

30 June 2019 Condensed consolidated interim financial information

Nationale-Nederlanden Bank N.V.

Condensed consolidated interim financial information contents

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Interim report

Overview

NN Bank is part of NN Group N.V.

NN Group

NN Group N.V. ('NN Group') is an international financial services company, active in 18 countries, with a strong presence in a number of European countries and Japan. NN Group provides retirement services, pensions, insurance, investments and banking to approximately 17 million customers. NN Group's main brands are Nationale-Nederlanden, NN, NN Investment Partners, ABN AMRO Insurance, Movir, AZL, BeFrank and OHRA. NN Group is listed on Euronext Amsterdam (NN).

NN Bank

Nationale-Nederlanden Bank N.V. ('NN Bank') was founded in 2011 as a Dutch retail bank. It is a fully owned subsidiary of NN Group, and its broad range of banking products is complementary to Nationale-Nederlanden's (NN's) individual life and non-life insurance products for retail customers in the Netherlands. NN Bank's purpose is to help retail customers secure their financial futures: helping them manage and protect their assets and income through mortgage loans, (internet) savings, bank annuities, consumer lending and retail investment products. In addition, NN Bank provides mortgage administration and management services to ING Bank N.V. (former WestlandUtrecht Bank), Nationale-Nederlanden Levensverzekering Maatschappij N.V. ('NN Leven'), Nationale-Nederlanden Schadeverzekering Maatschappij N.V. ('NN Schade'), NN Insurance Belgium N.V. ('NN Belgium') and the NN Dutch Residential Mortgage Fund.

NN Bank has two fully owned subsidiaries:

- **HQ Hypotheken 50 B.V. ('HQ50')**. Through this subsidiary, NN Bank offers mortgage loans to customers via a business partner.
- **Nationale-Nederlanden Beleggingsrekening N.V.** This is a dormant company, currently not conducting any business or other activities.

The Hypenn RMBS entities (I, IV – VI), Arena NHG entities (2014-II and 2016-I) and NN Conditional Pass-Through Covered Bond Company B.V. are not subsidiaries of NN Bank. Since NN Bank has control over the structured entities, these special-purpose entities (SPEs) have been consolidated as group companies. Arena NHG 2014-I and Hypenn RMBS II have both been called in 2019.

Main developments

Key financial developments

NN Bank reported a net result of EUR 50.5 million for the first half of 2019. The cost/income ratio¹ was 56.6% in the first half of 2019 compared with 66.7% in the first half of 2018. The return on equity increased from 7.1% in the first half 2018 to 10.4% in the first half of 2019. Both improved ratios reflect the synergy benefits of the integration of former Delta Lloyd Bank N.V. ('Delta Lloyd Bank'). Furthermore, a one-off charge as a result of the amendment of the risk-based pricing policy was recognised in the profit and loss account in the first half of 2018, which negatively impacted the cost/income ratio and return on equity ratio in 2018 (reference is made to 'Amendment risk-based pricing policy').

The balance sheet remained strong in terms of capital and liquidity. The Common Equity Tier 1 ('CET1') ratio was 16.0% and total capital ratio was 17.5% at 30 June 2019, compared with 16.3% and 17.9% respectively at 31 December 2018. This includes the impact of a EUR 55.9 million dividend over the financial year 2018 which was paid in June 2019. The liquidity coverage ratio ('LCR') decreased to 156% at 30 June 2019 from 171% at 31 December 2018, mainly due to an increase in the mortgage pipeline and an increase in the savings portfolio.

Total mortgages originated by NN Bank amounted to EUR 3.7 billion in the first six months of 2019, an increase compared with the same period last year (EUR 2.7 billion). Of this amount, EUR 3.0 billion was originated on behalf of NN Group entities and the NN Dutch Residential Mortgage Fund and the remainder was originated for NN Bank's balance sheet. The mortgage loans on the balance sheet increased to EUR 18.8 billion from EUR 18.0 billion at year-end 2018 caused by the aforementioned originations and fair value hedge accounting, partly offset by redemptions. Customer deposits increased from EUR 14.5 billion at year-end 2018 to EUR 14.9 billion at 30 June 2019.

Amendment risk-based pricing policy

In the second quarter of 2018, NN Bank announced an amendment to its risk-based pricing system, under which mortgage interest rates are automatically adjusted during the fixed interest rate term if the loan moves to a category with a lower risk premium as a result of (partial) repayment of the loan principal. In addition, the mortgage interest rate will be adjusted upon request of the customer to reflect a proven revaluation of the relevant mortgaged asset if this leads to a lower risk premium. The new system was implemented for NN Bank mortgages in July 2019 and customers that qualify for a lower risk premium due to repayment of the mortgage will be compensated for the period from 1 January 2019 until implementation. The new system will be implemented for the former Delta Lloyd portfolio after the planned migration to the new mortgage platform. The amended pricing system represents a modification of the outstanding mortgage loans under IFRS. The related impact on the balance sheet value of outstanding mortgage loans was recognised in the second quarter of 2018 and updated in 2019 to reflect most recent insights and developments.

¹ The cost/income ratio is calculated as staff expenses plus other expenses minus regulatory levies divided by total income.

Interim report continued

Integration NN Bank and Delta Lloyd Bank

Following the legal merger of NN Bank and Delta Lloyd Bank on 1 January 2018, further progress was made with the operational integration in the first half of 2019, with the following milestones being reached:

- Integration of Annual reporting
- Decommissioning (part) of former Delta Lloyd IT systems
- Continuation of product data migrations to target platform Savings
- Relocation of final part of Operations Mortgages from Amsterdam to Rotterdam
- Preparation of relocation of Operations and IT from Arnhem to The Hague

Further diversification of funding sources

NN Bank aims to have a diversified funding base, in terms of source of funding, investors and markets. The largest developments are stated below.

NN Bank has continued its presence in the secured market with the issuance of a public benchmark Covered Bond in February 2019 of EUR 500 million. On the other hand NN Bank called both the Arena NHG 2014-I and the Hypenn II RMBS transactions at their respective first optional redemption dates.

On the unsecured side, NN Bank issued an inaugural public transaction under its Debt Issuance Programme ('DIP'). This transaction was completed in May 2019 for a total amount of EUR 500 million with a tenor of 4 years and represents an important step in the development of the funding profile of NN Bank.

Outlook

Looking ahead, NN Bank will continue with the integration of the former Delta Lloyd banking business. In the coming period NN Bank has planned the technical migrations of the Delta Lloyd mortgage and consumer lending portfolios, as well as a number of savings and investment portfolios.

NN Bank is preparing the legal mergers of Amstelhuys N.V. and OHRA Hypotheken Fonds N.V. with NN Bank.

Change in governance

On 15 March 2019, Erik Muetstege stepped down as Chief Executive Officer and chair of the Management Board of NN Bank. As at the same date, Marcel Zuidam, at that time Chief Transition Officer, was appointed CEO and chair of the Management Board of NN Bank. Since the aforementioned governance change, the Management Board of NN Bank consists of a CEO, CFO and CRO.

On 19 August 2019, Sandra van Eijk resigned as NN Bank's Chief Financial Officer (CFO). Kees van Kalveen, Head of Treasury of NN Bank, will take on this role in the transitional period until a new CFO is appointed.

Conformity statement

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

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

The Management Board of Nationale-Nederlanden Bank N.V. is responsible for maintaining proper accounting records, for safeguarding assets and for taking reasonable steps to prevent and detect fraud and other irregularities. It is responsible for selecting suitable accounting policies and applying them on a consistent basis, making judgements and estimates that are prudent and reasonable. It is also responsible for establishing and maintaining internal procedures which ensure that all major financial information is known to the Management Board of Nationale-Nederlanden Bank N.V., so that the timeliness, completeness and correctness of the external financial reporting are assured.

As required by section 5:25d paragraph 2(c) of the Dutch Financial Supervision Act, each of the signatories hereby confirms that to the best of his/her knowledge:

- The Nationale-Nederlanden Bank N.V. Condensed consolidated interim accounts for the period ended 30 June 2019 give a true and fair view of the assets, liabilities, financial position and profit or loss of Nationale-Nederlanden Bank N.V. and the entities included in the consolidation taken as a whole.
- The Nationale-Nederlanden Bank N.V. interim report for the period ended 30 June 2019 includes a fair review of the information required pursuant to article 5.25d, paragraph 8 and 9 of the Dutch Financial Supervision Act regarding Nationale-Nederlanden Bank N.V. and the entities included in the consolidation taken as a whole.

The Hague, 29 August 2019

The Management Board

A.J.M. (Marcel) Zuidam, CEO and chair

C.H.A. (Kees) van Kalveen, CFO a.i.

M.E. (Monique) Tailor-Hemerijck, CRO

Condensed consolidated balance sheet

Amounts in thousands of euros, unless stated otherwise

Condensed consolidated balance sheet

	notes	30 June 2019	31 December 2018
Assets			
Cash and balances at central banks		1,215,979	1,314,956
Amounts due from banks		914,127	481,883
Financial assets at fair value through profit or loss:			
– non-trading derivatives	2	131,479	125,597
Investment securities	3	1,632,983	1,068,417
Loans	4	19,240,503	18,442,939
Intangible assets		8,717	8,056
Other assets		140,623	160,169
Total assets		23,284,411	21,602,017
Liabilities			
Amounts due to banks		414,500	264,500
Customer deposits and other funds on deposit	5	14,944,492	14,476,439
Financial liabilities at fair value through profit or loss:			
– non-trading derivatives	6	660,105	243,647
Other borrowed funds	7	449,925	330,000
Other liabilities		234,792	225,579
Deferred tax liabilities		17,198	18,142
Provisions	8	6,739	5,889
Debt securities issued	9	5,487,496	4,968,112
Subordinated debt	10	97,000	97,000
Total liabilities		22,312,247	20,629,308
Equity			
Shareholders' equity		972,164	972,709
Total equity	11	972,164	972,709
Total equity and liabilities		23,284,411	21,602,017

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

Amounts in thousands of euros, unless stated otherwise

Condensed consolidated profit and loss account

	notes	1 January to 30 June 2019	1 January to 30 June 2018 ¹
Interest income		309,485	293,204
Interest expenses		189,975	192,035
Interest result	12	119,510	101,169
Gains and losses on financial transactions and other income		11,665	12,501
– gross fee and commission income		61,892	46,859
– fee and commission expenses		7,117	8,728
Net fee and commission income		54,775	38,131
Valuation results on non-trading derivatives		-8,119	-1,995
Total income		177,831	149,806
Addition to loan loss provisions	4	324	-4,094
Staff expenses	13	56,049	55,582
Regulatory levies	14	9,887	10,436
Other operating expenses	15	44,544	44,327
Total expenses		110,804	106,251
Result before tax		67,027	43,555
Taxation		16,521	10,935
Net result		50,506	32,620

¹ For purposes of comparison, amounts from 1 January to 30 June 2018 have been reclassified. Reference is made to Note 12 "Interest result" and Note 15 "Other operating expenses".

Condensed consolidated statement of comprehensive income

Amounts in thousands of euros, unless stated otherwise

Condensed consolidated statement of comprehensive income

	1 January to 30 June 2019	1 January to 30 June 2018 ¹
Net result	50,506	32,620
- unrealised revaluations Investment securities at fair value through other comprehensive income	8,266	-86
- realised gains or losses transferred to the profit and loss account	-3,385	-2,067
Items that may be reclassified subsequently to the profit and loss account	4,881	-2,153
Total other comprehensive income	4,881	-2,153
Total comprehensive income	55,387	30,467
Comprehensive income attributable to:		
Shareholder of the parent	55,387	30,467
Total comprehensive income	55,387	30,467

¹ For purposes of comparison, amounts from 1 January to 30 June 2018 relating to the gross presentation of "unrealised revaluations" and "realised gains and losses".

Condensed consolidated statement of cash flows

Amounts in thousands of euros, unless stated otherwise

Condensed consolidated statement of cash flows

	notes	1 January to 30 June 2019	1 January to 30 June 2018
Result before tax		67,027	43,555
Adjusted for:			
- amortisation of intangible assets	15	756	38
- amortisation of mortgage premium	4	23,514	25,679
- modifications ¹	4	-2,174	21,601
- net addition to loan loss provisions		324	-4,094
- net addition to provisions	15	3,858	1,046
- fair value change on hedged mortgages	4	-433,760	-23,255
- accrued interest		-1,842	6,411
- amortisation agio	4	10,998	6,024
- increase (decrease) deferred tax		-2,203	-5,220
- movement employee share plan		107	180
- other		-139	211
Taxation paid		-17,678	-9,432
Changes in:			
- amounts due to banks		150,000	-322,915
- non-trading derivatives		410,576	48,353
- loans	4	-657,841	-450,475
- sale of mortgages	4	272,347	527,991
- other assets		23,847	997
- customer deposits and other funds on deposit	5	468,053	495,647
- other liabilities		4,902	97,694
Net cash flow from operating activities		320,672	460,036
Investments and advances:			
- investment securities	3	-1,065,249	-335,786
- intangible assets		-1,417	-1,778
Disposals and redemptions:			
- investment securities	3	495,852	289,553
Net cash flow from investing activities		-570,814	-48,011
Proceeds from issuance of debt securities	9	1,364,186	630,289
Repayments of debt securities	9	-844,802	-346,764
Proceeds from other borrowed funds	7	244,925	105,000
Repayments of other borrowed funds	7	-125,000	-400,000
Dividend paid	11	-55,900	-8,000
Net cash flow from financing activities		583,409	-19,475
Net cash flow		333,267	392,550

¹ Reference is made to Note 12 "Interest result".

Interest and dividend included in net cash flow from operating activities

	1 January to 30 June 2019	1 January to 30 June 2018
Interest received	305,185	304,172
Interest paid	-219,951	-213,312
Interest received and paid	85,234	90,860

Cash and cash equivalents

	1 January to 30 June 2019	1 January to 30 June 2018
Cash and cash equivalents at beginning of the period	1,796,839	1,868,799
Net cash flow	333,267	392,550
Cash and cash equivalents at end of the period	2,130,106	2,261,349
	30 June 2019	30 June 2018
Cash and balances at central banks	1,215,979	1,791,768
Amounts due from banks	914,127	469,581
Cash and cash equivalents at end of period	2,130,106	2,261,349

The increase in 'Amounts due from banks' is caused by an increase of 'collateral posted' from EUR 318 million to EUR 756 million as at 30 June 2019.

Condensed consolidated statement of changes in equity

Amounts in thousands of euros, unless stated otherwise

Condensed consolidated statement of changes in equity (2019)

	Share capital	Share premium	Reserves	Total equity
Equity – 1 January 2019	10,000	481,000	481,709	972,709
Unrealised revaluations investment securities at fair value through other comprehensive income	0	0	8,266	8,266
Realised gains or losses transferred to the profit and loss account	0	0	-3,385	-3,385
Total amount recognised directly in equity (Other comprehensive income)	0	0	4,881	4,881
Net result	0	0	50,506	50,506
Total comprehensive income	0	0	55,387	55,387
Dividend paid	0	0	-55,900	-55,900
Employee share plans	0	0	107	107
Other	0	0	-139	-139
Equity - 30 June 2019	10,000	481,000	481,164	972,164

Condensed consolidated statement of changes in equity (2018)

	Share capital	Share premium	Reserves ¹	Total equity
Equity - 1 January 2018	10,000	481,000	415,766	906,766
Unrealised revaluations investment securities at fair value through other comprehensive income	0	0	-86	-86
Realised gains or losses transferred to the profit and loss account	0	0	-2,067	-2,067
Total amount recognised directly in equity (Other comprehensive income)	0	0	-2,153	-2,153
Net result	0	0	32,620	32,620
Total comprehensive income	0	0	30,467	30,467
Dividend paid	0	0	-8,000	-8,000
Employee share plans	0	0	180	180
Other	0	0	212	212
Equity - 30 June 2018	10,000	481,000	438,625	929,625

¹ For purposes of comparison, amounts from 1 January to 30 June 2018 relating to the gross presentation of "unrealised revaluations" and "realised gains and losses".

Notes to the Condensed consolidated interim accounts

Amounts in thousands of euros, unless stated otherwise

Nationale-Nederlanden Bank N.V. ('NN Bank') is a public limited liability company (*naamloze vennootschap*) incorporated under Dutch law. NN Bank has its official seat and its office address in The Hague, the Netherlands. NN Bank is recorded in the Commercial Register, no. 52605884.

NN Bank's principal activities are providing retail customers with mortgage loans, (internet) savings, bank annuities, consumer lending and retail investment products. In addition, NN Bank provides mortgage administration and management services to ING Bank N.V. (former WestlandUtrecht Bank), Nationale-Nederlanden Levensverzekering Maatschappij N.V. ('NN Leven'), Nationale-Nederlanden Schadeverzekering Maatschappij N.V. ('NN Schade'), NN Insurance Belgium N.V. ('NN Belgium') and the NN Dutch Residential Mortgage Fund.

Legal merger with Delta Lloyd Bank

On 31 December 2017, NN Bank entered into a legal merger with Delta Lloyd Bank N.V. ('Delta Lloyd Bank'), whereby NN Bank acquired all assets and liabilities of Delta Lloyd Bank under universal title of succession as at 1 January 2018. All tables with comparative figures in these Condensed consolidated interim accounts include the former Delta Lloyd Bank.

1 Accounting policies

These Condensed consolidated interim accounts of NN Bank 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 Bank Consolidated annual accounts, except as set out below.

These Condensed consolidated interim accounts should be read in conjunction with the 2018 NN Bank Consolidated annual accounts. They do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in NN Bank's financial position and performance since the last annual accounts.

NN Bank's accounting policies under IFRS-EU are set out in Note 1 'Accounting policies' of the 2018 NN Bank Consolidated annual accounts.

The adoption of IFRS 9 and IFRS 15 as per 1 January 2018 are as of 2019 an integral part of Note 1 'Accounting policies'. In the Annual Report of 2018 these standards were presented under 'Change in accounting policies' in Note 1 'Accounting policies'.

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 have 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 Bank Consolidated annual accounts for more details on upcoming changes in accounting policies.

Changes in accounting policies

Except as described below, the accounting policies applied in these interim accounts are the same as those applied in NN Bank's Consolidated annual accounts as at and for the year ended 31 December 2018.

The change in accounting policies will also be reflected in NN Bank's Consolidated annual accounts as at and for the year ended 31 December 2019.

IFRS 16 'Leases'

IFRS 16 'Leases' is effective as of 1 January 2019. IFRS 16 contains a new accounting model for lessees. There were no changes relevant to NN Bank resulting from the implementation of IFRS 16, since NN Bank has no contracts with group companies and external parties that qualify for lease accounting. As a result, the implementation of IFRS 16 as at 1 January 2019 did not have significant impact on Shareholder's equity at that date, and did not impact the net result of NN Bank. It also did not have significant impact on the ratios.

Notes to the Condensed consolidated interim accounts continued

2 Financial assets at fair value through profit or loss

Non-trading derivatives

	30 June 2019	31 December 2018
Derivatives held for macro fair value hedge accounting	0	24,795
Derivatives held for micro fair value hedge accounting	50,541	12,845
Balanced guaranteed swaps	69,019	84,965
Other non-trading derivatives	11,919	2,992
Non-trading derivatives	131,479	125,597

3 Investment securities

Investment securities by type 30 June 2019

	AC ¹	FVOCI ²	30 June 2019
Government bonds	229,247	150,051	379,298
Covered bonds	0	1,050,565	1,050,565
Corporate bonds	2,617	0	2,617
Financial institution bonds	62,122	111,269	173,391
Asset backed securities	27,609	0	27,609
Investment securities - before loss provisions	321,595	1,311,885	1,633,480
Investment securities loss provisions	-102	-395	-497
Investment securities - after loss provisions	321,493	1,311,490	1,632,983

1 AC= Amortised Cost

2 FVOCI = Fair value through Other Comprehensive Income

Investment securities by type 31 December 2018

	AC	FVOCI	31 December 2018
Government bonds	180,049	293,278	473,327
Covered bonds	0	482,904	482,904
Corporate bonds	2,672	12,200	14,873
Financial institution bonds	62,148	8,080	70,228
Asset backed securities	27,609	0	27,609
Investment securities - before loss provisions	272,478	796,463	1,068,941
Investment securities loss provisions	-38	-486	-524
Investment securities - after loss provisions	272,440	795,977	1,068,417

Changes in investment securities

	6 month period ended 30 June 2019	Year ended 31 December 2018
Investment securities – opening balance	1,068,941	818,171
Additions	1,065,249	591,213
Amortisation	-10,998	-13,081
Changes in unrealised revaluations	6,140	-2,808
Disposals and redemptions	-495,852	-324,554
Investment securities – closing balance	1,633,480	1,068,941

The changes in the portfolio are caused by the sale of government bonds and purchase of covered bonds investment securities. There were no sales from the Amortised Cost portfolio and the sales did not have an impact on the business model classification.

Notes to the Condensed consolidated interim accounts continued

4 Loans

Loans by type 30 June 2019

	AC	FVTPL ¹	30 June 2019
Loans secured by mortgages, guaranteed by public authorities	5,247,140	13,123	5,260,263
Loans secured by mortgages ²	13,478,667	31,018	13,509,685
Consumer lending	206,633	0	206,633
Group companies	292,859	0	292,859
Loans – before loan loss provisions	19,225,299	44,141	19,269,440
Loan loss provisions	-28,937	0	-28,937
Loans	19,196,362	44,141	19,240,503

1 FVTPL = Fair Value through Profit and Loss

2 Including purchased credit-impaired assets

Loans by type 31 December 2018

	AC	FVTPL	31 December 2018
Loans secured by mortgages, guaranteed by public authorities	5,293,003	13,509	5,306,512
Loans secured by mortgages ¹	12,663,560	18,842	12,682,402
Consumer lending	229,484	0	229,484
Group companies	253,015	0	253,015
Loans – before loan loss provisions	18,439,062	32,351	18,471,413
Loan loss provisions	-28,474	0	-28,474
Loans	18,410,588	32,351	18,442,939

1 Including purchased credit-impaired assets

'Group companies' relate to a receivable following arrangements to transfer mortgage parts in an intercompany account for the former Delta Lloyd Bank portfolio.

Loans by stage 30 June 2019

	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	No allocated stage ¹	30 June 2019
Loans - before loan loss provisions	17,899,558	462,200	115,689	33,611	758,382	19,269,440
Loan loss provisions	-2,708	-4,458	-21,132	-639	0	-28,937
Loans - after loan loss provisions	17,896,850	457,742	94,557	32,972	758,382	19,240,503

Loans by stage 31 December 2018

	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	No allocated stage ¹	31 December 2018
Loans - before loan loss provisions	17,737,960	251,043	111,350	32,327	338,733	18,471,413
Loan loss provisions	-3,036	-3,896	-20,801	-741	0	-28,474
Loans - after loan loss provisions	17,734,924	247,147	90,549	31,586	338,733	18,442,939

1 No allocated stages relate to mortgage premium and fair value changes of hedged items.

Notes to the Condensed consolidated interim accounts continued

Changes in loans by stage

	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	No allocated stage	6 month period ended 30 June 2019	Year ended 31 December 2018
Loans – opening balance	17,737,960	251,043	111,350	32,327	338,733	18,471,413	18,319,594
Mortgage portfolio transfer	316,769	22,059	5,837	2,369	0	347,034	507,893
Partial transfer of mortgage loans	17,523	-606	-821	0	0	16,096	41,895
Origination	1,127,841	22,390	3,147	0	0	1,153,378	2,328,618
Sale of mortgages	-268,379	-3,968	0	0	0	-272,347	-821,113
Premium new mortgages	0	0	0	253	9,403	9,656	14,902
Amortisation mortgage premium	0	0	0	0	-23,514	-23,514	-50,183
Fair value change hedged items	0	0	0	0	433,760	433,760	90,037
Modifications	2,167	7	0	0	0	2,174	-21,601
Redemptions	-774,259	-81,479	-11,134	-1,594	0	-868,466	-1,929,179
Reclassifications to other assets	0	0	0	0	0	0	-10,292
Changes in credit quality	-260,064	252,754	7,310	256	0	256	842
Loans – closing balance	17,899,558	462,200	115,689	33,611	758,382	19,269,440	18,471,413

Changes in Purchased or Originated Credit-Impaired loans (POCI)

	6 month period ended 30 June 2019	Year ended 31 December 2018
POCI - opening balance	32,327	32,685
Mortgage portfolio transfer	2,369	4,046
Amortisation value adjustment	253	551
Redemptions	-1,594	-5,797
Unfavourable changes in credit quality	-64	-395
Favourable changes in credit quality	320	1,237
POCI - closing balance	33,611	32,327

Purchased of credit-impaired ('POCI') assets are purchased from ING Bank and recognised initially at an amount net of impairments and are measured at amortised cost using a credit-adjusted effective interest rate. In subsequent periods any deteriorating changes to the estimated lifetime ECL are recognised in the profit and loss account.

Loan loss provisions by type

	30 June 2019	31 December 2018
Loans secured by mortgages	11,811	10,701
Consumer lending	17,126	17,773
Loan loss provisions by type	28,937	28,474

Changes in loan loss provisions by stage

	Stage 1 12-month ECL non-credit impaired	Stage 2 Lifetime ECL non-credit impaired	Stage 3 Lifetime ECL credit impaired	Purchased credit-impaired	6 month period ended 30 June 2019	Year ended 31 December 2018
Loan loss provisions – opening balance	3,036	3,896	20,801	741	28,474	38,885
Addition to the loan loss provisions	-227	-254	-1,050	-102	-1,633	-11,876
Changes in models and methodologies	0	0	0	0	0	-2,974
Transfers to:						
– Stage 1	0	-1,000	-1,209		-2,209	-3,901
– Stage 2	-177	0	-610		-787	-1,628
– Stage 3	-38	-340	0		-378	-642
Transfers from:						
– Stage 1	0	2,022	1,453		3,475	4,924
– Stage 2	88	0	1,070		1,158	2,639
– Stage 3	26	134	0		160	208
Write-offs	0	0	677	0	677	2,839
Loan loss provisions – closing balance	2,708	4,458	21,132	639	28,937	28,474
Recoveries	0	0	-556	0	-556	0

Notes to the Condensed consolidated interim accounts continued

Delinquency

	Mortgages		Consumer lending		Total	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018	30 June 2019	31 December 2018
0 days	18,723,494	17,894,946	180,795	200,958	18,904,289	18,095,904
1 – 30 days	189,902	197,618	7,267	7,747	197,169	205,365
31 – 60 days	53,747	74,436	4,162	5,571	57,909	80,007
61 – 90 days	37,549	22,274	1,076	1,376	38,625	23,650
> 90 days	58,115	52,665	13,333	13,822	71,448	66,487
Total	19,062,807	18,241,939	206,633	229,474	19,269,440	18,471,413

Loans exposed to credit risk

	Stage 1		Stage 2		Stage 3		POCI assets		Total		Total	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018	30 June 2019	31 December 2018	30 June 2019	31 December 2018	30 June 2019	31 December 2018	30 June 2019	31 December 2018
Mortgages	17,719,526	17,537,389	453,538	240,690	97,750	92,801	33,611	32,327	18,304,425	17,903,207		
Consumer loans	180,032	200,571	8,662	10,353	17,939	18,549	0	0	206,633	229,473		
Total	17,899,558	17,737,960	462,200	251,043	115,689	111,350	33,611	32,327	18,511,058	18,132,680		

The impaired loans include 'unlikely to pay' mortgage loans, which may not be past due.

5 Customer deposits and other funds on deposit

Customer deposits and other funds on deposit by type

	30 June 2019		31 December 2018	
Savings	6,847,277	6,617,874		
Bank annuities	6,534,616	6,413,447		
Bank annuities related to mortgages	1,423,335	1,369,782		
Corporate deposits	5,000	5,000		
Group companies	134,264	70,336		
Customer deposits and other funds on deposit	14,944,492	14,476,439		

'Group companies' relate to a payable following arrangements to transfer mortgage parts in an intercompany account for the former Delta Lloyd Bank portfolio.

Changes in Customer deposits and other funds on deposit

	6 month period	
	ended 30 June 2019	Year ended 31 December 2018
Customer deposits and other funds on deposit – opening balance	14,476,439	14,170,868
Deposits received	1,982,759	3,796,359
Withdrawals	-1,514,706	-3,490,788
Customer deposits and other funds on deposit – closing balance	14,944,492	14,476,439

6 Financial liabilities at fair value through profit or loss

Non-trading derivatives

	31 December 2019	31 December 2018
Derivatives held for macro fair value hedge accounting	576,665	150,279
Balanced guaranteed swaps	69,019	84,965
Other non-trading derivatives	14,421	8,403
Non-trading derivatives	660,105	243,647

Notes to the Condensed consolidated interim accounts continued

7 Other borrowed funds

Other borrowed funds

	30 June 2019	31 December 2018
Other borrowed funds	449,925	330,000
Other borrowed funds	449,925	330,000

The increase of 'Other borrowed funds' is due to new loans amounting to EUR 245 million, and was offset by repayments of loans amounting to EUR 125 million. These loans are contracted with third parties.

8 Provisions

Provisions

	30 June 2019	31 December 2018
Restructuring provisions	5,539	4,689
Other provisions	1,200	1,200
Provisions	6,739	5,889

Restructuring provisions

	6 month period ended 30 June 2019	Year ended 31 December 2018
Restructuring provisions – opening balance	4,689	6,033
Additions	4,408	4,071
Releases	-549	-490
Charges	-2,954	-4,925
Other	-55	0
Restructuring provisions – closing balance	5,539	4,689

The restructuring provision is mainly recognised for the expected future redundancy costs as a consequence of the merger with Delta Lloyd Bank. Additions or releases are charged to the profit and loss account of NN Bank.

9 Debt securities issued

'Debt securities issued' relates to debentures and other issued debt securities with either fixed or floating interest rates. NN Bank does not have debt securities that are issued on terms other than those available in the normal course of business. The maturities, based on the earliest contractual payment date of the debt securities, are as follows:

Debt securities issued – maturities 30 June 2019

	Less than 1 year	1-2 years	2 - 3 years	3 - 4 years	4 - 5 years	Over 5 years	Total
Fixed rate debt securities	123,413	400,000	100,000	0	0	0	623,413
Floating rate debt securities	241,793	724,410	218,247	468,724	0	0	1,653,174
Subtotal RMBS securitisation programmes	365,206	1,124,410	318,247	468,724	0	0	2,276,587
Covered bond issues	0	0	0	0	498,004	1,576,691	2,074,695
Fixed rate unsecured debt securities	0	14,995	4,006	499,505	275,090	57,204	850,800
Floating rate unsecured debt securities	0	250,289	35,125	0	0	0	285,414
Debt securities issued	365,206	1,389,694	357,378	968,229	773,094	1,633,895	5,487,496

Debt securities issued – maturities 31 December 2018

	Less than 1 year	1-2 years	2 - 3 years	3 - 4 years	4 - 5 years	Over 5 years	Total
Fixed rate debt securities	380,000	522,853	100,000	0	0	0	1,002,853
Floating rate debt securities	328,145	665,388	631,735	493,268	0	0	2,118,536
Subtotal RMBS securitisation programmes	708,145	1,188,241	731,735	493,268	0	0	3,121,389
Covered bond issues	0	0	0	0	0	1,499,662	1,499,662
Fixed rate unsecured debt securities	0	0	18,995	0	270,663	57,403	347,061
Floating rate unsecured debt securities	0	0	0	0	0	0	0
Debt securities issued	708,145	1,188,241	750,730	493,268	270,663	1,557,065	4,968,112

Notes to the Condensed consolidated interim accounts continued

Secured debt securities

NN Bank has the right to redeem the Residential Mortgage Backed Securities under the Arena NHG and the Hypenn RMBS securitisation programmes at First Optional Redemption Date (FORD). These dates for the debt securities issued are as follows:

	FORD	30 June 2019	31 December 2018
Arena NHG 2014-I	17-4-2019	0	384,873
Arena NHG 2014-II	17-4-2020	366,793	400,627
Arena NHG 2016-I	17-7-2021	318,247	348,868
Hypenn RMBS I A3	17-11-2020	398,413	397,853
Hypenn RMBS II	17-5-2019	0	323,272
Hypenn RMBS IV	17-7-2020	363,915	389,761
Hypenn RMBS V	17-4-2021	360,495	382,867
Hypenn RMBS VI	17-12-2022	468,724	493,268
Total		2,276,587	3,121,389

The Arena NHG 2014-I and Hypenn RMBS II notes have both been redeemed on the FORD.

	Maturity date	30 June 2019	31 December 2018
Covered bond October 2017	10-10-2024	498,322	498,164
Covered bond June 2018	11-9-2025	496,683	496,418
Covered bond September 2018	25-09-2028	493,714	493,376
Covered bond February 2019	27-2-2024	498,004	0
Covered bond March 2019 - 1	18-3-2039	24,814	0
Covered bond March 2019 - 2	21-3-2039	19,915	0
Fair value change hedged items		43,243	11,704
Total		2,074,695	1,499,662

In the first quarter of 2019, NN Bank issued its fourth public covered bond of EUR 500 million notional and two covered bond private placements for a total amount of EUR 45 million notional.

Unsecured debt securities

	Maturity date	30 June 2019	31 December 2018
Debt Issuance Programme May 2019	31-5-2023	497,822	0
Floating Rate Note June 2019 - 1	11-12-2020	250,289	0
Floating Rate Note June 2019 - 2	1-7-2021	35,125	0
Other unsecured debt securities	n/a	346,205	346,185
Fair value change hedged items		6,773	876
Total		1,136,214	347,061

In the second quarter of 2019, NN Bank updated its Debt Issuance Programme and executed its inaugural unsecured issuance of EUR 500 million notional, followed by two unsecured private placements for a total amount of EUR 285 million notional.

10 Subordinated debt

Interest rate	Year of issue	Due date	First call date	Notional amount		Balance sheet value	
				30 June 2019	31 December 2018	30 June 2019	31 December 2018
1.83%	2019	26 June 2029	26 June 2024	15,000	-	15,000	-
3.02%	2017	27 February 2027	27 February 2022	15,000	15,000	15,000	15,000
2.66%	2015	26 February 2025	26 February 2020	30,000	30,000	30,000	30,000
3.60%	2014	26 September 2024	26 September 2019	25,000	25,000	25,000	25,000
3.76%	2014	26 June 2024	26 June 2019	-	15,000	-	15,000
6.00%	2009	13 July 2019	-	12,000	12,000	12,000	12,000
Subordinated debt				97,000	97,000	97,000	97,000

The EUR 15.0 million subordinated loan issued in 2014 has been restructured on 26 June 2019 and the maturity date is extended with five years by NN Group. The new interest rate is 1.83%.

Notes to the Condensed consolidated interim accounts continued

11 Equity

Total equity

	30 June 2019	31 December 2018
Share capital	10,000	10,000
Share premium	481,000	481,000
Revaluation reserve	6,500	1,619
Retained earnings and unappropriated result	474,664	480,090
Shareholders' equity	972,164	972,709

Changes in equity (2019)

30 June 2019	Share capital	Share premium	Reserves	Total shareholders' equity
Equity – opening balance	10,000	481,000	481,709	972,709
Net result for the period	0	0	50,506	50,506
Total amount recognised directly in equity ('Other comprehensive income')	0	0	4,881	4,881
Dividend paid	0	0	-55,900	-55,900
Employee share plans	0	0	107	107
Other	0	0	-139	-139
Equity – closing balance	10,000	481,000	481,164	972,164

Changes in equity (2018)

31 December 2018	Share capital	Share premium	Reserves	Total shareholders' equity
Equity – opening balance	10,000	481,000	415,766	906,766
Net result for the period	0	0	75,786	75,786
Total amount recognised directly in equity ('Other comprehensive income')	0	0	-2,131	-2,131
Dividend paid	0	0	-8,000	-8,000
Employee share plans	0	0	237	237
Other	0	0	51	51
Equity – closing balance	10,000	481,000	481,709	972,709

Final dividend 2018

On 3 June 2019, following the adoption of the 2018 Consolidated annual accounts by the general meeting of NN Bank ('General Meeting'), the 2018 net result of EUR 75.8 million, less the proposed cash dividend of EUR 55.9 million, was added to the retained earnings.

Interim dividend 2019

NN Bank intends to pay an interim dividend of EUR 26.2 million. The 2019 interim dividend will be paid in cash and deducted from the retained earnings.

Notes to the Condensed consolidated interim accounts continued

12 Interest result

Interest result

	1 January to 30 June 2019	1 January to 30 June 2018 ¹
Interest income on loans	277,541	279,374
Modifications	2,174	-21,601
Interest income on non-trading derivatives	29,442	35,108
Negative interest on liabilities	328	323
Total interest income	309,485	293,204
Interest expenses on amounts due to banks	93	31
Interest expenses on customer deposits and other funds on deposit	88,149	92,490
Interest expenses on debt securities issued and other borrowed funds	22,147	17,819
Interest expenses on subordinated loans	1,700	1,704
Interest expenses on non-trading derivatives	69,953	65,960
Negative interest on assets	2,848	12,449
Other interest expenses	5,085	1,582
Total interest expenses	189,975	192,035
Interest result	119,510	101,169

¹ For purposes of comparison, amounts from 1 January to 30 June 2018 relating to a reclassification regarding the amortisation of discontinued hedge relations from 'Valuation result on non-trading derivatives' to 'Interest result'.

'Modifications' relate to the estimated impact of the modification of the outstanding mortgage loans as a result of the amended interest rate pricing system for NN and former Delta Lloyd mortgage portfolio. The initial estimated impact of the modification charge was recognised in the first half year 2018 and amounted to EUR 21.6 million. Further reference is made to Note 7 'Loans' of the 2018 NN Bank Consolidated annual accounts. In July 2019 this amended interest rate pricing system was implemented for the NN mortgage portfolio, which resulted in an updated estimated modification charge. Reference is made to Note 18 'Subsequent and other events'.

13 Staff expenses

Staff expenses

	1 January to 30 June 2019	1 January to 30 June 2018
Salaries	28,869	27,859
Pension and other staff-related benefit costs	6,141	5,828
Social security costs	4,212	3,862
Share-based compensation arrangements	26	206
External staff costs	15,981	17,264
Education	503	401
Other staff costs	317	162
Staff expenses	56,049	55,582

14 Regulatory levies

Regulatory levies represents contributions to Deposit Guarantee Schemes (DGS) and the Single Resolution Fund (SRF). In the first six months of 2019 the contributions to DGS were EUR 6.7 million (first six months of 2018: EUR 7.2 million) and contributions to the SRF were EUR 3.2 million (first six months of 2018: EUR 3.2 million). The contribution to the SRF in the first six months of 2019 comprises NN Bank's contribution for the full year 2019.

Notes to the Condensed consolidated interim accounts continued

15 Other operating expenses

Other operating expenses

	1 January to 30 June 2019	1 January to 30 June 2018 ¹
Computer costs	9,991	9,892
Office expenses	74	288
Travel and accommodation expenses	1,371	1,398
Advertising and public relations	1,638	898
Bank costs	227	276
Addition to restructuring provisions	3,858	4,016
Amortisation of intangible assets	756	38
Other	3,191	2,382
Other operating expenses	21,106	19,188
Customer&Commerce	9,051	10,396
IT	8,395	7,778
Facility Management	3,223	3,010
General Management	543	1,792
Group HR	1,405	1,595
Shared service center Finance	821	568
Total Group Services	23,438	25,139
Total other operating expenses	44,544	44,327

¹ For purposes of comparison, amounts from 1 January to 30 June 2018 relating to split of 'Total Group Services'.

'Other' mainly consists of audit fees and contributions to, amongst others, AFM, DNB and ECB.

16 Fair value of financial assets and liabilities

The following table presents the estimated fair value of NN Bank'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 Bank.

Fair value of financial assets and liabilities

	Estimated fair value		Balance sheet value	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018
Financial assets				
Cash and balances at central banks	1,215,979	1,314,956	1,215,979	1,314,956
Amounts due from banks	914,127	481,883	914,127	481,883
Financial assets at fair value through profit or loss:				
– non-trading derivatives	131,479	125,597	131,479	125,597
Investment securities	1,636,999	1,068,658	1,632,983	1,068,417
Loans	20,300,371	19,109,028	19,240,503	18,442,939
Financial assets	24,198,955	22,100,122	23,135,071	21,433,792
Financial liabilities				
Amounts due to banks	414,186	263,914	414,500	264,500
Customer deposits and other funds on deposit	15,832,789	15,000,590	14,944,492	14,476,439
Financial liabilities at fair value through profit or loss:				
– non-trading derivatives	660,105	243,647	660,105	243,647
Other borrowed funds	449,994	329,925	449,925	330,000
Debt securities issued	5,617,663	5,042,185	5,487,496	4,968,112
Subordinated debt	101,573	100,448	97,000	97,000
Financial liabilities	23,076,310	20,980,709	22,053,518	20,379,698

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. Where exposures of a group of financial assets and financial liabilities are managed on a net basis, NN Bank measures the fair value of the group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position or settle a net short position.

Notes to the Condensed consolidated interim accounts continued

Financial assets and liabilities at fair value and amortised cost

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

Methods applied in determining the fair value of financial assets and liabilities (30 June 2019)

	Balance sheet		Level 1	Level 2	Level 3
	value	Total fair value			
Financial assets measured at fair value					
Non-trading derivatives	131,479	131,479	0	62,460	69,019
Investment securities - FVOCI	1,311,490	1,311,885	138,871	1,173,014	0
Loans - FVTPL	44,141	44,141	0	0	44,141
Financial assets not measured at fair value					
Cash and balances at central banks	1,215,979	1,215,979	1,215,979	0	0
Amounts due from banks	914,127	914,127	914,127	0	0
Investment securities - AC	321,493	325,114	119,564	205,550	0
Loans - AC	19,196,362	20,256,230	0	0	20,256,230
Financial assets	23,135,071	24,198,955	2,388,541	1,441,024	20,369,391
Financial liabilities measured at fair value					
Non-trading derivatives	660,105	660,105	0	591,086	69,019
Financial liabilities not measured at fair value					
Amounts due to banks	414,500	414,186	0	414,186	0
Customer deposits and other funds on deposit	14,944,492	15,832,789	9,136,720	6,667,807	28,262
Other borrowed funds	449,925	449,994	0	449,994	0
Debt securities issued	5,487,496	5,617,663	2,912,623	2,705,040	0
Subordinated debt	97,000	101,573	0	101,573	0
Financial liabilities	22,053,518	23,076,310	12,049,343	10,929,686	97,281

Methods applied in determining the fair value of financial assets and liabilities (31 December 2018)

	Balance sheet		Level 1	Level 2	Level 3
	value	Total fair value			
Financial assets measured at fair value					
Non-trading derivatives	125,597	125,597	0	40,632	84,965
Investment securities - FVOCI	795,977	796,463	177,952	618,511	0
Loans - FVTPL	32,351	32,351	0	0	32,351
Financial assets not measured at fair value					
Cash and balances at central banks	1,314,956	1,314,956	1,314,956	0	0
Amounts due from banks	481,883	481,883	481,883	0	0
Investment securities - AC	272,440	272,195	104,947	167,248	0
Loans - AC	18,410,588	19,076,676	0	0	19,076,676
Financial assets	21,433,792	22,100,122	2,079,738	826,391	19,193,993
Financial liabilities measured at fair value					
Non-trading derivatives	243,647	243,647	0	158,682	84,965
Financial liabilities not measured at fair value					
Amounts due to banks	264,500	263,914	0	263,914	0
Customer deposits and other funds on deposit	14,476,439	15,000,590	8,855,366	6,120,653	24,571
Other borrowed funds	330,000	329,925	0	329,925	0
Debt securities issued	4,968,112	5,042,185	1,496,660	3,545,525	0
Subordinated debt	97,000	100,448	0	100,448	0
Financial liabilities	20,379,698	20,980,709	10,352,026	10,519,147	109,536

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 Bank 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.

Notes to the Condensed consolidated interim accounts continued

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.

Changes in Level 3 Financial assets

	Non-trading derivatives	Loans - FVTPL	6 month period ended 30 June 2019	Year ended 31 December 2018
Level 3 Financial assets – opening balance	84,965	32,351	117,316	285,225
Amounts recognised in the profit and loss account during the year	-15,946	1,120	-14,826	-42,208
Additions	0	148,187	148,187	382,391
Sale of assets	0	-137,517	-137,517	-508,092
Level 3 Financial assets – closing balance	69,019	44,141	113,160	117,316

Changes in Level 3 Financial liabilities

	6 month period ended 30 June 2019	Year ended 31 December 2018
Level 3 Financial liabilities – opening balance	84,965	146,367
Amounts recognised in the profit and loss account during the year	-15,946	-61,402
Level 3 Financial liabilities – closing balance	69,019	84,965

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

	1 January to 30 June 2019	1 January to 30 June 2018
Financial assets		
Non-trading derivatives	-15,946	-22,592
Loans - FVTPL	1,120	0
Financial assets	-14,826	-22,592
Financial liabilities		
Non-trading derivatives	15,946	22,592
Financial liabilities	15,946	22,592

17 Contingent liabilities and commitments

Compared with 31 December 2018, the outstanding 'mortgage and consumer lending offerings' increased by EUR 653 million to EUR 1,162 million (31 December 2018: EUR 509 million). There were no other material changes in the contingent liabilities and commitments.

For the contingent liabilities and commitments of NN Bank at 31 December 2018, reference is made to Note 33 'Contingent liabilities and commitments' of the 2018 NN Bank Consolidated annual accounts.

On 30 April 2019, the Dutch Authority for the Financial Markets (AFM) notified NN Bank of its intention to impose a fine with respect to a (perceived) violation of article 4:34 of the Dutch Financial Supervision Act in 8 individual cases. Said article relates to requirements with respect to responsible lending ('verantwoorde kredietverlening'). At this stage NN Bank is only aware of the intention to impose a fine. NN Bank has provided the AFM with its formal views ('zienswijze') and refuted the claim that there would have been a violation that requires imposing a fine. A formal decision to impose a fine is not yet made and at this point in time it is not possible to make a reasonable estimate of the size of a potential fine.

Notes to the Condensed consolidated interim accounts continued

18 Subsequent and other events

Repurchase Hypenn I notes

On 17 July 2019 NN Bank repurchased the notes of Hypenn RMBS I B.V from an investor (EUR 417 million). As such the outstanding notes of this SPV are fully held (retained) by NN Bank.

Risk-based pricing system

In the second quarter of 2018, NN Bank announced an amendment to its risk-based pricing system. NN Bank implemented this amended mortgage pricing system for NN mortgages at the end of July 2019. The updated estimated modification charge for the NN and Delta Lloyd mortgage portfolio is EUR 2.2 million lower compared with the previous estimate. This lower modification impact results mainly from the reassessment of prepayment, timing and client response assumptions. The actual client behaviour and thus the final modification charge for NN mortgage portfolio will be recognised in the second half of 2019. It is expected that this amended system will be implemented for the Delta Lloyd mortgage portfolio after migration of this portfolio to the NN Bank systems. As also disclosed in Note 7 'Loans' of the 2018 NN Bank Consolidated annual accounts, the actual impact may differ from the estimation due to different actual prepayments, response rates and more granular calculations.

Clearing Collateral Facility

On 28 August 2019 NN Bank has entered into a EUR 1.3 billion Borrowing Facility (of which EUR 850 million was drawn at inception) with NN Group for the funding of Margin Requirements emanating from the use of centrally cleared derivatives.

19 Capital and liquidity management

Capital adequacy

Transitional capital position

Amounts in millions of euros	30 June 2019	31 December 2018
Common Equity Tier 1 Capital ¹	911	906
Risk Weighted Assets	5,676	5,545
Common Equity Tier 1 ratio ¹	16.0%	16.3%
Total capital ratio ¹	17.5%	17.9%

1 If DNB approves the addition of the net result after payment of interim dividend for the first half year 2019, the CET1 ratio would be 16.5% and the total capital ratio would be 18.0%.

Despite the balance sheet increase, NN Bank has maintained a solid capital position with a Capital Requirements Regulation ('CRR') total capital ratio of 17.5% (31 December 2018: 17.9%) and a CRR CET1 ratio of 16.0% as of 30 June 2019 (31 December 2018: 16.3%). Common Equity Tier 1 Capital amounts to EUR 911 million (31 December 2018: EUR 906 million) and has increased driven by internal capital generation in the form of retained profit.

Liquidity adequacy

During 2019, NN Bank maintained an adequate liquidity position.

	30 June 2019	31 December 2018
Liquidity Coverage Ratio (LCR)	156%	171%
Net Stable Funding Ratio (NSFR)	126%	127%
Loan-to-Deposit ratio (LDR)	129%	127%

On 30 June 2019, NN Bank had an LCR ratio of 156%. This is well above regulatory and internal limits. In addition to the available liquidity as captured by the LCR, NN Bank has other sources of liquidity available. NN Bank has external credit facilities in place for use when necessary: two committed loan facilities secured by mortgages and a credit facility with NN Group.

Next to its liquidity ratio, NN Bank uses two ratios to measure and monitor the bank's funding position. The NSFR ratio is defined as the amount of available stable funding relative to the amount of required stable funding. The objective of the NSFR is to incentivise banks to fund their activities from stable sources of funding on an ongoing basis. On 30 June 2019, NN Bank had a NSFR ratio of 126%. This is well above regulatory and internal limits.

The LDR ratio is a statistic for assessing a bank's deposit funding gap by dividing the banks total volume of commercial loans by its retail deposits. This ratio is used for a diversified funding base and gives an indication of the bank's dependence on wholesale funding for financing client loans. On 30 June 2019, NN Bank has a LDR ratio of 129% which is well within the internal limit.

Notes to the Condensed consolidated interim accounts continued

Dividend policy

NN Bank aims to pay dividends on a semi-annual basis to its shareholder, while ensuring that the capital ratios show a stable development remaining well within the risk appetite of NN Bank and the regulatory required capital ratios.

In June 2019, after the adoption of the 2018 Consolidated annual accounts by the General Meeting, NN Bank paid a dividend of EUR 55.9 million for 2018.

In the second half of 2019, NN Bank intends to pay an interim dividend of EUR 26.2 million relating to the profit for the first half of 2019.

Authorisation of the Condensed consolidated interim accounts

The interim report of NN Bank for the period ended 30 June 2019 was authorised for issue in accordance with a resolution of the NN Bank Management Board on 29 August 2019.

The Hague, 29 August 2019

The Management Board

A.J.M. (Marcel) Zuidam, CEO and chair

C.H.A. (Kees) van Kalveen, CFO a.i.

M.E. (Monique) Tailor-Hemerijck, CRO

The Supervisory Board

H.G.M. (Hein) Blocks, chair

A.A.G. (André) Bergen

J.H. (Jan-Hendrik) Erasmus

D.E. (David) Knibbe

D. (Delfin) Rueda

Review report

To: the Shareholder and Supervisory Board of Nationale-Nederlanden Bank N.V.

Introduction

We have reviewed the accompanying condensed consolidated interim accounts as at and for the six-month period ended 30 June 2019 of Nationale-Nederlanden Bank N.V., The Hague, as included on pages 7 to 26 of this report. These condensed consolidated interim accounts comprise the condensed consolidated balance sheet as at 30 June 2019, the condensed consolidated profit and loss account, 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 six-month period ended 30 June 2019, and the notes.

The Management Board of the Company is responsible for the preparation and presentation of the 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 the 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 and for the six-month period ended 30 June 2019 is not prepared, in all material respects, in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

Amstelveen, 29 August 2019

KPMG Accountants N.V.

E.D.H. Vinke-Smits RA

Contact and legal information

Contact us

Nationale-Nederlanden Bank N.V.
Prinses Beatrixlaan 35-37,
2595 AK Den Haag

P.O. Box 90504, 2509 LM Den Haag
The Netherlands
Internet: www.nn.nl

Commercial Register number 52605884

Nationale-Nederlanden Bank N.V. is part of NN Group N.V.

Disclaimer

NN Bank's Consolidated annual accounts are prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and with Part 9 of Book 2 of the Dutch Civil Code.

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

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 Bank'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) changes affecting interest rate levels, (6) changes affecting currency exchange rates, (7) changes in investor and customer behaviour, (8) changes in general competitive factors, (9) changes in laws and regulations and the interpretation and application thereof, (10) changes in the policies and actions of governments and/or regulatory authorities, (11) conclusions with regard to accounting assumptions and methodologies, (12) changes in ownership that could affect the future availability to NN Bank of net operating loss, net capital and built-in loss carry forwards, (13) changes in credit and financial strength ratings, (14) NN Bank's ability to achieve projected operational synergies, (15) catastrophes and terrorist-related events, (16) adverse developments in legal and other proceedings and (17) the other risks and uncertainties contained in recent public disclosures made by NN Bank.

Any forward-looking statements made by or on behalf of NN Bank speak only as of the date they are made, and, NN Bank 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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