NN Group N.V.
30 September 2019 Condensed consolidated interim accounts

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Condensed consolidated balance sheet

Amounts in millions of euros, unless stated otherwise

Condensed consolidated balance sheet

	notes	30 September 2019	31 December 2018
Assets			
Cash and cash equivalents		10,524	8,886
Financial assets at fair value through profit or loss:			
– investments for risk of policyholders		33,808	30,230
– non-trading derivatives		15,299	5,096
– designated as at fair value through profit or loss		1,120	722
Available-for-sale investments	2	122,390	104,329
Loans	3	61,693	58,903
Reinsurance contracts	9	1,002	1,010
Associates and joint ventures	4	5,228	5,000
Real estate investments		2,523	2,374
Property and equipment	5	405	151
Intangible assets	6	1,003	863
Deferred acquisition costs		1,963	1,843
Deferred tax assets		95	131
Other assets	7	5,555	4,708
Total assets		**262,608**	**224,246**
Equity			
Shareholders' equity (parent)		34,987	22,850
Minority interests		274	234
Undated subordinated notes		1,764	1,764
Total equity	8	**37,025**	**24,848**
Liabilities			
Subordinated debt		2,415	2,445
Debt securities issued		1,991	1,990
Other borrowed funds		7,080	5,717
Insurance and investment contracts	9	170,616	161,118
Customer deposits and other funds on deposit		15,129	14,729
Financial liabilities at fair value through profit or loss:			
– non-trading derivatives		5,319	2,163
Deferred tax liabilities		5,046	1,809
Other liabilities	10	17,987	9,427
Total liabilities		**225,583**	**199,398**
Total equity and liabilities		**262,608**	**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 July to 30 September 2019	1 July to 30 September 2018	1 January to 30 September 2019	1 January to 30 September 2018
Gross premium income		3,765	2,950	11,584	10,393
Investment income	11	1,050	1,456	3,182	3,981
Result on disposals of group companies			56	8	60
– gross fee and commission income		267	271	783	830
– fee and commission expenses		-86	-81	-258	-257
Net fee and commission income:		181	190	525	573
Valuation results on non-trading derivatives		218	-196	397	-91
Foreign currency results		72	42	23	-13
Share of result from associates and joint ventures		157	173	479	366
Other income		6	2	69	33
Total income		**5,449**	**4,673**	**16,267**	**15,302**
– gross underwriting expenditure		5,292	3,425	16,380	11,451
– investment result for risk of policyholders		-1,203	-423	-4,270	-420
– reinsurance recoveries		-52	-42	-168	-128
Underwriting expenditure:	12	4,037	2,960	11,942	10,903
Intangible amortisation and other impairments		8	33	24	100
Staff expenses	13	369	370	1,158	1,130
Interest expenses		136	117	384	358
Other operating expenses		232	240	668	770
Total expenses		**4,782**	**3,720**	**14,176**	**13,261**
Result before tax		**667**	**953**	**2,091**	**2,041**
Taxation		142	160	439	382
Net result		**525**	**793**	**1,652**	**1,659**

Net result

	1 July to 30 September 2019	1 July to 30 September 2018	1 January to 30 September 2019	1 January to 30 September 2018
Net result attributable to:				
Shareholders of the parent	515	788	1,633	1,650
Minority interests	10	5	19	9
Net result	**525**	**793**	**1,652**	**1,659**

Earnings per ordinary share

amounts in euros	1 July to 30 September 2019	1 July to 30 September 2018	1 January to 30 September 2019	1 January to 30 September 2018
Earnings per ordinary share				
Basic earnings per ordinary share	1.51	2.29	4.78	4.79
Diluted earnings per ordinary share	1.51	2.29	4.77	4.78

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 July to 30 September 2019	1 July to 30 September 2018	1 January to 30 September 2019	1 January to 30 September 2018
Net result	**525**	**793**	**1,652**	**1,659**
– unrealised revaluations available-for-sale investments and other	2,245	-797	7,088	-490
– realised gains/losses transferred to the profit and loss account	-50	-354	-134	-666
– changes in cash flow hedge reserve	3,361	-332	7,220	-125
– deferred interest credited to policyholders	-1,044	359	-2,751	384
– share of other comprehensive income of associates and joint ventures	1	2	-4	
– exchange rate differences	63	-40	100	1
Items that may be reclassified subsequently to the profit and loss account:	4,576	-1,162	11,519	-896
– remeasurement of the net defined benefit asset/liability	-21	8	-58	7
– unrealised revaluations property in own use	-2		2	5
Items that will not be reclassified to the profit and loss account:	-23	8	-56	12
Total other comprehensive income	**4,553**	**-1,154**	**11,463**	**-884**
Total comprehensive income	**5,078**	**-361**	**13,115**	**775**
Comprehensive income attributable to:				
Shareholders of the parent	5,065	-363	13,071	771
Minority interests	13	2	44	4
Total comprehensive income	**5,078**	**-361**	**13,115**	**775**

Condensed consolidated statement of cash flows

Condensed consolidated statement of cash flows

	1 January to 30 September 2019	1 January to 30 September 2018
Result before tax	2,091	2,041
Adjusted for:		
– depreciation and amortisation	109	146
– deferred acquisition costs and value of business acquired	-66	-73
– underwriting expenditure (change in insurance liabilities)	361	-1,988
– realised results and impairments of Available-for-sale investments	-154	-825
– other	-314	-393
Taxation paid	64	-5
Changes in:		
– non-trading derivatives	1,892	513
– other financial assets at fair value through profit or loss	-425	-137
– loans	-2,590	-1,548
– other assets	-691	837
– customer deposits and other funds on deposit	560	474
– financial liabilities at fair value through profit or loss – non-trading derivatives	-1,518	-165
– other liabilities	8,165	-289
Net cash flow from operating activities	**7,484**	**-1,412**
Investments and advances:		
– group companies, net of cash acquired	-128	-5
– available-for-sale investments	-20,161	-9,923
– associates and joint ventures	-377	-235
– real estate investments	-97	-115
– property and equipment	-61	-41
– investments for risk of policyholders	-4,019	-5,353
– other investments	-27	-226
Disposals and redemptions:		
– group companies	38	
– available-for-sale investments	13,022	9,618
– associates and joint ventures	431	78
– real estate investments	5	491
– property and equipment	2	3
– investments for risk of policyholders	4,965	7,362
– other investments	139	1
Net cash flow from investing activities	**-6,268**	**1,655**
Proceeds from subordinated debt		2
Repayments of subordinated debt	-12	
Proceeds from other borrowed funds	4,525	1,295
Repayments of other borrowed funds	-3,217	-1,860
Dividend paid	-397	-384
Purchase/sale of treasury shares and warrants	-507	-84
Coupon on undated subordinated notes	-78	-78
Net cash flow from financing activities	**314**	**-1,109**
Net cash flow	**1,530**	**-866**

Included in Net cash flow from operating activities

	1 January to 30 September 2019	1 January to 30 September 2018
Interest received	3,543	3,344
Interest paid	-452	-410
Dividend received	444	519

Condensed consolidated statement of cash flows continued

Cash and cash equivalents

	1 January to 30 September 2019	1 January to 30 September 2018
Cash and cash equivalents at beginning of the period	8,886	9,383
Net cash flow	1,530	-866
Effect of exchange rate changes on cash and cash equivalents	108	23
Cash and cash equivalents at end of the period	**10,524**	**8,540**

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			7,063	7,063	25		7,088
Realised gains/losses transferred to the profit and loss account			-134	-134			-134
Changes in cash flow hedge reserve			7,220	7,220			7,220
Deferred interest credited to policyholders			-2,751	-2,751			-2,751
Share of other comprehensive income of associates and joint ventures			-4	-4			-4
Exchange rate differences			100	100			100
Remeasurement of the net defined benefit asset/liability			-58	-58			-58
Unrealised revaluations property in own use			2	2			2
Total amount recognised directly in equity (Other comprehensive income)	**0**	**0**	**11,438**	**11,438**	**25**	**0**	**11,463**
Net result for the period			1,633	1,633	19		1,652
Total comprehensive income	**0**	**0**	**13,071**	**13,071**	**44**	**0**	**13,115**
Dividend			-387	-387	-10		-397
Purchase/sale of treasury shares			-520	-520			-520
Coupon on undated subordinated notes			-59	-59			-59
Changes in composition of the group and other changes			32	32	6		38
Balance at 30 September 2019	**41**	**12,572**	**22,374**	**34,987**	**274**	**1,764**	**37,025**

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

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 September 2019 for an amount of EUR 280 million. The right of use asset is presented under Property and equipment (EUR 238 million) and Real estate investments (EUR 42 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 September 2019	31 December 2018
Equity securities:		
– shares in NN Group managed investment funds	2,042	2,101
– shares in third-party managed investment funds	1,340	1,279
– other	3,963	3,354
Equity securities	**7,345**	**6,734**
Debt securities	115,045	97,595
Available-for-sale investments	**122,390**	**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 September 2019	31 December 2018
Available-for-sale investments	115,045	97,595
Loans	1,323	1,365
Available-for-sale investments and loans	**116,368**	**98,960**
Investments for risk of policyholders	1,565	1,138
Designated as at fair value through profit or loss	37	12
Financial assets at fair value through profit or loss	**1,602**	**1,150**
Total exposure to debt securities	**117,970**	**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 September 2019	31 December 2018	30 September 2019	31 December 2018	30 September 2019	31 December 2018
Government bonds	79,102	69,303			79,102	69,303
Corporate bonds	19,343	16,154			19,343	16,154
Financial institution and Covered bonds	13,688	10,242			13,688	10,242
Bond portfolio (excluding ABS)	**112,133**	**95,699**	**0**	**0**	**112,133**	**95,699**
US RMBS	563	531			563	531
Non-US RMBS	1,951	1,164	1,111	1,211	3,062	2,375
CDO/CLO	7	11			7	11
Other ABS	391	190	212	154	603	344
ABS portfolio	**2,912**	**1,896**	**1,323**	**1,365**	**4,235**	**3,261**
Debt securities – Available-for-sale investments and Loans	**115,045**	**97,595**	**1,323**	**1,365**	**116,368**	**98,960**

3 Loans

Loans

	30 September 2019	31 December 2018
Loans secured by mortgages	48,451	45,811
Unsecured loans	10,290	9,916
Asset-backed securities	1,323	1,365
Loans related to savings mortgages	842	906
Deposits	282	422
Policy loans	658	636
Other	9	14
Loans – before loan loss provisions	**61,855**	**59,070**
Loan loss provisions	-162	-167
Loans	**61,693**	**58,903**

Changes in Loan loss provisions

	30 September 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 30 September 2019	Interest held	Balance sheet value 31 December 2018
Vesteda Residential Fund FGR	24%	1,431	27%	1,473
CBRE Dutch Office Fund FGR	19%	347	28%	456
CBRE Retail Property Fund Iberica L.P.	46%	283	33%	281
CBRE Dutch Retail Fund FGR	20%	219	20%	223
CBRE Dutch Residential Fund FGR	10%	196	10%	182
NRP Nordic Logistic Fund AS	42%	185		
CBRE UK Property Fund PAIF	10%	176	10%	176
Lazora S.I.I. S.A.	22%	172	22%	164
CBRE European Industrial Fund FGR	19%	149	19%	138
Allee center Kft	50%	124	50%	121
Achmea Dutch Health Care Property Fund	28%	117	25%	84
Dutch Student and Young Professional Housing Fund FGR	49%	110	49%	96
DPE Deutschland II B GmbH & Co KG	35%	108	35%	92
Fiumaranuova s.r.l.	50%	100	50%	102
Robeco Bedrijfsleningen FGR	26%	100	25%	80
Parcom Buy-Out Fund V CV	21%	99	21%	54
Parcom Investment Fund III B.V.	100%	92	100%	76
Boccaccio - Closed-end Real Estate Mutual Investment Fund	50%	92	50%	89
Siresa House S.L.	49%	91	49%	78
the Fizz Student Housing Fund SCS	50%	81	50%	78
Parcom Buy Out Fund IV B.V.	100%	79	100%	50
CBRE Dutch Retail Fund II FGR	10%	76	10%	76
Delta Mainlog Holding GmbH & Co. KG	50%	59	50%	56
CBRE Property Fund Central and Eastern Europe FGR	50%	57	50%	67
DPE Deutschland III (Parallel) GmbH & Co	17%	54	17%	30
Dutch Urban Living Venture FGR	42%	53	42%	45
Other		578		633
Associates and joint ventures		**5,228**		**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 386 million (31 December 2018: EUR 440 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 September 2019	31 December 2018
Property in own use	78	75
Equipment	89	76
Property and equipment owned	**167**	**151**
Right of use assets	238	
Property and equipment total	**405**	**151**

Notes to the Condensed consolidated interim accounts continued

6 Intangible assets

Intangible assets

	30 September 2019	31 December 2018
Goodwill	536	532
Value of business acquired	158	
Software	77	73
Other	232	258
Intangible assets	**1,003**	**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 September 2019	31 December 2018
Insurance and reinsurance receivables	1,128	1,038
Income tax receivables	30	110
Accrued interest and rents	1,279	1,597
Other accrued assets	268	301
Cash collateral amounts paid	2,256	1,190
Other	594	472
Other assets	**5,555**	**4,708**

8 Equity

Total equity

	30 September 2019	31 December 2018
Share capital	41	41
Share premium	12,572	12,572
Revaluation reserve	19,583	8,198
Currency translation reserve	67	-34
Net defined benefit asset/liability remeasurement reserve	-164	-106
Other reserves	2,888	2,179
Shareholders' equity (parent)	**34,987**	**22,850**
Minority interests	274	234
Undated subordinated notes	1,764	1,764
Total equity	**37,025**	**24,848**

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

Notes to the Condensed consolidated interim accounts continued

Changes in equity (2019)

30 September 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)			11,438	11,438
Net result for the period			1,633	1,633
Dividend			-387	-387
Purchase/sale of treasury shares			-520	-520
Coupon on undated subordinated notes			-59	-59
Changes in the composition of the group and other changes			32	32
Equity – closing balance	**41**	**12,572**	**22,374**	**34,987**

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. The dividend was paid on 25 June 2019.

Interim dividend 2019

In September 2019, NN Group paid a 2019 interim dividend of EUR 0.76 per ordinary share, or approximately EUR 250 million in total. The 2019 interim dividend was paid either in cash, after deduction of withholding tax if applicable, or ordinary shares at the election of the shareholder. As a result, an amount of EUR 144 million was distributed out of Other reserves (cash dividend) and 3,539,191 ordinary shares, with a par value of EUR 0.12 per share, were issued (EUR 106 million stock dividend). To neutralise the dilutive effect of the interim stock dividend, NN Group repurchases ordinary shares for an amount equivalent to the stock dividend.

Purchase/sale of treasury shares (2019)

In the first nine months of 2019, 15.522.205 ordinary shares for a total amount of EUR 525 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 September 2019, 16,020,496 treasury shares were held by NN Group.

In the first nine months 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 the composition of the group and other (2019)

In 2018 NN Group reached an agreement to strengthen the long-term partnership between NN Investment Partners (NNIP) and ING Bank Śląski in Poland. Under this agreement, ING Bank Śląski acquired a 45% stake in NNIP Poland and will distribute NNIP investment funds to the Polish retail market. This transaction closed in 3Q 2019. NN Group continues to consolidate NNIP Poland with a minority interest. The positive difference between the transaction price and the related share in the book value of NNIP Poland of EUR 32 million is recognised directly in retained earnings in equity.

Changes in equity (2018)

31 December 2018	Share capital	Share premium	Reserves	Total shareholders' equity (parent)
Equity – opening balance	41	12,572	10,105	22,718
Total amount recognised directly in equity (Other comprehensive income)			-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**

Notes to the Condensed consolidated interim accounts continued

Final dividend 2017

The annual General Meeting adapted the 2017 final dividend of EUR 1.04 per ordinary share, or approximately EUR 348 million in. Together with the 2017 interim dividend of EUR 0.62 per ordinary share paid in September 2017, NN Group's total dividend for 2017 was EUR 556 million, or EUR 1.66 per ordinary share. 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 205 million was distributed out of Other reserves (cash dividend) and 3,918,712 ordinary shares with a par value of EUR 0.12 per share, were issued (EUR 143 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. The dividend was paid on 25 June 2018.

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 repurchases ordinary shares for an amount equivalent to the stock dividend.

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.

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.

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 September 2019, the minority interest relating to ABN AMRO Verzekeringen recognised in equity was EUR 256 million (31 December 2018: EUR 222 million).

Summarised information ABN AMRO Verzekeringen[1]

	30 September 2019	31 December 2018[2]
Total assets	4,928	4,889
Total liabilities	4,405	4,436
Total income	426	559
Total expenses	381	527
Net result recognised in period	33	32
Other comprehensive income recognised in period	58	-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.

Notes to the Condensed consolidated interim accounts continued

9 Insurance and investment contracts, reinsurance contracts

Insurance and investment contracts, reinsurance contracts

	Liabilities net of reinsurance		Reinsurance contracts		Insurance and investment contracts	
	30 September 2019	31 December 2018	30 September 2019	31 December 2018	30 September 2019	31 December 2018
Life insurance liabilities excluding liabilities for risk of policyholders	128,854	123,243	686	693	129,540	123,936
Liabilities for life insurance for risk of policyholders	32,425	28,971	34	45	32,459	29,016
Investment contract with discretionary participation features for risk of policyholders	236	215			236	215
Life insurance liabilities	**161,515**	**152,429**	**720**	**738**	**162,235**	**153,167**
Liabilities for unearned premiums and unexpired risks	592	401	19	13	611	414
Claims liabilities	5,395	5,282	263	259	5,658	5,541
Insurance liabilities and investment contracts with discretionary participation features	**167,502**	**158,112**	**1,002**	**1,010**	**168,504**	**159,122**
Investment contracts liabilities	2,112	1,996			2,112	1,996
Insurance and investment contracts, reinsurance contracts	**169,614**	**160,108**	**1,002**	**1,010**	**170,616**	**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.

10 Other liabilities

Other liabilities

	30 September 2019	31 December 2018
Income tax payable	56	16
Net defined benefit liability	205	124
Other post-employment benefits	20	18
Other staff-related liabilities	91	122
Other taxation and social security contributions	137	123
Deposits from reinsurers	314	336
Lease liabilities	280	
Accrued interest	185	238
Costs payable	360	449
Amounts payable to policyholders	877	898
Provisions	269	293
Amounts to be settled	1,524	1,954
Cash collateral amounts received	12,264	4,086
Other	1,405	770
Other liabilities	**17,987**	**9,427**

Notes to the Condensed consolidated interim accounts continued

11 Investment income

Investment income

	1 July to 30 September 2019	1 July to 30 September 2018	1 January to 30 September 2019	1 January to 30 September 2018
Interest income from investments in debt securities	445	461	1,335	1,369
Interest income from loans:				
– mortgage loans	333	306	982	887
– unsecured loans	44	48	154	156
– policy loans	9	2	14	8
– other	15	2	40	34
Interest income from investments in debt securities and loans	**846**	**819**	**2,525**	**2,454**
Realised gains/losses on disposal of available-for-sale debt securities	59	432	155	567
Realised gains/losses and impairments of available-for-sale debt securities	**59**	**432**	**155**	**567**
Realised gains/losses on disposal of available-for-sale equity securities	45	29	77	295
Impairments of available-for-sale equity securities	-53	-3	-78	-37
Realised gains/losses and impairments of available-for-sale equity securities	**-8**	**26**	**-1**	**258**
Interest income on non-trading derivatives	58	76	164	167
Increase/decrease in loan loss provisions		2	-14	11
Income from real estate investments	25	23	74	102
Dividend income	58	66	262	232
Change in fair value of real estate investments	12	12	17	190
Investment income	**1,050**	**1,456**	**3,182**	**3,981**

Impairments on investments by segment

	1 July to 30 September 2019	1 July to 30 September 2018	1 January to 30 September 2019	1 January to 30 September 2018
Netherlands Life	-40	-3	-61	-35
Netherlands Non-life	-7		-8	1
Insurance Europe	-2		-5	-3
Japan Life	-3		-3	
Other	-1		-1	
Impairments	**-53**	**-3**	**-78**	**-37**

12 Underwriting expenditure

Underwriting expenditure

	1 July to 30 September 2019	1 July to 30 September 2018	1 January to 30 September 2019	1 January to 30 September 2018
Gross underwriting expenditure:				
– before effect of investment result for risk of policyholders	4,089	3,002	12,110	11,031
– effect of investment result for risk of policyholders	1,203	423	4,270	420
Gross underwriting expenditure	**5,292**	**3,425**	**16,380**	**11,451**
Investment result for risk of policyholders	-1,203	-423	-4,270	-420
Reinsurance recoveries	-52	-42	-168	-128
Underwriting expenditure	**4,037**	**2,960**	**11,942**	**10,903**

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.

Notes to the Condensed consolidated interim accounts continued

Underwriting expenditure by class

	1 July to 30 September 2019	1 July to 30 September 2018	1 January to 30 September 2019	1 January to 30 September 2018
Expenditure from life underwriting:				
– reinsurance and retrocession premiums	77	69	229	209
– gross benefits	2,883	3,277	9,081	10,021
– reinsurance recoveries	-39	-28	-113	-89
– change in life insurance liabilities	466	-1,007	-84	-2,110
– costs of acquiring insurance business	123	118	404	358
– other underwriting expenditure	39	39	127	125
– profit sharing and rebates	17	13	48	38
Expenditure from life underwriting	**3,566**	**2,481**	**9,692**	**8,552**
Expenditure from non-life underwriting:				
– reinsurance and retrocession premiums	44	19	122	175
– gross claims	463	491	1,445	1,502
– reinsurance recoveries	-13	-14	-55	-39
– changes in the liabilities for unearned premiums	-191	-171	208	184
– changes in claims liabilities	29	8	111	124
– costs of acquiring insurance business	138	142	416	408
– other underwriting expenditure	-5	-3	-15	-12
Expenditure from non-life underwriting	**465**	**472**	**2,232**	**2,342**
Expenditure from investment contracts:				
– costs of acquiring investment contracts			1	
– other changes in investment contract liabilities	6	7	17	9
Expenditure from investment contracts	**6**	**7**	**18**	**9**
Underwriting expenditure	**4,037**	**2,960**	**11,942**	**10,903**

13 Staff expenses

Staff expenses

	1 July to 30 September 2019	1 July to 30 September 2018	1 January to 30 September 2019	1 January to 30 September 2018
Salaries	204	200	611	602
Variable salaries	18	21	61	61
Pension costs	30	34	98	94
Social security costs	36	29	105	96
Share-based compensation arrangements	2	2	10	10
External staff costs	73	74	226	219
Education	3	5	13	13
Other staff costs	3	5	34	35
Staff expenses	**369**	**370**	**1,158**	**1,130**

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.

Notes to the Condensed consolidated interim accounts continued

Earnings per ordinary share

	Amount (in millions of euros)		Weighted average number of ordinary shares (in millions)		Per ordinary share (in euros)	
	1 July to 30 September 2019	1 July to 30 September 2018	1 July to 30 September 2019	1 July to 30 September 2018	1 July to 30 September 2019	1 July to 30 September 2018
Net result	515	788				
Coupon on undated subordinated notes	-15	-14				
Basic earnings per ordinary share	**500**	**774**	**330.4**	**337.4**	**1.51**	**2.29**
Dilutive instruments:						
– Share plans			0.5	0.6		
Dilutive instruments			**0.5**	**0.6**		
Diluted earnings per ordinary share	**500**	**774**	**330.9**	**338.0**	**1.51**	**2.29**

Earnings per ordinary share

	Amount (in millions of euros)		Weighted average number of ordinary shares (in millions)		Per ordinary share (in euros)	
	1 January to 30 September 2019	1 January to 30 September 2018	1 January to 30 September 2019	1 January to 30 September 2018	1 January to 30 September 2019	1 January to 30 September 2018
Net result	1,633	1,650				
Coupon on undated subordinated notes	-44	-44				
Basic earnings per ordinary share	**1,589**	**1,606**	**332.5**	**335.4**	**4.78**	**4.79**
Dilutive instruments:						
– Share plans			0.5	0.6		
Dilutive instruments			**0.5**	**0.6**		
Diluted earnings per ordinary share	**1,589**	**1,606**	**333.0**	**336.0**	**4.77**	**4.78**

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.

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.

Notes to the Condensed consolidated interim accounts continued

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):
  - 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 include movements in the liability for guarantees on separate account pension contracts and unit-linked guarantee provisions in the Netherlands and related hedges, the accounting volatility related to the reinsurance of minimum guaranteed benefits of Japan Closed Block VA and the changes in valuation of certain inflation linked liabilities and related derivatives.
- Special items before tax: items of income or expense that are significant and arise from events or transactions that are clearly distinct from the ordinary business activities and therefore are not expected to recur frequently or regularly. This includes for example restructuring expenses, rebranding costs, results related to early redemption of debt, and gains/losses from employee pension plan amendments or curtailments.
- Acquisition intangibles and goodwill: At the acquisition date, all assets and liabilities (including investments, loans and funding liabilities) of Delta Lloyd were remeasured to fair value. Acquisition related intangible assets (mainly brand names, distribution agreements and client relationships) were recognised and will be amortised through the profit and loss account over their useful life. Goodwill on acquisition was also recognised; goodwill is not amortised but tested annually for impairment. Any amortisation and goodwill impairment is recognised in the line 'Amortisation of acquisition intangibles and other impairments'.
- Result on divestments: result before tax related to divested operations.

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 July to 30 September 2019	Netherlands Life	Netherlands Non-life	Insurance Europe	Japan Life	Asset Management	Banking	Other	Total segments
Investment margin	187		26	-5	-1			207
Fees and premium-based revenues	98		184	158	114			554
Technical margin	39		58	8				105
Operating income	**324**	**0**	**268**	**161**	**113**	**0**	**0**	**866**
Administrative expenses	112		101	41	70			324
DAC amortisation and trail commissions	8		93	70				171
Expenses	**120**	**0**	**194**	**111**	**70**	**0**	**0**	**494**
Operating result non-life		55						55
Operating result banking						38		38
Operating result other							-12	-12
Operating result	**204**	**55**	**74**	**50**	**43**	**38**	**-12**	**453**
Non-operating items:								
– gains/losses and impairments	43	-6	14	-2		3	-1	51
– revaluations	395	3	9	-8			-12	387
– market & other impacts	-142		-4			-22	11	-157
Special items before tax	-14	-13	-6	-1	-4	-3	-16	-59
Acquisition intangibles and goodwill							-8	-8
Result on divestments								0
Result before tax	**486**	**39**	**87**	**39**	**39**	**16**	**-38**	**667**
Taxation	106	12	18	11	10	4	-18	142
Minority interests	2	4			3			10
Net result	**377**	**23**	**69**	**28**	**26**	**12**	**-20**	**515**

Notes to the Condensed consolidated interim accounts continued

Segments (2018)

1 July to 30 September 2018	Netherlands Life	Netherlands Non-life	Insurance Europe	Japan Life	Asset Management	Banking	Other	Total segments
Investment margin	215		17	-1				230
Fees and premium-based revenues	102		171	157	115			546
Technical margin	44		59					103
Operating income	**361**	**0**	**247**	**156**	**115**	**0**	**0**	**879**
Administrative expenses	117		101	35	73			325
DAC amortisation and trail commissions	9		80	76				165
Expenses	**125**	**0**	**181**	**111**	**73**	**0**	**0**	**490**
Operating result non-life		46	-1					46
Operating result banking						34		34
Operating result other							-6	-6
Operating result	**236**	**46**	**65**	**45**	**43**	**34**	**-6**	**463**
Non-operating items:								
– gains/losses and impairments	453	1	3				1	457
– revaluations	-3	4	16	-3		-1		12
– market & other impacts	49					-3	8	55
Special items before tax	-19	-8	-6	-1	-1	-6	-15	-57
Acquisition intangibles and goodwill							-33	-33
Result on divestments	56							56
Result before tax	**772**	**43**	**78**	**40**	**42**	**23**	**-45**	**953**
Taxation	116	9	20	14	10	6	-14	160
Minority interests	2	3						5
Net result	**654**	**30**	**59**	**26**	**32**	**17**	**-30**	**788**

Segments (2019)

1 January to 30 September 2019	Netherlands Life	Netherlands Non-life	Insurance Europe	Japan Life	Asset Management	Banking	Other	Total segments
Investment margin	669		75	-12				732
Fees and premium-based revenues	307		544	523	329			1,704
Technical margin	119		178	15				312
Operating income non-modelled life business			1					1
Operating income	**1,096**	**0**	**798**	**526**	**330**	**0**	**0**	**2,749**
Administrative expenses	342		307	110	210			969
DAC amortisation and trail commissions	25		283	249				556
Expenses	**367**	**0**	**589**	**359**	**210**	**0**	**0**	**1,526**
Operating result non-life		140	5					145
Operating result banking						98		98
Operating result other							-100	-100
Operating result	**728**	**140**	**214**	**168**	**119**	**98**	**-100**	**1,366**
Non-operating items:								
– gains/losses and impairments	58	2	79	-6		7	5	145
– revaluations	1,009	6	-19	-21			-14	960
– market & other impacts	-206		-5			-29	8	-232
Special items before tax	-35	-39	-24	-3	-11	-11	-43	-166
Acquisition intangibles and goodwill			33				-24	9
Result on divestments	5						4	8
Result before tax	**1,559**	**109**	**278**	**137**	**108**	**64**	**-164**	**2,091**
Taxation	331	27	54	38	26	18	-54	439
Minority interests	7	9			3			19
Net result	**1,221**	**73**	**224**	**99**	**79**	**47**	**-110**	**1,633**

Notes to the Condensed consolidated interim accounts continued

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. 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'.

Segments (2018)

1 January to 30 September 2018	Netherlands Life	Netherlands Non-life	Insurance Europe	Japan Life	Asset Management	Banking	Other	Total segments
Investment margin	688		63	-7	-1			744
Fees and premium-based revenues	338		526	475	344			1,683
Technical margin	144		160	-2				302
Operating income non-modelled life business			1					1
Operating income	**1,171**	**0**	**750**	**466**	**343**	**0**	**0**	**2,730**
Administrative expenses	361		299	100	219			979
DAC amortisation and trail commissions	29		247	229				505
Expenses	**390**	**0**	**546**	**328**	**219**	**0**	**0**	**1,484**
Operating result non-life		54	-4					50
Operating result banking						102		102
Operating result other							-116	-116
Operating result	**780**	**54**	**200**	**138**	**125**	**102**	**-116**	**1,283**
Non-operating items:								
– gains/losses and impairments	799	11	14	-3		1	6	828
– revaluations	206	6	21	-14		-3	-1	216
– market & other impacts	-19	-1	-5			-12	12	-25
Special items before tax	-46	-60	-19	-2	-17	-14	-65	-222
Acquisition intangibles and goodwill							-99	-99
Result on divestments	56						4	60
Result before tax	**1,776**	**11**	**210**	**119**	**108**	**74**	**-258**	**2,041**
Taxation	323	-1	49	34	25	19	-65	382
Minority interests	5	3						9
Net result	**1,449**	**9**	**161**	**86**	**83**	**56**	**-193**	**1,650**

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, Banking 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 July to 30 September 2019	1 July to 30 September 2018	1 January to 30 September 2019	1 January to 30 September 2018
Unrealised revaluations property in own use	-2		-1	-2
Unrealised revaluations available-for-sale investments and other	-591	289	-1,803	255
Realised gains/losses transferred to the profit and loss account	1	104	20	159
Changes in cash flow hedge reserve	-876	109	-1,882	42
Deferred interest credited to policyholders	291	-120	770	-122
Remeasurement of the net defined benefit asset/liability	5	-2	16	-2
Income tax	**-1,172**	**380**	**-2,880**	**330**

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 September 2019	31 December 2018	30 September 2019	31 December 2018
Financial assets				
Cash and cash equivalents	10,524	8,886	10,524	8,886
Financial assets at fair value through profit or loss:				
– investments for risk of policyholders	33,808	30,230	33,808	30,230
– non-trading derivatives	15,299	5,096	15,299	5,096
– designated as at fair value through profit or loss	1,120	722	1,120	722
Available-for-sale investments	122,390	104,329	122,390	104,329
Loans	66,030	60,264	61,693	58,903
Total financial assets	**249,171**	**209,527**	**244,834**	**208,166**
Financial liabilities				
Subordinated debt	2,753	2,568	2,415	2,445
Debt securities issued	2,097	2,003	1,991	1,990
Other borrowed funds	7,207	5,774	7,080	5,717
Investment contracts with discretionary participation features for risk of policyholders	236	215	236	215
Investment contracts for risk of company	1,092	1,092	1,024	1,078
Investment contracts for risk of policyholders	1,088	918	1,088	918
Customer deposits and other funds on deposit	15,918	15,001	15,129	14,729
Financial liabilities at fair value through profit or loss:				
– non-trading derivatives	5,319	2,163	5,319	2,163
Total financial liabilities	**35,710**	**29,734**	**34,282**	**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.

Notes to the Condensed consolidated interim accounts continued

Financial assets and liabilities at fair value

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

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

30 September 2019	Level 1	Level 2	Level 3	Total
Financial assets				
Investments for risk of policyholders	32,774	216	818	33,808
Non-trading derivatives	18	15,222	59	15,299
Financial assets designated as at fair value through profit or loss	887	233		1,120
Available-for-sale investments	79,188	42,059	1,143	122,390
Financial assets	**112,867**	**57,730**	**2,020**	**172,617**
Financial liabilities				
Investment contracts with discretionary participation features for risk of policyholders		236		236
Investment contracts (for contracts at fair value)	1,088			1,088
Non-trading derivatives	61	5,190	68	5,319
Financial liabilities	**1,149**	**5,426**	**68**	**6,643**

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 September 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	36	-26	-42	-32
Revaluations recognised in other comprehensive income (equity)			-28	-28
Purchase			164	164
Sale	-6			-6
Maturity/settlement			-25	-25
Transfers into Level 3			19	19
Changes in the composition of the group and other changes			-1	-1
Exchange rate differences			-11	-11
Level 3 Financial assets – closing balance	**818**	**59**	**1,143**	**2,020**

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**

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 September 2019	Non-trading derivatives
Level 3 Financial liabilities – opening balance	99
Amounts recognised in the profit and loss account	-31
Level 3 Financial liabilities – closing balance	**68**

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 September 2019	Held at balance sheet date	Derecognised during the period	Total
Financial assets			
Investments for risk of policyholders	36		36
Non-trading derivatives	-26		-26
Available-for-sale investments	-42		-42
Financial assets	**-32**	**0**	**-32**
Financial liabilities			
Non-trading derivatives	-31		-31
Financial liabilities	**-31**	**0**	**-31**

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	82
Net profit recognised in profit and loss since date of acquisition	2

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 September 2019	31 December 2018
Basic Own Funds	19,967	18,100
Non-available Own Funds	1,256	1,373
Eligible Own Funds to cover Solvency Capital Requirements (a)	**18,711**	**16,727**
– of which Tier 1 unrestricted	12,543	10,513
– of which Tier 1 restricted	1,935	1,895
– of which Tier 2	2,479	2,433
– of which Tier 3	502	755
– of which non-Solvency II regulated entities	1,252	1,132
Solvency Capital Requirements (b)	**8,639**	**7,274**
– of which Solvency Capital Requirements calculated on the basis of consolidated data	8,083	6,767
– of which the capital requirements for investment firms, pension funds and credit institutions	256	226
– of which the capital requirements for undertakings included under the D&A method	300	281
NN Group Solvency II ratio (a/b)[1]	**217%**	**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 217% at 30 September 2019 from 230% at 31 December 2018. The decrease was mainly driven by market impacts, 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. Market impacts reflect the unfavourable impact from movements in credit spreads and interest rates, partly offset by positive equity revaluations.

Authorisation of the Condensed consolidated interim accounts

The Hague, 13 November 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.E. (David) Knibbe, CEO, chair
D. (Delfin) Rueda, CFO, vice-chair

Review report

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

Introduction

We have reviewed the accompanying condensed consolidated interim accounts as at 30 September 2019 of NN Group N.V. (the Company), The Hague, as included on pages 3 to 29 of this report. These condensed consolidated interim accounts comprise the condensed consolidated balance sheet as at 30 September 2019, the condensed consolidated profit and loss account and the condensed consolidated statement of comprehensive income for the three and nine-month periods ended 30 September 2019, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the nine-month period ended 30 September 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 Dutch Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

Amstelveen, 13 November 2019

KPMG Accountants N.V.

P.A.M. de Wit RA

Contact us

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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 September 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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