# 30 June 2018 Condensed consolidated interim financial information

Nationale-Nederlanden Bank N.V.

nationale
nederlanden

# Condensed consolidated interim financial information contents

# Financial developments

## Overview

### Acquisition of Delta Lloyd

The interim report of Nationale-Nederlanden Bank N.V. ('NN Bank') for the period ended on 30 June 2018 reflects the legal merger with Delta Lloyd Bank N.V. ('Delta Lloyd Bank') as at 1 January 2018. As a result of this merger, Delta Lloyd Bank ceased to exist as a separate entity and NN Bank acquired all assets and liabilities of Delta Lloyd Bank under universal title of succession as at 1 January 2018. Comparative information has not been restated. Further information on the legal merger with Delta Lloyd Bank, the acquisition accounting under IFRS and the impact on the financial information included in this interim report is included in Note 2 'Reconciliation of consolidated balance sheet 31 December 2017 and 1 January 2018' and, where relevant, in the other notes to the Condensed consolidated interim accounts.

## NN Bank is part of NN Group N.V.

### NN Group N.V.

#### Profile

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

### NN Bank

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'), Delta Lloyd Levensverzekering N.V. ('Delta Lloyd Leven') 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, not currently conducting any business or other activities.

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

## Main developments

### Key financial developments

NN Bank reported a net result of EUR 32.6 million for the first half of 2018. The cost/income ratio increased to 66.7% in the first half of 2018, reflecting the inclusion of Delta Lloyd Bank, while the synergy benefits of the integration have not yet been fully realised. 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 also negatively impacted the cost/income ratio (reference is made to 'Amendment risk-based pricing policy').

The balance sheet remained strong with a common equity Tier 1 ('CET1') ratio and total capital ratio of 16.2% and 17.8% respectively at 30 June 2018. The liquidity coverage ratio ('LCR') was 188%.

Compared with 2017, the mortgage market, measured by new mortgage production, grew by 7% to EUR 50.4 billion (source: Kadaster). NN's market share (NN Bank, HQ50 and former Delta Lloyd mortgage originator Amstelhuys) was 5.2%. Total mortgages originated by NN amounted to EUR 2.7 billion in the first six months of 2018 and remained stable compared with the same period last year (including mortgages originated by Amstelhuys in the first six months of 2017). Of this, EUR 2.4 billion was originated on behalf of Group entities and the NN Dutch Residential Mortgage Fund and the remainder was originated for NN Bank's balance sheet.

The net inflow in the savings portfolio was EUR 0.5 billion, of which EUR 0.2 billion internet savings and EUR 0.3 billion bank annuities.

## **Financial developments** Continued

### Amendment risk-based pricing policy
NN Bank applies an interest rate pricing system for mortgage loans based on risk-based pricing with multiple risk premium categories, whereby the interest rate for a mortgage loan is set depending on the loan-to-valuation (LTV) ratio. In the past, mortgage loans were eligible to move into another risk premium category only on the interest reset date. In the second quarter of 2018, a change to this pricing system was announced, under which a mortgage loan can move into another (lower) risk premium category during the fixed interest rate term if the LTV has decreased due to an increase of the value of the house and/or repayment of the mortgage loan. The amended pricing system allows for the adjustment of the mortgage interest rate by moving to a lower risk premium category automatically following (partial) repayment of the loan principal, also taking into account (p)repayments that have already been made, and/or upon request following a proven revaluation of the relevant mortgaged asset. The expected implementation for the NN Bank portfolio is at the end of 2018, and for the former Delta Lloyd portfolio mid-2019. This amended pricing system represents a modification of the outstanding mortgage loans under IFRS and the related impact on the balance sheet value of outstanding mortgage loans of EUR 21.6 million was recognised as a charge in the profit and loss account in the second quarter of 2018. This did not have a material impact on the capital position of NN Bank. The impact on the cost/income ratio was 8.4% (the cost/income ratio excluding the one-off charge would be 58.3%).

### Good progress on 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 of the two organisations in the first half of 2018, with the following milestones being reached:

- Relocation of support functions from Amsterdam to The Hague and a major part of Operations Mortgages from Amsterdam to Rotterdam
- Integration and rebranding of Delta Lloyd Bank and OHRA retail savings products into NN Bank target systems
- Integration of regulatory reporting
- Integration of all wholesale funding products and processes into NN Bank organisation and systems
- Integrated asset and liability management and management of risk exposures

### Further diversification of funding sources
NN Bank aims to have access to diversified funding sources, both in terms of investors and markets.

- NN Bank has started offering an online savings product in Spain, similar to the current internet savings product in the Netherlands. This is offered using a cross-border passport (under the Dutch banking licence).

- On 11 June 2018, NN Bank completed its second covered bond issuance under the Covered Bond Programme. The bonds, which were placed with a broad range of institutional investors, have a tenure of seven years and a fixed coupon of 0.625%.

### Outlook
Looking ahead, we will further integrate the Delta Lloyd banking business, continue rebranding to NN and the migration to NN systems, and extract the synergies of the combination. At the same time we will continue to invest in an excellent (digital) customer experience focusing on being personal and relevant in NN Bank's contact with customers

# 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 knowledge:

- The Nationale-Nederlanden Bank N.V. Condensed consolidated interim accounts for the period ended 30 June 2018 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 2018 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 2018

## The Management Board

E. (Erik) Muetstege, CEO and chair

J.E. (Sandra) van Eijk, CFO

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

A.J.M. (Marcel) Zuidam, CTO

# Condensed consolidated balance sheet
## Amounts in thousands of euros, unless stated otherwise

### Condensed consolidated balance sheet

| | notes | 30 June 2018 | 1 January 2018[1] | 31 December 2017[2] |
|---|---|---|---|---|
| Assets | | | | |
| Cash and balances at central banks | | 1,791,768 | 1,481,809 | 1,085,613 |
| Amounts due from banks | | 469,581 | 386,990 | 398,900 |
| Financial assets at fair value through profit or loss: | | | | |
| – non-trading derivatives | | 166,568 | 201,054 | 193,271 |
| Available-for-sale investments | | 0 | 0 | 547,331 |
| Investment securities | 3 | 856,085 | 817,947 | 0 |
| Loans | 4 | 18,182,558 | 18,280,709 | 13,739,818 |
| Intangible assets | | 6,220 | 4,479 | 4,479 |
| Other assets | | 100,392 | 104,563 | 99,886 |
| Deferred tax assets | | 1,732 | 625 | 625 |
| **Total assets** | | **21,574,904** | **21,278,176** | **16,069,923** |
| | | | | |
| Liabilities | | | | |
| Amounts due to banks | | 109,500 | 432,415 | 432,394 |
| Customer deposits and other funds on deposit | 5 | 14,666,516 | 14,170,868 | 10,604,951 |
| Financial liabilities at fair value through profit or loss: | | | | |
| – non-trading derivatives | | 237,600 | 223,732 | 208,153 |
| Other borrowed funds | 6 | 190,000 | 485,000 | 485,000 |
| Other liabilities | | 198,085 | 94,561 | 56,817 |
| Deferred tax liabilities | | 26,501 | 31,234 | 4,377 |
| Provisions | 7 | 5,986 | 6,033 | 1,001 |
| Debt securities issued | 8 | 5,114,091 | 4,830,567 | 3,481,034 |
| Subordinated debt | 9 | 97,000 | 97,000 | 85,000 |
| **Total liabilities** | | **20,645,279** | **20,371,410** | **15,358,727** |
| | | | | |
| Equity | | | | |
| Shareholder's equity | | 929,625 | 906,766 | 711,196 |
| **Total equity** | 10 | **929,625** | **906,766** | **711,196** |
| | | | | |
| **Total equity and liabilities** | | **21,574,904** | **21,278,176** | **16,069,923** |

1 The Condensed consolidated balance sheet as at 30 June 2018 and 1 January 2018 have been prepared in accordance with IFRS 9 after the legal merger. Reference is made to Note 2 for the reconciliation of the balance sheet from IAS 39 to IFRS 9 and for the legal merger impact.
2 The Condensed consolidated balance sheet as at 31 December 2017 does not include Delta Lloyd Bank.

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 30 June 2018 | | 1 January to 30 June 2017[1] | |
|---|---|---|---|---|---|
| Interest income | | 300,997 | | 267,262 | |
| Interest expenses | | 192,003 | | 156,427 | |
| Interest result | 11 | | 108,994 | | 110,835 |
| Gains and losses on financial transactions and other income | | | 12,501 | | 9,006 |
| – gross fee and commission income | | 46,859 | | 23,746 | |
| – fee and commission expenses | | 8,728 | | 4,682 | |
| Net fee and commission income | | | 38,131 | | 19,064 |
| Valuation results on non-trading derivatives | | | -9,820 | | 49 |
| **Total income** | | | **149,806** | | **138,954** |
| | | | | | |
| Addition to loan loss provisions | 4 | | -4,094 | | -2,881 |
| Staff expenses | 12 | | 55,582 | | 48,745 |
| Regulatory levies | 13 | | 10,436 | | 5,910 |
| Other operating expenses | 14 | | 44,327 | | 30,325 |
| **Total expenses** | | | **106,251** | | **82,099** |
| | | | | | |
| **Result before tax** | | | **43,555** | | **56,855** |
| | | | | | |
| Taxation | | | 10,935 | | 14,259 |
| **Net result** | | | **32,620** | | **42,596** |

1 The Condensed consolidated profit and loss account for the period to 30 June 2017 has been prepared in accordance with IAS 39 and does not include Delta Lloyd Bank.

# Condensed consolidated statement of comprehensive income

## Condensed consolidated statement of comprehensive income

| | | 1 January to 30 June 2018 | | 1 January to 30 June 2017[1] |
|---|---|---|---|---|
| **Net result** | | **32,620** | | **42,596** |
| | | | | |
| – unrealised revaluations available-for-sale investments | 0 | | -3,705 | |
| – unrealised revaluations Investment securities | -2,153 | | 0 | |
| – realised gains or losses transferred to the profit and loss account | 0 | | 0 | |
| Items that may be reclassified subsequently to the profit and loss account | | -2,153 | | -3,705 |
| | | | | |
| Items that will not be reclassified to the profit and loss account | | 0 | | 0 |
| | | | | |
| **Total other comprehensive income** | | **-2,153** | | **-3,705** |
| | | | | |
| **Total comprehensive income** | | **30,467** | | **38,891** |
| | | | | |
| Comprehensive income attributable to: | | | | |
| Shareholder of the parent | | 30,467 | | 38,891 |
| **Total comprehensive income** | | **30,467** | | **38,891** |

1 The Condensed consolidated statement of comprehensive income for the period to 30 June 2017 has been prepared in accordance with IAS 39 and does not include Delta Lloyd Bank.

# Condensed consolidated statement of cash flows

## Condensed consolidated statement of cash flows

| | notes | 1 January to 30 June 2018 | 1 January to 30 June 2017[1] |
|---|---|---|---|
| Result before tax | | 43,555 | 56,855 |
| Adjusted for: | | | |
| – amortisation of intangible assets | 14 | 38 | 272 |
| – amortisation of mortgage premium | 4 | 25,679 | 7,004 |
| – LTV charge[2] | 4 | 21,601 | 0 |
| – addition to loan loss provision | 4 | -4,094 | -2,881 |
| – addition to redundancy provision | 14 | 1,046 | -123 |
| – fair value change on hedged mortgages | 4 | -23,255 | 84,518 |
| – accrued interest | | 6,411 | -5,645 |
| – amortisation agio | 4 | 6,024 | 4,057 |
| – increase (decrease) Deferred Tax | | -5,220 | 483 |
| – movement employee share plan | | 180 | 171 |
| – other | | 211 | 0 |
| Taxation paid | | -9,432 | -11,962 |
| Changes in: | | | |
| – amounts due to banks | | -322,915 | 42,541 |
| – non-trading derivatives | | 48,353 | -108,688 |
| – loans | 4 | -450,475 | -1,170,509 |
| – sale of mortgages | 4 | 527,991 | 572,975 |
| – other assets | | 997 | 18,119 |
| – customer deposits and other funds on deposit | 5 | 495,647 | 523,667 |
| – other liabilities | | 97,694 | -7,629 |
| **Net cash flow from operating activities** | | **460,036** | **3,225** |
| | | | |
| Investments and advances: | | | |
| – investment securities | 3 | -335,786 | -378,991 |
| – intangible assets | | -1,778 | -1,778 |
| Disposals and redemptions: | | | |
| – investment securities | 3 | 289,553 | 253,477 |
| **Net cash flow from investing activities** | | **-48,011** | **-127,292** |
| | | | |
| Proceeds from issuance of subordinated debt | 9 | 0 | 15,000 |
| Proceeds from issuance of debt securities | 8 | 630,289 | 27,500 |
| Repayments of debt securities | 8 | -346,764 | -135,923 |
| Proceeds from other borrowed funds | 6 | 105,000 | 80,000 |
| Repayments of other borrowed funds | 6 | -400,000 | -200,000 |
| Dividend paid | 10 | -8,000 | 0 |
| **Net cash flow from financing activities** | | **-19,475** | **-213,423** |
| | | | |
| **Net cash flow** | | **392,550** | **-337,490** |

1 The Condensed consolidated statement of cash flows for the period to 30 June 2017 has been prepared in accordance with IAS 39 and does not include Delta Lloyd Bank.
2 Reference is made to Note 11 'Interest result'.

## Interest included in net cash flow from operating activities

| | 1 January to 30 June 2018 | 1 January to 30 June 2017 |
|---|---|---|
| Interest received | 304,172 | 268,997 |
| Interest paid | -213,312 | -213,602 |
| **Interest received and paid** | **90,860** | **55,395** |

## Cash and cash equivalents

| | 1 January to 30 June 2018 | 1 January to 30 June 2017 |
|---|---|---|
| Cash and cash equivalents at beginning of the period | 1,868,799 | 1,690,951 |
| Net cash flow | 392,550 | -337,490 |
| **Cash and cash equivalents at end of the period** | **2,261,349** | **1,353,461** |

## **Condensed consolidated statement of cash flows** Continued

| | 30 June 2018 | 30 June 2017 |
|---|---|---|
| Cash and balances at central banks | 1,791,768 | 1,154,123 |
| Amounts due from banks | 469,581 | 199,338 |
| **Cash and cash equivalents at end of year** | **2,261,349** | **1,353,461** |

# Condensed consolidated statement of changes in equity

## Condensed consolidated statement of changes in equity (2018)

| | Share capital | Share premium | Reserves | Total equity |
|---|---|---|---|---|
| **Changes in equity – opening balance** | **10,000** | **481,000** | **220,196** | **711,196** |
| Delta Lloyd Bank merger 1 January 2018 | 0 | 0 | 196,629 | 196,629 |
| IFRS 9 impact 1 January 2018 | 0 | 0 | -1,059 | -1,059 |
| **Changes in 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 | -2,153 | -2,153 |
| Realised gains or losses transferred to the profit and loss account | 0 | 0 | 0 | 0 |
| **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 | 211 | 211 |
| **Balance as at 30 June 2018** | **10,000** | **481,000** | **438,624** | **929,624** |

## Condensed consolidated statement of changes in equity (2017)[1]

| | Share capital | Share premium | Reserves | Total equity |
|---|---|---|---|---|
| **Balance as at 1 January 2017** | **10,000** | **481,000** | **138,173** | **629,173** |
| Unrealised revaluations available-for-sale investments | 0 | 0 | -3,705 | -3,705 |
| Realised gains or losses transferred to the profit and loss account | 0 | 0 | 0 | 0 |
| **Total amount recognised directly in equity (Other comprehensive income)** | **0** | **0** | **-3,705** | **-3,705** |
| | | | | |
| Net result | 0 | 0 | 42,596 | 42,596 |
| **Total comprehensive income** | **0** | **0** | **38,891** | **38,891** |
| | | | | |
| Dividend paid | 0 | 0 | 0 | 0 |
| Employee share plans | 0 | 0 | 172 | 172 |
| Other | 0 | 0 | 0 | 0 |
| **Balance as at 30 June 2017** | **10,000** | **481,000** | **177,236** | **668,236** |

1 The 30 June 2017 Condensed consolidated statement of changes in equity has been prepared in accordance with IAS 39 and does not include Delta Lloyd Bank.

# 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'), Delta Lloyd Levensverzekering N.V. ('Delta Lloyd Leven') and the NN Dutch Residential Mortgage Fund.

These Condensed consolidated interim accounts of NN Bank for the period ended on 30 June 2018 are significantly impacted by the legal merger with Delta Lloyd Bank. As a result of this merger, Delta Lloyd Bank ceased to exist as a separate entity and NN Bank acquired all assets and liabilities of Delta Lloyd Bank under universal title of succession as at 1 January 2018. Information on the legal merger, the book value accounting applied and the impact on the financial information included in these interim accounts is included in Note 2 'Reconciliation of consolidated balance sheet 31 December 2017 to 1 January 2018' and, where relevant, in the individual notes hereafter.

## 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 2017 NN Bank Consolidated annual accounts, except as set out below.

These Condensed consolidated interim accounts should be read in conjunction with the 2017 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 transaction that are significant to an understanding of the changes in NN Bank's financial position and performance since the last annual accounts.

IFRS-EU provides a number of options in accounting policies. NN Bank's accounting policies under IFRS-EU and its decision on the options available are set out in Note 1 'Accounting policies' of the 2017 NN Bank Consolidated annual accounts.

This is the first set of NN Bank's Condensed consolidated interim accounts where IFRS 9 has been applied. Changes to significant accounting policies are described below.

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. In addition to the 2017 NN Bank Consolidated annual accounts, the LTV charge is assessed as a critical estimate. Reference is made to Note 11 'Interest result'.

In the application of the effective interest method, NN Bank has updated its accounting estimate for the premium amortisation period for the mortgage receivables purchased. This update of accounting estimate is prospectively applied as from 2018. The impact is an increase in amortisation in the year 2018 (EUR 1.4 million), 2019 (EUR 2.1 million) and decreases in 2020 and the years thereafter accounted for in the profit and loss account under 'Interest income on loans' and a counter entry in the Balance Sheet under 'Loans'.

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 2017 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 2017.

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 2018.

### IFRS 15

IFRS 15 'Revenue from Contracts with Customers' is effective as of 1 January 2018. IFRS 15 provides more specific guidance on recognising revenue other than arising from financial instruments. There were no changes relevant to NN Bank resulting from the implementation of IFRS 15. As a result, the implementation of IFRS 15 as at 1 January 2018 did not have significant impact on Shareholders' equity at that date and not on the net result of NN Bank.

## Notes to the condensed consolidated interim accounts Continued

### IFRS 9 Financial Impact

NN Bank adopted IFRS 9 'Financial Instruments' on 1 January 2018. The impact of the adoption on NN Bank's combined equity as at 1 January 2018, including the legal merger with Delta Lloyd Bank is based on the assessments undertaken and is summarised below.

| | As reported at 31 December 2017 | Adjustment due to adoption of IFRS 9 | Adjusted opening balance at 1 January 2018 |
|---|---|---|---|
| Revaluation reserve | 2,601 | 1,676 | 4,277 |
| Retained earnings | 14,748 | -2,735 | 12,013 |
| **Total** | **17,349** | **-1,059** | **16,290** |

The total adjustment (net of tax) to the combined opening balance of NN Bank's equity at 1 January 2018 is a EUR 1.1 million charge. The components of this adjustment are as follows:

- A decrease in 'Retained earnings' amounting to EUR 2.7 million relating to the IFRS 9 application of expected losses on Loans, which is further disclosed in the 'IFRS 9 Impairment' paragraph
- An increase in 'Revaluation reserve' amounting to EUR 1.7 million relating to a re-measurement of Investment securities amounting to EUR 1.2 million and a re-measurement amounting to EUR 0.5 million relating to Loans. These re-measurements are further disclosed in the paragraph 'IFRS 9 Classification and Measurement'.

### IFRS 9 Classification and Measurement

IFRS 9 contains a new classification and measurement approach for financial assets that reflect the Business Model in which assets are managed and their cash flow characteristics. The standard contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVTPL). The IAS 39 categories Held-to-maturity, Loans and receivables and Available-for-sale are replaced by these IFRS 9 classification categories.

The following table reconciles the carrying amounts under IAS 39 to the carrying amounts under IFRS 9 on transition to IFRS 9 for NN Bank after the legal merger including the impact on deferred tax liabilities on 1 January 2018:

| | IAS 39 carrying amount 31 December 2017 | Reclassification | Re-measurement | IFRS 9 carrying amount 1 January 2018 |
|---|---|---|---|---|
| Financial assets | | | | |
| Amortised cost | | | | |
| Investment securities | 0 | 272,163 | 1,408 | 273,571 |
| Loans | 18,283,427 | -138,131 | -3,446 | 18,141,851 |
| FVOCI | | | | |
| Available-for-sale investments | 816,640 | -816,640 | 0 | 0 |
| Investment securities | 0 | 544,477 | -101 | 544,376 |
| FVTPL | | | | |
| Loans | 0 | 138,131 | 727 | 138,858 |
| **Total impact on assets** | **19,100,067** | **0** | **-1,412** | **19,098,656** |
| | | | | |
| Financial liabilities | | | | |
| Amortised cost | | | | |
| Deferred tax liabilities | 28,969 | 0 | -353 | 28,616 |
| **Total impact on liabilities** | **28,969** | **0** | **-353** | **28,616** |
| | | | | |
| **Net impact after tax** | **19,071,098** | **0** | **-1,059** | **19,070,040** |

As a result of the analysis of the Business Models and cash flow characteristics for NN Bank after the legal merger, the classification and measurement has changed as follows:

- The most significant change is the reclassification of a part of the available-for-sale investments portfolio, which is split into an Investment securities portfolio classified at AC and a portfolio classified at FVOCI
- For a part of the mortgage portfolio, the measurement is changed from AC to FVTPL as it meets the Selling business model requirements, since it relates to the sale of mortgages to NN Dutch Residential Mortgage Fund, NN Schade and NN Belgium

# Notes to the condensed consolidated interim accounts Continued

## IFRS 9 Impairment

### Measurement of expected credit losses

The recognition and measurement of impairments under IFRS 9 is forward-looking unlike IAS 39. The new impairment requirements will apply to all financial assets measured at amortised cost and at fair value through Other comprehensive income (Equity). For NN Bank, these impairment requirements apply to mortgages, consumer loans and bonds and other assets such as amounts receivable from banks. Initially, a provision is required for expected credit losses resulting from default events that are expected within the next twelve months. This is referred to as 'Stage 1'. In the event of a significant increase in credit risk, a provision is required for expected credit losses resulting from all possible default events over the expected remaining lifetime of the financial asset. This is referred to as 'Stage 3' if the exposure is in default and 'Stage 2' if the increase in credit risk does not result in a default event. These expected credit losses are calculated based on different macro-economic scenarios (stress, base-case, positive) with individual weights for the probability that these scenarios will unfold. These impairment requirements are also applicable for other assets. The impact is limited since NN Bank is a fully-owned subsidiary of NN Group and the other assets mainly comprise intercompany relationships within NN Group. The expected credit losses for these exposures are assessed as limited.

### Inputs into measurement of expected credit losses

As a starting point, NN Bank uses the components of an Internal Ratings-Based Approach to calculate minimum required capital:

- Probability of default (PD): the statistically determined likelihood that a customer experiences a default event over a 12-month horizon. This probability is modelled over a time horizon that encompasses a full economic cycle, i.e. Through The Cycle (TTC).
- Exposure at Default (EAD): the expected exposure amount in the case of default
- Loss Given Default (LGD): the percentage of the EAD that is expected to result in a loss, taking into account the potential that the defaulted customer will be able to cure and the potential proceeds of primary and/or secondary collateral. As with PD, LGD is determined on a TTC basis.

In the model these components are transformed from TTC to Point in Time (PIT) in order to present the current state of the economy. The further modelling is clarified in the paragraph below.

### Definition of default

At NN Bank, a client is in default if:

- The client was not in default the previous month, and this month arrears of three months or more exist, or
- The client was in default the previous month, and this month any arrears (also one or two months) exist, or
- The client is deemed to be unlikely to pay

This definition is in accordance with the Capital Requirement Regulation ('CRR'). The arrears are calculated on a First In First Out ('FIFO') basis. This means that if a client misses one payment and continues with regular and full payments of single monthly terms, it is assumed that the last payment is used to catch up on the delinquent amount. Consequently, the new term is missed and the client receives a new one-month-past-due status. In this way, a customer can be one or two months delinquent, although the date of the first missed payment can be much longer ago. Because of this calculation method, the 90-days-past-due criterion is effectively the same as three monthly terms past due. For both 90 days past due and three monthly terms past due, we look at the total of unpaid amounts up to three terms. The calculation of the amount past due includes any missed payments on secondary collateral, such as pledged savings or insurance policies.

### Credit risk grades

The PD model consists of two sub-models, a model for customers without payment arrears and a model for delinquent customers. All PDs are mapped to a Master Rating Scale.

### Determination significant increase of credit risk

For IFRS 9 a lifetime expected loss needs to be calculated for Stage 2 and 3 loans. A loan will be placed in a subsequent stage if a significant increase in credit risk has been observed. A threshold is set for this significant increase. To determine whether a significant increase in credit risk has occurred, two lifetime PDs are calculated:

- Lifetime PD at reporting date
- Lifetime PD determined at initial recognition with a horizon from reporting date to maturity date

For these lifetime PDs, both the absolute and relative difference is determined. For both mortgages and consumer loans, NN Bank made a sensitivity analysis for the absolute and relative threshold.

In addition, a backstop exists: when the loan is currently > 30 days past due and the delinquency amount is higher than EUR 100, the loan is placed in Stage 2. An active forbearance flag is also used as a backstop for mortgages. This is not the case for consumer loans because no forbearance measures are used for the active Consumer Loans portfolio.

## Notes to the condensed consolidated interim accounts Continued

### Term structure of default probabilities

An important methodological component is the determination of the lifetime PD. NN Bank uses migration matrices to create PD forecasts. Migration matrices are matrices that show migration probabilities. At NN Bank, migration matrices are constructed based on the rating changes in a 12-month period. These 12-month migration matrices are referred to as 'PIT migration matrices'. Using historical rating observations of clients, NN Bank is able to create a time series of historical Point in Time (PIT) migration matrices.

NN Bank links historically observed migration matrices to macro-economic factors. Subsequently, NN Bank forecasts macro-economic factors. Thereafter, using the historically observed link between the macro-economic factors and migration matrices, and the forecasted macro-economic factors, NN Bank is able to forecast migration matrices. The first forecasted migration matrix contains the forecasted 12-month PDs. By multiplying consecutive migration matrixes, lifetime PD estimates are obtained. Finally, the forecasted migration matrices can be used to calculate marginal PD forecasts. These marginal PDs are the PDs that serve as input in the IFRS 9 mortgage Expected Credit Loss model.

### Forward-looking information

IFRS 9 adjusted input parameters are estimated over the remaining lifetime of the asset. A macro-economic overlay is used to derive scenarios to estimate the future development of PD, LGD and EAD. The following macro-economic time series are taken into consideration:

#### Unemployment rate

The unemployment rate is defined as the unemployed labour force as a percentage of the total labour force. The unemployed labour force refers to persons without work who are actively searching for paid work and who are directly available to work. The labour force refers to persons willing to work at least twelve hours a week, and requires prompt availability for the labour market within a period of three months.

#### Gross domestic product

Gross domestic product ('GDP') is a quantity that expresses the size of an economy. The volume change of GDP during a reference period expresses the growth or shrinkage of the economy. NN Bank has chosen to follow the expenditure approach of GDP, as this definition is also used in the forecasts of, amongst others, CPB and DNB. In the expenditure approach, GDP is the sum of final uses of goods and services by resident institutional units (final consumption and gross capital formation), plus exports and minus imports of goods and services. The GDP growth refers the relative change of GDP compared to the year before.

#### House prices

Calculation for house prices is executed based on the house price index. The house price index of existing own homes is based on a complete registration of sales of homes by the Dutch Land Registry Office (Kadaster) and the property valuation (Waardering Onroerende Zaken, WOZ) of all homes in the Netherlands. The figures of existing homes are related to the stock of existing homes sold. The homes are located on Dutch territory and sold by private buyers. These existing homes are owner-occupied homes that are already on the market.

#### Inflation

The harmonised index for consumer prices is used for inflation. The index reflects the price changes of a package of goods and services purchased by the average Dutch household and by foreigners residing in the Netherlands.

### Impact assessment

The addition to provisions for investment securities and loans is EUR 3.6 million for the combined NN Bank and Delta Lloyd Bank. As from implementation as per 1 January 2018, the charge to or release from loan loss provisions will show more volatility arising from application of lifetime expected losses with forward-looking information.

NN Bank has completed the implementation of IFRS 9 but will continue to work on improving the used models and follow-up on the model validation findings. Due to the integration of Delta Lloyd Bank two sets of models are used which leads to differences in model choices, definitions and expert judgements.

Part of the integration of Delta Lloyd Bank into NN Bank is the integration of the portfolios and 'expected credit loss' (ECL) models. This integration requires a consistent definition and implementation of default definition and staging methodology in the operations departments of both banks, which will take place in 2018. Consequently, the actual impact of adopting this standard may change, since NN Bank is fine-tuning the expected loss models - including its underlying components (i.e. PDs and LGDs) and its processes. It is not expected that this significantly impacts the outcomes as presented in the disclosures in this interim report.

### IFRS 9 and hedge accounting

The hedge accounting requirements of IFRS 9 aim to simplify hedge accounting. As these simplifications currently exclude macro hedge accounting under the EU 'carve-out' of IFRS-EU, the impact on NN Bank is limited. NN Bank has chosen the option to continue applying IAS 39 for macro fair value hedge accounting under the EU 'carve-out' for the interest rate risk in its mortgage portfolio.

For the interest rate risk related to Debt securities issued, NN Bank has chosen to apply micro fair value hedge accounting under IFRS 9 as from 1 January 2018. The hedged item consists of individual external loans in Debt securities issued, while the hedging instrument consists of interest rate swaps.

## Notes to the condensed consolidated interim accounts Continued

### IFRS 9 Transition
NN Bank applies the exemption not to restate comparative information for prior years. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 have been be recognised in 'Shareholder's equity' as at 1 January 2018.

### IFRS 16
IFRS 16 'Leases' is effective as of 1 January 2019. IFRS 16 contains a new accounting model for lessees. NN Bank is currently assessing the impact of the implementation of IFRS 16. The implementation of IFRS 16 is not expected to have a significant impact on shareholders' equity or the net result of NN Bank. NN Bank is in the process of assessing the impact of the implementation of IFRS 16 on the balance sheet total and certain ratios.

## 2 Reconciliation of consolidated balance sheet 31 December 2017 to 1 January 2018

### Legal merger and adoption of IFRS 9
The legal merger relates to the merger between NN Bank and Delta Lloyd Bank. As a result of this merger, Delta Lloyd Bank ceased to exist as a separate entity and NN Bank acquired all assets and liabilities of Delta Lloyd Bank under universal title of succession as at 1 January 2018. Following this merger with application of book value accounting, the accounting policies of NN Bank were applied. The adoption of IFRS 9 includes changes in classification and measurement of financial assets and impairments following expected credit losses.

### Reconciliation of consolidated balance sheet 31 December 2017 to 1 January 2018

| | Legal merger | | | | | | |
|---|---|---|---|---|---|---|---|
| | **NN Bank under IAS 39** | **Delta Lloyd Bank under IAS 39** | **Eliminations** | **1 January 2018 Balance** | **Harmonisation accounting policies** | **Adoption IFRS 9** | **1 January 2018 Combined** |
| Assets | | | | | | | |
| Cash and balances at central banks | 1,085,613 | 396,196 | 0 | 1,481,809 | 0 | 0 | 1,481,809 |
| Amounts due from banks | 398,900 | 118,090 | -130,000 | 386,990 | 0 | 0 | 386,990 |
| Financial assets at fair value through profit or loss: | | | | | | | |
| – non-trading derivatives | 193,271 | 7,783 | 0 | 201,054 | 0 | 0 | 201,054 |
| Available-for-sale investments | 547,331 | 269,309 | 0 | 816,640 | 0 | -816,640 | 0 |
| Investment securities | 0 | 0 | 0 | 0 | 0 | 817,947 | 817,947 |
| Loans and advances to customers | 13,739,818 | 4,543,609 | 0 | 18,283,427 | 0 | -2,719 | 18,280,709 |
| Intangible assets | 4,479 | 0 | 0 | 4,479 | 0 | 0 | 4,479 |
| Other assets | 99,886 | 4,677 | 0 | 104,563 | 0 | 0 | 104,564 |
| Deferred tax assets | 625 | 0 | 0 | 625 | 0 | 0 | 625 |
| **Total assets** | **16,069,923** | **5,342,581** | **-130,000** | **21,282,504** | **0** | **-1,412** | **21,278,176** |
| | | | | | | | |
| Liabilities | | | | | | | |
| Amounts due to banks | 432,394 | 130,021 | -130,000 | 432,415 | 0 | 0 | 432,415 |
| Customer deposits and other funds on deposit | 10,604,951 | 3,565,917 | 0 | 14,170,868 | 0 | 0 | 14,170,868 |
| Financial liabilities at fair value through profit or loss: | | | | | | | |
| – non-trading derivatives | 208,153 | 15,579 | 0 | 223,732 | 0 | 0 | 223,732 |
| Other borrowed funds | 485,000 | 0 | 0 | 485,000 | 0 | 0 | 485,000 |
| Other liabilities | 56,817 | 40,361 | 0 | 97,178 | -2,618 | 0 | 94,560 |
| Deferred tax liabilities | 4,377 | 24,592 | 0 | 28,969 | 2,618 | -353 | 31,234 |
| Provisions | 1,001 | 5,032 | 0 | 6,033 | 0 | 0 | 6,033 |
| Debt securities issued | 3,481,034 | 1,349,533 | 0 | 4,830,567 | 0 | 0 | 4,830,567 |
| Subordinated debt | 85,000 | 12,000 | 0 | 97,000 | 0 | 0 | 97,000 |
| **Total liabilities** | **15,358,727** | **5,145,952** | **-130,000** | **20,371,762** | **0** | **-353** | **20,371,410** |
| | | | | | | | |
| Equity | | | | | | | |
| **Shareholder's equity** | **711,196** | **196,629** | **0** | **907,825** | **0** | **-1,059** | **906,766** |
| | | | | | | | |
| **Total equity and liabilities** | **16,069,923** | **5,342,581** | **-130,000** | **21,279,587** | **0** | **-1,412** | **21,278,176** |

# Notes to the condensed consolidated interim accounts Continued

## 3 Investment securities

### Investment securities by type 30 June 2018

| | AC[1] | FVOCI[2] | 30 June 2018 |
|---|---|---|---|
| Government bonds | 176,102 | 202,677 | 378,779 |
| Corporate bonds | 2,728 | 5,984 | 8,712 |
| Financial institution bonds | 62,174 | 378,793 | 440,967 |
| Asset backed securities | 27,814 | 0 | 27,814 |
| **Investment securities - before loss provisions** | **268,818** | **587,454** | **856,272** |
| Investment securities loss provisions | -38 | -149 | -187 |
| **Investment securities - after loss provisions** | **268,780** | **587,305** | **856,085** |

1 AC= Amortised Cost
2 FVOCI = Fair value through Other Comprehensive Income

### Investment securities by type 1 January 2018

| | AC | FVOCI | 1 January 2018 |
|---|---|---|---|
| Government bonds | 178,106 | 257,370 | 435,476 |
| Corporate bonds | 2,784 | 19,692 | 22,476 |
| Financial institution bonds | 62,199 | 267,415 | 329,614 |
| Asset backed securities | 30,605 | 0 | 30,605 |
| **Investment securities - before loss provisions** | **273,694** | **544,477** | **818,171** |
| Investment securities loss provisions | -123 | -101 | -224 |
| **Investment securities - after loss provisions** | **273,571** | **544,376** | **817,947** |

## 4 Loans

### Loans by type 30 June 2018

| | AC | FVTPL[1] | 30 June 2018 |
|---|---|---|---|
| Loans secured by mortgages, guaranteed by public authorities | 5,265,495 | 9,383 | 5,274,878 |
| Loans secured by mortgages | 12,659,277 | 23,017 | 12,682,294 |
| Consumer lending | 257,682 | 0 | 257,682 |
| **Loans – before loan loss provisions** | **18,182,454** | **32,400** | **18,214,854** |
| Loan loss provisions | 32,296 | 0 | 32,296 |
| **Loans** | **18,150,158** | **32,400** | **18,182,558** |

1 FVTPL = Fair Value through Profit and Loss. For a part of the mortgage portfolio, due to model change, the measurement is changed from FVOCI to FVTPL.

### Loans by type 1 January 2018

| | AC | FVTPL | 1 January 2018 |
|---|---|---|---|
| Loans secured by mortgages, guaranteed by public authorities | 5,297,784 | 40,462 | 5,338,246 |
| Loans secured by mortgages | 12,604,693 | 98,396 | 12,703,089 |
| Consumer lending | 278,259 | 0 | 278,259 |
| **Loans – before loan loss provisions** | **18,180,736** | **138,858** | **18,319,594** |
| Loan loss provisions | 38,885 | 0 | 38,885 |
| **Loans** | **18,141,851** | **138,858** | **18,280,709** |

## Notes to the condensed consolidated interim accounts Continued

### Loans by stage 30 June 2018

| | stage 1 | stage 2 | stage 3 | 30 June 2018 |
|---|---|---|---|---|
| Loans - before loan loss provisions | 17,654,442 | 386,348 | 174,064 | 18,214,854 |
| Loan loss provisions | 3,712 | 3,927 | 24,657 | 32,296 |
| **Loans - after loan loss provisions** | **17,650,730** | **382,421** | **149,407** | **18,182,558** |

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.

### Loans by stage 1 January 2018

| | stage 1 | stage 2 | stage 3 | 1 January 2018 |
|---|---|---|---|---|
| Loans - before loan loss provisions | 17,725,401 | 407,583 | 186,610 | 18,319,594 |
| Loan loss provisions | 6,667 | 4,803 | 27,415 | 38,885 |
| **Loans - after loan loss provisions** | **17,718,734** | **402,780** | **159,195** | **18,280,709** |

### Changes in loans

| | 2018 | 2017 |
|---|---|---|
| Loans – opening balance | 13,767,910 | 12,724,281 |
| Delta Lloyd Bank merger 1 January 2018 | 4,550,981 | 0 |
| IFRS 9 remeasurement | 703 | 0 |
| **Loans - 1 January** | **18,319,594** | **12,724,281** |
| Mortgage portfolio transfer | 283,201 | 1,344,294 |
| Partial transfer of mortgage loans | 15,320 | 5,662 |
| Origination | 921,820 | 1,943,818 |
| Sale of mortgages | -547,127 | -954,182 |
| Premium new mortgages | 6,524 | 31,974 |
| Amortisation mortgage premium | -25,679 | -15,044 |
| LTV charge[1] | -21,601 | 0 |
| Fair value change hedged items | 42,390 | -69,165 |
| Redemptions | -769,296 | -1,243,728 |
| Reclassifications to other assets | -10,292 | 0 |
| **Loans – closing balance** | **18,214,854** | **13,767,910** |

1 Reference is made to Note 11 'Interest result'.

### Loan loss provisions by type 30 June 2018

| | AC | 30 June 2018 |
|---|---|---|
| Loans secured by mortgages | 12,802 | 12,802 |
| Consumer lending | 19,494 | 19,494 |
| **Loan loss provisions by type** | **32,296** | **32,296** |

### Loan loss provisions by type 1 January 2018

| | AC | 1 January 2018 |
|---|---|---|
| Loans secured by mortgages | 20,971 | 20,971 |
| Consumer lending | 17,914 | 17,914 |
| **Loan loss provisions by type** | **38,885** | **38,885** |

# Notes to the condensed consolidated interim accounts Continued

## Changes in loan loss provisions by stage

| | stage 1 Collective provision 12-month ECL non-credit impaired | stage 2 Collective provision lifetime ECL non-credit impaired | stage 3 Collective and individual provision lifetime ECL credit impaired | 2018 |
|---|---|---|---|---|
| Loan loss provisions – opening balance | 6,667 | 4,803 | 27,415 | 38,885 |
| Addition to the loan loss provisions | -438 | 636 | -2,763 | -2,564 |
| Changes in models and methodologies | -2,470 | -986 | 303 | -3,153 |
| Transfers to: | | | | |
| – Stage 1 | 0 | -2,703 | -443 | -3,146 |
| – Stage 2 | -292 | 0 | -1,498 | -1,790 |
| – Stage 3 | -6 | -666 | 0 | -673 |
| Transfers from: | | | | |
| – Stage 1 | 0 | 2,693 | 232 | 2,925 |
| – Stage 2 | 243 | 0 | 2,585 | 2,828 |
| – Stage 3 | 8 | 151 | 0 | 159 |
| Write-offs | 0 | 0 | -1,175 | -1,175 |
| **Loan loss provisions – closing balance** | **3,712** | **3,928** | **24,656** | **32,296** |
| Recoveries | 0 | 0 | 331 | 331 |

## Delinquency

| | Mortgages | | Consumer lending | | Total | |
|---|---|---|---|---|---|---|
| | 30 June 2018 | 1 January 2018 | 30 June 2018 | 1 January 2018 | 30 June 2018 | 1 January 2018 |
| 0 days | 17,693,808 | 17,761,734 | 229,870 | 246,833 | 17,923,678 | 18,008,567 |
| 1 – 30 days | 114,975 | 123,334 | 7,047 | 8,621 | 122,022 | 131,955 |
| 31 – 60 days | 67,424 | 67,766 | 5,731 | 7,478 | 73,155 | 75,244 |
| 61 – 90 days | 31,150 | 33,159 | 1,286 | 1,646 | 32,436 | 34,805 |
| > 90 days | 49,815 | 55,342 | 13,748 | 13,681 | 63,563 | 69,023 |
| **Total** | **17,957,172** | **18,041,335** | **257,682** | **278,259** | **18,214,854** | **18,319,594** |

## Loans exposed to credit risk

| | Not impaired | | Past due but not impaired | | Impaired | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 30 June 2018 | 1 January 2018 | 30 June 2018 | 1 January 2018 | 30 June 2018 | 1 January 2018 | 30 June 2018 | 1 January 2018 |
| Mortgages | 17,693,809 | 17,710,215 | 108,538 | 177,025 | 154,825 | 154,095 | 17,957,172 | 18,041,335 |
| Consumer loans | 229,870 | 246,833 | 9,077 | 11,959 | 18,735 | 19,467 | 257,682 | 278,259 |
| **Total** | **17,923,679** | **17,957,048** | **117,615** | **188,984** | **173,560** | **173,562** | **18,214,854** | **18,319,594** |

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 2018 | 1 January 2018 | 31 December 2017 |
|---|---|---|---|
| Savings | 7,090,130 | 6,936,494 | 5,686,606 |
| Bank annuities | 6,262,378 | 5,975,322 | 4,020,159 |
| Bank annuities related to mortgages | 1,314,008 | 1,259,053 | 898,186 |
| **Customer deposits and other funds on deposit** | **14,666,516** | **14,170,868** | **10,604,951** |

## Changes in Customer deposits and other funds on deposit

| | 2018 | 2017 |
|---|---|---|
| Customer deposits and other funds on deposit – opening balance | 10,604,951 | 10,225,730 |
| Delta Lloyd Bank merger 1 January 2018 | 3,565,917 | 0 |
| **Customer deposits and other funds on deposit – 1 January** | **14,170,868** | **10,225,730** |
| Deposits received | 2,178,628 | 3,649,431 |
| Withdrawals | -1,682,980 | -3,270,210 |
| **Customer deposits and other funds on deposit – closing balance** | **14,666,516** | **10,604,951** |

# Notes to the condensed consolidated interim accounts Continued

## 6 Other borrowed funds

### Other borrowed funds

| | 30 June 2018 | 1 January 2018 | 31 December 2017 |
|---|---|---|---|
| Other borrowed funds | 190,000 | 485,000 | 485,000 |
| **Other borrowed funds** | **190,000** | **485,000** | **485,000** |

The decrease of 'Other borrowed funds' is mainly due to repayments of loans, which were contracted with third parties.

## 7 Provisions

### Provisions

| | 30 June 2018 | 31 December 2017 |
|---|---|---|
| Restructuring provisions | 5,941 | 1,001 |
| Other provisions | 45 | 0 |
| **Provisions** | **5,986** | **1,001** |

### Restructuring provisions

| | 2018 | 2017 |
|---|---|---|
| Restructuring provisions – opening balance | 1,001 | 9,581 |
| Delta Lloyd Bank merger 1 January 2018 | 5,032 | 0 |
| **Restructuring provisions - 1 January** | **6,033** | **9,581** |
| Additions | 1,070 | 1,052 |
| Releases | -24 | -124 |
| Charges | -1,138 | -9,508 |
| **Restructuring provisions – closing balance** | **5,941** | **1,001** |

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.

## Notes to the condensed consolidated interim accounts Continued

### 8 Debt securities

'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 2018 | 1 January 2018 | 31 December 2017 |
|---|---|---|---|
| Fixed rate debt securities: | | | |
| – Within 1 year | 380,000 | 0 | 0 |
| – More than 1 year but less than 2 years | 125,000 | 380,000 | 100,000 |
| – More than 2 years but less than 3 years | 396,999 | 521,532 | 396,532 |
| – More than 3 years but less than 4 years | 100,000 | 100,000 | 0 |
| – More than 4 years but less than 5 years | 0 | 0 | 0 |
| – More than 5 years | 0 | 0 | 0 |
| **Fixed rate debt securities** | **1,001,999** | **1,001,532** | **496,532** |
| | | | |
| Floating rate debt securities: | | | |
| – Within 1 year | 385,563 | 0 | 0 |
| – More than 1 year but less than 2 years | 776,115 | 452,093 | 271,441 |
| – More than 2 years but less than 3 years | 822,440 | 1,297,072 | 944,993 |
| – More than 3 years but less than 4 years | 279,632 | 741,318 | 429,516 |
| – More than 4 years but less than 5 years | 509,376 | 535,047 | 535,047 |
| – More than 5 years | 0 | 0 | 0 |
| **Floating rate debt securities** | **2,773,126** | **3,025,530** | **2,180,997** |
| | | | |
| **Subtotal debt securities** | **3,775,125** | **4,027,062** | **2,677,529** |
| | | | |
| Covered bond issues | | | |
| Fixed rate debt securities: | | | |
| – More than 5 years | 997,466 | 497,005 | 497,005 |
| **Fixed rate debt securities** | **997,466** | **497,005** | **497,005** |
| | | | |
| Unsecured debt securities | | | |
| Fixed rate debt securities: | | | |
| – Within 1 year | 4,000 | 4,000 | 4,000 |
| – More than 2 years but less than 3 years | 15,000 | 0 | 0 |
| – More than 5 years | 322,500 | 302,500 | 302,500 |
| **Fixed rate debt securities** | **341,500** | **306,500** | **306,500** |
| | | | |
| **Debt securities issued** | **5,114,091** | **4,830,567** | **3,481,034** |

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

| | FORD | 30 June 2018 | 1 January 2018 | 31 December 2017 |
|---|---|---|---|---|
| Arena NHG 2014-I | 17-4-2019 | 417,757 | 460,652 | 0 |
| Arena NHG 2014-II | 17-4-2020 | 434,565 | 477,079 | 0 |
| Arena NHG 2016-I | 17-7-2021 | 379,632 | 411,802 | 0 |
| Hypenn RMBS I A3 | 17-11-2020 | 396,999 | 396,532 | 396,532 |
| Hypenn RMBS II | 17-5-2019 | 347,806 | 371,442 | 371,442 |
| Hypenn RMBS III | 9-6-2020 | 466,550 | 500,237 | 500,237 |
| Hypenn RMBS IV | 17-7-2020 | 417,864 | 444,755 | 444,755 |
| Hypenn RMBS V | 17-4-2021 | 404,575 | 429,516 | 429,516 |
| Hypenn RMBS VI | 17-12-2022 | 509,377 | 535,047 | 535,047 |
| **Total** | | **3,775,125** | **4,027,062** | **2,677,529** |

## Notes to the condensed consolidated interim accounts Continued

| | Maturity date | 30 June 2018 | 1 January 2018 | 31 December 2017 |
|---|---|---|---|---|
| Covered bond September 2017 | 10-10-2024 | 498,010 | 497,853 | 497,853 |
| Covered bond June 2018 | 11-9-2025 | 496,446 | 0 | 0 |
| Fair value change hedged items | | 3,010 | -848 | -848 |
| **Total** | | **997,466** | **497,005** | **497,005** |

On 11 June 2018, NN Bank issued its second covered bond transaction. The bonds, which were placed with a broad range of institutional investors, have a tenure of seven years and a fixed coupon of 0.625%.

## 9 Subordinated debt

| | | | | Notional amount | | Balance sheet value | |
|---|---|---|---|---|---|---|---|
| **Interest rate** | **Year of issue** | **Due date** | **First call date** | **30 June 2018** | **1 January 2018** | **30 June 2018** | **1 January 2018** |
| 3.02% | 2017 | 27 February 2027 | 26 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 | 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 subordinated debt of EUR 12.0 million is a former Delta Lloyd Bank subordinated loan. This loan qualifies as Tier 2 capital for an amount of EUR 960 thousand.

## 10 Equity

### Total equity

| | 30 June 2018 | 1 January 2018 | 31 December 2017 |
|---|---|---|---|
| Share capital | 10,000 | 10,000 | 10,000 |
| Share premium | 481,000 | 481,000 | 481,000 |
| Revaluation reserve | 2,124 | 4,277 | 3,596 |
| Retained earnings and unappropriated result | 436,501 | 411,489 | 216,600 |
| **Shareholder's equity** | **929,625** | **906,766** | **711,196** |

### Changes in equity (2018)

| | Share capital | Share premium | Reserves | Total shareholder's equity |
|---|---|---|---|---|
| Changes in equity – 1 January 2018 | 10,000 | 481,000 | 415,766 | 906,766 |
| Net result for the period | 0 | 0 | 32,620 | 32,620 |
| Total amount recognised directly in equity ('Other comprehensive income') | 0 | 0 | -2,153 | -2,153 |
| Dividend paid | 0 | 0 | -8,000 | -8,000 |
| Employee share plans | 0 | 0 | 180 | 180 |
| Other | 0 | 0 | 212 | 212 |
| **Changes in equity – 30 June 2018** | **10,000** | **481,000** | **438,625** | **929,625** |

### Changes in equity (2017)

| | Share capital | Share premium | Reserves | Total shareholder's equity |
|---|---|---|---|---|
| Changes in equity – 1 January 2017 | 10,000 | 481,000 | 138,173 | 629,173 |
| Net result for the period | 0 | 0 | 84,996 | 84,996 |
| Total amount recognised directly in equity ('Other comprehensive income') | 0 | 0 | -3,196 | -3,196 |
| Employee share plans | 0 | 0 | 223 | 223 |
| **Changes in equity – 31 December 2017** | **10,000** | **481,000** | **220,196** | **711,196** |
| Delta Lloyd Bank merger 1 January 2018 | 0 | 0 | 196,629 | 196,629 |
| IFRS 9 impact 1 January 2018 | 0 | 0 | -1,059 | -1,059 |
| **Changes in equity – 1 January 2018** | **10,000** | **481,000** | **415,766** | **906,766** |

## Notes to the condensed consolidated interim accounts Continued

## 11 Interest result

### Interest result

| | 1 January to 30 June 2018 | 1 January to 30 June 2017 |
|---|---|---|
| Interest income on loans | 287,199 | 226,045 |
| LTV charge | -21,601 | 0 |
| Interest income on available-for-sale debt securities | -32 | 470 |
| Interest income on non-trading derivatives | 35,108 | 40,672 |
| Negative interest on liabilities | 323 | 75 |
| **Total interest income** | **300,997** | **267,262** |
| | | |
| Interest expenses on amounts due to banks | 1,442 | 0 |
| Interest expenses on customer deposits and other funds on deposit | 92,490 | 65,974 |
| Interest expenses on debt securities issued and other borrowed funds | 16,408 | 16,096 |
| Interest expenses on subordinated loans | 1,704 | 1,281 |
| Interest expenses on non-trading derivatives | 65,960 | 63,374 |
| Negative interest on assets | 12,417 | 8,920 |
| Other interest expenses | 1,582 | 782 |
| **Total interest expenses** | **192,003** | **156,427** |
| | | |
| **Interest result** | **108,994** | **110,835** |

The LTV charge relates to the estimated impact of the modification of the outstanding mortgage loans as a result of the amended pricing system. In this estimation various techniques have been used to approximate the modification impact such as prepayment assumptions and client response assumptions. These estimations have been reviewed by Risk management of NN Bank. The expected implementation of this pricing system for the NN Bank portfolio is at the end of 2018, and for the former Delta Lloyd portfolio mid-2019. The actual impact will be calculated and recorded by an extension to the mortgage system to be implemented. The related impact of EUR 21.6 million was recognised as a one-off charge in the profit and loss account in the second quarter of 2018.

## 12 Staff expenses

### Staff expenses

| | 1 January to 30 June 2018 | 1 January to 30 June 2017 |
|---|---|---|
| Salaries | 27,859 | 25,438 |
| Pension and other staff-related benefit costs | 5,828 | 5,126 |
| Social security costs | 3,862 | 2,744 |
| Share-based compensation arrangements | 206 | 362 |
| External staff costs | 17,264 | 14,597 |
| Education | 401 | 458 |
| Other staff costs | 162 | 20 |
| **Staff expenses** | **55,582** | **48,745** |

## 13 Regulatory levies

Regulatory levies represents contributions to Deposit Guarantee Schemes (DGS) and the Single Resolution Fund (SRF). In the first six months of 2018 the contributions to DGS were EUR 7.2 million (first six months of 2017: EUR 4.9 million) and contributions to the SRF of EUR 3.2 million (first six months of 2017: EUR 1.0 million). The contribution to the SRF in the first six months of 2018, comprises NN Bank's contribution for the full year 2018.

## Notes to the condensed consolidated interim accounts Continued

## 14 Other operating expenses

### Other operating expenses

| | 1 January to 30 June 2018 | 1 January to 30 June 2017 |
|---|---|---|
| Computer costs | 9,892 | 5,374 |
| Office expenses | 3,298 | 2,739 |
| Travel and accommodation expenses | 1,398 | 1,083 |
| Advertising and public relations | 905 | 2,274 |
| IT outsourcing | 7,778 | 7,259 |
| Bank costs | 276 | 107 |
| Addition/release of provision for reorganisation | 1,046 | 0 |
| Amortisation of intangible assets | 38 | 272 |
| Other | 19,696 | 11,217 |
| **Other operating expenses** | **44,327** | **30,325** |

The increase of the ‘Other operating expenses’ first half year 2018 compared to first half year 2017, is mainly caused by the Delta Lloyd Bank merger and the change in the process of charged expenses related to Customer & Commerce. In 2017 these expenses were charged to the different line items, mainly staff expenses, and in 2018 to the line item ‘Other’.

‘Other’ mainly consists of corporate staff department costs charged from NN Group to NN Bank.

## 15 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 2018 | 1 January 2018 | 31 December 2017 | 30 June 2018 | 1 January 2018 | 31 December 2017 |
| Financial assets | | | | | | |
| Cash and balances at central banks | 1,791,768 | 1,481,809 | 1,085,613 | 1,791,768 | 1,481,809 | 1,085,613 |
| Amounts due from banks | 469,581 | 386,990 | 398,900 | 469,581 | 386,990 | 398,900 |
| Financial assets at fair value through profit or loss: | | | | | | |
| – non-trading derivatives | 166,568 | 201,054 | 193,271 | 166,568 | 201,054 | 193,271 |
| Available-for-sale investments | 0 | 0 | 547,331 | 0 | 0 | 547,331 |
| Investment securities | 856,272 | 818,171 | 0 | 856,085 | 817,947 | 0 |
| Loans | 19,163,388 | 19,625,252 | 14,775,870 | 18,182,558 | 18,280,709 | 13,739,818 |
| Other assets | 100,392 | 104,563 | 99,886 | 100,392 | 104,563 | 99,886 |
| **Financial assets** | **22,547,969** | **22,617,839** | **17,100,871** | **21,566,952** | **21,273,072** | **16,064,819** |
| | | | | | | |
| Financial liabilities | | | | | | |
| Amounts due to banks | 109,500 | 432,415 | 432,257 | 109,500 | 432,415 | 432,394 |
| Customer deposits and other funds on deposit | 15,362,793 | 14,935,367 | 11,039,543 | 14,666,516 | 14,170,868 | 10,604,951 |
| Financial liabilities at fair value through profit or loss: | | | | | | |
| – non-trading derivatives | 237,600 | 223,732 | 208,153 | 237,600 | 223,732 | 208,153 |
| Other borrowed funds | 190,320 | 485,035 | 485,035 | 190,000 | 485,000 | 485,000 |
| Other liabilities[1] | 181,870 | 82,332 | 41,970 | 181,870 | 82,332 | 41,970 |
| Debt securities issued | 5,225,467 | 4,961,381 | 3,600,234 | 5,114,091 | 4,830,567 | 3,481,034 |
| Subordinated debt | 100,690 | 99,520 | 86,953 | 97,000 | 97,000 | 85,000 |
| **Financial liabilities** | **21,408,240** | **21,219,782** | **15,894,145** | **20,596,577** | **20,321,914** | **15,338,502** |

1 ‘Other liabilities’ does not include tax liabilities and other taxation and social security contributions.

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

## Notes to the condensed consolidated interim accounts Continued

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.

### Financial assets and liabilities at fair value

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

### Methods applied in determining the fair value of financial assets and liabilities (30 June 2018)

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets | | | | |
| Non-trading derivatives | 0 | 42,793 | 123,775 | 166,568 |
| Investment securities - FVOCI | 89,573 | 497,882 | 0 | 587,455 |
| Loans - FVTPL | 0 | 0 | 32,400 | 32,400 |
| **Financial assets** | **89,573** | **540,675** | **156,175** | **786,423** |
| | | | | |
| Financial liabilities | | | | |
| Non-trading derivatives | 0 | 113,825 | 123,775 | 237,600 |
| **Financial liabilities** | **0** | **113,825** | **123,775** | **237,600** |

### Methods applied in determining the fair value of financial assets and liabilities (1 January 2018)

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets | | | | |
| Non-trading derivatives | 0 | 54,687 | 146,367 | 201,054 |
| Investment securities - FVOCI | 216,830 | 327,647 | 0 | 544,477 |
| Loans - FVTPL | 0 | 0 | 138,858 | 138,858 |
| **Financial assets** | **216,830** | **382,334** | **285,225** | **884,389** |
| | | | | |
| Financial liabilities | | | | |
| Non-trading derivatives | 0 | 77,365 | 146,367 | 223,732 |
| **Financial liabilities** | **0** | **77,365** | **146,367** | **223,732** |

### 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.

### 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

| | 30 June 2018 Non-trading derivatives | Loans - FVTPL | Total |
|---|---|---|---|
| Level 3 Financial assets – opening balance | 146,367 | 138,858 | 285,225 |
| Amounts recognised in the profit and loss account during the year | -22,592 | 0 | -22,592 |
| Additions | 0 | 176,796 | 176,796 |
| Sale of assets | 0 | -283,254 | -283,254 |
| **Level 3 Financial assets – closing balance** | **123,775** | **32,400** | **156,175** |

### Changes in Level 3 Financial liabilities

| | 2018 |
|---|---|
| Level 3 Financial liabilities – opening balance | 146,367 |
| Amounts recognised in the profit and loss account during the year | -22,592 |
| **Level 3 Financial liabilities – closing balance** | **123,775** |

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

| | 30 June 2018 |
|---|---|
| Financial assets | |
| Non-trading derivatives | -22,592 |
| **Financial assets** | **-22,592** |
| | |
| Financial liabilities | |
| Non-trading derivatives | 22,592 |
| **Financial liabilities** | **22,592** |

## 16 Contingent liabilities and commitments

Compared to 31 December 2017 there has been no material change in the contingent liabilities and commitments, except for the addition of contingent liabilities and commitments of Delta Lloyd Bank.

For the contingent liabilities and commitments of NN Bank as per 31 December 2017, reference is made to Note 30 'Contingent liabilities and commitments' of the 2017 NN Bank Consolidated annual accounts. For the contingent liabilities and commitments of Delta Lloyd Bank as per 31 December 2017, reference is made to Note 38 'Subsequent and other events' of the 2017 NN Bank Consolidated annual accounts.

## 17 Subsequent and other events

### Request for Advice

On 2 July 2018, the second Request for Advice was published. Due to the high variability of costs per employee and uncertainty about employees using the travelling time option, it is difficult to adequately forecast the expenses. Our current best estimate amounts to EUR 2.6 million.

### Solicitation for early redemption of Hypenn RMBS III notes

On 20 August 2018, NN Bank announced to the holders of Hypenn RMBS III Notes a solicitation for consent to early redemption of the remaining outstanding Class A2 Notes of EUR 467.4 million. In this announcement, the holders of these Notes are offered an early redemption at 100.30 per cent. If a resolution is passed on a meeting with noteholders, scheduled at 4 September 2018, all Notes are expected to be redeemed around 17 September 2018.

**Notes to the condensed consolidated interim accounts** Continued

## 18 Capital management

### Capital adequacy

### Transitional capital position

| Amounts in millions of euros | 30 June 2018 | 1 January 2018 | 31 December 2017 |
|---|---|---|---|
| Common Equity Tier 1 Capital[1] | 890 | 877 | 681 |
| Risk Weighted Assets | 5,497 | 5,760 | 4,520 |
| Common Equity Tier 1 ratio[1] | 16.2% | 15.2% | 15.1% |
| Total capital ratio[1] | 17.8% | 16.7% | 16.9% |

1 If DNB approves of the net result of the first half year 2018 being added, then the CET1 ratio is 16,8% and the Total capital ratio is 18,4%

The balance sheet increase notwithstanding, NN Bank has maintained a solid capital position with a CRR transitional Total capital ratio of 17.8% (1 January 2018: 16.7%) and a CRR transitional CET1 ratio of 16.2% as of 30 June 2018 (1 January 2018: 15.2%). Common Equity Tier 1 Capital amounts to EUR 890 million (1 January 2018: EUR 878 million) and has increased mainly due to positive results and Delta Lloyd Bank integration.

### Liquidity adequacy

During 2018, NN Bank maintained an adequate liquidity position.

| | 30 June 2018 | 1 January 2018 | 31 December 2017 |
|---|---|---|---|
| Liquidity Coverage Ratio ('LCR') | 188% | 175% | 162% |

At 30 June 2018, NN Bank had an LCR ratio of 188%. 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 and has external credit facilities in place for use when necessary.

In the first half year 2018, NN Bank increased its unused lines of credit with EUR 50 million and repaid its drawn credit facility commitments with EUR 195 million.

# Authorisation of the Condensed consolidated interim accounts

The interim report of NN Bank for the period ended 30 June 2018 were authorised for issue in accordance with a resolution of the NN Bank Management Board on 28 August 2018.

The Hague, 29 August 2018

## The Management Board

E. (Erik) Muetstege, CEO and chair

J.E. (Sandra) van Eijk, CFO

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

A.J.M. (Marcel) Zuidam, CTO

## 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 financial information as at and for the six-month period ended 30 June 2018 of Nationale-Nederlanden Bank N.V., The Hague, which comprises the condensed consolidated balance sheet as at 30 June 2018, 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 2018, and the notes. The Management Board of the Company is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information 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 financial information as at and for the six-month period ended 30 June 2018 is not prepared, in all material respects, in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

Amstelveen, 29 August 2018

KPMG Accountants N.V.

E.D.H. Vinke-Smits RA

## 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 2017 NN Bank Consolidated Annual Accounts, except as indicated in Note 1 of the 30 June 2018 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.