

NN Group N.V.
31 March 2019
Condensed
consolidated
interim accounts

Condensed consolidated interim accounts contents

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Condensed consolidated balance sheet

Amounts in millions of euros, unless stated otherwise

Condensed consolidated balance sheet

	notes	31 March 2019	31 December 2018
Assets			
Cash and cash equivalents		10,418	8,886
Financial assets at fair value through profit or loss:			
– investments for risk of policyholders		32,102	30,230
– non-trading derivatives		7,001	5,096
– designated as at fair value through profit or loss		1,090	722
Available-for-sale investments	2	108,492	104,329
Loans	3	60,283	58,903
Reinsurance contracts	9	1,056	1,010
Associates and joint ventures	4	5,223	5,000
Real estate investments		2,430	2,374
Property and equipment	5	408	151
Intangible assets	6	1,026	863
Deferred acquisition costs		1,961	1,843
Deferred tax assets		126	131
Other assets	7	4,962	4,708
Total assets		236,578	224,246
Equity			
Shareholders' equity (parent)		26,695	22,850
Minority interests		252	234
Undated subordinated notes		1,764	1,764
Total equity	8	28,711	24,848
Liabilities			
Subordinated debt		2,439	2,445
Debt securities issued		1,990	1,990
Other borrowed funds		6,125	5,717
Insurance and investment contracts	9	165,466	161,118
Customer deposits and other funds on deposit		14,901	14,729
Financial liabilities at fair value through profit or loss:			
– non-trading derivatives		2,693	2,163
Deferred tax liabilities		2,768	1,809
Other liabilities	10	11,485	9,427
Total liabilities		207,867	199,398
Total equity and liabilities		236,578	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 January to 31 March 2019	1 January to 31 March 2018
Gross premium income	4,895	4,491
Investment income 11	1,014	1,159
Result on disposals of group companies	9	4
– gross fee and commission income	260	299
– fee and commission expenses	-89	-103
Net fee and commission income:	171	196
Valuation results on non-trading derivatives	-32	189
Foreign currency results and net trading income	24	-88
Share of result from associates and joint ventures	132	111
Other income	54	9
Total income	6,267	6,071
– gross underwriting expenditure	7,090	4,144
– investment result for risk of policyholders	-2,185	677
– reinsurance recoveries	-65	-44
Underwriting expenditure: 12	4,840	4,777
Intangible amortisation and other impairments	8	33
Staff expenses 13	391	388
Interest expenses	125	128
Other operating expenses	228	268
Total expenses	5,592	5,594
Result before tax	675	477
Taxation	157	78
Net result	518	399

Net result

	1 January to 31 March 2019	1 January to 31 March 2018
Net result attributable to:		
Shareholders of the parent	512	399
Minority interests	6	
Net result	518	399

Earnings per ordinary share

amounts in euros	1 January to 31 March 2019	1 January to 31 March 2018
Earnings per ordinary share		
Basic earnings per ordinary share	1.49	1.15
Diluted earnings per ordinary share	1.49	1.15

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 January to 31 March 2019	1 January to 31 March 2018
Net result	518	399
- unrealised revaluations available-for-sale investments and other	2,499	229
- realised gains/losses transferred to the profit and loss account		-37
- changes in cash flow hedge reserve	1,767	39
- deferred interest credited to policyholders	-826	-54
- share of other comprehensive income of associates and joint ventures	-1	
- exchange rate differences	16	47
Items that may be reclassified subsequently to the profit and loss account:	3,455	224
- remeasurement of the net defined benefit asset/liability	-21	
- unrealised revaluations property in own use	4	
Items that will not be reclassified to the profit and loss account:	-17	0
Total other comprehensive income	3,438	224
Total comprehensive income	3,956	623
Comprehensive income attributable to:		
Shareholders of the parent	3,938	625
Minority interests	18	-2
Total comprehensive income	3,956	623

Condensed consolidated statement of cash flows

Condensed consolidated statement of cash flows

notes	1 January to 31 March 2019	1 January to 31 March 2018
Result before tax	675	477
Adjusted for:		
- depreciation and amortisation	36	55
- deferred acquisition costs and value of business acquired	-201	-78
- underwriting expenditure (change in insurance liabilities)	677	407
- realised results and impairments of Available-for-sale investments	2	-34
- other	30	210
Taxation paid	-28	-86
Changes in:		
- non-trading derivatives	897	279
- other financial assets at fair value through profit or loss	-385	-40
- loans	-1,040	-629
- other assets	22	11
- customer deposits and other funds on deposit	169	300
- financial liabilities at fair value through profit or loss – non-trading derivatives	-676	36
- other liabilities	1,613	-455
Net cash flow from operating activities	1,791	453
Investments and advances:		
- group companies, net of cash acquired	-135	
- available-for-sale investments	-4,059	-2,751
- associates and joint ventures	-265	-56
- real estate investments	-41	-19
- property and equipment	-14	-6
- investments for risk of policyholders	-1,474	-1,601
- other investments	-200	-13
Disposals and redemptions:		
- available-for-sale investments	3,455	2,649
- associates and joint ventures	129	34
- real estate investments		117
- property and equipment	2	1
- investments for risk of policyholders	1,967	2,381
- other investments		275
Net cash flow from investing activities	-635	1,011
Proceeds from other borrowed funds	720	190
Repayments of other borrowed funds	-328	-824
Purchase/sale of treasury shares and warrants	8	-35
Net cash flow from financing activities	357	-630
Net cash flow	1,513	834

Included in Net cash flow from operating activities

	1 January to 31 March 2019	1 January to 31 March 2018
Interest received	1,422	1,260
Interest paid	-151	-141
Dividend received	149	109

Condensed consolidated statement of cash flows continued

Cash and cash equivalents

	1 January to 31 March 2019	1 January to 31 March 2018
Cash and cash equivalents at beginning of the period	8,886	9,383
Net cash flow	1,513	834
Effect of exchange rate changes on cash and cash equivalents	19	56
Cash and cash equivalents at end of the period	10,418	10,273

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			2,487	2,487	12		2,499
Changes in cash flow hedge reserve			1,767	1,767			1,767
Deferred interest credited to policyholders			-826	-826			-826
Share of other comprehensive income of associates and joint ventures			-1	-1			-1
Exchange rate differences			16	16			16
Remeasurement of the net defined benefit asset/liability			-21	-21			-21
Unrealised revaluations property in own use			4	4			4
Total amount recognised directly in equity (Other comprehensive income)	0	0	3,426	3,426	12	0	3,438
Net result for the period			512	512	6		518
Total comprehensive income	0	0	3,938	3,938	18	0	3,956
Changes in share capital	-1	1		0			0
Purchase/sale of treasury shares			-35	-35			-35
Employee stock option and share plans			1	1			1
Coupon on undated subordinated notes			-59	-59			-59
Balance at 31 March 2019	40	12,573	14,082	26,695	252	1,764	28,711

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			231	231	-2		229
Realised gains/losses transferred to the profit and loss account			-37	-37			-37
Changes in cash flow hedge reserve			39	39			39
Deferred interest credited to policyholders			-54	-54			-54
Exchange rate differences			47	47			47
Total amount recognised directly in equity (Other comprehensive income)	0	0	226	226	-2	0	224
Net result for the period			399	399			399
Total comprehensive income	0	0	625	625	-2	0	623
Purchase/sale of treasury shares			4	4			4
Employee stock option and share plans			-2	-2			-2
Balance at 31 March 2018	41	12,572	10,732	23,345	315	1,764	25,424

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 31 March 2019 for an amount of EUR 276 million. The right of use asset is presented under Property and equipment (EUR 250 million) and Real estate investments (EUR 26 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

	31 March 2019	31 December 2018
Equity securities:		
– shares in NN Group managed investment funds	2,209	2,101
– shares in third-party managed investment funds	1,392	1,279
– other	3,912	3,354
Equity securities	7,513	6,734
Debt securities	100,979	97,595
Available-for-sale investments	108,492	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

	31 March 2019	31 December 2018
Available-for-sale investments	100,979	97,595
Loans	1,415	1,365
Available-for-sale investments and loans	102,394	98,960
Investments for risk of policyholders	1,416	1,138
Designated as at fair value through profit or loss	11	12
Financial assets at fair value through profit or loss	1,427	1,150
Total exposure to debt securities	103,821	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	
	31 March 2019	31 December 2018	31 March 2019	31 December 2018	31 March 2019	31 December 2018
Government bonds	71,914	69,303			71,914	69,303
Corporate bonds	16,578	16,154			16,578	16,154
Financial institution and Covered bonds	10,549	10,242			10,549	10,242
Bond portfolio (excluding ABS)	99,041	95,699	0	0	99,041	95,699
US RMBS	544	531			544	531
Non-US RMBS	1,217	1,164	1,269	1,211	2,486	2,375
CDO/CLO	8	11			8	11
Other ABS	169	190	146	154	315	344
ABS portfolio	1,938	1,896	1,415	1,365	3,353	3,261
Debt securities – Available-for-sale investments and Loans	100,979	97,595	1,415	1,365	102,394	98,960

3 Loans

Loans

	31 March 2019	31 December 2018
Loans secured by mortgages	46,691	45,811
Unsecured loans	10,847	10,605
Asset-backed securities	1,415	1,365
Deposits	832	639
Policy loans	643	636
Other	10	14
Loans – before loan loss provisions	60,438	59,070
Loan loss provisions	-155	-167
Loans	60,283	58,903

Changes in Loan loss provisions

	31 March 2019	31 December 2018
Loan loss provisions – opening balance	167	179
Write-offs		-5
Increase/decrease in loan loss provisions	-2	-18
Changes in the composition of the group and other changes	-10	11
Loan loss provisions – closing balance	155	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
		31 March 2019		31 December 2018
Vesteda Residential Fund FGR	24%	1,392	27%	1,473
CBRE Dutch Office Fund FGR	28%	464	28%	456
CBRE Retail Property Fund Iberica L.P.	46%	277	33%	281
CBRE Dutch Retail Fund FGR	20%	222	20%	223
NRP Nordic Logistic Fund S.A.	42%	196		
CBRE Dutch Residential Fund FGR	10%	187	10%	182
CBRE UK Property Fund PAIF	10%	182	10%	176
Lazora S.I.I. S.A.	22%	162	22%	164
CBRE European Industrial Fund FGR	19%	142	19%	138
Allee center Kft	50%	124	50%	121
Fiumaranuova s.r.l.	50%	103	50%	102
Achmea Dutch Health Care Property Fund	25%	101	25%	84
Dutch Student and Young Professional Housing Fund FGR	49%	99	49%	96
DPE Deutschland II B GmbH & Co KG	35%	89	35%	92
Boccaccio – Closed-end Real Estate Mutual Investment Fund	50%	88	50%	89
Robeco Bedrijfsleningen FGR	25%	81	25%	80
Parcom Buy-Out Fund V CV	21%	80	21%	54
the Fizz Student Housing Fund SCS	50%	79	50%	78
Siresa House S.L.	49%	77	49%	78
CBRE Dutch Retail Fund II FGR	10%	76	10%	76
Parcom Investment Fund III B.V.	100%	74	100%	76
CBRE Property Fund Central and Eastern Europe FGR	50%	67	50%	67
Parcom Investment Fund II B.V.	100%	63	100%	69
Parcom Buy Out Fund IV B.V.	100%	60	100%	50
Delta Mainlog Holding GmbH & Co. KG	50%	57	50%	56
DPE Deutschland III (Parallel) GmbH & Co	17%	55	17%	30
Other		626		609
Associates and joint ventures		5,223		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 435 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 191 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

	31 March 2019	31 December 2018
Property in own use	78	75
Equipment	80	76
Property and equipment owned	158	151
Right of use assets	250	
Property and equipment total	408	151

Notes to the Condensed consolidated interim accounts continued

6 Intangible assets

Intangible assets

	31 March 2019	31 December 2018
Goodwill	533	532
Value of business acquired	172	
Software	81	73
Other	240	258
Intangible assets	1,026	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

	31 March 2019	31 December 2018
Insurance and reinsurance receivables	1,312	1,038
Income tax receivables	126	110
Accrued interest and rents	1,262	1,597
Other accrued assets	301	301
Cash collateral amounts paid	1,312	1,190
Other	649	472
Other assets	4,962	4,708

8 Equity

Total equity

	31 March 2019	31 December 2018
Share capital	40	41
Share premium	12,573	12,572
Revaluation reserve	11,657	8,198
Currency translation reserve	-27	-34
Net defined benefit asset/liability remeasurement reserve	-127	-106
Other reserves	2,579	2,179
Shareholders' equity (parent)	26,695	22,850
Minority interests	252	234
Undated subordinated notes	1,764	1,764
Total equity	28,711	24,848

Changes in equity (2019)

	Share capital	Share premium	Reserves	Total shareholders' equity (parent)
31 March 2019				
Equity – opening balance	41	12,572	10,237	22,850
Total amount recognised directly in equity (Other comprehensive income)			3,426	3,426
Net result for the period			512	512
Changes in share capital	-1	1		0
Purchase/sale of treasury shares			-35	-35
Employee stock option and share plans			1	1
Coupon on undated subordinated notes			-59	-59
Equity – closing balance	40	12,573	14,082	26,695

Notes to the Condensed consolidated interim accounts continued

Purchase/sale of treasury shares (2019)

During the first quarter of 2019, treasury shares for a total amount of EUR 4 million were delivered under Employee share plans. Also 1,020,415 treasury shares for a total amount of EUR 39 million were purchased with regard to the open market share buyback programme. As at 31 March 2019, 1,528,355 treasury shares were held by NN Group.

In the first quarter 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)

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

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

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 31 March 2019, the minority interest relating to ABN AMRO Verzekeringen recognised in equity was EUR 240 million (31 December 2018: EUR 222 million).

Summarised information ABN AMRO Verzekeringen¹

	31 March 2019	31 December 2018
Total assets	4,966	4,889
Total liabilities	4,477	4,436
Total income	152	559
Total expenses	136	527
Net result recognised in period	11	32
Dividends paid	0	183

¹ All on 100% basis.

² Total income, Total expenses, Net result 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	
	31 March 2019	31 December 2018	31 March 2019	31 December 2018	31 March 2019	31 December 2018
Life insurance liabilities excluding liabilities for risk of policyholders	125,062	123,243	741	693	125,803	123,936
Liabilities for life insurance for risk of policyholders	30,874	28,971	37	45	30,911	29,016
Investment contract with discretionary participation features for risk of policyholders	227	215			227	215
Life insurance liabilities	156,163	152,429	778	738	156,941	153,167
Liabilities for unearned premiums and unexpired risks	887	401	27	13	914	414
Claims liabilities	5,311	5,282	251	259	5,562	5,541
Insurance liabilities and investment contracts with discretionary participation features	162,361	158,112	1,056	1,010	163,417	159,122
Investment contracts liabilities	2,049	1,996			2,049	1,996
Insurance and investment contracts, reinsurance contracts	164,410	160,108	1,056	1,010	165,466	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

	31 March 2019	31 December 2018
Income tax payable	13	16
Net defined benefit liability	152	124
Other post-employment benefits	19	18
Other staff-related liabilities	135	122
Other taxation and social security contributions	125	123
Deposits from reinsurers	330	336
Lease liabilities	276	
Accrued interest	219	238
Costs payable	359	449
Amounts payable to policyholders	856	898
Provisions	302	293
Amounts to be settled	1,754	1,954
Cash collateral amounts received	5,928	4,086
Other	1,017	770
Other liabilities	11,485	9,427

Notes to the Condensed consolidated interim accounts continued

11 Investment income

Investment income

	1 January to 31 March 2019	1 January to 31 March 2018
Interest income from investments in debt securities	447	453
Interest income from loans:		
– mortgage loans	328	319
– unsecured loans	53	44
– policy loans	3	3
– other	12	5
Interest income from investments in debt securities and loans	843	824
Realised gains/losses on disposal of available-for-sale debt securities	4	2
Realised gains/losses and impairments of available-for-sale debt securities	4	2
Realised gains/losses on disposal of available-for-sale equity securities	8	52
Impairments of available-for-sale equity securities	-14	-20
Realised gains/losses and impairments of available-for-sale equity securities	-6	32
Interest income on non-trading derivatives	53	69
Increase/decrease in loan loss provisions	2	1
Income from real estate investments	25	40
Dividend income	104	48
Change in fair value of real estate investments	-11	143
Investment income	1,014	1,159

Impairments on investments by segment

	1 January to 31 March 2019	1 January to 31 March 2018
Netherlands Life	-13	-16
Netherlands Non-life	-1	
Insurance Europe		-4
Impairments on investments	-14	-20

12 Underwriting expenditure

Underwriting expenditure

	1 January to 31 March 2019	1 January to 31 March 2018
Gross underwriting expenditure:		
– before effect of investment result for risk of policyholders	4,905	4,821
– effect of investment result for risk of policyholders	2,185	-677
Gross underwriting expenditure	7,090	4,144
Investment result for risk of policyholders	-2,185	677
Reinsurance recoveries	-65	-44
Underwriting expenditure	4,840	4,777

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 January to 31 March 2019	1 January to 31 March 2018
Expenditure from life underwriting:		
- reinsurance and retrocession premiums	95	80
- gross benefits	3,216	3,388
- reinsurance recoveries	-37	-31
- change in life insurance liabilities	151	-127
- costs of acquiring insurance business	168	130
- other underwriting expenditure	49	46
- profit sharing and rebates	13	14
Expenditure from life underwriting	3,655	3,500
Expenditure from non-life underwriting:		
- reinsurance and retrocession premiums	50	78
- gross claims	499	497
- reinsurance recoveries	-28	-13
- changes in the liabilities for unearned premiums	505	448
- changes in claims liabilities	29	126
- costs of acquiring insurance business	137	138
- other underwriting expenditure	-4	-4
Expenditure from non-life underwriting	1,188	1,270
Expenditure from investment contracts:		
- other changes in investment contract liabilities	-3	7
Expenditure from investment contracts	-3	7
Underwriting expenditure	4,840	4,777

13 Staff expenses

Staff expenses

	1 January to 31 March 2019	1 January to 31 March 2018
Salaries	201	202
Variable salaries	21	25
Pension costs	34	29
Social security costs	35	32
Share-based compensation arrangements	4	2
External staff costs	75	73
Education	5	4
Other staff costs	16	21
Staff expenses	391	388

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 January to 31 March 2019	1 January to 31 March 2018	1 January to 31 March 2019	1 January to 31 March 2018	1 January to 31 March 2019	1 January to 31 March 2018
	Net result	512	399			
Coupon on undated subordinated notes	-14	-15				
Basic earnings per ordinary share	498	384	334.3	334.2	1.49	1.15
Dilutive instruments:						
- Share plans			0.6	0.8		
Dilutive instruments			0.6	0.8		
Diluted earnings per ordinary share	498	384	334.9	335.0	1.49	1.15

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 Operating 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):
 - 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 January to 31 March 2019	Netherlands Life	Netherlands Non-life	Insurance Europe	Japan Life	Asset Management	Banking	Other	Total segments
Investment margin	242		25	-3				264
Fees and premium-based revenues	109		177	241	107			634
Technical margin	42		57	-1				98
Operating income	393	0	260	237	107	0	0	996
Administrative expenses	116		104	33	71			324
DAC amortisation and trail commissions	9		97	119				225
Expenses	126	0	200	152	71	0	0	549
Operating result non-life		29	-1					28
Operating result banking						30		30
Operating result other							-36	-36
Operating result	268	29	58	84	36	30	-36	468
Non-operating items:								
– gains/losses and impairments	-4	3	4			1	1	5
– revaluations	282	-1	-17	-7				257
– market & other impacts	-25					-3	-9	-36
Special items before tax	-14	-11	-7	-1	-2	-2	-15	-52
Acquisition intangibles and goodwill			33				-8	25
Result on divestments	5						4	9
Result before tax	512	20	71	75	34	25	-63	675
Taxation	126	4	9	21	7	7	-18	157
Minority interests	3	3						6
Net result	383	13	62	54	26	18	-45	512

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.

Notes to the Condensed consolidated interim accounts continued

Segments (2018)

1 January to 31 March 2018	Netherlands Life	Netherlands Non-life	Insurance Europe	Japan Life	Asset Management	Banking	Other	Total segments
Investment margin	181		23	-3				201
Fees and premium-based revenues	125		181	187	116			610
Technical margin	46		55	-1				100
Operating income	352	0	260	184	116	0	0	911
Administrative expenses	129		100	32	75			336
DAC amortisation and trail commissions	11		88	85				184
Expenses	140	0	188	118	75	0	0	521
Operating result non-life		-32	-1					-33
Operating result banking						33		33
Operating result other							-78	-78
Operating result	212	-32	71	66	41	33	-78	313
Non-operating items:								
- gains/losses and impairments	28	4	-7	1			2	28
- revaluations	217	4	7	-6		1	-1	222
- market & other impacts	6						15	21
Special items before tax	-14	-22	-5		-5	-4	-27	-79
Acquisition intangibles and goodwill							-33	-33
Result on divestments							4	4
Result before tax	448	-46	65	60	36	31	-118	477
Taxation	78	-14	13	16	8	8	-31	78
Minority interests	1	-1						0
Net result	369	-30	53	44	27	23	-87	399

Special items in 2018 reflect restructuring expenses incurred in respect of the cost reduction target for Netherlands Life, Netherlands Non-life, Belgium, Asset Management, Banking and Corporate/ Holding entities.

16 Taxation

Taxation on components of other comprehensive income

	1 January to 31 March 2019	1 January to 31 March 2018
Unrealised revaluations property in own use	1	
Unrealised revaluations available-for-sale investments and other	-595	-65
Realised gains/losses transferred to the profit and loss account	-2	-2
Changes in cash flow hedge reserve	-461	-12
Deferred interest credited to policyholders	233	17
Remeasurement of the net defined benefit asset/liability	6	
Income tax	-818	-62

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.

Notes to the Condensed consolidated interim accounts continued

Fair value of financial assets and liabilities

	Estimated fair value		Balance sheet value	
	31 March 2019	31 December 2018	31 March 2019	31 December 2018
Financial assets				
Cash and cash equivalents	10,418	8,886	10,418	8,886
Financial assets at fair value through profit or loss:				
– investments for risk of policyholders	32,102	30,230	32,102	30,230
– non-trading derivatives	7,001	5,096	7,001	5,096
– designated as at fair value through profit or loss	1,090	722	1,090	722
Available-for-sale investments	108,492	104,329	108,492	104,329
Loans	62,812	60,264	60,283	58,903
Total financial assets	221,915	209,527	219,386	208,166
Financial liabilities				
Subordinated debt	2,665	2,568	2,439	2,445
Debt securities issued	2,047	2,003	1,990	1,990
Other borrowed funds	6,170	5,774	6,125	5,717
Investment contracts with discretionary participation features for risk of policyholders	227	215	227	215
Investment contracts for risk of company	1,092	1,092	1,053	1,078
Investment contracts for risk of policyholders	996	918	996	918
Customer deposits and other funds on deposit	15,404	15,001	14,901	14,729
Financial liabilities at fair value through profit or loss:				
– non-trading derivatives	2,693	2,163	2,693	2,163
Total financial liabilities	31,294	29,734	30,424	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)

31 March 2019	Level 1	Level 2	Level 3	Total
Financial assets				
Investments for risk of policyholders	30,729	576	797	32,102
Non-trading derivatives	7	6,913	81	7,001
Financial assets designated as at fair value through profit or loss	974	116		1,090
Available-for-sale investments	72,176	35,248	1,068	108,492
Financial assets	103,886	42,853	1,946	148,685
Financial liabilities				
Investment contracts with discretionary participation features for risk of policyholders		227		227
Investment contracts (for contracts at fair value)	996			996
Non-trading derivatives	55	2,548	90	2,693
Financial liabilities	1,051	2,775	90	3,916

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	28,733	709	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	99,172	39,265	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)

	Investments for risk of policyholders	Non-trading derivatives	Available-for- sale investments	Total
31 March 2019				
Level 3 Financial assets – opening balance	788	85	1,067	1,940
Amounts recognised in the profit and loss account		-4	-14	-18
Revaluations recognised in other comprehensive income (equity)			-31	-31
Purchase	9		97	106
Sale			-19	-19
Maturity/settlement			-23	-23
Exchange rate differences			-9	-9
Level 3 Financial assets – closing balance	797	81	1,068	1,946

Changes in Level 3 Financial assets (2018)

	Investments for risk of policyholders	Non-trading derivatives	Available-for- sale investments	Total
31 December 2018				
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)

	Non-trading derivatives
31 March 2019	
Level 3 Financial liabilities – opening balance	99
Amounts recognised in the profit and loss account	-3
Sale	-6
Level 3 Financial liabilities – closing balance	90

Changes in Level 3 Financial liabilities (2018)

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

Notes to the Condensed consolidated interim accounts continued

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

31 March 2019	Held at balance sheet date	Derecognised during the period	Total
Financial assets			
Non-trading derivatives	-4		-4
Available-for-sale investments	-14		-14
Financial assets	-18	0	-18
Financial liabilities			
Non-trading derivatives	-3		-3
Financial liabilities	-3	0	-3

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 for the full first quarter of 2019.

The initial accounting for the businesses as at 1 January 2019 is ongoing and as such all values are provisional. NN Group has accounted for the acquisition using the provisional values disclosed below and will recognise any adjustments to these provisional values within a twelve month period from the acquisition date as amendments to the initial accounting.

The provisional values of certain assets and liabilities acquired as at 1 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.

Notes to the Condensed consolidated interim accounts continued

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.

Cash flow on acquisition

	Acquisition date
Cash paid to acquire shares	-155
Cash in company acquired	20
Cash flow on acquisition	-135

Provisional acquisition date fair values of the assets and liabilities acquired

	Acquisition date
Assets	
Cash and cash equivalents	20
Financial assets at fair value through profit or loss:	
– investments for risk of policyholders	193
Available-for-sale investments	63
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

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.

Notes to the Condensed consolidated interim accounts continued

Other information

	Acquisition date
Total income recognised in profit and loss since date of acquisition	33
Net profit recognised in profit and loss since date of acquisition	0

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 first quarter, 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.

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.

20 Capital management

Solvency II

	31 March 2019	31 December 2018
Basic Own Funds	17,815	18,100
Non-available Own Funds	1,095	1,373
Eligible Own Funds to cover Solvency Capital Requirements (a)	16,720	16,727
– of which Tier 1 unrestricted	10,258	10,513
– of which Tier 1 restricted	1,937	1,895
– of which Tier 2	2,454	2,433
– of which Tier 3	862	755
– of which non-Solvency II regulated entities	1,209	1,132
Solvency Capital Requirements (b)	7,845	7,274
– of which Solvency Capital Requirements calculated on the basis of consolidated data	7,326	6,767
– of which the capital requirements for investment firms, pension funds and credit institutions	229	226
– of which the capital requirements for undertakings included under the D&A method	290	281
NN Group Solvency II ratio (a/b)¹	213%	230%

¹ The Solvency ratios are not final until filed with the regulators. SII ratios are based on the Partial Internal Model.

The NN Group Solvency II ratio decreased to 213% at 31 March 2019 from 230% at 31 December 2018. This was mainly driven by unfavourable movements in credit spreads and interest rates, the deduction of the EUR 500 million share buyback programme and the impact of a reduction of 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, 15 May 2019

The Supervisory Board

J.H. (Jan) Holsboer, chair
D.H. (Dick) Harryvan, vice-chair
D.A. (David) Cole
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

E. (Lard) Friese, CEO, chair
D. (Delfin) Rueda, CFO, vice-chair

Review report

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

Introduction

We have reviewed the accompanying condensed consolidated interim accounts as at 31 March 2019 of NN Group N.V. (the Company), The Hague, as included on pages 3 to 26 of this report. These condensed consolidated interim accounts comprise the condensed consolidated balance sheet as at 31 March 2019, the condensed consolidated profit and loss account, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the three-month period ended 31 March 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 31 March 2019 are not prepared, in all material respects, in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

Amstelveen, 15 May 2019

KPMG Accountants N.V.

P.A.M. de Wit RA

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Commercial register of Amsterdam, no. 52387534

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 31 March 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.

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