

NN Group N.V.
30 June 2019
Condensed
consolidated
interim financial
information

Condensed consolidated interim financial information contents

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Interim report

Overview

NN Group N.V.

Profile

NN Group N.V. ('NN Group') is an international financial services company, active in 18 countries, with a strong presence in a number of European countries and Japan. Our ambition is to be a company that truly matters in the lives of our stakeholders, for example by living our values: 'care, clear, commit'.

We are committed to helping people secure their financial futures, with strong products and services, and long-term relationships. With all our employees, NN Group offers retirement services, pensions, insurance, investments and banking products to approximately 17 million customers. NN Group's main brands are Nationale-Nederlanden, NN, NN Investment Partners, ABN AMRO Insurance, Movir, AZL, BeFrank and OHRA.

Our roots lie in the Netherlands, with a rich history that stretches back more than 170 years. NN Group became a standalone company on 2 July 2014. Since that date, our shares are listed and traded on Euronext Amsterdam under the listing name 'NN Group'. More information about NN Group's business model, values and performance is available on www.nn-group.com and in the NN Group Annual Report.

Changes to the Executive Board

Lard Friese stepped down as member and chair of the Executive Board and CEO of NN Group as at 12 August 2019. Following his resignation, the Supervisory Board announced its intention to appoint David Knibbe as CEO of NN Group. David Knibbe is currently CEO of NN Netherlands. The appointment of David Knibbe is subject to approval from the Dutch Central Bank. If approved, the appointment will be effective 1 October 2019, after notification to the General Meeting of NN Group at an extraordinary general meeting (EGM) to be held on 26 September 2019.

Changes to the Supervisory Board

Jan Holsboer stepped down from the Supervisory Board as at 29 May 2019. Following his resignation, the Supervisory Board appointed David Cole as new chair.

Segments

As of 2019, Banking, previously included in the segment 'Other', is reported as a separate segment. At the same time, the segment Japan Closed Block VA is no longer reported separately, but is included in the segment 'Other'. There is no impact on the total Net result. The comparative figures have been amended in line with the new segmentation.

Interim report continued

Profit and loss account
NN Group N.V.

Analysis of results

amounts in millions of euros	1 January to 30 June 2019	1 January to 30 June 2018
Netherlands Life	524	544
Netherlands Non-life	84	8
Insurance Europe	140	134
Japan Life	118	93
Asset Management	76	82
Banking	60	69
Other	-88	-110
Operating result	914	821
Non-operating items:	593	494
– of which gains/losses and impairments	94	370
– of which revaluations	573	204
– of which market & other impacts	-75	-80
Special items	-108	-165
Acquisition intangibles and goodwill	17	-66
Result on divestments	8	4
Result before tax	1,424	1,088
Taxation	296	222
Minority interests	10	3
Net result	1,118	862

Key figures

amounts in millions of euros	1 January to 30 June 2019	1 January to 30 June 2018
New sales life insurance (APE)	1,188	904
Value of new business (VNB)	236	205
Total administrative expenses	1,030	1,037
Net operating ROE	9.4%	9.5%
Solvency II ratio ¹	210%	226%

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

Note: Operating result and Adjusted allocated equity (as used in the calculation of Net operating ROE) are Alternative Performance Measures. These measures are derived from figures according to IFRS-EU. The operating result is derived by adjusting the reported result before tax to exclude the impact of result on divestments, the acquisition intangibles and goodwill, discontinued operations and special items, gains/losses and impairments, revaluations and market & other impacts. The adjusted allocated equity is derived by adjusting the reported total equity to exclude revaluation reserves, the undated subordinated notes classified as equity as well as the goodwill and intangible assets recognised as a result of the Delta Lloyd acquisition. Net operating ROE is calculated as the (annualised) net operating result, adjusted to reflect the deduction of the accrued coupon on undated subordinated notes classified in equity, divided by (average) adjusted allocated equity. Alternative Performance Measures are non-IFRS-EU measures that have a relevant IFRS-EU equivalent. For definitions and explanations of the Alternative Performance Measures reference is made to the section 'Alternative Performance measures (Non-GAAP measures)' in the 2018 Consolidated annual accounts.

Operating result

In the first six months of 2019, the operating result increased to EUR 914 million from EUR 821 million in the same period last year, which included the impact of the January 2018 storm for a total amount of EUR 89 million. The first six months of 2019 benefited from a total of EUR 67 million of private equity dividends and non-recurring items, versus a total of EUR 70 million in the first six months of 2018. Excluding these items, the increase mainly reflects higher results at Japan Life and Netherlands Non-life, partly offset by a lower result at Netherlands Life.

Result before tax

In the first six months of 2019, the result before tax increased to EUR 1,424 million from EUR 1,088 million in the first six months of 2018. The increase reflects higher non-operating items, the higher operating result, a positive contribution from acquisition intangibles and goodwill, and lower special items.

Net result

In the first six months of 2019, the net result increased to EUR 1,118 million from EUR 862 million in the same period last year, reflecting the higher results before tax.

Interim report continued

Sales and Value of New Business

In the first six months of 2019, total new sales were up 30.9% on a constant currency basis to EUR 1,188 million, driven by higher sales at all insurance units. The higher sales at Netherlands Life reflect a higher volume of group pension contracts and higher sales at Japan Life in the first quarter 2019 were driven by strong sales efforts and customer expectations of a revision of tax rules for COLI products. In addition, higher sales in Insurance Europe reflect higher life and pension sales and the contribution from the acquired Czech and Slovak businesses.

In the first six months of 2019, the value of new business (VNB) increased to EUR 236 million from EUR 205 million in the same period last year, mainly driven by an improved business mix and higher sales in Insurance Europe as well as higher sales at Japan Life in the first quarter 2019 driven by strong sales efforts and customer expectations of a revision of tax rules for COLI products.

Net operating Return On Equity (ROE)

The net operating ROE in the first six months of 2019 was 9.4% versus 9.5% in the same period of 2018, mainly due to higher equity.

Interim report continued

Netherlands Life

Analysis of results

amounts in millions of euros	1 January to 30 June 2019	1 January to 30 June 2018
Investment margin	482	473
Fees and premium-based revenues	209	236
Technical margin	81	100
Operating income	772	809
Administrative expenses	230	244
DAC amortisation and trail commissions	17	21
Expenses	248	265
Operating result	524	544
Non-operating items:	564	487
- of which gains/losses and impairments	15	346
- of which revaluations	614	210
- of which market & other impacts	-64	-68
Special items	-20	-27
Result on divestments	5	
Result before tax	1,073	1,005
Taxation	224	207
Minority interests	5	4
Net result	844	794

Key figures

amounts in millions of euros	1 January to 30 June 2019	1 January to 30 June 2018
New sales life insurance (APE)	328	191
Value of new business	1	5
Total administrative expenses	230	244
Net operating ROE	8.2%	9.3%
NN Life Solvency II ratio ¹	212%	239%

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

In the first six months of 2019, Netherlands Life's operating result decreased to EUR 524 million from EUR 544 million in the same period last year. The decrease is largely due to lower fees and premium-based revenues reflecting the run-off of the individual life closed book and lower margins in the pension business as well as a lower technical margin driven by lower mortality results, partly offset by lower administrative expenses and a higher investment margin.

The result before tax increased to EUR 1,073 million in the first six months of 2019 compared with EUR 1,005 million in the same period last year. The increase reflects higher revaluations on derivatives used for hedging purposes, partly offset by lower gains on the sale of government bonds, real estate and public equity and the lower operating result.

New sales (APE) increased to EUR 328 million in the first six months of 2019 from EUR 191 million in the same period last year, reflecting a higher volume of group pension contracts up for renewal.

The value of new business (VNB) was EUR 1 million in the first six months of 2019 versus EUR 5 million in the same period last year.

Interim report continued

Netherlands Non-life

Analysis of results

amounts in millions of euros	1 January to 30 June 2019	1 January to 30 June 2018
Earned premiums	1,477	1,427
Investment income	55	62
Other income	-1	-3
Operating income	1,531	1,486
Claims incurred, net of reinsurance	1,045	1,082
Acquisition costs	262	251
Administrative expenses	154	158
Acquisition costs and administrative expenses	416	409
Expenditure	1,461	1,492
Operating result insurance businesses	70	-6
Operating result health business and broker business	14	14
Total operating result	84	8
Non-operating items:	12	12
– of which gains/losses and impairments	8	11
– of which revaluations	4	2
– of which market & other impacts		-1
Special items	-26	-52
Result before tax	70	-32
Taxation	15	-10
Minority interests	5	
Net result	50	-21

Key figures

amounts in millions of euros	1 January to 30 June 2019	1 January to 30 June 2018
Gross premium income	1,956	1,940
Total administrative expenses ¹	191	196
Combined ratio:²	96.8%	102.2%
– of which Claims ratio ²	68.7%	73.6%
– of which Expense ratio ²	28.2%	28.7%
Net operating ROE	19.0%	2.3%

1 Including health business and broker business.

2 Excluding health business and broker business.

In the first six months of 2019, the operating result of Netherlands Non-life increased to EUR 84 million from EUR 8 million in the same period last year, which included the impact of the January 2018 storm for an amount of EUR 56 million net of reinsurance. Excluding this impact, the increase was mainly attributable to an improved underwriting performance in P&C and lower administrative expenses, partly offset by lower investment income.

The result before tax for the first six months of 2019 increased to EUR 70 million from EUR -32 million in the same period of 2018, reflecting the higher operating result and lower special items. Special items in the first six months of 2018 included a charge related to the agreement with Van Ameyde to insource claims handling activities.

The combined ratio for the first six months of 2019 was 96.8% compared with 102.2% in the same period of 2018, or 98.3% excluding the impact of the January 2018 storm.

Interim report continued

Insurance Europe

Analysis of results

amounts in millions of euros	1 January to 30 June 2019	1 January to 30 June 2018
Investment margin	49	46
Fees and premium-based revenues	360	354
Technical margin	120	101
Operating income non-modelled business	1	1
Operating income Life Insurance	530	503
Administrative expenses	206	198
DAC amortisation and trail commissions	189	167
Expenses Life Insurance	396	365
Operating result Life Insurance	134	138
Operating result Non-life	5	-4
Operating result	140	134
Non-operating items:	36	10
– of which gains/losses and impairments	65	11
– of which revaluations	-28	5
– of which market & other impacts	-1	-5
Special items	-17	-13
Acquisition intangible and goodwill	33	
Result before tax	191	132
Taxation	36	29
Net result	156	103

Key figures

amounts in millions of euros	1 January to 30 June 2019	1 January to 30 June 2018
New sales life insurance (APE)	348	332
Value of new business	108	83
Total administrative expenses (Life & Non-life)	213	207
Net operating ROE	10.2%	10.6%

In the first six months of 2019, the operating result increased to EUR 140 million from EUR 134 million in the same period of 2018, mainly driven by the positive contribution from the acquired Czech and Slovak businesses, a higher technical and investment margin and lower administrative expenses. This was partly offset by lower pension fees mainly in Romania.

The result before tax in the first six months of 2019 increased to EUR 191 million from EUR 132 million in the same period of 2018, reflecting gains on the sale of government bonds, the negative goodwill arising from the aforementioned acquisition as well as the higher operating result, partly offset by lower revaluations in Belgium.

New sales (APE) in the first six months of 2019 increased to EUR 348 million from EUR 332 million in the same period of 2018. The increase is mainly driven by higher life and pension sales and the contribution of the aforementioned acquisition, partly offset by negative currency impacts in Turkey.

In the first six months of 2019, the value of new business (VNB) increased to EUR 108 million from EUR 83 million in the same period of 2018, reflecting an improved business mix and higher life and pension sales.

Interim report continued

Japan Life

Analysis of results

amounts in millions of euros	1 January to 30 June 2019	1 January to 30 June 2018
Investment margin	-7	-5
Fees and premium-based revenues	366	318
Technical margin	7	-2
Operating income	365	311
Administrative expenses	69	65
DAC amortisation and trail commissions	179	152
Expenses	247	217
Operating result	118	93
Non-operating items:	-18	-13
- of which gains/losses and impairments	-4	-3
- of which revaluations	-14	-10
Special items	-2	-1
Result before tax	98	79
Taxation	28	19
Net result	70	60

Key figures

amounts in millions of euros	1 January to 30 June 2019	1 January to 30 June 2018
New sales life insurance (APE)	512	381
Value of new business	128	117
Total administrative expenses	69	65
Net operating ROE	8.1%	7.5%

In the first six months of 2019, the operating result of Japan Life was EUR 118 million, up 20.5% compared with the same period last year, excluding currency effects. The increase was primarily driven by the strong sales in the first quarter of 2019.

The result before tax for the first six months of 2019 was EUR 98 million, up 18.1% compared with the same period last year, at constant currencies, reflecting the higher operating result and lower non-operating items.

New sales (APE) for the first six months of 2019 were EUR 512 million, up 28.7% compared with the same period last year, at constant currencies, reflecting the higher sales in the first quarter 2019 driven by strong sales efforts and customer expectations of a revision of tax rules for COLI products.

The value of new business (VNB) for the first six months of 2019 increased to EUR 128 million, up 4.5% from the same period of 2018, excluding currency effects.

Interim report continued

Asset Management

Analysis of results

amounts in millions of euros	1 January to 30 June 2019	1 January to 30 June 2018
Investment income	1	
Fees	215	228
Operating income	217	228
Administrative expenses	141	146
Operating result	76	82
Special items	-6	-16
Result before tax	70	66
Taxation	16	15
Net result	53	51

Key figures

amounts in millions of euros	1 January to 30 June 2019	1 January to 30 June 2018
Total administrative expenses	141	146
Assets under Management (in EUR billion)	268	240
Net operating ROE	32.3%	28.1%

In the first six months of 2019, the operating result decreased to EUR 76 million from EUR 82 million in the same period of 2018, reflecting lower fees, partly offset by lower administrative expenses.

The result before tax for the first six months of 2019 was EUR 70 million, up from EUR 66 million for the same period of 2018, driven by lower special items, partly offset by the lower operating result.

Interim report continued

Banking

Analysis of results

amounts in millions of euros	1 January to 30 June 2019	1 January to 30 June 2018
Interest result	127	132
Commission income	17	17
Total investment and other income	20	20
Operating income	164	169
Operating expenses	92	92
Regulatory levies	10	10
Addition to loan loss provision	2	-3
Total expenses	104	100
Operating result	60	69
Non-operating items:	-3	-10
- of which gains/losses and impairments	4	1
- of which revaluations	-1	-1
- of which market & other impacts	-7	-9
Special items	-8	-8
Result before tax	49	51
Taxation	13	13
Net result	35	38

Key figures

amounts in millions of euros	1 January to 30 June 2019	1 January to 30 June 2018
Total administrative expenses ¹	102	103
Cost/income ratio ²	56.4%	54.6%
Total assets (in EUR billion)	23	22
Net operating ROE	11.6%	13.9%

1 Operating expenses plus regulatory levies.

2 Cost/income ratio is calculated as Operating expenses divided by Operating income.

In the first six months of 2019, the operating result decreased to EUR 60 million from EUR 69 million in the same period of 2018, mainly due to a lower interest result reflecting continued pressure on the mortgage rates and higher additions to the loan loss provisions.

The result before tax for the first six months of 2019 decreased to EUR 49 million from EUR 51 million for the same period of 2018, mainly due to the lower operating result, partly offset by higher non-operating items.

Interim report continued

Other

Analysis of results

amounts in millions of euros	1 January to 30 June 2019	1 January to 30 June 2018
Interest on hybrids and debt ¹	-54	-54
Investment income and fees	51	47
Holding expenses	-81	-71
Amortisation of intangible assets		-1
Holding result	-83	-78
Operating result reinsurance business	-5	-33
Other results		1
Operating result	-88	-110
Non-operating items:	1	8
– of which gains/losses and impairments	6	5
– of which revaluations	-3	-1
– of which market & other impacts	-2	4
Special items	-27	-49
Acquisition intangibles and goodwill	-16	-66
Result on divestments	4	4
Result before tax	-126	-213
Taxation	-36	-51
Net result	-90	-162

1 Does not include interest costs on subordinated debt treated as equity.

Key figures

amounts in millions of euros	1 January to 30 June 2019	1 January to 30 June 2018
Total administrative expenses:	84	76
– of which reinsurance business	3	5
– of which corporate/holding	81	71

In the first six months of 2019, the operating result of the segment Other was EUR -88 million versus EUR -110 million in the same period of 2018, driven by an improved operating result of the reinsurance business, partly offset by a lower holding result mainly reflecting the revised method for charging staff-related expenses to the segments.

The operating result of the reinsurance business improved to EUR -5 million in the first six months of 2019, from EUR -33 million in the same period of 2018, which included EUR 33 million of claims relating to the storm in January 2018 as well as a EUR 8 million claim from a legacy reinsurance portfolio. The current period reflects claims related to Non-life's Disability portfolio and a large claim from a legacy reinsurance portfolio.

The result before tax of the segment Other was EUR -126 million in the first six months of 2019 compared with EUR -213 million in the first six months of 2018, reflecting lower amortisation of acquisition intangibles, lower special items as well as the improved operating result.

Interim report continued

Balance Sheet

Assets

Investments for the risk of policyholders

Investments for the risk of policyholders increased by EUR 2.7 billion to EUR 32.9 billion, mainly due to lower interest rates.

Non-trading derivatives

Non-trading derivatives increased by EUR 4.9 billion in the first half of 2019 to EUR 10.0 billion, reflecting positive revaluations on derivatives used for hedging purposes.

Available-for-sale investments

The increase of Available-for-sale investments of EUR 8.3 billion reflects lower interest rates.

Liabilities

Insurance and investment contracts

Insurance and investment contracts increased to EUR 167.0 billion, reflecting the impact of lower interest rates, leading to higher profit sharing for policyholders due to positive revaluations on Debt securities as well as an increase of Investments for the risk of policyholders.

Equity

Shareholders' equity increased by EUR 7.5 billion to EUR 30.4 billion in the first half of 2019. The increase reflects net positive revaluations due to lower interest rates as well as the first half 2019 net result.

Interim report continued

Capital management

Solvency II

	30 June 2019	31 December 2018
Basic Own Funds	18,409	18,100
Non-available Own Funds	1,164	1,373
Eligible Own Funds to cover Solvency Capital Requirements (a)	17,245	16,727
- of which Tier 1 unrestricted	10,984	10,513
- of which Tier 1 restricted	1,946	1,895
- of which Tier 2	2,470	2,433
- of which Tier 3	701	755
- of which non-Solvency II regulated entities	1,144	1,132
Solvency Capital Requirements (b)	8,203	7,274
- of which Solvency Capital Requirements calculated on the basis of consolidated data	7,652	6,767
- of which the capital requirements for investment firms, pension funds and credit institutions	266	226
- of which the capital requirements for undertakings included under the D&A method	285	281
NN Group Solvency II ratio (a/b)¹	210%	230%

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

The NN Group Solvency II ratio decreased to 210% at 30 June 2019 from 230% at 31 December 2018. The decrease was mainly due to the movements in credit spreads and interest rates, the deduction of the EUR 500 million share buyback programme and the 2019 interim dividend, as well as the impact of a reduction in the Ultimate Forward Rate (UFR) from 4.05% to 3.9%. These items were partly offset by operating capital generation and positive equity revaluations.

Cash capital position at the holding company

	30 June 2019	31 December 2018
Beginning of period	2,005	1,434
Cash divestment proceeds	4	
Dividends from subsidiaries ¹	827	1,593
Capital injections into subsidiaries ²	-9	-78
Other ³	-92	-298
Free cash flow to the holding⁴	729	1,216
Acquisitions	-102	
Capital flow from/to shareholders	-412	-645
End of period	2,220	2,005

1 Includes interest on subordinated loans provided to subsidiaries by the holding company.

2 Includes the change of subordinated loans provided to subsidiaries by the holding company.

3 Includes interest on subordinated loans and debt, holding company expenses and other cash flows.

4 Free cash flow to the holding company is defined as the change in cash capital position of the holding company over the period, excluding acquisitions, capital transactions with shareholders and debtholders.

The cash capital position at the holding company increased to EUR 2,220 million at 30 June 2019 from EUR 2,005 million at 31 December 2018. The increase was mainly driven by EUR 827 million of dividends from subsidiaries in all segments, partly offset by capital flows to shareholders of EUR 412 and the consideration paid for the acquired Slovak businesses for an amount of EUR 102 million. Capital flows to shareholders represent the cash part of the 2018 final dividend of EUR 243 million and shares repurchased in the first two quarters of 2019 for an amount of EUR 168 million. Other movements include holding company expenses, interest on loans and debt, and other holding company cash flows.

Interim report continued

Financial leverage

	30 June 2019	31 December 2018
Shareholders' equity	30,385	22,850
Adjustment for revaluation reserves ¹	-13,475	-7,097
Minority interests	255	234
Capital base for financial leverage (a)	17,165	15,988
- Undated subordinated notes ²	1,764	1,764
- Subordinated debt	2,433	2,445
Total subordinated debt	4,197	4,209
Debt securities issued (financial leverage)	1,991	1,990
Financial leverage (b)	6,187	6,199
Total debt	6,187	6,199
Financial leverage ratio (b/(a+b))	26.5%	27.9%
Fixed-cost coverage ratio ^{2,3}	13.0x	13.8x

1 Includes revaluations on debt securities, on the cash flow hedge reserve and on the reserves crediting to life policyholders.

2 The undated subordinated notes classified as equity are considered financial leverage in the calculation of the financial leverage ratio. The related interest is included on an accrual basis in the calculation of the fixed-cost coverage ratio.

3 Measures the ability of Earnings Before Interest and Tax (EBIT) to cover funding costs on financial leverage; calculated on a last 12-months basis.

The financial leverage ratio of NN Group improved to 26.5% at 30 June 2019 compared with 27.9% at 31 December 2018. This reflects an increase of the capital base for financial leverage driven by the first half-year net result of EUR 1,118 million as well as positive equity revaluations, partly offset by capital flows to shareholders of EUR 412 million.

The fixed-cost coverage ratio was 13.0x at 30 June 2019 versus 13.8x at 31 December 2018 (on a last 12-months basis).

Credit ratings

	Financial Strength Rating	NN Group N.V. Counterparty Credit Rating
Standard & Poor's	A	BBB+
	Stable	Stable
Fitch	A+	A
	Stable	Stable

On 31 July 2019, Fitch published a report confirming NN Group's 'A+' financial strength rating and 'A' credit rating with a stable outlook.

On 24 June 2019, Standard & Poor's published a report confirming NN Group's 'A' financial strength rating and 'BBB+' credit rating with a stable outlook. On the same date, Standard & Poor's also affirmed NN Life Japan's 'A-' financial strength rating with a stable outlook.

Conformity statement

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

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

The Executive Board of NN Group N.V. is responsible for maintaining proper accounting records, for safeguarding assets and for taking reasonable steps to prevent and detect fraud and other irregularities. It is responsible for selecting suitable accounting policies and applying them on a consistent basis, making judgements and estimates that are prudent and reasonable. It is also responsible for establishing and maintaining internal procedures which ensure that all major financial information is known to the Executive Board of NN Group N.V., so that the timeliness, completeness and correctness of the external financial reporting are assured. As required by section 5:25d paragraph 2(c) of the Dutch Financial Supervision Act, each of the signatories hereby confirms that to the best of his knowledge:

- The NN Group N.V. Condensed consolidated interim accounts for the period ended 30 June 2019 give a true and fair view of the assets, liabilities, financial position and profit or loss of NN Group N.V. and the enterprises included in the consolidation taken as a whole.
- The NN Group N.V. interim report for the period ended 30 June 2019 includes a fair review of the information required pursuant to article 5:25d, paragraph 8 and 9 of the Dutch Financial Supervision Act regarding NN Group N.V. and the enterprises included in the consolidation taken as a whole.

The Hague, 14 August 2019

Delfin Rueda

Chief Financial Officer, Executive Board

Condensed consolidated balance sheet

Amounts in millions of euros, unless stated otherwise

Condensed consolidated balance sheet

	notes	30 June 2019	31 December 2018
Assets			
Cash and cash equivalents		11,131	8,886
Financial assets at fair value through profit or loss:			
– investments for risk of policyholders		32,934	30,230
– non-trading derivatives		10,026	5,096
– designated as at fair value through profit or loss		1,206	722
Available-for-sale investments	2	112,580	104,329
Loans	3	60,898	58,903
Reinsurance contracts	9	1,024	1,010
Associates and joint ventures	4	5,227	5,000
Real estate investments		2,482	2,374
Property and equipment	5	399	151
Intangible assets	6	1,016	863
Deferred acquisition costs		1,960	1,843
Deferred tax assets		100	131
Other assets	7	5,149	4,708
Total assets		246,132	224,246
Equity			
Shareholders' equity (parent)		30,385	22,850
Minority interests		255	234
Undated subordinated notes		1,764	1,764
Total equity	8	32,404	24,848
Liabilities			
Subordinated debt		2,433	2,445
Debt securities issued		1,991	1,990
Other borrowed funds		6,605	5,717
Insurance and investment contracts	9	167,032	161,118
Customer deposits and other funds on deposit		15,047	14,729
Financial liabilities at fair value through profit or loss:			
– non-trading derivatives		3,809	2,163
Deferred tax liabilities		3,794	1,809
Other liabilities	10	13,017	9,427
Total liabilities		213,728	199,398
Total equity and liabilities		246,132	224,246

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

Condensed consolidated profit and loss account

Condensed consolidated profit and loss account

notes	1 April to 30 June 2019	1 April to 30 June 2018	1 January to 30 June 2019	1 January to 30 June 2018
Gross premium income	2,922	2,951	7,819	7,444
Investment income 11	1,118	1,366	2,131	2,525
Result on disposals of group companies			8	4
– gross fee and commission income	257	260	517	559
– fee and commission expenses	-84	-73	-173	-176
Net fee and commission income:	173	187	344	383
Valuation results on non-trading derivatives	211	-84	180	105
Foreign currency results	-73	33	-49	-56
Share of result from associates and joint ventures	190	83	322	193
Other income	9	22	63	31
Total income	4,550	4,558	10,818	10,629
– gross underwriting expenditure	3,997	3,883	11,086	8,027
– investment result for risk of policyholders	-881	-675	-3,066	2
– reinsurance recoveries	-52	-42	-116	-86
Underwriting expenditure: 12	3,064	3,166	7,904	7,943
Intangible amortisation and other impairments	8	33	16	66
Staff expenses 13	398	372	789	761
Interest expenses	123	113	248	241
Other operating expenses	208	263	437	530
Total expenses	3,801	3,947	9,394	9,541
Result before tax	749	611	1,424	1,088
Taxation	139	144	296	222
Net result	610	467	1,128	866

Net result

	1 April to 30 June 2019	1 April to 30 June 2018	1 January to 30 June 2019	1 January to 30 June 2018
Net result attributable to:				
Shareholders of the parent	606	463	1,118	862
Minority interests	4	4	10	4
Net result	610	467	1,128	866

Earnings per ordinary share

amounts in euros	1 April to 30 June 2019	1 April to 30 June 2018	1 January to 30 June 2019	1 January to 30 June 2018
Earnings per ordinary share				
Basic earnings per ordinary share	1.78	1.34	3.26	2.49
Diluted earnings per ordinary share	1.77	1.34	3.26	2.49

Reference is made to Note 14 'Earnings per ordinary share' for the disclosure on the Earnings per ordinary share.

Condensed consolidated statement of comprehensive income

Condensed consolidated statement of comprehensive income

	1 April to 30 June 2019	1 April to 30 June 2018	1 January to 30 June 2019	1 January to 30 June 2018
Net result	610	467	1,128	866
- unrealised revaluations available-for-sale investments and other	2,344	78	4,843	307
- realised gains/losses transferred to the profit and loss account	-84	-275	-84	-312
- changes in cash flow hedge reserve	2,092	168	3,859	207
- deferred interest credited to policyholders	-881	79	-1,707	25
- share of other comprehensive income of associates and joint ventures	-4	-2	-5	-2
- exchange rate differences	20	-6	36	41
Items that may be reclassified subsequently to the profit and loss account:	3,487	42	6,942	266
- remeasurement of the net defined benefit asset/liability	-16	-1	-37	-1
- unrealised revaluations property in own use		5	4	5
Items that will not be reclassified to the profit and loss account:	-16	4	-33	4
Total other comprehensive income	3,471	46	6,909	270
Total comprehensive income	4,081	513	8,037	1,136
Comprehensive income attributable to:				
Shareholders of the parent	4,068	509	8,006	1,134
Minority interests	13	4	31	2
Total comprehensive income	4,081	513	8,037	1,136

Condensed consolidated statement of cash flows

Condensed consolidated statement of cash flows

	1 January to 30 June 2019	1 January to 30 June 2018
Result before tax	1,424	1,088
Adjusted for:		
- depreciation and amortisation	71	100
- deferred acquisition costs and value of business acquired	-178	-89
- underwriting expenditure (change in insurance liabilities)	-5	-593
- realised results and impairments of Available-for-sale investments	-103	-367
- other	162	256
Taxation paid	-37	-169
Changes in:		
- non-trading derivatives	1,430	420
- other financial assets at fair value through profit or loss	-518	-5
- loans	-1,855	-1,073
- other assets	-305	-149
- customer deposits and other funds on deposit	468	483
- financial liabilities at fair value through profit or loss – non-trading derivatives	-945	-54
- other liabilities	3,245	-344
Net cash flow from operating activities	2,854	-496
Investments and advances:		
- group companies, net of cash acquired	-123	
- available-for-sale investments	-9,047	-5,497
- associates and joint ventures	-292	-73
- real estate investments	-68	-52
- property and equipment	-30	-13
- investments for risk of policyholders	-2,711	-3,681
- other investments	-131	-21
Disposals and redemptions:		
- available-for-sale investments	7,786	5,557
- associates and joint ventures	296	54
- real estate investments		164
- property and equipment	2	1
- investments for risk of policyholders	3,267	4,896
- other investments		218
Net cash flow from investing activities	-1,051	1,553
Proceeds from other borrowed funds	1,945	829
Repayments of other borrowed funds	-1,091	-1,305
Dividend paid	-253	-257
Purchase/sale of treasury shares and warrants	-163	-18
Coupon on undated subordinated notes	-33	-33
Net cash flow from financing activities	405	-784
Net cash flow	2,208	273

Included in Net cash flow from operating activities

	1 January to 30 June 2019	1 January to 30 June 2018
Interest received	2,472	2,276
Interest paid	-301	-243
Dividend received	308	319

Condensed consolidated statement of cash flows continued

Cash and cash equivalents

	1 January to 30 June 2019	1 January to 30 June 2018
Cash and cash equivalents at beginning of the period	8,886	9,383
Net cash flow	2,208	273
Effect of exchange rate changes on cash and cash equivalents	37	66
Cash and cash equivalents at end of the period	11,131	9,722

Condensed consolidated statement of changes in equity

Condensed consolidated statement of changes in equity (2019)

	Share capital	Share premium	Reserves	Total Shareholders' equity (parent)	Minority interest	Undated subordinated notes	Total equity
Balance at 1 January 2019	41	12,572	10,237	22,850	234	1,764	24,848
Unrealised revaluations available-for-sale investments and other			4,822	4,822	21		4,843
Realised gains/losses transferred to the profit and loss account			-84	-84			-84
Changes in cash flow hedge reserve			3,859	3,859			3,859
Deferred interest credited to policyholders			-1,707	-1,707			-1,707
Share of other comprehensive income of associates and joint ventures			-5	-5			-5
Exchange rate differences			36	36			36
Remeasurement of the net defined benefit asset/liability			-37	-37			-37
Unrealised revaluations property in own use			4	4			4
Total amount recognised directly in equity (Other comprehensive income)	0	0	6,888	6,888	21	0	6,909
Net result for the period			1,118	1,118	10		1,128
Total comprehensive income	0	0	8,006	8,006	31	0	8,037
Dividend			-243	-243	-10		-253
Purchase/sale of treasury shares			-168	-168			-168
Employee stock option and share plans			-1	-1			-1
Coupon on undated subordinated notes			-59	-59			-59
Balance at 30 June 2019	41	12,572	17,772	30,385	255	1,764	32,404

Condensed consolidated statement of changes in equity continued

Condensed consolidated statement of changes in equity (2018)

	Share capital	Share premium	Reserves	Total Shareholders' equity (parent)	Minority interest	Undated subordinated notes	Total equity
Balance at 1 January 2018	41	12,572	10,105	22,718	317	1,764	24,799
Unrealised revaluations available-for-sale investments and other			309	309	-2		307
Realised gains/losses transferred to the profit and loss account			-312	-312			-312
Changes in cash flow hedge reserve			207	207			207
Deferred interest credited to policyholders			25	25			25
Share of other comprehensive income of associates and joint ventures			-2	-2			-2
Exchange rate differences			41	41			41
Remeasurement of the net defined benefit asset/liability			-1	-1			-1
Unrealised revaluations property in own use			5	5			5
Total amount recognised directly in equity (Other comprehensive income)	0	0	272	272	-2	0	270
Net result for the period			862	862	4		866
Total comprehensive income	0	0	1,134	1,134	2	0	1,136
Dividend			-205	-205	-52		-257
Purchase/sale of treasury shares			-18	-18			-18
Employee stock option and share plans			-3	-3			-3
Coupon on undated subordinated notes			-58	-58			-58
Balance at 30 June 2018	41	12,572	10,955	23,568	267	1,764	25,599

Notes to the Condensed consolidated interim accounts

1 Accounting policies

These Condensed consolidated interim accounts of NN Group have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting'. The accounting principles used to prepare these Condensed consolidated interim accounts comply with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and are consistent with those set out in the notes to the 2018 NN Group Consolidated annual accounts, except as set out below.

In these Condensed consolidated interim accounts, 'NN Group' refers to NN Group N.V. (the parent company) and/or NN Group N.V. together with its consolidated subsidiaries (the consolidated group). These Condensed consolidated interim accounts should be read in conjunction with the 2018 NN Group Consolidated annual accounts.

IFRS-EU provides a number of options in accounting policies. NN Group's accounting policies under IFRS-EU and its decision on the options available are set out in Note 1 'Accounting policies' of the 2018 NN Group Consolidated annual accounts.

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

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

Reference is made to the 2018 NN Group Consolidated annual accounts for more details on upcoming changes in accounting policies.

Changes in accounting policies & presentation

IFRS 16 'Leases'

IFRS 16 'Leases' is effective for NN Group as of 1 January 2019. IFRS 16 contains a new accounting model for lessees. Under IFRS 16, the net present value of operating lease commitments is recognised on the balance sheet as a 'right of use asset' under Property and equipment or Real estate investments and a lease liability is recognised under Other liabilities. Until 2018, the operating lease commitments were disclosed as an off-balance commitment, but not recognised in the balance sheet.

The implementation of IFRS 16 as at 1 January 2019 did not impact shareholders' equity and net result of NN Group. A right of use asset and a lease liability are recognised in the balance sheet as at 30 June 2019 for an amount of EUR 278 million. The right of use asset is presented under Property and equipment (EUR 239 million) and Real estate investments (EUR 39 million). IFRS 16 is not expected to have a significant impact on shareholders' equity and net result of NN Group going forward. IFRS 16 applies to all lease contracts entered into, or modified, on or after 1 January 2019. For existing lease contracts at 1 January 2019, NN Group applied the modified retrospective approach for implementing IFRS 16 and, therefore, the comparative figures have not been amended.

Upon implementation of IFRS 16, lease liabilities were measured at the present value of the remaining lease payments, discounted at the incremental borrowing rate (as at 1 January 2019: 2.8% for all lease contracts). The right of use asset was recognised at an amount equal to the lease liability. There were no significant differences between the operating lease commitments disclosed in the 2018 NN Group Consolidated annual accounts and the amounts used to determine the lease liabilities under IFRS 16. NN Group elected not to recognise a right of use asset and a lease liability for short term leases that have a lease term of 12 months or less and for leases of low value assets. The lease payments associated with these leases are recognised as an expense.

2 Available-for-sale investments

Available-for-sale investments

	30 June 2019	31 December 2018
Equity securities:		
– shares in NN Group managed investment funds	2,067	2,101
– shares in third-party managed investment funds	1,315	1,279
– other	3,890	3,354
Equity securities	7,272	6,734
Debt securities	105,308	97,595
Available-for-sale investments	112,580	104,329

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

Notes to the Condensed consolidated interim accounts continued

Total exposure to debt securities

	30 June 2019	31 December 2018
Available-for-sale investments	105,308	97,595
Loans	1,369	1,365
Available-for-sale investments and loans	106,677	98,960
Investments for risk of policyholders	1,609	1,138
Designated as at fair value through profit or loss	40	12
Financial assets at fair value through profit or loss	1,649	1,150
Total exposure to debt securities	108,326	100,110

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

Debt securities by type

	Available-for-sale investments		Loans		Total	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018	30 June 2019	31 December 2018
Government bonds	74,515	69,303			74,515	69,303
Corporate bonds	17,413	16,154			17,413	16,154
Financial institution and Covered bonds	11,304	10,242			11,304	10,242
Bond portfolio (excluding ABS)	103,232	95,699	0	0	103,232	95,699
US RMBS	541	531			541	531
Non-US RMBS	1,478	1,164	1,142	1,211	2,620	2,375
CDO/CLO	6	11			6	11
Other ABS	51	190	227	154	278	344
ABS portfolio	2,076	1,896	1,369	1,365	3,445	3,261
Debt securities – Available-for-sale investments and Loans	105,308	97,595	1,369	1,365	106,677	98,960

3 Loans

Loans

	30 June 2019	31 December 2018
Loans secured by mortgages	47,507	45,811
Unsecured loans	10,145	9,916
Asset-backed securities	1,369	1,365
Loans related to savings mortgages	848	906
Deposits	538	422
Policy loans	644	636
Other	9	14
Loans – before loan loss provisions	61,060	59,070
Loan loss provisions	-162	-167
Loans	60,898	58,903

Changes in Loan loss provisions

	30 June 2019	31 December 2018
Loan loss provisions – opening balance	167	179
Write-offs	-11	-5
Increase/decrease in loan loss provisions	14	-18
Changes in the composition of the group and other changes	-8	11
Loan loss provisions – closing balance	162	167

Notes to the Condensed consolidated interim accounts continued

4 Associates and joint ventures

Associates and joint ventures

	Interest held	Balance sheet value	Interest held	Balance sheet value
		30 June 2019		31 December 2018
Vesteda Residential Fund FGR	24%	1,424	27%	1,473
CBRE Dutch Office Fund FGR	19%	323	28%	456
CBRE Retail Property Fund Iberica L.P.	46%	281	33%	281
CBRE Dutch Retail Fund FGR	20%	220	20%	223
CBRE Dutch Residential Fund FGR	10%	192	10%	182
NRP Nordic Logistic Fund AS	42%	187		
CBRE UK Property Fund PAIF	10%	175	10%	176
Lazora S.I.I. S.A.	22%	165	22%	164
CBRE European Industrial Fund FGR	19%	146	19%	138
Allee center Kft	50%	128	50%	121
Dutch Student and Young Professional Housing Fund FGR	49%	107	49%	96
Achmea Dutch Health Care Property Fund	25%	105	25%	84
Fiumaranuova s.r.l.	50%	104	50%	102
DPE Deutschland II B GmbH & Co KG	35%	102	35%	92
Parcom Investment Fund III B.V.	100%	98	100%	76
Parcom Buy-Out Fund V CV	21%	98	21%	54
Robeco Bedrijfsleningen FGR	26%	95	25%	80
Boccaccio - Closed-end Real Estate Mutual Investment Fund	50%	92	50%	89
Siresa House S.L.	49%	92	49%	78
the Fizz Student Housing Fund SCS	50%	79	50%	78
CBRE Dutch Retail Fund II FGR	10%	75	10%	76
CBRE Property Fund Central and Eastern Europe FGR	50%	68	50%	67
Parcom Buy Out Fund IV B.V.	100%	68	100%	50
DPE Deutschland III (Parallel) GmbH & Co	17%	57	17%	30
Delta Mainlog Holding GmbH & Co. KG	50%	57	50%	56
Parcom Investment Fund II B.V.	100%	56	100%	69
Other		633		609
Associates and joint ventures		5,227		5,000

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

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

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

Other includes EUR 441 million (31 December 2018: EUR 416 million) of associates and joint ventures with an individual balance sheet value of less than EUR 50 million and EUR 192 million (31 December 2018: EUR 193 million) of receivables from associates and joint ventures.

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

5 Property and equipment

Property and equipment

	30 June 2019	31 December 2018
Property in own use	78	75
Equipment	82	76
Property and equipment owned	160	151
Right of use assets	239	
Property and equipment total	399	151

Notes to the Condensed consolidated interim accounts continued

6 Intangible assets

Intangible assets

	30 June 2019	31 December 2018
Goodwill	530	532
Value of business acquired	167	
Software	79	73
Other	240	258
Intangible assets	1,016	863

Value of business acquired relates to the acquisitions in the Czech Republic and Slovakia in 2019. Reference is made to Note 18 'Companies and businesses acquired and divested'.

7 Other assets

Other assets

	30 June 2019	31 December 2018
Insurance and reinsurance receivables	1,115	1,038
Income tax receivables	146	110
Accrued interest and rents	1,269	1,597
Other accrued assets	254	301
Cash collateral amounts paid	1,726	1,190
Other	639	472
Other assets	5,149	4,708

8 Equity

Total equity

	30 June 2019	31 December 2018
Share capital	41	41
Share premium	12,572	12,572
Revaluation reserve	15,077	8,198
Currency translation reserve	4	-34
Net defined benefit asset/liability remeasurement reserve	-143	-106
Other reserves	2,834	2,179
Shareholders' equity (parent)	30,385	22,850
Minority interests	255	234
Undated subordinated notes	1,764	1,764
Total equity	32,404	24,848

Changes in equity (2019)

30 June 2019	Share capital	Share premium	Reserves	Total shareholders' equity (parent)
Equity – opening balance	41	12,572	10,237	22,850
Total amount recognised directly in equity (Other comprehensive income)			6,888	6,888
Net result for the period			1,118	1,118
Dividend			-243	-243
Purchase/sale of treasury shares			-168	-168
Employee stock option and share plans			-1	-1
Coupon on undated subordinated notes			-59	-59
Equity – closing balance	41	12,572	17,772	30,385

Notes to the Condensed consolidated interim accounts continued

Final dividend 2018

On 29 May 2019, the Annual General Meeting adopted the proposed final dividend of EUR 1.24 per ordinary share, or approximately EUR 415 million in total based on the number of outstanding shares (net of treasury shares). Together with the 2018 interim dividend of EUR 0.66 per ordinary share paid in September 2018, NN Group's total dividend for 2018 was EUR 637 million, or EUR 1.90 per ordinary share, which is equivalent to a dividend pay-out ratio of around 50% of NN Group's full-year 2018 net operating result. The final dividend was paid in cash, after deduction of withholding tax if applicable, or ordinary shares from the share premium reserve, at the election of the shareholder. As a result, an amount of EUR 243 million was distributed out of Other reserves (cash dividend) and 4,807,859 ordinary shares, with a par value of EUR 0.12 per share, were issued (EUR 172 million stock dividend). To neutralise the dilutive effect of the stock dividend, NN Group repurchases ordinary shares for an amount equivalent to the stock dividend.

Interim dividend 2019

NN Group will pay a 2019 interim dividend of EUR 0.76 per ordinary share, or approximately EUR 252 million in total. The 2019 interim dividend will be paid either in cash, after deduction of withholding tax if applicable, or ordinary shares at the election of the shareholder. To neutralise the dilutive effect of the interim stock dividend, NN Group will repurchase ordinary shares for an amount equivalent to the stock dividend.

Purchase/sale of treasury shares (2019)

In 2019, 4,724,056 ordinary shares for a total amount of EUR 168 million were repurchased under open market share buyback programmes including repurchases to neutralise the dilutive effect of stock dividends. Treasury shares for an amount of EUR 5 million were delivered under Employee share plans. The repurchased shares are held by NN Group and the amount was deducted from Other reserves (Purchase/sale of treasury shares). As at 30 June 2019, 5,229,228 treasury shares were held by NN Group.

In the first half of 2019, 5,850,000 NN Group treasury shares were cancelled.

Coupon paid on undated subordinated notes (2019)

The undated subordinated notes have optional annual coupon payments in June and July. As a result of the share buyback programme, the 2019 coupon became mandatory and therefore the full annual coupon of EUR 59 million (net of tax) was deducted from equity in the first quarter.

Changes in equity (2018)

	Share capital	Share premium	Reserves	Total shareholders' equity (parent)
31 December 2018				
Equity – opening balance	41	12,572	10,105	22,718
Total amount recognised directly in equity (Other comprehensive income)			-290	-290
Net result for the period			1,117	1,117
Dividend			-332	-332
Purchase/sale of treasury shares			-231	-231
Employee stock option and share plans			2	2
Coupon on undated subordinated notes			-58	-58
Changes in the composition of the group and other changes			-76	-76
Equity – closing balance	41	12,572	10,237	22,850

Purchase/sale of treasury shares (2018)

In 2018, 6,375,646 ordinary shares for a total amount of EUR 237 million were repurchased under open market share buyback programmes to neutralise the dilutive effect of stock dividends and treasury shares for an amount of EUR 6 million were delivered under Employee share plans. The repurchased shares are held by NN Group and the amount was deducted from Other reserves (Purchase/sale of treasury shares).

In 2018, 6,176,884 NN Group treasury shares were cancelled.

As at 31 December 2018, 6,554,128 treasury shares were held by NN Group.

Issue of ordinary shares (2018)

In 2018, NN Group shares were issued to shareholders that opted to receive a stock dividend as follows: 3,918,712 shares were issued for the 2017 final dividend and 2,566,901 shares were issued for the 2018 interim dividend.

Interim dividend 2018

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

Coupon paid on undated subordinated notes (2018)

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

Notes to the Condensed consolidated interim accounts continued

Minority interest

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

At 30 June 2019, the minority interest relating to ABN AMRO Verzekeringen recognised in equity was EUR 242 million (31 December 2018: EUR 222 million).

Summarised information ABN AMRO Verzekeringen¹

	30 June 2019	31 December 2018 ²
Total assets	4,935	4,889
Total liabilities	4,440	4,436
Total income	293	559
Total expenses	265	527
Net result recognised in period	20	32
Other comprehensive income recognised in period	43	-13
Dividends paid	21	183

1 All on 100% basis.

2 Total income, Total expenses, Net result recognised in period, Other comprehensive income recognised in period and Dividend paid are for the full year 2018.

9 Insurance and investment contracts, reinsurance contracts

Insurance and investment contracts, reinsurance contracts

	Liabilities net of reinsurance		Reinsurance contracts		Insurance and investment contracts	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018	30 June 2019	31 December 2018
Life insurance liabilities excluding liabilities for risk of policyholders	125,972	123,243	714	693	126,686	123,936
Liabilities for life insurance for risk of policyholders	31,555	28,971	35	45	31,590	29,016
Investment contract with discretionary participation features for risk of policyholders	234	215			234	215
Life insurance liabilities	157,761	152,429	749	738	158,510	153,167
Liabilities for unearned premiums and unexpired risks	776	401	22	13	798	414
Claims liabilities	5,365	5,282	253	259	5,618	5,541
Insurance liabilities and investment contracts with discretionary participation features	163,902	158,112	1,024	1,010	164,926	159,122
Investment contracts liabilities	2,106	1,996			2,106	1,996
Insurance and investment contracts, reinsurance contracts	166,008	160,108	1,024	1,010	167,032	161,118

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

Notes to the Condensed consolidated interim accounts continued

10 Other liabilities

Other liabilities

	30 June 2019	31 December 2018
Income tax payable	9	16
Net defined benefit liability	177	124
Other post-employment benefits	19	18
Other staff-related liabilities	102	122
Other taxation and social security contributions	116	123
Deposits from reinsurers	332	336
Lease liabilities	278	
Accrued interest	200	238
Costs payable	353	449
Amounts payable to policyholders	934	898
Provisions	272	293
Amounts to be settled	1,447	1,954
Cash collateral amounts received	7,804	4,086
Other	974	770
Other liabilities	13,017	9,427

11 Investment income

Investment income

	1 April to 30 June 2019	1 April to 30 June 2018	1 January to 30 June 2019	1 January to 30 June 2018
Interest income from investments in debt securities	443	457	890	910
Interest income from loans:				
– mortgage loans	321	261	649	580
– unsecured loans	57	64	110	108
– policy loans	2	2	5	5
– other	12	27	25	33
Interest income from investments in debt securities and loans	835	811	1,679	1,636
Realised gains/losses on disposal of available-for-sale debt securities	92	133	96	135
Realised gains/losses and impairments of available-for-sale debt securities	92	133	96	135
Realised gains/losses on disposal of available-for-sale equity securities	24	214	32	266
Impairments of available-for-sale equity securities	-11	-15	-25	-34
Realised gains/losses and impairments of available-for-sale equity securities	13	199	7	232
Interest income on non-trading derivatives	53	21	106	90
Increase/decrease in loan loss provisions	-16	8	-14	9
Income from real estate investments	24	39	49	78
Dividend income	100	119	203	166
Change in fair value of real estate investments	17	36	5	179
Investment income	1,118	1,366	2,131	2,525

Impairments on investments by segment

	1 April to 30 June 2019	1 April to 30 June 2018	1 January to 30 June 2019	1 January to 30 June 2018
Netherlands Life	-8	-19	-21	-34
Netherlands Non-life		2	-1	2
Insurance Europe	-3	2	-3	-2
Impairments	-11	-15	-25	-34

Notes to the Condensed consolidated interim accounts continued

12 Underwriting expenditure

Underwriting expenditure

	1 April to 30 June 2019	1 April to 30 June 2018	1 January to 30 June 2019	1 January to 30 June 2018
Gross underwriting expenditure:				
- before effect of investment result for risk of policyholders	3,116	3,208	8,020	8,029
- effect of investment result for risk of policyholders	881	675	3,066	-2
Gross underwriting expenditure	3,997	3,883	11,086	8,027
Investment result for risk of policyholders	-881	-675	-3,066	2
Reinsurance recoveries	-52	-42	-116	-86
Underwriting expenditure	3,064	3,166	7,904	7,943

The investment income and valuation results regarding investments for risk of policyholders is recognised in 'Underwriting expenditure'. As a result, it is shown together with the equal amount of related change in insurance liabilities for risk of policyholders.

Underwriting expenditure by class

	1 April to 30 June 2019	1 April to 30 June 2018	1 January to 30 June 2019	1 January to 30 June 2018
Expenditure from life underwriting:				
- reinsurance and retrocession premiums	59	60	153	140
- gross benefits	2,979	3,357	6,195	6,744
- reinsurance recoveries	-37	-30	-74	-61
- change in life insurance liabilities	-701	-975	-550	-1,103
- costs of acquiring insurance business	113	109	282	240
- other underwriting expenditure	39	39	88	86
- profit sharing and rebates	18	11	31	25
Expenditure from life underwriting	2,470	2,571	6,125	6,071
Expenditure from non-life underwriting:				
- reinsurance and retrocession premiums	29	78	79	156
- gross claims	483	513	981	1,011
- reinsurance recoveries	-15	-12	-42	-25
- changes in the liabilities for unearned premiums	-106	-92	399	356
- changes in claims liabilities	53	-11	82	115
- costs of acquiring insurance business	141	128	278	266
- other underwriting expenditure	-6	-5	-10	-10
Expenditure from non-life underwriting	579	599	1,767	1,869
Expenditure from investment contracts:				
- costs of acquiring investment contracts			1	
- other changes in investment contract liabilities	15	-4	11	3
Expenditure from investment contracts	15	-4	12	3
Underwriting expenditure	3,064	3,166	7,904	7,943

13 Staff expenses

Staff expenses

	1 April to 30 June 2019	1 April to 30 June 2018	1 January to 30 June 2019	1 January to 30 June 2018
Salaries	208	201	409	404
Variable salaries	22	15	43	39
Pension costs	34	31	68	61
Social security costs	34	34	69	66
Share-based compensation arrangements	3	6	8	8
External staff costs	77	72	152	145
Education	5	4	9	8
Other staff costs	15	9	31	30
Staff expenses	398	372	789	761

Notes to the Condensed consolidated interim accounts continued

14 Earnings per ordinary share

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

Earnings per ordinary share

	Amount (in millions of euros)		Weighted average number of ordinary shares (in millions)		Per ordinary share (in euros)	
	1 April to 30 June 2019	1 April to 30 June 2018	1 April to 30 June 2019	1 April to 30 June 2018	1 April to 30 June 2019	1 April to 30 June 2018
	Net result	606	463			
Coupon on undated subordinated notes	-15	-14				
Basic earnings per ordinary share	591	449	332.9	334.6	1.78	1.34
Dilutive instruments:						
- Share plans			0.4	0.6		
Dilutive instruments			0.4	0.6		
Diluted earnings per ordinary share	591	449	333.3	335.2	1.77	1.34

Earnings per ordinary share

	Amount (in millions of euros)		Weighted average number of ordinary shares (in millions)		Per ordinary share (in euros)	
	1 January to 30 June 2019	1 January to 30 June 2018	1 January to 30 June 2019	1 January to 30 June 2018	1 January to 30 June 2019	1 January to 30 June 2018
	Net result	1,118	862			
Coupon on undated subordinated notes	-29	-29				
Basic earnings per ordinary share	1,089	833	333.6	334.4	3.26	2.49
Dilutive instruments:						
- Share plans			0.4	0.6		
Dilutive instruments			0.4	0.6		
Diluted earnings per ordinary share	1,089	833	334.0	335.0	3.26	2.49

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

15 Segments

As of 2019, Banking, previously included in the segment 'Other', is reported as a separate segment. At the same time, the segment Japan Closed Block VA is no longer reported separately, but is included in the segment 'Other'. There is no impact on the total Net result. The comparative figures have been amended in line with the new segmentation.

As a result, the reporting segments for NN Group, based on the internal reporting structure, are as follows:

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

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

Notes to the Condensed consolidated interim accounts continued

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

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

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

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

Segments (2019)

1 April to 30 June 2019	Netherlands Life	Netherlands Non-life	Insurance Europe	Japan Life	Asset Management	Banking	Other	Total segments
Investment margin	240		25	-4	2			262
Fees and premium-based revenues	100		183	124	108			515
Technical margin	39		63	8				109
Operating income	379	0	270	128	110	0	0	887
Administrative expenses	114		103	35	70			321
DAC amortisation and trail commissions	8		93	60				161
Expenses	122	0	195	95	70	0	0	482
Operating result non-life		56	6					62
Operating result banking						30		30
Operating result other							-52	-52
Operating result	257	56	82	33	40	30	-52	445
Non-operating items:								
– gains/losses and impairments	18	5	61	-4		4	5	89
– revaluations	331	5	-11	-6			-3	316
– market & other impacts	-40		-1			-5	7	-38
Special items before tax	-6	-15	-11	-1	-4	-6	-12	-55
Acquisition intangibles and goodwill							-8	-8
Result before tax	561	50	120	22	36	23	-63	749
Taxation	98	11	27	6	9	6	-18	139
Minority interests	2	3						4
Net result	461	37	93	16	27	17	-45	606

Notes to the Condensed consolidated interim accounts continued

Segments (2018)

1 April to 30 June 2018	Netherlands Life	Netherlands Non-life	Insurance Europe	Japan Life	Asset Management	Banking	Other	Total segments
Investment margin	292		23	-2				313
Fees and premium-based revenues	111		173	130	112			527
Technical margin	54		46	-1				99
Operating income non-modelled life business			1					1
Operating income	457	0	243	127	112	0	0	940
Administrative expenses	115		98	33	71			317
DAC amortisation and trail commissions	9		80	67				156
Expenses	125	0	177	100	71	0	0	473
Operating result non-life		40	-3					37
Operating result banking						36		36
Operating result other							-32	-32
Operating result	332	40	63	27	41	36	-32	508
Non-operating items:								
- gains/losses and impairments	317	7	18	-4		1	3	342
- revaluations	-7	-3	-2	-4		-3	-1	-18
- market & other impacts	-74	-1	-6			-9	-11	-101
Special items before tax	-12	-29	-7		-11	-4	-23	-86
Acquisition intangibles and goodwill							-33	-33
Result before tax	557	14	67	19	30	20	-95	611
Taxation	129	4	16	3	7	5	-20	144
Minority interests	2	1						4
Net result	426	9	50	16	23	15	-75	463

Notes to the Condensed consolidated interim accounts continued

Segments (2019)

1 January to 30 June 2019	Netherlands Life	Netherlands Non-life	Insurance Europe	Japan Life	Asset Management	Banking	Other	Total segments
Investment margin	482		49	-7	1			525
Fees and premium-based revenues	209		360	366	215			1,150
Technical margin	81		120	7				207
Operating income non-modelled life business			1					1
Operating income	772	0	530	365	217	0	0	1,883
Administrative expenses	230		206	69	141			646
DAC amortisation and trail commissions	17		189	179				386
Expenses	248	0	396	247	141	0	0	1,031
Operating result non-life		84	5					90
Operating result banking						60		60
Operating result other							-88	-88
Operating result	524	84	140	118	76	60	-88	914
Non-operating items:								
- gains/losses and impairments	15	8	65	-4		4	6	94
- revaluations	614	4	-28	-14			-3	573
- market & other impacts	-64		-1			-7	-2	-75
Special items before tax	-20	-26	-17	-2	-6	-8	-27	-108
Acquisition intangibles and goodwill			33				-16	17
Result on divestments	5						4	8
Result before tax	1,073	70	191	98	70	49	-126	1,424
Taxation	224	15	36	28	16	13	-36	296
Minority interests	5	5						10
Net result	844	50	156	70	53	35	-90	1,118

Acquisition intangibles and goodwill in Insurance Europe includes negative goodwill on the acquisitions in the Czech Republic and Slovakia in 2019. Reference is made to Note 18 'Companies and businesses acquired and divested'. Special items in 2019 reflect restructuring expenses incurred in respect of the cost reduction target and other project related expenses, such as the implementation of IFRS 17.

Notes to the Condensed consolidated interim accounts continued

Segments (2018)

1 January to 30 June 2018	Netherlands Life	Netherlands Non-life	Insurance Europe	Japan Life	Asset Management	Banking	Other	Total segments
Investment margin	473		46	-5				514
Fees and premium-based revenues	236		354	318	228			1,137
Technical margin	100		101	-2				199
Operating income non-modelled life business			1					1
Operating income	809	0	503	311	228	0	0	1,851
Administrative expenses	244		198	65	146			653
DAC amortisation and trail commissions	21		167	152				340
Expenses	265	0	365	217	146	0	0	993
Operating result non-life		8	-4					4
Operating result banking						69		69
Operating result other							-110	-110
Operating result	544	8	134	93	82	69	-110	821
Non-operating items:								
- gains/losses and impairments	346	11	11	-3		1	5	370
- revaluations	210	2	5	-10		-1	-1	204
- market & other impacts	-68	-1	-5			-9	4	-80
Special items before tax	-27	-52	-13	-1	-16	-8	-49	-165
Acquisition intangibles and goodwill							-66	-66
Result on divestments							4	4
Result before tax	1,005	-32	132	79	66	51	-213	1,088
Taxation	207	-10	29	19	15	13	-51	222
Minority interests	4							4
Net result	794	-21	103	60	51	38	-162	862

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

16 Taxation

Taxation on components of other comprehensive income

	1 April to 30 June 2019	1 April to 30 June 2018	1 January to 30 June 2019	1 January to 30 June 2018
Unrealised revaluations property in own use		-2	1	-2
Unrealised revaluations available-for-sale investments and other	-617	31	-1,212	-34
Realised gains/losses transferred to the profit and loss account	21	57	19	55
Changes in cash flow hedge reserve	-545	-55	-1,006	-67
Deferred interest credited to policyholders	246	-19	479	-2
Remeasurement of the net defined benefit asset/liability	5		11	
Income tax	-890	12	-1,708	-50

Notes to the Condensed consolidated interim accounts continued

17 Fair value of financial assets and liabilities

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

Fair value of financial assets and liabilities

	Estimated fair value		Balance sheet value	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018
Financial assets				
Cash and cash equivalents	11,131	8,886	11,131	8,886
Financial assets at fair value through profit or loss:				
– investments for risk of policyholders	32,934	30,230	32,934	30,230
– non-trading derivatives	10,026	5,096	10,026	5,096
– designated as at fair value through profit or loss	1,206	722	1,206	722
Available-for-sale investments	112,580	104,329	112,580	104,329
Loans	64,168	60,264	60,898	58,903
Total financial assets	232,045	209,527	228,775	208,166
Financial liabilities				
Subordinated debt	2,768	2,568	2,433	2,445
Debt securities issued	2,078	2,003	1,991	1,990
Other borrowed funds	6,724	5,774	6,605	5,717
Investment contracts with discretionary participation features for risk of policyholders	234	215	234	215
Investment contracts for risk of company	1,095	1,092	1,033	1,078
Investment contracts for risk of policyholders	1,073	918	1,073	918
Customer deposits and other funds on deposit	15,832	15,001	15,047	14,729
Financial liabilities at fair value through profit or loss:				
– non-trading derivatives	3,809	2,163	3,809	2,163
Total financial liabilities	33,613	29,734	32,225	29,255

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

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

Further information on the methods and assumptions that were used by NN Group to estimate the fair value of the financial instruments and the sensitivities for changes in these assumptions is disclosed in Note 33 'Fair value of financial assets and liabilities' of the 2018 NN Group Consolidated annual accounts.

Financial assets and liabilities at fair value

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

Notes to the Condensed consolidated interim accounts continued

Methods applied in determining the fair value of financial assets and liabilities at fair value (2019)

30 June 2019	Level 1	Level 2	Level 3	Total
Financial assets				
Investments for risk of policyholders	31,912	214	808	32,934
Non-trading derivatives	5	9,951	70	10,026
Financial assets designated as at fair value through profit or loss	1,073	133		1,206
Available-for-sale investments	74,325	37,166	1,089	112,580
Financial assets	107,315	47,464	1,967	156,746
Financial liabilities				
Investment contracts with discretionary participation features for risk of policyholders		234		234
Investment contracts (for contracts at fair value)	1,073			1,073
Non-trading derivatives	55	3,674	80	3,809
Financial liabilities	1,128	3,908	80	5,116

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

31 December 2018	Level 1	Level 2	Level 3	Total
Financial assets				
Investments for risk of policyholders	29,339	103	788	30,230
Non-trading derivatives	68	4,943	85	5,096
Financial assets designated as at fair value through profit or loss	609	113		722
Available-for-sale investments	69,762	33,500	1,067	104,329
Financial assets	99,778	38,659	1,940	140,377
Financial liabilities				
Investment contracts with discretionary participation features for risk of policyholders		215		215
Investment contracts (for contracts at fair value)	918			918
Non-trading derivatives	16	2,048	99	2,163
Financial liabilities	934	2,263	99	3,296

Level 1 – (Unadjusted) Quoted prices in active markets

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

Level 2 – Valuation technique supported by observable inputs

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

Level 3 – Valuation technique supported by unobservable inputs

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

Notes to the Condensed consolidated interim accounts continued

Changes in Level 3 Financial assets (2019)

30 June 2019	Investments for risk of policyholders	Non-trading derivatives	Available-for-sale investments	Total
Level 3 Financial assets – opening balance	788	85	1,067	1,940
Amounts recognised in the profit and loss account		-15	-25	-40
Revaluations recognised in other comprehensive income (equity)			-25	-25
Purchase	20		112	132
Maturity/settlement			-25	-25
Exchange rate differences			-15	-15
Level 3 Financial assets – closing balance	808	70	1,089	1,967

Changes in Level 3 Financial assets (2018)

31 December 2018	Investments for risk of policyholders	Non-trading derivatives	Available-for-sale investments	Total
Level 3 Financial assets – opening balance	803	148	1,348	2,299
Amounts recognised in the profit and loss account	-4	-62	90	24
Revaluations recognised in other comprehensive income (equity)			-90	-90
Purchase			68	68
Sale	-11	-1	-57	-69
Maturity/settlement			-94	-94
Other transfers and reclassifications			-272	-272
Transfers into Level 3			77	77
Transfers out of Level 3			-3	-3
Level 3 Financial assets – closing balance	788	85	1,067	1,940

Transfers out of Level 3 and reclassification

Reclassification mainly relate to the transfer of certain investments in real estate funds to associates and joint ventures due to an increase in level of influence. For more information, reference is made to Note 6 'Associates and joint ventures' of the 2018 NN Group Consolidated annual accounts.

Changes in Level 3 Financial liabilities (2019)

30 June 2019	Non-trading derivatives
Level 3 Financial liabilities – opening balance	99
Amounts recognised in the profit and loss account	-19
Level 3 Financial liabilities – closing balance	80

Changes in Level 3 Financial liabilities (2018)

31 December 2018	Non-trading derivatives
Level 3 Financial liabilities – opening balance	150
Amounts recognised in the profit and loss account	-51
Level 3 Financial liabilities – closing balance	99

Level 3 – Amounts recognised in the profit and loss account during the year (2019)

30 June 2019	Held at balance sheet date	Derecognised during the period	Total
Financial assets			
Non-trading derivatives	-15		-15
Available-for-sale investments	-25		-25
Financial assets	-40	0	-40
Financial liabilities			
Non-trading derivatives	-19		-19
Financial liabilities	-19	0	-19

Notes to the Condensed consolidated interim accounts continued

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

31 December 2018	Held at balance sheet date	Derecognised during the period	Total
Financial assets			
Investments for risk of policyholders	-4		-4
Non-trading derivatives	-62		-62
Available-for-sale investments	-5	95	90
Financial assets	-71	95	24
Financial liabilities			
Non-trading derivatives	-51		-51
Financial liabilities	-51	0	-51

18 Companies and businesses acquired and divested

Acquisitions (2019)

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

In the first quarter of 2019, NN Group acquired all issued and outstanding ordinary shares of Aegon's Life Insurance business in the Czech Republic and Aegon's Life Insurance and Pension businesses in Slovakia for a total consideration of EUR 155 million. NN Group acquired multiple legal entities. As these legal entities are individually and in aggregate not material to NN Group, the disclosures contained in this note are on an aggregated basis, unless specifically indicated.

Included below is an overview of the transaction, the rationale for the transaction, the accounting at the acquisition date and certain additional disclosures on the acquisition.

Overview of transaction

In August 2018, NN Group announced that it had reached an agreement to acquire Aegon's Life Insurance business in the Czech Republic and Aegon's Life Insurance and Pension businesses in Slovakia ('the businesses acquired') for a total consideration of EUR 155 million. The transaction was closed on 8 January 2019.

This transaction is in line with NN Group's strategy to achieve profitable growth and value creation. This bolt-on acquisition is expected to strengthen NN Group's position in the Life insurance market and its distribution network in the Czech Republic and Slovakia and is expected to further strengthen NN Group's leading position in the Slovak pension market.

Accounting at the acquisition date

The acquisition date for the acquired businesses by NN Group for acquisition accounting under IFRS is 8 January 2019. On this date, NN Group acquired 100% of the ordinary shares of the relevant entities and thus obtained control. NN Group used 1 January 2019 as a proxy for the acquisition date for practical reasons. As a result, the businesses are included in the NN Group consolidation as of 1 January 2019.

The values of certain assets and liabilities acquired as at 1 January 2019 as disclosed below differ from the values of the assets and liabilities in the balance sheet of the businesses immediately before the acquisition by NN Group. This results from differences between the accounting previously applied and the acquisition accounting at fair value as required under IFRS. The difference relates mainly to the valuation of insurance liabilities.

At the acquisition date, the fair value as defined by IFRS of the Insurance liabilities was calculated. The fair value of insurance liabilities differs from the book value as previously reported. The fair value of the insurance liabilities was determined based on the estimated price that a market participant would charge to assume the insurance liabilities of the businesses in an orderly transaction at the measurement date. In arriving at the fair value of the insurance liabilities, future cash flows were estimated using current best estimate actuarial assumptions. Relevant observable input data was used as far as possible. These estimated future cash flows were discounted using a current market rate to reflect the time value of money. Subsequently a risk margin was added for the compensation that a market participant would require for assuming the risks and uncertainties relating to these insurance liabilities. This compensation was calculated using the cost of capital approach.

Whilst the determination of the fair value of the insurance liabilities involved estimates and expert judgement, there are no elements in the valuation where using reasonably supportable alternative assumptions would have had a material impact on NN Group.

In accordance with IFRS 4 and in line with NN Group's accounting policies, NN Group opted to recognise the difference between the fair value and the existing book value of the insurance liabilities as an asset (Value of Business Acquired, or 'VOBA') and to report the Liabilities for insurance contracts in the balance sheet at the existing book values.

No significant acquisition intangibles (other than VOBA) were recognised and no significant adjustments were made to the valuation of assets and liabilities other than insurance liabilities.

The fair value of the total purchase consideration was EUR 155 million. This was fully paid in cash.

Notes to the Condensed consolidated interim accounts continued

Cash flow on acquisition

	Acquisition date
Cash paid to acquire shares	-155
Cash in company acquired	32
Cash flow on acquisition	-123

Acquisition date fair values of the assets and liabilities acquired

	Acquisition date
Assets	
Cash and cash equivalents	32
Financial assets at fair value through profit or loss:	
- investments for risk of policyholders	193
Available-for-sale investments	51
Intangible assets	181
Other	13
Total assets	470
Liabilities	
Insurance and investment contracts	239
Other	44
Total liabilities	283
Net assets acquired	187
Fair value of purchase consideration	155
Fair value of net assets acquired	187
Difference	-32

In the second quarter 2019, the presentation of certain amounts in the acquisition balance sheet was updated. There was no net impact on Net assets acquired.

For the pension business in Slovakia the purchase consideration paid was EUR 1 million higher than the net assets acquired; the difference represents goodwill. This goodwill is capitalised in the NN Group balance sheet; it is not amortised but will be tested for impairment at least annually going forward.

For the business in the Czech Republic and the life insurance business in Slovakia the purchase consideration paid was in total EUR 33 million lower than the net assets acquired; the difference represents negative goodwill. This negative goodwill is recognised in Other income in the profit and loss account immediately (presented in the segment Insurance Europe).

The (negative) goodwill is not tax deductible.

Other information

	Acquisition date
Total income recognised in profit and loss since date of acquisition	55
Net profit recognised in profit and loss since date of acquisition	1

No significant acquisition-related costs were recognised on this transaction.

As 1 January 2019 is used as the date of acquisition and, therefore, the results of the acquired businesses are included in the NN Group consolidation for the full period, no separate disclosure is relevant for the amounts that would have been recognised if the transaction had occurred at the start of the year.

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

There were no significant contingent liabilities related to the businesses that were recognised at the date of acquisition.

Notes to the Condensed consolidated interim accounts continued

Acquisition announced in 2019

On 7 June 2019, NN Group announced to acquire VIVAT Schadeverzekeringen N.V. ('VIVAT Non-life') for a consideration of EUR 416 million. NN Group will acquire VIVAT Non-life from Athora, following the acquisition of the VIVAT Group ('VIVAT') by Athora. In addition, NN Group will acquire the intercompany Tier 2 loans granted by VIVAT to VIVAT Non-life for a consideration of EUR 150 million. The completion of the acquisition is subject to the closing of the acquisition of VIVAT by Athora and customary closing conditions, including antitrust clearance, declarations of no-objection from the Dutch Central Bank and consultation of the works council of VIVAT. The acquisition is expected to be completed in the first quarter of 2020.

19 Other events

Unit-linked products in the Netherlands

Reference is made to Note 42 'Legal proceedings' of the 2018 NN Group Consolidated annual accounts for a description of legal proceedings with respect to unit-linked products in the Netherlands.

On 27 March 2019, the District Court in Rotterdam issued an interim ruling, in first instance, in which the District Court rejected several of the claims from 'Consumentenbond' that were made against NN in these proceedings. The District Court furthermore concluded that NN has complied with information requirements prescribed by law and regulations applicable at the time. However, the District Court considered that this does not necessarily mean that the costs are agreed upon ('wilsovereenstemming') with the customer. As such, the District Court requested NN to provide further information on certain cost components and agreement thereon.

The interim ruling from the District Court in Rotterdam does not change earlier statements and conclusions disclosed by NN Group in relation to unit-linked products. Although the financial consequences could be substantial for the Dutch insurance business of NN Group and, as a result, may have a material adverse effect on NN Group's business, reputation, revenues, results of operations, solvency, financial condition and prospects, it is not possible to reliably estimate or quantify NN Group's exposures at this time.

Argentina

On 10 April 2019, NN Group filed a claim with the International Centre for Settlement of Investment Disputes (ICSID) under the Bilateral Investment Treaty between Argentina and the Netherlands, in order to resolve a dispute with the Argentine Republic. The dispute relates to the nationalisation of Orígenes – NN Group's former pension fund manager in Argentina - by the Argentine Government in 2008. These proceedings may last for several years. As the case is still pending, it is unclear at this stage whether and to what extent any compensation will be granted to NN Group and therefore no compensation has been recognised.

20 Capital management

Solvency II

	30 June 2019	31 December 2018
Basic Own Funds	18,409	18,100
Non-available Own Funds	1,164	1,373
Eligible Own Funds to cover Solvency Capital Requirements (a)	17,245	16,727
- of which Tier 1 unrestricted	10,984	10,513
- of which Tier 1 restricted	1,946	1,895
- of which Tier 2	2,470	2,433
- of which Tier 3	701	755
- of which non-Solvency II regulated entities	1,144	1,132
Solvency Capital Requirements (b)	8,203	7,274
- of which Solvency Capital Requirements calculated on the basis of consolidated data	7,652	6,767
- of which the capital requirements for investment firms, pension funds and credit institutions	266	226
- of which the capital requirements for undertakings included under the D&A method	285	281
NN Group Solvency II ratio (a/b)¹	210%	230%

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

The NN Group Solvency II ratio decreased to 210% at 30 June 2019 from 230% at 31 December 2018. The decrease was mainly due to the movements in credit spreads and interest rates, the deduction of the EUR 500 million share buyback programme and the 2019 interim dividend, as well as the impact of a reduction in the Ultimate Forward Rate (UFR) from 4.05% to 3.9%. These items were partly offset by operating capital generation and positive equity revaluations.

Authorisation of the Condensed consolidated interim accounts

The Hague, 14 August 2019

The Supervisory Board

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

The Executive Board

D. (Delfin) Rueda, Chief Financial Officer

Review report

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

Introduction

We have reviewed the accompanying condensed consolidated interim accounts as at 30 June 2019 of NN Group N.V. (the Company), The Hague, as included on pages 17 to 43 of this report. These condensed consolidated interim accounts comprise the condensed consolidated balance sheet as at 30 June 2019, the condensed consolidated profit and loss account and the condensed consolidated statement of comprehensive income for the three and six-month periods ended 30 June 2019, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the six-month period ended 30 June 2019, and the notes. Management of the Company is responsible for the preparation and presentation of these condensed consolidated interim accounts in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on these condensed consolidated interim accounts based on our review.

Scope

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim accounts as at 30 June 2019 are not prepared, in all material respects, in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

Amstelveen, 14 August 2019

KPMG Accountants N.V.

P.A.M. de Wit RA

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Disclaimer

In preparing the financial information in this document, the same accounting principles are applied as in the 2018 NN Group Consolidated annual accounts, except as indicated in Note 1 of the 30 June 2019 Condensed consolidated interim accounts.

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

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

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

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