Variable	2005	Perpetual	EUR	148	**148**	152	154
Variable	2005	Perpetual	EUR	74	**74**	76	77
6.375%	2002	7 May 2027	EUR	476	**491**	496	501
Variable	2001	21 June 2021	EUR	1,250			1,250
					2,892	2,947	4,367

These above presented subordinated bonds have been issued to raise hybrid capital. Under IFRS-EU these bonds are classified as liabilities. They are considered capital for regulatory purposes. EUR 2,401 million (2012: EUR 2,451 million; 2011: EUR 2,616 million) has been issued to ING Group.

Due to the transfer of ING U.S., all USD denominated subordinated loans have been converted into Euro denominated loans. Reference is made to Note 53 “Other Events”.

The decrease in “Subordinated loans” in the year 2012 reflects the redemption of the 2001, Variable interest rate, EUR 1,250 million hybrid security in December 2012.

On 12 December 2011, ING announced the launch of three separate exchange offers in Europe and tender offers in the United States of America, on a total of seven series of outstanding subordinated securities of ING entities with a total nominal value of approximately EUR 5.8 billion. Of this amount, EUR 1.0 billion related to securities originally issued by ING Verzekeringen N.V. All tender and exchange offers announced on 12 December 2011 were successfully completed on 23 December 2011. The participation for these bonds was 52% and resulted in a total gain of EUR 95 million (EUR 71 million after tax) including related hedge results and transaction costs. This gain was recognised in Other income in 2011.

15 DEBT SECURITIES IN ISSUE

Debt securities in issue relate to debentures and other issued debt securities with either fixed interest rates or interest rates based on interest rate levels, such as certificates of deposit and accepted bills originally issued by ING Verzekeringen N.V., except for subordinated items. Debt securities in issue do not include debt securities presented as Financial liabilities at fair value through profit or loss. NN Group does not have debt securities that are issued on terms other than those available in the normal course of business. The maturities of the debt securities are as follows:

Debt securities in issue – maturities

	2013	2012	2011
Fixed rate debt securities			
Within 1 year		530	849
More than 1 year but less than 2 years			1,114
More than 5 years		1,110	473
Total fixed rate debt securities	**0**	1,640	2,436
Floating rate debt securities			
Within 1 year		270	
More than 5 years			1,000
Total floating rate debt securities	**0**	270	1,000
Total debt securities	**0**	1,910	3,436

Mainly as a result of the transfer of ING U.S., NN Group does not have debt securities in issue as at 31 December 2013.

Notes to the Consolidated annual accounts of NN Group continued

On 8 March 2012, ING launched three separate exchange offers and consent solicitations on a total of three series of senior debt securities originally issued by ING Verzekeringen N.V. with a total nominal value of EUR 2.6 billion. Holders had the possibility to exchange the original securities into new securities issued by ING Group and / or consent to a modification of existing terms. On average 64% of the holders accepted the offer to exchange into new securities issued by ING Group. The total nominal amount of the new securities issued by ING Group in exchange for the existing securities originally issued by ING Verzekeringen N.V. was EUR 1,654 million. Approximately 6% of the holders, representing EUR 151 million, accepted a modification of the existing terms of the securities. The transactions were completed on 30 March 2012. A charge of EUR 39 million (EUR 30 million after tax) was recognised in 2012. The settlement date of the exchange offers and consent solicitations was on 4 April 2012.

ING U.S., Inc. announced on 16 July 2012 that it completed a private debt offering of USD 850 million principal amount of its 5.5% Senior Notes due in 2022. In 2013, ING US is transferred to ING Group. Reference is made to Note 53 "Other events".

16 OTHER BORROWED FUNDS

Other borrowed funds by remaining term

2013	**2014**	**2015**	**2016**	**2017**	**2018**	**Years after 2018**	**Total**
Loans contracted	**1,009**	**20**	**15**	**12**		**490**	**1,546**
Loans from credit institutions	**2,732**		**60**			**479**	**3,271**
	3,741	**20**	**75**	**12**	**0**	**969**	**4,817**

Other borrowed funds by remaining term

2012	2013	2014	2015	2016	2017	Years after 2017	Total
Loans contracted	1,740	815			4	663	3,222
Loans from credit institutions	3,306			60		854	4,220
	5,046	815	0	60	4	1,517	7,442

Other borrowed funds by remaining term

2011	2012	2013	2014	2015	2016	Years after 2016	Total
Loans contracted	884		76			617	1,577
Loans from credit institutions	5,088					642	5,730
	5,972	0	76	0	0	1,259	7,307

Notes to the Consolidated annual accounts of NN Group continued

17 INSURANCE AND INVESTMENT CONTRACTS, REINSURANCE CONTRACTS

The Provision for insurance and investment contracts, net of reinsurance (i.e. the provision for NN Group's own account) is presented gross in the balance sheet as "Insurance and investment contracts". The related reinsurance is presented as "Reinsurance contracts" under Assets in the balance sheet.

Insurance and investment contracts, reinsurance contracts

	Provision net of reinsurance			Reinsurance contracts			Insurance and investment contracts		
	2013	2012	2011	**2013**	2012	2011	**2013**	2012	2011
Provision for non-participating life policy liabilities	**17,352**	62,797	88,492	**34**	5,065	5,534	**17,386**	67,862	94,026
Provision for participating life policy liabilities	**46,208**	47,801	52,753	**88**	87	102	**46,296**	47,888	52,855
Provision for (deferred) profit sharing and rebates	**3,799**	7,236	5,623		3	2	**3,799**	7,239	5,625
Life insurance provisions excluding provisions for risk of policyholders	**67,359**	117,834	146,868	**122**	5,155	5,638	**67,481**	122,989	152,506
Provision for life insurance for risk of policyholders	**38,038**	90,754	109,487	**49**	49	136	**38,087**	90,803	109,623
Life insurance provisions	**105,397**	208,588	256,355	**171**	5,204	5,774	**105,568**	213,792	262,129
Provision for unearned premiums and unexpired risks	**266**	265	297	**3**	2	4	**269**	267	301
Reported claims provision	**2,643**	2,621	2,620	**77**	82	89	**2,720**	2,703	2,709
Claims incurred but not reported (IBNR)	**595**	558	493	**1**	2	3	**596**	560	496
Claims provisions	**3,238**	3,179	3,113	**78**	84	92	**3,316**	3,263	3,205
Total provisions for insurance contracts	**108,901**	212,032	259,765	**252**	5,290	5,870	**109,153**	217,322	265,635
Investment contracts for risk of company	**810**	4,561	6,259				**810**	4,561	6,259
Investment contracts for risk of policyholders	**1,588**	8,067	6,939				**1,588**	8,067	6,939
Total provisions for investment contracts	**2,398**	12,628	13,198	**0**	0	0	**2,398**	12,628	13,198
Total	**111,299**	224,660	272,963	**252**	5,290	5,870	**111,551**	229,950	278,833

The deferred profit sharing amount on unrealised revaluation is included in Provision for (deferred) profit sharing and rebates and amounts to EUR 3,488 million as at 31 December 2013 (2012: EUR 6,304 million; 2011: EUR 3,721 million).

Notes to the Consolidated annual accounts of NN Group continued

Changes in life insurance provisions

2013	Provision net of reinsurance (excluding provision for life insurance for risk of policyholder)	Provisions for life insurance for risk of policyholder (net of reinsurance)	Reinsurance con-tracts	Life insurance provisions
Opening balance	117,834	90,754	5,204	213,792
Changes in the composition of the group and other changes	–41,848	–54,915	–4,770	–101,533
	75,986	35,839	434	112,259
Current year provisions	9,973	8,459	490	18,922
Change in deferred profit sharing liability	–2,309			–2,309
Prior year provisions:				
– benefit payments to policyholders	–17,361	–15,466	–756	–33,583
– interest accrual and changes in fair value of liabilities	3,932		35	3,967
– valuation changes for risk to policyholders		13,519		13,519
– effect of changes in other assumptions	151		–2	149
	–13,278	–1,947	–723	–15,948
Exchange rate differences	–3,013	–4,313	–30	–7,356
Closing balance	67,359	38,038	171	105,568

Changes in life insurance provisions

2012	Provision net of reinsurance (excluding provision for life insurance for risk of policyholder)	Provisions for life insurance for risk of policyholder (net of reinsurance)	Reinsurance contracts	Life insurance provisions
Opening balance	146,868	109,487	5,774	262,129
Changes in the composition of the group and other changes	–31,577	–23,852	–244	–55,673
	115,291	85,635	5,530	206,456
Current year provisions	13,221	9,122	381	22,724
Change in deferred profit sharing liability	2,889			2,889
Prior year provisions:				
– benefit payments to policyholders	–16,074	–14,919	–668	–31,661
– interest accrual and changes in fair value of liabilities	4,651		38	4,689
– valuation changes for risk to policyholders		13,909		13,909
– effect of changes in other assumptions	–275	–77	16	–336
	–11,698	–1,087	–614	–13,399
Exchange rate differences	–1,869	–2,916	–93	–4,878
Closing balance	117,834	90,754	5,204	213,792

Notes to the Consolidated annual accounts of NN Group continued

Changes in life insurance provisions

2011	Provision net of reinsurance (excluding provision for life insurance for risk of policyholder)	Provisions for life insurance for risk of policyholder (net of reinsurance)	Reinsurance contracts	Life insurance provisions
Opening balance	135,314	114,603	5,685	255,602
Changes in the composition of the group and other changes	–335	–2,517	–65	–2,917
	134,979	112,086	5,620	252,685
Current year provisions	13,774	7,623	636	22,033
Change in deferred profit sharing liability	1,963			1,963
Prior year provisions:				
– benefit payments to policyholders	–13,872	–11,812	–700	–26,384
– interest accrual and changes in fair value of liabilities	6,302		35	6,337
– valuation changes for risk to policyholders		–1,190		–1,190
– effect of changes in other assumptions	635	–17	–2	616
	–6,935	–13,019	–667	–20,621
Exchange rate differences	3,087	2,797	185	6,069
Closing balance	146,868	109,487	5,774	262,129

Where discounting is used in the calculation of life insurance provision, the rate is within the range of 2.3% to 4.0% (2012: 3.0% to 5.1%; 2011: 2.8% to 5.5%) based on weighted averages. The change is mainly due to a change in the composition of the portfolio.

Insurance provisions include a provision for the estimated cost of the agreement with regard to unit-linked policies. For more information reference is made to Note 48 “Legal proceedings”.

In 2013, Changes in the composition of the group and other changes includes EUR –129,516 million as a result of the transfer of ING U.S. and EUR 29,445 million as a result of the classification to continuing operations of NN Group’s business in Japan. Reference is made to Note 53 “Other events”.

In 2012, “Changes in the composition of the group and other changes” related mainly to the classification of the insurance and investment management businesses in Asia as held for sale. Reference is made to Note 11 “Assets and liabilities held for sale”.

In 2011, “Changes in the composition of the group and other changes” included the transfers of certain insurance contracts.

“Effect of changes in other assumptions” relates mainly to the assumption refinement for the Insurance U.S. Closed Block VA business. This effect has been included as part of net result from discontinued operations in the Consolidated profit and loss account.

To the extent that the assuming reinsurers are unable to meet their obligations, NN Group is liable to its policyholders for the portion reinsured. Consequently, provisions are made for receivables on reinsurance contracts which are deemed uncollectable. The life reinsurance market is highly concentrated and, therefore, diversification of exposure is inherently difficult. To minimise its exposure to significant losses from reinsurer insolvencies, NN Group evaluates the financial condition of its reinsurers, monitors concentrations of credit risk arising from similar geographical regions, activities or economic characteristics of the reinsurer and maintains collateral. Reference is also made to the “Risk management” section.

As at 31 December 2013, the total Reinsurance exposure, including Reinsurance contracts and Receivables from reinsurers (presented in Other assets) amounts to EUR 343 million (2012: EUR 5,920 million; 2011: EUR 6,536 million). There was no provision for uncollectable reinsurance in 2013, 2012 and 2011.

Notes to the Consolidated annual accounts of NN Group continued

Changes in provision for unearned premiums and unexpired risks

	Provision net of reinsurance			Reinsurance contracts			Provision for unearned premiums and unexpired risk		
	2013	2012	2011	**2013**	2012	2011	**2013**	2012	2011
Opening balance	**265**	297	345	**2**	4	4	**267**	301	349
Changes in the composition of the group and other changes	**2**	–10	–23	**1**	–2		**3**	–12	–23
	267	287	322	**3**	2	4	**270**	289	326
Premiums written	**1,642**	1,693	1,682	**40**	40	43	**1,682**	1,733	1,725
Premiums earned during the year	**–1,643**	–1,715	–1,708	**–40**	–40	–43	**–1,683**	–1,755	–1,751
Exchange rate differences			1				**0**	0	1
Closing balance	**266**	265	297	**3**	2	4	**269**	267	301

Changes in claims provisions

	Provision net of reinsurance			Reinsurance contracts			Claims provision		
	2013	2012	2011	**2013**	2012	2011	**2013**	2012	2011
Opening balance	**3,179**	3,113	3,103	**84**	92	100	**3,263**	3,205	3,203
Changes in the composition of the group and other changes	**1**	–36	10	**–1**	–2		**0**	–38	10
	3,180	3,077	3,113	**83**	90	100	**3,263**	3,167	3,213
Additions:									
– for the current year	**1,176**	1,213	1,166	**9**	6	10	**1,185**	1,219	1,176
– for prior years	**–86**	–39	–71		2	–11	**–86**	–37	–82
– interest accrual of provision	**40**	45	40				**40**	45	40
	1,130	1,219	1,135	**9**	8	–1	**1,139**	1,227	1,134
Claim settlements and claim settlement costs:									
– for the current year	**–452**	–473	–472	**–1**	–1	–1	**–453**	–474	–473
– for prior years	**–618**	–643	–665	**–13**	–13	–6	**–631**	–656	–671
	–1,070	–1,116	–1,137	**–14**	–14	–7	**–1,084**	–1,130	–1,144
Exchange rate differences	**–2**	–1	2				**–2**	–1	2
Closing balance	**3,238**	3,179	3,113	**78**	84	92	**3,316**	3,263	3,205

NN Group has an outstanding balance of EUR 35 million as at 31 December 2013 (2012: EUR 36 million; 2011: EUR 35 million) relating to environmental and asbestos claims. In establishing the liability for unpaid claims and claims adjustment expenses related to asbestos related illness and toxic waste clean-up, management of NN Group considers facts currently known including current legislation and coverage litigation. Liabilities are recognised for IBNR claims and for known claims (including the costs of related litigation) when sufficient information has been obtained to indicate the involvement of a specific insurance policy, and management can reasonably estimate its liability. In addition, liabilities are reviewed and updated regularly.

Where discounting is used in the calculation of the claims provision the rate is, based on weighted averages, within the range of 3.0% to 4.0% (2012: 3.0% to 4.0%; 2011: 3.0% to 4.0%).

Notes to the Consolidated annual accounts of NN Group continued

Changes in investment contracts liabilities

	2013	2012	2011
Opening balance	**12,628**	13,198	11,974
Changes in the composition of the group and other changes	**–9,504**	53	702
	3,124	13,251	12,676
Current year liabilities	**3,773**	8,865	7,867
Prior year provisions:			
– payments to contract holders	**–4,522**	–9,471	–7,709
– interest accrual	**13**	30	39
– valuation changes investments	**69**	129	–55
	–4,440	–9,312	–7,725
Exchange rate differences	**–59**	–176	380
Closing balance	**2,398**	12,628	13,198

In 2013, Changes in the composition of the group and other changes includes EUR –9,402 million as a result of the transfer of ING U.S. and nil as a result of the classification to continuing operations of NN Group's business in Japan. Reference is made to Note 53 "Other events".

Gross claims development table

									Accident year		
	2004	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**Total**
Estimate of cumulative claims:											
At the end of accident year	**1,096**	**1,109**	**1,100**	**1,020**	**1,078**	**1,200**	**1,169**	**1,217**	**1,232**	**1,217**	
1 year later	**979**	**1,041**	**1,057**	**923**	**1,060**	**1,213**	**1,198**	**1,244**	**1,182**		
2 years later	**856**	**940**	**978**	**859**	**1,033**	**1,153**	**1,159**	**1,191**			
3 years later	**840**	**911**	**965**	**861**	**1,032**	**1,146**	**1,157**				
4 years later	**843**	**896**	**974**	**842**	**1,024**	**1,129**					
5 years later	**836**	**893**	**960**	**837**	**1,041**						
6 years later	**834**	**875**	**965**	**849**							
7 years later	**834**	**875**	**970**								
8 years later	**828**	**875**									
9 years later	**835**										
Estimate of cumulative claims	**835**	**875**	**970**	**849**	**1,041**	**1,129**	**1,157**	**1,191**	**1,182**	**1,217**	**10,446**
Cumulative payments	**–721**	**–775**	**–841**	**–679**	**–820**	**–867**	**–866**	**–793**	**–699**	**–453**	**–7,514**
	114	**100**	**129**	**170**	**221**	**262**	**291**	**398**	**483**	**764**	**2,932**
Effect of discounting	**–6**	**–13**	**–15**	**–24**	**–30**	**–32**	**–39**	**–54**	**–50**	**–34**	**–297**
Liability recognised	**108**	**87**	**114**	**146**	**191**	**230**	**252**	**344**	**433**	**730**	**2,635**
Liability relating to accident years prior to 2004											**681**
Total amount recognised in the balance sheet											**3,316**

NN Group applies the exemption in IFRS-EU not to present Gross claims development for annual periods beginning before 1 January 2004 (the date of transition to IFRS-EU) as it is impracticable to obtain such information.

Notes to the Consolidated annual accounts of NN Group continued

18 CUSTOMER DEPOSITS AND OTHER FUNDS ON DEPOSIT

Customer deposits and other funds on deposit	2013	2012	2011
Savings accounts	**5,769**	0	0

Customer deposits and other funds on deposit by type	2013	2012	2011
Interest bearing	**5,769**	0	0

The retail banking activities of Nationale-Nederlanden have grown significantly during the year 2013, mainly due to the partial transfer of WestlandUtrecht Bank.

No funds have been entrusted to NN Group by customers on terms other than those prevailing in the normal course of business.

Savings accounts relate to the balances on savings accounts, savings books, savings deposits and time deposits of personal customers. The interest payable on savings accounts, which is contractually added to the accounts, is also included.

19 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial liabilities at fair value through profit or loss	2013	2012	2011
Non-trading derivatives	**1,843**	3,258	4,404

The change in Financial liabilities at fair value through profit or loss includes EUR –2,290 million as a result of the transfer of ING U.S. and EUR 1,232 million as a result of the classification to continuing operations of NN Group’s business in Japan. Reference is made to Note 53 “Other events”.

Non-trading derivatives by type	2013	2012	2011
Derivatives used in:			
– fair value hedges		203	264
– cash flow hedges	**215**	255	302
– hedges of net investments in foreign operations	**8**		12
Other non-trading derivatives	**1,620**	2,800	3,826
	1,843	3,258	4,404

Other non-trading derivatives mainly include interest rate swaps for which no hedge accounting is applied.

Notes to the Consolidated annual accounts of NN Group continued

20 OTHER LIABILITIES

Other liabilities by type	2013	2012	2011
Deferred tax liabilities	**702**	1,220	1,843
Income tax payable	**86**	379	53
Net defined benefit liability	**51**	666	631
Other post-employment benefits	**40**	77	74
Other staff-related liabilities	**147**	254	502
Other taxation and social security contributions	**176**	101	148
Deposits from reinsurers	**58**	869	1,015
Accrued interest	**530**	593	812
Costs payable	**328**	702	1,079
Amounts payable to brokers	**4**	50	72
Amounts payable to policyholders	**464**	2,139	2,171
Reorganisation provision	**155**	275	79
Other provisions	**68**	84	134
Amounts to be settled	**772**	2,687	3,874
Other	**544**	855	1,300
	4,125	10,951	13,787

Disclosures in respect of Net defined benefit liabilities are provided in Note 38 “Pension and other post-employment benefits” and deferred tax liabilities are provided in Note 39 “Taxation”.

The change in Other liabilities includes EUR –4,451 million as a result of the transfer of ING U.S. and EUR 1,093 million as a result of the classification to continuing operations of NN Group’s business in Japan. Reference is made to Note 53 “Other events”.

Other staff-related liabilities include vacation leave provisions, variable compensation provisions, jubilee provisions and disability/illness provisions.

Other mainly relates to year-end accruals in the normal course of business.

The provision for the estimated cost of the agreement with regard to unit-linked policies is included in “Insurance and investment contracts” as disclosed in Note 17.

Changes in reorganisation provisions	2013	2012	2011
Opening balance	**275**	79	101
Changes in the composition of the group and other changes	**–10**	–13	–7
Additions	**68**	364	136
Releases	**–36**	–7	–6
Charges	**–142**	–148	–144
Exchange rate differences			–1
Closing balance	**155**	275	79

In 2013, Changes in the composition of the group and other changes includes EUR –10 million as a result of the transfer of ING U.S. and nil as a result of the classification to continuing operations of NN Group’s business in Japan. Reference is made to Note 53 “Other events”.

In 2012, a reorganisation provision of EUR 198 million was recognised for the insurance operations in the Netherlands following the initiative to accelerate the transformation programme in preparation for the stand-alone future of NN Group. In response to changing customer preferences and market dynamics, NN Group is undertaking actions to increase its agility in the current operating environment by delayering the support staff structure in the Netherlands and sharpen the strategic focus of its business units, in particular Nationale-Nederlanden. These measures are expected to result in a reduction of the workforce of around 1,350 FTE’s by the end of 2014.

In 2013 EUR 63 million from the reorganisation provision has been used as a result of the workforce reduction. The remaining provision at the balance sheet date represents the best estimate of the expected redundancy costs and are expected to be sufficient to cover the remaining costs of the transformation program. The remaining costs are costs for redundant employees in the mobility centre and future redundancies.

Notes to the Consolidated annual accounts of NN Group continued

In 2012 an additional reorganisation provision of EUR 55 million was recognised for the insurance operations in the Netherlands for the strategic initiatives announced in 2011. The main goals of the strategic initiative are to regain customer trust, diversify distribution channels, implement a new product range and increase efficiency. The remainder of this reorganisation provision will be incorporated with the above mentioned reorganisation provision per 2014.

In general Reorganisation provisions are of a short-term.

Changes in other provisions

	Litigation			Other			Total		
	2013	2012	2011	**2013**	2012	2011	**2013**	2012	2011
Opening balance	**21**	41	54	**63**	93	90	**84**	134	144
Changes in the composition of the group and other changes	**–13**	–10	–3	**30**	4	20	**17**	–6	17
Additions		9	7	**9**	14	27	**9**	23	34
Releases		–14	–7	**–3**	–32	–3	**–3**	–46	–10
Charges	**–4**	–3	–8	**–30**	–14	–34	**–34**	–17	–42
Exchange rate differences	**–1**	–2	–2	**–4**	–2	–7	**–5**	–4	–9
Closing balance	**3**	21	41	**65**	63	93	**68**	84	134

In general Other provisions are of a short-term nature.

The amounts included in Other provisions are based on best estimates with regard to amounts and timing of cash flows required to settle the obligation.

Notes to the Consolidated annual accounts of NN Group continued

PROFIT AND LOSS ACCOUNT
CONTINUING OPERATIONS
21 GROSS PREMIUM INCOME

Gross premium income

	2013	2012	2011
Gross premium income from life insurance policies	**7,848**	8,972	9,597
Gross premium income from non-life insurance policies	**1,682**	1,733	1,695
	9,530	10,705	11,292

Gross premium income has been presented before deduction of reinsurance and retrocession premiums granted. Gross premium income excludes premium received for investment contracts, for which deposit accounting is applied.

Effect of reinsurance on premiums written

			Non-Life			Life			Total
	2013	2012	2011	**2013**	2012	2011	**2013**	2012	2011
Direct gross premiums written	**1,656**	1,709	1,672	**7,842**	8,973	9,592	**9,498**	10,682	11,264
Reinsurance assumed gross premiums written	**26**	24	23	**6**	–1	5	**32**	23	28
Total gross premiums written	**1,682**	1,733	1,695	**7,848**	8,972	9,597	**9,530**	10,705	11,292
Reinsurance ceded	**–40**	–40	–39	**–103**	–100	–103	**–143**	–140	–142
	1,642	1,693	1,656	**7,745**	8,872	9,494	**9,387**	10,565	11,150

Effect of reinsurance on non-life premiums earned

	2013	2012	2011
Direct gross premiums earned	**1,657**	1,731	1,699
Reinsurance gross assumed premiums earned	**26**	24	23
Total gross premiums earned	**1,683**	1,755	1,722
Reinsurance ceded	**–40**	–40	–39
	1,643	1,715	1,683

See Note 28 “Underwriting expenditure” for disclosure on reinsurance ceded.

Notes to the Consolidated annual accounts of NN Group continued

22 INVESTMENT INCOME

Investment income			
	2013	2012	2011
Income from real estate investments	**50**	54	50
Dividend income	**180**	196	213
	230	250	263
Interest income from investments in debt securities	**1,922**	2,088	2,146
Interest income from loans:			
– unsecured loans	**176**	235	293
– mortgage loans	**416**	442	444
– policy loans	**8**	9	9
– other	**119**	40	117
Interest income from investments in debt securities and loans	**2,641**	2,814	3,009
Realised gains/losses on disposal of debt securities	**185**	–117	–35
Impairments of available-for-sale debt securities		–15	–584
Realised gains/losses and impairments of debt securities	**185**	–132	–619
Realised gains/losses on disposal of equity securities	**127**	444	368
Impairments of available-for-sale equity securities	**–172**	–144	–173
Realised gains/losses and impairments of equity securities	**–45**	300	195
Interest income on non-trading derivatives	**614**	556	634
Change in fair value of real estate investments	**–6**	–49	1
Investment income	**3,619**	3,739	3,483

In 2013, an impairment of nil (2012: nil; 2011: EUR 390 million) was recognised on Greek government bonds and an impairment of nil (2012: nil; 2011: EUR 189 million) was recognised on subordinated debt from Irish banks. Both are included in Impairments of available-for-sale debt securities. Reference is made to the “Risk management” section for further information on these impairments.

Impairments on investments are presented within Investment Income, which is part of Total income. This can be specified for each segment as follows:

Impairments on investments per segment			
			Impairments
	2013	2012	2011
Netherlands Life	**–156**	–131	–281
Netherlands Non-life	**–10**	–9	–42
Insurance Europe	**–3**	–16	–425
Japan Life		–1	
Other	**–3**	–2	–9
	–172	–159	–757

23 RESULT ON DISPOSALS OF GROUP COMPANIES

The result on disposal of the insurance businesses in Hong Kong, Macau and Thailand, the investment management businesses in Malaysia and Thailand and ING Life Korea (2012: the insurance business in Malaysia; 2011: Latin American operations) is not included in “Result on disposals of group companies” but in “Result on disposal of discontinued operations”. Reference is made to Note 33 “Discontinued operations”.

Notes to the Consolidated annual accounts of NN Group continued

Result on disposal of group companies			
	2013	2012	2011
ING Hipotecaria	**–64**		
Other	**19**		–4
	–45	0	–4

Reference is made to Note 49 “Companies and businesses acquired and divested” for more details.

24 COMMISSION INCOME

Gross fee and commission income			
	2013	2012	2011
Insurance broking	**89**	97	99
Asset management fees	**716**	687	755
Brokerage and advisory fees	**4**	7	6
Other	**147**	133	477
	956	924	1,337

Asset management fees related to the management of investments held for the risk of policyholders of EUR 36 million (2012: EUR 41 million; 2011: EUR 46 million) are included in Commission Income.

Fee and commission expenses			
	2013	2012	2011
Management fees	**20**	28	108
Brokerage and advisory fees			1
Other	**310**	303	591
	330	331	700

“Other” mainly relates to trailer fees paid to third parties.

25 VALUATION RESULTS ON NON-TRADING DERIVATIVES

Valuation results on non-trading derivatives			
	2013	2012	2011
Change in fair value of derivatives relating to:			
– fair value hedges	**–6**	6	–3
– cash flow hedges (ineffective portion)	**50**	–13	–16
– other non-trading derivatives	**–2,662**	–2,285	1,042
Net result on non-trading derivatives	**–2,618**	–2,292	1,023
Change in fair value of assets and liabilities (hedged items)	**3**	–6	3
Valuation results on assets and liabilities designated as at fair value through profit or loss (excluding trading)	**–276**	–276	–1
Net valuation results	**–2,891**	–2,574	1,025

Included in Valuation results on non-trading derivatives are the fair value movements on derivatives used to economically hedge exposures, but for which no hedge accounting is applied. These derivatives hedge exposures in insurance contract liabilities. The fair value movements on the derivatives are influenced by changes in the market conditions, such as stock prices, interest rates and currency exchange rates. The change in fair value of the derivatives is largely offset by changes in insurance contract liabilities, which are included in Underwriting expenditure. Reference is made to Note 28 “Underwriting expenditure”.

Valuation results on non-trading derivatives are reflected in the Consolidated statement of cash flows in the section “Result before tax”, in the line item “Adjusted for: other”.

Notes to the Consolidated annual accounts of NN Group continued

26 FOREIGN CURRENCY RESULTS AND NET TRADING INCOME

Foreign currency results and Net trading income	2013	2012	2011
Foreign currency results	**108**	481	–180
Net trading income	**108**	91	37
Other	**–30**	–33	26
	186	539	–117

Net trading income mainly relates to private equity investments at fair value through profit or loss.

27 OTHER INCOME

In 2011, Other income includes a gain of EUR 95 million on the repurchase of subordinated loans as disclosed in Note 14 “Subordinated loans”.

28 UNDERWRITING EXPENDITURE

Underwriting expenditure	2013	2012	2011
Gross underwriting expenditure:			
– before effect of investment result for risk of policyholder	**8,655**	10,350	13,238
– effect of investment result for risk of policyholder	**4,930**	5,517	206
	13,585	15,867	13,444
Investment result for risk of policyholders	**–4,930**	–5,517	–206
Reinsurance recoveries	**–70**	–73	–81
Underwriting expenditure	**8,585**	10,277	13,157

The investment income and valuation results regarding investments for risk of policyholders is EUR 4,930 million (2012: EUR 5,517 million; 2011: EUR 206 million). This amount is not recognised in “Investment income” nor “Valuation results on assets and liabilities designated as at fair value through profit or loss” but are in Underwriting expenditure. As a result it is shown together with the equal amount of related change in insurance provisions for risk of policyholders.

Notes to the Consolidated annual accounts of NN Group continued

Underwriting expenditure by class

	2013	2012	2011
Expenditure from life underwriting			
Reinsurance and retrocession premiums	**103**	100	103
Gross benefits	**11,576**	10,860	9,250
Reinsurance recoveries	**–58**	–61	–72
Change in life insurance provisions	**–6,429**	–2,592	1,830
Costs of acquiring insurance business	**1,863**	496	474
Other underwriting expenditure	**92**	75	84
Profit sharing and rebates	**51**	24	112
	7,198	8,902	11,781
Expenditure from non-life underwriting			
Reinsurance and retrocession premiums	**40**	40	39
Gross claims	**1,077**	1,103	1,086
Reinsurance recoveries	**–12**	–12	–9
Changes in the provision for unearned premiums	**–1**	–22	–27
Changes in the claims provision	**70**	109	5
Costs of acquiring insurance business	**258**	263	261
Other underwriting expenditure	**1**		–2
	1,433	1,481	1,353
Expenditure from investment contracts			
Costs of acquiring investment contracts	**1**	2	3
Other changes in investment contract liabilities	**–47**	–108	20
	–46	–106	23
	8,585	10,277	13,157

Profit sharing and rebates

	2013	2012	2011
Distributions on account of interest or underwriting results	**–26**	–28	21
Bonuses added to policies	**77**	52	91
	51	24	112

The total Cost of acquiring insurance business (life and non-life) and investment contracts amounted to EUR 2,122 million (2012: EUR 761 million; 2011: EUR 738 million). This includes amortisation and unlocking of DAC of EUR 1,892 million (2012: EUR 1,066 million; 2011: EUR 1,702 million) and the net amount of commissions paid of EUR 854 million (2012: EUR 1,369 million; 2011: EUR 623 million) and commissions capitalised in DAC of EUR 624 million (2012: EUR 1,674 million; 2011: EUR 1,587 million). In 2013, Cost of acquiring insurance business includes the reduction of DAC of EUR 1,405 million for Japan Closed Block VA as explained below.

The total amount of commission paid and commission payable amounted to EUR 841 million (2012: EUR 897 million; 2011: EUR 903 million). This includes the commissions recognised in Costs of acquiring insurance business of EUR 854 million (2012: EUR 1,369 million; 2011: EUR 623 million) referred to above and commissions recognised in Other underwriting expenditure of EUR –13 million (2012: EUR –472 million; 2011: EUR 280 million). Other underwriting expenditure also includes reinsurance commissions received of EUR 16 million (2012: EUR 23 million; 2011: EUR 26 million).

In 2013, “Change in life insurance provisions” includes an amount of EUR 177 million as a result of the refined market interest rate assumption that is used in determining certain components of the insurance liabilities for the separate account pension business in the Netherlands.

As set out in the section “Principles of valuation and determination of results – Insurance, investment and reinsurance contracts”, ING applies, for certain specific products or components thereof, the option in IFRS 4 to measure (components of) the provisions for liabilities under insurance contracts using market-consistent interest rates and other current estimates and assumptions. This relates mainly to certain guarantees embedded in insurance contracts in Japan. The impact of these market-consistent assumptions is reflected in “Underwriting expenditure – Change in life insurance provisions”.

Notes to the Consolidated annual accounts of NN Group continued

This impact was largely offset by the impact of related hedging derivatives. As disclosed in Note 28 “Valuation results on non-trading derivatives”, the valuation results on non-trading derivatives include the fair value movements on derivatives used to economically hedge exposures, but for which no hedge accounting is applied. For insurance operations, these derivatives hedge exposures in Insurance contract liabilities. The fair value movements on the derivatives are influenced by changes in the market conditions, such as stock prices, interest rates and currency exchange rates. The change in fair value of the derivatives is largely offset by changes in Insurance contract liabilities, which are included in Underwriting expenditure.

The “Change in life insurance provision” in 2013 includes a larger release from Insurance provisions compared to 2012 following an increase in benefit payments and lower premium income. “Underwriting expenditure – Gross benefits” increased by EUR 716 million in 2013 compared to 2012, which was largely offset by lower “Changes in life insurance provisions”. Gross premium income in 2013 was EUR 1,175 million lower compared to 2012. Furthermore, “Change in life insurance provision” in 2013 includes a release of EUR 867 million related to Japan Closed block VA as explained below.

In 2013, the separate reporting of the Japan Closed Block VA business line triggered a charge of EUR 575 million before tax to restore the reserve inadequacy of that business line to the 50% confidence level. This charge includes a reduction of DAC of EUR 1,405 million (included in “Underwriting expenditure – Costs of acquiring insurance business”, which is partly offset by a release of the life insurance provision related to unearned revenues of EUR 867 million (included in “Underwriting expenditure – Change in life insurance provisions”). Reference is made to Note 53 “Other events”.

29 INTANGIBLE AMORTISATION AND OTHER IMPAIRMENTS

Intangible amortisation and (reversals of) other impairments	2013	2012	2011
Property and equipment	**1**	1	1
Goodwill		56	
Software and other intangible assets	**2**	2	34
(Reversals of) other impairments	**3**	59	35
Amortisation of other intangible assets	**8**	10	7
	11	69	42

Reference is made to Note 9 “Intangible assets” for more details.

Impairment on Loans and advances to customers are presented under Investment income. Reference is made to the “Risk management” section for further information on impairments.

30 STAFF EXPENSE

Staff expense	2013	2012	2011
Salaries	**747**	759	799
Pension costs	**67**	–146	35
Other staff related benefit costs	**–8**	35	4
Social security costs	**101**	105	95
Share-based compensation arrangements	**11**	16	15
External employees	**206**	207	139
Education	**14**	18	15
Other staff costs	**40**	43	26
	1,178	1,037	1,128

In 2013 and 2012, the Dutch Government imposed an additional tax charge of 16% on income in excess of EUR 150,000 of each employee, subject to Dutch income tax. The tax is charged to NN Group and does not affect the remuneration of involved staff. The tax imposed on NN Group for relevant employees amounts to EUR 6.0 million (2012:EUR 5.8 million) which is included in the amounts in the table above.

Notes to the Consolidated annual accounts of NN Group continued

Number of employees

	Netherlands			International			Total		
	2013	2012	2011	**2013**	2012	2011	**2013**	2012	2011
Continuing operations – average number of employees at full time equivalent basis	**6,217**	6,868	7,305	**4,995**	5,643	5,796	**11,212**	12,511	13,101
Discontinued operations – average number of employees at full time equivalent basis				**7,285**	13,182	20,143	**7,285**	13,182	20,143
Total average number of employees at full time equivalent basis	**6,217**	6,868	7,305	**12,280**	18,825	25,939	**18,497**	25,693	33,244

Remuneration of senior management, Management Board and Supervisory Board
Reference is made to Note 52 “Related parties”.

Stock option and share plans
NN Group’s ultimate parent, ING Groep N.V., has granted option rights on ING Groep N.V. shares and conditional rights on depositary receipts (share awards) for ING Group shares to a number of senior executives (members of the management board, general managers and other officers nominated by the Management Board NN Group) and to a considerable number of employees of NN Group. The purpose of the option and share schemes, is to attract, retain and motivate senior executives and staff.

In 2012, ING granted three types of share awards, deferred shares, performance shares and upfront shares. The entitlement to the share awards was granted conditionally. If the participant remains in employment for an uninterrupted period between the grant date and the vesting date, the entitlement becomes unconditional. In addition to the employment condition, the performance shares contain a performance condition. The number of ING depositary receipts that would ultimately be granted at the end of a performance period is dependent on ING’s performance over that period. Upfront and deferred shares, with retention periods as soon as it becomes unconditional, were awarded to the Management Board members of NN Group, as well as Identified staff. ING has the authority to apply a hold back to awarded but unvested shares and a claw-back to vested shares.

In 2013, 58,954 share awards (2012: 509,553; 2011: 25,370) were granted to the Management Board NN Group. To senior management and other employees of NN Group 2,584,479 share awards (2012: 9,506,061; 2011: 8,819,873) were granted.

Every year, the Board decides whether the option and share schemes are to be continued and, if so, to what extent. In 2010 the Board decided not to continue the option scheme as from 2011. The existing option schemes up and until 2011 will be run off in the coming years.

The option rights are valid for a period of five or ten years. Option rights that are not exercised within this period lapse. Option rights granted will remain valid until the expiry date, even if the option scheme is discontinued. The option rights are subject to certain conditions, including a pre-determined continuous period of service. The exercise prices of the options are the same as the quoted prices of ING Groep N.V. shares at the date on which the options are granted.

As at 31 December 2013, no own shares were held in order to fulfil its obligations with regard to the existing stock option plan. As at 31 December 2012: 26,429,948 own shares (2011: 42,126,329) were held in connection with the option plan.

The obligations with regard to the share plans will be funded either by cash or by newly issued shares.

The tables below disclose the option rights outstanding for employees of NN Group.

Changes in option rights outstanding

	Options outstanding (in number)			Weighted average exercise price (in euros)		
	2013	2012	2011	**2013**	2012	2011
Opening balance	**33,821,638**	44,189,864	49,162,987	**14.68**	14.71	14.97
Exercised or transferred	**–19,602,450**	–1,993,691	2,170,169	**14.56**	3.42	21.49
Forfeited	**–553,906**	–1,021,065	–1,259,217	**14.43**	10.62	12.68
Expired	**–3,477,340**	–7,353,470	–5,884,075	**11.48**	18.40	20.06
Closing balance	**10,187,942**	33,821,638	44,189,864	**15.99**	14.68	14.71

In 2013, “Exercised or transferred” includes 16,750,023 option rights related to ING U.S., which was transferred to ING Group. Reference is made to Note 53 “Other events”.

Notes to the Consolidated annual accounts of NN Group continued

As at 31 December 2013 total options outstanding consists of 3,302,570 options (2012: 29,804,428; 2011: 39,333,056) relating to equity-settled share-based payment arrangements and 6,885,372 options (2012: 4,017,210; 2011: 4,856,808) relating to cash-settled share-based payment arrangements.

The weighted average share price at the date of exercise for options exercised in 2013 is EUR 8.24 (2012: EUR 6.15; 2011: EUR 8.09).

Changes in option rights non-vested

	Options non-vested (in number)			Weighted average grant date fair value (in euros)		
	2013	2012	2011	**2013**	2012	2011
Opening balance	**6,180,625**	14,164,245	21,552,537	**3.27**	2.61	3.01
Vested or transferred	**–6,012,595**	–7,333,710	–6,580,861	**3.27**	2.05	3.88
Forfeited	**–168,030**	–649,910	–807,431	**3.27**	2.74	3.03
Closing balance	**0**	6,180,625	14,164,245	**0.00**	3.27	2.61

Summary of stock options outstanding and exercisable

2013 Range of exercise price in euros	**Options outstanding as at 31 December 2013**	**Weighted average remaining contractual life**	**Weighted average exercise price**	**Options exercisable as at 31 December 2013**	**Weighted average remaining contractual life**	**Weighted average exercise price**
0.00 – 5.00	**904,094**	**5.07**	**2.90**	**904,094**	**5.07**	**2.90**
5.00 – 10.00	**1,892,578**	**6.21**	**7.36**	**1,892,578**	**6.21**	**7.36**
10.00 – 15.00	**1,002,815**	**0.39**	**14.37**	**1,002,815**	**0.39**	**14.37**
15.00 – 20.00	**3,537,026**	**2.79**	**17.23**	**3,537,026**	**2.79**	**17.23**
20.00 – 25.00	**1,389,814**	**3.11**	**24.59**	**1,389,814**	**3.11**	**24.59**
25.00 – 30.00	**1,461,615**	**2.23**	**25.17**	**1,461,615**	**2.23**	**25.17**
	10,187,942			**10,187,942**		

Summary of stock options outstanding and exercisable

2012 Range of exercise price in euros	Options outstanding as at 31 December 2012	Weighted average remaining contractual life	Weighted average exercise price	Options exercisable as at 31 December 2012	Weighted average remaining contractual life	Weighted average exercise price
0.00 – 5.00	4,491,078	6.17	2.90	4,491,078	6.17	2.90
5.00 – 10.00	8,364,153	5.43	7.80	2,183,528	0.34	9.06
10.00 – 15.00	2,774,702	1.27	14.31	2,774,702	1.27	14.31
15.00 – 20.00	9,725,616	3.73	17.26	9,725,616	3.73	17.26
20.00 – 25.00	4,004,382	4.17	24.58	4,004,382	4.17	24.58
25.00 – 30.00	4,461,707	3.23	25.17	4,461,707	3.23	25.17
	33,821,638			27,641,013		

Notes to the Consolidated annual accounts of NN Group continued

Summary of stock options outstanding and exercisable

2011 Range of exercise price in euros	Options outstanding as at 31 December 2011	Weighted average remaining contractual life	Weighted average exercise price	Options exercisable as at 31 December 2011	Weighted average remaining contractual life	Weighted average exercise price
0.00 – 5.00	6,809,837	7.18	2.90			
5.00 – 10.00	9,591,024	6.58	7.78	2,236,616	1.19	9.12
10.00 – 15.00	3,172,161	2.27	14.30	3,172,161	2.27	14.30
15.00 – 20.00	12,305,273	4.24	17.08	12,305,273	4.24	17.08
20.00 – 25.00	7,104,328	3.23	23.80	7,104,328	3.23	23.80
25.00 – 30.00	5,207,241	4.27	25.18	5,207,241	4.27	25.18
	44,189,864			30,025,619		

As at 31 December 2013, the aggregate intrinsic value of options outstanding and exercisable are EUR 12 million and EUR 12 million, respectively (2012: EUR 19 million and EUR 19 million respectively and 2011: EUR 18 million and nil respectively).

As at 31 December 2013, unrecognised compensation costs related to stock options amounted to nil (2012: EUR 1 million; 2011: EUR 10 million).

The fair value of options granted is recognised as an expense in staff expenses and is allocated over the vesting period of the options. The fair value of the option awards have been determined by using a Monte Carlo simulation model. This model takes the risk free interest rate into account (2.0% to 4.6%), as well as the expected life of the options granted (from 5 to 9 years), the exercise price, the current share price (EUR 2.90 – EUR 26.05), the expected volatility of the certificates of ING Groep N.V. shares (25% – 84%) and the expected dividend yield (0.94% – 8.99%).

The source for implied volatilities used for the valuation of the stock options is ING Group's trading system. The implied volatilities in this system are determined by ING Group's traders and are based on market data implied volatilities, not on historical volatilities.

31 INTEREST EXPENSE

Other interest expense mainly consist of interest on the subordinated loans.

In 2013, total interest income and total interest expense for items not valued at fair value through profit or loss were EUR 2,641 million and EUR –255 million respectively (2012: EUR 2,814 million and EUR –303 million respectively; 2011: EUR 3,009 million and EUR –378 million respectively). Net interest income of EUR 2,050 million is presented in the following lines in the profit and loss account.

Total net interest income

	2013	2012	2011
Investment income 22	**2,641**	2,814	3,009
Interest expense on non-trading derivatives	**–336**	–302	–350
Other interest expense	**–255**	–303	–378
	2,050	2,209	2,281

Notes to the Consolidated annual accounts of NN Group continued

32 OTHER OPERATING EXPENSE

Other operating expense	2013	2012	2011
Depreciation of property and equipment	**37**	31	29
Amortisation of software	**54**	50	36
Computer costs	**219**	203	173
Office expense	**133**	138	144
Travel and accommodation expenses	**17**	23	35
Advertising and public relations	**51**	52	49
External advisory fees	**116**	172	198
Postal charges	**9**	3	–1
Addition/(releases) of provision for reorganisations and relocations	**6**	254	43
Other	**206**	348	387
	848	1,274	1,093

Other operating expense include lease and sublease payments for the amount of EUR 13 million (2012: EUR 11 million; 2011: EUR 2 million) in respect of operating leases in which NN Group is the lessee. No individual operating lease has terms and conditions that significantly affect the amount, timing or certainty of the consolidated cash flows of NN Group.

For Addition/(releases) of provision for reorganisation and relocations reference is made to the disclosure on the reorganisation provision in Note 20 “Other liabilities”.

DISCONTINUED OPERATIONS

33 DISCONTINUED OPERATIONS

As at 31 December 2013, ING U.S. and the remaining insurance and investment management businesses in Asia (“Asia”), excluding NN Group’s business in Japan are classified as discontinued operations.

ING U.S.

At 30 September 2013, the remaining interest in ING U.S. was transferred to ING Groep N.V. As of the date of transfer, ING U.S. ceased to be consolidated; the results for the period until transfer are presented as discontinued operations.

NN Group’s business in Japan

After carefully exploring and evaluating the options available for the divestment of ING Life Japan, it was concluded that ING Life Japan will be included with NN Group’s European insurance and investment management businesses in the base case IPO of NN Group in 2014.

As a result, ING Life Japan and the Japanese Closed Block VA guarantees reinsured to ING Re (“NN Group’s business in Japan”) are no longer classified as discontinued operations. All references to Asia in this disclosure therefore, refer to the insurance and investment management businesses in Asia other than NN Group’s business in Japan.

Reference is made to Note 53 “Other events”.

In 2011, the pension, life insurance and investment management activities in Latin America (“Latin America”) were classified as discontinued operations. The divestment of Latin America was completed in December 2011.

Total net result from discontinued operations	2013	2012	2011
ING U.S.	**–174**	502	–635
Asia	**219**	337	319
Latin America			114
Net result from discontinued operations	**45**	839	–202
Net result from classification as discontinued operations Asia	**–42**	–394	
Net result from disposal of discontinued operations (1)	**17**	752	995
Total net result from discontinued operations	**20**	1,197	793

(1) The tax effect on the result on disposal of discontinued operations is nil.

Notes to the Consolidated annual accounts of NN Group continued

Net result from discontinued operations consists of the net result (after tax) of the businesses classified as discontinued operations and is presented separately in the profit and loss account. Net result from ING U.S. included in Net result from discontinued operations covers the period from the beginning of the year, till 30 September 2013 when it was transferred to ING Groep N.V.

Net result from discontinued operations was as follows:

Result from discontinued operations

	2013	2012	2011
Total income	**13,354**	21,840	22,358
Total expenses	**13,174**	20,909	22,567
Result before tax from discontinued operations	**180**	931	–209
Taxation	**135**	92	–7
Net result from discontinued operations	**45**	839	–202

In 2013, “Net result from classification as discontinued operations Asia” included a goodwill write-off of EUR 42 million in Investment Management Taiwan. In 2012, “Net result from classification as discontinued operations Asia” included goodwill write-offs of EUR 200 million in ING Life Korea, EUR 180 million in Investment Management Korea and EUR 15 million in ING Vysya Life Insurance. Reference is made to Note 11 “Assets and liabilities held for sale”.

In 2013, “Net result from disposal of discontinued operations” includes mainly the divestment gain on the sale of the insurance businesses in Hong Kong, Macau and Thailand of EUR 944 million and the divestment loss of EUR 989 million on the sale of ING Life Korea. In 2012, “Net result from disposal of discontinued operations” included the divestment gain on the sale of the insurance business in Malaysia. In 2011, Net result from disposal of discontinued operations included the divestment gain on the sale of Latin America. Reference is made to Note 49 “Companies and businesses acquired and divested”.

The net cash flow from discontinued operations was as follows:

Net cash flow from discontinued operations

	2013	2012	2011
Operating cash flow	**–5,751**	1,171	3,655
Investing cash flow	**3,961**	–2,075	929
Financing cash flow	**–642**	1,351	–4,613
Net cash flow	**–2,432**	447	–29

Sales proceeds in cash are presented in the Consolidated statement of cash flows under “Net cash flow from investment activities – Disposals and redemptions: group companies”. The proceeds relating to the IPO of ING U.S. are presented in the Consolidated statement of cash flows under “Proceeds of IPO ING U.S.”. These proceeds are not included in the table above.

The activities of ING U.S. were, prior to the transfer of ING U.S., reported in the segments Insurance United States, Insurance Closed Block VA, Investment management US and in the Corporate line US. Due to the transfer, these segments ceased to exist.

The insurance and investment management businesses in Asia were previously included respectively in the segments Insurance Asia/Pacific, Investment Management and in Other before they were classified as discontinued operations and held for sale. The segment Insurance Asia/Pacific ceased to exist in 2012, following the classification as discontinued operations, as all activities previously included in this segment are now discontinued operations.

Notes to the Consolidated annual accounts of NN Group continued

STATEMENT OF CASH FLOWS

34 NET CASH FLOW FROM INVESTING ACTIVITIES

Information on the impact of companies acquired or divested is presented in Note 49 “Companies and businesses acquired and divested”.

35 INTEREST AND DIVIDEND INCLUDED IN NET CASH FLOW

Interest and dividend received or paid

	2013	2012	2011
Interest received	**3,806**	3,558	3,861
Interest paid	**–595**	–612	–811
	3,211	2,946	3,050
Dividend received	**217**	252	340
Dividend paid	**–882**		

Interest received, interest paid and dividends received are included in operating activities in the Consolidated statement of cash flows. Dividend paid is included in financing activities in the Consolidated statement of cash flows.

OTHER

36 SEGMENTS

NN Group’s segments are based on the internal reporting structure by lines of business. The segments Insurance United States, Insurance US Closed Block VA, Investment Management US and Corporate line US ceased to exist due to the transfer of ING U.S. In 2012, the segment Insurance Asia/Pacific ceased to exist. Furthermore during 2013, NN Group has adjusted its reporting structure to better align its segmentation with the businesses that it comprises, their governance and internal management, and to reflect the decision to include ING Japan with the intended IPO of NN Group. Reference is made to Note 53 “Other events”. The comparatives have been adjusted to reflect the new segment structure.

The new reporting segments for NN Group are as follows:

Segments of NN Group
Netherlands Life
Netherlands Non-life
Insurance Europe
Japan Life
Investment Management (IM)
Other
Japan Closed Block VA

The Management Board NN Group sets the performance targets and approves and monitors the budgets prepared by the business lines. Business lines formulate strategic, commercial and financial policy in conformity with the strategy and performance targets set by the Management Board.

The accounting policies of the segments are the same as those described in Note 1 “Accounting policies”. Transfer prices for inter-segment transactions are set at arm’s length. Corporate expenses are allocated to business lines based on time spent by head office personnel, the relative number of staff, or on the basis of income and/or assets of the segment.

As of 2013, NN Group evaluates the results of its segments using a financial performance measure called operating result. Operating result is defined as result under IFRS-EU excluding the impact of non-operating items, divestments, discontinued operations and special items. Disclosures on comparative years also reflect the impact of current year’s divestments. Non-operating items include realised capital gains/losses and impairments on debt and equity securities, revaluations on assets marked-to-market through the profit and loss account and other non-operating market impacts. Special items include items of income or expense that are significant and arise from events or transactions that are clearly distinct from the ordinary operating activities.

The operating result for the life insurance business is analysed through a margin analysis, which includes the investment margin, fees and premium-based revenues and the technical margin. Operating result as presented below is a non-GAAP financial measure and is not a measure of financial performance under IFRS-EU. Because it is not determined in accordance with IFRS-EU, operating result as presented by NN Group may not be comparable to other similarly titled measures of performance of other companies.

Notes to the Consolidated annual accounts of NN Group continued

The operating result of NN Group's segments is reconciled to the Net result as reported in the IFRS-EU Consolidated profit and loss account below.

The information presented in this note is in line with the information presented to the Management Board NN Group.

The following table specifies the main sources of income of each of the segments:

Specification of the main source of income of each of the segments

Segment	Main source of income
Netherlands Life	Income from group life and individual life insurance products in the Netherlands
Netherlands Non-life	Income from non-life insurance in the Netherlands including disability and accident, fire, motor and transport insurance
Insurance Europe	Income from life insurance, pension products and to a small extent non-life insurance and retirement services in Central and Rest of Europe
Japan Life	Income from life insurance primarily Corporate Owned Life Insurance (COLI) business
Investment Management (IM)	Income from investment management activities.
Other	Income from banking activities in the Netherlands, corporate reinsurance and items related to capital management.
Japan Closed Block VA	Consists of the closed block single premium variable annuity individual life insurance portfolio in Japan, including the internally reinsured minimum guarantee risk, which has been closed to new business and which is now being managed in run-off.

In addition to these segments, NN Group reconciles the total segment results to the total result using Insurance Other. Insurance Other reflects the share in the result of the Brazilian insurer Sul América and overhead expenses of ING Group allocated to NN Group. As of 2014, Insurance Other will cease to exist.

This note does not provide information on the revenue specified to each product or service as this is not reported internally and is therefore not readily available.

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

- Non-operating items: related to (general account) investments that are held for own risk (net of policyholder profit sharing):
  - Capital gains/losses and impairments: realised gains and losses as well as impairments on financial assets that are classified as available for sale. These investments include debt and equity securities (including fixed income and equity funds), private equity (< 20% ownership), real estate funds as well as loans quoted in active markets.
  - Revaluations: revaluations on assets marked-to-market through the Consolidated profit and loss account. These investments include private equity (associates), real estate (property and associates), derivatives unrelated to product hedging programs (i.e. interest rate swaps, foreign exchange hedges) and direct equity hedges.
  - Market & other impacts: these impacts mainly comprise the change in the provision for guarantees on separate account pension contracts (net of hedging) in the Netherlands, the equity related and other deferred acquisition costs unlocking for Japan Closed-Block VA as well as the accounting volatility related to the reinsurance of minimum guaranteed benefits of Japan Closed-Block VA.
- Result on divestments: result before tax related to divested operations.
- Special items before tax: items of income or expense that are significant and arise from events or transactions that are clearly distinct from the ordinary business activities and therefore are not expected to recur frequently or regularly. This includes for instance restructuring expenses, goodwill impairments, results related to early retirement of debt and gains/losses from employee pension plan amendments or curtailments.
- Total net result from discontinued operations: Reference is made to Note 33 "Discontinued operations".

Notes to the Consolidated annual accounts of NN Group continued

Segments

2013	Netherlands Life	Netherlands Non-life	Insurance Europe	Japan Life	IM	Other	Japan Closed Block VA	Insurance Other	Total
Investment margin	**557**		**105**	**7**	**1**				**669**
Fees and premium based revenues	**461**		**507**	**436**	**444**		**136**		**1,984**
Technical margin	**237**		**191**	**2**					**431**
Operating income non-modelled life business			**20**						**20**
Life & IM operating income	**1,255**	**0**	**824**	**445**	**445**	**0**	**136**	**0**	**3,104**
Administrative expenses	**472**		**310**	**106**	**314**		**18**	**18**	**1,238**
DAC amortisation and trail commissions	**75**		**319**	**177**			**38**		**609**
Life & IM expenses	**547**	**0**	**630**	**283**	**314**	**0**	**56**	**18**	**1,847**
Life & IM operating result	**709**	**0**	**194**	**162**	**131**	**0**	**80**	**–18**	**1,257**
Non-life operating result		**79**	**5**						**84**
Operating result Other						**–373**			**–373**
Operating result	**709**	**79**	**199**	**162**	**131**	**–373**	**80**	**–18**	**968**
Non-operating items:									
– gains/losses and impairments	**–43**	**–1**	**55**	**42**		**44**	**1**		**98**
– revaluations	**27**	**5**	**–3**	**–11**		**–14**			**3**
– market & other impacts	**–329**						**–750**		**–1,079**
Special items before tax	**–22**	**–16**	**–9**			**–79**			**–126**
Result on divestments	**5**					**–50**		**129**	**84**
Result before tax from continuing operations	**347**	**66**	**243**	**192**	**131**	**–473**	**–669**	**111**	**–52**
Taxation	**65**	**14**	**77**	**71**	**34**	**–93**	**–214**	**–4**	**–50**
Minority interests	**6**		**9**						**16**
Net result from continuing operations	**276**	**53**	**156**	**121**	**97**	**–380**	**–454**	**115**	**–18**
Total net result from discontinued operations					**31**	**164**		**–167**	**28**
Net result	**276**	**53**	**156**	**121**	**127**	**–216**	**–454**	**–52**	**10**

Result on divestments reflects the sale of NN Group’s direct interest in Sul América S.A. and the sale of ING Hipotecaria.

Special items in 2013 is primarily related to the previously announced restructuring programme and additional IT expenses which is partly offset by pension curtailments in the Netherlands.

Reference is made to Note 33 “Discontinued operations” for information on discontinued operations.

Notes to the Consolidated annual accounts of NN Group continued

Segments

2012	Netherlands Life	Netherlands Non-life	Insurance Europe	Japan Life	IM	Other	Japan Closed Block VA	Insurance Other	Total
Investment margin	562		122	10					694
Fees and premium based revenues	508		514	490	430		148		2,092
Technical margin	141		210	23					374
Operating income non-modelled life business			20						20
Life & IM operating income	1,211	0	866	523	430	0	148	0	3,177
Administrative expenses	495		334	130	321		13	22	1,315
DAC amortisation and trail commissions	92		321	197			50		660
Life & IM expenses	587	0	654	328	321	0	64	22	1,976
Life & IM operating result	623	0	212	196	109	0	85	–22	1,202
Non-life operating result		103	7						110
Operating result Other						–399			–399
Operating result	623	103	219	196	109	–399	85	–22	914
Non-operating items:									
– gains/losses and impairments	138	1	–82	4	1	10			70
– revaluations	–296	–15	17	10		–34			–319
– market & other impacts	–530		–1				21		–510
Special items before tax	–225	–140	–38		–6	–43			–451
Result on divestments	–23					–7		80	50
Result before tax from continuing operations	–313	–51	115	209	105	–474	105	59	–245
Taxation	–162	–16	25	69	27	–84	33	–5	–113
Minority interests	12		9						21
Net result from continuing operations	–164	–35	81	140	77	–388	72	64	–153
Total net result from discontinued operations					–212	910		494	1,191
Net result	–164	–35	81	140	–135	523	72	558	1,038

Special items in 2012 includes costs mainly related to the strategic reorganisation measures of approximately EUR 207 million, the separation and IPO preparation of EUR 221 million, which is partly offset by a pension curtailment of EUR 100 million following the new Dutch employee pension scheme announced in 2012.

Reference is made to Note 33 “Discontinued operations” for information on discontinued operations.

Notes to the Consolidated annual accounts of NN Group continued

Segments

2011	Netherlands Life	Netherlands Non-life	Insurance Europe	Japan Life	IM	Other	Japan Closed Block VA	Insurance Other	Total
Investment margin	596		159	2	3				760
Fees and premium based revenues	499		548	437	434		149		2,065
Technical margin	278		206	–4					479
Operating income non-modelled life business	36		9						45
Life & IM operating income	1,409	0	921	434	437	0	149	0	3,350
Administrative expenses	533		353	129	313		9	28	1,364
DAC amortisation and trail commissions	109		307	187			50		652
Life & IM expenses	641	0	659	315	313	0	59	28	2,015
Life & IM operating result	768	0	262	119	124	0	91	–28	1,335
Non-life operating result		186	4						191
Operating result Other						–313			–313
Operating result	768	186	266	119	124	–313	91	–28	1,213
Non-operating items:									
– gains/losses and impairments	193	–45	–599	7	5	6			–433
– revaluations	72	5	–16	1		–39			23
– market & other impacts	–250						47		–202
Special items before tax	–83	–53	–90		–10	22			–214
Result on divestments						–8		92	83
Result before tax from continuing operations	700	93	–439	126	118	–333	138	64	468
Taxation	85	19	–49	–29	34	–95	57	–7	15
Minority interests	4		10						14
Net result from continuing operations	611	75	–400	156	85	–238	81	71	439
Total net result from discontinued operations					24	1,398		–635	787
Net result	611	75	–400	156	109	1,160	81	–564	1,226

Result on divestments in 2011 reflects the results on the sale of IIM Australia and Pacific Antai Life Insurance Company Ltd.

Special items in 2011 includes mainly, an adjustment of the Illiquid Assets Back-up Facility based on higher prepayment behaviour in the underlying Alt-A securities, the result on the repurchase of subordinated loans executed in December 2011 as disclosed in Note 27 “Other income” and Note 14 “Subordinated loans”, and restructuring expenses.

Reference is made to Note 33 “Discontinued operations” for information on discontinued operations.

Interest income and interest expenses breakdown by segments

2013	**Netherlands Life**	**Netherlands Non-life**	**Insurance Europe**	**Japan Life**	**IM**	**Other**	**Japan Closed Block VA**	**Total**
Interest income	**1,995**	**110**	**566**	**146**	**1**	**103**	**334**	**3,255**
Interest expense	**93**		**21**	**2**		**156**	**319**	**591**
	1,902	**110**	**545**	**144**	**1**	**–53**	**15**	**2,664**

Notes to the Consolidated annual accounts of NN Group continued

Interest income and interest expenses breakdown by segments

2012	Netherlands Life	Netherlands Non-life	Insurance Europe	Japan Life	IM	Other	Japan Closed Block VA	Total
Interest income	1,983	122	660	188	4	110	303	3,370
Interest expense	118	1	6	3	2	203	272	605
	1,865	121	654	185	2	–93	31	2,765

Interest income and interest expenses breakdown by segments

2011	Netherlands Life	Netherlands Non-life	Insurance Europe	Japan Life	IM	Other	Japan Closed Block VA	Total
Interest income	2,187	139	689	158	6	19	445	3,643
Interest expense	221	1	7	3	5	115	376	728
	1,966	138	682	155	1	–96	69	2,915

IFRS-EU balance sheets by segment are not reported internally to, and not managed by, the chief operating decision maker.

Total assets and Total liabilities by segment

	2013		2012		2011	
	Total assets	Total liabilities	Total assets	Total liabilities	Total assets	Total liabilities
Netherlands Life	**79,087**	**69,154**	82,098	71,227	82,150	70,048
Netherlands Non-life	**4,426**	**3,692**	4,372	3,818	4,100	3,642
Insurance Europe	**22,004**	**20,175**	24,482	22,486	22,489	20,863
Japan Life	**9,438**	**8,147**	10,998	9,035	10,838	8,971
Investment Management (IM)	**552**	**192**	639	275	775	354
Other	**32,842**	**18,482**	44,740	17,233	51,268	25,616
Japan Closed Block VA	**18,651**	**17,415**	25,518	24,079	26,993	26,006
Assets and liabilities classified as discontinued operations	**630**	**466**	184,451	171,065	183,139	169,770
Total segments	**167,630**	**137,723**	377,298	319,218	381,752	325,270
Eliminations	**–21,872**	**–6,260**	–38,545	–7,105	–46,144	–13,136
Total	**145,758**	**131,463**	338,753	312,113	335,608	312,134

37 INFORMATION ON GEOGRAPHICAL AREAS

NN Group's business lines operate in the following geographical areas: Netherlands, Belgium, Rest of Europe and Asia. The Netherlands is NN Group's country of domicile. Geographical distribution of income is based on the origin of revenue. A geographical area is a distinguishable component of NN Group engaged in providing products and services within a particular economic environment that is subject to risks and returns that are different from those of segment operating in other economic environments. The geographical analyses are based on the location of the office from which the transaction is originated.

Geographical areas

2013	**Netherlands**	**Belgium**	**Rest of Europe**	**Asia**	**Other**	**Eliminations**	**Total**
Total income	**8,140**	**860**	**2,841**	**349**	**36**	**–1,065**	**11,161**
Total assets	**160,552**	**7,843**	**15,178**	**28,089**	**644**	**–66,548**	**145,758**

Geographical areas

2012	Netherlands	Belgium	Rest of Europe	Asia	Other	Eliminations	Total
Total income	8,620	1,099	3,139	1,477	227	–1,545	13,017
Total assets	188,590	8,668	17,103	36,516	188,419	–100,543	338,753

Notes to the Consolidated annual accounts of NN Group continued

Geographical areas

2011	Netherlands	Belgium	Rest of Europe	Asia	Other	Eliminations	Total
Total income	12,138	1,193	2,989	3,252	247	–3,203	16,616
Total assets	183,471	8,374	16,071	37,830	185,925	–96,063	335,608

38 PENSION AND OTHER POST-EMPLOYMENT BENEFITS

The disclosures below refer to the position as at balance sheet date. Reference is made to Note 55 “Subsequent events” on the Dutch closed defined benefit plan, which represents approximately 95% (based on 2013 plan assets) of the total defined benefit schemes.

Balance sheet

Summary of net defined benefit asset/liability

	Pension benefits		
	2013	2012	2011
Fair value of plan assets	**6,457**	7,542	6,644
Defined benefit obligation	**6,125**	7,538	5,803
Net defined benefit asset/(liability) recognised in the balance sheet (Funded status)	**332**	4	841
Presented as:			
– Other assets	**383**	670	1,472
– Other liabilities	**–51**	–666	–631
Closing balance	**332**	4	841

NN Group maintains defined benefit retirement plans in some countries of operation. These plans provide benefits that are related to the remuneration and service of employees upon retirement. The benefits in some of these plans are subject to various forms of indexation. The indexation is either at the discretion of management or dependent upon the sufficiency of plan assets.

NN Group provides other post-employment employee benefits to certain employees and former employees. These are primarily post-employment healthcare benefits and post-employment defined benefit early-retirement plans.

Several Dutch subsidiaries of NN Group participate in the Stichting Pensioenfonds ING, in which also (subsidiaries) of ING Bank N.V. participate. NN Group N.V. and ING Bank N.V. are jointly and severally liable for deficits in the Stichting Pensioenfonds ING if the coverage ratio is below certain levels. The pension liability, assets and related expense are allocated to NN Group N.V. and ING Bank N.V.

The most recent actuarial valuations of the plan assets and the defined benefit obligation were carried out at 31 December 2013. The defined benefit obligation, and the related current service cost and past service cost, were determined using the projected unit credit method.

Changes in fair value of plan assets

	Fair value of plan assets		
	2013	2012	2011
Opening balance	**7,542**	6,644	5,813
Interest income	**268**	353	306
Remeasurements: Return on plan assets excluding amounts included in interest income	**–274**	580	482
Employer’s contribution	**250**	236	243
Participants’ contributions	**9**	9	1
Benefits paid	**–218**	–230	–230
Effect of settlement	**–97**		
Changes in the composition of the group and other changes	**–1,017**	–32	–2
Exchange rate differences	**–6**	–18	31
Closing balance	**6,457**	7,542	6,644

Notes to the Consolidated annual accounts of NN Group continued

In 2013, Changes in the composition of the group and other changes includes EUR –1,123 million as a result of the transfer of ING U.S. and nil as a result of the classification to continuing operations of NN Group’s business in Japan. Reference is made to Note 53 “Other events”. The remainder mainly relates to the transfer of approximately 400 WestlandUtrecht Bank’s employees to NN Bank. Reference is made to Note 49 “Companies and businesses acquired and divested”.

The actual return on the plan assets amounts to EUR –6 million (2012: EUR 933 million; 2011: EUR 788 million).

No plan assets are expected to be returned to NN Group during 2014.

Changes in defined benefit obligation and other post-employment benefits

	Defined benefit obligation			Other post-employment benefits		
	2013	2012	2011	**2013**	2012	2011
Opening balance	**7,538**	5,803	5,758	**77**	74	69
Current service cost	**122**	102	105	**–7**	7	5
Interest cost	**266**	299	303			
Remeasurements: Actuarial gains and losses arising from changes in demographic assumptions	**2**					
Remeasurements: Actuarial gains and losses arising from changes in financial assumptions	**–112**	1,814	–99			
Benefits paid	**–220**	–232	–250		–4	–4
Past service cost			1			
Changes in the composition of the group and other changes	**–1,354**	–80	–3	**–29**	1	3
Effect of curtailment or settlement	**–100**	–133	–64			
Exchange rate differences	**–17**	–35	52	**–1**	–1	1
Closing balance	**6,125**	7,538	5,803	**40**	77	74

In 2013, Changes in the composition of the group and other changes includes EUR –1,494 million as a result of the transfer of ING U.S. and EUR 45 million as a result of the classification to continuing operations of NN Group’s business in Japan. Reference is made to Note 53 “Other events”. The remainder mainly relates to the transfer of approximately 400 WestlandUtrecht Bank’s employees to NN Bank. Reference is made to Note 49 “Companies and businesses acquired and divested”.

2013 – Effect of curtailment

In 2013, “Effect of curtailment or settlement” includes the curtailments of a pension plan in the Netherlands. This plan is closed for new pension rights and is replaced by a defined contribution plan.

2012 – Effect of curtailment – New pension plan for employees in the Netherlands

In 2012, an agreement on a new pension plan for employees in the Netherlands was finalised, following acceptance by both the unions and their members. The new pension plan has taken effect on 1 January 2014. Under the agreement, a new separate pension fund has been created. The new plan qualifies as a defined contribution plan under IFRS-EU and has replaced the existing defined benefit plan in the Netherlands.

The key elements of the new scheme are:

- NN Group contributes a yearly pre-defined premium to the fund. The employee contribution to the new scheme will gradually increase to one-third of the base pension premium;
- The minimum salary level at which pensions are provided will be lowered to EUR 15,000;
- Pension benefit will be based on average wage over period of employment with a 2% annual accrual rate;
- The pension fund, not NN Group, will bear responsibility for funding adequacy; NN Group to pay an additional risk premium;
- Responsibility for inflation indexation will move to the new fund; and
- Standard retirement age will be raised to 67.

At the start of the new defined contribution plan on 1 January 2014, the current defined benefit plan has stopped accruing new pension benefits. Accruals recognised under the defined benefit plan up to that date will remain valid. The change to the new pension plan represents a curtailment under IFRS-EU and has resulted in a release of provisions previously taken by NN Group to cover estimated future liabilities in the existing defined benefit plan that are now no longer required. This release amounted to a one-off gain of EUR 100 million after tax (EUR 133 million before tax). The curtailment was included in Staff expenses in 2012. This curtailment is related to the defined benefit plan in the Netherlands, which represented approximately 75% of the above defined benefit obligation on 31 December 2012.

Notes to the Consolidated annual accounts of NN Group continued

2011 – Effect of curtailment

In 2011, effect of curtailment or settlement related mainly to a curtailment in relation to a change in one of the pension plans in the United States.

Amounts recognised directly in Other comprehensive income (equity) were as follows:

Remeasurement of the net defined benefit asset/liability

	2013	2012	2011
Remeasurement of plan assets	**–274**	580	482
Actuarial gains and losses arising from changes in demographic assumptions	**–2**		
Actuarial gains and losses arising from changes in financial assumptions	**112**	–1,814	99
Changes in the composition of the group and other changes	**170**	2	–14
Taxation	**–48**	322	–137
	–42	–910	430

The cumulative amount of remeasurements recognised directly in Other comprehensive income (equity) is EUR –1,388 million (EUR –1,042 million after tax) as at 31 December 2013 (2012: EUR –1,395 million, EUR –1,000 million after tax; 2011: EUR –163 million, EUR –90 million after tax).

Information on plan assets and defined benefit obligation per country

The defined benefit obligation per country and the plan assets per country can be specified as follows:

Plan assets and defined benefit obligation per country

	Plan assets			Defined benefit obligation		
	2013	2012	2011	**2013**	2012	2011
The Netherlands	**6,436**	6,482	5,679	**6,053**	5,818	4,202
Belgium	**8**	8	7	**15**	16	13
Other countries	**13**	1,052	958	**57**	1,704	1,588
	6,457	7,542	6,644	**6,125**	7,538	5,803

Determination of the net defined benefit asset/liability

The table provides the key assumptions used in the determination of the Net defined benefit asset/liability and the Other post-employment benefits.

Weighted averages of basic actuarial assumptions in annual % as at 31 December

	Net defined benefit asset/liability			Other post-employment benefits		
	2013	2012	2011	**2013**	2012	2011
Discount rates	**3.70**	3.80	5.30	**2.80**	2.30	4.10
Mortality rates	**0.80**	0.80	1.00	**0.80**	0.80	1.00
Expected rates of salary increases (excluding promotion increases)	**2.00**	2.50	2.50	**2.00**	2.00	2.00
Indexation	**2.00**	1.90	1.80	**2.00**	2.00	2.00

The assumptions above are weighted by defined benefit obligations. The rates used for salary developments, interest discount factors and other adjustments reflect country-specific conditions.

The discount rate is the weighted average of the discount rates that are applied in different regions where NN Group has defined benefit pension plans. The discount rate is based on a methodology that uses market yields on high quality corporate bonds of the specific regions with durations matching the pension liabilities as key input. Market yields of high quality corporate bonds reflect the yield on corporate bonds with an AA rating for durations where such yields are available. An extrapolation is applied in order to determine the yield to the longer durations for which no AA-rated corporate bonds are available. As a result of the limited availability of long-duration AA-rated corporate bonds, extrapolation is an important element of the determination of the discount rate.

Notes to the Consolidated annual accounts of NN Group continued

The discount rate is approximately 3.7% on 31 December 2013 (2012: 3.8%). As disclosed in the 2012 Annual Accounts, discussions were ongoing, both in the industry and at the IASB, on the definition of the discount rate for defined benefit pension liabilities and NN Group would reconsider the methodology for setting the discount rate if and when appropriate. The discount rate used by NN Group remains based on AA-rated corporate bonds. During 2013, NN Group further refined its methodology to extrapolate the observable AA-rated corporate bond rates to the full duration of the defined benefit pension liability. The refined methodology and the resulting discount rate are more in line with observed market practices. The impact of the refinement of the extrapolation was an increase in the defined benefit obligation as at 31 December 2013 of approximately EUR 1.0 billion (EUR 0.7 billion after tax); this impact was recognised in Other comprehensive income (equity) in 2013. In 2012, the discount rate changed from 5.3% in 2011 to 3.8% in 2012 resulting in an increase of the defined benefit obligation of approximately EUR 2 billion.

On 31 December 2013, the actuarial assumption for Indexation for inflation is 2.0% (1.9% in 2012). This percentage is mainly based on the expected inflation and the best estimate assumption for future indexation in the pension plan in the Netherlands. The best estimate assumption for future indexation was amended in 2013 to reflect the outcome of the arbitration in respect of the 2013 indexation as disclosed in Note 48 “Legal proceedings”.

Sensitivity analysis of key assumptions

The sensitivity analysis of the most significant assumptions has been determined based on changes of the assumptions occurring at the end of the reporting period that are deemed reasonably possible.

The table discloses the financial impact on the defined benefit obligation if the weighted averages of each significant actuarial assumption would increase or decrease if all other assumptions were held constant. In practice, this is unlikely to occur, and some changes of the consumptions may be correlated.

Sensitivity analysis – financial impact of changes in significant actuarial assumptions on the defined benefit obligation

2013	Financial impact of increase	Financial impact of decrease
Discount rates – increase/ decrease of 1%	–280	299
Mortality – increase/ decrease of 1 year	205	–211
Expected rates of salary increases (excluding promotion increases) – increase/ decrease of 0.25%	48	–41
Indexation – increase/ decrease 0.25%	256	–242

Expected cash flows

Annual contributions are paid to the funds at a rate necessary to adequately finance the accrued liabilities of the plans calculated in accordance with local legal requirements. Plans in all countries comply with applicable local regulations governing investments and funding levels. NN Group’s subsidiaries should fund the cost of the entitlements expected to be earned on a yearly basis.

For 2014 the expected contributions to pension plans are EUR 46 million.

The following benefit payments, which reflect expected future service as appropriate, are expected to be made by the plan:

Benefit payments

	Defined benefit obli-gation	Other post-employ-ment benefits
2014	150	2
2015	154	2
2016	162	2
2017	171	2
2018	181	2
Years 2019 – 2023	1,064	12

Notes to the Consolidated annual accounts of NN Group continued

The average duration of the benefit obligation at the end of the reporting period is 20 years (2012: 20 years). This number can be subdivided into the duration related to:
- active members: 26 years (2012: 27 years);
- inactive members: 23 years (2012: 24 years); and
- retired members: 11 years (2012: 11 years).

The Sensitivity analysis of key assumptions and Expected cash flows presented above does not take into consideration the subsequent event that was announced in February 2014 with regard to the transfer of all future funding and indexation obligations under ING's current closed defined benefit plan in the Netherlands to the Dutch ING Pension Fund. Reference is made to Note 55 "Subsequent events" for information on this agreement.

Profit and loss account

Pension and other staff-related benefit costs

	Net defined benefit asset/liability			Other post-employment benefits			Other			Total		
	2013	2012	2011	**2013**	2012	2011	**2013**	2012	2011	**2013**	2012	2011
Current service cost	**90**	76	81	**–7**	7	5				**83**	83	86
Past service cost			1							**0**	0	1
Net interest cost	**–26**	–93	–47							**–26**	–93	–47
Effect of curtailment or settlement	**–3**	–133								**–3**	–133	0
Other	**–1**				2	1	**–1**	26	–2	**–2**	28	–1
Defined benefit plans	**60**	–150	35	**–7**	9	6	**–1**	26	–2	**52**	–115	39
Defined contribution plans										**7**	4	
										59	–111	39

Defined contribution plans
Certain group companies sponsor defined contribution pension plans. The assets of all NN Group's defined contribution plans are held in independently administered funds. Contributions are generally determined as a percentage of pay. These plans do not give rise to balance sheet provisions, other than relating to short-term timing differences included in other assets/liabilities.

Additional information on the closed defined benefit plan in the Netherlands
The largest defined benefit plan is in the Netherlands (94% of the total defined benefit obligation). The defined benefit plan is administered by a fund (PFI) that is legally separated from NN Group. The board of the pension fund is required by law or by articles of association to act in the interest of the fund and of all relevant stakeholders in the scheme, i.e. active employees, inactive employees, retirees and the employer. The board of the pension fund is responsible for the investment policy with regard to the assets of the fund, including the asset-liability matching strategies of the plan. The plan in the Netherlands typically exposes NN Group to risks such as: investment risk, interest rate risk and longevity risk. The primary financial objective of the plan in the Netherlands is to secure accumulated participant retirement benefits.

Since the plan will be closed for new pension accruals as of 1 January 2014, no premiums will be paid into the plan. However, ING decides annually whether or not to grant a lump sum payment for indexation of the accrued pensions.

When the coverage ratio (assets divided by liabilities) of the plan is lower than 105% at year end, ING is required to pay the plan an additional contribution in order to increase the coverage ratio to 106.7%. When the coverage ratio of the plan is lower than 110% but higher than 105% at year end, ING is required to pay the plan an additional contribution in accordance with a pre-defined formula. When the coverage ratio is higher than 140%, ING receives a premium reduction in future periods.

In February 2014, ING reached an agreement with the various stakeholders to transfer all future funding and indexation obligations under the current closed defined benefit plan in the Netherlands to the Dutch ING Pension Fund. The agreement will make the Dutch ING Pension Fund financially independent.

This agreement will result in the removal of the net pension asset related to the Dutch defined benefit pension plan from the Consolidated balance sheet. Reference is made to Note 55 "Subsequent events" for information on this agreement.

Notes to the Consolidated annual accounts of NN Group continued

Defined benefit plan in the Netherlands – Major categories of plan assets									
	Fair value of plan assets								
	Quoted price			Other			Total		
	2013	2012	2011	**2013**	2012	2011	**2013**	2012	2011
Investment portfolio of the pension fund									
Debt securities (fixed income investments):									
– Governments bonds	**2,985**	2,652	2,174				**2,985**	2,652	2,174
– Corporate bonds	**461**	462	440				**461**	462	440
– Other bonds (developing markets)	**298**	379	283				**298**	379	283
Total fixed income investments	**3,744**	3,493	2,897	**0**	0	0	**3,744**	3,493	2,897
Equity security investments:									
– Equity securities in developed markets	**1,144**	1,066	1,313				**1,144**	1,066	1,313
– Equity securities in developing markets	**334**	370					**334**	370	0
Total equity security investments	**1,478**	1,436	1,313	**0**	0	0	**1,478**	1,436	1,313
Real estate investments:									
– Listed	**55**	66	55				**55**	66	55
– Not listed				**277**	282	269	**277**	282	269
Total real estate investments	**55**	66	55	**277**	282	269	**332**	348	324
Alternative investments:									
– Private equity				**115**	104	81	**115**	104	81
– Hedge funds				**56**	51	88	**56**	51	88
– Commodities					65	94		65	94
Total alternative investments	**0**	0	0	**171**	220	263	**171**	220	263
Other assets and liabilities (accrued interest)				**84**	28	38	**84**	28	38
Derivatives (1)	**181**	442	427				**181**	442	427
Cash and cash equivalents				**145**	47	19	**145**	47	19
Total Assets of the pension fund	**5,458**	5,437	4,692	**677**	577	589	**6,135**	6,014	5,281

(1) Derivatives are presented net.

The table above relates to the defined benefit pension plan in the Netherlands that is closed for new pension rights as of 1 January 2014.

At 31 December 2013 the defined benefit plan in the Netherlands did not hold any investments in ING Group At 31 December 2012 Debt securities included EUR 44 million (0.20% of total plan assets) of investments in ING Group and at 31 December 2011 Debt securities included EUR 14 million (0.20% of total plan assets).

Notes to the Consolidated annual accounts of NN Group continued

39 TAXATION

Changes in deferred tax	Net liability 2012 (1)	Change through equity	Change through net result	Changes in the composition of the group and other changes	Exchange rate differences	Net liability 2013 (1)
Investments	3,105	–1,775	–711	334	–16	937
Real estate investments	347		–22	–42		283
Financial assets and liabilities at fair value through profit or loss	–26			9		–17
Deferred acquisition costs and VOBA	1,351	339	–332	–893	–153	312
Depreciation	–4		–2	1		–5
Insurance provisions	–3,986	692	1,133	821	25	–1,315
Cash flow hedges	1,183	–279		15		919
Pension and post-employment benefits	–222	48	52	240	7	125
Other provisions	38		2	2		42
Receivables	–39		3	9	–3	–30
Loans and advances to customers	16		–3	–12		1
Unused tax losses carried forward	–682		161	–16	2	–535
Other	63	–46	–10	–98	25	–66
	1,144	–1,021	271	370	–113	651
Presented in the balance sheet as:						
– deferred tax liabilities	1,220					702
– deferred tax assets	–76					–51
	1,144					651

(1) + = liabilities, – = assets

In 2013, Changes in the composition of the group and other changes includes EUR 158 million as a result of the transfer of ING U.S. and EUR 551 million as a result of the classification to continuing operations of NN Group’s business in Japan. Reference is made to Note 53 “Other events”.

Notes to the Consolidated annual accounts of NN Group continued

Changes in deferred tax

	Net liability 2011 (1)	Change through equity	Change through net result	Changes in the composition of the group and other changes	Exchange rate differences	Net liability 2012 (1)
Investments	1,736	1,978	–79	–480	–50	3,105
Real estate investments	378		–23	–8		347
Financial assets and liabilities at fair value through profit or loss	–20			–5	–1	–26
Deferred acquisition costs and VOBA	2,731	–147	166	–1,301	–98	1,351
Depreciation			–4			–4
Insurance provisions	–3,350	–803	–293	408	52	–3,986
Cash flow hedges	955	235		–7		1,183
Pension and post-employment benefits	18	–320	31	39	10	–222
Other provisions	–161		317	–134	16	38
Receivables	–31		1	–8	–1	–39
Loans and advances to customers	14		–2	3	1	16
Unused tax losses carried forward	–674		–48	36	4	–682
Other	61	9	–135	111	17	63
	1,657	952	–69	–1,346	–50	1,144
Presented in the balance sheet as:						
– deferred tax liabilities	1,843					1,220
– deferred tax assets	–186					–76
	1,657					1,144

(1) + = liabilities, – = assets

In 2012, “Changes in the composition of the group and other changes” related mainly to the classification of the insurance and investment management businesses in Asia as a disposal group held for sale. Reference is made to Note 11 “Assets and liabilities held for sale”.

Changes in deferred tax

	Net liability 2010 (1)	Change through equity	Change through net result	Changes in the composition of the group and other changes	Exchange rate differences	Net liability 2011 (1)
Investments	–13	1,267	469	–62	75	1,736
Real estate investments	383		–10	5		378
Financial assets and liabilities at fair value through profit or loss	24		–13	–30	–1	–20
Deferred acquisition costs and VOBA	3,111	–272	–194	–45	131	2,731
Fiscal equalisation reserve	1		–1			0
Depreciation	–2		2			0
Insurance provisions	–1,866	–572	–773	–9	–130	–3,350
Cash flow hedges	485	468			2	955
Pension and post-employment benefits	83	137	31	–218	–15	18
Other provisions	–597		423	3	10	–161
Receivables	–28			–4	1	–31
Loans and advances to customers	11		4		–1	14
Unused tax losses carried forward	–670		20	–15	–9	–674
Other	96		–24	5	–16	61
	1,018	1,028	–66	–370	47	1,657
Presented in the balance sheet as:						
– deferred tax liabilities	1,197					1,843
– deferred tax assets	–179					–186
	1,018					1,657

(1) + = liabilities, – = assets

Notes to the Consolidated annual accounts of NN Group continued

Deferred tax in connection with unused tax losses carried forward	2013	2012	2011
Total unused tax losses carried forward	**2,313**	4,753	5,919
Unused tax losses carried forward not recognised as a deferred tax asset	**–165**	–2,231	–3,647
Unused tax losses carried forward recognised as a deferred tax asset	**2,148**	2,522	2,272
Average tax rate	**24.9%**	27.0%	29.7%
Deferred tax asset	**535**	682	674

The following tax losses carried forward and tax credits will expire as follows as at 31 December:

Total unused tax losses carried forward analysed by expiry terms	No deferred tax asset recognised			Deferred tax asset recognised		
	2013	2012	2011	**2013**	2012	2011
Within 1 year	**1**	19	11	**11**	15	40
More than 1 year but less than 5 years	**123**	132	229	**9**	166	404
More than 5 years but less than 10 years	**27**	111	507	**1,313**	2,113	1,075
More than 10 years but less than 20 years		1,969	2,885	**295**		192
Unlimited	**14**		15	**520**	228	561
	165	2,231	3,647	**2,148**	2,522	2,272

Deferred tax assets are recognised for temporary deductible differences, for tax losses carried forward and unused tax credits only to the extent that realisation of the related tax benefit is probable.

The deferred tax asset includes balances for which the utilisation is dependent on future taxable profits whilst the related entities have incurred losses in either the current year or the preceding year. The aggregate amount for the most significant entities to which this applies is EUR 94 million (2012: EUR 129 million; 2011: EUR 209 million).

This can be specified by jurisdiction as follows:

Breakdown by jurisdiction	2013	2012	2011
United States			120
Belgium	**39**	73	70
Spain	**55**	56	19
	94	129	209

Recognition is based on the fact that it is probable that the entity will have taxable profits and /or can utilise tax planning opportunities before expiration of the deferred tax assets. Changes in circumstances in future periods may adversely impact the assessment of the recoverability. The uncertainty of the recoverability is taken into account in establishing the deferred tax assets.

As at 31 December 2013, 31 December 2012 and 31 December 2011, NN Group had no significant temporary differences associated with the parent company's investments in subsidiaries, branches and associates and interest in joint ventures as any economic benefit from those investments will not be taxable at parent company level.

Profit and loss account

Taxation on continuing operations by type	Netherlands			International			Total		
	2013	2012	2011	**2013**	2012	2011	**2013**	2012	2011
Current tax	**64**	–99	31	**–21**	111	69	**43**	12	100
Deferred tax	**–168**	–135	–38	**75**	10	–47	**–93**	–125	–85
	–104	–234	–7	**54**	121	22	**–50**	–113	15

Notes to the Consolidated annual accounts of NN Group continued

The 2013 taxation in the Netherlands changed with EUR 130 million to EUR –104 million from EUR –234 million in the previous year mainly caused by higher result before tax compared with 2012. Also, the higher result before tax in 2013 was comprised of lower non-taxable profit items compared with 2012.

Reconciliation of the weighted average statutory income tax rate to NN Group's effective income tax rate

	2013	2012	2011
Result before tax from continuing operations	**–52**	–245	468
Weighted average statutory tax rate	**45.6%**	–22.1%	23.9%
Weighted average statutory tax amount	**–24**	54	112
Associates exemption	**–89**	–161	–121
Other income not subject to tax	**–31**	–34	–34
Expenses not deductible for tax purposes	**41**	32	46
Impact on deferred tax from change in tax rates	**22**	11	2
Deferred tax benefit from previously unrecognised amounts	**–2**	–6	
Current tax benefit from previously unrecognised amounts		–7	
Write-off/reversal of deferred tax assets	**6**		
Adjustments to prior periods	**27**	–2	10
Effective tax amount	**–50**	–113	15
Effective tax rate	**98.1%**	46,7%	3,2%

The weighted average statutory tax rate in 2013 differs significantly compared with 2012. This is mainly a result of the composition of the result before tax from continuing operations in 2013 and 2012.

The weighted average statutory tax rate in 2012 differs significantly from 2011. This is mainly a result of the composition of the result before tax from continuing operations in 2012 and 2011. In 2012 relatively more profits were taxable in countries with high rates while relatively more losses were incurred in countries with lower tax rates.

The effective tax rate in 2013 was higher (favourable in a tax loss situation) than the weighted average statutory tax rate. This is mainly caused by non-taxable income which is only partly offset by non-deductible expenses, tax rate changes and prior year adjustments.

The effective tax rate in 2012 was higher (favourable in a tax loss situation) than the negative weighted average statutory tax rate. This is mainly caused by non-taxable income which is only partly offset by non-deductible expenses.

The effective tax rate in 2011 was lower than the weighted average statutory tax rate. This was mainly caused by exempt income which is only partly offset by non-deductible expenses.

Adjustment to prior periods in 2013 relates to a true up of the tax position in the Netherlands.

Adjustment to prior periods in 2011 related mainly to final tax assessments.

Comprehensive income

Income tax related to components of other comprehensive income

	2013	2012	2011
Remeasurement of the net defined benefit asset/liability	**–48**	322	–137
Unrealised revaluations property in own use		4	
Unrealised revaluations available-for-sale investments and other	**1,648**	–1,904	–1,148
Realised gains/losses transferred to profit and loss (reclassifications from equity to profit and loss)	**17**	–36	–102
Changes in cash flow hedge reserve	**275**	–236	–467
Transfer to insurance liabilities/DAC	**–879**	911	847
Exchange rate differences and other changes		–82	–1
Total income tax related to components of other comprehensive income	**1,013**	–1,021	–1,008

40 FAIR VALUE OF ASSETS AND LIABILITIES

FINANCIAL ASSETS AND LIABILITIES

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

Fair value of financial assets and liabilities

	Estimated fair value			Balance sheet value		
	2013	2012	2011	**2013**	2012	2011
Financial assets						
Cash and cash equivalents	**7,155**	5,389	11,577	**7,155**	5,389	11,577
Financial assets at fair value through profit or loss:						
– trading assets	**736**	586	534	**736**	586	534
– investments for risk of policyholders	**39,589**	98,765	116,438	**39,589**	98,765	116,438
– non-trading derivatives	**3,126**	5,107	7,285	**3,126**	5,107	7,285
– designated as at fair value through profit or loss	**482**	2,000	2,616	**482**	2,000	2,616
Available-for-sale investments	**61,014**	119,305	133,604	**61,014**	119,305	133,604
Loans and advances to customers	**26,114**	26,873	33,385	**25,319**	25,823	32,928
Other assets (1)	**3,180**	6,177	7,819	**3,180**	6,177	7,819
	141,396	264,202	313,258	**140,601**	263,152	312,801
Financial liabilities						
Subordinated loans	**2,928**	2,894	4,098	**2,892**	2,947	4,367
Debt securities in issue		2,082	3,480		1,910	3,436
Other borrowed funds	**4,817**	7,458	7,312	**4,817**	7,442	7,307
Investment contracts for risk of company	**795**	4,624	6,717	**810**	4,561	6,259
Investment contracts for risk of policyholders	**1,588**	8,067	6,939	**1,588**	8,067	6,939
Customer deposits and other funds on deposit	**5,764**			**5,769**		
Financial liabilities at fair value through profit or loss:						
– non-trading derivatives	**1,843**	3,258	4,404	**1,843**	3,258	4,404
Other liabilities (2)	**2,701**	8,133	10,324	**2,701**	8,133	10,324
	20,436	36,516	43,274	**20,420**	36,318	43,036

(1) Other assets does not include (deferred) tax assets, net defined benefit assets and property development and obtained from foreclosures.
(2) Other liabilities does not include (deferred) tax liabilities, net defined benefit liabilities, insurance provisions, other provisions and other taxation and social security contributions.

The estimated fair value represents the price at which an orderly transaction to sell the financial asset or to transfer the financial liability would take place between market participants at the balance sheet date ("exit price"). The fair value of financial assets and liabilities is based on unadjusted quoted market prices, where available. Such quoted market prices are primarily obtained from exchange prices for listed instruments. Where an exchange price is not available market prices are obtained from independent market vendors, brokers or market makers. Because substantial trading markets do not exist for all financial instruments various techniques have been developed to estimate the approximate fair value of financial assets and liabilities that are not actively traded. These techniques are subjective in nature and involve various assumptions about the relevant pricing factors, especially for inputs that are not readily available in the market (such as credit spreads for own-originated loans and advances to customers). Changes in these assumptions could significantly affect the estimated fair value. Consequently, the fair value presented may not be indicative of the net realisable value. In addition, the calculation of the estimated fair value is based on market conditions at a specific point in time and may not be indicative of the future fair value.

Notes to the Consolidated annual accounts of NN Group continued

The following methods and assumptions were used by NN Group to estimate the fair value of the financial instruments:

Financial assets
Cash and cash equivalents
Cash and cash equivalents are recorded at their nominal value that approximates its fair value.

Financial assets at fair value through profit or loss and Available-for-sale Investments
Derivatives
Derivative contracts can either be exchange-traded or over the counter (OTC). The fair value of exchange-traded derivatives is determined using quoted market prices in an active market and those derivatives are classified in Level 1 of the fair value hierarchy. For those instruments not actively traded, the fair value is estimated based on valuation techniques. OTC derivatives and derivatives trading in an inactive market are valued using valuation techniques because quoted market prices in an active market are not available for such instruments. The valuation techniques and inputs depend on the type of derivative and the nature of the underlying instruments. The principal techniques used to value these instruments are based on discounted cash flows, Black-Scholes option models and Monte Carlo simulation. These valuation models calculate the present value of expected future cash flows, based on “no arbitrage” principles. These models are commonly used in the financial industry. Inputs to valuation models are determined from observable market data where possible. Certain inputs may not be observable in the market directly, but can be determined from observable prices via valuation model calibration procedures. The inputs used include prices available from exchanges, dealers, brokers or providers of pricing, yield curves, credit spreads, default rates, recovery rates, dividend rates, volatility of underlying interest rates, equity prices and foreign currency exchange rates. These inputs are determined with reference to quoted prices, recently executed trades, independent market quotes and consensus data, where available.

Equity securities
The fair value of publicly traded equity securities is based on quoted market prices when available. Where no quoted market prices are available, fair value is determined based on quoted prices for similar securities or other valuation techniques. The fair value of private equity is based on quoted market prices, if available. In the absence of quoted prices in an active market, fair value is estimated on the basis of an analysis of the investee’s financial position and results, risk profile, prospects, price, earnings comparisons and revenue multiples and by reference to market valuations for similar entities quoted in an active market.

Debt securities
The fair value for debt securities is based on quoted market prices, where available. Quoted market prices may be obtained from an exchange, dealer, broker, industry group, pricing service or regulatory service. If quoted prices in an active market are not available, fair value is based on an analysis of available market inputs, which may include values obtained from one or more pricing services or by a valuation technique that discounts expected future cash flows using market interest rate curves, referenced credit spreads, maturity of the investment and estimated prepayment rates where applicable.

Loans and receivables
Reference is made to Loans and advances to customers below.

Loans and advances to customers
For loans and advances that are repriced frequently and have had no significant changes in credit risk, carrying amounts represent a reasonable estimate of the fair value. The fair value of other loans is estimated by discounting expected future cash flows using interest rates offered for similar loans to borrowers with similar credit ratings.

The fair value of mortgage loans is estimated by taking into account prepayment behaviour and discounting future cash flows using interest rates currently being offered for similar loans to borrowers with similar credit ratings. The fair value of fixed rate policy loans is estimated by discounting cash flows at the interest rates charged on policy loans of similar policies currently being issued. Loans with similar characteristics are aggregated for calculations purposes. The book values of variable rate policy loans approximate their fair value.

Other assets
The other assets are stated at their carrying value which is not significantly different from their fair value.

Financial Liabilities
Subordinated loans
The fair value of the subordinated loans is estimated using discounted cash flows based on interest rates and credit spreads that apply to similar instruments.

Investment contracts
For investment contracts for risk of the company the fair value have been estimated using a discounted cash flow approach based on interest rates currently being offered for similar contracts with maturities consistent with those remaining for the contracts being valued. For investment contracts for risk of policyholders the fair value generally equals the fair value of the underlying assets. For other investment-type contracts, the fair value is estimated based on the cash surrender values.

Financial liabilities at fair value through profit or loss
The fair value of securities in the trading portfolio and other liabilities at fair value through profit or loss is based on quoted market prices, where available. For those securities not actively traded, fair value is estimated based on internal discounted cash flow valuation techniques using interest rates and credit spreads that apply to similar instruments. Reference is made to Financial assets at fair value through profit or loss above.

Debt securities in issue and other borrowed funds
The fair value of debt securities in issue and other borrowed funds is generally based on quoted market prices or, if not available, on estimated prices by discounting expected future cash flows using a current market interest rate and credit spreads applicable to the yield, credit quality and maturity.

Other liabilities
The other liabilities are stated at their carrying value which is not significantly different from their fair value.

Fair value hierarchy
NN Group has categorised its financial instruments that are either measured in the balance sheet at fair value or of which the fair value is disclosed, into a three level hierarchy based on the priority of the inputs to the valuation. The fair value hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities and the lowest priority to valuation techniques supported by unobservable inputs. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide reliable pricing information on an ongoing basis.

The fair value hierarchy consists of three levels, depending on whether the fair value is determined based on (unadjusted) quoted prices in an active market (Level 1), valuation techniques with observable inputs (Level 2) or valuation techniques that incorporate inputs which are unobservable and which have a more than insignificant impact on the fair value of the instrument (Level 3). Financial assets in Level 3 include, for example, illiquid debt securities, complex OTC and credit derivatives, certain complex loans (for which current market information about similar assets to use as observable, corroborated data for all significant inputs into a valuation model is not available), private equity instruments and investments in real estate funds.

Observable inputs reflect market data obtained from independent sources. Unobservable inputs are inputs which are based on NN Group’s own assumptions about the factors that market participants would use in pricing an asset or liability, developed based on the best information available in the circumstances. Unobservable inputs may include volatility, correlation, spreads to discount rates, default- and recovery rates, prepayment rates and certain credit spreads. Transfers into and transfers out of levels in the fair value hierarchy are recognised on the date of the event or change of circumstances that caused the transfer.

Level 1 – (Unadjusted) Quoted prices in active markets
This category includes financial instruments whose fair value is determined directly by reference to published quotes in an active market that NN Group can access. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Valuation technique supported by observable inputs
This category includes financial instruments whose fair value is determined using a valuation technique (e.g. a model), where inputs in the model are taken from an active market or are observable. If certain inputs in the model are unobservable the instrument is still classified in this category, provided that the impact of those unobservable inputs elements on the overall valuation is insignificant. Included in this category are items whose value is derived from quoted prices of similar instruments, but for which the prices are modified based on other market observable external data and items whose value is derived from quoted prices but for which there was insufficient evidence of an active market.

Notes to the Consolidated annual accounts of NN Group continued

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

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

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

2013	Level 1	Level 2	Level 3	Total
Financial assets				
Trading assets	**13**	**3**	**720**	**736**
Investments for risk of policyholders	**38,228**	**1,113**	**248**	**39,589**
Non-trading derivatives	**3**	**3,123**		**3,126**
Financial assets designated as at fair value through profit or loss	**450**	**32**		**482**
Available-for-sale investments	**47,916**	**10,989**	**2,109**	**61,014**
	86,610	**15,260**	**3,077**	**104,947**
Financial liabilities				
Non-trading derivatives	**114**	**1,729**		**1,843**
Investment contracts (for contracts at fair value)	**1,588**			**1,588**
	1,702	**1,729**	**0**	**3,431**

Main changes in fair value hierarchy in 2013
There were no significant transfers between Level 1 and 2.

The decrease in Available-for-sale investments (level 2) and in level 3 financial liabilities reflects the transfer of ING U.S. Reference is made to Note 53 "Other events".

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

2012	Level 1	Level 2	Level 3	Total
Financial assets				
Trading assets	43	24	519	586
Investments for risk of policyholders	92,632	5,983	150	98,765
Non-trading derivatives	19	5,031	57	5,107
Financial assets designated as at fair value through profit or loss	70	1,037	893	2,000
Available-for-sale investments	59,737	56,671	2,897	119,305
	152,501	68,746	4,516	225,763
Financial liabilities				
Non-trading derivatives	171	1,901	1,186	3,258
Investment contracts (for contracts at fair value)	3,716	4,339	12	8,067
	3,887	6,240	1,198	11,325

Main changes in fair value hierarchy in 2012
There were no significant transfers between Level 1 and 2.

Notes to the Consolidated annual accounts of NN Group continued

Methods applied in determining the fair value of financial assets and liabilities				
2011	Level 1	Level 2	Level 3	Total
Financial assets				
Trading assets	47	84	403	534
Investments for risk of policyholders	111,203	5,094	141	116,438
Non-trading derivatives	1,430	5,690	165	7,285
Financial assets designated as at fair value through profit or loss	43	1,150	1,423	2,616
Available-for-sale investments	71,327	58,804	3,473	133,604
	184,050	70,822	5,605	260,477
Financial liabilities				
Non-trading derivatives	1,017	2,071	1,316	4,404
Investment contracts (for contracts at fair value)	3,279	3,648	12	6,939
	4,296	5,719	1,328	11,343

Main changes in fair value hierarchy in 2011
The classification was impacted in 2011 by a transfer of available-for-sale investments of EUR 2.0 billion from Level 3 to Level 2, relating to mortgage backed securities in the United States. Previously these were classified in Level 3 because of the dispersion between prices obtained for the same security from different price sources. In 2011 prices supported by market observable inputs became available and were used in determining the fair value.

There were no significant transfers between Level 1 and 2.

Level 3 Financial assets and liabilities
Financial assets measured at fair value in the balance sheet as at 31 December 2013 of EUR 104.9 billion include an amount of EUR 3.1 billion (3.0%) that is classified as Level 3 (31 December 2012: EUR 4.5 billion (2.0%); 31 December 2011: EUR 5.6 billion (2.1%). Changes in Level 3 are disclosed below in the table “Changes in Level 3 Assets”.

Financial assets and liabilities in Level 3 include both assets and liabilities for which the fair value was determined using valuation techniques that incorporate unobservable inputs and assets and liabilities for which the fair value was determined using quoted prices, but for which the market was not actively trading at or around the balance sheet date. Unobservable inputs are inputs which are based on NN Group’s own assumptions about the factors that market participants would use in pricing an asset or liability, developed based on the best information available in the circumstances. Unobservable inputs may include volatility, correlation, spreads to discount rates, default rates and recovery rates, prepayment rates and certain credit spreads. Fair values that are determined using valuation techniques using unobservable inputs are sensitive to the inputs used. Fair values that are determined using quoted prices are not sensitive to unobservable inputs, as the valuation is based on unadjusted external price quotes. These are classified in Level 3 as a result of the illiquidity in the relevant market, but are not significantly sensitive to NN Group’s own unobservable inputs.

Of the total amount of financial assets classified as Level 3 as at 31 December 2013 of EUR 3.1 billion, an amount of EUR 2.4 billion is based on unadjusted quoted prices in inactive markets. This includes for example debt securities and shares in real estate investment funds and private equity investment funds for which the fair value is determined using quoted prices for the securities or quoted prices obtained from the asset managers of the funds. As ING does generally not adjust quoted prices using its own inputs, there is no significant sensitivity to ING’s own unobservable inputs.

The remaining EUR 0.7 billion Level 3 financial assets are private equity investments that are recognised at fair value. Fair value is determined using both market-based and investment-specific inputs. In the absence of an active market, fair values are estimated on the basis of the analysis of the invested companies’ financial position, future prospects and other factors, considering valuations of similar positions and other market information. Given the bespoke nature of the analysis in respect of most significant positions, it is not practical to quote a range of key unobservable inputs or provide a sensitivity analysis on such unobservable inputs.

Notes to the Consolidated annual accounts of NN Group continued

Changes in Level 3 Financial assets

2013	Trading assets	Investment for risk of policyholders	Non-trading derivatives	Financial assets designated as at fair value through profit or loss	Available-for-sale investments	Total
Opening balance	519	150	57	893	2,897	4,516
Amounts recognised in the profit and loss account during the year	85	9	20	111	–114	111
Revaluation recognised in equity during the year					–44	–44
Purchase of assets	27	154	15	49	329	574
Sale of assets	–64	–52	–36	–124	–144	–420
Maturity/settlement				–67	–138	–205
Transfers into Level 3	27	2			81	110
Transfers out of Level 3	–20	–9			–64	–93
Changes in the composition of the group and other changes	146	–6	–56	–901	–690	–1,507
Exchange rate differences				39	–4	35
Closing balance	720	248	0	0	2,109	3,077

In 2013, Changes in the composition of the group and other changes includes EUR –1,654 million as a result of the transfer of ING U.S. and nil as a result of the classification to continuing operations of NN Group’s business in Japan. Reference is made to Note 53 “Other events”.

Changes in Level 3 Financial assets

2012	Trading assets	Investment for risk of policyholders	Non-trading derivatives	Financial assets designated as at fair value through profit or loss	Available-for-sale investments	Total
Opening balance	403	141	165	1,423	3,473	5,605
Amounts recognised in the profit and loss account during the year	43	2	–91	–56	–74	–176
Revaluation recognised in equity during the year					–16	–16
Purchase of assets	6	83	19	123	218	449
Sale of assets	–4	–15	–11	–664	–80	–774
Maturity/settlement					–360	–360
Transfers into Level 3	107	67			199	373
Transfers out of Level 3	–39	–6	–23		–201	–269
Changes in the composition of the group and other changes	3	–116		84	–244	–273
Exchange rate differences		–6	–2	–17	–18	–43
Closing balance	519	150	57	893	2,897	4,516

Notes to the Consolidated annual accounts of NN Group continued

Changes in Level 3 Financial assets						
2011	Trading assets	Invest-ment for risk of policy-holders	Non-trading derivatives	Financial assets desig-nated as at fair value through profit or loss	Available-for-sale invest-ments	Total
Opening balance	464	136	145	1,293	3,506	5,544
Amounts recognised in the profit and loss account during the year	–20		53	38	–117	–46
Revaluation recognised in equity during the year					48	48
Purchase of assets	35	123	41	208	517	924
Sale of assets	–21	–99	–82	–184	–261	–647
Maturity/settlement					–405	–405
Transfers into Level 3		4			729	733
Transfers out of Level 3	–55	–6			–2,045	–2,106
Changes in the composition of the group and other changes				9	1,537	1,546
Exchange rate differences		–17	8	59	–36	14
Closing balance	403	141	165	1,423	3,473	5,605

Changes in the composition of the group and other changes includes the increase of the Level 3 assets in relation to shares in real estate investment funds; this increase includes mainly the reclassification of associates to available-for-sale investments as disclosed in Note 6 “Investments in associates”, as well as the reclassification of equity securities in certain real estate companies into Level 3.

Transfers into Level 3 includes certain bonds which were transferred to Level 3 in 2011 as a result of reduced market liquidity and/or pricing sources that could no longer be classified as market observable.

Changes in Level 3 Financial liabilities			
2013	**Non-trading derivatives**	**Invest-ment contracts (for contracts at fair value)**	**Total**
Opening balance	**1,186**	**12**	**1,198**
Amounts recognised in the profit and loss account during the year	**65**		**65**
Issue of liabilities		**7**	**7**
Early repayment of liabilities		**–8**	**–8**
Transfers into Level 3		**2**	**2**
Transfers out of Level 3		**–8**	**–8**
Changes in the composition of the group and other changes	**–1,244**	**–5**	**–1,249**
Exchange rate differences	**–7**		**–7**
Closing balance	**0**	**0**	**0**

In 2013, Changes in the composition of the group and other changes includes EUR –1,250 million as a result of the transfer of ING U.S. and nil as a result of the classification to continuing operations of NN Group’s business in Japan. Reference is made to Note 53 “Other events”.

Notes to the Consolidated annual accounts of NN Group continued

Changes in Level 3 Financial liabilities

2012	Non-trading derivatives	Investment contracts (for contracts at fair value)	Total
Opening balance	1,316	12	1,328
Amounts recognised in the profit and loss account during the year	–54		–54
Issue of liabilities	–1	12	11
Early repayment of liabilities	–34	–6	–40
Transfers out of Level 3	–19	–6	–25
Exchange rate differences	–22		–22
Closing balance	1,186	12	1,198

Changes in Level 3 Financial liabilities

2011	Non-trading derivatives	Investment contracts (for contracts at fair value)	Total
Opening balance	1,142	17	1,159
Amounts recognised in the profit and loss account during the year	128		128
Issue of liabilities		7	7
Early repayment of liabilities	–2	–3	–5
Transfers out of Level 3		–9	–9
Changes in the composition of the group and other changes	–16		–16
Exchange rate differences	64		64
Closing balance	1,316	12	1,328

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

2013	**Held at balance sheet date**	**Derecognised during the year**	**Total**
Financial assets			
Trading assets	**97**	**–12**	**85**
Investments for risk of policyholders	**11**	**–2**	**9**
Non-trading derivatives	**–9**	**29**	**20**
Financial assets designated as at fair value through profit or loss	**23**	**88**	**111**
Available-for-sale investments	**–116**	**2**	**–114**
	6	**105**	**111**
Financial liabilities			
Non-trading derivatives	**65**		**65**
	65	**0**	**65**

Notes to the Consolidated annual accounts of NN Group continued

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

2012	Held at balance sheet date	Derecognised during the year	Total
Financial assets			
Trading assets	42	1	43
Investments for risk of policyholders	3	–1	2
Non-trading derivatives	–97	6	–91
Financial assets designated as at fair value through profit or loss	–14	–42	–56
Available-for-sale investments	–82	8	–74
	–148	–28	–176
Financial liabilities			
Non-trading derivatives	–58	4	–54
	–58	4	–54

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

2011	Held at balance sheet date	Derecognised during the year	Total
Financial assets			
Trading assets	–21	1	–20
Non-trading derivatives	50	3	53
Financial assets designated as at fair value through profit or loss	38		38
Available-for-sale investments	–35	–82	–117
	32	–78	–46
Financial liabilities			
Non-trading derivatives	139	–11	128
	139	–11	128

Recognition of unrealised gains and losses in Level 3

Unrealised gains and losses that relate to Level 3 financial assets and liabilities are included in the profit and loss account as follows:

- those relating to trading assets and trading liabilities are included in Net trading income;
- those relating to investments for risk of policyholders are included in Underwriting expenditure;
- those relating to non-trading derivatives are included in Valuation results on non-trading derivatives; and
- those relating to financial assets and liabilities designated as at fair value through profit or loss are included in Valuation results on non-trading derivatives – Valuation results on assets and liabilities designated as at fair value through profit or loss (excluding trading).

Unrealised gains and losses that relate to Available-for-sale investments are recognised in Other comprehensive income and included in Reserves in the line Unrealised revaluations available-for-sale investments.

Fair value of the financial instruments carried at amortised cost

The fair value of the financial instruments carried at amortised cost in the balance sheet (where fair value are disclosed) were determined as follows:

Notes to the Consolidated annual accounts of NN Group continued

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

2013	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and cash equivalents	7,155			7,155
Loans and advances to customers	9	1,893	24,212	26,114
	7,164	1,893	24,212	33,269
Financial liabilities				
Subordinated loans			2,928	2,928
Other borrowed funds	456	2,632	1,729	4,817
Investment contracts for risk of company	20		775	795
Investment contracts for risk of policyholders	1,588			1,588
Customer deposits and other funds on deposit		5,764		5,764
	2,064	8,396	5,432	15,892

Asset backed security portfolio

Fair value hierarchy of certain ABS bonds

2013	Level 1	Level 2	Level 3	Total
US Alt-A RMBS		5		5
CDO/CLOs			39	39
CMBS			11	11
Total certain ABS	0	5	50	55

Fair value hierarchy of certain ABS bonds

2012	Level 1	Level 2	Level 3	Total
US Subprime RMBS		733		733
US Alt-A RMBS		284		284
CDO/CLOs			129	129
CMBS		3,750		3,750
Total certain ABS	0	4,767	129	4,896

Fair value hierarchy of certain ABS bonds

2011	Level 1	Level 2	Level 3	Total
US Subprime RMBS		752		752
US Alt-A RMBS		293	2	295
CDO/CLOs		30	153	183
CMBS		4,139	5	4,144
Total certain ABS	0	5,214	160	5,374

Greece, Italy, Ireland, Portugal and Spain
Of the Government and Unsecured Financial institutions' bond exposure in Greece, Italy, Ireland, Portugal and Spain as disclosed in Note 4 "Available-for-sale investments", EUR 2.7 billion (2012: EUR 2.6 billion; 2011: EUR 2.6 billion) is classified as available-for-sale and is measured at fair value (with the revaluation recognised in equity, taking into account impairments that are recognised in the profit and loss account). The table below provides the fair value hierarchy for the Greek, Italian, Irish, Portuguese and Spanish Government and Unsecured Financial institutions' bond exposure measured at fair value.

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Fair value hierarchy of Greek, Italian, Irish, Portuguese and Spanish bonds at fair value

2013	Level 1	Level 2	Level 3	Total
Greece				
Government bonds available-for-sale	105			105
Italy				
Government bonds available-for-sale	1,391			1,391
Financial institutions available-for-sale	55			55
Ireland				
Government bonds available-for-sale	59			59
Portugal				
Government bonds available-for-sale	4			4
Financial institutions available-for-sale		27		27
Spain				
Government bonds available-for-sale	1,012			1,012
Financial institutions available-for-sale	22	57		79
Total	2,648	84	0	2,732

Fair value hierarchy of Greek, Italian, Irish, Portuguese and Spanish bonds at fair value

2012	Level 1	Level 2	Level 3	Total
Greece				
Government bonds available-for-sale	76			76
Italy				
Government bonds available-for-sale	1,347	30		1,377
Financial institutions available-for-sale	51			51
Ireland				
Government bonds available-for-sale	55			55
Financial institutions available-for-sale	15			15
Portugal				
Government bonds available-for-sale	7			7
Financial institutions available-for-sale	18	22		40
Spain				
Government bonds available–for-sale	872			872
Financial institutions available-for-sale	96			96
Total	2,537	52	0	2,589

Classification of bonds in Level 2 is mainly a result of low trading liquidity in the relevant markets.

Fair value hierarchy of Greek, Italian, Irish, Portuguese and Spanish bonds at fair value

2011	Level 1	Level 2	Level 3	Total
Greece				
Government bonds available-for-sale		104		104
Italy				
Government bonds available-for-sale	1,207			1,207
Financial institutions available-for-sale	83			83
Ireland				
Government bonds available-for-sale	43			43
Financial institutions available-for-sale	15			15
Portugal				
Government bonds available-for-sale	95			95
Financial institutions available-for-sale	30	17		47
Spain				
Government bonds available–for-sale	866			866
Financial institutions available-for-sale	163			163
Total	2,502	121	0	2,623

Notes to the Consolidated annual accounts of NN Group continued

NON-FINANCIAL ASSETS AND LIABILITIES

In addition to financial assets and liabilities, the following table presents the estimated fair value of NN Group's non-financial assets and liabilities that are measured at fair value in the balance sheet. Reference is made to Note 1 "Accounting policies" in the sections "Real estate investments" and "Property in own use" for the methods and assumptions used by NN Group to estimate the fair value of the non-financial assets.

Fair value of non-financial assets

2013	Esti-mated fair value	Balance sheet value
Real estate investments	764	764
Property in own use	100	100
	864	864

The fair value of the non-financial assets were determined as follows:

Methods applied in determining the fair value of non-financial assets

2013	Level 1	Level 2	Level 3	Total
Real estate investments			764	764
Property in own use			100	100
	0	0	864	864

Level 3 Non-financial assets

Changes in Level 3 non-financial assets

2013	Real estate invest-ments	Property in own use
Opening balance	798	114
Amounts recognised in the profit and loss account during the year	–5	–14
Purchase of assets	200	
Sale of assets	–229	
Closing balance	764	100

Amounts recognised in the p&l account during the year (Level 3) non-financial assets

2013	Held at balance sheet date	Derecog-nised during the year	Total
Real estate investments	–25	20	–5
Property in own use	–14		–14
	–39	20	–19

41 DERIVATIVES AND HEDGE ACCOUNTING

Use of derivatives and hedge accounting

As described in the "Risk management" section, NN Group uses derivatives (principally interest rate swaps and cross currency interest rate swaps) for economic hedging purposes in the management of its asset and liability portfolios and structural positions. The objective of economic hedging is to enter into positions with an opposite risk profile to an identified exposure to reduce that exposure. The impact of NN Group's hedging activities is to optimise the overall cost to NN Group of accessing debt capital markets and to mitigate the market risk which would otherwise arise from structural imbalances in the duration and other profiles of its assets and liabilities.

The accounting treatment of hedge transactions varies according to the nature of the instrument hedged and whether the hedge qualifies under the IFRS-EU hedge accounting rules. Derivatives that qualify for hedge accounting under IFRS-EU are classified and reported in accordance with the nature of the instrument hedged and the type of IFRS-EU hedge model that is applicable. The three models applicable under IFRS-EU are: fair value hedge accounting, cash flow hedge accounting and net investment hedge accounting. These are described under the relevant headings below. The company's detailed accounting policies for these three hedge models are set out in Note 1 "Accounting policies" in the section on "Principles of valuation and determination of results".

Notes to the Consolidated annual accounts of NN Group continued

To qualify for hedge accounting under IFRS-EU, strict criteria must be met. Certain hedges that are economically effective from a risk management perspective do not qualify for hedge accounting under IFRS-EU. The fair value changes of derivatives relating to such non-qualifying hedges are taken to the profit and loss account. However, in certain cases, NN Group mitigates the profit and loss account volatility by designating hedged assets and liabilities at fair value through profit or loss. If hedge accounting is applied under IFRS-EU, it is possible that during the hedge a hedge relationship no longer qualifies for hedge accounting and hedge accounting cannot be continued, even if the hedge remains economically effective. As a result, the volatility arising from undertaking economic hedging in the profit and loss account may be higher than would be expected from an economic point of view.

With respect to exchange rate and interest rate derivative contracts, the notional or contractual amount of these instruments is indicative of the nominal value of transactions outstanding at the balance sheet date; however they do not represent amounts at risk.

Fair value hedge accounting
NN Group’s fair value hedges principally consist of interest rate swaps and cross-currency interest rate swaps that are used to protect against changes in the fair value of fixed-rate instruments due to movements in market interest rates.

Gains and losses on derivatives designated under fair value hedge accounting are recognised in the profit and loss account. The effective portion of the fair value change on the hedged item is also recognised in the profit and loss account. As a result, only the net accounting ineffectiveness has an impact on the net result.

For the year ended 31 December 2013, NN Group recognised EUR –6 million (2012: EUR 6 million; 2011: EUR –3 million) of fair value changes on derivatives designated under fair value hedge accounting in the profit and loss account. This amount was offset by EUR 3 million (2012: EUR –6 million; 2011: EUR 3 million) fair value changes recognised on hedged items. This resulted in EUR –3 million (2012: nil; 2011: nil) net accounting ineffectiveness recognised in the profit and loss account. As at 31 December 2013, the fair value of outstanding derivatives designated under fair value hedge accounting was EUR 1 million (2012: EUR –203 million; 2011: EUR –264 million), presented in the balance sheet as EUR 1 million (2012: nil; 2011: nil) positive fair value under assets and nil (2012: EUR 203 million; 2011: EUR 264 million) negative fair value under liabilities.

Cash flow hedge accounting
NN Group’s cash flow hedges principally consist of (forward) interest rate swaps and cross-currency interest rate swaps that are used to protect against its exposure to variability in future interest cash flows on assets and liabilities that bear interest at variable rates or are expected to be refunded or reinvested in the future. The amounts and timing of future cash flows, representing both principal and interest flows, are projected for each portfolio of financial assets and liabilities, based on contractual terms and other relevant factors including estimates of prepayments and defaults.

Gains and losses on the effective portions of derivatives designated under cash flow hedge accounting are recognised in Shareholder’s equity. Interest cash flows on these derivatives are recognised in the profit and loss account consistent with the manner in which the forecast cash flows affect Net result. The gains and losses on ineffective portions of such derivatives are recognised immediately in the profit and loss account.

For the year ended 31 December 2013, NN Group recognised EUR –832 million (2012 EUR 665 million; 2011: EUR 1,316 million) in equity as effective fair value changes on derivatives under cash flow hedge accounting. The balance of the cash flow hedge reserve in equity as at 31 December 2013 is EUR 3,644 million (2012: EUR 4,736 million; 2011: EUR 3,835 million) gross and EUR 2,726 million (2012: EUR 3,548 million; 2011: EUR 2,883 million) after deferred tax. This cash flow hedge reserve will fluctuate with the fair value of the underlying derivatives and will be reflected in the profit and loss account under Interest income/expense over the remaining term of the underlying hedged items. The cash flow hedge reserve relates to a large number of derivatives and hedged items with varying maturities up to 44 years with the largest concentrations in the range of 1 year to 8 years. Accounting ineffectiveness on derivatives designated under cash flow hedge accounting resulted in EUR 50 million income (2012: EUR 13 million loss; 2011: EUR 16 million loss) which was recognised in the profit and loss account.

As at 31 December 2013, the fair value of outstanding derivatives designated under cash flow hedge accounting was EUR 1,218 million (2012: EUR 2,195 million; 2011: EUR 2,270 million), presented in the balance sheet as EUR 1,433 million (2012: EUR 2,450 million; 2011: EUR 2,572 million) positive fair value under assets and EUR 215 million (2012: EUR 255 million; 2011: EUR 302 million) negative fair value under liabilities.

As at 31 December 2013 and 31 December 2012, there were no non-derivatives designated as hedging instruments for cash flow hedge accounting purposes.

Included in Interest income and Interest expense on non-trading derivatives is EUR 280 million (2012: EUR 300 million; 2011: EUR 329 million) and EUR 35 million (2012: EUR 82 million; 2011: EUR 114 million), respectively, relating to derivatives used in cash flow hedges.

Notes to the Consolidated annual accounts of NN Group continued

Hedges of net investments in foreign operations
NN Group's net investment hedges principally consist of derivatives (including currency forwards and swaps) and non-derivative financial instruments such as foreign currency denominated funding that are used to protect against foreign currency exposures on foreign subsidiaries.

Gains and losses on the effective portions of derivatives designated under net investment hedge accounting are recognised in Shareholder's equity. The balance in equity is recognised in the profit and loss account when the related foreign subsidiary is disposed. The gains and losses on ineffective portions are recognised immediately in the profit and loss account.

As at 31 December 2013, the fair value of outstanding derivatives designated under net investment hedge accounting was EUR –8 million (2012: EUR 2 million; 2011: EUR –7 million), presented in the balance sheet as nil (2012: EUR 2 million; 2011: EUR 5 million) positive fair value under assets and EUR 8 million (2012: nil; 2011: EUR 12 million) negative fair value under liabilities.

As at 31 December 2013, the fair value of outstanding non-derivatives designated under net investment hedge accounting was nil (2012: EUR –1,416 million; 2011: EUR –1,515 million), presented in the balance sheet as negative fair value under liabilities. Non-derivatives designated as hedging instruments consist mainly of loan agreements.

There was no accounting ineffectiveness recognised in the profit and loss account for the year ended 31 December 2013, 2012 and 2011 on derivatives and non-derivatives designated under net investment hedge accounting.

42 ASSETS BY CONTRACTUAL MATURITY
Amounts presented in these tables by contractual maturity are the amounts as presented in the balance sheet.

Assets by contractual maturity

2013	Less than 1 month [1]	1–3 months	3–12 months	1–5 years	Over 5 years	Maturity not applicable	Total
Assets							
Cash and cash equivalents	7,155						7,155
Financial assets at fair value through profit or loss:							
– trading assets						736	736
– investments for risk of policyholders [2]						39,589	39,589
– non-trading derivatives	44	12	24	1,019	2,032	–5	3,126
– designated as at fair value through profit or loss	401		42	13		26	482
Available-for-sale investments	353	422	1,834	10,383	42,402	5,620	61,014
Loans and advances to customers	417	524	1,774	4,651	17,746	207	25,319
Reinsurance contracts	10	24	30	10	79	99	252
Intangible assets	3	7	14	81	4	283	392
Deferred acquisition costs	20	17	91	198	1,027		1,353
Assets held for sale [3]	58		572				630
Other assets	1,234	554	988	385	573	20	3,754
Remaining assets (for which maturities are not applicable) [4]						1,956	1,956
Total assets	9,695	1,560	5,369	16,740	63,863	48,531	145,758

(1) Includes assets on demand.
(2) Investments for risk of policyholders are managed on behalf of policyholders on a fair value basis. Although individual instruments may (or may not) have a maturity depending on their nature, this does not impact the liquidity position of NN Group.
(3) Assets held for sale consist of the assets of the disposal groups classified as held for sale as disclosed in Note 11 "Assets and liabilities held for sale". For these assets and liabilities, the underlying contractual maturities are no longer relevant to NN Group. For businesses for which a binding sale agreement exists, all related assets and liabilities held for sale are classified in accordance with the agreed or expected closing date. For other businesses, for which no sale agreement exists, assets and liabilities held for sale are included in "maturity not applicable".
(4) Included in remaining assets for which maturities are not applicable are property and equipment, real estate investments and investments in associates. Due to their nature remaining assets consist mainly of assets expected to be recovered after more than 12 months.

Notes to the Consolidated annual accounts of NN Group continued

Assets by contractual maturity

2012	Less than 1 month (1)	1–3 months	3–12 months	1–5 years	Over 5 years	Maturity not applicable	Total
Assets							
Cash and cash equivalents	5,389						5,389
Financial assets at fair value through profit or loss:							
– trading assets				4		582	586
– investments for risk of policyholders (2)						98,765	98,765
– non-trading derivatives	129	120	214	1,430	3,214		5,107
– designated as at fair value through profit or loss		13	34	242	605	1,106	2,000
Available-for-sale investments	682	1,081	8,137	20,931	72,206	16,268	119,305
Loans and advances to customers	439	157	1,633	2,370	19,282	1,942	25,823
Reinsurance contracts	19	49	281	1,277	1,992	1,672	5,290
Intangible assets	2	5	37	159	44	771	1,018
Deferred acquisition costs	19	18	77	158	316	3,961	4,549
Assets held for sale (3)		5,553				56,138	61,691
Other assets	1,991	577	1,186	2,037	612	332	6,735
Remaining assets (for which maturities are not applicable) (4)						2,495	2,495
Total assets	8,670	7,573	11,599	28,608	98,271	184,032	339,753

(1) Includes assets on demand.
(2) Investments for risk of policyholders are managed on behalf of policyholders on a fair value basis. Although individual instruments may (or may not) have a maturity depending on their nature, this does not impact the liquidity position of NN Group.
(3) Assets held for sale consist of the assets of the disposal groups classified as held for sale as disclosed in Note 11 “Assets and liabilities held for sale”. For these assets and liabilities, the underlying contractual maturities are no longer relevant to NN Group. For businesses for which a binding sale agreement exists, all related assets and liabilities held for sale are classified in accordance with the agreed or expected closing date. For other businesses, for which no sale agreement exists, assets and liabilities held for sale are included in “maturity not applicable”.
(4) Included in remaining assets for which maturities are not applicable are property and equipment, real estate investments and investments in associates. Due to their nature remaining assets consist mainly of assets expected to be recovered after more than 12 months.

Assets by contractual maturity

2011	Less than 1 month (1)	1–3 months	3–12 months	1–5 years	Over 5 years	Maturity not applicable	Total
Assets							
Cash and cash equivalents	11,577						11,577
Financial assets at fair value through profit or loss:							
– trading assets			6	24	19	485	534
– investments for risk of policyholders (2)						116,438	116,438
– non-trading derivatives	282	304	755	1,600	4,344		7,285
– designated as at fair value through profit or loss			25	191	660	1,740	2,616
Available-for-sale investments	464	1,066	6,580	26,498	79,434	19,562	133,604
Loans and advances to customers	1,166	2,114	2,035	3,008	20,458	4,147	32,928
Reinsurance contracts	17	39	234	1,026	2,656	1,898	5,870
Intangible assets	4	8	81	170	166	1,543	1,972
Deferred acquisition costs	19	22	98	698	3,630	5,737	10,204
Other assets	2,316	855	2,169	2,158	1,417	495	9,410
Remaining assets (for which maturities are not applicable) (3)						2,949	2,949
Total assets	15,845	4,408	11,983	35,373	112,784	154,994	335,387

(1) Includes assets on demand.
(2) Investments for risk of policyholders are managed on behalf of policyholders on a fair value basis. Although individual instruments may (or may not) have a maturity depending on their nature, this does not impact the liquidity position of NN Group.
(3) Included in remaining assets for which maturities are not applicable are property and equipment, real estate investments and investments in associates. Due to their nature remaining assets consist mainly of assets expected to be recovered after more than 12 months.

Notes to the Consolidated annual accounts of NN Group continued

43 LIABILITIES BY MATURITY

The tables below include all financial liabilities by maturity based on contractual, undiscounted cash flows. Furthermore, the undiscounted future coupon interest on financial liabilities payable will be included in a separate line and in the relevant maturity bucket. Derivative liabilities are included on a net basis if cash flows are settled net. For other derivative liabilities the contractual gross cash flow payable is included.

Non-financial liabilities are included based on a breakdown of the balance sheet amounts by expected maturity. Reference is made to the Liquidity Risk paragraph in the “Risk management” section for a description on how liquidity risk is managed.

Liabilities by maturity

2013	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Maturity not applicable	Adjust-ment [1]	Total
Liabilities								
Subordinated loans	962	813	450	667				2,892
Other borrowed funds	2,731	1,001	11	155	919			4,817
Customer deposits and other funds on deposit			25	777	1,110	3,857		5,769
Financial liabilities at fair value through profit or loss:								
– non-trading derivatives	293	69	–26	–41	–2,290		3,838	1,843
Financial liabilities	3,986	1,883	460	1,558	–261	3,857	3,838	15,321
Insurance and investment contracts	806	1,115	5,486	17,586	47,038	39,520		111,551
Liabilities held for sale [2]	14		452					466
Other liabilities	1,419	–1	918	318	1,107	364		4,125
Non-financial liabilities	2,239	1,114	6,856	17,904	48,145	39,884	0	116,142
Total liabilities	6,225	2,997	7,316	19,462	47,884	43,741	3,838	131,463
Coupon interest due on financial liabilities	–1		–1	–4	–3			–9

[1] This column reconciles the contractual undiscounted cash flow on financial liabilities to the balance sheet values. The adjustments mainly relate to the impact of discounting and, for derivatives, to the fact that the contractual cash flows are presented gross basis (unless the cash flows are actually settled net).

[2] Liabilities held for sale consist of the liabilities of the disposal groups classified as held for sale as disclosed in Note 11 “Assets and liabilities held for sale”. For these assets and liabilities, the underlying contractual maturities are no longer relevant to NN Group. For businesses for which a binding sale agreement exists, all related assets and liabilities held for sale are classified in accordance with the agreed or expected closing date. For other businesses, for which no sale agreement exists, assets and liabilities held for sale are included in “maturity not applicable”.

Notes to the Consolidated annual accounts of NN Group continued

Liabilities by maturity

2012	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Maturity not applicable	Adjust- ment [1]	Total
Liabilities								
Subordinated loans					476	2,438	33	2,947
Debt securities in issue	1		799		1,116		–6	1,910
Other borrowed funds	3,476	32	1,539	969	1,426			7,442
Financial liabilities at fair value through profit or loss:								
– non-trading derivatives	292	96	313	1,289	751	1,145	–628	3,258
Financial liabilities	3,769	128	2,651	2,258	3,769	3,583	–601	15,557
Insurance and investment contracts	1,646	1,951	9,156	36,050	79,065	102,082		229,950
Liabilities held for sale [2]		4,656				50,999		55,655
Other liabilities	1,773	383	2,777	3,352	2,171	495		10,951
Non-financial liabilities	3,419	6,990	11,933	39,402	81,236	153,576	0	296,790
Total liabilities	7,188	7,118	14,584	41,660	85,005	157,159	–601	312,113
Coupon interest due on financial liabilities	10	21	42	279	578			930

[1] This column reconciles the contractual undiscounted cash flow on financial liabilities to the balance sheet values. The adjustments mainly relate to the impact of discounting and, for derivatives, to the fact that the contractual cash flows are presented gross basis (unless the cash flows are actually settled net).
[2] Liabilities held for sale consist of the liabilities of the disposal groups classified as held for sale as disclosed in Note 11 “Assets and liabilities held for sale”. For these assets and liabilities, the underlying contractual maturities are no longer relevant to NN Group. For businesses for which a binding sale agreement exists, all related assets and liabilities held for sale are classified in accordance with the agreed or expected closing date. For other businesses, for which no sale agreement exists, assets and liabilities held for sale are included in “maturity not applicable”.

Liabilities by maturity

2011	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Maturity not applicable	Adjust- ment [1]	Total
Liabilities								
Subordinated loans					1,726	2,617	24	4,367
Debt securities in issue	1		847	2,107	479		2	3,436
Other borrowed funds	5,621	93	24	168	1,401			7,307
Financial liabilities at fair value through profit or loss:								
– non-trading derivatives	123	216	494	1,431	2,146	1,131	–1,137	4,404
Financial liabilities	5,745	309	1,365	3,706	5,752	3,748	–1,111	19,514
Insurance and investment contracts	2,787	1,788	10,346	39,034	105,512	119,366		278,833
Other liabilities	1,906	475	4,093	3,891	2,016	1,122		13,503
Non-financial liabilities	4,693	2,263	14,439	42,925	107,528	120,488	0	292,336
Total liabilities	10,438	2,572	15,804	46,631	113,280	124,236	–1,111	311,850
Coupon interest due on financial liabilities		35	123	286	492			936

[1] This column reconciles the contractual undiscounted cash flow on financial liabilities to the balance sheet values. The adjustments mainly relate to the impact of discounting and, for derivatives, to the fact that the contractual cash flows are presented gross basis (unless the cash flows are actually settled net).

44 ASSETS NOT FREELY DISPOSABLE

The assets not freely disposable relate primarily to investments of EUR 54 million (2012: EUR 238 million; 2011: EUR 251 million) provided as guarantees for certain contingent liabilities. There are no significant terms and conditions relating to the collateral represented by such guarantees.

Assets relating to securities lending are disclosed in Note 45 “Transfer of financial assets”.

Notes to the Consolidated annual accounts of NN Group continued

45 TRANSFER OF FINANCIAL ASSETS

The majority of NN Group's financial assets, that have been transferred, but do not qualify for derecognition are debt instruments used in securities lending.

Transfer of financial assets not qualifying for derecognition

	Securities lending	
2013	**Equity**	**Debt**
Transferred assets at carrying amount		
Available-for-sale investments		**1,855**

Transfer of financial assets not qualifying for derecognition

	Securities lending	
2012	Equity	Debt
Transferred assets at carrying amount		
Available-for-sale investments		2,590

Transfer of financial assets not qualifying for derecognition

	Securities lending	
2011	Equity	Debt
Transferred assets at carrying amount		
Available-for-sale investments		8,745

In addition NN Group has entered into a sale and repurchase transaction of EUR 380 million.

The table above does not include assets transferred to consolidated securitisation entities, as the related assets remain recognised in the Consolidated balance sheet. Reference is made to Note 51 "Structured entities".

46 OFFSETTING FINANCIAL ASSETS AND LIABILITIES

The following tables include information about rights to offset and the related arrangements. The amounts included consist of all recognised financial instruments that are presented net in the balance sheet under the IFRS-EU offsetting requirements (legal right to offset and intention to net settle) and amounts presented gross in the balance sheet but subject to enforceable master netting arrangements or similar arrangement.

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

					Related amounts not offset in the balance sheet		
2013		**Gross amounts of recognised financial assets**	**Gross amounts of recognised financial liabilities offset in the balance sheet**	**Net amounts of financial assets presented in the balance sheet**	**Financial instruments**	**Cash and financial instruments received as collateral**	**Net amount**
BALANCE SHEET LINE ITEM	**FINANCIAL INSTRUMENT**						
Financial assets at fair value through profit or loss							
Non-trading derivatives	Derivatives	**1,971**		**1,971**	**–576**	**–1,377**	**18**
		1,971		**1,971**	**–576**	**–1,377**	**18**
Investments							
Available-for-sale	Other	**114**		**114**		**–113**	**1**
		114		**114**		**–113**	**1**
Total financial assets		**2,085**		**2,085**	**–576**	**–1,490**	**19**

Notes to the Consolidated annual accounts of NN Group continued

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

2013		Gross amounts of recog-nised financial liabilities	Gross amounts of recog-nised financial assets offset in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Related amounts not offset in the balance sheet: Financial instru-ments	Related amounts not offset in the balance sheet: Cash and financial instru-ments pledged as collateral	Net amount
BALANCE SHEET LINE ITEM	**FINANCIAL INSTRUMENT**						
Financial liabilities at fair value through profit or loss							
Non-trading derivatives	Derivatives	721		721	–576	–133	12
		721	0	721	–576	–133	12
Other items where offsetting is applied in the balance sheet		1,030		1,030		–1,030	0
Total financial liabilities		1,751	0	1,751	–576	–1,163	12

47 CONTINGENT LIABILITIES AND COMMITMENTS

In the normal course of business NN Group is party to activities whose risks are not reflected in whole or in part in the consolidated financial statements. In response to the needs of its customers, NN Group offers financial products related to loans. These products include traditional off-balance sheet credit-related financial instruments.

Contingent liabilities and commitments

2013	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Maturity not applicable	Total
Commitments	51	134	135	253	81	29	683
Guarantees	3						3
	54	134	135	253	81	29	686

Contingent liabilities and commitments

2012	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Maturity not applicable	Total
Commitments	556	229	134	188	68	69	1,244
Guarantees	221			6	10	1	238
	777	229	134	194	78	70	1,482

Contingent liabilities and commitments

2011	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Maturity not applicable	Total
Commitments	1,148	158	174	227	3	115	1,825
Guarantees	250			9	10	5	274
	1,398	158	174	236	13	120	2,099

NN Group has issued certain guarantees, which are expected to expire without being drawn on and therefore do not necessarily represent future cash outflows. In addition to the items included in contingent liabilities, NN Group has issued guarantees as a participant in collective arrangements of national industry bodies and as a participant in government required collective guarantee schemes which apply in different countries.

Furthermore, NN Group leases assets from third parties under operating leases as lessee. The future rental commitments to be paid under non-cancellable operating leases are as follows:

Notes to the Consolidated annual accounts of NN Group continued

Future rental commitments for operating lease contracts	
	2013
2014	3
2015	3
2016	3
2017	3
2018	3
years after 2018	11

48 LEGAL PROCEEDINGS
NN Group companies are involved in litigation and arbitration proceedings in the Netherlands and in a number of foreign jurisdictions, involving claims by and against them which arise in the ordinary course of their businesses, including in connection with their activities as insurers, lenders, broker-dealers, underwriters, issuers of securities, and investors and their position as employers and taxpayers. In certain of such proceedings, very large or indeterminate amounts are sought, including punitive and other damages. While it is not feasible to predict or determine the ultimate outcome of all pending or threatened legal and regulatory proceedings, the Company's management is of the opinion that some of the proceedings set out below may have or have in the recent past had a significant effect on the financial position, profitability or reputation of the Company.

Because of the geographic spread of its business, NN Group may be subject to tax audits in numerous jurisdictions at any point in time. Although NN Group believes that it has adequately provided for all its tax positions, the ultimate resolution of these audits may result in liabilities which are different from the amounts recognised.

Since the end of 2006, unit-linked products (commonly referred to in Dutch as "beleggingsverzekeringen") have received negative attention in the Dutch media, from the Dutch Parliament, the AFM and consumer protection organisations. Costs of unit-linked products sold in the past are perceived as too high and Dutch insurers are in general being accused of being less transparent in their offering of such unit-linked products. The criticism on unit-linked products led to the introduction of compensation schemes by Dutch insurance companies that have offered unit-linked products. In 2008 NN Group's Dutch insurance subsidiaries reached an outline agreement with two main consumer protection organisations to offer compensation to their unit-linked policyholders where individual unit-linked policies had a cost charge in excess of an agreed maximum and to offer similar compensation for certain hybrid insurance products. At 31 December 2008 costs of the settlements were valued at EUR 365 million for which adequate provisions have been established and of which a substantial portion has been paid out. The remaining unpaid part of the provision as per 31 December 2013 is solely available to cover costs relating to the settlements agreed in 2008. A full agreement on implementation was reached in 2010 with one of the two main consumer protection organisations with the second main consumer protection organisation signing its agreement in June 2012. In addition, NN Group's Dutch insurance subsidiaries announced additional measures (flankerend beleid) that comply with the "Best in Class" criteria as formulated on 24 November 2011 by the Dutch Minister of Finance. In December 2011 this resulted in an additional agreement on these measures with the two main consumer protection organisations. In 2012 almost all unit-linked policyholders were informed about the compensation. The agreements with the two consumer protection organisations are not binding on policyholders. Consequently, neither the implementation of the compensation schemes nor the additional measures offered by NN Group prevent individual policyholders from initiating legal proceedings against NN Group's Dutch insurance subsidiaries and making claims for damages.

In November 2013, the so-called "Vereniging Woekerpolis.nl", an association representing the interests of policyholders, initiated a so-called "collective action", requesting the District Court in Rotterdam to declare that NN Group's Dutch insurance subsidiaries sold products in the market, which are defective in various respects, (e.g. on transparency regarding cost charges and other product characteristics, and included risks for which the insurer failed to warn, such as considerable stock depreciations, the inability to realise the projected final policy value, unrealistic capital projections due to difference in geometric versus arithmetic returns). NN Group's Dutch insurance subsidiaries have rejected these claims and will defend themselves in these proceedings.

Apart from the afore mentioned "collective action", several other claim organisations and initiatives were established on behalf of policyholders, such as the organisation Wakkerpolis. This organisation primarily concentrates on the recovery of initial costs for policyholders, based on an interim ruling of the Dispute Committee of the Financial Services Complaints Board (KiFiD) issued on 13 May 2013 in an individual case. In this case, the KiFiD concluded that there is no contractual basis for charging initial costs (which are costs charged to the policy during a limited period of time). Apart from the initial costs, it can be derived from the interim ruling – in accordance with past rulings of the KiFiD – that an insurer is obliged to warn against the leverage and capital consumption effect (which is the effect caused by the dependency of life insurance premium on the value of the policy; the lower the value of the policy – the higher the life insurance premium). NN Group believes that this interim ruling is incorrect on several legal grounds.

Notes to the Consolidated annual accounts of NN Group continued

In proceedings pending before the District Court in Rotterdam, the Court has upon the request of the parties, including NN Group, submitted prejudicial questions to the European Court of Justice to obtain clarity on principal legal questions with respect to cost transparency related to unit-linked policies. The main prejudicial question is whether European law allows for the application of information requirements based on general principles of Dutch law that extend beyond information requirements as explicitly prescribed by laws and regulations in force at the time the policy was written. Although the European Court does not decide on the applicable standards in specific cases, NN Group believes the ruling of the Court of Justice can give clarification on this question of legal principle which is subject of other legal proceedings in the Netherlands. It is expected that the European Court of Justice will render its judgment at the earliest in 2014.

NN Group’s Dutch insurance subsidiaries have issued, sold or advised on approximately one million individual unit-linked policies. There has been for some time and there continues to be political, regulatory and public attention focused on the unit-linked issue in general. Elements of unit-linked policies are being challenged or may be challenged on multiple legal grounds in current and future legal proceedings. There is a risk that one or more of these legal challenges will succeed. The financial consequences of any of the aforementioned factors or a combination thereof can be substantial for the Dutch insurance business of NN Group and may affect NN Group, both financially and reputationally. However, these consequences cannot be reliably estimated or quantified at this point.

In January 2010, ING lodged an appeal with the General Court of the European Union against specific elements of the European Commission’s decision regarding ING’s restructuring plan. In its appeal, ING contested the way the Commission has calculated the amount of state aid ING received and the disproportionality of the price leadership restrictions specifically and the disproportionality of restructuring requirements in general. On 2 March 2012, the General Court handed down its judgment in relation to ING Group’s appeal and annulled part of the EC’s state aid decision. Subsequently, the EC filed an appeal against the General Court’s judgment before the Court of Justice of the European Union. In parallel, the EC adopted a decision on 11 May 2012 that re-approved the state aid granted to ING Group as compatible with the internal market on the basis of ING Group’s 2009 Restructuring Plan. On the same date, the EC adopted an interim decision which opened an investigation concerning certain amendments and elements of the 2009 Restructuring Plan.

On 24 July 2012, ING announced that the Dutch State and ING were in dialogue with the European Commission on an amended and updated Restructuring Plan to be submitted to the European Commission. However, in order to safeguard its legal rights, ING filed an appeal with the General Court of the European Union against the European Commission’s decision of 11 May 2012, which re-approved ING’s Restructuring Plan that ING submitted in 2009.

On November 19, 2012, ING Group and the EC announced that the EC had approved amendments to the 2009 Restructuring Plan (the “2012 Amended Restructuring Plan”). With the approval, the Commission has closed its Investigation as announced on 11 May 2012 and ING has withdrawn its appeal at the General Court of the European Union that it filed in July 2012. For principal legal reasons the European Commission will continue with its appeal against the General Court ruling of March 2012. However, the outcome of this Appeal will not affect the EC approval of the 2012 Amended Restructuring plan. It is expected that this judgment will be rendered in April 2014.

In July 2011, the Dutch ING Pensioners’ Collective Action Foundation (Stichting Collectieve Actie Pensioengerechtigden ING Nederland), together with two trade unions (FNV Bondgenoten and CNV Dienstenbond) and a number of individual pensioners, instituted legal proceedings against ING’s decision not to provide funding for indexing pensions insured with the Dutch ING Pension Fund (Stichting Pensioenfonds ING) in 2009, 2010 and 2011. This claim was rejected by the district court of Amsterdam on 9 November 2012. An appeal was lodged against this court decision. In July 2011, also the Interest Group ING General Managers’ Pensions (Belangenvereniging ING-Directiepensioenen), together with a number of individual retired Dutch General Managers of ING, instituted legal proceedings against ING’s decision not to provide funding for indexing Dutch General Managers’ pensions directly insured with Nationale-Nederlanden in 2010 and 2011. This claim was rejected by the district court of Amsterdam on 22 October 2012. An appeal was lodged against this court decision. It is not feasible to predict the ultimate outcome of these legal proceedings. The ultimate outcome of these proceedings may result in liabilities and provisions for such liabilities which are different from the amounts recognised. At this moment it is not practicable to provide an estimate of the (potential) financial effect of such proceedings.

In April 2013, the ING Pension Fund started arbitration proceedings to adjudicate a dispute with ING concerning the adjusted mortality tables used in the calculation of premiums and provisions. In 2013 ING decided to lower its contributions by 1.7% as a result of ING not accepting the adjustments made by the ING Pension Fund resulting from the mortality tables used. In February 2014 the ING Pension Fund and ING agreed that the ING Pension Fund will remain using a surcharge of 1.7% and the ING Pension Fund and ING will share the costs of the 1.7% surcharge over 2013. The payment of 50% of the surcharge 2013 by ING is included in the payment by ING of the one-time lump sum to the ING Pension Fund, which was closed for the accrual of new pension benefits as of 1 January 2014, of EUR 379 million to release ING from future financial obligations. More information is provided in Note 53 “Other events”.

Notes to the Consolidated annual accounts of NN Group continued

In July 2013, the ING Pension Fund started arbitration proceedings against ING's decision not to provide funding (for a total amount of EUR 197.5 million) for indexing pensions insured with the ING Pension Fund as of 1 January 2013. During the arbitration proceedings the ING Pension Fund added a claim in the amount of EUR 38.8 million for funding the indexation as of 1 August 2013. On 20 December 2013 the arbitrators ruled in favour of the ING Pension Fund and concluded that ING will have to provide full funding for both the indexation as of 1 January 2013 and the indexation as of 1 August 2013. The outcome of the arbitration is reflected in the 2013 Annual Accounts.

Following a recent broad industry review by the Dutch regulator DNB, Nationale-Nederlanden Schadeverzekering Maatschappij N.V. was instructed to strengthen its policies and procedures in respect of sanctions-related customer screening and related compliance matters. Nationale-Nederlanden Schadeverzekering Maatschappij N.V. is currently in the process of implementing DNB's recommendations.

49 COMPANIES AND BUSINESSES ACQUIRED AND DIVESTED

Acquisitions effective in 2013

WestlandUtrecht Bank

The partial transfer of WestlandUtrecht Bank's assets and liabilities, in which the commercial operations of WestlandUtrecht Bank have been combined with the retail banking activities of Nationale-Nederlanden, was announced in November 2012. On 1 July 2013 EUR 3.8 billion of WestlandUtrecht Bank's Dutch mortgage portfolio, EUR 0.1 billion of consumer lending and EUR 3.7 billion of Dutch savings portfolio were transferred to NN Bank. In addition approximately 400 of WestlandUtrecht Bank's employees were transferred to NN Bank. All assets and liabilities were transferred at the existing carrying value as included in ING Bank's balance sheet. This transaction was completed on 1 July 2013.

In addition, during the second half of 2013 a further amount of EUR 4.2 billion of Dutch mortgages were transferred from WestlandUtrecht Bank to NN Group. The transfers have been made at an arm's length price.

Divestments announced in 2014

The investment management business in Taiwan

On 10 January 2014, an agreement was reached to sell ING Investment Management (IM) Taiwan, the Taiwanese asset management business, to Japan-based Nomura Asset Management Co Ltd. in partnership with a group of investors. The transaction is not expected to have a significant impact on Net result. The transaction is subject to regulatory approval and expected to close in the second quarter of 2014.

Divestments in 2013

ING U.S.

In 2013, the remaining interest in its subsidiary ING U.S., Inc. ("ING U.S.") was transferred to ING Groep N.V. by way of dividend in kind. Reference is made to Note 53 "Other events" for more details on the transaction.

The insurance and investment management businesses in Asia

In 2012, the insurance and investment management businesses in Asia and the (internally) reinsured Japan SPVA business in corporate reinsurance were classified as held for sale and discontinued operations. After carefully exploring and evaluating the options available for the divestment of ING Life Japan, it was concluded that a standalone divestment of ING Life Japan, including its Corporate Owned Life Insurance (COLI) and Closed Block VA businesses, is not feasible in a manner that would appropriately meet the demands of regulators and other stakeholders in ING Group and ING Life Japan. Therefore, ING Life Japan will be included with NN Group's European insurance and investment management businesses in the base case IPO of NN Group in 2014. Various individual divestment transactions have been agreed. The specifics of these transactions are included below. The Asian insurance and investment management businesses and the (internally) reinsured Japan SPVA businesses in Corporate Reinsurance were previously included respectively in the segments Insurance Asia/Pacific, Investment Management and Other before they were classified as discontinued operations. Reference is made to Note 11 "Assets and liabilities held for sale" and Note 33 "Discontinued operations".

Joint venture China Merchants Fund

In October 2012, an agreement to sell the 33.3% interest in China Merchants Fund, an investment management joint venture, to the joint venture partners China Merchants Bank Co., Ltd., and China Merchants Securities Co., Ltd, was reached. A total cash consideration of EUR 98 million was received. The transaction realised a net gain of EUR 59 million. The transaction closed on 3 December 2013.

The insurance businesses in Hong Kong, Macau, Thailand

In October 2012, an agreement to sell the life insurance, general insurance, pension and financial planning units in Hong Kong and Macau, and the life insurance operation in Thailand to Pacific Century Group for a combined consideration of EUR 1.6 billion (USD 2.1 billion) in cash, was reached. A net gain of EUR 945 million is recognised in 2013. The transaction closed on 28 February 2013.

Notes to the Consolidated annual accounts of NN Group continued

The investment management business in Thailand
In November 2012, an agreement to sell the investment management business in Thailand to UOB Asset Management Ltd, was reached. A total cash consideration of EUR 10 million for the investment management business in Thailand was received. The transaction closed on 3 May 2013.

The investment management business in Malaysia
In December 2012, an agreement to sell the 70% interest in ING Funds Berhad (IFB), the investment management business in Malaysia, to Kenanga Investors Berhad (Kenanga Investors), a wholly-owned subsidiary of K & N Kenanga Holdings Berhad (Kenanga), was reached. The transaction closed on 19 April 2013.

Joint venture ING Vysya Life
In January 2013, it was agreed to sell the full interest in ING Vysya Life Insurance Company Ltd. to the joint venture partner Exide Industries Ltd. The transaction resulted in a net loss of EUR 15 million for which goodwill was reduced in 2012. The transaction closed on 22 March 2013.

Joint venture KB Life
In April 2013, the 49% interest in Korean insurance venture KB Life Insurance Company Ltd. (KB Life) was agreed to be sold to joint venture partner KB Financial Group Inc. A total cash consideration of EUR 115 million (KRW 166.5 billion) was received for its 49% interest in KB Life. The transaction closed 20 June 2013.

Joint venture ING-BOB Life
In July 2013, the 50% interest in the Chinese insurance joint venture ING-BOB Life Insurance Company was agreed to be sold to BNP Paribas Cardif, the insurance arm of BNP Paribas. The transaction is not expected to have a significant impact on Net result. This transaction is subject to regulatory approvals and is expected to close in the first half of 2014.

The investment management business in South Korea
In July 2013, the investment management business in South Korea was agreed to be sold to Macquarie Group. The transaction did not have a significant impact on Net results. The transaction closed on 2 December 2013.

ING Life Korea
In August 2013, ING Life Korea, the wholly-owned life insurance business in South Korea, was agreed to be sold to MBK Partners for a total consideration of EUR 1.24 billion (KRW 1.84 trillion). Under the terms of the agreement, NN Group will continue to hold an indirect interest of approximately 10% in ING Life Korea for an amount of EUR 80 million (KRW 120 billion). ING has also reached a licensing agreement that will allow ING Life Korea to continue to operate under the ING brand for a maximum period of five years. In addition, over the course of one year, NN Group will continue to provide technical support and advice to ING Life Korea. The transaction resulted in an after tax loss of approximately EUR 1.0 billion. This transaction closed on 24 December 2013.

In addition to the above mentioned transactions, the interest in the joint venture ING Financial Services Private Limited was sold to Hathaway investments.

ING Hipotecaria
In June 2013, ING Hipotecaria, S.A. de C.V. the mortgage business in Mexico, was agreed to be sold to Banco Santander (México) S.A. This transaction resulted in a net loss of EUR 64 million which is recognised in 2013. The transaction closed on 29 November 2013.

Notes to the Consolidated annual accounts of NN Group continued

Most significant companies divested in 2013

	ING U.S. [2]	The insurance businesses in Hong Kong, Macau and Thailand	ING Life Korea	Total
Sales proceeds				
Cash proceeds [1]		1,630	1,235	2,865
Non-cash proceeds				
Sales proceeds	0	1,630	1,235	2,865
Assets				
Cash and cash equivalents	1,367	103	171	1,641
Financial assets at fair value through profit and loss	78,101	763	4,292	83,156
Available-for-sale investments	55,501	3,503	9,874	68,878
Loans and advances to customers	8,270	163	1,523	9,956
Reinsurance contracts	4,482	70	17	4,569
Real estate investments	6			6
Intangible assets	894	66	32	992
Deferred acquisition costs	4,416	601	1,848	6,865
Miscellaneous other assets	2,687	162	396	3,245
Liabilities				
Debt securities in issue	2,600			2,600
Other borrowed funds	78			78
Insurance and investment contracts	136,541	4,329	15,034	155,904
Financial liabilities at fair value through profit and loss	2,290	1	7	2,298
Miscellaneous other liabilities	4,451	230	729	5,410
Net assets	9,764	871	2,383	13,018
% divested	71	100	100	
Net assets divested	6,826	871	2,383	10,080
Gain/loss on divestment [3]	nil	944	–989	–45

(1) Cash outflow / inflow on group companies in the cash flow statement includes cash outflows / inflows on individually insignificant disposals in addition to the cash flow presented.
(2) The remaining interest in ING U.S. was transferred to ING Groep N.V. by way of dividend in kind.
(3) The gain/loss on divestments comprises the sales proceeds, the net assets divested, the expenses directly related to the disposal and the realisation of unrealised reserves.

Acquisitions effective in 2012
There were no significant acquisitions in 2012.

Divestments effective in 2012
Insurance businesses in Malaysia
In October 2012, An agreement with AIA Company Ltd. to sell the insurance operations in Malaysia, which included the life insurance business, the market-leading employee benefits business and the 60% interest in ING Public Takaful Ehsan Berhad, was reached. A total cash consideration of EUR 1.3 billion was received. In December 2012, the sale was completed with a net transaction gain of EUR 745 million after tax.

Notes to the Consolidated annual accounts of NN Group continued

Most significant companies divested in 2012	Insurance business in Malaysia
Sales proceeds	
Cash proceeds	1,332
Sales proceeds	1,332
Assets	
Cash and cash equivalents	86
Investments	3,293
Loans and advances to customers	539
Financial assets at fair value through profit or loss	224
Real estate investments	87
Miscellaneous other assets	899
Liabilities	
Insurance and investment contracts	3,964
Miscellaneous other liabilities	512
Net assets	652
% divested	100%
Net assets divested	652
Gain on divestment (1)	745

(1) The gain on divestments comprises the sales proceeds, the net assets divested, the expenses directly related to the divestment and the realisation of unrealised reserves.

Acquisitions effective in 2011
There were no significant acquisitions in 2011.

Divestments effective in 2011
Pacific Antai Life Insurance Company Ltd.
In June 2011, the sale of the entire interest in China's Pacific Antai Life Insurance Company Ltd. (PALIC) to China Construction Bank for a consideration of EUR 82 million, and a net profit of EUR 28 million, was completed. The interest in PALIC was previously included in the former segment Insurance Asia/Pacific. The deal had been announced in 2009 and was presented as held for sale since 2009 until the sale was completed.

ING Investment Management Australia
In October 2011, the sale of ING Investment Management (ING IM) Australia to UBS AG was completed ING IM Australia's business provided a number of investment strategies and products directly to the Australian institutional and wholesale markets. ING IM Australia was previously included in the segment ING Investment Management.

Latin American pensions, life insurance and investment management operations
In December 2011 the sale of the Latin American pensions, life insurance and investment management operations ("Latin American operations") for a total consideration of EUR 2,637 million to Grupo de Inversiones Suramericana ("GRUPOSURA") was completed. The sale was the first major step in the divestment of the insurance and investment management activities. Under the terms of the agreement, EUR 2,572 million in cash was received and GRUPOSURA assumed EUR 65 million in debt. The sale resulted in a net profit of EUR 995 million. Included in the transaction were the mandatory pension and voluntary savings businesses in Chile, Colombia, Mexico, Uruguay and the 80% interest in AFP Integra S.A. in Peru; the life insurance businesses in Chile and Peru. As part of this transaction the 33.7% interest in Peruvian InVita Seguros de Vida S.A. was sold to the Wiese Family. The transaction also included the local investment management capabilities in these five countries. Not included in the transaction was the 36% interest in the leading Brazilian insurer Sul América S.A.

The Latin American operations were previously included in the segments Insurance Latin America and Investment Management before they classified as discontinued operations. The segment Insurance Latin America ceased to exist following this transaction as the majority of the assets and activities in this segment have been sold. The net result from discontinued operations was presented separately in the consolidated profit and loss account. Reference is made to Note 33 "Discontinued operations" for more detailed disclosures.

Notes to the Consolidated annual accounts of NN Group continued

Most significant companies divested in 2011	Pacific Antai Life Insurance Company Ltd.	Latin American operations	Total
Sales proceeds			
Cash proceeds [(1)]	82	2,572	2,654
Non-cash proceeds		65	65
Sales proceeds	82	2,637	2,719
Assets			
Cash and cash equivalents	7	80	87
Investments	146	644	790
Loans and advances to customers	54	6	60
Financial assets at fair value through profit or loss	10	679	689
Miscellaneous other assets	48	1,491	1,539
Liabilities			
Insurance and investment contracts	205	715	920
Other borrowed funds		66	66
Miscellaneous other liabilities	14	563	577
Net assets	46	1,556	1,602
% divested	80%	Various [(2)]	
Net assets divested	37	1,478	1,515
Gain on divestment [(3)]	28	995	1,023

(1) Cash outflow / inflow on group companies in the cash flow statement includes cash outflows / inflows on individually insignificant disposals in addition to the cash flow presented.
(2) Comprises various entities as explained in the description of the divestment.
(3) The gain on divestments comprises the sales proceeds, the net assets divested, the expenses directly related to the divestment and the realisation of unrealised reserves.

50 PRINCIPAL SUBSIDIARIES

For the majority of NN Group's principal subsidiaries, NN Group N.V. has control because it either directly or indirectly owns more than half of the voting power. For each of the subsidiaries listed below, the voting rights held equal the proportion of ownership interest. For subsidiaries in which the interest held is below 50%, control exists based on the combination of NN Group's financial interest and its rights from other contractual arrangements which result in control over the operating and financial policies of the entity.

The principal subsidiaries and their statutory place of incorporation or primary place of business are as follows:

Entities that are part of the insurance operations

		Proportion of ownership interest held by NN Group	
		2013	2012
Subsidiary			
Nationale-Nederlanden Levensverzekering Maatschappij N.V.	The Netherlands	**100%**	100%
Nationale-Nederlanden Schadeverzekering Maatschappij N.V.	The Netherlands	**100%**	100%
Parcom Capital B.V.	The Netherlands	**100%**	100%
Nationale-Nederlanden Services N.V.	The Netherlands	**100%**	100%
Movir N.V.	The Netherlands	**100%**	100%
ING Re (Netherlands) N.V.	The Netherlands	**100%**	100%
Nationale-Nederlanden Bank N.V.	The Netherlands	**100%**	100%
ING Investment Management Holdings N.V.	The Netherlands	**100%**	100%
ING Pojistovna a.s.	Czech Republic	**100%**	100%
ING Životná poist'ovna a.s.	Slovakia	**100%**	100%
ING Uslugi Finansowe S.A.	Poland	**100%**	100%
ING Powszechne Towarzystwo Emerytalne S.A.	Poland	**80%**	80%
ING Asigurari de Viata S.A.	Romania	**100%**	100%
ING Greek Life Insurance Company S.A.	Greece	**100%**	100%
ING Biztosító Zártkörûen Mûködõ Részvénytársaság	Hungary	**100%**	100%
ING Pensionno-Osigoritelno Druzestvo EAD	Bulgary	**100%**	100%
ING Life Belgium N.V.	Belgium	**100%**	100%
ING Non Life Belgium N.V.	Belgium	**100%**	100%
ING Life Luxembourg S.A.	Luxembourg	**100%**	100%
Nationale-Nederlanden Vida, Compañia de Seguros y Reaseguros S.A.	Spain	**100%**	100%
Nationale-Nederlanden Generales, Compañia de Seguros y Reaseguros S.A.	Spain	**100%**	100%
ING Emeklilik A.S.	Turkey	**100%**	100%
ING Life Insurance Company Limited	Japan	**100%**	100%

51 STRUCTURED ENTITIES

NN Group's activities involve transactions with structured entities in the normal course of its business. A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. NN Group's involvement in these entities varies and includes both debt financing and equity financing of these entities as well as other relationships. Based on its accounting policies, as disclosed in the section "Principles of valuation and determination of results" of these Consolidated annual accounts, NN Group establishes whether these involvements result in no significant influence, significant influence, joint control or control over the structured entity.

The structured entities over which NN Group can exercise control are consolidated. NN Group may provide support to these consolidated structured entities as and when appropriate, however this is fully reflected in the consolidated financial statements of NN Group as all assets and liabilities of these entities are included and off-balance sheet commitments are disclosed.

NN Group's activities involving structured entities are explained below in the following categories:

- Consolidated NN Group originated Liquidity management securitisation programmes (Hypenn);
- Investments – NN Group managed Investment funds; and
- Investments – Third party managed structured entities.

Notes to the Consolidated annual accounts of NN Group continued

Consolidated NN Group originated Liquidity management securitisation programmes
In 2013, NN Bank originated a securitisation program of approximately EUR 2.1 billion mortgage loans (“Hypenn”). The related structured entity is consolidated by NN Bank and, therefore, the related mortgage loans continue to be recognised in the Consolidated balance sheet. The structured entity is partly funded through the issue of Residential Mortgage Backed Securities to ING Bank (as at 31 December 2013: EUR 400 million). Reference is made to Note 52 “Related parties”.

NN Group managed Investment funds
NN Group originates investment funds. NN Group may hold investments in these funds for its own account through the general account investment portfolio of the insurance operations. Other investments in these funds may be held for the account of policyholders or by third parties. For the majority of these funds, NN Group also acts as the fund manager. NN Group considers both NN Group’s financial interests for own risk and its role as investment manager to establish whether control exists and whether the fund is consolidated. In general, NN Group maintains a minority interest in these funds and NN Group receives a fixed fee over assets under management, at arm’s length basis, for its asset management activities. These funds are therefore generally not included in the Consolidated annual accounts of NN Group.

Reference is made to Note 4 “Available-for-sale investments” in which investments in equity securities are specified by NN Group managed investment funds and Third party managed investment funds. The maximum exposure to loss for NN Group is equal to the reported carrying value of the investment recognised in the consolidated balance sheet of NN Group.

Third party managed structured entities
As part of its investment activities, NN Group invests both in debt and equity instruments of structured entities originated by third parties.

Most of the debt investments relate to asset backed securities (ABS). Reference is made to Note 4 “Available-for-sale investments” where the ABS portfolio is disclosed.

The majority of the equity investments relate to interests in investment funds that are not originated or managed by NN Group. Reference is made to Note 4 “Available-for-sale investments” in which investments in equity securities are specified by NN Group managed investment funds and Third party managed investment funds.

NN Group has significant influence for some of its real estate investment funds as disclosed in Note 6 “Investments in associates”.

52 RELATED PARTIES
In the normal course of business, NN Group enters into various transactions with related parties. Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operating decisions. Related parties of NN Group include, amongst others, its joint ventures, associates, key management personnel and the defined benefit and contribution plans. Transactions between related parties have taken place on an arm’s length basis, and include distribution agreements, transitional services, sourcing and procurement agreements, human resources-related arrangements, transfer pricing agreements, rendering and receiving of services, leases, transfers under finance arrangements and provisions of guarantees or collateral. There are no significant provisions for doubtful debts or individually significant bad debt expenses recognised on outstanding balances with related parties.

Transactions with associates

	Associates		
	2013	2012	2011
Assets		48	47

In 2013, 2012 and 2011 there were no transactions with joint ventures.

Transactions with ING Groep N.V. and ING Bank N.V.

	ING Groep N.V.			ING Bank N.V.		
	2013	2012	2011	**2013**	2012	2011
Assets	**54**			**6,388**	4,942	13,211
Liabilities	**3,394**	3,749	2,617	**961**	294	1,888
Guarantees in favour of					221	250
Income received				**36**	68	338
Expenses paid	**125**	123	60	**100**	176	542

Liabilities to ING Groep N.V. mainly include long term funding.

NN Group has entered into the following financing arrangements with ING Group and with ING Bank.

- **Pooled Bank** Accounts: On 19 January 2012, NN Group entered into a pooled bank accounts agreement (“Fiat-en Rentestelsel”) with ING Bank, to arrange for a current account deficit facility, and debit/credit interest on a set of pooled bank accounts of NN Group, whereby obligations of NN Group are secured by a right of pledge on bank accounts in favour of ING Bank.
- **WUB guarantees & indemnities:** NN Group has entered into certain guarantee agreements for the benefit of and with Westland/Utrecht Bank N.V. (WUB). NN Group has guaranteed:
  - all non-subordinated debt obligations of WUB (in relation to its funding) and of any of its subsidiaries entered into before 1 January 2013;
  - certain other obligations of WUB (in relation to its swap transactions), not covered by the guarantee under (i) above; and any
  - outstanding debt obligations under WUB’s Debt Issuance Programme of 1997.

  Subsequently, NN Group has entered into certain unlimited indemnity agreements with ING Bank and ING Groep under which NN Group is indemnified by ING Bank for its obligations under each of the guarantees referred to above. The expiry date of last outstanding obligations covered by the guarantees is 25 March 2032. Under these guarantees in aggregate EUR 213 million was outstanding as at 31 December 2013.
- **ING U.S – ISDA guarantee:** NN Group has guaranteed the obligations under an ISDA Master Agreement entered into by a subsidiary of ING U.S. (which is currently 57% owned by ING Group). NN Group is indemnified by ING Group for this guarantee as outlined in an indemnity agreement between ING Group and the Company.
- **LOC Facility:** NN Group has entered into a Letter of Credit agreement (“LOC”) with ING Bank on 29 April 2010, to the maximum facility amount of USD 185 million. Under this LOC Facility in aggregate EUR 116 million was outstanding as at 31 December 2013. All obligations under this LOC will expire at the end of 2014.
- **Senior Bridge Loan:** On 18 September 2013, NN Group (as Borrower) has entered into a senior loan agreement with ING Groep (as Lender), currently in the aggregate amount of EUR 1,000 million. The maturity date of this loan is 18 March 2014.
- **Revolving Credit Facility:** On 1 July 2013, NN Bank (as Borrower) has entered into a senior revolving credit facility agreement with ING Bank (as Lender) in the aggregate amount of EUR 250 million (under which currently no amounts have been drawn). The maturity date of this facility is 30 June 2015.
- **Senior Unsecured Notes:** On 1 July 2013, NN Bank N.V. has issued senior unsecured notes and placed the notes with ING Bank in the aggregate amount of EUR 270 million. The maturity date of these notes is 30 June 2023.
- **Pledge Financial Collateral Agreement:** On 20 December 2012, NN Group (as Pledgee) has entered into a Financial Collateral Pledge Agreement with ING Bank by which a right of pledge was created in favour of NN Group on certain securities held by ING Bank. The pledge serves as security for the duly repayment of cash deposits that NN Group has placed with ING Bank. This agreement will expire as of 20 March 2014.
- **Subordinated Loans:** NN Group has entered into perpetual subordinated loan agreements with ING Group. Reference is made to Note 14 “Subordinated loans”.
- **Cash Investments:** ING Bank holds, for the benefit of NN Group cash positions in bank accounts, in the aggregate amount of EUR 829 million as at 31 December 2013 and investments in money market instruments, in the aggregate amount of EUR 5,383 million as at 31 December 2013.
- **Derivative transactions:** For general hedging purposes, NN Group has entered into derivative transactions with ING Bank on the basis of standard legal (master) derivative documentation.
- **Securities Lending:** NN Group (as Lenders) has entered into securities lending transactions with ING Bank N.V. (as Borrower) on the basis of customary legal (master) documents, lending debt securities, that are classified as available-for-sale instruments in the Consolidated balance sheet, to ING Bank in the aggregate amount of EUR 700 million during 2013, for general investment purposes. These debt securities remain to be recognised on the Consolidated balance sheet.
- **Securitisations:** NN Bank has entered into a Residential Mortgage-Backed Securities (RMBS) -transaction with ING Bank N.V. for the aggregate amount of EUR 400 million (of which currently EUR 400 million is outstanding).
- NN Bank has entered into a service agreement with Westland/Utrecht Hypotheekbedrijf N.V. and RVS Hypotheekbank N.V. on 1 July 2013, for providing certain management services in relation to a housing mortgage loan portfolio of Westland/Utrecht Bank N.V.
- In 2013 EUR 1.9 billion (2012: EUR 1.9 billion; 2011: EUR 1.8 billion) ING Bank mortgages were sold through the NN Group intermediary sales agents.

During 2013, due to the partly transfer of WestlandUtrecht Bank, certain assets and liabilities were transferred from ING Bank to NN Group. Reference is made to Note 49 “Companies and businesses acquired and divested”.

Master claim agreement
In 2012, ING Groep N.V., ING U.S., Inc. and ING Insurance Eurasia N.V. entered into a master claim agreement to (a) allocate existing claims between these three parties and (b) agree on criteria for how to allocate future claims between the three parties. The master claim agreement contains further details on claim handling, conduct of litigation and dispute resolution. In 2014, NN Group replaced ING Insurance Eurasia N.V. as a party to the agreement.

Notes to the Consolidated annual accounts of NN Group continued

Indemnification and allocation agreement with ING Insurance Eurasia N.V.
ING Groep N.V. and NN Group N.V. have entered into an indemnification and allocation agreement, in which ING Group has agreed to indemnify NN Group for certain liabilities that relate to the business of or control over certain (former) U.S. and Latin American subsidiaries of NN Group in the period until 30 September 2013 or, if the relevant subsidiary was divested by NN Group after 30 September 2013, such later date of divestment. These liabilities mainly include contingent liabilities that may arise as a result of the initial public offering of ING U.S. (such as prospectus liability) and the sales of the Latin American businesses (such as claims under warranties and other buyer protection clauses), and the liabilities for the claims concerning the performance of certain interest-sensitive products that were sold by a former subsidiary of NN Group in Mexico and the claims filed by the purchaser of certain Mexican subsidiaries of NN Group claiming that the financial condition of the subsidiaries was not accurately depicted.

Key management personnel compensation
Transactions with key management personnel (Executive Board, Management Board and Supervisory Board) and post-employment benefit plans are transactions with related parties. Transactions with post-employment benefit plans are disclosed in Note 38 “Pension and other post-employment benefits”.

The governance of the insurance operations has changed during the reporting period and in early 2014. In 2013, all members of the Management Board ING Insurance Eurasia N.V. have become members of the Management Board ING Verzekeringen N.V. From 1 March 2014 onwards, due to the legal merger between ING Verzekeringen N.V. and ING Topholding N.V. and the subsequent change of the name of the entity to NN Group, all members of the Management Board ING Verzekeringen N.V. have become members of the Management Board NN Group. The disclosures in the below tables therefore are based on the members of the Management Board NN Group.

For the year 2013, the Management Board ING Topholding N.V. consisted solely of the members of the Executive Board of ING Groep N.V. The remuneration of this Management Board is borne by ING Groep N.V. and disclosed separately in the below tables.

Three of the Management Board members of NN Group are also Executive Board members of ING Groep N.V. The total remuneration of the Executive Board of ING Groep N.V. and Supervisory Board is borne by ING Groep N.V. The remuneration of the members and former members of the Executive Board and Supervisory Board are charged in full by ING Group to its subsidiaries, on the basis of a general allocation formula.

Due to the transfer of ING U.S. in 2013, the Executive Officers of ING U.S., Inc. are no longer considered key management personnel of NN Group.

In 2013 and 2012, the Dutch Government imposed an additional tax charge of 16% on income in excess of EUR 150,000 of each employee, subject to Dutch income tax. The tax is charged to NN Group and does not affect the remuneration of involved staff. The tax imposed on NN Group for relevant members of the Executive Board and Management Board amounts to EUR 1.6 million (2012; EUR 0.9 million), which is not included in the amounts in the table below.

Key management personnel compensation (Executive Board and Management Board)

2013 Amounts in thousands of euros	Executive Board of ING Groep N.V. [1,2]	Management Board [3]	Total
Fixed compensation			
– Base salary	3,309	3,351	6,660
– Pension costs	549	745	1,294
– Termination benefits		765	765
Variable compensation			
– Upfront cash		395	395
– Upfront shares		395	395
– Deferred cash		593	593
– Deferred shares		593	593
Total compensation	3,858	6,837	10,695

(1) Includes their compensation earned in the capacity as Executive Board members Mr. Hamers was appointed to the Executive Board on 13 May 2013 and Mr. Hommen stepped down from the Executive Board as per 1 October 2013.
(2) The members of the Executive Board of ING Groep N.V. were also members of the Management Board ING Topholding N.V. for the year 2013.
(3) Excluding members that are also members of the Executive Board of ING Groep N.V.

Notes to the Consolidated annual accounts of NN Group continued

Key management personnel compensation (Executive Board and Management Board)

2012 amounts in thousands of euros	Executive Board of ING Groep N.V. [1]	Management Board [2,3,4]	Total
Fixed compensation			
– Base salary	2,572	4,897	7,469
– Pension costs	311	893	1,204
– Termination benefits		1,873	1,873
Variable compensation			
– Upfront cash		2,296	2,296
– Upfront shares		160	160
– Deferred cash		240	240
– Deferred shares		2,604	2,604
– Other		339	339
Total compensation	2,883	13,302	16,185

(1) The members of the Executive Board of ING Groep N.V. were also members of the Management Board ING Topholding N.V. for the year 2013.
(2) Excluding members that are also members of the Executive Board of ING Groep N.V.
(3) Besides the compensation in his capacity as Board member, one of the Management Board members received a "buy-out" for the compensation that he would have received had he not resigned from his former employer. The buy-out consists of a cash amount and shares with a total value of EUR 500.000 at the grant date, which vests in the years 2012-2015.
(4) After publication of the 2012 Annual Account, a variable reward of EUR 84,375 was awarded to one board member, which was pending final approval. The 2012 figures were updated for this award.

Key management personnel compensation (Executive Board and Management Board)

2011 amounts in thousands of euros	Executive Board of ING Groep N.V. [1]	Management Board [2]	Total
Fixed compensation			
– Base salary	2,666	2,560	5,226
– Pension costs	315	481	796
Variable compensation			
– Upfront cash		643	643
– Upfront shares		341	341
– Deferred cash		511	511
– Deferred shares		945	945
Total compensation	2,981	5,481	8,462

(1) The members of the Executive Board of ING Groep N.V. were also members of the Management Board ING Topholding N.V. for the year 2013.
(2) Excluding members that are also members of the Executive Board of ING Groep N.V.

In 2013, the total remuneration costs amounted to EUR 3.9 million (2012: EUR 2.9 million; 2011: EUR 3.0 million) for members and former members of the Executive Board, of these remuneration costs EUR 1.9 million (2012: EUR 1.4 million; 2011: EUR 1.5 million) was allocated to NN Group. The total remuneration costs amounted EUR 1.1 million (2012: EUR 0.8 million; 2011: EUR 0.9 million) for members and former members of the Supervisory Board, of these remuneration costs EUR 0.5 million (2012: EUR 0.4 million; 2011: EUR 0.4 million) was allocated to NN Group.

Key management personnel compensation (Supervisory Board)

amounts in thousands of euros	2013	2012	2011
Base salary	**1,065**	806	857
Total compensation	**1,065**	806	857

The disclosures relating to remuneration of the Supervisory Board reflect the amounts relating to ING Group as a whole. The table above shows the fixed remuneration, expense allowances and attendance fees for the Supervisory Board for 2013, 2012 and 2011. From 1 January 2013, new VAT legislation became effective based on which Dutch members of the Supervisory Board are considered as self-employed persons who's compensation is subject to VAT in the Netherlands. The table presented above is including VAT of EUR 0.1 million for 2013.

Notes to the Consolidated annual accounts of NN Group continued

Loans and advances to key management personnel									
	Amount outstanding 31 December			Average interest rate			Repayments		
amounts in thousands of euros	**2013**	2012	2011	**2013**	2012	2011	**2013**	2012	2011
Executive Board members	**3,347**	2,338	1,968	**2.7%**	3.3%	3.6%	**500**		
Members of the Management Board		480	2,314	**0.0%**	3.1%	3.4%		60	388
Supervisory board members			282	**0.0%**		8.6%		282	
Total	**3,347**	2,818	4,564				**500**	342	388

Key management personnel compensation is generally included in Staff expenses in the profit and loss account, except for Key management personnel employed by entities that are presented as held for sale and discontinued operations in which case their compensation is included in the Total net result from discontinued operations.

Remuneration of the Executive Board and Management Board NN Group is recognised in the P&L in Staff expenses as part of Total expenses. The total remuneration of the Executive Board and Management Board NN Group as disclosed in the table above (for 2013: EUR 10.7 million) includes all variable remuneration related the performance year 2013. Under IFRS, certain components of variable remuneration are not recognised in the P&L directly, but are allocated over the vesting period of the award. The comparable amount recognised in Staff expenses in 2013, and therefore included in Total expenses in 2013, relating to the fixed expenses of 2013 and the vesting of variable remuneration of earlier performance years, is EUR 9.2 million.

Transactions with the Dutch State

Illiquid Assets Back-up Facility

ING Group and the Dutch State reached an agreement on an Illiquid Assets Back-Up Facility (“IABF”) on 26 January 2009. The transaction closed on 31 March 2009. The IABF covers the Alt-A portfolios of ING Insurance US, with a par value of approximately EUR 4 billion. Under the IABF, ING transferred 80% of the economic ownership of its Alt-A portfolio to the Dutch State. As a result, an undivided 80% interest in the risk and rewards on the portfolio was transferred to the Dutch State. ING retained 100% of the legal ownership of its Alt-A portfolio. The transaction price was 90% of the par value with respect to the 80% proportion of the portfolio of which the Dutch State had become the economic owner. The transaction price remains payable by the Dutch State to ING and will be redeemed over the remaining life. Furthermore, under the IABF ING pays a guarantee fee to the State and receives a funding fee and a management fee. As a result of the transaction ING derecognised 80% of the Alt-A portfolio from its balance sheet and recognised a receivable from the Dutch State. The transferred Alt-A portfolio was previously included in Available-for-sale debt securities. The Dutch State also acquired certain consent rights with respect to the sale or transfer of the 20% proportion of the Alt-A portfolio that is retained by ING.

Under the terms of the transaction as agreed on 26 January 2009, the overall sales proceeds amounted to EUR 2.6 billion at the transaction date. The amortised cost (after prior impairments) at the transaction date was also approximately EUR 2.7 billion. The transaction resulted in a loss in the first quarter of 2009 of EUR 154 million after tax (the difference between the sales proceeds and the amortised cost). The fair value under IFRS-EU at the date of the transaction was EUR 1.7 billion.

In order to obtain approval from the European Commission on ING Groep N.V.’s Restructuring Plan (see below), ING agreed to make additional Illiquid Assets Back-up Facility payments as part of the overall agreement with the European Commission to the Dutch State corresponding to an adjustment of the fees for the Illiquid Assets Back-up Facility. In total, these additional Illiquid Assets Back-up Facility payments as part of the overall agreement with the European Commission amounted to a net present value of EUR 1.3 billion before tax, which was recognised as a one-off charge for ING Groep N.V. in the fourth quarter of 2009.

The difference between the total sales proceeds and the fair value under IFRS-EU represents a “Government grant” under IAS 20. This government grant is considered to be an integral part of the transaction and is therefore accounted for as part of the result on the transaction. The transaction resulted in a reduction of the negative revaluation – and therefore an increase in equity – of EUR 0.7 billion (after tax).

The valuation method of the 20% Alt-A securities in the IFRS balance sheet is not impacted by the IABF. The methodology used to determine the fair value for these assets in the balance sheet under IFRS-EU is disclosed in Note 40 “Fair value of financial assets and liabilities”.

In connection with the sale of ING Direct USA, ING has reached an agreement with the Dutch State to adjust the structure of the Illiquid Assets Back-up Facility (IABF). This adjustment served to de-link the IABF from ING Direct USA by putting ING Bank in its place as counterparty for the Dutch State and became effective at the closing of the sale in February 2012. Under the terms of the original transaction ING Direct USA held on its balance the remaining 20% of the Alt-A portfolio, ensuring an alignment of interests between ING and the Dutch state regarding the performance of the portfolio.

Upon closing of the sale ING provided a counter guarantee to the Dutch State covering 25% of the 80% part of the Dutch State. This guarantee covered realised cash losses if they would exceed the 35% that is implied by the market value of the portfolio in June 2011. This adjustment therefore lowered the risk exposure for the Dutch State.

As at 31 December 2011, the remaining outstanding amount from the transaction price, including the unamortised components, that remained payable by the Dutch State was EUR 1.4 billion for the insurance operations.

In November 2012, ING restructured the IABF to effectively delink ING Insurance US from the IABF as another step towards a planned IPO of ING Insurance US. ING Insurance US transferred its Dutch State receivable of approximately EUR 1.1 billion (USD 1.4 billion) to ING Bank, and at the same time transferred legal title to 80% of the Alt-A portfolio to ING Bank. As at 31 December 2012, ING Insurance US therefore no longer has a receivable from the Dutch State in connection with the IABF. The securities were held in an ING Bank custody account for the benefit of the Dutch State (the portion for which the investment risk has been transferred to the Dutch State). Following the restructuring, ING Insurance US continues to own 20% of the Alt-A portfolio (the portion for which the economic ownership and investment risk remains for the risk of ING), but will going forward have the right to sell these securities, subject to a right of first refusal granted to ING Bank. ING has committed to the Dutch State it will not sell these securities to non-ING parties without the prior written consent of the Dutch state.

In December 2013, ING reached a final agreement with the Dutch State on the unwinding of the IABF. The terms of the agreement were approved by the EC. Under the agreement, the IABF in its current form was terminated, the regular guarantee fee payments were settled for an amount of EUR 0.4 billion and the other restrictions as part of the IABF agreement are no longer applicable. Furthermore, under the agreement, the Dutch State committed to sell the Alt-A securities in the market.

The total nominal value of the portfolio of securities held by the Dutch state decreased to EUR 4.6 billion at 31 December 2013 as a result of regular repayments on the underlying mortgages by homeowners and the first tranche of the divestment of securities with a notional outstanding amount of EUR 3.7 billion following the termination of the IABF. The remaining nominal value of the portfolio of securities held by the Dutch state as at 31 December 2013 was sold in January and early February 2014.

The State used all repayments and net fees received to pay off the loan from ING, reducing the amount outstanding to EUR 2.7 billion at 31 December 2013 (2012: EUR 7.8 billion). This remaining amount was fully repaid in January 2014.

Unwinding the IABF also resulted in eliminating a counter-guarantee that ING extended to the Dutch state in connection with the divestment of ING Direct USA in 2012.

European Commission Restructuring Plan
In 2009, ING Groep N.V. submitted a Restructuring Plan to the European Commission as part of the process to receive approval for the government support measures. By decision of 18 November 2009, the European Commission, formally approved the Restructuring Plan. The main elements of the Restructuring Plan as announced on 26 October 2009 are as follows:

- elimination of double leverage and significant reduction of ING’s balance sheet;
- divestment of all Insurance and Investment Management activities;
- divestment of ING Direct USA;
- creation of a new company in the Dutch retail market composed of Interadvies (including Westland Utrecht and the mortgage activities of Nationale-Nederlanden) and the existing consumer lending portfolio of ING Retail in the Netherlands. This business, once separated, needs to be divested;
- restriction to be a price leader in any EU country for certain retail and SME banking products and restriction to acquire financial institutions or other businesses that would delay the repayment of the non-voting equity securities.

Notes to the Consolidated annual accounts of NN Group continued

These restrictions will apply for the shorter period of three years or until the non-voting equity securities have been repaid in full to the Dutch State:
- an agreement with the Dutch State to alter the repayment terms of 50% of the non-voting equity securities;
- repayment of EUR 5 billion of the non-voting equity securities issued in November 2008 to the Dutch State;
- additional Illiquid Assets Back-up Facility payments as part of the overall agreement with the European Commission will have to be made to the Dutch State in the form of fee adjustments relating to the Illiquid Assets Back-Up Facility which resulted in a one-off pre-tax charge to ING of EUR 1.3 billion in the fourth quarter of 2009;
- launch of a EUR 7.5 billion rights issue, in order to finance the repayment of 50% of the non-voting equity securities and a mitigation of the capital impact of the additional Illiquid Assets Back-up Facility payment as part of the overall agreement with the European Commission to the Dutch State of EUR 1.3 billion;
- execution of the Restructuring Plan before the end of 2013;
- if the overall return on the (remaining) non-voting equity securities (core Tier 1 securities) issued to the Dutch State is expected to be lower than 10% p.a., the European Commission may consider the imposition of additional behavioural constraints; and
- The calling of Tier 2 capital and Tier 1 hybrids will in the future be proposed case by case to the Commission for authorisation, for the shorter period of three years starting from the date of the Commission decision or up to the date on which ING has fully repaid the non-voting equity securities (core Tier 1 securities) to the Dutch State (including the relevant accrued interest of core Tier 1 coupons and exit premium fees).

ING announced in November 2012 that, together with the Dutch State, it had submitted significant amendments to the 2009 Restructuring Plan to the European Commission. The European Commission approved these amendments by Decision of 16 November 2012.

Amendments to the Restructuring Plan in 2012
The amendments to the 2009 Restructuring Plan as announced in November 2012 extended the time horizon and increased the flexibility for the completion of divestments and adjusted other commitments in light of the market circumstances, economic climate and more stringent regulatory requirements.

Under the amendments announced in 2012, the ultimate dates for divesting the insurance and investment management businesses changed as follows:
- The divestment of more than 50% of ING's interest in its Asian insurance and investment management operations has to be completed by year-end 2013, with the remaining interest divested by year-end 2016;
- The divestment of at least 25% of ING's interest in ING U.S. has to be completed by year-end 2013, more than 50% has to be divested by year-end 2014, with the remaining interest divested by year-end 2016;
- The divestment of more than 50% of ING's interest in its European insurance and investment management activities has to be completed by year-end 2015, with the remaining interest divested by year-end 2018; and
- As ING has committed to eliminate double leverage, proceeds from the divestments will be used to that end while ensuring adequate leverage ratios of the insurance holding companies.

A divestment of more than 50% of ING's interest as mentioned in this paragraph and furthermore below also means that ING Group (a) no longer has a majority of representatives on the Boards of these operations and (b) has deconsolidated these operations from ING Group's financial statements in line with IFRS-EU accounting rules.

Under the terms of the 2009 Restructuring Plan, ING was required to divest WestlandUtrecht Bank. However, due to market circumstances and changing regulatory requirements, a divestment of WestlandUtrecht did not occurred. Instead, under the 2012 amended Restructuring Plan, the commercial operations of WestlandUtrecht Bank were combined with the retail banking activities of NN Bank, which is to be divested as part of ING's insurance and investment management operations in Europe. The result has to be that NN Bank is a viable and competitive business, which stands alone and is separate from the businesses retained by ING. To this end ING already needs to ring-fence NN Bank up to the divestment of more than 50% of the European insurance and investment management activities.

On 1 July 2013 EUR 3.8 billion of WestlandUtrecht Bank's Dutch mortgage portfolio, EUR 0.1 billion of consumer lending and EUR 3.7 billion of Dutch savings portfolio were transferred to NN Bank. In addition approximately 400 of WestlandUtrecht Bank's employees were transferred to NN Bank. All assets and liabilities were transferred at the existing carrying value as previously included in ING Bank's balance sheet. This transaction was completed on 1 July 2013.

ING has committed amongst others, that NN Bank will reach certain targets for mortgage production and consumer credit until the date at which more than 50% of NN Group has been divested or until 31 December 2015 if the European Commission requires so. Furthermore, ING has agreed to a maximum ratio for mortgage production at ING Retail Banking Netherlands in relation to mortgage production of NN Bank until year-end 2015.

The 2009 Restructuring Plan included restrictions on acquisitions and price leadership for certain products in EU markets. These restrictions will continue to apply until 18 November 2015 or until the date on which more than 50% of each of the insurance and investment management operations has been divested, whichever date comes first.

Notes to the Consolidated annual accounts of NN Group continued

The price leadership restrictions in Europe have been amended to reflect specific conditions in various local markets. Under the amendments, the constraint no longer applied in the Netherlands, but ING Direct in the EU will refrain from offering more favourable prices than its best priced direct competitor among the ten financial institutions having the largest market share in the respective countries.

The calling or buy-back of Tier 2 capital and Tier 1 Hybrid Securities will continue to be proposed for authorisation to the European Commission on a case by case basis until ING has fully repaid the core Tier 1 securities to the Dutch State, but ultimately until 18 November 2014, whichever date comes first. Notwithstanding this restriction, ING was allowed to call the EUR 1.25 billion hybrid securities, originally issued by ING Verzekeringen N.V. on 21 December 2012.

The 2012 amended Restructuring Plan includes a repayment schedule for the remaining core Tier 1 securities to the Dutch State.

The implementation of the commitments and obligations set out in the (amended) Restructuring Plan will be monitored by a monitoring trustee who is independent of ING until 31 December 2015.

The 2012 amended Restructuring Plan was formally approved by the European Commission, by decision of 16 November 2012. As a result, the Commission closed its formal investigations as announced on 11 May 2012 and ING also withdrew its appeal at the General Court of the European Union, filed in July 2012. For principal legal reasons, the European Commission has continued with its appeal against the General Court ruling of March 2012. However, ING, the Dutch State and the European Commission agreed that any outcome of this procedure will not affect the approval of the amended Restructuring Plan. It is expected that this judgment will be rendered in April 2014.

Amendments to the Restructuring Plan in 2013
In November 2013 further amendments to the Restructuring Plan were announced. It was announced that the scope of the intended Initial Public Offering (IPO) of NN Group is expanded to include ING Life Japan. In that context, ING and the Dutch State have reached an agreement with the European Commission on revised timelines for the divestment process of ING Life Japan and ING's European insurance and investment management activities.

As part of the previously announced amended restructuring agreement with the EC in 2012, ING planned to divest more than 50% of ING's Asian insurance and investment management businesses by the end of 2013. ING successfully divested most of these businesses over the course of the past year. Under the revised timelines announced, ING will divest ING Life Japan in line with the divestment timeline for ING's European insurance and investment management activities. This means that the timeline to divest more than 50% of ING Life Japan has effectively been extended by two years to year-end 2015, which is also the unchanged timeline to divest more than 50% of ING's European insurance and investment management businesses. As part of the revised 2013 agreement, ING will accelerate the timeline to complete the divestment of 100% of ING's European insurance and investment management activities by two years to year-end 2016. Preparations for an base case IPO of NN Group in 2014 are on track.

The amendments to the restructuring plan of 2013 were formally approved by the European Commission by decision of 5 November.

Credit Guarantee Scheme
As part of the measures adopted to protect the financial sector, the Dutch State introduced a EUR 200 billion credit guarantee scheme for the issuance of medium term debt instruments by banks (the Credit Guarantee Scheme). ING Bank N.V. issued government guaranteed debt instruments under this Credit Guarantee Scheme ("Government Guaranteed Bonds") as part of its regular medium-term funding operations. The relevant Rules of the Credit Guarantee Scheme set forth the rules applicable to any issues under the Credit Guarantee Scheme and include information such as scope, denomination, tenor and fees payable by the banks. ING Group pays a fee of 84 basis points over the issued bonds to the Dutch State to participate in the Credit Guarantee Scheme. Reference is made to Note 15 "Debt securities in issue".

Other
Following the transactions as disclosed in this note, the Dutch State is a related party of ING Group. All other transactions between ING Group and the Dutch State are of a normal business nature and at arm's length.

In the framework of the transactions with the Dutch State disclosed in this note, certain arrangements with respect to corporate governance and executive remuneration were agreed with the Dutch State which were in place until the Illiquid Assets Back-up Facility was unwound. The State Nominees will stay in office for the term for which they were appointed.

Notes to the Consolidated annual accounts of NN Group continued

53 OTHER EVENTS
ING U.S.
IPO of ING U.S. in May 2013
In May 2013, approximately 65.2 million ordinary shares were sold in the Initial Public Offering ("IPO") of ING U.S., Inc., the U.S.-based retirement, investment and insurance business ("ING U.S."). Furthermore, on 29 May 2013, the underwriters of the IPO exercised in full their option to purchase approximately 9.8 million additional shares of ING U.S.

The total proceeds of these transactions were EUR 1,061 million (USD 1,385 million). The IPO reduced the ownership in ING U.S. from 100% to 71.25%.

These transactions did not impact the profit and loss account, as ING U.S. continued to be fully consolidated at that date. The transactions had a negative impact of approximately EUR 1,958 million on Shareholders' equity (parent), including EUR 19 million transaction costs after tax. This amount reflected the difference between the net proceeds of this offering and the IFRS-EU carrying value of the 28.75% interest divested in this IPO. This amount was recognised in "Other reserves".

Minority interests at that date increased with EUR 2,954 million due to the IPO of ING U.S. This amount represented 28.75% of the net asset value under IFRS-EU of ING U.S.

As a result, the total impact on Total equity was EUR 996 million.

Transfer of ING U.S.
At 30 September 2013, the remaining interest in ING U.S. was transferred to ING Groep N.V. by way of dividend in kind of EUR 6,826 million. As of the date of transfer, ING U.S. ceased to be consolidated; the results for the period until transfer are presented as discontinued operations. Reference is made to Note 33 "Discontinued operations".

As the transfer was performed at carrying value, the transaction did not impact Net result from continuing and discontinued operations. The transfer reduced Shareholder's equity with EUR 6,826 million as the reserves relating to ING U.S. were released. Furthermore Minority interest of EUR 3,010 million relating to ING U.S. was also transferred The impact on Total equity is therefore EUR –9,836 million. Reference is made to Note 13 "Equity".

Due to the transfer, the segments Insurance United States (US), Insurance US Closed Block VA, Investment Management US and the Corporate Line US ceased to exist.

NN Group's business in Japan
After carefully exploring and evaluating the options available for the divestment of ING Life Japan, it was concluded that a standalone divestment of ING Life Japan, including its Corporate Owned Life Insurance (COLI) and Closed Block VA businesses, is not feasible in a manner that would appropriately meet the demands of regulators and other stakeholders in ING Group and ING Life Japan. Therefore, ING Life Japan will be included with NN Group's European insurance and investment management businesses in the base case IPO of NN Group in 2014.

As a result, ING Life Japan and the Japanese Closed Block VA guarantees reinsured to ING Re ("NN Group's business in Japan") are no longer classified as held for sale and discontinued operations. The individual assets and liabilities of NN Group's business in Japan are therefore classified out of Assets and liabilities held for sale and presented in the usual consolidated balance sheet line items. The individual income and expenses of NN Group's business in Japan are classified out of Net result from discontinued operations and presented in the usual consolidated profit and loss account line items.

The comparative periods for the balance sheet have not been restated and therefore the assets and liabilities of NN Group's business in Japan are still included in Assets and liabilities held for sale for the year 2012. All comparative periods in the Consolidated profit and loss account have been restated for this decision and therefore income and expenses of NN Group's business in Japan are included in the continuing operations part of the statement for the years 2012 and 2011.

NN Group has adjusted its reporting structure to better align its segmentation according to the businesses that it comprises, their governance and internal management, and to reflect the decision to divest ING Life Japan with the IPO of NN Group. The new reporting segments for NN Group are as follows:
- Netherlands Life
- Netherlands Non-life
- Insurance Europe
- Japan Life
- Investment Management (IM)
- Other
- Japan Closed Block VA

Reference is made to Note 36 "Segments".

Japan Life, representing COLI business, and the Japan Closed Block VA, are reported separately to reflect the distinct nature of these two Japanese businesses. Under NN Group's existing accounting policies, the net insurance liability of any business line must be adequate at the 50% confidence level. The Japan Closed Block VA business had a reserve inadequacy at the 50% confidence level in October 2013. This inadequacy used to be offset by surplus adequacies in other businesses in the same business line that the Japan Closed Block VA business used to be part off, The separate reporting of the Japan Closed Block VA business line therefore triggered a charge of approximately EUR 575 million before tax to restore the reserve inadequacy. This charge resulted in a write-off of all deferred acquisition costs (DAC) related to the Japan Closed Block VA business of EUR 1,405 million partly compensated by a release of the Life insurance provision related to unearned revenues of EUR 867 million, and an increase in the life insurance provisions for the remaining amount.

Australia
In 2013, ING Australia Holdings Limited was transferred to ING Bank at carrying value. ING Australia Holdings Limited does not have operating activities.

Notes to the Consolidated annual accounts of NN Group continued

54 RECLASSIFIED BALANCE SHEET AND CASH FLOW STATEMENT

In order to provide comparable information based on a comparable scope of entities, reclassified Consolidated balance sheets and reclassified Consolidated cash flow statements are presented for the years 2012 and 2011 in addition to the IFRS-EU statements. In these reclassified statements all businesses that have been divested or presented as held for sale as at 31 December 2013, are treated as held for sale in 2012 and 2011.

Reclassified Balance sheet

	2013	Reclassified 2012	Reclassified 2011	IFRS 2012	IFRS 2011
Assets					
Cash and cash equivalents	**7,155**	4,347	9,707	5,389	11,577
Financial assets at fair value through profit or loss:					
– trading assets	**736**	586	503	586	534
– investments for risk of policyholders	**39,589**	43,821	43,075	98,765	116,438
– non-trading derivatives	**3,126**	4,662	5,157	5,107	7,285
– designated as at fair value through profit or loss	**482**	2,696	29	2,000	2,616
Available-for-sale investments	**61,014**	68,316	60,646	119,305	133,604
Loans and advances to customers	**25,319**	17,676	20,870	25,823	32,928
Reinsurance contracts	**252**	266	373	5,290	5,870
Investments in associates	**1,028**	1,265	1,435	1,352	1,526
Real estate investments	**764**	799	865	805	954
Property and equipment	**164**	203	243	338	469
Intangible assets	**392**	437	510	1,018	1,972
Deferred acquisition costs	**1,353**	3,142	3,404	4,549	10,204
Other assets	**3,754**	4,558	5,670	6,735	9,631
Total assets excluding assets held for sale	**145,128**	152,772	152,488	277,062	335,608
Assets held for sale	**630**	185,981	183,120	61,691	
Total assets	**145,758**	338,753	335,608	338,753	335,608
Equity					
Shareholder’s equity (parent)	**14,227**	26,423	23,412	26,423	23,412
Minority interests	**68**	217	62	217	62
Total equity	**14,295**	26,640	23,474	26,640	23,474
Liabilities					
Subordinated loans	**2,892**	2,947	4,367	2,947	4,367
Debt securities in issue		773	2,934	1,910	3,436
Other borrowed funds	**4,817**	5,293	5,876	7,442	7,307
Insurance and investment contracts	**111,551**	123,013	121,683	229,950	278,833
Customer deposits and other funds on deposit	**5,769**				
Financial liabilities at fair value through profit or loss:					
– non-trading derivatives	**1,843**	2,610	1,696	3,258	4,404
Other liabilities	**4,125**	5,920	5,808	10,951	13,787
Total liabilities excluding liabilities held for sale	**130,997**	140,556	142,364	256,458	312,134
Liabilities held for sale	**466**	171,558	169,770	55,655	
Total liabilities	**131,463**	312,113	312,134	312,113	312,134
Total equity and liabilities	**145,758**	338,753	335,608	338,753	335,608

In the 2012 and 2011 reclassified balance sheets, Assets and liabilities held for sale includes ING U.S., the insurance and investment management businesses in Asia (“Asia”) excluding NN Group’s business in Japan and ING Hypotecaria. In these reclassified balance sheets the assets and liabilities of NN Group’s business in Japan are included on a line by line basis.

In the 2012 and 2011 IFRS balance sheets, Assets and liabilities held for sale includes the insurance and investment management businesses in Asia (“Asia”) including NN Group’s business in Japan.

Notes to the Consolidated annual accounts of NN Group continued

Reclassified Cash flow statement					
		Reclassified			IFRS
	2013	2012	2011	2012	2011
Cash and cash equivalents at the beginning of the period/year	**6,717**	11,577	6,666	11,577	8,646
Net cash flow from operating activities	**–8,247**	–448	–1,587	723	2,068
Net cash flow from investing activities	**8,126**	–806	1,548	–2,881	2,477
Net cash flow from financing activities	**457**	–4,088	3,055	–2,737	–1,558
Net cash flow from entities held for sale		501	1,870		
Effect of foreign exchange rate changes	**182**	–19	25	35	–56
Closing cash and cash equivalents at the end of the period/year	**7,235**	6,717	11,577	6,717	11,577

55 SUBSEQUENT EVENTS

Defined Benefits Pension Fund in The Netherlands

In February 2014 ING reached an agreement with the trade unions, the ING Pension Fund, the Central Works Council and the Association of Retired ING Employees (VSI) to transfer all future funding and indexation obligations of ING's current closed defined benefit plan in the Netherlands to the Dutch ING Pension Fund. The agreement has made the ING Pension Fund financially independent from ING.

The key elements of the agreement are:

- Responsibility for future indexation and funding thereof will be transferred to the Dutch ING Pension Fund;
- ING's obligation to restore the coverage ratio of the Dutch ING Pension Fund ceased;
- The cross guarantees between ING Bank and NN Group to jointly and severally fund the obligations of the Dutch ING Pension Fund are terminated;
- ING paid EUR 549 million (before tax) to the Dutch ING Pension Fund for the removal of these obligations; and
- ING will reduce the employees' own contribution to the pension premium under the new defined contribution plan by approximately EUR 80 million over a 6 year period.

As part of the agreement, ING Bank and NN Group are released from all financial obligations arising from the Dutch defined benefit plan. Accordingly, this plan will no longer be accounted for as a defined benefit plan and, consequently, it will be removed from the balance sheet. The removal of the net pension asset related to the Dutch defined benefit pension plan from the balance sheet of approximately EUR 0.6 billion after tax and the payment to the Dutch ING Pension Fund of EUR 0.5 billion (EUR 0.4 billion after tax) will result in a charge of approximately EUR 1.1 billion after tax to be recognised in 2014. Of this impact, EUR 0.4 billion will be attributed to NN Group.

Accounting for GMDB in Japan Closed Block VA

NN Group applies fair value accounting on the reserves for Guaranteed Minimum Death Benefits (GMDB) of the Japan Closed Block VA from 1 January 2014. This improves the alignment of the carrying value of the GMDB reserves with their market value, better reflects the economic value of these guarantees and improves the alignment of the accounting for the guarantees with the accounting for the related hedges. Furthermore, this move makes the accounting for the GMDB consistent with the accounting on the reserves for Guaranteed Minimum Accumulation and Withdrawal benefits. As at 1 January 2014, the difference between the current carrying value and the estimated fair value of the GMDB reserves was EUR 219 million (before tax). Implementation of fair value accounting for GMDB represents a change in accounting policy under IFRS-EU with a transitional impact of EUR 165 million after tax being reflected only in Shareholder's equity as of 1 January 2014. Results for comparative periods will be restated accordingly.

Risk management

amounts in millions of euros, unless stated otherwise

INTRODUCTION

Risk taking is integral to the business model for insurance, investment management, and banking organisations such as NN Group. NN Group has developed and implemented a risk management structure that is designed to identify, assess, control and monitor the risks associated with its business. Through its risk management practices, NN Group seeks to meet its obligations to policyholders and other customers and creditors, manage its capital efficiently, and comply with applicable laws and regulations.

NN Group's approach to risk management is based on the following components:

- ***Risk management structure and governance systems.*** NN Group's risk management structure and governance systems follow the "three lines of defence" model, which outlines the decision-making, execution and oversight responsibilities for the implementation of NN Group's risk management. These structure and governance systems are embedded in each of NN Group's organisational layers, from the holding level to the individual business units.
- ***Risk management framework.*** NN Group's risk management framework takes into account the relevant elements of risk management, including its integration into NN Group's strategic planning cycle, the management information generated, and a granular risk assessment.
- ***Risk management policies, standards and processes.*** NN Group has a comprehensive set of risk management policies, standards and processes, which are updated regularly to align with market leading practices, applicable laws and regulations, and to changes in NN Group's business and risk profile. These risk management policies, standards and processes apply throughout NN Group and are used by NN Group to establish, define, and evaluate NN Group's risk tolerance levels and risk control processes and to ensure that the tolerance levels and policies are communicated throughout the organisational structure.

ORGANISATIONAL RISK MANAGEMENT STRUCTURE

MANAGEMENT BOARD AND ITS (SUB)COMMITTEES

The Management Board is responsible for defining, installing, and monitoring the risk management organisation in order to ensure its control systems are effective. The Management Board or its subcommittees approve all risk management policies as well as the quantitative and qualitative elements of NN Group's risk appetite. The Management Board reports and discusses these topics with the Risk Committee, which is a sub-committee of the Supervisory Board, on a quarterly basis.

While the Management Board retains ultimate responsibility for NN Group's risk management, it has delegated certain responsibilities to a committee of the Management Board, the Risk and Finance Committee, which is responsible for day-to-day risk and finance related risk management decision-making, processes and controls. The Risk and Finance Committee has further delegated certain tasks to sub-committees, which advise the Risk and Finance Committee on risk and finance-related topics. These sub-committees are the Asset and Liability Committee, the Non-Financial Risk Committee, the Product Risk Committee, the Model Committee, the Finance Committee, the Investment Committee, and the Crisis Committee.

Chief risk officer

The chief risk officer of NN Group (the **CRO**) is a member of the Management Board. The CRO bears primary and overall responsibility for NN Group's risk management. The CRO must ensure that both the Management Board and the Supervisory Board are at all times informed of, and understand, the material risks to which NN Group is exposed. Each business unit has its own chief risk officer, who reports (directly or indirectly) to the CRO.

The CRO is primarily responsible for:

- setting risk policies;
- formulating NN Group's risk management strategy and ensuring that it is implemented throughout NN Group;
- monitoring compliance with NN Group's overall risk policies;
- supervising the operation of NN Group's risk management and business control systems;
- reporting of NN Group's risks and the processes and internal business controls; and
- making risk management decisions with regard to matters which may have an impact on the financial results of NN Group or its reputation, without limiting the responsibility of each individual member of the Management Board in relation to risk management.

Risk management continued

Supervisory Board and its committees
The Supervisory Board is responsible for supervising the Management Board and the general affairs of the Company and its business. For risk management purposes the Supervisory Board is assisted by two committees:

- ***Risk Committee***. The Risk Committee assists the Supervisory Board in supervising and advising the Management Board with respect to NN Group's risk management strategy and policies.
- ***Audit Committee.*** The Audit Committee reviews and assesses the applicable accounting standards and the Company's compliance therewith, the going concern assumption, significant financial risk exposures, significant adjustments resulting from audit, compliance with statutory and legal requirements and regulations, tax and tax planning matters with a material impact on the financial statements, and detection of fraud and other illegal acts.

Three lines of defence model
The three lines of defence model, on which NN Group's risk management structure and governance is based, defines three risk management levels, each with distinct roles, decision authorities, execution responsibilities, and oversight responsibilities. This framework ensures that risk is managed in line with the risk appetite as defined by the Management Board, ratified by the Supervisory Board, and cascaded throughout NN Group.

- ***First line of defence***: the CEOs of the business units of NN Group and the other management board members of the business units have primary accountability for the performance of the business, operations, compliance and effective control of risks affecting their businesses. They underwrite the insurance products that reflect local needs and thus know their customers and are well-positioned to act in both the customers' and NN Group's best interest.
- ***Second line of defence***: oversight functions at the Head Office and at the business units with a major role for the risk management organisation, headed by the CRO and the corporate legal and compliance function. The membership of the CRO on the Management Board ensures that risk management issues are heard and discussed at the highest level. The CRO steers a functional, independent risk organisation, which supports the commercial departments in their decision-making, but which also has sufficient countervailing power to prevent risk concentrations and other forms of unwanted or excessive risks. These oversight functions:
  - develop the policies and guidance for their specific risk and control area;
  - encourage and objectively challenge/monitor sound risk management throughout the organisation and coordinate the reporting of risks;
  - support the first line of defence in making proper risk-return trade-offs;
  - have escalation/veto power in relation to business activities that are judged to present unacceptable risks to NN Group.
- ***Third line of defence***: corporate audit services (**CAS**). CAS provides an independent assessment of the standard of internal control with respect to NN Group's business and support processes, including governance, risk management and internal controls.

RISK MANAGEMENT FRAMEWORK
NN Group's risk management framework comprises a series of sequential steps, through which NN Group seeks to identify, measure and manage the risks to which it is exposed. The diagram below sets out these steps.

Risk management continued

- ***Objective setting.*** Business planning and priority setting is undertaken through an annual medium term planning (**MTP**) process, which is integrated with NN Group's own risk and solvency assessment (**ORSA**) process. At the start of the MTP process, NN Group establishes strategic objectives at a holding level. Those strategic objectives are used to establish and define NN Group's risk appetite, which consists of quantitative and qualitative statements defining those risks NN Group wishes to acquire, to avoid, to retain and/or to remove. The strategic objectives are cascaded through the enterprise and business unit plans and evaluated against the risk appetite. Targets and risk limits for the business units are derived from NN Group's overall strategy and risk appetite framework.
- ***Event identification***. NN Group identifies events that may potentially impact its risk position, recognising that uncertainties exist, and that NN Group cannot know with certainty which events will occur and when,, or what the outcome or impact would be if it did occur. As part of event identification, NN Group considers both external and internal factors that affect event occurrence. External factors include economic, business, natural environment, political, demographic, social and technological factors. Internal factors reflect NN Group's choices and concern such matters as infrastructure, personnel, process and technology.
- ***Risk assessment***. NN Group, centrally at the executive level and at the business unit level, considers how events identified in the previous step might affect the achievement of NN Group's strategic objectives. Key risks are assessed on a regular basis and, where appropriate, this analysis is supported by models (such as for NN Group's economic capital calculation; see also "NN's Risk Profile—Economic capital"). NN Group conducts regular top-down assessments of its key risks, both at the holding level and at the level of the individual business units.
- ***Risk response and control***. Once a risk is assessed, NN Group identifies potential responses to those risks and analyses the mitigating impact of those responses. Taking into account the risk tolerances set out in the risk appetite framework NN Group designs its response for each assessed risk. Risk and control activities are performed throughout NN Group, at all organisational levels.
- ***Information and communication.*** Communication of information is a key part of NN Group's risk management framework. Risk management officers, departments, and committees within NN Group are informed regularly of NN Group's position compared to its strategic objectives and its risk appetite to enable them to monitor developments and to timely take appropriate decisions. Comprehensive reports on NN Group's financial and insurance risks, and on its non-financial risks, are prepared and discussed every quarter. These reports analyse, amongst others, developments in financial markets and their impact on NN Group's capital position, the effectiveness of NN Group's hedge positions, and any incidents that may have occurred.
- ***Monitoring***. The effectiveness of NN Group's risk management itself is also monitored. Regular monitoring ensures that risk management is maintained at all organisational levels of NN Group and is carried out by all three lines of defence.

RISK MANAGEMENT POLICIES, STANDARDS AND PROCESSES

NN Group has a comprehensive set of risk management policies, standards and processes in place. These policies, standards and processes are regularly updated to align with industry practices and changes in NN Group's business profile, and to comply with applicable laws and regulations. Key areas of risk management for which NN Group has established policies, standards and processes are set out below.

RISK APPETITE FRAMEWORK

NN Group's risk appetite framework determines which risks NN Group wishes to take, to avoid, to retain and/or to remove. The risk appetite framework consists of qualitative and quantitative statements as to risk preferences, risk tolerances, risk limits and risk controls. The risk appetite framework is based on three key quantitative measures that aim to:

- ensure cash capital is sufficient following a 1 in 20 annual risk sensitivity; NN Group quantifies this using regulatory capital sensitivities and potential capital management actions.
- ensure economic solvency is sufficient following a 1 in 20 annual risk sensitivity; NN Group quantifies this risk using available financial resources/economic capital and related sensitivities. Available financial resources (AFR) is a before tax market value surplus defined as market value of assets less market value of liabilities.
- ensure IFRS results before tax are sufficient following a 1 in 20 annual risk sensitivity; NN Group quantifies this risk using sensitivities on the IFRS results before tax.

In addition to the key quantitative measures, qualitative statements form part of the risk appetite framework that serve to guide risk taking for conduct in the areas of underwriting, Asset and Liability management (**ALM**), investing and operations. These statements support NN Group's strategy, contribute to avoiding unwanted or excessive risk taking, and aim to further optimise the use of capital. The qualitative risk appetite statements are organised under the following categories:

- ***Managing underwriting***. Underwriting and product development is paramount to the insurance business. NN Group strives for appealing, easy to understand and transparent value-for-money products that can be effectively risk-managed over the expected life of the contract.
- ***ALM***. NN Group aims to match its asset portfolio to its liabilities with optimal strategic asset allocation and by limiting any mis-matches to an acceptable degree. The ALM process is integral in ensuring adequate liquidity for policyholder obligations.
- ***Managing investments***. NN Group has an appetite for investments that will provide an appropriate risk and return for NN's policyholders and shareholders.
- ***Managing operations***. Under this category, NN Group stipulates requirements for managing reputation, business continuity, processes and controls, as well as providing a safe and engaging work environment for a competent workforce.

RISK POLICY FRAMEWORK
NN Group's risk policy framework ensures that all risks are managed consistently and that NN Group as a whole operates within its risk tolerances. The policies/minimum standards focus on risk measurement, risk management and risk governance. To ensure that policies are efficient and effective they are governed by the risk committee structure. Potential waivers to the policies have to be approved through the respective risk committees.

RISK LIMITS
The quantitative risk appetite statement is translated into quantitative risk limits for the business units. The business units report regularly on their risk profile compared to applicable risk appetite and risk limits.

PRODUCT APPROVAL AND REVIEW PROCESS
The product approval and review process (**PARP**) has been developed to enable effective design, underwriting, and pricing of all products as well as to ensure that they can be managed throughout their lifetime. This process establishes requirements as to the product risk profile features to ensure that products are aligned with NN Group's strategy. The PARP takes into account customer benefits and product suitability, expected sales volumes, value-oriented pricing metrics and relevant policies. It includes requirements and standards to assess risks as per the risk categories, as well as the assessment of the administration and accounting aspects of the product.

NEW INVESTMENT CLASS AND INVESTMENT MANDATE PROCESS
NN Group maintains a new investment class approval and review process (**NICARP**) for approving new investment classes of assets. At the holding level, NN Group establishes a global list of asset classes in which the business units may invest. Each business unit also maintains a local asset list that is a subset of the global asset list. The local asset list includes asset allocation parameters, which prescribe the relative proportions in which the relevant business unit may invest in different asset classes, as well as asset, industry, regional, and credit concentration limits.

OWN RISK AND SOLVENCY ASSESSMENT AND INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS
NN Group (and each of its regulated insurance subsidiaries) produces an own risk and solvency assessment (**ORSA**) at least once a year. In the ORSA, NN Group articulates its strategy and risk appetite, describes its key risks and how they are managed, analyses whether or not its risks and capital are appropriately modelled and how susceptible the capital position is to shocks through stress and scenario testing. Stress testing examines the effect of exceptional but plausible scenarios on the capital position of NN Group. Stress testing can also be initiated outside ORSA, either internally or by external parties such as De Nederlandsche Bank (DNB) and European Insurance and Occupational Pensions Authority (EIOPA). The ORSA includes an overall assessment of NN Group's solvency position in light of the risks it holds. NN Group's banking and investment management operations, at least once a year, run an internal capital adequacy assessment process (**ICAAP**) in conformity with Basel II requirements. ICAAP tests whether current capital positions are adequate for the financial risks that the relevant NN Group entities bear.

IFRS RESERVE ADEQUACY TEST
All of NN Group's operating insurance entities need to ensure that their IFRS insurance reserves are tested for adequacy taking into account the insurance premium rate levels and the uncertainty of future returns on investments. The reserve adequacy test is executed by evaluating insurance liabilities on current best estimate actuarial assumptions plus a risk margin to ensure that the reserves remain adequate based on these assumptions. The assumed investment earnings are a combination of the run-off of portfolio yields on existing assets, anticipated new premiums and reinvestment rates in relation to maturing assets.

Risk management continued

NON-FINANCIAL RISK DASHBOARD
Non-financial risks are monitored through the non-financial risk dashboard (**NFRD**) process at all levels in the organisation. The NFRD is one tool which provides management at all organisational levels with information about key operational, compliance and legal risks and incidents. The exposure of NN Group to non-financial risks is regularly assessed through risk assessments and monitoring. After identification of the risks, each risk is assessed as to its likelihood of occurrence as well its potential impact should it occur. Actions required to mitigate the risks are identified and tracked until the risk is either reduced, if such a reduction is possible, or accepted as a residual risk if the risk cannot be mitigated.

MODEL GOVERNANCE AND VALIDATION
NN Group's model governance and validation function seeks to ensure that NN Group's models achieve their intended purpose. Models and their disclosed metrics are approved by the Model Committee. The findings of the model validation function are also reported regularly to the Model committee. This committee is responsible for modelling policies, processes, methodologies, and parameters which are applied within NN Group. Furthermore, the model validation function carries out validations of internal models related to Solvency II. To ensure independence from the business and other risk departments, the model validation department head reports directly to the CRO.

RECOVERY PLANNING
NN Group has determined a set of measures for early detection of and potential response to a crisis should it occur. These include monitoring indicators which are expected to provide early-warning of emerging crises, advance preparation of options to raise or release capital, and allocation of roles and responsibilities in case of a crisis, and other practical arrangements that may be required depending on the type of crisis.

RISK PROFILE
MAIN TYPES OF RISKS
The following principle types of risk are associated with NN Group's business:
- ***Insurance risk***. Insurance risks are the risks related to the events insured by NN Group and comprise actuarial and underwriting risks such as mortality, longevity, morbidity, and non-life insurance risks, which result from the pricing and acceptance of insurance contracts.
- ***Business risk***. Business risks are the risks related to the management and development of the insurance portfolio but excludes risks directly connected to insured events. Business risk includes policyholder behaviour risks and expense risks. Business risks can occur because of internal, industry, or wider market factors.
- ***Market and credit risk***. Market risk is the risk of potential losses due to adverse movements in financial market variables. Counterparty default risk is the risk of potential losses due to default by NN Group's debtors (including bond issuers), trading counterparties or mortgage holders. In relation to market and credit risk, NN Group distinguishes between its general account businesses and its separate account businesses.
  - General account businesses. The general account businesses are those in which NN Group bears the market and credit risk. NN Group's earnings from the general account businesses depend not only on underwriting, but also on the performance of NN Group's investment portfolio. The general account includes NN Group's life insurance and non-life insurance businesses. Market and credit risks include (i) equity risk, (ii) real estate risk, (iii) interest rate risk, (iv) credit spread risk, (v) counterparty default risk and (vi) foreign exchange risk.
  - Separate account businesses. The separate account businesses are those in which the policyholder bears the market and credit risk. NN Group's earnings from the separate account businesses are primarily driven by fee income. However, in the case of variable annuities and the guaranteed separate account pension business in the Netherlands, NN Group retains risk associated with the guarantees provided to its policyholders. Businesses in this category are (i) the variable annuities (VA) portfolio, (ii) the group pension business in the Netherlands for which guarantees are provided, and (iii) other separate account business, primarily the unit linked business.
- ***Liquidity risk****.* Liquidity risk is the risk that one of NN Group's entities does not have sufficient liquid assets to meet its financial obligations when they become due and payable, at reasonable cost and in a timely manner.
- ***Operational risk***. Operational risk is a non-financial risk that includes direct or indirect losses resulting from inadequate or failed internal processes (including as a result of fraud and other misconduct), systems failure (including information technology and communications systems), human error, and certain external events.
- ***Compliance risk****.* Compliance risk is the risk of impairment of NN Group's integrity. It is a failure (or perceived failure) to comply with NN Group's Business Principles and the Compliance Risk-related laws, regulations and standards that are relevant to the specific financial services offered by a business or its ensuing activities, which could damage NN Group's reputation and lead to legal or regulatory sanctions and financial loss.

ECONOMIC CAPITAL
Economic capital is NN Group's internal measurement of the amount of capital required for the risks that NN Group is exposed to through its balance sheet, its business and its daily operations.

Risk management continued

NN Group determines economic capital as the amount of additional assets it must hold above the market value of its liabilities in order to withstand adverse movements in one year, based on a 99.5% level of confidence and before any adjustment for tax impact. A 99.5% level of confidence means that NN Group would be able to fulfil its obligations to its policyholders without requiring additional capital in 199 out of 200 annual scenarios. NN Group's economic capital is calculated in three steps.

- In the first step, NN Group models the market and credit risks to which NN Group's balance sheet is exposed using 50,000 stochastic real-world scenarios over a one-year time horizon, which are calibrated to historically observed market data. The model then quantifies the extent to which NN Group's assets must exceed its liabilities to ensure it is able to fulfil its policyholder obligations at a 99.5% level of confidence. This constitutes the economic capital for market and credit risk.
- In the second step, NN Group models insurance and business risk by defining stress scenarios at a 99.5% confidence interval using empirical data, when available, and expert judgement on the characteristics of NN Group's portfolio. With regards to longevity and expense risk, these stress scenarios are measured over a multi-year horizon. Mortality, morbidity, and property and casualty (P&C) risks are measured over a one-year horizon. These measurements are made at the individual business unit level and are modelled to capture the offsetting of certain risks, which occurs where certain risk events preclude the possibility of others. For example, if risk capital is based on the risk event that people will live longer (longevity risk), then the risk event that the same people will die earlier (mortality risk) is precluded. These risks are also aggregated with each other, as well as with the market and credit risk calculated in step one, using correlations based on expert judgement. As a result of this aggregation, the economic capital for the aggregate risk is less than the sum of the economic capital for the individual risks because the probability of all of the various risks materialising concurrently is less than 0.5%. This difference is the diversification benefit, reflecting the benefits of NN Group's risk pooling.
- In the third step, NN Group adds economic capital for operational risks and for business units that are not reflected in the internal model, without recognising any further diversification benefit. The economic capital for operational risk is based on the draft of the standard formula set out in Solvency II. Certain business units do not form part of NN Group's internal model. Depending on the type of business, the economic capital for these business units is approximated using commercial capital requirements, the Insurance Group Directive, local regulatory capital requirements or IFRS equity net of intangibles. See *"-Economic capital for entities outside of NN Group's internal model"*.
- NN Group's internal model uses, among others, statistics, observed historical market data, insurance policy terms and conditions, and NN Group's own judgment, expertise and experience, and includes assumptions as to the levels and timing of payment of premiums, benefits, claims, expenses, interest rates, credit spreads, investment portfolio performance (including equity market and debt market returns), longevity, mortality, morbidity and product persistency, and customer behaviour (including with respect to surrenders or extensions). NN Group follows strict governance, periodically revisiting these assumptions and regularly challenging them. NN Group also models risk to regulatory capital and IFRS results using models. As such, NN Group's economic capital calculations and risk sensitivities should be considered as estimates.

The table below sets out NN Group's economic capital by risk category as at 31 December 2013 and 2012, respectively.

Economic capital by risk category

	2013	2012
Insurance risk	**1,697**	1,918
Business risk	**2,128**	2,539
Market and credit risk:		
– General account	**3,211**	3,214
– Separate account	**964**	930
Diversification benefit between risk categories	**–2,505**	–2,783
Total modelled risk insurance operations	**5,495**	5,818
Operational risk	**531**	566
Economic capital of other business; NN Bank, IIM units on local required capital levels and other non-modelled	**988**	2,335
Total	**7,014**	8,719

The following sections will explain the risk profile, risk mitigation and risk measurement of all the categories above except for the diversification benefits between the different risk categories. Diversification benefits are recognised both on the risk category level (reflecting, for instance, diversification benefits between different countries, and diversification benefits between different risks within a particular risk category), as well as diversification benefits between risk categories. The diversification benefit between insurance risk, business risk, and market and credit risk of both the separate and general account decreased from 2012 to 2013. Insurance and business risks diversify well with each other and also with the market and credit risks, and in 2013 the reduced exposure to insurance and business risk resulted in an overall lower diversification benefit for NN Group.

Risk management continued

The overall economic capital for NN Group decreased by over EUR 1.7 billion from 2012 to 2013 primarily because NN Group sold most of the Asian business units. This is further explained in the “Economic capital for entities outside NN Group’s internal model” section.

Impact of scope change on economic capital for 2012
The 2012 economic capital numbers have been updated to reflect the change in scope from Insurance Europe as reported in the 2012 Annual Report to numbers comparable to those reported for 2013.

Economic capital 2012 comparable in scope to 2013	
	2012
As reported for ING Insurance EurAsia (excluding discontinued operations) in 2012	5,868
Changes in model and methodology	438
Include Japan Life and Japan Closed Block VA as modelled business after diversification	689
Include the other Asian held-for-sale business units as unmodelled business	1,504
Include legacy units and holding as unmodelled business	220
Economic capital for 2012 for NN Group	8,719

In 2013, NN Group continued to refine and update the internal model to prepare for the Solvency II Directive, increasing economic capital by EUR 438 million. Modelling changes included updates to the correlation matrix and a more granular modelling of asset risk.

Also, Japan Life and Japan Closed Block VA businesses were classified as discontinued operations until 4th quarter 2013 and therefore were not included in the scope of NN Group’s 2012 risk disclosures. The scope of the current disclosure includes the Japan Life and Japan Closed Block VA businesses, which were modelled using the internal model after diversification. The Asian held for sale insurance businesses for which transactions have been concluded during 2013 are included in the adjusted 2012 figures using 150% of the Solvency I requirements. The economic capital of other entities that are part of NN Group but were not reported in 2012 as part of ING Insurance Eurasia have been approximated with IFRS equity, as they were held for sale.

Solvency II
In 2013 NN Group continued the internal model pre-application process with regulators in order to ensure the model is approved as an internal model under the Solvency II regulations and is fit for local use in all of its regulated entities. Over the course of 2014, NN Group intends to move its economic capital calculations to full Solvency Capital Requirements (**SCR**), in accordance with the current draft of the Solvency II Directive. Differences in the calculation of SCR compared to current calculations of economic capital can arise from Omnibus II Directives, in particular related to long term guaranteed business. NN Group’s economic capital ratio, calculated as available financial resources/economic capital will be adjusted to own funds/SCR.

The table below provides a summary of the largest expected differences in the calculation methodology of available and required capital from the current internal methodology to Solvency II, as interpreted by NN Group. Several of the Solvency II items have not yet been defined well enough to provide a reliable estimate of the impact, but each one could potentially be material.

Risk management continued

	Available capital		Required capital	
	Current Available financial resources	**Solvency II Own funds**	**Current Economic capital**	**Solvency II capital requirement (SCR)**
Last liquid point [1]	20 years	20 years	30 years	20 years
Illiquidity adjustment	Illiquidity premium	Volatility balancer / matching adjustment	Illiquidity premium	Volatility balancer / matching adjustment
After-tax	No	Yes	No	Yes
Credit risk adjustment	No	Yes	No	Yes
Contract boundaries [2]	Internal model	Solvency II regulation	Internal model	Solvency II regulation
Loss absorption of taxes and fungability	Full capital fungability assumed	After tax and fungability is restricted	Full capital fungability assumed	Test the loss absorption capacity
Risk Margin	Market Value Margin based on internal approach	Less diversify-cation recognised than internal approach	Not applicable	Not applicable
Supervisory Action	Not applicable	Not applicable	Not applicable	Potential for capital add-on

(1) The last liquid point is the last point on the swap curve considered to be liquid and is used to define the discount rate under Solvency II.
(2) The future date at which a policy may be terminated or varied in such a way that, pursuant to the expected requirements of Solvency II, cash flows from premiums may not be recognised.

INSURANCE RISK
Insurance risks are the risks related to the events insured by NN Group and comprise actuarial and underwriting risks such as mortality, longevity, morbidity, and non-life insurance risks, which result from the pricing and acceptance of insurance contracts.

Risk profile
Mortality risk occurs when claims are higher due to higher mortality experience (for instance in relation to term insurance). Longevity risk is the risk that insured persons live longer than expected due to mortality improvements. While NN Group is exposed to both longevity and mortality risks, these risks do not fully offset one another as the impact of the longevity risks in the pension business in the Netherlands is significantly larger than the mortality risk in the other businesses, not only due to the size of the business but also due to the current low interest rate environment. Changes in mortality tables impact the future expected benefits to be paid and the present value of these future impacts is reflected directly in measures like available financial resources and available regulatory capital in the Netherlands. Longevity risk exposes NN Group primarily to mortality improvements and the present value impact is larger when interest rates are low.

NN Group’s morbidity risk lies in health insurance which pays out a fixed amount, reimburses losses (e.g. loss of income), or pays for expenses of medical treatment related to certain illness or disability events. The main exposures to morbidity risks within NN Group are the disability insurance policies underwritten in Netherlands Non-Life, the health and accidental death covers within the Corporate Owned Life Insurance business in Japan Life, and the healthcare insurance business in Greece.

The Netherlands Non-Life portfolio also includes Property & Casualty products covering risks such as fire damage, car accidents, personal and professional liability, windstorms, hail, and third party liabilities.

Risk mitigation
Proper pricing, underwriting, claims management, and diversification are the main risk mitigating actions for insurance risks.

By expanding insurance liabilities to cover multiple geographies, product benefits, lengths of contract, and both life and non-life risk, NN Group reduces the likelihood that a single risk event will have a material impact on NN Group’s financial condition.

Management of the insurance risks is done by ensuring that the terms and conditions of the insurance policies that NN Group underwrites are correctly aligned with the intended policyholder benefits to mitigate the risk that unintended benefits are covered. This is achieved through NN Group’s underwriting standards, product design requirements, and product approval and review processes.

Risk management continued

Insurance risks are diversified between business units. Risk not mitigated by diversification is managed through concentration and exposure limits and through reinsurance:

- tolerance limits for non-life insurance risks are set by line of business for catastrophic events and individual risk; for instance, every year Netherlands Non-Life and ING Re reinsure windstorm catastrophe risks. As windstorm risk diversifies well with other risks taken by NN Group, from 2014 NN Group has increased its tolerance level for this risk and decreased the re-insurance cover for windstorm catastrophe risk;
- tolerance limits for life insurance risks are set per insured life and significant mortality events affecting multiple lives such as pandemics;
- reinsurance is used to manage risk levels (such as morbidity reinsurance in the COLI business in Japan Life). Reinsurance creates credit risk which is managed in line with the reinsurance credit risk policy of NN Group, and;
- NN Group participates in industry pools in various countries to mitigate the risk from terrorism.

Risk measurement
The table below sets out NN Group's economic capital for insurance risk as at 31 December 2013 and 2012, respectively.

Economic capital for insurance risk

	2013	2012
Mortality (including longevity)	**1,556**	1,805
Morbidity	**380**	385
P&C	**429**	367
Diversification benefit	**–669**	–639
Total	**1,696**	1,918

The economic capital for insurance risks is dominated by mortality risk, in particular by longevity risk in the Netherlands pension business. The economic capital amount related to longevity risk is also highly sensitive to the level of interest rates. The decrease in the mortality risk capital was mainly caused by a decrease in longevity risk capital because of the increase of the discount curve in 2013 and by surrenders and contract changes of defined benefit pension contracts. The morbidity risk is primarily due to Netherlands Non-Life illness and disability contracts, as well as Netherlands Life and Japan Life.

The P&C risk is primarily underwritten by Netherlands Non-Life and partially reinsured by ING Re. The higher windstorm catastrophe risk retention level for 2014 resulted in an overall increase in economic capital for P&C risk.

BUSINESS RISK
Business risks are the risks related to the management and development of the insurance portfolio but excludes risks directly connected to insured events. Business risk includes policyholder behaviour risks and expense risks. Business risks can occur because of internal, industry, or wider market factors.

Risk profile
Policyholder behaviour risk
Policyholder behaviour risk is the risk that policyholders use options available in the insurance contracts in a way that is different from that expected by NN Group. Depending on the terms and conditions of the insurance policy and the laws and regulations applicable to the policy, policyholders could have the option to surrender, change premiums, change investment fund selections, extend their contracts, take out policy loans, make choices about how to continue their annuity and pension savings contracts after the accumulation phase, or even change contract details. As a result, over the life of an insurance policy, a policyholder may seek to change the terms of that policy, and NN Group may consult with the relevant customer with a view to verifying that the relevant policy remains suitable for the policyholder, sometimes resulting in changes to the relevant insurance policy. Policyholder behaviour therefore affects the profitability of the insurance contracts. The risk that policyholders maintain their contracts longer than NN Group has assumed is specific to the variable annuity business when guarantees are higher than the value of the underlying policyholder funds, the pension business in the Netherlands, and the older higher interest rate guaranteed savings business in Europe. The risk that policyholders hold their contracts for a shorter period than NN Group has assumed relates to the life business in Japan and the unit linked businesses in the Central and Eastern European businesses.

Changes in tax laws and regulations can affect policyholder behaviour, particularly when the tax treatment of their products affects the attractiveness of these products for customers. For instance, changes in tax treatment may affect the tax efficiency of the products of the Japan Life corporate-owned life insurance (**COLI**) business.

The available regulatory capital in the Netherlands and the economic capital calculations for policyholder behaviour risk take into account the present value impact of changes in assumptions.

A change in policyholder behaviour assumptions would result in an immediate change in the present value of the liabilities used to determine Available Financial Resources, IFRS result before tax for variable annuities, and available regulatory capital in the Netherlands.

Risk management continued

Expense risk
Total administrative expenses for NN Group in 2013 amounted to EUR 1,842 million. Part of these expenses is variable, depending on the size of the business and sales volumes, and part are fixed and cannot immediately be adjusted to reflect changes in the size of the business. Expense risk relates primarily to the fixed part of NN Group's expenses, and is the risk that actual per policy expenses in the future exceed the assumed per policy expenses. A significant portion of the fixed expenses is incurred in the closed block operations of Netherlands Life, where NN Group is exposed to the risk that the overheads relating to IT administration systems will remain constant, or even increase, while the number of policies in the in-force book gradually decreases, leading to a per policy expense increase.

A change in expense risk assumptions, though it would be reflected over time through IFRS result before tax, would result in an immediate change in the present value of the liabilities used to determine Available Financial Resources and available regulatory capital in the Netherlands.

Risk mitigation
Policyholder behaviour risk
Policyholder behaviour risks are managed through the product development, product approval and review processes and by ensuring that appropriate advice is given to the customer, not only at the point of sale but also during the lifetime of the product. The policyholder behaviour experience of in force policies is assessed at least annually.

As part of its strategy, NN Group has put several programs in place to own and improve the customer experience. These programs seek to improve the match between customer needs and the benefits and options provided by NN Group's products and, over time, to improve NN Group's understanding and anticipation of the choices policyholders are likely to make, thereby decreasing the risk of a mismatch between actual and assumed policyholder behaviour.

Expense risk
Several initiatives have been put in place to manage expenses, such as the restructuring of Netherlands Life and NN Group's head office in the Netherlands. These initiatives also seek to convert fixed expenses into variable expenses so that expenses vary in accordance with the size of the in-force portfolio. This is particularly relevant for the closed blocks of business, the Dutch individual life and the Japan Closed Block VA businesses.

Risk measurement
The table below sets out NN Group's economic capital for business risk as at 31 December 2013 and 2012, respectively.

Economic capital for business risk		
	2013	2012
Policyholder behaviour	**1,096**	1,400
Expense	**1,388**	1,663
Diversification benefit	**–356**	–525
Total	**2,128**	2,538

The main contributors to policyholder behaviour risk in 2013 are the corporate owned life insurance business in Japan Life, Netherlands Life, the unit linked business in Europe, and the Japan Closed Block VA. Economic capital for policyholder behaviour risk decreased due to the increase of the discount curve in Netherlands Life and the weakening JPY.

Over 80% of the expense risk capital is driven by Netherlands Life. The economic capital amount related to expense risk in Netherlands Life is sensitive to the level of interest rates, and the decrease in the expense risk capital was primarily attributable to the increase of the discount curve in 2013, together with a decrease in overall expenses.

The diversification in business risk is driven by the fact that policyholder behaviour and expense risk are largely uncorrelated and therefore receive a benefit given the low likelihood that they will both occur concurrently.

Risk management continued

MARKET AND CREDIT RISK: GENERAL ACCOUNT

Market and credit risks are the risks related to the impact of financial markets on NN Group's balance sheet. In relation to market and credit risk, NN Group distinguishes between its general account and its separate account. The table below sets out NN Group's asset class market values for the general account as at 31 December 2013 and 2012 (in this table derivatives are excluded and specific risk management asset classifications and valuations are applied). 2012 figures are on a comparable basis to 2013.

General Account Assets	Market value 2013	% of total 2013	Market value 2012	% of total 2012
Fixed income	**79,473**	**83%**	79,104	83%
Government bonds	**44,251**	**46%**	50,831	53%
Financial bonds	**4,452**	**5%**	5,845	6%
Corporate bonds	**6,453**	**7%**	7,503	8%
Asset Backed Securities	**7,199**	**7%**	7,267	8%
Mortgages	**14,218**	**15%**	5,398	6%
Other Loans	**2,900**	**3%**	2,260	2%
Non-Fixed income	**10,436**	**11%**	10,017	10%
Common & Preferred Stock	**2,500**	**3%**	2,087	2%
Private Equity	**943**	**1%**	855	1%
Mutual Funds	**2,336**	**2%**	2,020	2%
Real Estate	**4,657**	**5%**	5,055	5%
Cash	**6,749**	**7%**	6,778	7%
Total Investments	**96,658**	**100%**	95,899	100%

The economic capital for the fixed income bonds is calculated within spread risk and the economic capital for the fixed income loans (to the extent applicable) within counterparty default risk. For the non-fixed income assets, equity and real estate, NN Group uses asset-specific risks to calculate economic capital.

The table below sets out NN Group's economic capital for the general account as at 31 December 2013 and 2012, respectively.

Economic capital general account	2013	2012
Equity risk	**1,406**	1,162
Real estate risk	**744**	807
Interest rate risk	**262**	194
Credit spread risk net of illiquidity premium offset	**2,234**	2,521
Foreign exchange risk	**213**	377
Inflation risk	**51**	8
Counterparty default risk	**519**	354
Diversification benefit	**–2,219**	–2,208
Total	**3,210**	3,215

Market and credit risk of the general account is dominated by credit spread and equity risk. Whilst there were significant movements in the underlying risks, overall the economic capital for market and credit risk remained fairly stable. The inflation risk relates to the disability business of Netherlands non-life.

The following sections provide more detail per risk type.

Equity risk

Equity risk in the general account is due to impact of changes in prices of directly held equities and equity derivatives such as futures and options.

Risk profile

The table below sets out NN Group's general account equity assets as at 31 December 2013 and 2012, respectively.

Risk management continued

General accounts equity assets		
	2013	2012
Common & Preferred Stock	**2,500**	2,087
Private Equity	**943**	855
Mutual Funds	**2,336**	2,020
Total	**5,779**	4,962

Overall equity exposure increased due to positive revaluations and net purchases of equities in line with strategic asset allocation.

The equity investments held in the Netherlands are part of the so-called "5% holdings", in which investors who hold 5% or more of the outstanding shares of a stock receive favourable tax treatment in the Netherlands. About EUR 2.3 billion is invested in these 5% holdings. For these equity investments, NN Group may not be able to liquidate its position quickly because of the size of these holdings.

NN invests in private equity through its holding of Parcom Capital Management. Parcom Capital Management is a captive mid-market private equity firm active in the Netherlands, France and Germany.

Price changes in equity holdings and equity-related derivatives are directly reflected in Available Financial Resources, the IFRS balance sheet and in the regulatory available capital in the jurisdictions in which NN Group has general account equity holdings. Only value movements of derivatives and impairments of equity holdings are reflected in the IFRS result before tax.

Risk mitigation
Equity exposures belong to a well-diversified asset portfolio of an insurance company with long term illiquid liabilities. The concentration risk on individual issuers is mitigated under relevant investment mandates.

From time to time, NN Group protects the downside risk of the general account equity portfolio by buying put options and other hedge instruments. The most recent occasion on which NN Group did so was during the euro crisis in 2011-2012.

Risk measurement
Economic capital for equity risk in the general account increased from EUR 1,162 million in 2012 to EUR 1,406 million in 2013. This exposure includes mutual funds with both fixed income and equity underlying positions. On a look-through basis in the overall exposure, the weighting of equities, which requires a higher economic capital than fixed income investments, increased due to stock market developments.

Real estate risk
Real estate risk is the risk of loss of market value of real estate assets due to a change in rental prices, required investor yield, or other factors.

Risk profile
NN Group's general account real estate exposure decreased from EUR 5,055 million at 31 December 2012 to EUR 4,657 million as at 31 December 2013. The real estate exposure is mainly present in Netherlands Life and Netherlands Non-Life. NN Group has two different categories of real estate: (i) investments in real estate funds and real estate directly owned, and (ii) investments in buildings occupied by NN Group. Several of the real estate funds owned by NN Group include leverage and therefore the actual real estate exposure is larger than NN Group's positions in these funds. During 2013, the gross real estate exposure decreased mainly as a result of market value decreases.

The general account real estate portfolio is held for the long term and is illiquid. Furthermore there are no hedge instruments available in the market to effectively reduce the impact of market volatility.

The table below sets out NN Group's real estate exposure by sector type excluding leverage as at 31 December 2013 and 2012, respectively. Real estate is valued at fair value in the economic capital model and the available regulatory capital calculations in the Netherlands. Fair value revaluations of 53% of the real estate portfolio directly affect the IFRS result before tax.

Risk management continued

General Account real estate assets by sector	Revalued through P&L	Not revalued through P&L	Revalued through P&L	Not revalued through P&L
	2013	**2013**	2012	2012
Residential	**3%**	**17%**	2%	17%
Office	**10%**	**9%**	14%	10%
Retail	**30%**	**9%**	28%	7%
Industrial	**9%**	**0%**	8%	0%
Other	**2%**	**12%**	3%	11%
Total	**54%**	**47%**	55%	45%

Risk mitigation

Real estate exposures belong to a well-diversified asset portfolio of an insurance company holding long term illiquid liabilities. The concentration risk on individual issuers is mitigated under relevant investment mandates.

Risk measurement

Economic capital for real estate risk decreased from EUR 807 million at year-end 2012 to EUR 744 million at year-end 2013 due to reduced real estate exposures and lower leverage in the real estate funds.

Interest rate risk

Interest rate risk is the impact of interest rate changes on available capital as a result of the associated change in the value of the assets and liabilities. NN Group generally uses swap curves as benchmark interest rate curves when assessing interest rate risk.

Risk profile

The table below provides an overview of NN Group’s general account undiscounted policyholder liability cash flows (net of expenses and commissions) by maturity.

General account liabilities’ annual undiscounted cash flows (net of expenses and commissions) (1)

	Liabilities originated in					
	Eurozone EUR		Japan JPY(2)		Other Currencies(2)	
Maturities	**2013**	2012	**2013**	2012	**2013**	2012
1	**–4,627**	–4,010	**222**	138	**–183**	–143
2	**–4,148**	–3,971	**–84**	–174	**–177**	–306
3	**–5,235**	–4,317	**–307**	–329	**–168**	–209
3-5	**–7,452**	–7,356	**–870**	–938	**–352**	–561
5-10	**–15,076**	–15,109	**–2,204**	–2,285	**–786**	–927
10-20	**–23,545**	–23,219	**–2,357**	–2,718	**–1,087**	–1,208
20-30	**–15,422**	–15,977	**–907**	–973	**–413**	–489
30+	**–14,752**	–16,976	**–577**	–515	**–82**	–95
Total	**–90,257**	–90,935	**–7,084**	–7,794	**–3,248**	–3,938

(1) The “minus” sign in the table mean cash outflow from NN Group to the policyholders
(2) Japan and Other liabilities are presented at constant FX of 31December 2013. Other includes CZK, HUF, PLN, RON and USD.

To effectively match its assets to liabilities, NN Group looks at the undiscounted liability cash flows and then determines which assets to purchase to reduce interest rate risk. As can be seen in the table, the EUR denominated liabilities have a significant amount of long-term liability cash flows, which relate primarily to the pension business in the Netherlands.

Liability valuations depend on the discount rate applied and are sensitive to movements in that discount rate, particularly given that approximately one third of the liability cash outflows occur from year 20. Different policyholder liability discount rates apply depending on the accounting or regulatory framework; thus, the interest rate risk differs by accounting regime.

Risk management continued

- ***IFRS result before tax***. Under IFRS-EU, NN Group values its general account policyholder liabilities using a discount rate that is set when the policies are sold, and subjects them to a reserve adequacy test using current interest rates. As a result, changes in interest rates do not affect IFRS earnings through liability valuations, unless the adequacy of the reserves of a segment falls below the 50th percentile level. As of 1 January 2014, NN Group's reserves for all segments are adequate at the 90th percentile. Apart from a few exceptions, interest rate movements do not impact IFRS result before tax as investment income for fixed income assets is recorded as amortised cost value. A few derivative instruments not subject to hedge accounting could cause volatility in IFRS result before tax due to interest rates. See "-IFRS result before tax sensitivities".
- ***Available regulatory capital (outside the Netherlands)***. For the purposes of available regulatory capital in all jurisdictions outside the Netherlands in which NN Group operates, general account policyholder liabilities are valued at a single discount rate set when the policies are sold. General account fixed income assets are typically held at the same value as is reported on the IFRS balance sheet, although in several jurisdictions such as Japan, Spain and Greece, certain assets can be held at amortised cost on the regulatory balance sheet. Changes in interest rates affect available regulatory capital in these jurisdictions when fixed income assets are valued at market value, and the liability valuations are insensitive to interest rate movements.
- ***Available regulatory capital (Netherlands).*** For the purposes of available regulatory capital in the Netherlands, general account policyholder liabilities are measured at fair market value based on the DNB swap curve. In 2013 NN Group moved from the discount curve based on the ECB AAA yield curve to the DNB swap curve, which, amongst other things, is more liquid and less subject to dislocations. Since mid-2012, the DNB curve has been adjusted to include an ultimate forward rate (**UFR**), extrapolating the curves beginning in year 20 to an ultimate forward rate of 4.2% at year 60. General account fixed income assets are held at market value, thereby creating interest rate sensitivities in the available regulatory capital, which are the same as the liability sensitivities for matching cash flows up to 20 years. However, mismatches occur for longer-term cash flows due to the application of the UFR.
- ***Economic capital***. To determine economic capital, NN Group uses a swap curve plus an illiquidity premium to discount the insurance liabilities. The illiquidity premium is treated as part of the credit spread risk. NN Group extrapolates the EUR swap curve from the 30 year point onwards to the UFR, as swap markets tend to be highly illiquid for durations longer than 30 years. To determine economic capital, all assets are valued at market value and therefore subject to interest rate risk. The economic capital for interest rate risk therefore primarily depends on the level of cash flow matching between assets and liabilities.

Risk mitigation
NN hedges its economic interest rate exposure by investing in long-term bonds matching liability maturities and further reduces the remaining interest rate gap through purchases of receiver swaps and swaptions. Interest rate risk is also mitigated through a disciplined pricing and renewal strategy in the Dutch corporate pensions business.

Risk measurement
The Economic capital for general account interest rate risk increased from EUR 194 million at year-end 2012 to EUR 262 million at year-end 2013. This economic capital is small relative to the general account insurance provisions, due to effective ALM and interest rate hedges. The increase in capital is modest for the total balance sheet size and reflects a small reduction in asset duration.

Credit spread risk
Credit spread risk reflects the impact of credit spreads widening due to increased default expectation, illiquidity and any other risk premiums priced into the market value of bonds. Credit spread risk takes into account both the impact on the asset side as well as the corresponding interaction with the general account liabilities.

Risk profile
The nature of long-term insurance liabilities gives insurers the potential to hold fixed income assets even in adverse market conditions, thereby continuing to receive the coupons and the principal amount at maturity. Credit spread risk materialises in different ways depending on the different valuation curves used to discount assets and liabilities in order to determine these metrics.

Risk management continued

- ***IFRS result before tax.*** Market value movements of general account fixed income assets do not impact the IFRS result before tax, as the assets are classified as available-for-sale. Therefore, there is no sensitivity to credit spread risk in IFRS result before tax. However fixed income securities might be subject to impairments under IFRS, affecting the IFRS result before tax.
- ***Available regulatory capital (outside the Netherlands)***. For the purposes of available regulatory capital in all jurisdictions outside the Netherlands in which NN Group operates, general account fixed income assets are typically held at the same value as is reported on the IFRS balance sheet, although in several jurisdictions such as Japan, Belgium, Spain and Greece, certain assets can be held at amortised cost on the regulatory balance sheet. In those cases where assets are held at fair, value credit spreads affect available regulatory capital through fixed income asset valuations, whereas the liability valuations are insensitive to credit spread movements.
- ***Available regulatory capital (Netherlands)***. On the regulatory capital balance sheet, general account fixed income assets are held at market value, thereby creating credit spread sensitivities in the available regulatory capital. The long duration of NN Group's fixed income assets amplifies the impact of credit spread sensitivities. By contrast, the liabilities are not sensitive to credit spread movements.
- ***Economic capital***. To determine economic capital, general account fixed income assets are held at market value, thereby creating credit spread sensitivities. Just as in the available regulatory capital (Netherlands), the long duration of NN Group's fixed income assets amplifies the impact of credit spread sensitivities for economic capital. The discount rate to value the insurance liabilities consists of the swap rate plus an illiquidity premium. NN Group uses the spreads of a covered bond index to determine the illiquidity premium at a given point in time. The fact that the bonds are fully collateralised means that there is limited credit risk in relation to these bonds. Any spread movements in the covered bond index therefore represent illiquidity related to demand and supply characteristics and/or market sentiment at any point in time. As NN Group does not invest in the covered bond index to back the general account liabilities, there can be mismatches between illiquidity experienced on NN Group's own assets and the illiquidity depicted by the covered bond index.

The table below sets out the market value of NN Group's general account fixed-income bonds which are subject to credit spread risk by type of issuer at 31 December 2013 and 2012, respectively.

General account fixed-income bonds by type of issuer (1)

	Market value		Percentage	
	2013	2012	**2013**	2012
Government Bonds	**44,251**	50,831	**71%**	71%
Asset Backed Securities	**7,199**	7,267	**12%**	10%
Financial Institutions	**4,452**	5,845	**7%**	8%
Utilities	**1,501**	1,815	**2%**	3%
Transportation & Logistics	**857**	449	**1%**	1%
Telecom	**795**	1,013	**1%**	1%
General Industries	**638**	591	**1%**	1%
Food, Beverages & Personal Care	**622**	675	**1%**	1%
Other Corporate and Financial Bonds	**2,040**	2,961	**3%**	4%
Total	**62,355**	71,447	**100%**	100%

(1) Bond values include accrued interest

NN primarily uses long-term bonds issued by central governments and other public agencies of governments to match its long term liabilities as such bonds are amongst the few tradable fixed income securities generating cash flows for 20 years and longer. The table below sets out the market value of NN Group's general account assets invested in government bonds by country and maturity.

Risk management continued

General account market value government bond exposures [1]

	Ra-ting [2]	Domestic exposure [3]	Market value of government bond 2013 by number of years to maturity: 1	2	3	3-5	5-10	10-20	20-30	30+	Total 2013	Total 2012
Germany	AAA	0%	**155**	**70**	**115**	**331**	**263**	**3,288**	**4,215**	**153**	**8,590**	12,225
Netherlands	AAA	98%	**17**	**132**	**82**	**104**	**1,210**	**1,458**	**3,399**		**6,402**	7,183
France	AA+	0%	**64**	**100**	**44**	**108**	**265**	**276**	**2,472**	**2,197**	**5,526**	5,586
Belgium	AA	41%	**141**	**242**	**210**	**830**	**1,413**	**911**	**1,498**	**69**	**5,314**	4,739
Japan	AA-	99%	**276**	**68**	**128**	**331**	**1,425**	**1,740**	**837**	**294**	**5,099**	8,183
Austria	AAA	0%	**210**	**44**	**85**	**174**	**803**	**1,462**	**588**	**728**	**4,094**	3,937
Italy	BBB	0%	**21**	**109**	**21**	**63**	**178**	**880**	**124**	**5**	**1,401**	1,393
Multilateral	AAA	2%	**81**	**65**	**132**	**44**	**345**	**285**	**376**	**34**	**1,362**	719
Finland	AAA	0%	**7**	**16**	**14**	**49**	**343**	**355**	**324**		**1,108**	1,079
Spain	BBB-	65%	**3**	**25**	**14**	**60**	**46**	**513**	**387**		**1,048**	907
United States	AAA	0%	**39**	**401**	**31**	**190**	**51**	**4**	**177**		**893**	1,018
Others		46%	**227**	**264**	**364**	**524**	**1,010**	**676**	**348**		**3,413**	3,862
Total		37%	**1,241**	**1,536**	**1,240**	**2,808**	**7,352**	**11,848**	**14,745**	**3,480**	**44,250**	50,831

[1] Bond values include accrued interest.
[2] NN uses the second best rating of Fitch, Moody's and S&P to determine the credit rating label of its bonds
[3] Percentage of the bonds held in the local unit, e.g. percentage of Dutch bonds held by entities registered in the Netherlands.

Exposures to Dutch, German and French government bonds are primarily held by Netherlands Life. Of the EUR 15 billion German and Dutch government bonds held by NN Group, more than half will mature after year 20, and more than 80% of the EUR 5.5 billion French government bonds held by NN Group will mature after year 20. These long-term government bonds are sensitive to sovereign credit spread movements versus EUR swap rates. With regards to Central and Eastern Europe, government bond exposures in Poland, Czech Republic, Hungary, Slovakia, Romania, and Turkey are mainly domestically held). In 2011 and 2012, NN Group reduced its Greek, Italian, Spanish and French government bond exposures in response to the deteriorating credit ratings of these countries and to alleviate concentration risk. The remaining Greek government bonds are all held by NN Group's Greek business unit, and 65% of the Spanish government bonds are held by NN Group's Spanish business unit. During 2013, NN Group began reducing its German and Dutch government bond positions to invest in higher-yielding asset classes. It also began reducing its holdings of government bonds in Japan where such bonds were held for liquidity reasons.

The table below sets out the general account market value of non-government fixed-income securities (excluding mortgages and derivatives) by rating and maturity. The AAA securities are primarily asset-backed securities.

General account market value non-government fixed income securities [1]

	Market value of non-government bond securities 2013 by number of years to maturity: 1	2	3	3-5	5-10	10-20	20-30	30+	Total 2013	Total 2012
AAA	**158**	**90**	**280**	**691**	**1,514**	**972**	**1,299**	**1,977**	**6,981**	6,732
AA	**238**	**140**	**300**	**323**	**620**	**549**	**320**		**2,490**	3,615
A	**348**	**472**	**700**	**880**	**1,344**	**465**	**410**	**95**	**4,714**	6,053
BBB	**321**	**248**	**291**	**411**	**692**	**405**	**149**	**648**	**3,165**	3,209
BB	**87**	**8**	**34**	**97**	**155**	**9**		**183**	**573**	616
B	**19**	**15**	**18**	**23**	**26**		**57**		**158**	226
CCC								**6**	**6**	161
Other	**1**				**12**	**2**			**15**	2
Total	**1,172**	**973**	**1,623**	**2,425**	**4,363**	**2,402**	**2,235**	**2,909**	**18,101**	20,614

[1] Bond values include accrued interest.

The table below sets out NN Group's holdings of asset-backed securities by market value of asset type and the percentage of NN Group's total general account asset-backed securities portfolio as at 31 December 2013 and 2012, respectively.

Risk management continued

General Account Asset-backed securities	Market value 2013	% of total 2013	Market value 2012	% of total 2012
RMBS	**3,822**	**53%**	4,356	60%
Car loans	**1,848**	**26%**	1,415	19%
Credit cards	**463**	**6%**	382	5%
CMBS	**358**	**5%**	343	5%
Student loans	**251**	**3%**	318	4%
SME loans	**233**	**3%**	227	3%
Consumer loans	**117**	**2%**	134	2%
Other	**106**	**1%**	91	1%
Total	**7,198**	**100%**	7,266	100%

Risk mitigation
NN aims to maintain a low-risk, well diversified credit portfolio. NN Group has a policy of maintaining a high quality investment grade portfolio while avoiding large risk concentrations. In order to reduce the credit spread risk, NN Group has increased its investments in non-listed and own-originated assets. Going forward, the volatility in NN Group's credit spread risk will continue to have possible short term negative effects on the balance sheet. However, in the long run, these investments will back the long-dated and illiquid liabilities well. The concentration risk on individual issuers is managed using rating-based issuer limits on one (group of related) single name(s), effectively managing the default risk of the issuers.

Risk measurement
The economic capital for credit spread risk reflects, with 99.5% level of confidence, the maximum amount of capital needed to absorb the impact of spreads widening. Credit spreads are stressed depending on the assets with regard to the credit rating, duration, and region, to determine the economic capital for spread risk. Furthermore, the illiquidity premium on the liabilities is stressed to dampen the impact of credit spread stresses.

The table below sets out NN Group's general account economic capital for credit spread risk.

General accounts economic capital for credit spread risk	2013	2012
Credit spread risk assets	**5,617**	5,718
Illiquidity premium offset	**–3,383**	–3,197
Total Credit Spread risk net of illiquidity premium offset	**2,234**	2,521

Counterparty Default risk
Counterparty default risk is the risk of loss of investments due to unexpected default, or deterioration in the credit standing, of the counterparties and debtors (including reinsurers) of NN Group. The economic capital for counterparty default risk is primarily based on the associated issuer's probability of default (**PD**) and the estimated loss-given-default (**LGD**) on each individual asset combined with diversification across assets. Note that fixed income bonds are also subject to counterparty default risk, but this risk is included in credit spread risk.

Risk profile
Counterparty default risk emanating from residential mortgages and policy loans (retail credit risk) represent the majority of the portfolio of economic capital for counterparty default risk.

Loans form a relatively small source of credit risk for NN Group (as compared to bonds). Other sources of credit risk include the claims on counterparties from over-the-counter derivatives, money market exposures and reinsurance.

General account mortgages, reinsurance and loans and advances	2013	2012
Mortgages	**14,218**	5,398
Reinsurance	**331**	348
Other loans	**2,900**	2,260
Cash	**6,749**	6,778
Total	**24,198**	14,784

Risk management continued

NN Group has notably increased its exposure to Dutch residential mortgages during the course of 2013, both at NN Bank as well as Netherlands Life. In the third quarter, EUR 4.7 billion of Dutch residential mortgage loans were transferred from Westland Utrecht Bank (WUB) to NN Bank's mortgage loan portfolio. In the fourth quarter of 2013, Netherlands Life's exposure to residential mortgages also increased, with the transfer of EUR 2.6 billion residential mortgages from ING Bank to Netherlands Life. As of 31 December 2013, the total general account risk exposure to mortgages is EUR 6.23 billion for NN Bank and EUR 7.99 billion for Netherlands Life.

Risk mitigation
NN Group uses different credit risk mitigation techniques. For retail lending portfolios, mortgages on the house, pledges of insurance policies, or retaining the investment accounts of clients are all important elements of credit risk mitigation. For OTC derivatives, the use of ISDA master agreements accompanied with credit support annexes is an important example of risk mitigation. Other forms of credit risk mitigation include reinsurance collateral.

The Loan-to-Value (LTV) for residential mortgages, which is based on the net average indexed loan to value, at NN Bank and Netherlands Life stands at 92% and 96% respectively. The perceived high LTV is due to the high proportion of interest-only mortgages. With the change in the Dutch tax regime in 2013 with regards to mortgage interest deductibility, a shift from essentially interest-only mortgages to annuity and linear payment type mortgages is being observed. The inherent credit risk is compensated primarily by means of the underlying property, but also through the inclusion of mortgages guaranteed by the Nationale Hypotheek Garantie (NHG) and other secondary covers like savings, investments and life insurance policies. Mortgages with NHG accounted for 26% and 20% at NN Bank and Netherlands Life respectively at 31 December 2013.

The credit portfolio is under constant review to ensure troubled assets are identified early and managed properly. With regards to (mortgage) loans, all loans with past due financial obligations of 90 days or more are classified as non-performing loans (NPLs). All loans not classified at initial recognition as being either (1) assets at market value through profit-and-loss, (2) assets held for trading, or (3) assets available-for-sale are measured against amortised cost value and are subject to impairment review. For bonds and other fixed income securities, criteria for impairment include (but are not limited to) expected and actual credit losses resulting from e.g. failure to pay, market information regarding expected and actual credit losses, as well as other evidence that the issuer/borrower will be unable to meet its financial obligations. Material breaches in financial covenants can also trigger the reclassification of a loan as being impaired.

Credit quality: NN Group mortgage loan portfolio, outstanding

	Netherlands Life		NN Bank	
	2013	2012	**2013**	2012
Performing mortgage loans	**7,769**	5,107	**6,118**	136
Past due mortgage loans (1–90 days)	**185**	129	**93**	2
Non-performing mortgage loans (more than 90 days past due)	**37**	24	**17**	0.5
Total	**7,991**	5,260	**6,228**	139

If a payment of interest or principal is more than one day late, the loan is considered "past-due". If the arrear still exists after 90 days, the loan is categorised as non-performing loan. It keeps this status until the arrear is resolved. Of the mortgage loans that are past-due, 68% have been past-due for 1-30 days.

Aging analysis (past due but not impaired): NN Group mortgage portfolio, outstanding

	Netherlands Life		NN Bank	
	2013	2012	**2013**	2012
Past due for 1–30 days	**125**	96	**64**	2
Past due for 31–60 days	**42**	23	**22**	0
Past due for 61–90 days	**19**	10	**8**	0
Total	**186**	129	**94**	2

Risk measurement
The economic capital backing NN Bank's portion of the mortgage exposure is accounted for in non-modelled business because NN Bank applies Basel II for capital purposes (see "-Economic capital for entities outside NN Group's internal model"). The economic capital backing the Netherlands Life's portion of the mortgages is calculated in the counterparty default risk. The total mortgage exposure is managed at company level and included in the tables above.

Economic capital for counterparty default risk increased from EUR 354 million at year-end 2012 to EUR 519 million at year-end 2013. This increase is mainly due to the increased residential mortgage portfolio at Netherlands Life. As noted, related economic capital for fixed income bonds is included fully in credit spread risk.

Risk management continued

Foreign exchange risk
Foreign exchange (**FX**) risk measures the impact of losses related to changes in currency exchange rates.

Risk profile
FX transaction risk can occur on a local entity level, while FX translation risk can occur when items included in the financial statements of each of NN Group's entities are measured using the country's functional currency instead of NN Group's reporting currency, the Euro.

Risk mitigation
The FX risk at the local entity level is mitigated by limiting investment to the local currency assets. The exceptions are Japan Life, where USD and EUR assets are held to diversify the portfolio and the FX risk is managed through rolling FX forward contracts and in the large general account portfolio of Netherlands Life. The FX risk at the holding level is managed using FX forward contracts.

Risk measurement
Economic capital for foreign exchange risk decreased from EUR 377 million at year-end 2012 to EUR 213 million at year-end 2013 primarily due to the weakening of the yen in 2013.

MARKET AND CREDIT RISK: SEPARATE ACCOUNT
The separate account businesses are those in which the policyholder bears the majority of the market and credit risk. NN Group's earnings from the separate account businesses are primarily driven by fee income. However, in the case of variable annuities and the guaranteed separate account pension business in the Netherlands, NN Group retains risk associated with the guarantees provided to its policyholders. Businesses in this category are (i) the variable annuities (VA) portfolio, (ii) the group pension business in the Netherlands for which guarantees are provided, and (iii) other separate account business, primarily the unit linked business.

Variable annuity portfolio
Risk profile

Variable annuity business overview 2013

	Number of policies	**Account value (1)**	**Net Amount at Risk (2)**	**Additional IFRS Reserve for Guarantees**	**Average Remaining Years**
Variable Annuity Japan GMAB	**299,563**	**11,575**	**458**	**811**	**3.2**
Variable Annuity Japan GMDB (3)	**46,743**	**3,112**	**205**	**57**	**7.1**
Variable Annuity Europe	**40,931**	**1,238**	**33**	**25**	**7.2**

(1) The Account value is the value of the underlying funds which belong to the policyholder.
(2) The net amount at risk is the difference between the guaranteed minimum value and the account value, for those policies where the guaranteed value exceeds the account value.
(3) The Additional IFRS reserve for the guarantees backing the GMDB block as of 1 January 2014 is EUR219 million higher (total EUR 276 million) due to the application of fair value accounting.

Variable annuity business overview 2012

	Number of policies	Account value (1)	Net Amount at Risk (2)	Additional IFRS Reserve for Guarantees	Average Remaining Years
Variable Annuity Japan GMAB	317,402	13,150	2,841	3,064	4.2
Variable Annuity Japan GMDB (3)	60,050	3,744	1,346	253	9.5
Variable Annuity Europe	44,30	1,147	47	78	7.5

(1) The Account value is the value of the underlying funds which belong to the policyholder.
(2) The net amount at risk is the difference between the guaranteed minimum value and the account value, for those policies where the guaranteed value exceeds the account value.

Risk management continued

From a risk management perspective, NN Group distinguishes three blocks of variable annuities:

- ***Guaranteed minimum accumulation benefit* (GMAB) *products of Japan Closed Block VA*:** Under this type of variable annuity, a minimum guaranteed benefit is paid upon death or at maturity of the policy at the end of the initial investment period. The survival guarantee is only available up until the original policy term, mainly 10 years, and cannot be changed. The minimum guaranteed benefit is either a single premium or an amount which may lock-in at a higher guarantee level depending on the product. The GMAB product was sold from 2005 until 2009 in Japan through banks and security brokers. The guarantees of this product were highly in the money but with the improving stock markets in Japan and the weakening of the JPY, have moved closer to at-the-money. The volatility risks of the options and guarantees increase when the option is at the money and closer to maturity.
- ***Guaranteed minimum death benefit* (GMDB) *products of Japan Closed Block VA***: Under this type of variable annuity, a minimum guaranteed benefit is paid upon the death of the policyholder. The GMDB product has a generally predefined term of 10 years and provides the option to extend the guarantee of the policy during the investment phase up to age 90, and in the case of some policies, also allow further extension to whole of life. At death, the product pays a maximum of the guaranteed value and the account value. During the insured period, the client can receive the maximum of the minimum guaranteed benefit and the account value at death or at survival after the term of the product. There are different funds underlying the policyholder account value, including Japanese equity, Japanese bond, global equity and global bond funds. The value of the minimum guarantee depends on the level and volatility of equity, bond and foreign exchange markets.
- ***VA products of Insurance Europe***: NN Group has been selling VA products in Europe since 2008, including in Belgium, Italy, Luxembourg, Poland, Spain and Hungary. The products mostly have minimum guaranteed living benefits such as survival benefit or withdrawal benefits.

The number of policies in the Japan Closed Block VA will have decreased by more than 86% by the end of 2019, driven by the maturity of the GMAB products.

Risk mitigation

NN has hedging programs in place for the Japan Closed Block VA business and the European variable annuity business. These hedging programs target equity, interest rate, and FX risks. The market risks that remain for the Japan Closed Block VA business are increases to market volatility, both implied and realised, and basis risk. Basis risk is the difference in market movements between the benchmarks used for hedging and the actively managed funds in the separate account. The table below sets out the estimated changes in the value of these options and guarantees, and the corresponding estimated changes in the value of the assets hedging this portfolio for the years ended 31 December 2009 through 2013 with regard to the Japan Closed Block VA.

Closed Block VA Japan Asset and Liability Movements

	2013	2012	2011	2010	2009
Change in Value of Policyholder Guarantee	**2,411**	1,652	–748	–481	543
Change in Value of Hedge Assets	**2,367**	1,482	–582	–537	458
Economic Hedge Result	**44**	170	–166	56	85

The change of the value of the policyholder guarantees depends on market movements. The value of the Japan Closed Block VA guarantees, which was considerable at year-end 2008 due to the credit crisis, moved significantly over the past years, decreasing in 2012 and 2013 as a result of the economic stimulus packages in Japan. In 2008 the hedge program was not yet fully developed and was therefore only partially able to follow strong market movements, resulting in significant hedge losses. Hedge losses were incurred in 2011 as well, partially attributable to significant spread movements that were not hedged in 2011.

Separate account guaranteed group pension business in the Netherlands

Risk profile

Separate account guaranteed group pension business in the Netherlands

	2013	2012
Account value	**10,858**	12,487
Additional IFRS reserve for guarantee	**606**	744

In the Dutch separate account pension portfolio, investments are held in separate accounts on behalf of the sponsor employer who concluded the contract with NN Group. Regardless of actual returns on these investments, NN Group guarantees pension benefits for the beneficiaries under the contract. Contracts are typically re-negotiated every five years, but the guarantee obligations to the beneficiaries survive termination of the contract with the sponsor employer unless otherwise agreed.

Risk management continued

The sponsor employer selects the investments based on a basket of equity and fixed income instruments and real estate and pays a fee for the guarantee. The value of the guarantee that NN Group provides is sensitive to interest rates, movements in the underlying funds and the volatility of those funds.

Risk mitigation
NN currently hedges the value of the guarantees it provided under group pension contracts in the Netherlands. For this purpose, the exposure under such guarantees is discounted at the swap curve without the extrapolation to the UFR. The hedge program includes equity basket options, swaps and equity futures. Upon contract renewal, NN Group offers policyholders defined contribution products with investments in portfolios that NN Group can more easily hedge, thus reducing the risk to NN Group. As of August 2013, NN Group aims to hedge the full economic risk of the guarantee provided. Before August 2013, the hedge was aimed at mitigating a combination of IFRS earnings volatility and regulatory capital volatility.

Other separate account business
Risk profile
The other separate account business primarily consists of unit linked insurance policies, which provide policyholders with fund selection combined with an insurance cover. In a unit linked policy, the investment risk is borne by the policyholder, although there are some unit linked products where NN Group has provided guarantees on the performance of specific underlying funds. Unit linked products without guarantees do not expose NN Group to market risk, except to the extent that the present value of future fees is affected by market movements of the underlying policyholder funds.

Risk mitigation
The market risks of the unit linked and other separate account business are managed at the design of the product. Currently NN Group does not hedge the market risks related to the present value of future fee income derived from this business.

Risk measurement
NN determines economic capital for the market and credit risks of the separate account business in aggregate through direct modelling or applying a hedge effectiveness ratio.

The table below sets out the economic capital for the market and credit risk of the separate account businesses as at 31 December 2013 and 2012, respectively.

Economic capital for the separate account businesses

	2013	2012
Variable annuity	**591**	812
Separate account guaranteed group pension business in the Netherlands	**264**	101
Other separate account business (unit linked)	**217**	187
Diversification benefit	**–108**	–170
Total	**964**	930

The decrease in the variable annuity economic capital was due to a weakening JPY over the course of 2013. The increase in economic capital in the group pension business in the Netherlands was mainly due to changes in the hedging position over the course of the year. Considering that the size of the group pension business in the Netherlands is EUR 10.9 billion, the overall risk on this portfolio remains relatively low and well-hedged. The increase in assets under management of the funds underlying the other separate account business resulted in a higher present value of future fee income and therefore higher risk capital related to this future fee income.

LIQUIDITY RISK
Liquidity risk is the risk that one of NN Group’s entities does not have sufficient liquid assets to meet its financial obligations when they become due and payable, at reasonable cost and in a timely manner. Liquidity in this context is the availability of funds, or certainty that funds will be available without significant losses, to honour all commitments when due.

RISK PROFILE
NN identifies two related liquidity risks: funding liquidity risks and market liquidity risks. Funding liquidity risk is risk that a company will have the funds to meet its financial obligations when due. This risk is in particular relevant for NN Bank. Market liquidity risk is the risk that an asset cannot be sold without significant losses. The connection between market and funding liquidity stems from the fact that when payments are due, and not enough cash is available, investment positions need to be converted into cash. When market liquidity is low, this would lead to a loss.

RISK MITIGATION

NN Liquidity Management Principles include the following:

- Interbank funding markets should be used to provide liquidity for day-to-day cash management purposes;
- A portion of assets must be invested in unencumbered marketable securities that can be used for collateralised borrowing or asset sales;
- Strategic asset allocation should reflect the expected and contingent liquidity needs of liabilities; and
- Adequate and up-to-date contingency liquidity plans should be in place to enable management to act effectively and efficiently in times of crisis.

NN defines three levels of Liquidity Management. Short-term liquidity, or cash management covers the day-to-day cash requirements under normal business conditions and targets funding liquidity risk. Long-term liquidity management considers business conditions, in which market liquidity risk materialises. Stress liquidity management looks at the company's ability to respond to a potential crisis situation. Two types of liquidity crisis events can be distinguished: a market event and an NN Group specific event. These events can be short-term or long-term and can both occur on a local, regional or global scale.

Risk measurement

Liquidity risk is measured through several metrics including ratios and cash flow scenario analysis, in the base case and under several stressed scenarios. The liquidity risk metrics indicate that liquidity resources would be sufficient to meet expected liquidity uses under the scenarios tested. NN Group does not hold a specific economic capital for liquidity risk in its insurance economic capital model as liquidity is sufficiently available in the insurance business units.

OPERATIONAL RISK

RISK PROFILE

Operational risk is a non-financial risk that includes direct or indirect losses resulting from inadequate or failed internal processes (including as a result of fraud and other misconduct), systems failure (including information technology and communications systems), human error, and certain external events.

The operational risk management areas can be defined as given below:

- ***Control and processing risk***: the risk due to non-adherence with business policies or guidelines as well as the risk of loss due to unintentional human error during (transaction) processing.
- ***Fraud risk***: the risk of loss due to abuse of procedures, systems, assets, products or services of NN Group by those who intend to unlawfully benefit themselves or others.
- ***Information (technology) risk***: the risk of financial or reputational loss due to inadequate information security, resulting in a loss of data confidentiality, integrity and availability.
- ***Continuity and security risk***: the risk of threats that might endanger the continuity of business operations and the security of our employees.
- ***Unauthorised activity risk***: the risk of *misuse* of procedures, systems, assets, products and services.
- ***Employment practise risk***: the risk of loss due to acts inconsistent with employment, health or safety laws, agreements and from payment of personal injury claims or diversity/discrimination events.

RISK MITIGATION

For operational risk NN Group has developed a framework governing the process of identifying, assessing, mitigating, monitoring and reporting operational risks.

Operational risk assessments are done not only based on historic data but also on a forward looking basis in order to capture future risks. Once mitigating measures have been implemented and proven to be effective through monitoring and testing, the residual risk becomes the managed risk.

Mitigation of operational risks can be preventive in nature (e.g. training and education of employees, preventive controls, etc.) or can be implemented upon discovery of a risk (e.g. enforcement of controls, disciplinary measures against employees). Risk mitigating actions or controls are based on a balance between the expected cost of implementation and the expected benefits.

NN conducts regular risk and control monitoring to measure and evaluate the effectiveness of the key risks and key controls. It determines whether the risks are within the norms for risk appetite and in line with the ambition levels and policies and standards.

The business process owners are responsible for the actual execution of the controls and for assessing the adequacy of their internal controls. Operational risk management, as part of the second line of defence, is responsible for providing management with an objective assessment of the effectiveness and efficiency of NN Group risks and controls.

Risk management continued

Risk measurement
NN Group's economic capital for operational risk was EUR 531 million and EUR 566 million as at 31 December 2013 and 2012, respectively. The economic capital is calculated based on the standard formula for Solvency II. As it is additive to the total economic capital, then it should be considered as net of diversification with other NN Group risks.

COMPLIANCE RISK

RISK PROFILE
Compliance risk is the risk of impairment of NN Group's integrity. It is a failure (or perceived failure) to comply with NN Group's Business Principles and the Compliance Risk-related laws, regulations and standards that are relevant to the specific financial services offered by a business or its ensuing activities, which could damage NN Group's reputation and lead to legal or regulatory sanctions and financial loss.

RISK MITIGATION
NN Group's compliance function has developed a framework governing the process of identifying, assessing, mitigating, monitoring and reporting compliance risks. The compliance function works with a scorecard process to annually evaluate the level to which the compliance risk management framework is embedded in each business. NN Group continuously enhances its compliance risk management program to ensure that NN Group complies with international standards and laws.

NN Group separates compliance risk into four risk areas: client conduct, personal conduct, organisational conduct, and financial services conduct. In addition to effective reporting systems, NN Group has a whistle blower procedure which protects and encourages staff to speak up if they know of or suspect a breach of external regulations, internal policies or business principles. NN Group also has policies and procedures regarding anti-money laundering, sanctions and anti-terrorist financing, gifts and entertainment, anti-bribery, customer suitability, Chinese walls and confidential and inside information, as well as a code of conduct for its personnel.

NN is fully committed to complying with all applicable sanction legislation and with all obligations and requirements under those applicable laws, including freezing and reporting obligations with regard to transactions involving a U.S., EU or UN sanction target. Furthermore, NN Group designates specific countries as ultra high risk and prohibits client engagements and transactions (including payments or facilitation) involving those countries. Certain exceptions on this policy are allowed after express and case-specific consent, and provided that the applicable sanctions laws and regulations are met. At present, the specified countries are Myanmar, North Korea, Sudan (North Sudan and South Sudan), Syria, Iran and Cuba. Each of these countries is subject to a variety of EU, U.S. and other sanctions regimes. NN Group has had a sanctions policy in place since 2007 and has a mandate to run down any existing commitments. As such, remaining exposure and contacts arise solely in the context of NN Group's on-going efforts to run down the legacy portfolio of commitments.

NN Group performs a due diligence process when developing products and invests considerably in the maintenance of risk management, legal and compliance procedures to monitor current sales practices. Customer protection regulations as well as changes in interpretation and perception by both the public at large and governmental authorities of acceptable market practices might influence customer expectations. The risk of potential reputational and financial impact from products and sales practices exists because of the market situation, customer expectations, and regulatory activity. For more information on the status of the unit linked legal proceedings in the Netherlands, see "*Legal Proceedings*" of the Annual Account.

The compliance function and the business work closely together to optimise both products and services to meet the customers' needs. NN Group's compliance function has developed a framework governing the process of identifying, assessing, mitigating, monitoring and reporting compliance risks.

ECONOMIC CAPITAL FOR ENTITIES OUTSIDE NN GROUP'S INTERNAL MODEL
NN has several businesses which are not included in the internal model as the internal model has been developed for insurance operations. NN Group determines the economic capital for these businesses using an approach consistent with the way these businesses are included in the AFR calculations as described in the Capital Management section.

Economic capital for other business NN Bank, IIM units on local required capital levels and other non-modelled	2013	2012
Pension fund business in Europe	**178**	157
NN Bank	**271**	34
ING Investment Management	**191**	223
Other non-modelled entities	**236**	417
Asia discontinued	**112**	1,504
Total	**988**	2,335

Risk management continued

The Pension Fund businesses in Central Europe have been included on the basis of their local required capital using sectoral rules. NN Bank has been included in 2013 using 12% of risk weighted assets. At year-end 2012 NN Bank was not of meaningful size and its economic capital was based on its IFRS equity. The IIM entities and the other non-regulated business units have been included at their amount of IFRS equity adjusted for intangibles. The discontinued insurance operations in Asia have been included in the economic capital using 150% of the Solvency I requirement. The economic capital reduced significantly due to the 2013 closing of the sale of the life insurance businesses in Hong Kong, Macau, India, South Korea and Thailand as well as the closing of the sale of the investment management businesses in South Korea and China. At 31 December 2013, the life insurance Joint Venture in China and the investment management entities in Taiwan and India are the only remaining discontinued Asian businesses. The economic capital of these businesses is added without taking into account diversification benefits.

REGULATORY CAPITAL AND IFRS RESULT BEFORE TAX SENSITIVITIES

The following two sections will provide the sensitivities of regulatory capital and IFRS result before tax, which are also important risks monitored by management and can be different from economic sensitivities. The following table sets out the shocks to parameters used to assess the sensitivities.

Sensitivity Descriptions

	Regulatory Capital	IFRS Result Before Tax
Interest rate risk	Measured by the impact of a 30% upward and downward movement in interest rates (parallel shift based on 30% of the 10 year rate)	Same shock applied as under Regulatory Capital sensitivities
Equity risk	Measured by the impact of a 25% upward and downward movement in equity prices	Same shock applied as under Regulatory Capital sensitivities
FX risk	Measured by the impact of the worse of a 10% upward or downward movement in all currencies compared to the euro	Same shock applied as under Regulatory Capital sensitivities
Credit spread risk	Measured by the impact of a relative increase based on multiplying duration by a rating-based shock calibrated to the 1 in 10 sensitivities of the internal model (e.g. Double A 10-year bond shock is 120 basis points) AAA and AA-rated government bonds and home government bonds in local currency excluded, exception only applicable to Greek bonds Shocks for structured credit are 50% higher than for similarly rated corporate and government bonds	Not calculated as spread risk is minimal for IFRS results
Real estate price risk	This is measured by the impact of a 10% drop in real estate prices only for the minority holdings and direct for all real estate re-valued through P&L. Other holdings will be included in case of possible impairments caused by the drop in prices however as rental income is not assumed under the regulatory capital base case, the –10% shock applied is off-set by +5% rental income resulting in an effective shock of –5%.	This is measured by the impact of a 10% drop in real estate prices only for the minority holdings and direct for all real estate re-valued through P&L. Other holdings will be included in case of possible impairments caused by the drop in prices. As rental income is already included in planned annual earnings, no offset (to the –10% shock) is taken into account for rental income.
Variable Annuity risk	This is measured by a 1 in 10 impact of the aggregate market risk shocks of the internal model on the variable annuity business	Same shock as applied for the regulatory capital sensitivities. Note that both the 2013 and 2012 sensitivity have been based on the assumption that the accounting policy change for the Japan Closed Block VA GMDB business as of 1-1-2014 has already been implemented.
Mortality (Including Longevity)	Not shown. In general, similar to the IFRS sensitivity other than longevity risk in the Netherlands, for which changes to assumptions can impact available capital on a present value basis.	Mortality sensitivity is determined using a 1 in 10 mortality sensitivity of internal model
Morbidity	Not shown. In general, similar to IFRS sensitivities.	Morbidity sensitivity is determined using a 1 in 10 morbidity sensitivity of internal model
P&C	Not shown. In general, similar to IFRS sensitivities.	P&C sensitivity is determined using a 1 in 10 P&C sensitivity of internal model

Risk management continued

SENSITIVITIES OF REGULATORY CAPITAL AT RISK

One of the three quantitative risk appetite statements of NN Group is to ensure that there is sufficient cash capital. The cash capital is determined by the ability of subsidiaries to pay dividends and their potential need for capital injections to continue operations within the local market. Whether or not a capital injection is necessary is assessed based on available regulatory capital and commercial target levels of regulatory required capital. Market stresses primarily impact the available regulatory capital, but in the case of regulated entities within Netherlands Life and ING Life Japan, required regulatory capital also moves with market movements.

Estimated regulatory capital sensitivities

		2013	2012 (1)
	Interest Rate +30% in 10y rate	**–148**	–50
	Interest Rate –30% in 10y rate	**224**	75
	Equity –25%	**–747**	–595
	Equity +25%	**748**	652
Market risk and credit risk	Real estate –10%	**–170**	–192
	FX –10%	**–106**	–90
	Credit spread	**–1,894**	–1,902
	Counterparty default	**–27**	–7
	Variable Annuity (Europe and Japan)	**–260**	–357

(1) In 2012, NN Group did not report regulatory capital sensitivities Therefore, the 2012 regulatory capital sensitivities are high level estimates based on internal risk management reports.
(2) A high level estimate has been used to calculate the impact of interest rate stresses on the risk margin which in used to determine the regulatory available and required capital in Netherlands Life.

The credit spread sensitivity is the largest risk to cash capital and is primarily caused by Netherlands Life given the long term assets in the Netherlands Life portfolio and the spread risk to the liability discounted at the swap rate (see *Market and Credit Spread Risk: General Account Business—Credit spread risk*). Also, Netherlands Non-Life, Spain Life, Greece Life and Japan Life are exposed to credit spread risk on their regulatory balance sheet as assets are valued at market value.

The available regulatory capital balance sheet of Netherlands Life (which includes a significant amount of long-term liabilities) is modestly exposed to lower interest rates mostly due to the UFR impact on the liability discount curve. The other regulated entities are, however, exposed to higher interest rates as assets are at market value, but liabilities are not. This results in an overall position which is relatively insensitive to interest rates.

The equity sensitivity is primarily related to the general account equity holdings and increased during the year as the total value of equity securities increased.

FX primarily reflects open positions in investments held by Japan Life and Netherlands Life. This does not include any translation risk.

The variable annuity risk is dominated by Japan Closed Block VA and decreased significantly over 2013 due to depreciation of the JPY versus EUR.

Apart from the estimated sensitivities set out above, NN Group is exposed to volatility and basis risk with regards to the separate account guaranteed group pension business in Netherlands Life. Netherlands Life is also exposed to changes in assumptions with regards to longevity, expenses and policyholder behaviour as the present value impact on the policyholder liabilities of such assumption changes will be immediately reflected in the available regulatory capital.

Risk management continued

SENSITIVITIES OF IFRS RESULT BEFORE TAX

The table below sets out various market and insurance risk shocks for IFRS result before tax sensitivities.

Estimated IFRS result before tax sensitivities

		2013	2012
	Interest Rate +30% in 10y rate	**–3**	–56
	Interest Rate –30% in 10y rate	**7**	99
	Equity –25%	**–362**	–437
	Equity +25%	**273**	367
Market risk and credit risk	Real estate –10%	**–485**	–508
	FX –10%	**–58**	–53
	Counterparty default	**–96**	–85
	Variable annuity (Europe and Japan)	**–260**	–357
	Mortality (including longevity)	**–26**	–29
Insurance risk	Morbidity	**–100**	–100
	P&C	**–92**	–82

The reported market risk sensitivities for 2013 reflect the refinement of the accounting for the separate account pension business in the Netherlands. This change significantly reduced the sensitivity of NN Group's result before tax to interest rates as both the interest rate hedges and the technical provisions for this book move the same way with interest rates.

As at 31 December 2013, the result before tax sensitivities to equity risk primarily relate to the general account equity holdings in the Netherlands and Belgium, the hedging of the separate account pension business in the Netherlands and fee income from NN Group's investment management business, for which earnings sensitivities have been included as of year-end 2013. IFRS real estate sensitivities reflect investments in real estate funds and direct real estate assets. Market movements in real estate are reflected in the IFRS result before tax. The sensitivities decreased in 2013 due to lower real estate exposures.

The variable annuity risk for 2012 and 2013 primarily relates to Japan Closed Block VA and decreased due to FX movements. Both the 2012 and 2013 figures are adjusted to reflect the implementation of the move towards fair value accounting on the reserves for the guaranteed minimum death benefits of the Japan Closed Block VA, as of 1 January 2014.

In 2013, result before tax sensitivities to P&C risk increased primarily due to increased retention levels for windstorm catastrophe risk.

OTHER RISK INFORMATION

Greece, Italy, Ireland, Portugal, Spain and Cyprus (GIIPSC)

Since 2010 concerns arose regarding the creditworthiness of certain European countries. As a result of these concerns the fair value of sovereign debt decreased and those exposures are being monitored more closely. With regard to the sovereign debt crisis, ING's main focus is on Greece, Italy, Ireland, Portugal and Spain as these countries have either applied for support from the European Financial Stability Facility ("EFSF") or receive support from the ECB via government bond purchases in the secondary market. Further details on exposure to Government bonds and Unsecured Financial institutions' bonds are included in Note 3 "Available-for-sale Investments".

The table below provides information on ING's risk exposure with regard to Greece, Italy, Ireland, Portugal and Spain. Unless otherwise indicated, the amounts represent risk exposure values and exposures are included based on the country of residence of the direct Obligor to which ING has primary recourse of repayment of the obligations, except most RMBS, which exposures are based on country of risk. Cyprus is not included in the table below as NN Group had no exposure linked to this country.

Risk management continued

Greece, Italy, Ireland, Portugal and Spain – Total risk exposures [1]

2013	Greece	Italy	Ireland	Portugal	Spain	Total
Residential mortgages and other consumer lending	9				18	27
Corporate Lending		75	25			100
Financial Institutions Lending	11				170	181
Government Lending						
Total Lending	20	75	25	0	188	308
RMBS	27	236		182	263	708
CMBS						
Other ABS		12			2	14
Corporate Bonds		287	254	15	164	720
Covered Bonds		9	5		355	369
Financial Institutions' bonds (unsecured)		58		26	76	160
Government Bonds	39	1,303	53	5	1,013	2,413
Total Debt Securities	66	1,905	312	228	1,873	4,384
Real Estate	22	346		206	262	836
Total exposure	108	2,326	337	434	2,323	5,528

(1) The exposures reported in these tables are outstanding amounts, different valuation method from previous tables in the Risk Section where exposures are reported as Market Value.

Greece, Italy, Ireland, Portugal and Spain – Total risk exposures [1]

2012	Greece	Italy	Ireland	Portugal	Spain	Total
Residential mortgages and other consumer lending	12				19	31
Corporate Lending		50	25			75
Financial Institutions Lending	7				254	261
Government Lending						
Total Lending	19	50	25	0	273	367
RMBS	30	330	100	208	351	1,019
CMBS						
Other ABS		24			8	32
Corporate Bonds		316	258	27	156	757
Covered Bonds		18	15		507	540
Financial Institutions' bonds (unsecured)		52	36	38	109	235
Government Bonds	36	1,345	53	5	967	2,406
Total Debt Securities	66	2,085	462	278	2,098	4,989
Real Estate	21	275		217	342	855
Total exposure	106	2,410	487	495	2,713	6,211

(1) The exposures reported in these tables are outstanding amounts, different valuation method from previous tables in the Risk Section where exposures are reported as Market Value.

Total exposure to the GIIPS countries was reduced by EUR 683 million in 2013. NN Group reduced its exposure in debt securities by EUR 605 million and Financial Institutions lending by EUR 80 million. In debt securities, ABS exposure decreased by EUR 329 million, mainly in Italy by EUR 106 million and Ireland by EUR 100 million, and covered bonds went down by EUR 171 million, mainly in Spain by EUR 152 million. The decrease in Financial Institutions lending was mainly in Spain by EUR 84 million.

Capital management

amounts in millions of euros, unless stated otherwise

OBJECTIVE

ING Group Capital Management (Capital Management) is responsible for the sufficient capitalisation of ING Group entities at all times in order to manage the risk associated with ING's business activities, which involves the management, planning and allocation of capital within ING Group, as well as the treasury function, which is key to manage and execute the necessary capital market transactions, term (capital) funding and risk management transactions. Capital Management monitors and plans capital adequacy on a consolidated basis at three levels: ING Group, NN Group and ING Bank. In 2013, NN Group set up separate Corporate Finance department to manage the capital planning and treasury activities for the Insurance operations in the context of its preparations to separate from ING Group. Capital Management takes into account the metrics and requirements of regulators (Insurance Group Directive (IGD) Solvency I, Tier 1 and BIS ratios and limits for hybrid capital), rating agencies (leverage ratios, Adjusted Equity and fixed coverage ratio) and internal metrics such as Available Financial Resources (AFR) and Economic Capital (EC).

ING applies the following main capital definitions:

- Insurance Group Directive capital (NN Group) – This regulatory concept is defined as shareholders' equity plus hybrid capital, prudential filters and certain adjustments. IGD capital is calculated in accordance with method 3 "method based on accounting consolidation" of the Dutch Act on Financial Supervision. In this method the solvency margin is calculated on the basis of the consolidated accounts and is the difference of (i) the assets eligible for the inclusion in the calculation of the solvency margin based on the consolidated data; and (ii) the minimum amount of the solvency margin calculated on the basis of the consolidated data. In applying this method a solvency deficit of an insurance subsidiary, if any, is taken into account, as well as regulatory adjustments of the Dutch insurance subsidiaries based on the Dutch Act on Financial Supervision. See "Capital Base" disclosures in this section. This capital definition is applied in comparing IGD capital to EU required capital base. As of 30 September 2013, the IGD ratio for NN Group was adjusted for the transfer of ING U.S. Inc. from NN Group N.V. to ING Groep N.V. and a change in the calculation methodology. Prior period has not been restated to reflect these adjustments, as the impact is not material.
- AFR (NN Group excluding US Insurance business) –This is a pre-tax market value concept, defined for the insurance operations in scope of the IPO as the market value of assets (MVA) less the market value of liabilities (MVL) on the balance sheet. The liabilities valuation includes an adjustment for liquidity premium. For other businesses a proxy is used for AFR, i.e. statutory net equity for third party pension funds and NN Bank, and IFRS Equity adjusted for Goodwill for Asian divestments and Investment Management companies. The qualifying perpetual hybrid capital is considered equity and included in AFR. AFR is used as the measure of available capital in comparison with EC employed.
- EC (NN Group excluding US Insurance business) – This is the pre-tax required capital for the insurance operations in scope of the IPO, based on a 99.5% confidence interval on a one-year horizon. This is considered an interim step to the Solvency II capital framework. The EC for other businesses is based on a proxy, i.e. sectoral rules for third party pension funds and NN Bank, 150% EU required capital for Asian divestments, and IFRS Equity adjusted for Goodwill for Investment Management companies.
- Regulatory Capital framework – Insurance and Investment Management legal entities have to comply with local statutory capital frameworks that are under supervision of local regulators. Most of these frameworks for insurance businesses in Europe are based on Solvency I principles and are expected to migrate to Solvency II starting in 2016.
- Financial Leverage (NN Group) – Financial Leverage is the sum of hybrid capital, sub-debt and net financial debt.

DEVELOPMENTS 2013

In 2013 Capital Management's main focus remained the strengthening of the capital position of ING Group, ING Bank and NN Group. ING's capital is well placed to deal with the uncertain financial environment, increasing regulatory requirements and the ambition to repay the remaining outstanding Core Tier 1 securities. ING Group repaid another EUR 0.75 billion of Core Tier one securities and at yearend 2013 EUR 1.5 billion was outstanding of the original amount of EUR 10 billion.

In May 2013, the US Insurance business was successfully separated and listed (VOYA) on the NYSE. NN Group has divested this business in several tranches. In May NN Group sold approximately 28% shares in Voya and successfully completed the secondary offering of Voya with proceeds of EUR 644 million. On 30 September 2013, NN Group transferred its remaining shares of the US Insurance business to ING Group. In October, ING Group sold another tranche of approximately 15% shares in Voya with proceeds of EUR 788 million. At the end of 2013, ING Group still owns 56.7% of the US Insurance business.

The proceeds from the Initial Public Offering of the US Insurance business and from the partial divestment of Sul América S.A. in Brazil to GrupoSura and to the Larragoiti family were fully paid up to ING Group and used to reduces core debt at ING Group.

Capital management continued

NN Group reduced its financial leverage substantially, from 31% by the end of 2012 to 26% at the end of 2013. This was mainly driven by the proceeds from the sale of its Asian Insurance businesses o.w. Hong Kong, Korea, Thailand and India, a capital injection from ING Group, the transfer of the US business from NN Group to ING Group and dividends from operating companies, offset by capital injections into operating companies, including a cash capital requirement for IPO purposes and holding company interest costs and expenses. In September NN Group N.V. redeemed senior debt of EUR 0.7 billion and an intercompany loan from ING Group of EUR 1.3 billion. The redemptions were funded by a new short-term intercompany loan of EUR 2 billion from ING Group, which was reduced to EUR 1 billion in December following a capital injection from ING Group.

Nationale-Nederlanden Bank N.V. (part of NN Group) acquired parts of Westland-Utrecht Bank (owned by ING Bank) per 1 July 2013. This acquisition was funded by a capital injection from ING Group and therefore not increasing financial leverage of NN Group.

In order to comply with the obligations toward the European Commission, ING Group largely finalised the divestment of its Asian business, US business and Brazilian business; the total proceeds from divestments in 2013 were EUR 4.1 billion.

Additionally, ING Group is in process of preparing NN Group for a separate listing in 2014. As part of those preparations to become a stand-alone company, ING Group injected EUR 1 billion of capital to further strengthen the capitalisation of NN Group.

REGULATORY

On 1 January 2014, an interim solvency regulation (commonly referred to as Solvency 1.5) has come into force in the Netherlands, in addition to the existing Solvency I framework. This new regulation fits within DNB’s approach to make the supervision of insurance companies more risk sensitive and forward looking. Solvency 1.5 places additional requirements on management of capital. The legislation also introduces the Theoretical Solvability Criterion (*theoretisch solvabiliteitscriterium*; TSC), which applies to large and medium-sized life insurance companies in the Netherlands. The aim of the TSC is to ensure that, after the realisation of some pre-defined stress scenarios, insurance companies still comply with their solvency requirements. In case the solvency position of an insurer is below the TSC, the DNB could require the insurance company to submit a recovery plan. Additionally, if the solvency position is below the TSC, DNB could require a declaration of no objection for dividend payments and other withdrawals from own funds.

The Dutch life insurance companies of NN Group have been using the ECB AAA curve to perform the regulatory test of adequacy of their insurance liabilities at year end 2012. On 12 July 2013, Fitch downgraded France to AA+, resulting in French government bonds no longer being included in the ECB AAA curve. The downgrade caused a drop of the ECB AAA curve of on average 15 basis points (dependent on the point on the curve), leading to an increase in the valuation of the liabilities and therefore a decrease in available regulatory capital if a shortage resulted from the test of adequacy. The DNB swap curve is the only alternative curve to the swap curve allowed by DNB that is available to Dutch life insurance companies to discount liabilities in the regulatory test of adequacy. As of Q3 2013, the Dutch life insurance companies of NN Group have been granted permission by DNB to use the DNB swap curve for the test of adequacy. The impact of the downgrade of France had an immediate unfavourable impact on NN Life’s regulatory solvency ratio of about 39%-points.

POLICIES

The activities of Capital Management are executed on the basis of established policies, guidelines and procedures. For the Corporate Treasury there are additional policies and limits that guide the management of the balance sheets and the execution of capital market transactions.

PROCESSES FOR MANAGING CAPITAL

Capital Management manages its capital on a pro-active basis and ensures that sufficient capital is available through setting targets and limits relevant to the above mentioned metrics for ING Group, ING Bank, and NN Group and ensuring adherence to the set limits and targets through planning and executing capital management transactions. The ongoing assessment and monitoring of capital adequacy is embedded in Capital Management’s capital planning process. Following the annual budgeting process, each year a capital plan is prepared for the Group as a whole and each of its material businesses. This plan is updated on a quarterly basis and it is assessed to what extent additional management actions are required. At all times maintaining sufficient financial flexibility should be preserved to meet its financial objectives. At the foundation of the capital plan are ING’s risk appetite statements that determine target setting. These constraints are being cascaded to the different businesses in line with our risk management strategy.

Important inputs to the capital planning and management process are provided by stress testing that is performed on a regular basis. These stress tests focus on topical issues and the sensitivity of NN Group’s capital position to certain risks. These analyses provide input that help to steer strategic direction. Setting policies for recovery planning and resolution are a natural extension of ING’s capital management policies and follow ING’s risk management framework seamlessly.

Capital management continued

A key priority of Capital Management is to ensure that strong stand-alone companies are created for banking and insurance in preparation of the separation. Both operations need to stay adequately capitalised based on local regulatory and rating agency requirements and interdependencies should be reduced to a minimum. The entities should also be able to access capital markets independently.

CAPITAL ADEQUACY ASSESSMENT

During 2013, NN Group was adequately capitalised.

Capital position of NN Group		
	2013	2012 [4]
Shareholder's equity (parent)	**14,227**	26,423
Hybrids issued by NN Group to ING Group [1]	**2,394**	2,438
Hybrids issued by NN Group [2]		476
Required regulatory adjustments	**–5,368**	–6,891
IGD capital	**11,253**	22,446
EU required capital base	**4,379**	9,523
IGD Solvency I ratio [3]	**257%**	236%

[1] Hybrids issued by ING Group at notional value.
[2] Hybrids issued by NN Group at notional value capped at 25% of EU required capital. As from 1 January 2013 the hybrid issued by NN Group N.V. with notional amount of EUR 476 million does not qualify anymore for IGD Capital based on regulations from DNB.
[3] The actual required regulatory adjustments for IGD capital and the EU required capital may be different from the estimate since the statutory results are not final until filed with the regulators.
[4] The IGD Solvency I ratio reported in the 2012 Annual Report of 245% is restated due to the change in accounting policy for employee benefits as disclosed in the section "Changes in accounting policies in 2013" on page F9.

During 2013, the IGD ratio of NN Group increased from 236% at the end of 2012 to 257% at the end of 2013. This improvement reflects a decrease of Shareholders' equity and a release of required capital following the various divestments that closed during 2013, the IPO of ING U.S. and the transfer of the remaining interest in ING U.S. to ING Group. In addition, the improvement was supported by favourable market developments, net operating results and the EUR 1 billion capital injection from ING Group to redeem debt. This was only partially offset by the impact of the downgrade of France by Fitch on the NN Life solvency ratio, the exclusion of a EUR 0.5 billion hybrid loan that no longer qualifies as capital and the write down of the DAC for the Japan Closed Block VA business.

NN Group continues to aim that all operating entities are adequately capitalised based on local regulatory and rating agency requirements and that on a consolidated basis, the financial leverage (hybrids, sub-debt and financial debt) of NN Group is appropriate relative to the capital base.

Capital base and financial leverage of NN Group		
	2013	2012 [4]
Shareholder's equity (parent)	**14,227**	26,423
Revaluation reserve debt securities	**–2,804**	–9,282
Revaluation reserve crediting to life policyholders	**2,579**	5,673
Revaluation reserve cash flow hedge	**–2,726**	–3,548
Goodwill	**–264**	–351
Minority interests	**68**	217
Capital base for financial leverage (a)	**11,080**	19,132
Hybrids issued by NN Group to ING Group [1]	**2,401**	2,451
Hybrids issued by NN Group [2]	**491**	496
Total hybrids (b)	**2,892**	2,947
External debt issued by NN Group N.V.		694
External debt issued by US Holding companies		2,307
Senior Debt issued by NN Group to ING Group	**1,000**	1,311
Other net financial debt [3]		1,457
Total financial debt (c)	**1,000**	5,769
Total financial leverage (d) = (b) + (c)	**3,892**	8,716
Financial leverage ratio (e) = (d) / {(a) + (d)}	**26%**	31%

Capital management continued

(1) Hybrids issued by ING Group at amortised cost value consistent with IFRS carrying value.
(2) Hybrids issued by NN Group at amortised cost value consistent with IFRS carrying value.
(3) Includes net internal borrowings from the operating subsidiaries, offset by net current assets of the holding companies in excess of a cash capital requirement.
(4) The Capital base for financial leverage as reported in the 2012 Annual Report of EUR 20,007 million is restated due to the change in accounting policy for employee benefits as disclosed in the section "Changes in accounting policies in 2013" on page F9.

For NN Group in total, the capital base for financial leverage purposes is fully based on IFRS accounting, whereas the IGD capital is corrected for some regulatory adjustments. The table below provides a reconciliation.

Reconciliation between IGD capital and Capital base for financial leverage

	2013	2012
IGD capital	**11,253**	22,446
Hybrids issued by NN Group to ING Group	**–2,394**	–2,438
Hybrids issued by NN Group		–476
Revaluation reserve debt securities	**–2,804**	–9,282
Revaluation reserve crediting to life policyholders	**2,579**	5,673
Revaluation reserve adjustments	**2,446**	3,209
Capital base for financial leverage	**11,080**	19,132

The table below provides the capital ratios for the larger Insurance subsidiaries according to local regulatory capital frameworks:

Local Capital ratios for the larger Insurance operations

	2013 (1)	2012 (2)
NN Life	**222%**	191%
ING Re Netherlands	**1,253%**	320%
ING Life Japan	**1,366%**	989%

(1) The 2013 capital ratios are not final until filed with the regulators.
(2) Comparable capital ratio for ING Life Japan is at 31 March 2013, as the financial year for ING Life Japan runs from 1 April until 31 March.

NN Life's capitalisation improved due to a EUR 0.6 billion capital injection, higher performance of the equity portfolio, lower credit spreads, but offset by the change in valuation curve from ECB AAA curve to DNB Swap curve. Following the subordinated loan to NN Life and the impact of the pension agreement in the first quarter of 2014, the estimated pro-forma solvency I ratio for NN Life is 234%.

The capital ratio of ING Re increased mainly due to a capital injection of EUR 0.6 billion to strengthen its capitalisation from an economic basis, favourable market developments and a decrease in required capital. Required capital decreased mainly due to lower value of the guarantees for the reinsured Japan VA business and the termination of the Stop-Loss contract with Poland.

ING Life Japan's capital ratio improved due to profits in the period from 1 April until 31 December 2013 and lower required capital, reflecting decreasing SPVA minimum guarantee reserve, which is led by favourable market developments and increased SPVA lapses.

For NN Group, Available Financial Resources (AFR) continues to be important, especially as an evolving proxy for the Own Funds derivation from our internal model under Solvency II. The SII regulations are not final and material deviations from our proxy could materialise; see the risk management section for more details. AFR in the 2012 Annual Report of ING Verzekeringen N.V. was derived for ING Insurance EurAsia excluding Asian Insurance and Investment Management businesses and the reinsured Japan VA guarantees to ING Re (Netherlands) N.V. that were classified as held-for-sale operations. ING announced in 2013 that NN Group N.V. will be divested instead of ING Insurance Eurasia N.V., and after carefully exploring and evaluating the options available for the divestment of ING Life Japan, it was concluded that ING Life Japan will be included with NN Group's insurance and investment management businesses in the base case IPO of NN Group in 2014, subject to market and other conditions. As a result, ING Life Japan and the Japanese Closed Block VA guarantees reinsured to ING Re ("NN Group's business in Japan") are no longer classified as held-for-sale operations. All references to Asia in this disclosure therefore, refer to the insurance and investment management businesses in Asia other than NN Group's business in Japan.

The following table presents the reconciliation from the 2012 AFR for Insurance EurAsia excluding Asian held-for-sale operations as reported in the Annual Report 2012, to the comparable basis for NN Group excluding US Insurance business. The impact of the change in scope on EC is explained in detail in the Risk paragraph.

Capital management continued

Change of scope of AFR 2012	
amounts in billions of euros	AFR (1)
As reported for ING Insurance EurAsia (excluding held-for-sale operations) in 2012	9.6
Change in model and methodology (1)	–0.8
Include NN Group's businesses in Japan as modelled business	2.4
Include the other Asian held-for-sale operations as unmodelled business	4.0
Include legacy units and holding	–3.8
NN Group 2012 excluding US Insurance business on a basis comparable to 2013	11.4

(1) The change in model and methodology refers to the change in accounting policy for employee benefits as disclosed in the section "Changes in accounting policies in 2013" on page F9.

The table below provides AFR and EC on comparable basis for NN Group (excluding US operations).

AFR and EC		
	2013	2012
AFR	**13.6**	11.4
EC	**7.0**	8.7
Excess AFR over EC	**6.6**	2.7
AFR-EC ratio	**193%**	131%

The AFR-EC ratio for NN Group excluding US Insurance business increased in 2013 as a result of higher AFR and lower EC. AFR increased from EUR 11.4 billion at the end 2012 to EUR 13.6 billion at the end of 2013. AFR increased mainly due to a capital injection from ING of EUR 1.3 billion (EUR 1.0 billion to redeem ING Group loan and EUR 0.3 billion to acquire parts of WestlandUtrecht Bank) and the inclusion of the "Ultimate Forward Rate" (UFR) in the valuation curve of EUR 1.6 billion. This increase was partially offset by the change of treatment of the pension asset (included in 2012 figures but excluded in 2013) of EUR 0.7 billion and the change in treatment of the external hybrid of EUR 0.5 billion, which is not considered AFR as from 1 January 2013 (consistent with IGD ratio). The change in EC during 2013 is explained in detail in the Risk paragraph.

Main credit rating of ING at 31 December 2013						
	Standard & Poor's		**Moody's**		**Fitch**	
	Rating	**outlook**	**Rating**	**outlook**	**Rating**	**outlook**
ING Group N.V.	**A-**	**stable**	**A3**	**negative**	**A**	**negative**
– long term						
NN Group N.V.						
– short term	**A-2**		**P-2**		**F2**	
– long term	**BBB+**	**stable**	**Baa2**	**negative**	**A-**	**negative**

ING's key credit ratings and outlook are shown in the table above. Each of these ratings reflects only the view of the applicable rating agency at the time the rating was issued, and any explanation of the significance of a rating may be obtained only from the rating agency.

A security rating is not a recommendation to buy, sell or hold securities and each rating should be evaluated independently of any other rating. There is no assurance that any credit rating will remain in effect for any given period of time or that a rating will not be lowered, suspended or withdrawn entirely by the rating agency if, in the rating agency's judgment, circumstances so warrant. ING accepts no responsibility for the accuracy or reliability of the ratings.

AUTHORISATION OF ANNUAL ACCOUNTS
Amsterdam, 17 March 2014

THE SUPERVISORY BOARD
J. (Jeroen) van der Veer, chairman
P.A.F.W. (Peter) Elverding, vice-chairman
J.P. (Tineke) Bahlmann
H.W. (Henk) Breukink
C.W. (Carin) Gorter
J.H. (Jan) Holsboer
J.Ch.L. (Joost) Kuiper
H-J.M. (Hermann-Josef) Lamberti
I. (Isabel) Martín Castellá
R.W.P. (Robert) Reibestein
Y.C.M.T. (Yvonne) van Rooy
L.A.C.P. (Luc) Vandewalle

THE MANAGEMENT BOARD NN GROUP
R.A.J.G. (Ralph) Hamers, *CEO and chairman*
E. (Lard) Friese, vice-chairman
D. (Delfin) Rueda, *CFO*
S.D. (Doug) Caldwell, *CRO*
D.E. (Dorothee) van Vredenburch, *member*
P.G. (Patrick) Flynn, *member*
W.F. (Wilfred) Nagel, *member*

Parent company balance sheet of NN Group N.V.

as at 31 December before appropriation of result

amounts in millions of euros	2013	2012
Assets		
Investments in group companies 1	**18,558**	31,198
Other assets 2	**1,893**	4,480
Total assets	**20,451**	35,678
Equity 3		
Share capital		
Share premium	**11,605**	17,750
Share of associates reserve	**3,502**	7,252
Other reserves	**–890**	383
Unappropriated result	**10**	1,038
Shareholder's equity	**14,227**	26,423
Liabilities		
Subordinated loans 4	**2,892**	2,947
Other liabilities 5	**3,332**	6,308
Total liabilities	**6,224**	9,255
Total equity and liabilities	**20,451**	35,678

References relate to the notes starting on page F164. These form an integral part of the parent company annual accounts.

Parent company profit and loss account of NN Group N.V.

for the year ended 31 December

amounts in millions of euros	2013	2012
Result of group companies	**47**	1,092
Other results after tax	**–37**	–54
Net result	**10**	1,038

Parent company statement of changes in equity of NN Group N.V.

amounts in millions of euros	Share capital	Share premium	Share of associates reserve	Currency translation reserve	Other reserves [1]	Total
Balance as at 31 December 2011		17,750	5,190		472	23,412
Remeasurement of the net defined benefit asset/liability			–910			–910
Unrealised revaluations property in own use			–13			–13
Unrealised revaluations available-for-sale investments and other			5,073			5,073
Realised gains/losses transferred to profit and loss account			–367			–367
Changes in cash flow hedge reserve			665			665
Transfer to insurance liabilities/DAC			–2,181			–2,181
Other revaluations					75	75
Exchange rate difference			–369			–369
Total amount recognised directly in equity (Other comprehensive income)	0	0	1,898	0	75	1,973
Net result from continuing and discontinued operations					1,038	1,038
Total comprehensive income	0	0	1,898	0	1,113	3,011
Transfer to share of associates reserve			164		–164	
Balance as at 31 December 2012 (restated)	**0**	**17,750**	**7,252**	**0**	**1,421**	**26,423**
Remeasurement of the net defined benefit asset/liability			**–42**			**–42**
Unrealised revaluations property in own use			**–1**			**–1**
Unrealised revaluations available-for-sale investments and other			**–4,627**		**–45**	**–4,672**
Realised gains/losses transferred to profit and loss			**90**			**90**
Changes in cash flow hedge reserve			**–832**			**–832**
Transfer to insurance liabilities/DAC			**2,154**			**2,154**
Exchange rate difference			**–647**			**–647**
Total amount recognised directly in equity (Other comprehensive income)	**0**	**0**	**–3,905**	**0**	**–45**	**–3,950**
Net result from continuing and discontinued operations					**10**	**10**
Total comprehensive income	**0**	**0**	**–3,905**	**0**	**–35**	**–3,940**
Transfer from to associates			**118**		**–118**	
Capital contribution		**1,330**				**1,330**
Employee stock option and share plans			**37**			**37**
Changes in composition of the group and other changes		**–6,826**			**43**	**–6,783**
Impact of IPO ING U.S.					**–1,958**	**–1,958**
Dividend		**–649**			**–233**	**–882**
Balance as at 31 December 2013	**0**	**11,605**	**3,502**	**0**	**–880**	**14,227**

[1] Other reserves includes Retained earnings, Other reserves and Unappropriated result.

Accounting policies for the parent company annual accounts of NN Group N.V.

ESTABLISHMENT OF NN GROUP

Until recently, ING Verzekeringen N.V. (“ING Insurance”) was the holding company of the insurance and investment management activities of ING. As such, ING Insurance prepared consolidated financial statements under IFRS-EU that included ING Insurance and all its subsidiaries. ING Insurance was a wholly-owned subsidiary of ING Insurance Topholding N.V. (“ING Topholding”), a wholly-owned subsidiary of the ultimate parent ING Groep N.V. ING Topholding was a holding company with no other assets, liabilities and activities than its 100% holding in ING Insurance.

On 28 February 2014, before the finalisation of the 2013 consolidated financial statements, ING Insurance and ING Topholding legally merged. Through this merger, the legal entity ING Insurance ceased to exist. The legal merger became effective on 1 March 2014 and on that date the merged entity was renamed NN Group N.V. (“NN Group”).

The merged entity NN Group N.V. is in substance a continuation of ING Insurance. As of 2013, NN Group prepares consolidated financial statements under IFRS-EU in which all assets and liabilities of ING Insurance and its subsidiaries are included at their existing carrying values. The parent company financial statements are those of NN Group N.V. As ING Topholding was a holding company with no other assets, liabilities and activities than its 100% holding in ING Insurance , the financial position and results of NN Group are not significantly different from what these would have been for ING Insurance.

BASIS OF PRESENTATION

The parent company accounts of NN Group N.V. are prepared in accordance with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code. The accounting policies applicable to presentation and disclosures are in accordance with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code. The principles of valuation and determination of results stated in connection with the Consolidated balance sheet and profit and loss account are also applicable to the parent company balance sheet and profit and loss account with the exception of investments in group companies and investments in associates which are recognised at net asset value with goodwill, if any, recorded under intangible assets.

The profit and loss account is drawn up in accordance with Section 402, Book 2 of the Dutch Civil Code.

A list containing the information referred to in Section 379 (1), Book 2 of the Dutch Civil Code has been filed with the office of the Commercial Register of Amsterdam, in accordance with Section 379 (5), Book 2 of the Dutch Civil Code.

Changes in balance sheet values due to changes in the Revaluation reserves of associates are reflected in the Share of associates reserve, which forms part of Shareholder’s equity. Changes in balance sheet values due to the results of these associates, accounted for in accordance with NN Group accounting policies, are included in the profit and loss account. Other changes in the balance sheet value of these associates, other than those due to changes in share capital, are included in the Share of associates reserve.

A legal reserve is carried at an amount equal to the share in the results of associates since their first inclusion at net asset value less the amount of profit distributions to which rights have accrued in the interim. Profit distributions which can be repatriated to the Netherlands without restriction are likewise deducted from the Share of associates reserve, which forms part of Shareholder’s equity.

The amounts for 2012 have been restated to reflect the change in accounting policy as disclosed in the section “Change in accounting policies” in the Note 1 “Accounting policies” of the consolidated annual accounts.

Notes to the parent company annual accounts of NN Group N.V.

amounts in millions of euros, unless stated otherwise

ASSETS
1 INVESTMENTS IN GROUP COMPANIES

Investments in group companies

	Proportion of ownership interest and voting rights held by the direct parent company	Balance sheet value	Proportion of ownership interest and voting rights held by the direct parent company	Balance sheet value
	2013	**2013**	2012	2012
ING Insurance Eurasia N.V.	**100%**	**16,371**	100%	18,759
ING U.S., Inc.			100%	10,165
ING Insurance International B.V.	**100%**	**2,171**	100%	2,258
Other	**100%**	**16**	100%	16
		18,558		31,198

Changes in investments in group companies

	2013	2012
Opening balance	**31,198**	27,794
Repayments-capital contribution	**–2,507**	–134
Disposals of group companies	**–7,451**	–2
Revaluations	**–5,877**	2,024
Result of group companies	**47**	1,092
Capital contribution	**3,150**	424
Dividend	**–2**	
Closing balance	**18,558**	31,198

In 2013, Disposal of group companies includes the transfer of ING U.S.

2 OTHER ASSETS

Other assets

	2013	2012
Receivables from group companies	**1,375**	3,917
Other receivables, prepayments and accruals	**518**	563
	1,893	4,480

As at 31 December 2013, an amount of EUR 488 million (2012: EUR 4,433 million) is expected to be settled after more than one year from the balance sheet date.

Notes to the parent company annual accounts of NN Group N.V. continued

EQUITY
3 EQUITY

Equity	2013	2012
Share capital		
Share premium	**11,605**	17,750
Share of associates reserve	**3,502**	7,252
Other reserves and unappropriated result	**–880**	1,421
	14,227	26,423

The Share of associates reserve includes the following components: Reserve for non-distributable retained earnings of associates of EUR 458 million (2012: EUR 340 million) and Revaluation reserve of associates of EUR 3,044 million (2012: EUR 8,397 million).

Share capital	Ordinary shares (par value EUR 1.00)			
	Number x 1,000		Amount	
	2013	2012	**2013**	2012
Authorised share capital	**225**	225		
Unissued share capital	**180**	180		
Issued share capital	**45**	45	**0**	0

NN Group has an issued share capital of EUR 45,000. For details on the changes in 2013, in share premium, reference is made to Note 13: “Equity” of the Consolidated annual accounts.

Changes in other reserves and unappropriated result

2013	**Retained earnings**	**Unappro–priated result**	**Total**
Opening balance	**382**	**1,038**	**1,420**
Net result		**10**	**10**
Unrealised revaluations	**–45**		**–45**
Transfer to Share of associates’ reserve	**–118**		**–118**
Transfer to retained earnings	**805**	**–805**	**0**
Changes in the composition of the group and other changes	**44**		**44**
Impact of IPO ING U.S.	**–1,958**		**–1,958**
Dividend		**–233**	**–233**
Closing balance	**–890**	**10**	**–880**

Changes in other reserves and unappropriated result

2012	Retained earnings	Unappro–priated result	Total
Opening balance	512	–41	471
Net result		1,038	1,038
Unrealised revaluations	75		75
Transfer to Share of associates’ reserve	–164		–164
Transfer to retained earnings	–41	41	0
Closing balance	382	1,038	1,420

Positive components of the Share of associates reserve and Currency translation reserve cannot be freely distributed. The reserve for cash flow hedges is included in the Share of associates reserve on a net basis.

Retained earnings can be freely distributed, except for an amount equal to the negative balance in each of the components in the Currency translation reserve and Share of associates reserve. Unrealised gains and losses on derivatives, other than those used in cash flow hedges, are presented in the profit and loss account and are therefore part of Retained earnings.

Notes to the parent company annual accounts of NN Group N.V. continued

The total amount of Equity in the parent company annual accounts equals Shareholder's equity (parent) in the consolidated annual accounts. Certain components within equity are different, as a result of the following presentation differences between the parent company accounts and consolidated accounts:

- Unrealised revaluations within consolidated group companies, presented in the Revaluation reserve in the consolidated accounts, are presented in the Share of associates reserve in the parent company accounts;
- Foreign currency translation on consolidated group companies, presented in the Currency translation reserve in the consolidated accounts, is presented in the Share of associates reserve in the parent company accounts; and
- Revaluations on investment property and certain participations recognised in income and consequently presented in Retained earnings in the consolidated accounts, are presented in the Share of associates reserve in the parent company accounts.

The total amount of non-distributable reserves is EUR 3,502 million (2012: is EUR 7,252 million).

See Note 13 "Equity" in to the consolidated annual accounts for additional information.

Notes to the parent company annual accounts of NN Group N.V. continued

LIABILITIES
4 SUBORDINATED LOANS

Subordinated loans

Interest rate	Year of Issue	Due date		Notional amount	Balance sheet value 2013	2012
8.000%	2011	Perpetual	EUR	450	**450**	450
Variable	2008	Perpetual	EUR	813	**813**	834
Variable	2007	Perpetual	EUR	740	**740**	758
4.176%	2005	Perpetual	EUR	169	**176**	181
Variable	2005	Perpetual	EUR	148	**148**	152
Variable	2005	Perpetual	EUR	74	**74**	76
6.375%	2002	7 May 2027	EUR	476	**491**	496
					2,892	2,947

The subordinated loans rank subordinated to the other liabilities in a winding-up of NN Group.

5 OTHER LIABILITIES

Other liabilities by type

	2013	2012
Debenture loans		694
Amounts owed to group companies	**3,250**	5,554
Other amounts owed and accrued liabilities	**82**	60
	3,332	6,308

Debenture loans

Interest rate	Year of Issue	Due date	Balance sheet value 2013	2012
Floating	2006	Sep 2013		270
4.000%	2006	Sep 2013		424
			0	694

Amounts owed to group companies by remaining term

	2013	2012
Within 1 year	**2,873**	5,250
More than 5 years	**377**	304
	3,250	5,554

6 OTHER
Guarantees

As at 31 December 2013, NN Group N.V. had guarantees on behalf of ING Bank companies to third parties of nil (2012: EUR 221 million) outstanding.

NN Group N.V. has issued statements of liability in connection with Section 403, Book 2 of the Dutch Civil Code and other guarantees (mainly funding and redemption guarantees) for group companies.

REMUNERATION OF SENIOR MANAGEMENT, MANAGEMENT BOARD AND SUPERVISORY BOARD

See Note 52 “Related parties” to the consolidated Annual Accounts for additional information.

AUTHORISATION OF PARENT COMPANY ANNUAL ACCOUNTS

Amsterdam, 17 March 2014

THE SUPERVISORY BOARD
J. (Jeroen) van der Veer, chairman
P.A.F.W. (Peter) Elverding, vice-chairman
J.P. (Tineke) Bahlmann
H.W. (Henk) Breukink
C.W. (Carin) Gorter
J.H. (Jan) Holsboer
J.Ch.L. (Joost) Kuiper
H-J.M. (Hermann-Josef) Lamberti
I. (Isabel) Martín Castellá
R.W.P. (Robert) Reibestein
Y.C.M.T. (Yvonne) van Rooy
L.A.C.P. (Luc) Vandewalle

THE MANAGEMENT BOARD NN GROUP
R.A.J.G. (Ralph) Hamers, *CEO and chairman*
E. (Lard) Friese, vice-chairman
D. (Delfin) Rueda, *CFO*
S.D. (Doug) Caldwell, *CRO*
D.E. (Dorothee) van Vredenburch, *member*
P.G. (Patrick) Flynn, *member*
W.F. (Wilfred) Nagel, *member*

Independent auditor's report

To: the Shareholder, the Supervisory Board and the Management Board NN Group N.V.

REPORT ON THE ANNUAL ACCOUNTS

We have audited the accompanying annual accounts 2013 of NN Group N.V., Amsterdam (as set out on pages F2 to F168). The annual accounts include the consolidated annual accounts and the parent company annual accounts. The consolidated annual accounts comprise the consolidated balance sheet as at 31 December 2013, the profit and loss account, statement of comprehensive income, statement of cash flows and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes. The parent company annual accounts comprise the parent company balance sheet as at 31 December 2013, the parent company profit and loss account for the year then ended and the notes, comprising a summary of significant accounting policies and other explanatory notes.

Management’s responsibility

Management is responsible for the preparation and fair presentation of these annual accounts in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the report of the Management Board in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the annual accounts that are free from material misstatement, whether due to fraud or error.

Auditor’s responsibility

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the consolidated annual accounts

In our opinion, the consolidated annual accounts give a true and fair view of the financial position of NN Group N.V. as at 31 December 2013 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Opinion with respect to the parent company annual accounts

In our opinion, the parent company annual accounts give a true and fair view of the financial position of NN Group N.V. as at 31 December 2013 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination of whether the report of the Management Board, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the Report of the Management Board, to the extent we can assess, is consistent with the annual accounts as required by Section 2:391 sub 4 of the Dutch Civil Code.

Amsterdam, 17 March 2014

Ernst & Young Accountants LLP

signed by A.F.J. van Overmeire

Proposed appropriation of result and Subsequent events

amounts in millions of euros

PROPOSED APPROPRIATION OF RESULT

The result is appropriated pursuant to Article 21 of the Articles of Association of NN Group N.V., the relevant stipulations of which state that the appropriation of result shall be determined by the General Meeting, having heard the advice of the Management Board.

For 2013, it is proposed to appropriate the entire result to reserves, so that no final dividend will be paid.

NN Group has transferred its interest in its subsidiary ING U.S., Inc. (“ING U.S.”) to ING Groep N.V. by way of dividend in kind of EUR 6,826 million. Reference is made to Note 53 “Other events” for more details on the transaction.

In 2013, NN Group declared and paid a cash dividend of EUR 882 million (2012: nil) to ING Groep N.V. Reference is made to Note 13 “Equity” of the Consolidated annual accounts.

Proposed appropriation of result

Net result	**10**
Proposed to be added to the Other Reserves pursuant to Articles 21(2) and 21(3) of the Articles of Association	**10**

SUBSEQUENT EVENTS

Defined Benefits Pension Fund in The Netherlands

In February 2014 ING reached an agreement with the trade unions, the ING Pension Fund, the Central Works Council and the Association of Retired ING Employees (VSI) to transfer all future funding and indexation obligations of ING’s current closed defined benefit plan in the Netherlands to the Dutch ING Pension Fund. The agreement has made the ING Pension Fund financially independent from ING.

The key elements of the agreement are:
- Responsibility for future indexation and funding thereof will be transferred to the Dutch ING Pension Fund;
- ING’s obligation to restore the coverage ratio of the Dutch ING Pension Fund ceased;
- The cross guarantees between ING Bank and NN Group to jointly and severally fund the obligations of the Dutch ING Pension Fund are terminated;
- ING paid EUR 549 million (before tax) to the Dutch ING Pension Fund for the removal of these obligations; and
- ING will reduce the employees’ own contribution to the pension premium under the new defined contribution plan by approximately EUR 80 million over a 6 year period.

As part of the agreement, ING Bank and NN Group are released from all financial obligations arising from the Dutch defined benefit plan. Accordingly, this plan will no longer be accounted for as a defined benefit plan and, consequently, it will be removed from the balance sheet. The removal of the net pension asset related to the Dutch defined benefit pension plan from the balance sheet of approximately EUR 0.6 billion after tax and the payment to the Dutch ING Pension Fund of EUR 0.5 billion (EUR 0.4 billion after tax) will result in a charge of approximately EUR 1.1 billion after tax to be recognised in 2014. Of this impact, EUR 0.4 billion will be attributed to NN Group.

Accounting for GMDB in Japan Closed Block VA

NN Group applies fair value accounting on the reserves for Guaranteed Minimum Death Benefits (GMDB) of the Japan Closed Block VA from 1 January 2014. This improves the alignment of the carrying value of the GMDB reserves with their market value, better reflects the economic value of these guarantees and improves the alignment of the accounting for the guarantees with the accounting for the related hedges. Furthermore, this move makes the accounting for the GMDB consistent with the accounting on the reserves for Guaranteed Minimum Accumulation and Withdrawal benefits. As at 1 January 2014, the difference between the current carrying value and the estimated fair value of the GMDB reserves was EUR 219 million (before tax). Implementation of fair value accounting for GMDB represents a change in accounting policy under IFRS-EU with a transitional impact of EUR 165 million after tax being reflected only in Shareholder’s equity as of 1 January 2014. Results for comparative periods will be restated accordingly.

Proposed appropriation of result and subsequent events continued

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NN Group N.V.
Condensed consolidated interim financial information for the period ended 31 March 2014

Contents

Condensed consolidated balance sheet of NN Group

as at

amounts in millions of euros	31 March 2014	31 December 2013	31 December 2012
Assets			
Cash and cash equivalents	**8,114**	7,155	5,389
Financial assets at fair value through profit or loss 2	**42,360**	43,933	106,458
Available-for-sale investments 3	**63,684**	61,014	119,305
Loans and advances to customers 4	**25,905**	25,319	25,823
Reinsurance contracts 10	**275**	252	5,290
Investments in associates and joint ventures 5	**1,243**	1,071	1,397
Real estate investments	**743**	721	761
Property and equipment	**162**	164	338
Intangible assets 6	**382**	392	1,018
Deferred acquisition costs	**1,412**	1,353	4,549
Assets held for sale 7	**180**	187	58,815
Other assets 8	**3,274**	3,754	6,735
Total assets	**147,734**	145,315	335,878
Equity 9			
Shareholder’s equity (parent)	**14,682**	14,062	25,949
Minority interests	**72**	68	217
Total equity	**14,754**	14,130	26,166
Liabilities			
Subordinated loans	**2,890**	2,892	2,947
Debt securities in issue			1,910
Other borrowed funds	**4,243**	4,817	7,442
Insurance and investment contracts 10	**113,835**	111,769	230,580
Customer deposits and other funds on deposit	**6,190**	5,769	
Financial liabilities at fair value through profit or loss 11	**1,396**	1,843	3,258
Liabilities held for sale 7	**18**	24	52,780
Other liabilities 12	**4,408**	4,071	10,795
Total liabilities	**132,980**	131,185	309,712
Total equity and liabilities	**147,734**	145,315	335,878

The amounts for 2012 and 2013 have been restated to reflect the change in accounting policy as disclosed in the section “Changes in accounting policies in 2014” on page F179.

The comparison of the Condensed consolidated balance sheets is impacted by the transfer of ING U.S. to ING Groep N.V. in 2013, the classification to continuing operations of NN Group’s business in Japan (as of 2013) and the classification as held for sale of the insurance and investment management businesses in Asia (as of 2012) as disclosed in the section “Other significant changes in 2013” on page F180.

References relate to the accompanying notes. These form an integral part of the Condensed consolidated interim accounts.

Condensed consolidated profit and loss account of NN Group

for the three month period

3 month period	1 January to 31 March	
amounts in millions of euros	**2014**	2013
Continuing operations		
Gross premium income	**3,491**	3,633
Investment income 13	**855**	893
Commission income	**164**	147
Other income 14	**182**	–1,061
Total income	**4,692**	3,612
Underwriting expenditure 15	**3,839**	2,583
Intangible amortisation and other impairments	**1**	2
Staff expense 16	**843**	310
Interest expense	**110**	152
Other operating expense	**183**	209
Total expense	**4,976**	3,256
Result before tax from continuing operations	**–284**	356
Taxation	**–83**	78
Net result from continuing operations	**–201**	278
Discontinued operations 17		
Net result from discontinued operations	**5**	–135
Net result from disposal of discontinued operations	**–17**	946
Total net result from discontinued operations	**–12**	811
Net result from continuing and discontinued operations (before attribution to minority interests)	**–213**	1,089

The amounts for the three month period ended 31 March 2013 have been restated to reflect the change in accounting policy as disclosed in the section “Changes in accounting policies in 2014” on page F179.

References relate to the accompanying notes. These form an integral part of the Condensed consolidated interim accounts.

3 month period	1 January to 31 March	
amounts in millions of euros	**2014**	2013
Net result from continuing and discontinued operations attributable to:		
Shareholder of the parent	**–215**	1,092
Minority interests	**2**	–3
	–213	1,089
Net result from continuing operations attributable to:		
Shareholder of the parent	**–203**	276
Minority interests	**2**	2
	–201	278
Total net result from discontinued operations attributable to:		
Shareholder of the parent	**–12**	816
Minority interests		–5
	–12	811

3 month period	1 January to 31 March	
	2014	2013
Total amount of dividend paid (in millions of euros)	**315**	

Reference is made to Note 5 “Investments in associates and Joint ventures”.

Condensed consolidated statement of comprehensive income of NN Group

for the three month period

3 month period	1 January to 31 March	
amounts in millions of euros	**2014**	2013
Net result from continuing and discontinued operations	**–213**	1,089
Items that will not be reclassified to the profit and loss account:		
Remeasurement of the net defined benefit asset/liability 18	**–66**	294
Unrealised revaluations property in own use		–1
Items that may be reclassified subsequently to the profit and loss account:		
Unrealised revaluations available-for-sale investments and other	**1,443**	–645
Realised gains/losses transferred to the profit and loss account	**–18**	–61
Changes in cash flow hedge reserve	**313**	–157
Transfer to insurance liabilities	**–620**	459
Exchange rate differences	**36**	173
Total comprehensive income	**875**	1,151
Comprehensive income attributable to:		
Shareholder of the parent	**873**	1,139
Minority interests	**2**	12
	875	1,151

The amounts for the three month period ended 31 March 2013 have been restated to reflect the change in accounting policy as disclosed in the section “Changes in accounting policies in 2014” on page F179.

References relate to the accompanying notes. These form an integral part of the Condensed consolidated interim accounts.

Condensed consolidated statement of cash flows of NN Group

for the three month period

3 month period		1 January to 31 March	
amounts in millions of euros		**2014**	2013
Result before tax [1]		**–295**	1,187
Adjusted for:	– depreciation	**19**	36
	– deferred acquisition costs and value of business acquired	**–51**	–33
	– increase in provisions for insurance and investment contracts	**249**	–1,266
	– other	**–1,183**	1,466
Taxation paid		**–11**	5
Changes in:	– trading assets	**–28**	–9
	– non-trading derivatives	**–78**	–272
	– other financial assets at fair value through profit or loss	**–3**	1,154
	– loans and advances to customers	**229**	
	– other assets	**470**	–243
	– customer deposits and other funds on deposits	**421**	
	– other financial liabilities at fair value through profit or loss	**–139**	–2,124
	– other liabilities	**4**	–1,309
Net cash flow from operating activities		**–396**	–1,408
Investments and advances:	– group companies		
	– associates	**–37**	
	– available-for-sale investments	**–2,752**	–18,244
	– real estate investments	**–23**	–1
	– property and equipment	**–5**	–8
	– investments for risk of policyholders	**–1,542**	–17,783
	– other investments	**–357**	–11
Disposals and redemptions:	– group companies		1,515
	– associates	**183**	8
	– available-for-sale investments	**1,907**	17,465
	– property and equipment		1
	– investments for risk of policyholders	**4,576**	21,538
	– other investments	**1**	2
Net cash flow from investing activities		**1,951**	4,482
Proceeds from borrowed funds and debt securities		**2,544**	3,534
Repayments of borrowed funds and debt securities		**–3,111**	–4,368
Payments to acquire treasury shares			–1
Sales of treasury shares			11
Dividend paid		**–176**	
Net cash flow from financing activities		**–743**	–824
Net cash flow		**812**	2,250
Cash and cash equivalents at beginning of the period		**7,234**	6,710
Effect of exchange rate changes on cash and cash equivalents		**130**	–48
Cash and cash equivalents at end of the period		**8,176**	8,912
Cash and cash equivalents comprises the following items			
Cash and bank balances		**8,114**	7,438
Cash and cash equivalents classified as Assets held for sale		**62**	1,474
Cash and cash equivalents at end of the period		**8,176**	8,912

[1] Includes result before tax from continuing operations of EUR –284 million (2013: EUR 356 million) and result before tax from discontinued operations of EUR –11 million (2013: EUR 831 million). Result after tax from discontinued operations is EUR –12 million (2013: EUR 811 million).

Condensed consolidated statement of Changes in equity of NN Group

amounts in millions of euros	Share capital [1]	Share premium	Reserves	Total share-holder's equity (parent)	Minority interest	Total equity
Balance as at 1 January 2014		**11,605**	**2,457**	**14,062**	**68**	**14,130**
Remeasurement of the net defined benefit asset/liability 18			**–66**	**–66**		**–66**
Unrealised revaluations available-for-sale investments and other			**1,443**	**1,443**		**1,443**
Realised gains/losses transferred to the profit and loss account			**–18**	**–18**		**–18**
Changes in cash flow hedge reserve			**313**	**313**		**313**
Transfer to insurance liabilities			**–620**	**–620**		**–620**
Exchange rate difference			**36**	**36**		**36**
Total amount recognised directly in equity (Other comprehensive income)			**1,088**	**1,088**		**1,088**
Net result from continuing and discontinued operations			**–215**	**–215**	**2**	**–213**
Total comprehensive income			**873**	**873**	**2**	**875**
Employee stock option and share plans			**1**	**1**		**1**
Changes in composition of the group and other changes			**61**	**61**	**2**	**63**
Dividend		**–315**		**–315**		**–315**
Balance as at 31 March 2014		**11,290**	**3,392**	**14,682**	**72**	**14,754**

[1] NN Group has an issued share capital of EUR 45,000. Reference is made to Note 9 "Equity".

amounts in millions of euros	Share capital [1]	Share premium	Reserves	Total share-holder's equity (parent)	Minority interest	Total equity
Balance as at 1 January 2013 (before change in accounting policy)		17,750	8,673	26,423	217	26,640
Effect of change in accounting policy [2]			–474	–474		–474
Balance as at 1 January 2013 (after change in accounting policy)		17,750	8,199	25,949	217	26,166
Remeasurement of the net defined benefit asset/liability			294	294		294
Unrealised revaluations property in own use			–1	–1		–1
Unrealised revaluations available-for-sale investments and other			–656	–656	11	–645
Realised gains/losses transferred to profit and loss account			–61	–61		–61
Changes in cash flow hedge reserve			–157	–157		–157
Transfer to insurance liabilities/DAC			459	459		459
Exchange rate difference			169	169	4	173
Total amount recognised directly in equity (Other comprehensive income)			47	47	15	62
Net result from continuing and discontinued operations			1,092	1,092	–3	1,089
Total comprehensive income			1,139	1,139	12	1,151
Employee stock option and share plans			26	26		26
Changes in composition of the group and other changes					11	11
Balance as at 31 March 2013		17,750	9,364	27,114	240	27,354

[1] NN Group has an issued share capital of EUR 45,000. Reference is made to Note 9 "Equity".
[2] The change in accounting policy as disclosed in the section "Changes in accounting policies in 2014" on page F179.

Notes to the Condensed consolidated interim accounts of NN Group

amounts in millions of euros, unless stated otherwise

NOTES TO THE ACCOUNTING POLICIES

1 ACCOUNTING POLICIES

These Condensed consolidated interim accounts of NN Group N.V. (NN Group) have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". The accounting principles used to prepare these Condensed consolidated interim accounts comply with International Financial Reporting Standards as adopted by the European Union ("IFRS-EU") and are consistent with those set out in the notes to the 2013 Consolidated annual accounts of NN Group, except for the amendments referred to below.

These Condensed consolidated interim accounts should be read in conjunction with the 2013 NN Group Consolidated annual accounts.

IFRS-EU provides a number of options in accounting policies. NN Group's accounting policies under IFRS-EU its decision on the options available are set out in the section "Basis of presentation" in the 2013 NN Group Consolidated annual accounts.

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

Changes in assets and liabilities as a result of classification as held for sale are included in the notes in the line "Changes in the composition of the group and other changes".

Changes in accounting policies in 2014

The following new standards were implemented by NN Group at 1 January 2014:

- IFRS 10 "Consolidated Financial Statements";
- IFRS 11 "Joint Arrangements" and amendments to IAS 28 "Investments in Associates and Joint Ventures";
- IFRS 12 "Disclosure of Interests in Other Entities";
- Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27);
- Amendments to IAS 32 "Presentation – Offsetting Financial Assets and Financial Liabilities";
- Amendments to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"; and
- Amendments to IAS 36 "Recoverable amount disclosures for non-financial assets".

The significant changes in IFRS-EU in 2014 are explained below.

IFRS 10 "Consolidated Financial Statements"

IFRS 10 "Consolidated Financial Statements" introduces amendments to the criteria for consolidation. Similar to the requirements that were applicable until the end of 2013, all entities controlled by NN Group are included in the Consolidated interim accounts. However, IFRS 10 redefines control as being exposed to variable returns and having the ability to affect those returns through power over the investee. The requirements of IFRS 10 are generally similar to the policies and interpretations that NN Group applied prior to the introduction of IFRS 10. Therefore the implementation of the standard as at 1 January 2014 did not have a significant impact on Shareholder's equity, Net result and/or Other comprehensive income.

IFRS 11 "Joint Arrangements" and amendments to IAS 28 "Investments in Associates and Joint Ventures"

IFRS 11 "Joint Arrangements" and the related amendments to IAS 28 "Investments in Associates and Joint Ventures" eliminated the proportionate consolidation method for joint ventures that was applied by NN Group. Under the new requirements, all joint ventures are reported using the equity method of accounting (similar to the accounting that is already applied for Investments in associates). The implementation of IFRS 11 as at 1 January 2014 did not have a significant impact on Shareholder's equity, Net result and/or Other comprehensive income. The impact of the application of IFRS 11 "Joint Arrangements" is included in the table below.

Other significant changes in 2014

Change in accounting for GMDB in Japan Closed Block VA

NN Group has moved towards fair value accounting on the reserves for Guaranteed Minimum Death Benefits (GMDB) reserves of the Japan Closed Block VA segment from 1 January 2014. This improves the alignment of the book value of the GMDB reserves with their market value, better reflects the economic value of these guarantees and improves the alignment of the accounting for the guarantees with the accounting for the related hedges. Furthermore, such a move makes the accounting for the GMDB consistent with the accounting on the reserves for Guaranteed Minimum Accumulation and Withdrawal benefits. As at 1 January 2014, the difference between the book value and the estimated fair value of the GMDB reserves was EUR 219 million (before tax). Implementation of this accounting change for GMDB represents a change in accounting policy under IFRS-EU with a transitional impact of EUR –165 million after tax being reflected only in Shareholder's equity as of 1 January 2014. This impact is included in the table below.

Notes to the Condensed consolidated interim accounts of NN Group continued

Summary of impact of changes

The above mentioned impact of changes in accounting that were implemented as of 1 January 2014 is summarised as follows:

Impact on balance sheet	31 December 2013	31 March 2013	31 December 2012
Total Shareholder's equity (before change in accounting policy)	14,227	27,497	26,423
Japan Closed Block VA			
Change in Insurance and investment contracts	–219	–509	–630
Impact before tax	–219	–509	–630
Tax effect	54	126	156
Impact on Shareholder's equity	–165	–383	–474
IFRS 11			
Investment in associates and joint ventures	43	45	44
Real estate investments	–43	–45	–44
Assets held for sale	–443	–2,470	–2,876
Liabilities held for sale	–443	–2,470	–2,876
Impact on Shareholder's equity	0	0	0
Total Shareholder's equity (after change in accounting policy)	14,062	27,114	25,949

Impact on Net result	1 January to 31 March 2013	year ended 31 December 2013	year ended 31 December 2012
Net result from continuing operations (before change in accounting policy)	186	–2	–132
Japan Closed Block VA			
Impact on Investment and other income	36	103	112
Impact on Underwriting expenditure	86	313	155
Impact on result before tax	122	416	267
Tax effect	–30	–104	–66
Impact on Net result from continuing operations	92	312	201
Net result from continuing operations (after change in accounting policy)	278	310	69
Discontinued operations after tax	811	20	1,197
Net result from continuing and discontinued operations (after change in accounting policy)	1,089	330	1,266

Under the accounting policies for Japan Closed Block VA applied until 2013, the result before tax for the first quarter of 2014 would have been EUR 7 million higher.

For the above changes in accounting the results for the comparative periods 2013 and 2012 were restated accordingly. As a result of the retrospective change in accounting policies set out above, the Condensed consolidated balance sheet of NN Group includes an additional balance sheet as at 31 December 2012.

Other significant changes in 2013

ING U.S.

Due to the transfer of the remaining interest in ING U.S. to ING Groep N.V. at 30 September 2013, ING U.S. ceased to be consolidated from that date onwards and the results for the period until 30 September 2013 were presented as discontinued operations.

Notes to the Condendsed consolidated interim accounts of NN Group continued

NN GROUP'S BUSINESS IN JAPAN

At the end of 2013, ING Life Japan and the Japanese Closed Block VA guarantees reinsured to ING Re ("NN Group's business in Japan") were no longer classified as held for sale and discontinued operations but transferred to continuing operations. ING Life Japan will be combined with ING's European insurance and investment management businesses in the base case IPO of NN Group.

Upcoming changes after 2014

IFRS 9 "Financial Instruments"

IFRS 9 "Financial Instruments" was originally issued in November 2009, reissued in October 2010, and then amended in November 2013. Further amendments are expected to be finalised in 2014. The current version of IFRS 9 does not include a mandatory effective date. An effective date will be added when all phases of the project are complete and a final version of IFRS 9 is issued. The mandatory effective date of IFRS 9 is expected to be 2018. IFRS 9 is also not yet endorsed by the EU. Implementation of IFRS 9, if and when finalised and endorsed by the EU, may have a significant impact on Shareholder's equity, Net result and/or Other comprehensive income.

Notes to the Condensed consolidated interim accounts of NN Group continued

BALANCE SHEET
ASSETS
2 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss	31 March 2014	31 December 2013
Trading assets	**769**	736
Investments for risk of policyholders	**37,683**	39,589
Non-trading derivatives	**3,423**	3,126
Designated as at fair value through profit or loss	**485**	482
	42,360	43,933

3 AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments by type	31 March 2014	31 December 2013
Equity securities – shares in NN Group managed Investment funds	**1,998**	1,832
Equity securities – shares in third party managed Investment funds	**1,373**	1,565
Equity securities – other	**2,512**	2,223
Total equity securities	**5,883**	5,620
Total debt securities	**57,801**	55,394
	63,684	61,014

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

Debt securities	31 March 2014	31 December 2013
Available-for-sale investments	**57,801**	55,394
Loans and advances to customers	**5,980**	6,479
Available-for-sale investments and Assets at amortised cost	**63,781**	61,873
Trading assets	**13**	12
Investments for risk of policyholders	**1,705**	1,821
Designated as at fair value through profit or loss	**43**	43
Financial assets at fair value through profit or loss	**1,761**	1,876
	65,542	63,749

Notes to the Condensed consolidated interim accounts of NN Group continued

NN Group's total exposure to debt securities included in Available-for-sale investments and assets at amortised cost of EUR 63,781 million (2013: EUR 61,873 million) is specified as follows by type of exposure:

Debt securities by type and balance sheet line – Available-for-sale investments and Assets at amortised cost

	Available-for-sale investments		Loans and advances to customers		Total	
	31 March 2014	31 December 2013	**31 March 2014**	31 December 2013	**31 March 2014**	31 December 2013
Government bonds	**45,405**	43,307			**45,405**	43,307
Covered bonds	**729**	721			**729**	721
Corporate bonds	**6,851**	6,436			**6,851**	6,436
Financial institution bonds	**4,211**	4,303			**4,211**	4,303
Bond portfolio (excluding ABS)	**57,196**	54,767			**57,196**	54,767
US agency RMBS	**144**	143			**144**	143
US prime RMBS	**1**	1			**1**	1
US Alt-A RMBS	**5**	5			**5**	5
NON-US RMBS	**203**	210	**3,187**	3,410	**3,390**	3,620
CDO/CLO	**38**	39	**179**	197	**217**	236
Other ABS	**196**	218	**2,273**	2,531	**2,469**	2,749
CMBS	**18**	11	**341**	341	**359**	352
ABS portfolio	**605**	627	**5,980**	6,479	**6,585**	7,106
	57,801	55,394	**5,980**	6,479	**63,781**	61,873

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

Reclassifications to Loans and advances to customers

	Q2 2009
As per reclassification date	
Fair value	6,135
Range of effective interest rates (weighted average)	1.4%–24.8%
Expected recoverable cash flows	7,118
Unrealised fair value losses in shareholder's equity (before tax)	–896
Recognised fair value gains (losses) in shareholder's equity (before tax) between the beginning of the year in which the reclassification took place and the reclassification date	173
Recognised fair value gains (losses) in shareholder's equity (before tax) in the year prior to reclassification	–971
Recognised impairment (before tax) between the beginning of the year in which the reclassification took place and the reclassification date	nil
Recognised impairment (before tax) in the year prior to reclassification	nil

Notes to the Condensed consolidated interim accounts of NN Group continued

Impact on the financial years after reclassification	31 March 2014	31 December 2013	31 December 2012	31 December 2011	31 December 2010	31 December 2009
Carrying value	**918**	1,098	1,694	3,057	4,465	5,550
Fair value	**1,089**	1,108	1,667	2,883	4,594	5,871
Unrealised fair value losses in shareholder's equity (before tax)	**–237**	–111	–186	–307	–491	–734
Effect on shareholder's equity (before tax) if reclassification had not been made	**171**	10	–27	–174	129	321
Effect on result (before tax) if reclassification had not been made	**nil**	nil	nil	nil	nil	nil
Effect on result (before tax) after the reclassification (mainly interest income)	**n/a**	n/a	n/a	n/a	n/a	121
Effect on result (before tax) for the year (interest income and sales results)	**–2**	–10	–47	90	89	n/a
Recognised impairments (before tax)	**nil**	nil	nil	nil	nil	nil
Recognised provision for credit losses (before tax)	**nil**	nil	nil	nil	nil	nil

4 LOANS AND ADVANCES TO CUSTOMERS

Loans and advances to customers by type	31 March 2014	31 December 2013
Policy loans	**189**	179
Loans secured by mortgages	**15,924**	15,374
Unsecured loans	**2,630**	2,527
Asset backed securities	**5,980**	6,479
Other	**1,270**	849
	25,993	25,408
Loan loss provisions	**–88**	–89
	25,905	25,319

Changes in loan loss provisions	3 month period ended 31 March 2014	year ended 31 December 2013
Opening balance	**89**	111
Changes in the composition of the group and other changes	**–3**	–33
Write–offs	**–1**	–31
Recoveries		1
Increase in loan loss provisions	**3**	42
Exchange rate differences		–1
Closing balance	**88**	89

In 2013, Changes in the composition of the group and other changes includes EUR 5 million as a result of the transfer of ING U.S. and nil as a result of the classification to continuing operations of NN Group's business in Japan. Furthermore Changes in the composition of the group and other changes relates to the sale of ING's mortgage business in Mexico.

Notes to the Condensed consolidated interim accounts of NN Group continued

5 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Investments in associates and joint ventures	31 March 2014			31 December 2013		
	Interest held (%)	Fair value of listed invest-ments	Balance sheet value	Interest held (%)	Fair value of listed invest-ments	Balance sheet value
CBRE Dutch Office Master Fund I C.V.	**28**		**186**			
Sul América S.A.				21	332	186
CBRE UK Property Fund LP	**27**		**161**	29		146
CBRE Retail Property Fund Iberica LP	**29**		**121**	29		118
CBRE Dutch Office Master Fund II C.V.	**28**		**116**			
CBRE Property Fund Central Europe LP	**25**		**102**	25		100
CBRE Retail Property Fund France Belgium C.V.	**15**		**79**	15		77
CBRE French Residential Fund C.V.	**42**		**75**	42		76
CBRE Property Fund Central and Eastern Europe	**21**		**51**	21		51
Other investments in associates and joint ventures			**352**			317
			1,243			1,071

Other investments in associates represents a large number of associates with an individual balance sheet of less than EUR 50 million.

Sul América S.A.
On 7 January 2014, the sale to Swiss Re Group of 37.7 million units in Sul América S.A. was completed. The transaction further reduced the interest in the Brazilian insurance holding to approximately 10%. A total cash consideration of EUR 176 million was received. The transaction resulted in a net gain of EUR 56 million which represents the difference between the carrying value and the fair value for both the 11.3% interest in scope of the transaction with Swiss Re and the retained 10% interest. The net gain was recognised in the Condensed consolidated profit and loss account in “Share of result from associates and joint ventures”. On 31 January 2014, the remaining interest was transferred to ING Group by way of dividend in kind. Together with a dividend paid to ING Group for the proceeds of the 11% divestment, this resulted in a dividend of EUR 315 million.

6 INTANGIBLE ASSETS

Intangible assets	31 March 2014	31 December 2013
Value of business acquired	**20**	20
Goodwill	**264**	264
Software	**70**	76
Other	**28**	32
	382	392

Allocation of Goodwill to reporting units
Goodwill is allocated to goodwill reporting units as follows:

Goodwill allocation to reporting units	31 March 2014	31 December 2013
Insurance Europe	**101**	101
Investment Management (IM)	**163**	163
	264	264

No goodwill impairment was recognised in the first quarter of 2014 (first quarter of 2013: nil).

Notes to the Condensed consolidated interim accounts of NN Group continued

7 ASSETS AND LIABILITIES HELD FOR SALE

Assets and liabilities held for sale relates to businesses for which a sale is agreed upon but for which the transaction has not yet closed or a sale is highly probable at the balance sheet date but for which no sale has yet been agreed.

As at 31 March 2014 Assets and liabilities held for sale relates to ING-BOB Life and the Taiwanese investment management businesses.

As at 31 December 2013 Assets and liabilities held for sale related to the remaining insurance and investment management businesses in Asia ("Asia") excluding NN Group's business in Japan.

After carefully exploring and evaluating the options available for the divestment of ING Life Japan, it was concluded that ING Life Japan will be included with NN Group's European insurance and investment management businesses in the base case IPO of NN Group. As a result, ING Life Japan and the Japanese Closed Block VA guarantees reinsured to ING Re ("NN Group's business in Japan") are no longer classified as held for sale since the fourth quarter of 2013.

Assets held for sale

	31 March 2014	31 December 2013
Cash and cash equivalents	**62**	70
Available-for-sale investments	**5**	6
Investments in associates	**91**	89
Property and equipment	**1**	1
Other assets	**21**	21
	180	187

Liabilities held for sale

	31 March 2014	31 December 2013
Other liabilities	**18**	24
	18	24

Included in Shareholder's equity is cumulative other comprehensive income of EUR 3 million (2013: EUR 5 million) related to Assets and liabilities held for sale.

8 OTHER ASSETS

Other assets by type

	31 March 2014	31 December 2013
Reinsurance and insurance receivables	**758**	642
Deferred tax assets	**41**	51
Property development and obtained from foreclosures	**3**	3
Income tax receivable	**39**	137
Accrued interest and rents	**1,544**	1,741
Other accrued assets	**281**	274
Net defined benefit asset		383
Other	**608**	523
	3,274	3,754

The decrease of EUR 383 million in the Net defined benefit assets in the first quarter of 2014 is a result of the removal of the Net defined benefit assets related to the Dutch defined benefit pension plan from the Group's balance sheet. Disclosures in respect of this transaction and the remaining Net defined benefit assets are provided in Note 18 "Pension and other post-employment benefits".

Notes to the Condensed consolidated interim accounts of NN Group continued

EQUITY
9 EQUITY

Total equity	31 March 2014	31 December 2013
Share capital		
Share premium	**11,290**	11,605
Revaluation reserve	**5,066**	3,949
Currency translation reserve	**–215**	–252
Net defined benefit asset/liability	**–64**	–1,042
Other reserves	**–1,395**	–198
Shareholder’s equity (parent)	**14,682**	14,062
Minority interests	**72**	68
Total equity	**14,754**	14,130

In the first quarter of 2014, the change of EUR 978 million in the Net defined benefit asset/liability relates mainly to the transfer of all future funding and indexation obligations under ING’s current closed defined benefit pension plan in the Netherlands to the Dutch ING Pension Fund. The related amount was transferred to Other reserves. Reference is made to Note 18 “Pension and other post-employment benefits”.

These and other equity movements are disclosed in the Condensed consolidated statement of changes in equity.

Dividend
In the first quarter of 2014, the remaining interest in Sul América was transferred to ING Group by way of dividend in kind. Together with a dividend paid to ING Group for the proceeds of the 11% divestment, this resulted in a dividend of EUR 315 million. Both dividends were charged to Share premium. Reference is made to Note 5 “Investments in associates and joint ventures”.

Notes to the Condensed consolidated interim accounts of NN Group continued

LIABILITIES

10 INSURANCE AND INVESTMENT CONTRACTS, REINSURANCE CONTRACTS

The Provision for insurance and investment contracts, net of reinsurance (i.e. the provision for NN Group's own account) is presented gross in the balance sheet as "Insurance and investment contracts". The related reinsurance is presented as "Reinsurance contracts" under Assets in the balance sheet.

Insurance and investment contracts, reinsurance contracts

	Provision net of reinsurance		Reinsurance contracts		Insurance and investment contracts	
	31 March 2014	31 December 2013	**31 March 2014**	31 December 2013	**31 March 2014**	31 December 2013
Life insurance provisions excluding provisions for risk of policyholders	**71,215**	67,577	**129**	122	**71,344**	67,699
Provision for life insurance for risk of policyholders	**36,143**	38,038	**49**	49	**36,192**	38,087
Life insurance provisions	**107,358**	105,615	**178**	171	**107,536**	105,786
Provision for unearned premiums and unexpired risks	**599**	266	**15**	3	**614**	269
Claims provisions	**3,216**	3,238	**82**	78	**3,298**	3,316
Total provisions for insurance contracts	**111,173**	109,119	**275**	252	**111,448**	109,371
Total provisions for investment contracts	**2,387**	2,398			**2,387**	2,398
	113,560	111,517	**275**	252	**113,835**	111,769

Life insurance provisions and provision for risk of policyholders changed reflecting the transfer of separate account pension contracts to the general account in Netherlands Life. Life insurance provisions also increased reflecting an increase in deferred profit sharing to policyholders following higher revaluation reserves on debt securities.

11 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial liabilities at fair value through profit or loss

	31 March 2014	31 December 2013
Derivatives used in:		
– cash flow hedges	**161**	215
– hedges of net investments in foreign operations	**3**	8
Other non-trading derivatives	**1,232**	1,620
	1,396	1,843

Other non-trading derivatives mainly include interest rate swaps for which no hedge accounting is applied.

Notes to the Condensed consolidated interim accounts of NN Group continued

12 OTHER LIABILITIES

Other liabilities by type	31 March 2014	31 December 2013
Deferred tax liabilities	**804**	648
Income tax payable	**16**	86
Net defined benefit liability	**61**	51
Other post-employment benefits	**42**	40
Other staff-related liabilities	**154**	147
Other taxation and social security contributions	**163**	176
Deposits from reinsurers	**57**	58
Accrued interest	**659**	530
Costs payable	**291**	328
Amounts payable to brokers	**4**	4
Amounts payable to policyholders	**403**	464
Reorganisation provision	**138**	155
Other provisions	**61**	68
Amounts to be settled	**947**	772
Other	**608**	544
	4,408	4,071

Reference is made to Note 18 ‘Pension and other post-employment benefits’ for information on the Net defined benefit liability.

Notes to the Condensed consolidated interim accounts of NN Group continued

PROFIT AND LOSS ACCOUNT
CONTINUING OPERATIONS

13 INVESTMENT INCOME

Investment income		
3 month period	1 January to 31 March	
	2014	2013
Income from real estate investments	**11**	12
Dividend income	**29**	25
Interest income from investments in debt securities	**440**	491
Interest income from loans	**223**	136
Realised gains/losses on disposal of debt securities	**27**	63
Realised gains/losses on disposal of equity securities	**19**	76
Impairments of available-for-sale equity securities	**–27**	–57
Interest income on non-trading derivatives	**137**	156
Change in fair value of real estate investments	**–4**	–9
	855	893

Impairments on investments are presented within Investment income, which is part of Total income. This can be specified for each segment as follows:

Impairments on investments per segment		
3 month period	Impairments	
	1 January to 31 March	
	2014	2013
Netherlands Life	**–21**	–53
Netherlands Non-life	**–2**	–2
Insurance Europe	**–4**	
Other		–2
	–27	–57

14 OTHER INCOME

Other income		
3 month period	1 January to 31 March	
	2014	2013
Valuation results on non-trading derivatives	**141**	–1,342
Foreign currency results and net trading income	**–44**	249
Share of result from associates and joint ventures	**79**	25
Other income	**6**	7
	182	–1,061

In the first quarter of 2014, Share of result from associates and joint ventures includes a gain of EUR 56 million on the further sale of the investment in Sul América S.A. Reference is made to Note 5 “Investments in associates and joint ventures”.

Included in the Valuation results on non-trading derivatives are the fair value movements on derivatives used to economically hedge exposures, but for which no hedge accounting is applied. These derivatives hedge exposures in insurance contract liabilities. The fair value movements on the derivatives are influenced by changes in the market conditions, such as stock prices, interest rates and currency exchange rates. The change in fair value of the derivatives is largely offset by changes in insurance contract liabilities, which are included in Underwriting expenditure. Reference is made to Note 15 “Underwriting expenditure”.

Valuation results on non-trading derivatives are reflected in the condensed consolidated statement of cash flows in the line “Result before tax - Adjusted for: other”.

Notes to the Condensed consolidated interim accounts of NN Group continued

15 UNDERWRITING EXPENDITURE

Underwriting expenditure		
3 month period	1 January to 31 March	
	2014	2013
Gross underwriting expenditure:		
– before effect of investment result for risk of policyholder	**3,856**	2,599
– effect of investment result for risk of policyholder	**568**	2,127
	4,424	4,726
Investment result for risk of policyholders	**–568**	–2,127
Reinsurance recoveries	**–17**	–16
	3,839	2,583

Underwriting expenditure by class		
3 month period	1 January to 31 March	
	2014	2013
Expenditure from life underwriting		
Reinsurance and retrocession premiums	**37**	36
Gross benefits	**2,697**	2,478
Reinsurance recoveries	**–15**	–14
Change in life insurance provisions	**265**	–808
Costs of acquiring insurance business	**124**	123
Other underwriting expenditure	**33**	24
Profit sharing and rebates	**7**	3
	3,148	1,842
Expenditure from non-life underwriting		
Reinsurance and retrocession premiums	**22**	15
Gross claims	**287**	269
Reinsurance recoveries	**–2**	–2
Changes in the provision for unearned premiums	**349**	354
Changes in the claims provision	**–14**	60
Costs of acquiring insurance business	**66**	66
Other underwriting expenditure		1
	708	763
Expenditure from investment contracts		
Other changes in investment contract liabilities	**–17**	–22
	–17	–22
	3,839	2,583

16 STAFF EXPENSE

Staff expense		
3 month period	1 January to 31 March	
	2014	2013
Salaries	**178**	189
Pension costs	**571**	18
Other staff related benefit costs	**6**	7
Social security costs	**23**	25
Share-based compensation arrangements	**1**	4
External employees	**54**	54
Education	**3**	3
Other staff costs	**7**	10
	843	310

Notes to the Condensed consolidated interim accounts of NN Group continued

In the first quarter of 2014, a charge of EUR 541 million is recognised in Pensions costs related to the Dutch defined benefit pension plan settlement. Reference is made to Note 18 “Pension and other post-employment benefits” for information on pensions.

DISCONTINUED OPERATIONS

17 DISCONTINUED OPERATIONS

As at 31 March 2014, the remaining insurance and investment management businesses in Asia, excluding NN Group’s business in Japan (mainly ING BOB Life and the Taiwanese investment management businesses), are classified as discontinued operations.

Total net result from discontinued operations		
3 month period	1 January to 31 March	
	2014	2013
Net result from discontinued operations	**5**	–135
Net result from disposal of discontinued operations [(1)]	**–17**	946
	–12	811

(1) The tax effect on the result on disposal of discontinued operations is nil.

In 2013, “Net result from disposal of discontinued operations” includes mainly the divestment gain on the sale of the insurance businesses in Hong Kong, Macau and Thailand of EUR 944 million. Reference is made to Note 21 “Companies and businesses acquired and divested”.

In 2014 and 2013, Net result from discontinued operations consists of the result after tax of the businesses classified as discontinued operations and is presented separately in the profit and loss account. Net result from discontinued operations was as follows:

Result from discontinued operations		
3 month period	1 January to 31 March	
	2014	2013
Total income	**13**	4,138
Total expense	**7**	4,253
Result before tax from discontinued operations	**6**	–115
Taxation	**1**	20
Net result from discontinued operations	**5**	–135

The net cash flow from discontinued operations was as follows:

Net cash flow from discontinued operations		
3 month period	1 January to 31 March	
	2014	2013
Operating cash flow	**–59**	–1,009
Investing cash flow	**–28**	1,486
Financing cash flow		–323
Net cash flow	**–87**	154

In the first quarter of 2013 sales proceeds in cash of EUR 1,515 million is presented in the consolidated statement of cash flows under “Net cash flow from investment activities - Disposals and redemptions: group companies” and is not included in the table above.

Notes to the Condensed consolidated interim accounts of NN Group continued

OTHER

18 PENSION AND OTHER POST-EMPLOYMENT BENEFITS

In February 2014, ING reached final agreement with the trade unions, the ING Pension Fund, the Central Works Council and the Association of Retired ING Employees (VSI) to transfer all future funding and indexation obligations under ING's current closed defined benefit plan in the Netherlands to the Dutch ING Pension Fund. The agreement made the ING Pension Fund financially independent from ING.

The key elements of the agreement are:

- Responsibility for future indexation and funding thereof is transferred to the Dutch ING Pension Fund;
- ING's obligation to restore the coverage ratio of the Dutch ING Pension Fund ceased;
- The cross guarantees between ING Bank and NN Group to jointly and severally fund the obligations of the Dutch ING Pension Fund are terminated;
- ING paid EUR 0.5 billion (before tax) to the Dutch ING Pension Fund for the removal of these obligations; and
- ING will reduce the employees' own contribution to the pension premium under the new defined contribution plan by approximately EUR 80 million over a 6 year period.

As part of the agreement, NN Group is released from all financial obligations arising out of the Dutch defined benefit plan. Accordingly, this plan is no longer accounted for as a defined benefit plan and, consequently, it has been removed from the balance sheet. The removal of the net pension asset related to the Dutch defined benefit pension fund from the balance sheet of EUR 0.6 billion after tax and the payment to the Dutch ING Pension Fund of EUR 0.5 billion (EUR 0.4 billion after tax) resulted in a charge of EUR 1.1 billion after tax which is recognised in the first quarter of 2014. As a result of the above, expenses in the first quarter of 2014 include the charge allocated to NN Group of EUR 541 million (EUR 406 million after tax).

Balance sheet – Net defined benefit asset/liability

Summary of net defined benefit asset/liability	31 March 2014	31 December 2013
Fair value of plan assets	**21**	6,457
Defined benefit obligation	**82**	6,125
Funded status (Net defined benefit asset/(liability))	**–61**	332
Presented as:		
– Other assets		383
– Other liabilities	**–61**	–51
	–61	332

Changes in the fair value of the plan assets for the period were as follows:

Changes in fair value of plan assets	31 March 2014	31 December 2013
Opening balance	**6,457**	7,542
Interest income	**39**	268
Remeasurements: Return on plan assets excluding amounts included in interest income	**268**	–274
Employer's contribution	**217**	250
Participants' contributions		9
Benefits paid	**–28**	–218
Effect of settlement	**–6,930**	–97
Changes in the composition of the group and other changes	**–2**	–1,017
Exchange rate differences		–6
Closing balance	**21**	6,457

In the first quarter of 2014, EUR –6,640 million is recognised in Effect of settlement related to the Dutch defined benefit pension plan settlement.

Notes to the Condensed consolidated interim accounts of NN Group continued

In 2013, Changes in the composition of the group and other changes includes EUR –1,123 million as a result of the transfer of ING U.S. and nil as a result of the classification to continuing operations of NN Group's business in Japan. Reference is made to Note 1 "Accounting policies'- Other significant changes in 2013". The remainder mainly relates to the transfer of approximately 400 WestlandUtrecht Bank's employees to Nationale-Nederlanden Bank, a subsidiary of NN Group (NN Bank).

Changes in the present value of the defined benefit obligation for the period were as follows:

Changes in defined benefit obligation	31 March 2014	31 December 2013
Opening balance	**6,124**	7,538
Current service cost	**2**	122
Interest cost	**38**	266
Remeasurements: Actuarial gains and losses arising from changes in demographic assumptions		2
Remeasurements: Actuarial gains and losses arising from changes in financial assumptions	**356**	–112
Benefits paid	**–28**	–220
Changes in the composition of the group and other changes		–1,354
Effect of curtailment or settlement	**–6,412**	–100
Exchange rate differences	**2**	–17
Closing balance	**82**	6,125

In the first quarter of 2014, EUR –6,099 million is recognised in Effect of curtailment or settlement related to the Dutch defined benefit pension plan settlement.

In 2013, Changes in the composition of the group and other changes includes EUR –1,494 million as a result of the transfer of ING U.S. and EUR 45 million as a result of the classification to continuing operations of NN Group's business in Japan. Reference is made to Note 1 "Accounting policies'- Other significant changes in 2013". The remainder mainly relates to the transfer of approximately 400 WestlandUtrecht Bank's employees to NN Bank.

Balance sheet - Equity - Net defined benefit asset/liability remeasurement reserve

Changes in the net defined benefit asset/liability remeasurement reserve	3 month period ended 31 March 2014	year ended 31 December 2013
Opening balance	**–1,042**	–1,000
Remeasurement of plan assets	**268**	–274
Actuarial gains and losses arising from changes in demographic assumptions		–2
Actuarial gains and losses arising from changes in financial assumptions	**–356**	112
Taxation	**22**	–28
Total Other comprehensive income movement for the period	**–66**	–192
Transfer to Other reserves (pension settlement)	**1,044**	–5
Changes in the composition of the group and other changes		155
Closing balance	**–64**	–1,042

The amount of the remeasurement of the net defined benefit asset/liability in the first quarter of 2014 was mainly a result of the change in the high quality corporate bond rate during the quarter. The weighted average rate as at 31 March 2014 was 3.1% (31 December 2013: 3.7%). The change in this rate impacts both the Remeasurement of plan assets and Actuarial gains and losses arising from changes in financial assumptions.

In the first quarter of 2014, EUR 1,044 million is recognised in Transfer to Other reserves related to the Dutch defined benefit pension plan settlement.

Notes to the Condendensed consolidated interim accounts of NN Group continued

In 2013, Changes in the composition of the group and other changes includes EUR 150 million as a result of the transfer of ING U.S. and nil as a result of the classification to continuing operations of NN Group's business in Japan. Reference is made to Note 1 "Accounting policies'- Other significant changes in 2013".

Profit and loss account

Staff expense – Pension costs		
3 month period	1 January to 31 March	
	2014	2013
Current service cost	**2**	22
Net interest cost	**–1**	–9
Effect of curtailment or settlement	**541**	1
Other	**2**	
Defined benefit plans	**544**	14
Defined contribution plans	**27**	4
	571	18

Defined benefit plans
In the first quarter of 2014, a charge of EUR 541 million is recognised in Effect of curtailment or settlement related to the Dutch defined benefit pension plan settlement.

Defined contribution plans
Certain group companies sponsor defined contribution pension plans. The assets of all NN Group's defined contribution plans are held in independently administered funds. Contributions are generally determined as a percentage of pay. These plans do not give rise to balance sheet provisions, other than relating to short-term timing differences included in other assets/liabilities.

19 SEGMENTS
NN Group's segments are based on the internal reporting structure by lines of business.

The reporting segments for NN Group are as follows:

Segments of NN Group
Netherlands Life
Netherlands Non-life
Insurance Europe
Japan Life
Investment Management (IM)
Other
Japan Closed Block VA

The Management Board NN Group sets the performance targets and approves and monitors the budgets prepared by the business lines. Business lines formulate strategic, commercial and financial policy in conformity with the strategy and performance targets set by the Management Board.

The accounting policies of the segments are the same as those described in Note 1 "Accounting policies". Transfer prices for inter-segment transactions are set at arm's length. Corporate expenses are allocated to business lines based on time spent by head office personnel, the relative number of staff, or on the basis of income and/or assets of the segment.

As of 2013, NN Group evaluates the results of its segments using a financial performance measure called operating result. Operating result is defined as result under IFRS-EU excluding the impact of non-operating items, divestments, discontinued operations and special items. Disclosures on comparative years also reflect the impact of current year's divestments. Non-operating items include realised capital gains/losses and impairments on debt and equity securities, revaluations on assets marked-to-market through the profit and loss account and other non-operating market impacts. Special items include items of income or expense that are significant and arise from events or transactions that are clearly distinct from the ordinary operating activities.

Notes to the Condensed consolidated interim accounts of NN Group continued

The operating result for the life insurance business is analysed through a margin analysis, which includes the investment margin, fees and premium-based revenues and the technical margin. Operating result as presented below is a non-GAAP financial measure and is not a measure of financial performance under IFRS-EU. Because it is not determined in accordance with IFRS-EU, operating result as presented by NN Group may not be comparable to other similarly titled measures of performance of other companies.

The operating result of NN Group's segments is reconciled to the Net result as reported in the IFRS-EU Condensed consolidated profit and loss account below.

The information presented in this note is in line with the information presented to the Management Board NN Group.

The following table specifies the main sources of income of each of the segments:

Specification of the main source of income of each of the segments

Segment	Main source of income
Netherlands Life	Income from group life and individual life insurance products in the Netherlands.
Netherlands Non-life	Income from non-life insurance in the Netherlands including disability and accident, fire, motor and transport insurance.
Insurance Europe	Income from life insurance, pension products and to a small extent non-life insurance and retirement services in Central and Rest of Europe.
Japan Life	Income from life insurance primarily Corporate Owned Life Insurance (COLI) business.
Investment Management (IM)	Income from investment management activities.
Other	Income from banking activities in the Netherlands, corporate reinsurance and items related to capital management.
Japan Closed Block VA	Consists of the closed block single premium variable annuity individual life insurance portfolio in Japan, including the internally reinsured minimum guarantee risk, which has been closed to new business and which is now being managed in run-off.

This note does not provide information on the revenue specified to each product or service as this is not reported internally and is therefore not readily available.

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

- Non-operating items: related to (general account) investments that are held for own risk (net of policyholder profit sharing):
  - Capital gains/losses and impairments: realised gains and losses as well as impairments on financial assets that are classified as available for sale. These investments include debt and equity securities (including fixed income and equity funds), private equity (< 20% ownership), real estate funds as well as loans quoted in active markets.
  - Revaluations: revaluations on assets marked-to-market through the Consolidated profit and loss account. These investments include private equity (associates), real estate (property and associates), derivatives unrelated to product hedging programs (i.e. interest rate swaps, foreign exchange hedges) and direct equity hedges.
  - Market & other impacts: these impacts mainly comprise the change in the provision for guarantees on separate account pension contracts (net of hedging) in the Netherlands, the equity related and other deferred acquisition costs unlocking for Japan Closed-Block VA as well as the accounting volatility related to the reinsurance of minimum guaranteed benefits of Japan Closed-Block VA.
- Result on divestments: result before tax related to divested operations.
- Special items before tax: items of income or expense that are significant and arise from events or transactions that are clearly distinct from the ordinary business activities and therefore are not expected to recur frequently or regularly. This includes for instance restructuring expense, goodwill impairments, results related to early retirement of debt and gains/losses from employee pension plan amendments or curtailments.
- Total net result from discontinued operations: Reference is made to Note 17 "Discontinued operations".

Notes to the Condensed consolidated interim accounts of NN Group continued

Segments

3 month period 1 January to 31 March 2014	**Netherlands Life**	**Netherlands Non-life**	**Insurance Europe**	**Japan Life**	**IM**	**Other**	**Japan Closed Block VA**	**Total**
Investment margin	140		27	–1				166
Fees and premium based revenues	127		128	134	118		30	537
Technical margin	34		48	9				91
Operating income non-modelled life business			1					1
Life & IM operating income	301		204	142	118		30	795
Administrative expenses	126		74	24	79		4	307
DAC amortisation and trail commissions	23		86	52			3	164
Life & IM expenses	148		160	76	79		7	470
Life & IM operating result	153		44	66	39		23	325
Non-life operating result		22	2					24
Operating result Other						–31		–31
Operating result	153	22	45	66	39	–31	23	318
Non-operating items:								
– gains/losses and impairments	–9	–1	10			10		10
– revaluations		1		–3		1		
– market & other impacts	–37						–59	–96
Special items before tax	–340	–85	–2		–122	–23		–572
Result on divestments						56		56
Result before tax from continuing operations	–233	–63	54	64	–83	13	–36	–284
Taxation	–68	–17	12	23	–22		–11	–83
Minority interests	–1		2					2
Net result from continuing operations	–164	–47	39	40	–61	13	–24	–203
Total net result from discontinued operations					–13	1		–12
Net result	–164	–47	39	40	–74	14	–24	–215

Other includes the results of the segment Other (as described above) as well as the result on sale of Sul América (line “Result on divestments”) and the result of the discontinued operations in Asia (line “Net result from discontinued operations”). Results of Sul América were included in the segment Insurance Other until 2013. The remaining interest in Sul América was transferred to ING Groep N.V. in the first quarter of 2014. The segment Insurance Other ceased to exist as of 2014.

Result on divestments mainly reflects the result on the sale of part of NN Group’s interest in Sul América S.A. to Swiss Re.

Special items includes the impact (after tax) of the charges for making the Dutch Defined Benefit pension fund financially independent, and some restructuring charges.

Notes to the Condensed consolidated interim accounts of NN Group continued

Segments

3 month period 1 January to 31 March 2013	Netherlands Life	Netherlands Non-life	Insurance Europe	Japan Life	IM	Other	Japan Closed Block VA	Insurance Other	Total
Investment margin	106		25	4	1				136
Fees and premium based revenues	149		120	150	109		35		563
Technical margin	38		48	6					92
Operating income non-modelled life business			5						5
Life & IM operating income	293		198	160	110		35		796
Administrative expenses	129		81	26	79		8	5	328
DAC amortisation and trail commissions	26		76	52			12		165
Life & IM expenses	156		157	77	79		20	5	493
Life & IM operating result	138		42	83	31		14	–5	303
Non-life operating result		–3							–3
Operating result Other						–115			–115
Operating result	138	–3	42	83	31	–115	14	–5	185
Non-operating items:									
– gains/losses and impairments	41			11		9			61
– revaluations	–9		–1	–3		1			–12
– market & other impacts	–34						148		114
Special items before tax	–10	–11	–1			–8			–29
Result on divestments						–1		38	37
Result before tax from continuing operations	126	–14	39	91	31	–114	162	34	356
Taxation	22	–4	7	31	8	–28	42	–1	78
Minority interests			2						2
Net result from continuing operations	103	–10	30	61	22	–86	120	35	276
Total net result from discontinued operations					2	1,010		–195	816
Net result	103	–10	30	61	24	924	120	–161	1,092

Notes to the Condensed consolidated interim accounts of NN Group continued

Total assets and Total liabilities by segment

	31 March 2014		31 December 2013	
	Total assets	Total liabilities	Total assets	Total liabilities
Netherlands Life	**80,170**	**69,486**	79,088	69,153
Netherlands Non-life	**4,750**	**4,054**	4,426	3,692
Insurance Europe	**22,094**	**20,130**	22,004	20,175
Japan Life	**10,082**	**8,666**	9,450	8,147
Investment Management (IM)	**519**	**168**	552	193
Other	**36,171**	**21,359**	32,677	18,482
Japan Closed Block VA	**18,145**	**17,088**	18,651	17,580
Assets and liabilities classified as discontinued operations	**180**	**18**	187	24
Total segments	**172,111**	**140,969**	167,035	137,446
Eliminations	**–24,377**	**–7,989**	–21,720	–6,261
Total	**147,734**	**132,980**	145,315	131,185

20 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair values of financial assets and liabilities represents the price at which an orderly transaction to sell the financial asset or to transfer the financial liability would take place between market participants at the balance sheet date (“exit price”). The fair value of financial assets and liabilities is based on quoted market prices, where available. Such quoted market prices are primarily obtained from exchange prices for listed instruments. Where an exchange price is not available, market prices are obtained from independent market vendors, brokers or market makers. Because substantial trading markets do not exist for all financial instruments various techniques have been developed to estimate the approximate fair values of financial assets and liabilities that are not actively traded. These techniques are subjective in nature and involve various assumptions about the relevant pricing factors, especially for inputs that are not readily available in the market (such as credit spreads for own-originated loans and advances to customers). Changes in these assumptions could significantly affect the estimated fair values. Consequently, the fair values presented may not be indicative of the net realisable value. In addition, the calculation of the estimated fair value is based on market conditions at a specific point in time and may not be indicative of future fair values. Further information on the methods and assumptions that were used by NN Group to estimate the fair value of the financial instruments is disclosed in the 2013 NN Group Consolidated annual accounts in Note 40 “Fair value of assets and liabilities”.

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

Notes to the Condensed consolidated interim accounts of NN Group continued

Fair value of financial assets and liabilities	Estimated fair value		Balance sheet value	
	31 March 2014	31 December 2013	**31 March 2014**	31 December 2013
Financial assets				
Cash and cash equivalents	**8,114**	7,155	**8,114**	7,155
Financial assets at fair value through profit or loss:				
– trading assets	**769**	736	**769**	736
– investments for risk of policyholders	**37,683**	39,589	**37,683**	39,589
– non-trading derivatives	**3,423**	3,126	**3,423**	3,126
– designated as at fair value through profit or loss	**485**	482	**485**	482
Available-for-sale investments	**63,684**	61,014	**63,684**	61,014
Loans and advances to customers	**27,138**	26,114	**25,905**	25,319
Other assets [1]	**3,191**	3,180	**3,191**	3,180
	144,487	141,396	**143,254**	140,601
Financial liabilities				
Subordinated loans	**2,956**	2,928	**2,890**	2,892
Other borrowed funds	**4,201**	4,817	**4,243**	4,817
Investment contracts for risk of company	**840**	795	**808**	810
Investment contracts for risk of policyholders	**1,579**	1,588	**1,579**	1,588
Customer deposits and other funds on deposit	**6,211**	5,764	**6,190**	5,769
Financial liabilities at fair value through profit or loss:				
– non-trading derivatives	**1,396**	1,843	**1,396**	1,843
Other liabilities [2]	**2,968**	2,701	**2,968**	2,701
Total	**20,151**	20,436	**20,074**	20,420

(1) Other assets does not include (deferred) tax assets, net defined benefit assets and property development and obtained from foreclosures.
(2) Other liabilities does not include (deferred) tax liabilities, net defined benefit liabilities, insurance provisions, other provisions and other taxation and social security contributions.

Fair value hierarchy

NN Group has categorised its financial instruments that are either measured in the balance sheet at fair value or of which the fair value is disclosed, into a three level hierarchy based on the priority of the inputs to the valuation. The fair value hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities and the lowest priority to valuation techniques supported by unobservable inputs. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide reliable pricing information on an ongoing basis.

The fair value hierarchy consists of three levels, depending on whether the fair value is determined based on (unadjusted) quoted prices in an active market (Level 1), valuation techniques with observable inputs (Level 2) or valuation techniques that incorporate inputs which are unobservable and which have a more than insignificant impact on the fair value of the instrument (Level 3). Financial assets in Level 3 include, for example, illiquid debt securities, complex OTC and credit derivatives, certain complex loans (for which current market information about similar assets to use as observable, corroborated data for all significant inputs into a valuation model is not available), private equity instruments and investments in real estate funds.

Observable inputs reflect market data obtained from independent sources. Unobservable inputs are inputs which are based on NN Group’s own assumptions about the factors that market participants would use in pricing an asset or liability, developed based on the best information available in the circumstances. Unobservable inputs may include volatility, correlation, spreads to discount rates, default and recovery rates, prepayment rates and certain credit spreads. Transfers into and transfers out of levels in the fair value hierarchy are recognised on the date of the event or change of circumstances that caused the transfer.

Notes to the Condensed consolidated interim accounts of NN Group continued

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

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

31 March 2014	Level 1	Level 2	Level 3	Total
Financial assets				
Trading assets	13	99	657	769
Investments for risk of policyholders	35,792	1,658	233	37,683
Non-trading derivatives	11	3,411	1	3,423
Financial assets designated as at fair value through profit or loss	449	36		485
Available-for-sale investments	50,079	11,821	1,784	63,684
	86,344	17,025	2,675	106,044
Financial liabilities				
Non-trading derivatives	3	1,393		1,396
Investment contracts (for contracts at fair value)	1,579			1,579
	1,582	1,393	0	2,975

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

31 December 2013	Level 1	Level 2	Level 3	Total
Financial assets				
Trading assets	13	3	720	736
Investments for risk of policyholders	38,228	1,113	248	39,589
Non-trading derivatives	3	3,123		3,126
Financial assets designated as at fair value through profit or loss	450	32		482
Available-for-sale investments	47,916	10,989	2,109	61,014
	86,610	15,260	3,077	104,947
Financial liabilities				
Non-trading derivatives	114	1,729		1,843
Investment contracts (for contracts at fair value)	1,588			1,588
	1,702	1,729	0	3,431

Main changes in fair value hierarchy in the first quarter of 2014
There were no significant transfers between Level 1 and Level 2.

Level 3 Financial assets and liabilities
Financial assets measured at fair value in the balance sheet as at 31 March 2014 of EUR 106.0 billion include an amount of EUR 2.7 billion (2.5%) that is classified as Level 3 (31 December 2013: EUR 3.1 billion, being 3.0%). Changes in Level 3 are disclosed below in the table “Changes in Level 3 Assets”.

Financial assets and liabilities in Level 3 include both assets and liabilities for which the fair value was determined using valuation techniques that incorporate unobservable inputs and assets and liabilities for which the fair value was determined using quoted prices, but for which the market was not actively trading at or around the balance sheet date. Unobservable inputs are inputs which are based on NN Group’s own assumptions about the factors that market participants would use in pricing an asset or liability, developed based on the best information available in the circumstances. Unobservable inputs may include volatility, correlation, spreads to discount rates, default rates and recovery rates, prepayment rates and certain credit spreads. Fair values that are determined using valuation techniques using unobservable inputs are sensitive to the inputs used. Fair values that are determined using quoted prices are not sensitive to unobservable inputs, as the valuation is based on unadjusted external price quotes. These are classified in Level 3 as a result of the illiquidity in the relevant market, but are not significantly sensitive to NN Group’s own unobservable inputs.

Of the total amount of financial assets classified as Level 3 as at 31 March 2014 of EUR 2.7 billion, an amount of EUR 2.1 billion is based on unadjusted quoted prices in inactive markets. This includes for example debt securities and shares in real estate investment funds and private equity investment funds for which the fair value is determined using quoted prices for the securities or quoted prices obtained from the asset managers of the funds. As NN Group does generally not adjust quoted prices using its own inputs, there is no significant sensitivity to NN Group’s own unobservable inputs.

Notes to the Condensed consolidated interim accounts of NN Group continued

The remaining EUR 0.6 billion Level 3 financial assets are private equity investments that are recognised at fair value. Fair value is determined using both market-based and investment-specific inputs. In the absence of an active market, fair values are estimated on the basis of the analysis of the invested companies' financial position, future prospects and other factors, considering valuations of similar positions and other market information. Given the bespoke nature of the analysis in respect of most significant positions, it is not practical to quote a range of key unobservable inputs or provide a sensitivity analysis on such unobservable inputs.

Changes in Level 3 Financial assets

31 March 2014	Trading assets	Investment for risk of policyholders	Non-trading derivatives	Financial assets designated as at fair value through profit or loss	Available-for-sale investments	Total
Opening balance	720	248			2,109	3,077
Amounts recognised in the profit and loss account during the year	24	–2			–15	7
Revaluation recognised in equity during the year					9	9
Purchase of assets	36				45	81
Sale of assets	–11	–12			–46	–69
Maturity/settlement	–2				–10	–12
Transfers into Level 3					1	1
Transfers out of Level 3	–93					–93
Changes in the composition of the group and other changes	–17		1		–308	–324
Exchange rate differences		–1			–1	–2
Closing balance	657	233	1	0	1,784	2,675

Changes in Level 3 Financial assets

31 December 2013	Trading assets	Investment for risk of policyholders	Non-trading derivatives	Financial assets designated as at fair value through profit or loss	Available-for-sale investments	Total
Opening balance	519	150	57	893	2,897	4,516
Amounts recognised in the profit and loss account during the year	85	9	20	111	–114	111
Revaluation recognised in equity during the year					–44	–44
Purchase of assets	27	154	15	49	329	574
Sale of assets	–64	–52	–36	–124	–144	–420
Maturity/settlement				–67	–138	–205
Transfers into Level 3	27	2			81	110
Transfers out of Level 3	–20	–9			–64	–93
Changes in the composition of the group and other changes	146	–6	–56	–901	–690	–1,507
Exchange rate differences				39	–4	35
Closing balance	720	248	0	0	2,109	3,077

In 2013, Changes in the composition of the group and other changes includes EUR –1,654 million as a result of the transfer of ING U.S. and nil as a result of the classification to continuing operations of NN Group's business in Japan. Reference is made to Note 1 "Accounting policies'- Other significant changes in 2013".

Notes to the Condensed consolidated interim accounts of NN Group continued

Changes in Level 3 Financial liabilities

31 December 2013	Non-trading derivatives	Investment contracts (for contracts at fair value)	Total
Opening balance	1,186	12	1,198
Amounts recognised in the profit and loss account during the year	65		65
Issue of liabilities		7	7
Early repayment of liabilities		–8	–8
Transfers into Level 3		2	2
Transfers out of Level 3		–8	–8
Changes in the composition of the group and other changes	–1,244	–5	–1,249
Exchange rate differences	–7		–7
Closing balance	0	0	0

In 2013, Changes in the composition of the group and other changes includes EUR –1,250 million as a result of the transfer of ING U.S. and nil as a result of the classification to continuing operations of NN Group's business in Japan. Reference is made to Note 1 "Other significant changes in 2013".

Amounts recognised in the profit and loss account during the period (Level 3)

31 March 2014	**Held at balance sheet date**	**Derecognised during the year**	**Total**
Financial assets			
Trading assets	**24**		**24**
Investments for risk of policyholders	**–2**		**–2**
Available-for-sale investments	**–15**		**–15**
	7	**0**	**7**

Amounts recognised in the profit and loss account during the period (Level 3)

31 December 2013	Held at balance sheet date	Derecognised during the year	Total
Financial assets			
Trading assets	97	–12	85
Investments for risk of policyholders	11	–2	9
Non-trading derivatives	–9	29	20
Financial assets designated as at fair value through profit or loss	23	88	111
Available-for-sale investments	–116	2	–114
	6	105	111
Financial liabilities			
Non-trading derivatives	65		65
	65	0	65

21 COMPANIES AND BUSINESSES ACQUIRED AND DIVESTED

Acquisitions effective in 2014

There were no acquisitions in the first quarter of 2014.

Acquisitions effective in 2013

WestlandUtrecht Bank

The partial transfer of WestlandUtrecht Bank's assets and liabilities, in which the commercial operations of WestlandUtrecht Bank have been combined with the retail banking activities of Nationale-Nederlanden, was announced in November 2012. On 1 July 2013 EUR 3.8 billion of WestlandUtrecht Bank's Dutch mortgage portfolio, EUR 0.1 billion of consumer lending and EUR 3.7 billion of Dutch savings portfolio were transferred to NN Bank. In addition approximately 400 of WestlandUtrecht Bank's employees were transferred to NN Bank. All assets and liabilities were transferred at the existing carrying value as included in ING Bank's balance sheet. This transaction was completed on 1 July 2013.

Notes to the Condensed consolidated interim accounts of NN Group continued

In addition, during the second half of 2013 a further amount of EUR 4.2 billion of Dutch mortgages were transferred from WestlandUtrecht Bank to NN Group. The transfers were made at an arm's length price.

Divestments announced but not yet closed
The investment management business in Taiwan
On 10 January 2014, an agreement was reached to sell ING Investment Management (IM) Taiwan, the Taiwanese asset management business, to Japan-based Nomura Asset Management Co Ltd. in partnership with a group of investors. The transaction did not have a significant impact on Net result. The transaction closed on 18 April 2014.

Joint venture ING-BOB Life
In July 2013, the 50% interest in the Chinese insurance joint venture ING-BOB Life Insurance Company was agreed to be sold to BNP Paribas Cardif, the insurance arm of BNP Paribas. The transaction is not expected to have a significant impact on Net result. This transaction is subject to regulatory approvals and is expected to close in the second quarter of 2014.

Divestments closed in the first quarter of 2013
The insurance businesses in Hong Kong, Macau, Thailand
In October 2012, an agreement to sell the life insurance, general insurance, pension and financial planning units in Hong Kong and Macau, and the life insurance operation in Thailand to Pacific Century Group for a combined consideration of EUR 1.6 billion (USD 2.1 billion) in cash, was reached. The transaction closed on 28 February 2013 and resulted in a net gain of EUR 945 million.

Joint venture ING Vysya Life
In January 2013, it was agreed to sell the full interest in ING Vysya Life Insurance Company Ltd. to the joint venture partner Exide Industries Ltd. The transaction resulted in a net loss of EUR 15 million for which goodwill was reduced in 2012. The transaction closed on 22 March 2013.

Other
For details on the transaction with Swiss Re of part of the interest in Sul América and the transfer of the remaining interest in Sul América to ING Group, reference is made to Note 5 'Investment in associates and joint ventures'.

During 2013, there were several other divestments. These divestments were neither announced nor closed in the first quarter of the year and therefore are not included above. Reference is made to the 2013 NN Group Consolidated annual accounts.

In July 2013, the investment management business in South Korea was agreed to be sold to Macquarie Group. The transaction closed on 2 December 2013. NN Group received notice from Macquarie Group reserving their rights to claim under the share purchase agreement relating to certain trades, conducted by the investment management business in South Korea in the period before closing of the transaction, which are currently subject to further investigation.

22 IMPACT COMPARATIVES CHANGE IN ACCOUNTING FOR GMDB IN JAPAN CLOSED BLOCK VA
NN Group has moved towards fair value accounting on the reserves for Guaranteed Minimum Death Benefits (GMDB) reserves of the Japan Closed Block VA segment from 1 January 2014. Implementation of this accounting change for GMDB represents a change in accounting policy under IFRS-EU with a transitional impact of EUR –165 million after tax being reflected only in Shareholder's equity as of 1 January 2014. This impact is included in the table below.

In order to provide comparable information on Net result and Shareholder's equity for the impact of the change in accounting for GMDB of the Japan Closed Block VA, below tables are presented for the comparative periods in addition to the IFRS-EU disclosures included in these Condensed interim accounts.

The table below sets forth the impact of the move towards fair value accounting on the reserves for GMDB of Japan Closed Block VA on NN Group's Net result from continuing and discontinued operations for the comparative periods.

Notes to the Condensed consolidated interim accounts of NN Group continued

Impact on Net result	3 month period ended 31 March 2013	6 month period ended 30 June 2013	9 month period ended 30 September 2013	year ended 31 December 2013	year ended 31 December 2012	year ended 31 December 2011
Net result from continuing operations (before change in accounting policy)	186	127	252	–2	–132	453
Impact on Investment and other income	36	69	75	103	112	–64
Impact on Underwriting expenditure	86	196	225	313	155	–150
Impact on Result before tax	122	265	300	416	267	–214
Tax effect	–30	–66	–75	–104	–66	54
Impact on Net result from continuing operations	92	199	225	312	201	–160
Net result from continuing operations (after change in accounting policy)	278	326	477	310	69	293
Discontinued operations after tax	811	755	3	20	1,197	793
Net result from continuing and discontinued operations (after change in accounting policy)	1,089	1,081	480	330	1,266	1,086

The table below sets forth the cumulative impact of the move towards fair value accounting on the reserves for GMDB of Japan Closed Block VA for the comparative periods. The cumulative impact after tax as at 31 December of EUR –165 million is deducted from Shareholder's equity as at 1 January 2014.

Impact on balance sheet	31 March 2013	30 June 2013	30 September 2013	31 December 2013	31 December 2012	31 December 2011
Total Shareholder's equity (before change in accounting policy)	27,497	22,367	14,969	14,227	26,423	23,412
Change in Insurance and investment contracts	–509	–368	–333	–219	–630	–893
Tax effect	126	91	82	54	156	221
Impact on Shareholder's equity	–383	–277	–251	–165	–474	–672
Total Shareholder's equity (after change in accounting policy)	27,114	22,090	14,718	14,062	25,949	22,740

The table below sets forth a breakdown of NN Group's adjusted Net result for the Japan Closed Block VA segment, showing the impact of the move towards fair value accounting on the reserves for GMDB of Japan Closed Block VA, for the comparative periods.

Notes to the Condensed consolidated interim accounts of NN Group continued

Segment

Japan Closed Block VA	3 month period ended 31 March 2013	6 month period ended 30 June 2013	9 month period ended 30 September 2013	year ended 31 December 2013	year ended 31 December 2012	year ended 31 December 2011
Fees and premium based revenues	35	69	103	136	148	149
Life & IM operating income	35	69	103	136	148	149
Administrative expenses	8	12	15	18	13	9
DAC amortisation and trail commissions	12	24	35	38	50	50
Life & IM expenses	20	35	49	56	64	59
Life & IM operating result	14	34	54	80	85	91
Operating result	14	34	54	80	85	91
Non-operating items:						
– gains/losses and impairments			1	1		
– market & other impacts	148	31	117	–334	288	–167
Result before tax from continuing operations	162	65	171	–252	373	–77
Taxation	42	19	77	–110	100	3
Net result from continuing operations	120	46	124	–142	273	–80
Net result	120	46	124	–142	273	–80

23 SUBSEQUENT EVENTS

Subordinated bonds issued by NN Group

On 8 April 2014, NN Group issued EUR 1 billion subordinated bonds with a maturity of 30 years and which is callable after 10 years and every quarter thereafter. The coupon is fixed at 4.625% per annum for the first 10 years and will be floating thereafter.

Capital Injection NN Group

In line with ING Group’s announced intention to ensure that NN Group is adequately capitalised ahead of the intended IPO, ING Group will inject EUR 850 million of capital into NN Group prior to its IPO. NN Group will use these funds to reduce debt owed to ING Group by EUR 0.2 billion, further strengthen the capitalisation of NN Life by approximately EUR 0.5 billion, and increase the cash capital position in the holding company by approximately EUR 0.2 billion. The capital injection from ING Group and the April 2014 issuance of subordinated debt will increase the IGD ratio of NN Group to a pro-forma 277% from 249% at the end of the first quarter of 2014. The capital injection will increase ING Group core debt by EUR 850 million. As a consequence of this pre-IPO capital injection, ING Group confirms that the intended IPO will comprise only secondary NN Group shares being sold by ING Group.

Review report

To: the Shareholder, the Supervisory Board and the Management Board NN Group N.V.

REVIEW REPORT

Introduction

We have reviewed the accompanying condensed consolidated interim accounts for the three month period ended 31 March 2014, of NN Group N.V., Amsterdam, which comprises the condensed consolidated balance sheet as at 31 March 2014 and the related condensed consolidated profit and loss account, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of cash flows, the condensed consolidated statement of changes in equity and the related notes for the three month period then ended. Management is responsible for the preparation and presentation of these condensed consolidated interim accounts in accordance with IAS 34, “Interim Financial Reporting” as adopted by the European Union. Our responsibility is to express a conclusion on these interim accounts based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim accounts as at 31 March 2014 are not prepared, in all material respects, in accordance with IAS 34, “Interim Financial Reporting”, as adopted by the European Union.

Amsterdam, 17 June 2014

Ernst & Young Accountants LLP

signed by A.F.J. van Overmeire

DISCLAIMER

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

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, except for the changes described in Note 1 "Basis of presentation", the same accounting principles are applied as in the 2013 NN Group annual accounts. All figures in this document are unaudited. Small differences are possible in the tables due to rounding.

Certain of the statements contained herein are not historical facts, including, without limitation, certain statements made of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Actual results, performance or events may differ materially from those in such statements due to, without limitation: (1) changes in general economic conditions, in particular economic conditions in NN Group's core markets, (2) changes in performance of financial markets, including developing markets, (3) consequences of a potential (partial) break-up of the euro, (4) the implementation of NN Group's restructuring plan to separate banking and insurance operations, (5) changes in the availability of, and costs associated with, sources of liquidity such as interbank funding, as well as conditions in the credit markets generally, including changes in borrower and counterparty creditworthiness, (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 purchase 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-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 purchase, any securities in the United States or any other jurisdiction. The securities of NN Group have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), and may not be offered or sold within the United States absent registration or an applicable exemption from the registration requirements of the Securities Act.

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