2019

Interim Report

For the first half year

a.s.r.
de nederlandse
verzekerings
maatschappij
voor alle
verzekeringen

ASR Nederland N.V.

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ASR Nederland N.V. and its group companies are hereinafter referred to as 'a.s.r.' or 'the Group', except when referring to the legal entity ASR Nederland N.V.

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1.1 Financial and business performance H1 2019

a.s.r. key figures

(in € millions, unless stated otherwise)	H1 2019	H1 2018[1]	Delta
Operating result	**459**	**380**	**21.0%**
- Non-life	122	66	84.8%
- Life	368	340	8.3%
- Banking and Asset Management	11	9	30.2%
- Distribution and Services	11	12	-13.9%
- Holding and Other / Eliminations	-53	-47	11.2%
Incidental items (not included in operating result)	**221**	**102**	**115.9%**
- Investment income	170	113	50.3%
- Underwriting incidentals	-12	3	n.m.
- Other incidentals	63	-14	n.m.
Profit/(loss) before tax	**680**	**482**	**41.2%**
- Non-life	173	77	124.0%
- Life	465	440	5.6%
- Banking and Asset Management	11	8	29.9%
- Distribution and Services	11	13	-20.3%
- Holding and Other / Eliminations	21	-57	-136.3%
Income tax expense	-126	-113	12.3%
Profit/(loss) for the period from continuing operations	554	369	50.0%
Profit/(loss) for the period from discontinued operations	-15	-1	n.m.
Non-controlling interest	-	-1	-
Profit/(loss) for the period attributable to holders of equity instruments	**540**	**368**	**46.5%**
Organic capital creation (OCC)	**189**	**179**	**5.6%**
Operating return on equity	**16.8%**	**15.0%**	**1.8%-p**
Return on equity	22.2%	15.5%	6.7%-p
Earnings per share			
Operating result per share (€)	2.27	1.86	22.0%
Dividend per share (€)	0.70	0.65	7.7%
Basic earnings per share on IFRS basis (€)	3.79	2.58	46.9%
Gross written premiums	**2,576**	**2,502**	**3.0%**
- Non-life	1,791	1,717	4.3%
- Life	849	885	-4.0%
- Eliminations	-64	-100	-35.6%

1 Comparative figures have been restated, mainly relate to the discontinued classification of a.s.r. bank. The impact on profit before tax amounts to € +1 million, on operating expenses € +6 million and on operating result € -2 million. The Real Estate Development business is no longer a separate segment but is reported within the segment Holding and Other.

(in € millions, unless stated otherwise)	H1 2019	H1 2018	Delta
Operating expenses	**-304**	**-293**	**3.7%**
- Non-life	-112	-111	1.0%
- Life	-92	-93	-1.1%
- Banking and Asset Management	-41	-40	3.4%
- Distribution and Services	-27	-25	6.5%
- Holding and Other / Eliminations	-32	-24	32.4%
Operating expenses associated with ordinary activities	-284	-280	1.3%
Provision for restructuring expenses	-7	-19	-64.0%

	30 June 2019	31 Dec. 2018	Delta
Number of internal FTEs	3,848	3,683	4.5%
Capital management			
Solvency II ratio (standard formula, post proposed interim dividend)[1]	191%	197%	-6%-p
Financial leverage	30.4%	26.7%	3.6%-p
Double leverage	109.2%	99.7%	9.5%-p
Total equity attributable to holders of equity instruments (IFRS-based)	5,810	5,479	6.0%

1 Excluding a.s.r. bank and a.s.r. asset management.

The **operating result** improved with € 80 million to € 459 million (H1 2018: € 380 million) driven by an improved combined ratio in the Non-life segment and a higher investment margin in the Life segment.

The Non-life segment achieved an operating result of € 122 million, an increase of € 56 million compared to H1 2018. In Disability, the result of sickness leave improved considerably due to premium measures. P&C achieved a higher result due to € 20 million lower impact from calamities (H1 2018: € -35 million; H1 2019: € -15 million). The combined ratio of Non-life P&C and Disability improved to 93.5% (H1 2018: 96.7%).

The Life segment operating result improved with € 28 million to € 368 million. The increase reflects a higher investment margin (€ +25 million) and a higher technical result (€ +3 million), mainly driven by better than expected mortality results. The increase in investment margin is primarily the result of a combination of lower required interest at Individual life (€ +11 million) and a slightly improved direct investment return, which was supported by re-risking the asset mix and acquisitions.

The Banking and Asset Management segment operating result rose € 3 million to € 11 million. The increase in fee income is mainly the result of inflows into the ASR Hypotheekfonds (mortgage fund) and revaluations. Growth in the business of the Distribution and Services segment was offset by a decrease in the fee income of mandated brokers at Dutch ID as a result of which operating result decreased (€ -2 million).

Gross written premiums increased by € 74 million to € 2,576 million (H1 2018: € 2,502 million), including the addition of Loyalis (€ 32 million). Gross written premiums in the Non-life segment increased (€ 74 million), which was attributable to organic growth in all Non-life business lines and the addition of Loyalis (€ 18 million). Gross written premiums in the Life segment, including the addition of Loyalis (€ 14 million), amounted to € 849 million (H1 2018: € 885 million).

Operating expenses associated with ordinary activities increased € 4 million to € 284 million primarily as a result of the additional operating expenses of Loyalis (€ 9 million). Excluding the Loyalis cost base, the regular operating expenses decreased by € 6 million. This decline is the result of cost savings related to the reduction of FTEs and systems as a result of the integration of Generali Nederland and the ongoing migration of Individual life portfolios to a SaaS platform.

The incidental costs, which are included in the segment Holding and Other, increased € 7 million to € 21 million. This increase is mainly driven by project costs for IFRS 17/9 legislation, Generali Nederland integration costs, preparation costs for the Vitality programme, as well as advisory costs related to M&A activities.

The number of **internal FTEs**, including redundant workers, increased 165 FTE to 3,848 FTE (2018: 3,683 FTE). This increase is mainly due to the addition of Loyalis employees (198 FTE at the time of acquisition). Growth in activities at Real Estate Asset Management led also to an increase in the number of FTEs.

Profit before tax rose € 198 million to € 680 million (H1 2018: € 482 million). This increase, in addition to a higher operating result (€ +80 million), is driven by higher indirect investment income (€ +57 million) and a positive contribution from incidentals (€ +62 million). The increase in indirect investment income is mainly due to the realised capital gains on equities and an increase in the unrealised revaluation on real estate investments. The contribution of 'underwriting and other incidentals' increased this period mainly due to the preliminary purchase gain on the acquisition of Loyalis. Several other items, including a lower incidental result from the own pension scheme, regulatory costs for the implementation of IFRS17/9 legislation and the harmonisation of a technical provision in the Non-life segment, led to incidental charges.

The initial accounting for Loyalis, as at 1 May 2019 is ongoing, including the reassessment of the gain on the purchase, and as such all values are provisional and adjustments are possible within the one year window period.

Operating return on equity amounted to 16.8% (H1 2018: 15.0%) and was well above the medium-term target range of 12-14%. The higher operating return on equity reflects the increase in (annualised) operating result which surpassed the growth of the average shareholders' equity (+8.8%). IFRS return on equity stood at 22.2% (H1 2018: 15.5%).

The **Solvency II-ratio** per 30 June 2019 was 191% (2018: 197%) after the interim dividend. Main factors impacting the Solvency II ratio include the reduction of 15 bps in the volatility adjustment (VA) from 24 to 9, the UFR reduction to 3.9% (-19%-p), the issuance of a Tier 2 instrument, the acquisition of Loyalis, organic capital creation and the proposed interim dividend (+9%-p). Remaining changes mainly relate to market and business developments.

Medium-term targets

The table below shows the targets and the performance of a.s.r.

Medium-term targets (2019–2021)

	H1 2019	Medium-term target
Group		
Solvency II-ratio (standard formula)	191%	> 160%
Operating return on equity (annualised)	16.8%	12% - 14%
Organic capital creation	€ 189 million	FY 2021: > € 430 million
Financial leverage	30.4%	< 35%
S&P rating (insurance entities)	Single A	Single A
Business		
Non-life combined ratio (P&C and Disability)	93.5%	94% - 96%
Non-life gross written premium (P&C and Disability), annual growth	3.3%	3% - 5%
Life operating result	€ 368 million	≥ € 633 million
Life operating expenses (of basic Life provision)	52 bps	45 - 55 bps
Operating result fee based business (Asset Management, Distribution and Services)	€ 22 million	FY 2021: € 40 million
Non-financial targets		
Net promoter score	41	FY 2021: > 44
Carbon footprint measured of the total investment portfolio	74%	FY 2021: 95%
Impact sustainable investments (for own account)	€ 0.7 billion	FY 2021: € 1.2 billion
Employee contribution to local society (hours), annual growth	H1: +22%	FY: +5%

The half-year performance shows that a.s.r. is well on track to meet the Financial and Non-financial medium-term targets for 2019-2021.

Non-life segment

Key figures, Non-life segment

(in € millions, unless stated otherwise)	H1 2019	H1 2018	Delta
Gross written premiums	1,791	1,717	4.3%
Operating expenses	-112	-111	1.0%
Provision for restructuring expenses	-3	-2	49.1%
Operating result	**122**	**66**	**84.8%**
Incidental items (not included in operating result)	**51**	**11**	**351.0%**
- Investment income	67	13	402.7%
- Underwriting incidentals	-13	-	-
- Other incidentals	-3	-2	49.1%
Profit/(loss) before tax	173	77	124.0%
Profit/(loss) for the period attributable to holders of equity instruments	**139**	**61**	**127.8%**

	H1 2019	H1 2018	Delta
Combined ratio P&C and Disability	**93.5%**	**96.7%**	**-3.2%-p**
- Commission ratio	19.1%	20.8%	-1.7%-p
- Cost ratio	8.2%	8.5%	-0.3%-p
- Claims ratio	66.2%	67.5%	-1.3%-p
Combined ratio			
- P&C	97.4%	100.0%	-2.6%-p
- Disability	87.8%	91.2%	-3.4%-p
- Health	98.0%	98.4%	-0.4%-p

The **operating result** rose by € 56 million to € 122 million in H1 2019. The increase was mainly due to improvements in the underwriting result of P&C and Disability. P&C result increased due to € 20 million lower impact from calamities (H1 2019: € -15 million; H1 2018 € -35 million including the January storm). In Disability, the premium increases for sickness leave resulted in an improvement of the results from this product line. In addition, the result also improved due to a non-recurring favorable settlement of reinsurance commissions (€ +8 million).

The **combined ratio** of P&C and Disability improved to a strong 93.5% (H1 2018: 96.7%) and ahead of the medium-term target range for P&C and Disability (94-96%). The combined ratio includes the impact of two non-recurring items being the settlement of the reinsurance commission and the alignment of the provision under IFRS and SII (€ 13 million). The combined ratio of Disability improved by 3.4%-point to 87.8% and was positively influenced by the underlying regular performance of the portfolio and the non-recurring benefit of the reinsurance settlement. P&C combined ratio improved 2.6%-point to 97.4% due to lower impact from calamities and an improvement in the bulk claims ratio. The combined ratio of Health improved by 0.4%-point to 98.0% due to an increase in the premiums, mainly at supplementary health insurance.

The **gross written premiums** amounted to € 1,791 million, up € 74 million (H1 2018: € 1,717 million). Besides the addition of Loyalis (€ +18 million) all product lines (P&C, Disability and Health) showed organic growth (€ +56 million in total).
In the P&C business (€ +13 million) the number of 'Vernieuwd Voordeel Pakket' (a product that combines several insurance coverages) sold continued to increase (up 8%) compared to H1 2018 with an average of 240 packages sold per day.
The growth of Disability (€ +31 million) was mainly related to organic growth through the distribution channel mandated brokers as well as premium increases. The growth in Health (€ +12 million) reflects higher premiums per insured.

The **operating expenses** increased by € 1 million to € 112 million. This increase is due to the addition of Loyalis (€ 5 million) which is largely compensated by cost synergies from the integration of Generali Nederland. As a result, the cost ratio improved 0.3%-point from 8.5% to 8.2% in 2019.

The **profit before tax** for Non-life amounted € 173 million (H1 2018: € 77 million). Besides the improved operating result, the profit growth reflect a higher level of indirect investment income (€ +54 million), primarily consisting of realised capital gains.

Life segment

Key figures, Life segment

(in € millions, unless stated otherwise)	H1 2019	H1 2018	Delta
Recurring premiums	747	737	1.4%
Single premiums	103	148	-30.7%
Gross written premiums	849	885	-4.0%
Operating expenses	-92	-93	-1.1%
Provision for restructuring expenses	-3	-1	167.2%
Operating result	**368**	**340**	**8.3%**
Incidental items (not included in operating result)	**97**	**100**	**-3.0%**
- Investment income	101	97	4.9%
- Underwriting incidentals	1	3	-61.3%
- Other incidentals	-5	-	-
Profit/(loss) before tax	465	440	5.6%
Profit/(loss) for the period attributable to holders of equity instruments	**349**	**333**	**4.9%**
Cost/premium ratio (APE)	9.4%	9.8%	-0.4%-p
Life operating expenses on basic life provision (bps) (2018: as at 31 December)	52	56	-4
New business (APE)	40	36	12.5%

The **operating result** increased by € 28 million to € 368 million (an increase of 8.3%). The improvement is primarily driven by a higher investment margin (€ +25 million) as a result of lower required interest in the Individual life portfolio. Direct investment income remained stable mainly due to the re-risking of the asset mix and acquisitions.

The **technical result** showed an improvement (€ +3 million). This reflects a better result on mortality, mainly at Individual life, and growth of the 'Werknemers Pensioen' (WnP) portfolio. The result on costs was stable, whereby a lower cost coverage was compensated by cost reductions (system rationalisation), growth of WnP and the contribution of acquisitions.

After the former Generali funeral portfolio was integrated last year, the Individual life portfolio of Generali was integrated to the a.s.r. platform in first half of 2019. The last part of the Generali pension portfolio is planned to be finalised at the beginning of 2020. The integration of the Loyalis life books has been started and is expected to be completed in 2020.

The **gross written premiums** amounted to € 849 million (H1 2018: € 885 million). Recurring premiums increased (€ +10 million) while single premiums came in lower (€ -46 million). The continued growth of WnP and the contribution from Loyalis exceeded the decrease of recurring premiums in Individual life and the decline of the existing DB portfolio with Pensions. For WnP, the AuM exceeded € 1 billion and the number of active participants is now over 75,000 (H1 2018: 50,000). The level of surrenders of nominal policies at Individual life was stable at 0.85%. This is mainly related to savings mortgages that were surrendered or transferred because of the low interest rates. Gross written premiums from Funeral remained stable (€ +2 million).

Operating expenses decreased € 1 million to € 92 million (H1 2018: € 93 million). Excluding Loyalis (€ 4 million) the operating expenses decreased by € 5 million. The contribution from ongoing cost reductions were able to absorb the additional costs for investments in growth markets and integration costs for acquisitions. This reduction is the result of, amongst others, the continuing focus on execution of migration programs, product rationalisation and the variabilisation of costs at Individual life.

The operating expenses in relation to the premiums (measured in APE) declined, which is reflected in a slightly improved **cost-premium ratio** of 9.4% (H1 2018: 9.8%). Life operating expenses expressed in basis points of the basic life provision improved to 52 bps on an annualised basis (31 December 2018: 56 bps), in line with the target of 45-55 bps for 2019-2021.

The **profit before tax** increased € 25 million to € 465 million (H1 2018: € 440 million). This increase mainly relates to the operating result (€ +28 million) while indirect investment income was stable (€ +4 million). The contribution from insurance related and other incidental items decreased (€ -7 million) and relates to several smaller items including restructuring costs.

Banking and Asset Management segment

Key figures, Banking and Asset Management segment[1]

(in € millions, unless stated otherwise)	H1 2019	H1 2018 (restated)	Delta
Assets under Management (AuM) for third parties (€ bn) (2018 as at 31 December 2018)	19.3	16.0	20.6%
Operating expenses	-41	-40	3.4%
Provision for restructuring expenses	-1	-1	32.2%
Operating result	**11**	**9**	**30.2%**
Incidental items (not included in operating result)	**-1**	**-1**	**34.9%**
- Investment income	-	-	-
- Underwriting incidentals	-	-	-
- Other incidentals	-1	-1	32.2%
Profit/(loss) before tax	11	8	29.9%
Tax	-3	-2	23.6%
Profit/(loss) for the period from continuing operations	**8**	**6**	**32.4%**
Profit/(loss) for the period from discontinued operations	-15	-	-
Profit/(loss) for the period attributable to holders of equity instruments	**-7**	**5**	**-225.6%**

The **operating result** of segment Banking and Asset Management, consisting of a.s.r. asset management and a.s.r. real estate, increased by € 3 million to € 11 million (H1 2018: € 9 million).

The operating result of a.s.r. asset management increased by € 2 million to € 6 million due to the growth of external AuM, mainly as a result of inflows and revaluations. The operating result of a.s.r. real estate increased by € 1 million to € 6 million, mainly due to growth in AuM (€ +0.3 billion) reflecting inflows and revaluations.

On 21 March 2019 it was announced that the savings portfolio of a.s.r. bank will be sold to Achmea Bank, subject to approval of the regulatory authorities. The financial result from a.s.r.'s banking activities is therefore no longer included in a.s.r.'s operating result. The net loss for the period of these discontinued operations amounting to € -15 million (H1 2018: nil) primarily concerns a loss on the revaluation of derivatives.

The **AuM** for third parties increased to € 19.3 billion (2018: € 16.0 billion). The increase of € 3.3 billion relates for € 3.1 billon to a.s.r. asset management and for € 0.2 billion to a.s.r. real estate. The increase of a.s.r. asset management (€ 3.1 billion) is primarily driven by positive revaluations of the funds (€ 2.0 billion), inflows in ASR Hypotheekfonds (€ 0.8 billion) and the ESG-Funds (€ 0.4 billion).
Institutional investors already participate for € 2.8 billion in the ASR Hypotheekfonds (2018: € 1.9 billion), which invests in Dutch residential mortgages. The ESG-Funds, with strict sustainability criteria, were introduced in 2018.

Payment arrears of more than 90 days on the mortgage portfolio amount to 0.09% (2018: 0.10%), the lowest level in recent years. Credit losses reduced substantially and amount to 0.07 basis points (2018: 0.80 basis points). The arrears and credit losses remain well below our limits due to preventive management, favorable economic conditions and strict monitoring.

1 The Banking and Asset Management segment involves all banking activities and the activities related to asset management including investment property management. The related entities are ASR Bank N.V., ASR Hypotheken B.V., ASR Vastgoed Vermogensbeheer B.V., ASR Vermogensbeheer N.V. and ASR Financieringen B.V. As of October 2018, all activities of ASR Bank N.V. are classified as discontinued.

Distribution and Services segment

Key figures, Distribution and Services segment[1]

(in € millions)	H1 2019	H1 2018	Delta
Total income	41	39	5.1%
Operating expenses	-27	-25	6.5%
Provision for restructuring expenses	-	-	-
Operating result	**11**	**12**	**-13.9%**
Incidental items (not included in operating result)	**-**	**1**	**n.m.**
- Investment income	-	-	-
- Underwriting incidentals	-	-	-
- Other incidentals	-	1	n.m.
Profit/(loss) before tax	11	13	-20.3%
Tax	-2	-3	-46.7%
Profit/(loss) for the period attributable to holders of equity instruments	**9**	**10**	**-11.5%**

The **operating result** of the Distribution and Services segment decreased by € 2 million to € 11 million (H1 2018: € 12 million). The decrease is primarily the result of (expected) downward pressure on fee-income of Dutch ID as a result of adjusted tariffs for mandated brokers. This decline is partly compensated by additional growth in the number of mandated brokers. Furthermore, the outsourcing of back-office activities to Dutch ID increased. The operating result of Corins and SuperGarant showed an increase due to the integration of co-insurance activities of Generali Beurs within Corins and the acquisition of ZZP Nederland in July 2018 by Supergarant. The operating result of the other distribution entities (VKG, ANAC and Poliservice) is in line with previous year.

Operating expenses increased € 2 million to € 27 million (H1 2018: € 25 million) mainly due to the addition of acquired activities of ZZP Nederland by SuperGarant (as of July 2018) and Loyalis Kennis & Consult (as of May 2018).

Loyalis Kennis & Consult provides support and advice in the areas of aging and work, vitality, social security, sickness leave and advice in the public and construction sector. This entity had no material contribution to the result.

1 The Distribution and Services segment includes the activities related to distribution of insurance contracts and includes the financial intermediary business of PoliService B.V., Van Kampen Groep Holding B.V. (and Van Kampen Geld B.V.), Dutch ID B.V., SuperGarant Verzekeringen B.V. and SuperGarant Assuradeuren B.V. (including subsidiary VSP Risk B.V.), Corins B.V., ANAC, All-Finance Nederland Advies-Combinatie B.V. and Loyalis Kennis & Consult.

Holding and Other segment (including Eliminations)

Key figures, Holding and Other segment / Eliminations[1]

(in € millions)	1H 2019	1H 2018	Delta
Operating expenses	-32	-24	32.4%
Provision for restructuring expenses	-	-15	-
Operating result	**-53**	**-47**	**-11.2%**
Incidental items (not included in operating result)	**73**	**-10**	**829.8%**
- Investment income	2	3	-47.6%
- Underwriting incidentals	-	-	-
- Other incidentals	72	-13	643.4%
Profit/(loss) before tax	21	-57	-136.3%
Tax	28	17	67.8%
Non-controlling interest	-1	-	-280.4%
Profit/(loss) for the period attributable to holders of equity instruments	**50**	**-41**	**-221.3%**

The **operating result** decreased by € -5 million to € -53 million (H1 2018: € -47 million). The decrease is mainly due to an increase in the interest expenses (€ -3 million) on the newly issued € 500 million Tier 2 subordinated loan. The proceeds were primarily used to fund the acquisition of Loyalis.

Operating expenses increased € -8 million to € -32 million (H1 2018: € -24 million) primarily as a result of incidental costs, while regular operating expenses remained stable. The incidental cost items in H1 2019, classified as other incidentals, amounted to € -21 million compared to € -13 million last year. Incidental items this year mainly relate to regulatory costs for the preparation of the implementation of IFRS 17/9, Generali Nederland integration costs, preparation costs for the Vitality-program as well as advisory costs related to M&A activities.

Incidental items amounted to € 73 million (H1 2018: € -10 million). The increase of € +83 million is mainly due to a provisional gain as a result of the Loyalis acquisition. The opening balance sheet of Loyalis is based on fair value, the gain is tax-exempt, attributable to the acquirer ASR Nederland N.V. and not allocated to the Non-life and Life segments. The initial accounting for Loyalis as at 1 May 2019 is ongoing, including the reassessment of the gain on the purchase, and as such all values (mainly the insurance liabilities) are provisional. In accordance with IFRS 3 business combinations, the final opening balance sheet will be determined within twelve months of the closing date.

The higher contribution from incidental items is also reflected in the development of the **profit before tax**, which increased to € 21 million (H1 2018: € -57 million).

1 The segment 'Holding and Other' consists primarily of the holding activities of ASR Nederland N.V. (including the group related activities), other holding and intermediate holding companies (including Loyalis Holding N.V.), the real estate development business (Vastgoed projecten B.V.), and the activities of ASR Deelnemingen N.V.

Capital management

- The Solvency II ratio (standard formula) continues to be robust at 191% (2018: 197%) after interim dividend and meets our target of above 160%. Solvency II-ratio before interim dividend amounts to 193%.
- Organic capital creation amounted to € 189 million, which is 5,1% of the required capital.
- Financial leverage of 30.4% (2018: 26.7%), which is well below our maximum threshold of 35%.
- Double leverage was 109.2% (2018: 99.7%). The increase reflect the acquisition of Loyalis. The double leverage is expected to reduce by ~6%-points if the legal merger of the Loyalis acquisition has been completed.
- Equity attributable to holders of equity instruments (IFRS-based Equity) increased by € 331 million to € 5,810 million.

Solvency II

Solvency II

(in € millions)	30 June 2019	31 December 2018	Delta
Eligible Own Funds	7,547	6,924	9.0%
Required capital	3,952	3,523	12.2%
Solvency II ratio (post interim dividend)	**191%**	**197%**	**-6%-p**

The **Solvency II ratio** was 191% (2018: 197%). Before the interim dividend of € 98 million the Solvency II ratio amounts to 193%. The Solvency II ratio was mainly positively influenced by organic capital creation (+5%-points) and the issuance of a Tier 2 loan (+13%-points). This increase was more than fully offset by the impact from the acquisition of Loyalis (-7%-points), the reduction of the UFR (-3%-points), tightening of the VA (-16%-points), the interim dividend, the decline of interest rates and other movements.

The eligible own funds increased to € 7,547 million at 30 June 2019 (31 December 2018: € 6,924 million). As a result of organic growth, the issuance of a Tier 2 loan, the acquisition of Loyalis, the increase in equity markets, lower interest rates and spread tightening on credits the eligible own funds increased. These effects were partially offset by a lower UFR, tightening of the VA and the interim dividend.

The required capital stood at € 3,952 million at 30 June 2019 (31 December 2018: € 3,523 million). This increase is mainly due to the acquisition of Loyalis, lower interest rates, and an increase in equity market risk.

Equity

Breakdown of total equity

(in € millions)	30 June 2019	31 December 2018	Delta
Share capital	23	23	-
Share premium reserve	976	976	-
Unrealised gains and losses	873	586	49.0%
Actuarial gains and losses (IAS19)	-970	-635	52.9%
Retained earnings	3,907	3,528	10.7%
Equity attributable to shareholders	**4,809**	**4,478**	**7.4%**
Other equity instruments	1,001	1,001	0.1%
Equity attributable to holders of equity instruments	**5,810**	**5,479**	**6.0%**
Non-controlling interest	-	-	-
Total equity	**5,810**	**5,479**	**6.0%**

Statement of changes in total equity

(in € millions)	30 June 2019	31 December 2018
Beginning of reporting period - total equity	**5,479**	**5,432**
Profit/(loss) for the period	540	655
Unrealised gains and losses	287	-284
Actuarial gains and losses (IAS19)	-335	40
Non-controlling interest	-	2
Dividend	-154	-321
Other changes (e.g. coupon hybrids)	-7	-44
End of reporting period - total equity	**5,810**	**5,479**

Total **equity attributable to holders of equity instruments** (IFRS-based) increased € 331 million from € 5,479 million at the end of last year to € 5,810 million. This is mainly due to the addition of the H1 2019 net result (€ +540 million) and lower fixed interest rates resulting in unrealised revaluations of fixed income investments (€ +287 million). This increase is partly offset by a change in actuarial gains and losses (IAS 19) on the a.s.r. pension scheme (€ -335 million) due to a lower discount rate (1.85% at the end of 2018 versus 1.15% per 30 June 2019) and dividend payments for the 2018 financial year of € -154 million (€ -245 million annual dividend minus € -92 million interim dividend).

Financial leverage

Financial leverage

(in € millions)	30 June 2019	31 December 2018	Delta
Basis for financial leverage (equity attributable to shareholders)	4,809	4,478	7.4%
Financial liabilities	2,096	1,633	28.4%
of which hybrids	1,001	1,001	-
of which subordinated liabilities	990	497	99.2%
of which senior debt	105	135	-22.2%
Financial leverage (%)	**30.4%**	**26.7%**	**3.6%-p**
Interest coverage ratio (IFRS) (2018: as at 30 June)	**15.5x**	**11.7x**	**3.8x**

The **financial leverage** of a.s.r. increased to 30.4% per H1 2019 (2018: 26.7%), which is still below the maximum of 35%. The increase in financial liabilities as a result of the newly issued Tier 2 subordinated loan of € 500 million, was partly offset by repayments of senior debt and the increase of equity attributable to shareholders.

The **interest coverage ratio**, based on the IFRS result before tax, increased 3.8x to 15.5x (H1 2018: 11.7x). This increase is due to a strong increase in the IFRS result compared to the interest expenses. The interest expense of the issued Tier 2 loan in May 2019 has a limited impact (two months) on the total interest expense of a.s.r.

Double leverage

Double leverage

(in € millions)	30 June 2019	31 December 2018	Delta
Total value of associates	7,424	5,959	24.6%
Equity attributable to shareholders	4,809	4,478	7.4%
Hybrids and subordinated liabilities	1,991	1,498	32.9%
Equity attributable to holders of equity instruments	**6,800**	**5,976**	**13.8%**
Double leverage (%)	**109.2%**	**99.7%**	**9.5%-p**

The **double leverage** increased 9.5%-points to 109.2% (2018: 99.7%). The increase in double leverage is temporary because Loyalis holding has not yet merged with the holding of a.s.r. Including the effect of this legal merger, which will take place in the third quarter of this year, the double leverage would have been 103%.

The increase of the double leverage to 109.2% is caused by the fact that shareholders' equity of the participating interests (associates) has increased more than the equity of the holding company (€ +1,465 million versus € +824 million). This is primarily due to the acquisition of Loyalis and the transfer as a capital contribution of the Loyalis Leven N.V. (Loyalis Life) and Loyalis Schade N.V. (Loyalis Non-life) to ASR Levensverzekering N.V. and ASR Schadeverzekering N.V. respectively. This is a temporary effect because Loyalis holding has been merged with the holding of a.s.r. as per the 1st of August. The dividend paid (€ -154 million) and the actuarial gains related to the a.s.r. pension plan (€ -335 million) led to a further increase in double leverage. The increase is reduced by the issuance of the Tier 2 subordinated loan (€ 500 million) and the result after tax of a.s.r. holding (€ 230 million).

1.2 Risk management

Financial Markets

During the first half of 2019, yields on sovereign bonds continued to trend lower. By the end of the second quarter, Eurozone sovereign yields had reached new historical lows, i.e. below the levels reached during the summer of 2016. 10-year bond yields on Dutch sovereign bonds had even turned negative following the precedent set by Swiss and German sovereign bonds. Relatively speaking, yields on bonds from southern European countries (e.g. Italy and Spain) decreased by more than those on 'core' European bonds (e.g. Germany and the Netherlands). At the same time, equities recovered globally from the market rout during the final months of 2018, while credits continued to perform well.

All of the aforementioned market movements appear to have a common background. As macroeconomic perspectives gradually worsened during the first few months of 2019, central banks ever more clearly signaled that they were both able and willing to loosen their monetary policies should the economic outlook (more specifically the inflation outlook) continue to worsen. The prospect of lower interest rates and even potentially a return to quantitative easing (especially in the eurozone) 'prompted' investors to return to the 'search for yield' theme which has dominated much of the investment climate since the end of the 2008-2009 credit crisis.

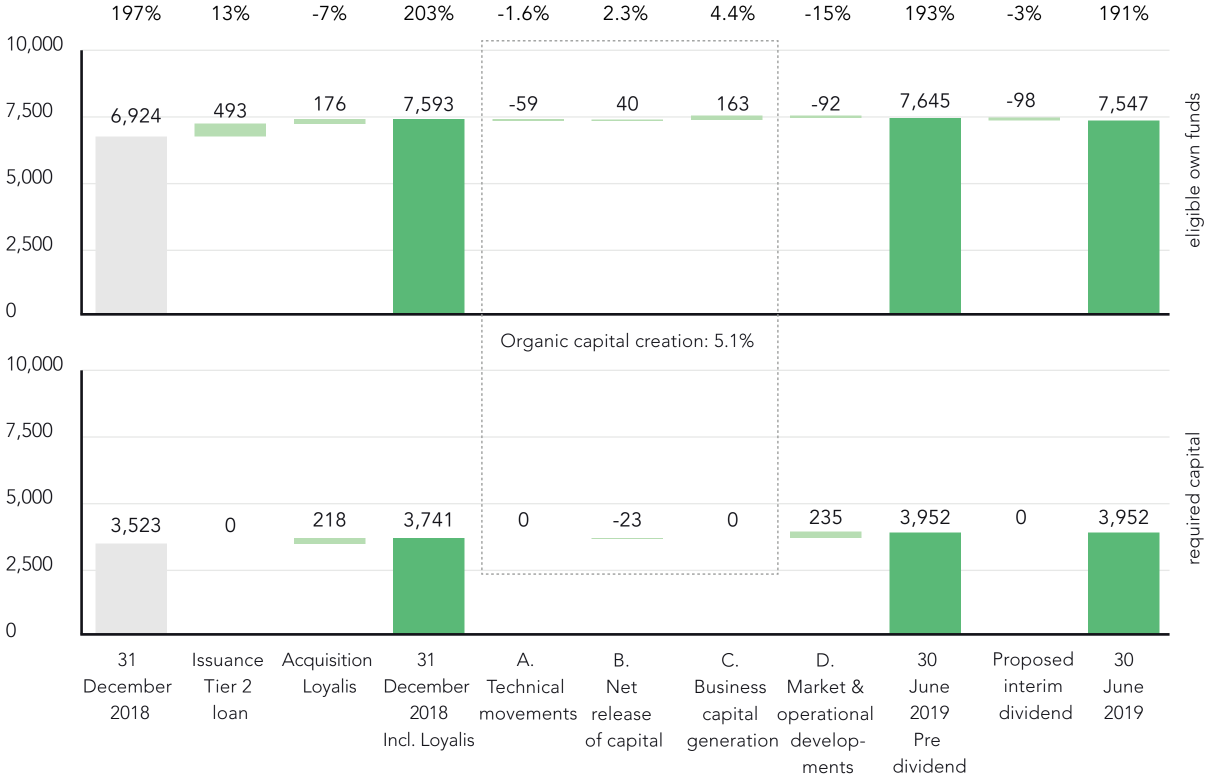
Developments in solvency

The Solvency II ratio stood at 191% following the proposed interim dividend at 30 June 2019 (31 December 2018: 197%). Eligible equity increased to € 7,547 million at 30 June 2019 (31 December 2018: € 6,924 million). This was due to a combination of organic growth, the issuing of a Tier 2 loan, the acquisition of Loyalis, the rise in share prices, lower interest rates and spread tightening. These effects were partially offset by a lower UFR, tightening of the VA, the proposed interim dividend and business developments. Capital requirement stood at € 3,952 million at 30 June 2019 (31 December 2018: € 3,523 million). This increase was mainly due to the acquisition of Loyalis, lower interest rates, the rise in share prices and - to a lesser extent - the tightening of the VA. These effects were partially offset by de-risking, chiefly through a reduction in shares and an increase in the interest rate hedge.

Capital Generation

Within a.s.r., the definition of Organic Capital Creation (OCC) covers Technical Movements, Net release of Capital and Business Capital Generation. It gives an indication of the capital created during the regular course of business. The figure on the next page shows the OCC as part of the overall movement of the solvency ratio.

Movement solvency



Sensitivities

The sensitivities of the Solvency II ratio as at 30 June 2019 expressed as an impact on the Group solvency ratio (in percentage points) are as follows:

Sensitivity scenario (%-points)

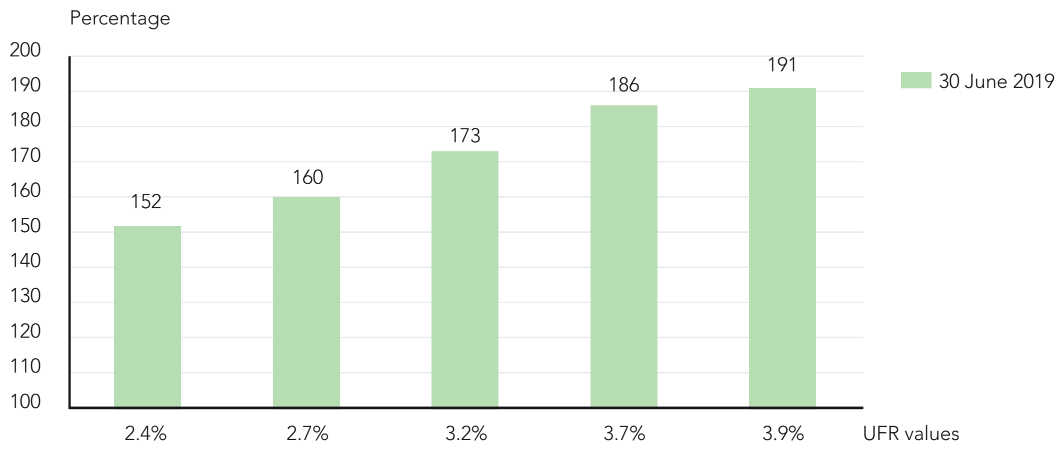
	Avaliable capital	Required capital	Ratio
UFR -1% (UFR 2.9%)	-23%	-3%	-26%
Interest rate +1% (incl. UFR 3.9%)	-6%	13%	7%
Interest rate -1% (incl. UFR 3.9%)	10%	-9%	1%
Spread +75 bps / VA +18 bps	10%	8%	18%
Government spread +50 bps / VA +10 bps	0%	1%	0%
Equity prices -20%	-10%	10%	0%
Property values -10%	-9%	3%	-6%

Risk	Scenario
UFR	Measured as the impact of a lower UFR -1%. For the valuation of liabilities, the extrapolation to the UFR of 2.9% after the last liquid point of 20 years remained unchanged.
Interest rate risk	Measured as the impact of a parallel 1% upward and downward movement of interest rates. For the liabilities, the extrapolation to the UFR of 3.9% after the last liquid point of 20 years remained unchanged.
Spread risk (including impact of spread movement on VA)	Measured as the impact of an increase of spread on loans and corporate bonds of 75 bps. At the same time, it is assumed that the Volatility Adjustment will increase by 18 bps. In this spread scenario the interest up shock becomes dominant which result in more diversification than in the actuals.
Government spread	Measured as the impact of an increase of spread on Government bonds of 50 bp. At the same time, it is assumed that the Volatility Adjustment will increase with 10 bps.
Equity risk	Measured as the impact of a 20% downward movement in equity prices. Equity prices sensitivity impact on Solvency II ratio is limited due to the offsetting effect of the equity dampener on the required capital.
Property risk	Measured as the impact of a 10% downward movement in the market value of real estate.

Expected development Ultimate Forward Rate

The European Insurance and Occupational Pensions Authority (EIOPA) will reduce the ultimate forward rate used to extrapolate insurers' discount curves to better reflect expected inflation and real interest rates. The UFR will decrease to 3.6%, phasing in by 15 basis points per year. The impact on the solvency ratio of various UFR levels is shown below.

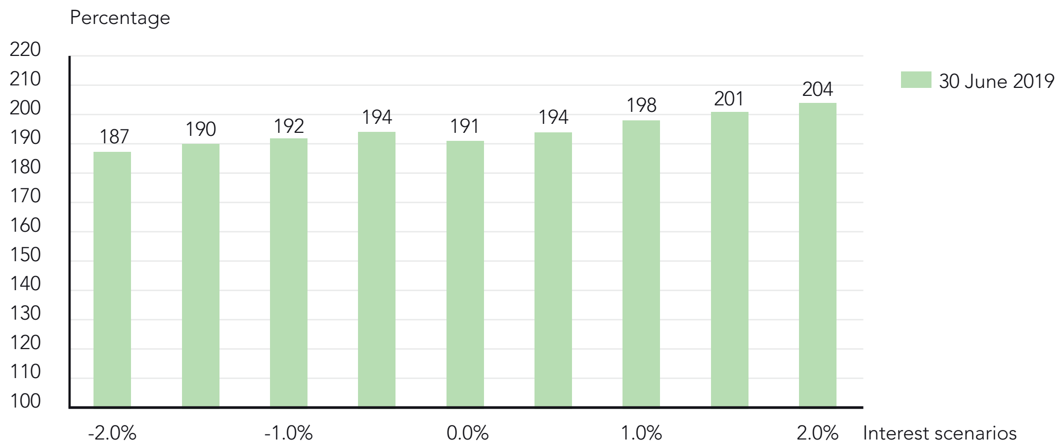
UFR sensitivities



Interest rate sensitivity of Solvency II ratio

The impact of a parallel movement of the interest rate on the Solvency II ratio, including the UFR effect, is shown below. The UFR methodology has been applied to the shocked interest rate curve. If the interest rate decreases by 0.5% or more, the interest up shock becomes dominant which results in more diversification.

Interest sensitivity UFR 3.9%



Capital Management

Objectives

Overall capital management is administered at Group level. Capital generated by operating units and future capital releases will be allocated to the profitable growth of new business or repatriated to shareholders, beyond the capital that is needed to sustain commercial capital levels at management's targets. a.s.r. actively manages its in-force business, which is expected to result in substantial free capital generation over time. The Group is committed to maintaining a strong capital position in order to be a robust insurer for its policyholders and other stakeholders. The objective is to maintain a solvency level which is within the limits defined in the risk appetite statements and solvency targets.

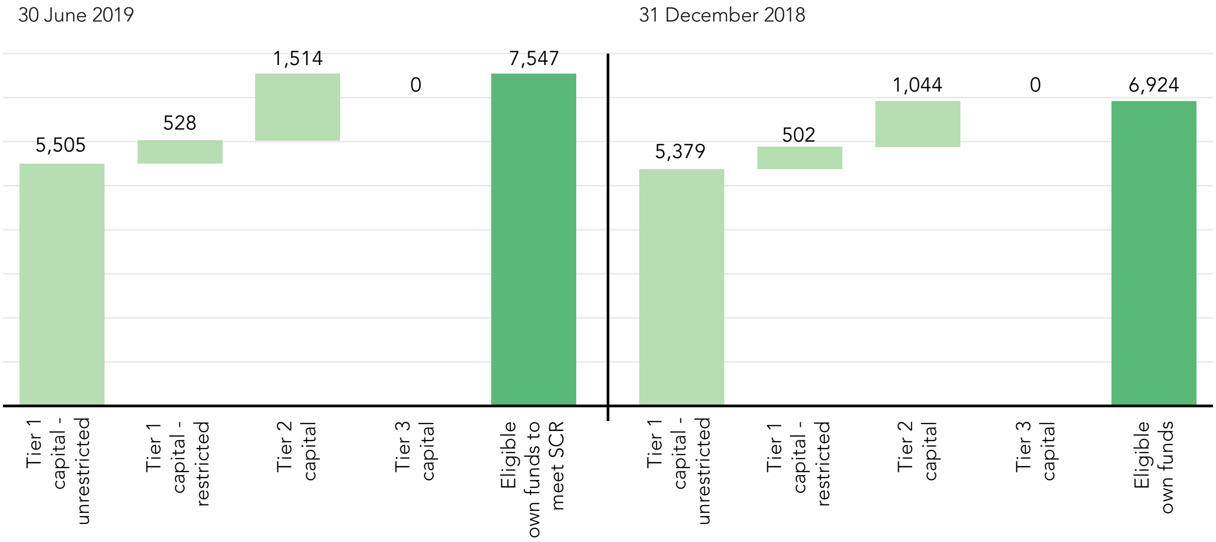
Capital Management Actions

During the first half of 2019, a.s.r. continued its capital management policy by closely monitoring the development of the capital position. To fund the acquisition of Loyalis, a.s.r. issued a € 500 million subordinated 30NC10 Tier 2 bond with a 3.375% fixed rate coupon. The key focus has been on the integration of Loyalis and the subsequent alignment of the Loyalis portfolio with a.s.r. investment policy. The total net impact of the acquisition on a.s.r.'s solvency position was 7% during the first half of 2019. Following discussions with DNB, a.s.r. has limited the impact of its mass lapse hedge. During the first half of 2019, the Group made continuous improvements in its hedging policies to reflect the latest insights in market conditions and its own exposures. The Group has made some further adjustments to the interest rate hedges and aligned its investment portfolio with the outcomes of the Strategic Asset Allocation Study, which resulted in limited adjustments in the portfolio. Subsequent to the € 92 million interim dividend that had already been paid out in the second half of 2018, a.s.r. distributed the remaining € 153 million of the full year dividend over 2018 (€ 245 million) to the shareholders in the first half of 2019. The dividend payment was fully funded by upstreams from the insurance entities and the available cash at the holding company.

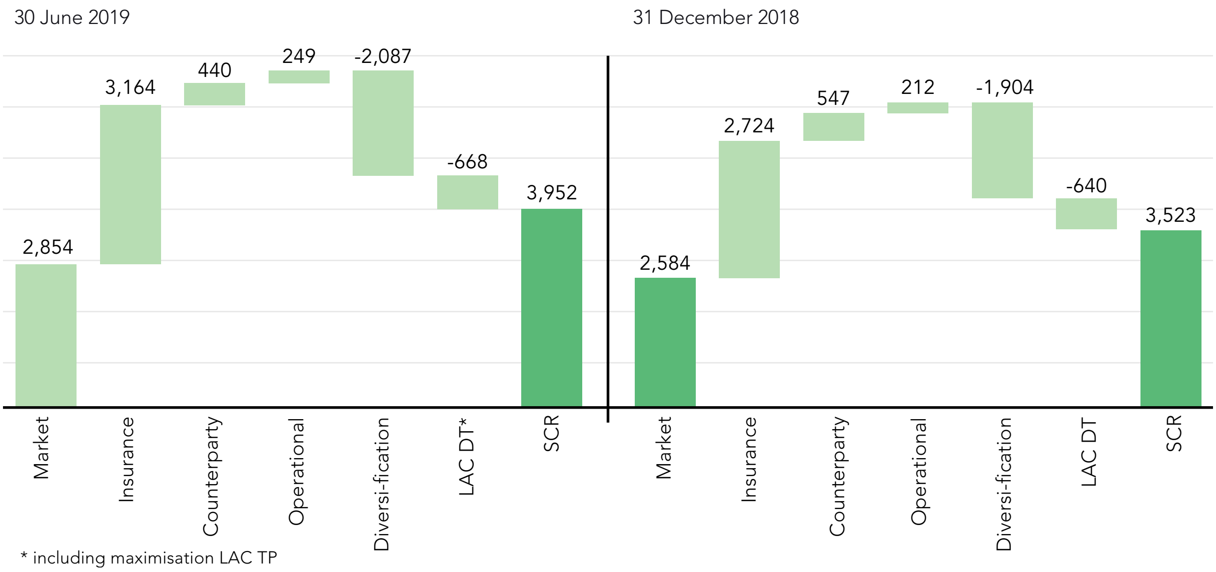
Tiering

With respect to the capital position, Solvency II requires the insurers to classify their equity into Tiers. The figure below shows a.s.r.'s capital position.

Eligible own funds



SCR



* including maximisation LAC TP

Standard & Poor's confirmed the single A-rating of ASR Levensverzekering N.V. and ASR Schadeverzekering N.V. on 20 August 2018.

Ratings per legal entity

Ratings Standard & Poor's	Type	Rating	Outlook	Since
ASR Nederland N.V.	CCR	BBB+	Stable	15 May 2014
ASR Levensverzekering N.V.	CCR	A	Stable	23 August 2012
ASR Levensverzekering N.V.	FSR	A	Stable	23 August 2012
ASR Schadeverzekering N.V.	CCR	A	Stable	23 August 2012
ASR Schadeverzekering N.V.	FSR	A	Stable	23 August 2012

Rating reports can be found on the corporate website at http://asrnl.com/investor-relations/ratings.

1.3 Executive Board In Control Statement

As required by section 5:25d paragraph 2(c) of the Dutch Financial Supervision Act (Wet op het financieel toezicht), the undersigned declare that, to the best of their knowledge:

1. the condensed consolidated interim financial statements for the period ended 30 June 2019 give a true and fair view of the assets, liabilities, financial position and earnings of ASR Nederland N.V. and its consolidated entities; and

2. the interim report of the Executive Board 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 ASR Nederland N.V. and its consolidated entities.

Utrecht, the Netherlands, 22 August 2019

Jos Baeten (CEO)
Chris Figee (CFO)

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2019

Condensed consolidated interim financial statements

For the first half year 2019

Contents

2 General information

ASR Nederland N.V. ('a.s.r.') is a leading insurance company in the Netherlands. In 2019, a.s.r. sells insurance products under the following labels: a.s.r., De Amersfoortse, Ardanta, Europeesche Verzekeringen, Ditzo and Loyalis. a.s.r. has a total of 3,848 internal FTEs (31 December 2018: 3,683 internal FTEs).

a.s.r. is a public limited company under Dutch law having its registered office located at Archimedeslaan 10, 3584 BA in Utrecht, the Netherlands. a.s.r. has chosen the Netherlands as 'country of origin' (land van herkomst) for the issued share capital and corporate bonds, which are listed on Euronext Amsterdam and the Irish Stock Exchange (Ticker: ASRNL). These condensed consolidated interim financial statements of a.s.r. for the period ended on 30 June 2019 are impacted by the acquisition of Loyalis N.V. (Loyalis) in the second quarter of 2019. Information on the acquisition of Loyalis, the acquisition accounting under IFRS and the impact on the financial information is included in chapter 5.2.

The condensed consolidated interim financial statements are presented in euros (€), being the functional currency of a.s.r. and all its group entities. All amounts quoted in the tables contained in these interim financial statements are in millions of euros, unless otherwise indicated. Calculations in the tables are made using unrounded figures. As a result rounding differences can occur.

The condensed consolidated interim financial statements were approved by the Supervisory Board on 22 August 2019.

The condensed consolidated interim financial statements have not been audited, but the independent auditor conducted a review.

3 Condensed consolidated interim financial statements

3.1 Consolidated interim balance sheet

Consolidated interim balance sheet

(in € millions) (Before profit appropriation)	Note	30 June 2019	31 December 2018
Intangible assets		474	366
Property and equipment		187	172
Investment property	6.1	1,948	1,889
Associates and joint ventures at equity method		93	67
Investments	6.2	35,196	27,660
Investments on behalf of policyholders	6.2	9,177	7,771
Loans and receivables	6.2	11,398	11,083
Derivatives	6.2	5,549	2,867
Deferred tax assets		293	275
Reinsurance contracts	6.4	640	589
Other assets		696	636
Cash and cash equivalents	6.2	2,924	3,782
Assets held for sale	5.3	1,809	1,852
Total assets		**70,384**	**59,009**
Share capital		23	23
Share premium reserve		976	976
Unrealised gains and losses		873	586
Actuarial gains and losses		-970	-635
Retained earnings		3,907	3,528
Equity attributable to shareholders		**4,809**	**4,478**
Other equity instruments		1,001	1,001
Equity attributable to holders of equity instruments		**5,810**	**5,479**
Non-controlling interests		-	-
Total equity		**5,810**	**5,479**
Subordinated liabilities	6.3	989	497
Liabilities arising from insurance contracts	6.4	38,813	33,244
Liabilities arising from insurance contracts on behalf of policyholders		12,046	10,222
Employee benefits	6.5	3,790	3,327
Provisions		25	22
Borrowings	6.2	49	39
Derivatives	6.2	981	435
Due to customers	6.2	598	625
Due to banks	6.2	4,882	2,686
Other liabilities		626	630
Liabilities relating to assets held for sale	5.3	1,775	1,803
Total liabilities		**64,574**	**53,530**
Total equity and liabilities		**70,384**	**59,009**

The numbers following the line items refer to the relevant chapters in the notes.

3.2 Consolidated interim income statement

Consolidated interim income statement

(in € millions)	H1 2019	H1 2018 (restated)[1]
Continuing operations		
Gross written premiums	2,576	2,502
Change in provision for unearned premiums	-220	-215
Gross insurance premiums	**2,356**	**2,287**
Reinsurance premiums	-56	-50
Net insurance premiums	**2,300**	**2,237**
Investment income	724	658
Realised gains and losses	189	135
Fair value gains and losses	184	45
Result on investments on behalf of policyholders	971	133
Fee and commission income	66	59
Other income	125	61
Share of profit/(loss) of associates and joint ventures	-	4
Total income	**2,259**	**1,095**
Insurance claims and benefits	-3,160	-2,171
Insurance claims and benefits recovered from reinsurers	30	3
Net insurance claims and benefits	**-3,130**	**-2,168**
Operating expenses	-304	-293
Restructuring provision expenses	-7	-19
Commission expenses	-229	-238
Impairments	-11	17
Interest expense	-170	-92
Other expenses	-28	-57
Total expenses	**-749**	**-682**
Profit before tax	**680**	**482**
Income tax (expense) / gain	-126	-113
Profit after tax from continuing operations	**554**	**369**
Discontinued operations		
Profit / (loss) from discontinued operations, after tax	-15	-
Profit for the period	**539**	**369**
Attributable to:		
Profit attributable to non-controlling interests	-	1
- Shareholders of the parent	535	363
- Holders of other equity instruments	5	5
Profit attributable to holders of equity instruments	**540**	**368**

1 The restatement of comparative figures for H1 2019 relates to the discontinued classification of a.s.r. bank (reference is made to chapter 5.3).

Earnings per share

(in €)	H1 2019	H1 2018 (restated)
Basic earnings per share from continuing operations	3.89	2.58
Basic earnings per share from discontinued operations	-0.10	0.00
Basic earnings per share	**3.79**	**2.58**

Diluted earnings per share

(in €)	H1 2019	H1 2018 (restated)
Diluted earnings per share from continuing operations	3.60	2.39
Diluted earnings per share from discontinued operations	-0.09	0.00
Diluted earnings per share	**3.51**	**2.39**

3.3 Consolidated interim statement of comprehensive income

Consolidated interim statement of comprehensive income

(in € millions)	H1 2019	H1 2018 (restated)[1]
Profit for the period	**539**	**369**
Remeasurements of post-employment benefit obligation	-447	-13
Income tax on items that will not be reclassified to profit or loss	111	3
Total items that will not be reclassified to profit or loss	**-336**	**-10**
Unrealised change in value of available for sale assets	1,611	-7
Realised gains/(losses) on available for sale assets reclassified to profit or loss	-100	-166
Shadow accounting	-1,102	52
Segregated investment pools	-11	41
Income tax on items that may be reclassified subsequently to profit or loss	-110	16
Total items that may be reclassified subsequently to profit or loss	**288**	**-64**
Total other comprehensive income for the period, after tax	**-48**	**-74**
Total comprehensive income	**491**	**295**
Attributable to:		
- Non-controlling interests	-	1
- Shareholders of the parent	486	289
- Holders of other equity instruments	5	5
Total comprehensive income attributable to holders of equity instruments	**492**	**294**

Shadow accounting allows a recognised but unrealised gain or loss on an asset to be transferred to liabilities arising from insurance contracts. Further information related to shadow accounting is disclosed in the 2018 consolidated financial statements in chapter 7.3.4 (accounting policy I).

1 The restatement of comparative figures for H1 2019 relates to the discontinued classification of a.s.r. bank (reference is made to chapter 5.3).

3.4 Consolidated interim statement of changes in equity

Consolidated interim statement of changes in equity

(in € millions)	Share capital	Share premium reserve	Unrealised gains and losses	Unrealised actuarial gains and losses (Pension obligations)	Retained earnings	Treasury shares (-)	Equity Attributable To Shareholders	Other Equity Instruments	Non Controlling Interest	Total equity
At 1 January 2018	**24**	**1,018**	**869**	**-674**	**3,383**	**-188**	**4,432**	**1,001**	**-1**	**5,432**
Profit for the period	-	-	-	-	368	-	368	-	1	369
Total other comprehensive income	-	-	-64	-10	-	-	-74	-	-	-74
Total comprehensive income	**-**	**-**	**-64**	**-10**	**368**	**-**	**294**	**-**	**1**	**295**
Discretionary interest on other equity instruments	-	-	-	-	-5	-	-5	-	-	-5
Dividend paid	-	-	-	-	-230	-	-230	-	-	-230
Other movements	-	-	-	-	2	-	2	-	-1	1
At 30 June 2018	**24**	**1,018**	**805**	**-684**	**3,518**	**-188**	**4,493**	**1,001**	**-1**	**5,493**
At 1 January 2019	**23**	**976**	**586**	**-635**	**3,528**	**-**	**4,478**	**1,001**	**-**	**5,479**
Profit for the period	-	-	-	-	540	-	540	-	-	539
Total other comprehensive income	-	-	287	-335	-	-	-48	-	-	-48
Total comprehensive income	**-**	**-**	**287**	**-335**	**540**	**-**	**492**	**-**	**-**	**491**
Discretionary interest on other equity instruments	-	-	-	-	-5	-	-5	-	-	-5
Dividend paid	-	-	-	-	-154	-	-154	-	-	-154
Other movements	-	-	-	-	-2	-	-2	-	-	-2
At 30 June 2019	**23**	**976**	**873**	**-970**	**3,907**	**-**	**4,809**	**1,001**	**-**	**5,810**

The actuarial gains and losses decreased in H1 2019 by € -335 million after tax and € -447 million before tax (H1 2018: decreased by € -10 million after tax and € -13 million before tax). Further information related to employee benefits is disclosed in chapter 6.5.

3.5 Consolidated interim statement of cash flows

The table below represents the cash flows from continuing and discontinued operations.

Consolidated interim statement of cash flows

(in € millions)	2019	2018 (restated)[1]
Cash and cash equivalents as at 1 January	**4,018**	**3,749**
Cash generated from operating activities		
Profit before tax	680	482
Adjustments on non-cash items included in profit:		
Revaluation through profit or loss	-131	-68
Retained share of profit of associates and joint ventures	2	-2
Amortisation of intangible assets	9	7
Depreciation of property and equipment	9	6
Amortisation of investments	74	60
Impairments	11	-17
Changes in operating assets and liabilities:		
Net (increase) / decrease in investment property	-29	-48
Net (increase) / decrease in investments	-3,439	505
Net (increase) / decrease in investments on behalf of policyholders	-814	-25
Net (increase) / decrease in derivatives	-2,103	-32
Net (increase) / decrease in amounts due from and to customers	-202	-89
Net (increase) / decrease in amounts due from and to credit institutions	2,056	108
Net (increase) / decrease in trade and other receivables	-19	-69
Net (increase) / decrease in reinsurance contracts	18	28
Net increase / (decrease) in liabilities arising from insurance contracts	2,263	75
Net increase / (decrease) in liabilities arising from insurance contracts on behalf of policyholders	992	29
Net (increase) / decrease in other operating assets and liabilities	-234	-173
Income tax received (paid)	-54	-62
Net (increase) / decrease in assets and liabilities relating to held for sale	70	150
Cash flows from operating activities	**-841**	**865**
Cash flows from investing activities:		
Investments in associates and joint ventures	-34	-
Proceeds from sales of associates and joint ventures	6	-
Purchases of property and equipment	-4	-3
Purchases of group companies (less acquired cash positions)	-251	-77
Proceeds from sales of property and equipment	1	1
Cash flows from investing activities	**-282**	**-79**
Cash flows from investing activities:		
Issue of subordinated debts	492	-
Repayment of subordinated debts	-	-15
Proceeds from issues of borrowings	-	1
Repayment of loans	-8	-1
Repayment of lease liabilities	-3	-
Dividend paid	-154	-230
Discretionary interest to holders of equity instruments	-7	-7
Cash flows from financing activities	**320**	**-252**
Cash and cash equivalents as at 30 June	**3,215**	**4,283**

1 The restatement of comparative figures for H1 2019 relates to the discontinued classification of a.s.r. bank (reference is made to chapter 5.3).

(in € millions)	2019	2018 (restated)
Further details on cash flows from operating activities:		
Interest received	691	619
Interest paid	-171	-98
Dividend received	56	58
Further details on lease payments:		
Total cash outflow for leases	**-3**	**-**

The cash components include € 2,014 million (30 June 2018: € 2,214 million) related to the cash collateral received on derivative instruments and securities lending. The debt to repay the cash collateral is included in the amount due to banks. Cash and cash equivalents are including cash and cash equivalents of a.s.r. bank.

4 Accounting policies

4.1 Changes in comparative figures

The restatement of comparative figures concerns the representation of continued operations to discontinued operations of a.s.r. bank in the consolidated income statement. See chapter 5.3 for more information.

4.2 General

The condensed consolidated interim financial statements of a.s.r. for the first half year ended 30 June 2019 have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, as adopted for use within the European Union (EU). They do not contain all of the information required for complete consolidated financial statements and must therefore be read in conjunction with the 2018 consolidated financial statements of a.s.r.

a.s.r. has prepared its condensed consolidated interim financial statements in accordance with the same principles for financial reporting, presentation and calculation methods used for the 2018 consolidated financial statements. These are prepared in accordance with International Financial Reporting Standards (IFRS) – including the International Accounting Standards (IAS) and Interpretations – as adopted for use within the European Union (EU).

In the first half year 2019 a.s.r. made no changes in accounting policies or changes in presentation, except for the adoption of new standards effective from 1 January 2019.

4.3 Changes in EU endorsed published IFRS Standards and Interpretations effective in 2019

The following changes effective in 2019, which are all endorsed by EU, are relevant to a.s.r.

IFRS 16 Leases

Impact on transition

IFRS 16 is EU endorsed and became effective as of 1 January 2019. Under this standard a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. The main items a.s.r. leases, under operating lease agreements, are vehicles and buildings. For contracts that contain a lease component and one or more additional lease or non-lease components a.s.r. applies the practical expedient not to separate non-lease components from lease components.

For the implementation of IFRS 16 a.s.r. applied the modified retrospective method, meaning that the 2018 comparative figures in the 2019 financial statements are not restated. The application of this standard resulted in an increase in balance total of € 19 million per 1 January 2019 and does not have an impact on equity of the consolidated financial statements of a.s.r. per that date. Per 31 December 2018 a.s.r. reported € 17 million of operating lease commitments. The increase in amount is the result of the determination of the lease period under IFRS 16 which includes extension options a.s.r. expects to exercise. The increase is partially mitigated as the future lease payments are discounted.

At transition date a.s.r. determined the lease liabilities for vehicles based on the discount rate supplied by the lease company, which was 0.65%. For the lease liabilities of leased property and equipment and other lease contracts a.s.r. used its weighted incremental borrowing rate of 2.93%.

Accounting policy

At the commencement date of the lease, a.s.r recognises a right-of-use asset and a lease liability. The right-of-use asset comprises the amount of the lease liability at initial measurement. The lease liability is measured at the present value of the lease payments that are not paid at the commencement date. For vehicles, the lease payments are discounted using the interest rate implicit in the lease and for other leases a.s.r.'s incremental borrowing rate is used.

Subsequently the right-of-use asset is valued at cost less any cumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. The lease liability is increased with interest accrued and reduced for lease payments made. When applicable the lease liability is remeasured for changes in future payments resulting from a change in index or lease term.

The right-of-use assets are presented under property and equipment. The lease liabilities are presented under borrowings.

4.4 Upcoming changes in published IFRS standards and Interpretations

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts was issued by the IASB in May 2017 and will replace IFRS 4 Insurance Contracts. In June 2019, the IASB has issued an exposure draft to IFRS 17 wherein limited but necessary changes to IFRS 17 are proposed. A revised IFRS 17 is expected to be published at the latest early in 2020. The revised IFRS 17 standard is expected to be effective from 1 January 2022, whereby the implementation of IFRS 17 and IFRS 9 will be delayed by one year. IFRS 17 is expected to increase comparability by requiring all insurance contracts to be accounted for in a consistent manner. Insurance obligations will be accounted for using current values – instead of using tariff rates ('tariefgrondslagen') as is currently the a.s.r. accounting policy (see accounting policy I and J in the 2018 consolidated financial statements).

This standard represents the most significant change to European insurance accounting requirements in decennia, and will have a significant impact on the information presented in the financial statements (the primary statements as well as the disclosures). The standard introduces three models for the measurement of the insurance contracts. The general model, the variable fee approach for contracts with a direct participating feature and the premium allocation approach which is a simplified version of the general model and can be used mainly for short-duration contracts.

The general model measures insurance liabilities by taking the fulfillment cash flows, being the present value of future cash flows (PVFCF) including a risk adjustment (RA), and then adding a contractual service margin (CSM). The CSM represents the unearned profits of insurance contracts and will change the recognition of revenue in each reporting period for insurance companies. Under current a.s.r.'s accounting policy, revenue for insurance contracts is recognised when premiums are earned or received. Under IFRS 17, the insurance contract revenue depicts the insurance coverage and other services provided arising from the group of insurance contracts at an amount that reflects the consideration to which a.s.r. expects to be entitled in exchange for those services. Revenue includes the release of the CSM and RA in profit or loss over the coverage period. Insurance service result is a new income statement line item which is effectively a net result on non-financial risks of all insurance contracts. Current economic and non-economic (e.g. actuarial) assumptions are used in remeasuring the fulfilment value at each reporting period.

IFRS 17 must be implemented retrospectively with amendment of comparative figures. However, simplifications may be used on transition when the full retrospective approach is impracticable.

Programme

In 2017, a.s.r. started a combined IFRS 17 and IFRS 9 programme to implement IFRS 17 and IFRS 9 Financial Instruments and has performed a high-level impact assessment. In 2018 and 2019, the programme has focused on the following activities:

- Updating Technical Implementation Documents taking into account available information and interpretation (i.e. IASB Board papers and IASB Transition Resource Group papers);
- The identified workstreams have continued to implement their projects focusing on the requirements to implement IFRS 17 in the operations for the period till the effective date of IFRS 17;
- Gained a better understanding of the impact through performing an impact assessment based on various scenarios using 2017 data;
- Evaluating and analysing the potential use of the disaggregation accounting policy choice for the insurance finance income or expense or OCI-option in combination with hedge accounting;
- Developing and implementation of a CSM engine;
- Preparation of the IT architecture including implementation of the general ledger, accounting hub and reporting infrastructure;
- Defining the level of aggregation of contracts and decisions regarding the use of different accounting models;
- Preparation of an IFRS 17 accounting manual;
- Preparation of a dummy IFRS 17 and IFRS 9 consolidated financial statements;

- Preparation of transition plan for IFRS 17 also taking into account the recent Generali and Loyalis acquisitions;
- Preparation of transition plan for IFRS 9 including if and how to implement hedge accounting due to the strong interaction between the insurance liabilities and the underlying assets;
- Provided feedback and input for the EU endorsement process and IASB IFRS 17 exposure draft, where possible;
- Further training of staff participating in the programme;
- At this moment, given the complexity and options available in IFRS 17, it is too early to quantify the actual impact on IFRS equity and profit for the year. However, a.s.r. expects IFRS 17 to have significant changes to its accounting policies and impact on shareholders' equity, net result, presentation and disclosure.

IFRS 9 Financial Instruments

IFRS 9 is effective from 1 January 2018 and EU endorsed. a.s.r. applies the temporary exemption from applying IFRS 9 for predominant insurance entities as permitted by the amendments to IFRS 4. The IFRS 4 amendments postpone the implementation of IFRS 9 until the effective date of the new insurance contracts standard IFRS 17, which is expected to be 1 January 2022. Due to this exemption there is no impact of IFRS 9 on the consolidated financial statements of a.s.r. but may have a significant impact on Shareholders' equity, Net result and/or Other comprehensive income and on the consolidated financial statements of a.s.r. in 2022. The required disclosures as a result of the temporary exemption from applying IFRS 9 have been provided in 2018 consolidated financial statements chapter 7.7.3 Fair value of financial assets based on SPPI test results.

IFRS 9 replaces most of the current IAS 39 'Financial Instruments: Recognition and Measurement', and includes requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Classification and measurement

The classification and measurement of financial assets under IFRS 9 will depend on a.s.r.'s business model and the instrument's contractual cash flow characteristics. These may result in financial assets being recognised at amortised cost, at fair value through other comprehensive income (equity) or at fair value through profit or loss. In many instances, the classification and measurement under IFRS 9 will be similar to IAS 39, although certain differences will arise. The classification of financial liabilities remains unchanged. The final outcome of the classification and measurement will be highly dependent on the interaction between IFRS 17 insurance contract accounting and IFRS 9 accounting for financial assets and liabilities taking into account decisions and guidance prepared in the IFRS 17 and IFRS 9 implementation project.

Impairment

The recognition and measurement of impairment under IFRS 9 is intended to be more forward-looking than under IAS 39. The new impairment requirements will apply to all financial assets measured at amortised cost and at fair value through other comprehensive income with the exception of equity instruments. Initially, a provision is required for expected credit losses resulting from default events that are expected within the next twelve months. 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 life of the financial asset.

Hedge accounting

The hedge accounting requirements of IFRS 9 aim to simplify the application of hedge accounting.

Programme IFRS 9

a.s.r. is currently performing the following activities:

- a.s.r. has performed business model evaluation and solely payment of principle and interest (SPPI) testing related to the financial assets and liabilities held by the insurance activities, as part of the overall IFRS 17 and IFRS 9 programme and is evaluating the classification and measurement of the financial instruments for 2019;
- Implementing the new expected loss impairment requirements and models;
- Preparation of an IFRS 9 accounting manual;
- Preparation of the IT architecture for updating the investment management systems for IFRS 9.

The implementation of IFRS 9, in combination with IFRS 17, for the insurance activities may have a significant impact on Shareholders' equity, Net result and/or Other comprehensive income and on the consolidated financial statements of a.s.r.

4.5 Estimates and assumptions

The preparation of the condensed consolidated interim financial statements requires a.s.r. to make estimates and assumptions that have an effect on the reported amounts in the financial statements.

Critical accounting estimates and assumptions relate to:
- The fair value and impairments of unlisted financial instruments;
- The estimated useful life, residual value and fair value of property and equipment, investment property, and intangible assets;
- The measurement of liabilities arising from insurance contracts;
- Actuarial assumptions used for measuring employee benefit obligations;
- When forming provisions, the required estimate of existing obligations arising from past events;
- The recoverable amount of impaired assets;
- The fair value used to determine the net asset value in acquisitions.

The estimates and assumptions are based on management's best knowledge of current facts, actions and events. The actual outcomes may ultimately differ from the results reported earlier on the basis of estimates and assumptions. A detailed explanation of the estimates and assumptions are given in the relevant chapter as included in the 2018 consolidated financial statements.

4.6 Fair value of assets and liabilities

The fair value is the price that a.s.r. would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants on the transaction date or reporting date in the principal market for the asset or liability, or in the most advantageous market for the asset or liability and assuming the highest and best use for non-financial assets.

Where possible, a.s.r. determines the fair value of assets and liabilities on the basis of quoted prices in an active market. In the absence of an active market for a financial instrument, the fair value is determined using valuation techniques. Although valuation techniques are based on observable market data where possible, results are affected by the assumptions used, such as discount rates and estimates of future cash flows. In the unlikely event that the fair value of a financial instrument cannot be measured, it is carried at cost.

Fair value hierarchy

The following three hierarchical levels are used to determine the fair value of financial instruments and non-financial instruments when accounting for assets and liabilities at fair value and disclosing the comparative fair value of assets and liabilities:

Level 1. Fair value based on quoted prices in an active market

Level 1 includes assets and liabilities whose value is determined by quoted (unadjusted) prices in the primary active market for identical assets or liabilities.

A financial instrument is quoted in an active market if:
- Quoted prices are readily and regularly available (from an exchange, dealer, broker, sector organisation, Third party pricing service, or a regulatory body); and
- These prices represent actual and regularly occurring transactions on an arm's length basis.

Financial instruments in this category primarily consist of bonds and equities listed in active markets. Cash and cash equivalents are also included as level 1.

Level 2. Fair value based on observable market data

Determining fair value on the basis of Level 2 involves the use of valuation techniques that use inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is derived from prices of identical or similar assets and liabilities). These observable inputs are obtained from a broker or third party pricing service and include:
- Quoted prices in active markets for similar (not identical) assets or liabilities;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Input variables other than quoted prices observable for the asset or liability. These include interest rates and yield curves observable at commonly quoted intervals, volatility, early redemptions spreads, loss ratio, credit risks and default percentages.

This category primarily includes:
I. Financial instruments: unlisted fixed-interest preference shares and interest rate contracts;
II. Financial instruments: loans and receivables (excluding mortgage loans);
III. Other financial assets and liabilities.

I. Financial instruments: unlisted fixed-interest preference shares and interest rate contracts
This category includes unlisted fixed-interest preference shares and interest rate contracts. The valuation techniques for financial instruments use present value calculations and in the case of derivatives, include forward pricing and swap models. The observable market data contains yield curves based on company ratings and characteristics of the unlisted fixed-interest preference shares.

II. Financial instruments: Loans and receivables (excluding mortgage loans)[1]
The fair value of the loans and receivables is based on the discounted cash flow method. It is obtained by calculating the present value based on expected future cash flows and assuming an interest rate curve used in the market that includes an additional spread based on the risk profile of the counterparty.

III. Other financial assets and liabilities
For other financial assets and liabilities where the fair value is disclosed these fair values are based on observable market inputs, primarily being the price paid to acquire the asset or received to assume the liability on initial recognition, assuming that the transactions have taken place on an arm's length basis. Valuation techniques using present value calculations are applied using current interest rates where the payment terms are longer than one year.

Level 3. Fair value not based on observable market data
The fair value of the level 3 assets and liabilities is determined in whole or in part using a valuation technique based on assumptions that are not supported by prices from observable current market transactions in the same instrument and for which any significant inputs are not based on available observable market data. The financial assets and liabilities in this category are assessed individually.

Valuation techniques are used to the extent that observable inputs are not available. The basic principle of fair value measurement is still to determine a fair, arm's length price. Unobservable inputs therefore reflect management's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are generally based on the available observable data (adjusted for factors that contribute towards the value of the asset) and own source information.

This category primarily includes:
I. Financial instruments: private equity investments (or private equity partners) and real estate equity funds third parties;
II. Financial instruments: loans and receivables – mortgage loans and mortgage equity funds;
III. Investment property, real estate equity funds associates and buildings for own use.

I. Financial instruments: private equity investments and real estate equity funds third parties
The main non-observable market input for private equity investments and real estate equity funds third parties is the net asset value of the investment as published by the private equity company (or partner) and real estate equity fund respectively.

II. Financial instruments: loans and receivables – mortgage loans and mortgage equity funds
The fair value of the mortgage loan portfolio is based on the discounted cash flow method. It is obtained by calculating the present value based on expected future cash flows and assuming an interest rate curve used in the market that includes an additional spread based on the risk profile of the counterparty. The valuation method used to determine the fair value of the mortgage loan portfolio bases the spread on the interest rate curve for discounting the mortgage portfolio cash flows on consumer rates and includes assumptions for originating cost, proposal risk, and the options related to early redemption and moving.

The method of determining the fair value of the mortgage equity funds is similar to that of mortgage loans, however it excludes assumptions for originating cost and is determined within the funds structure.

1 Not measured at fair value on the balance sheet and for which the fair value is disclosed.

III. Investment property, real estate equity funds associates and buildings for own use
The following categories of investment properties, including real estate equity funds associates and buildings for own use, are recognised and methods of calculating fair value are distinguished:
- Residential – based on reference transaction and discounted cash flow method;
- Retail – based on reference transaction and income capitalisation method;
- Rural – based on reference transaction and discounted cash flow method;
- Offices – based on reference transaction and discounted cash flow method (including buildings for own use);
- Other – based on reference transaction and discounted cash flow method;
- Under construction – based on both discounted cash flow and income capitalisation method.

The following valuation methods are available for the calculation of fair value by the external professional appraisers for investment property, including real estate equity funds associates, and buildings for own use:

Reference transactions
Independent professional appraisers use transactions in comparable properties as a reference for determining the fair value of the property. The reference transactions of comparable objects are generally based on observable data consisting of the land register 'Kadaster' and the rural land price monitor as published by the Dutch government 'grondprijsmonitor' in an active property market and in some instances accompanied by own use information.

The external professional appraisers, valuate the property using the reference transaction in combination with the following valuation methods to ensure the appropriate valuation of the property:
- Discounted cash flow method;
- Income capitalisation method.

Discounted cash flow method
Under the discounted cash flow method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on the investment property dependent on the duration of the lease contracts.

A market-derived discount rate is applied to these projected cash flow series in order to establish the present value of the cash flows associated with the asset. The exit yield is normally determined separately, and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related re-letting, redevelopment, or refurbishment. The appropriate duration is typically driven by market behavior, which depends on the class of investment property. Periodic cash flow is typically estimated as gross rental income less vacancy (apart from the rural category), non-recoverable expenses, collection losses, lease incentives, maintenance costs, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

For the categories residential, offices and other in applying the discounted cash flow method, the significant inputs are the discount rate and market rental value. These inputs are verified with the following market observable data (that are adjusted to reflect the state and condition, location, development potential etc. of the specific property):
- Market rent per square meter for renewals and their respective re-letting rates;
- Reviewed rent per square meter;
- Investment transactions of comparable objects;
- 10 year Dutch Government Bond Yield (%) as published by the Dutch Central Bank.

When applying the discounted cash flow method for rural valuations, the significant inputs are the discount rate and market lease values. These inputs are verified with the following market observable data (that are adjusted to reflect the state and condition, location, development potential etc. of the specific property):
- Market value per acre per region in accordance with the 'rural land price monitor';
- 10 Year Dutch Government Bond Yield (%) as published by the Dutch Central Bank.

Income capitalisation method
Under the income capitalisation method, a property's fair value is estimated based on the normalised net operating income generated by the property, which is divided by the capitalisation rate (the investor's rate of return). The difference between gross and net rental income includes the same expense categories as those for the discounted cash flow method with the exception that certain expenses are not measured over time, but included on the basis of a time weighted average, such as the average lease up costs. Under the income capitalisation method, rents above or below the market rent are capitalised separately.

The significant inputs for retail valuations are the reversionary yield and the market or reviewed rental value. These inputs are generally verified with the following observable data (that are adjusted to reflect the state and condition, location, development potential etc. of the specific property):
- Market rent per square meter for renewals;
- Reviewed rent per square meter (based on the rent reviews performed in accordance with Section 303, Book 7 of the Dutch Civil Code).

The fair value of investment properties, buildings for own use and real estate equity funds, are appraised annually. Valuations are conducted by independent professional appraisers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the property being valued. Market value property valuations were prepared in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation Standards, 7th Edition (the 'Red Book'). a.s.r. provides adequate information to the professional appraisers, in order to conduct a comprehensive valuation. The professional appraisers are changed or rotated at least once every three years.

Transfers between levels
The hierarchical level per individual instrument, or group of instruments, is reassessed at every reporting period. If the instrument, or group of instruments, no longer complies with the criteria of the level in question, it is transferred to the hierarchical level that does meet the criteria. A transfer can for instance be when the market becomes less liquid or when quoted market prices for the instrument are no longer available.

5 Segment information and changes in group structure

5.1 Segment information

5.1.1 General

Group structure

See chapters 7.4.1 and 7.7.8 as included in the 2018 consolidated financial statements for the organisation structure and a list of principal group companies and associates in the relevant segments. On 1 May 2019, ASR Nederland N.V. announced the completion of its acquisition of Loyalis N.V. (Loyalis) by acquiring all issued and outstanding shares for a total consideration of € 436 million financed with a subordinated Tier 2 liability.

Loyalis is the group company of a number of entities, the main being Loyalis Leven N.V. (Loyalis Leven) and Loyalis Schade N.V. (Loyalis Schade). Loyalis Leven and Loyalis Schade have been transferred to ASR Levensverzekering N.V. and ASR Schadeverzekering N.V. respectively in preparation for the legal mergers which are expected to take place in the second half of 2019. Loyalis offers disability insurance, survivors insurance and supplementary pensions for employers, employees and self-employed persons. With this acquisition, a.s.r. broadens and strengthens its market position in the field of disability insurance and enforces its leading role as a provider of overall solutions for sustainable employability.

Segment information

The operations of a.s.r. have been divided into five (previously six) operating segments. The main segments are Non-life and Life in which all insurance activities are presented. The other activities are presented as three (previously four) separate segments being Banking and Asset Management, Distribution and Services, and Holding and Other.

As of 30 June 2019, following the acquisition of the entities of Loyalis, as mentioned above, the Loyalis entities are included in the respective segments. Loyalis Leven is included in segment Life, Loyalis Schade is included in segment Non-life, Loyalis Kennis & Consult B.V. is included in segment Distribution and Services, and Cordares Advies B.V is included in segment Holding and Other.

As of 2019, the Real Estate Development business is no longer a separate segment but is reported within the segment Holding and Other. The comparative figures have been restated accordingly. The Real Estate Development business decreased substantially over 2018 and is no longer considered a part of the a.s.r. strategy.

Insurance activities

Insurance entities are entities that accept the transfer of insurance risks from policyholders. The Non-life segment consists of Non-life insurance entities and their subsidiaries. These Non-life insurance entities offer Non-life insurance contracts such as disability insurance and property and casualty insurance. The Life segment comprises the life insurance entities and their subsidiaries. These life insurance entities offer financial products such as life insurance contracts and life insurance contracts on behalf of policyholders. The Non-life and Life segments have different levels of profitability and growth opportunities, as well as a different outlook and risk profile.

Other activities
The other activities consist of:
- The Banking and Asset Management segment involves all banking activities and the activities related to asset management including investment property management. The related entities are ASR Bank N.V., ASR Hypotheken B.V., ASR Vastgoed Vermogensbeheer B.V., ASR Vermogensbeheer N.V. and ASR Financieringen B.V. As of October 2018, all activities of ASR Bank N.V. are classified as discontinued. For more information, see chapter 5.3;
- The Distribution and Services segment includes the activities related to distribution of insurance contracts and includes the financial intermediary business of PoliService B.V., Van Kampen Groep Holding B.V. (and Van Kampen Geld B.V.), Dutch ID B.V., Supergarant Verzekeringen B.V. and Supergarant Assuradeuren B.V. (including subsidiary VSP Risk B.V.), Corins B.V., ANAC, All-Finance Nederland Advies-Combinatie B.V. and Loyalis Kennis & Consult B.V.; and
- The segment 'Holding and Other' consists primarily of the holding activities of ASR Nederland N.V. (including the group related activities), other holding and intermediate holding companies, Loyalis Holding N.V., the real estate development business (Vastgoed projecten B.V.), and the activities of ASR Deelnemingen N.V.

The eliminations applied in the reconciliation of the segment information with the consolidated interim balance sheet and the consolidated interim income statement are separately presented in chapter 5.1.2 and 5.1.3.

The a.s.r. segment reporting shows the financial performance of each segment. The purpose is to allocate all items in the balance sheet and income statement to the segments that hold full management responsibility for them.

Segment information has been prepared in accordance with the accounting principles used for the preparation of a.s.r.'s consolidated interim financial statements.

Intersegment transactions are conducted at arm's length conditions. In general, costs related to centralised services are allocated to the segments based on the utilisation of these services.

The segments are assessed on their operating result, which is based on the profit before tax adjusted for:
I. Investment related income: income for own account of an incidental nature (for example realised capital gains and losses, impairment losses or reversals and (un)realised changes of investments held at fair value;
II. Incidentals insurance segments: incidental items relating to changes in methods, changes in accounting policies, accounting/administrative actions or changes not related to the performance of underlying insurance portfolios and revaluation of insurance liabilities;
III. Incidentals other segments: incidental items relating to changes in methods, accounting/administrative actions or changes not related to the underlying performance of the other segments; and
IV. Other incidentals: personnel related items (for example provision for restructuring expenses and a.s.r.'s own pension scheme excluding the current net service cost), costs related to M&A activities and items not related to the core-business or on-going business.

5.1.2 Segmented balance sheet

Segmented balance sheet

As at 30 June 2019 (Before profit appropriation)	Non-life	Life	Banking and Asset Management	Distribution and Services	Holding and Other	Eliminations	Total
Intangible assets	133	160	8	174	-	-1	474
Property and equipment	-	145	-	12	237	-207	187
Investment property	272	1,677	-	-	-	-1	1,948
Associates and joint ventures at equity method	-	24	-	-	68	1	93
Investments	6,975	28,129	1	-	3,241	-3,150	35,196
Investments on behalf of policyholders	-	9,177	-	-	-	-	9,177
Loans and receivables	461	11,090	26	37	58	-274	11,398
Derivatives	111	5,438	-	-	-	-	5,549
Deferred tax assets	15	92	-	-2	194	-6	293
Reinsurance contracts	470	170	-	-	-	-	640
Other assets	210	553	-13	-1	-54	1	696
Cash and cash equivalents	284	2,103	90	64	384	-1	2,924
Assets held for sale	-	-	1,810	-	-	-1	1,809
Total assets	**8,931**	**58,758**	**1,922**	**284**	**4,128**	**-3,639**	**70,384**
Equity attributable to holders of equity instruments	1,901	5,081	118	183	-1,412	-61	5,810
Non-controlling interests	-	-1	-	-	-	-1	-
Total equity	**1,901**	**5,082**	**118**	**183**	**-1,412**	**-62**	**5,810**
Subordinated liabilities	10	-	-	-	989	-10	989
Liabilities arising from insurance contracts	6,590	34,941	-	-	-	-2,718	38,813
Liabilities arising from insurance contracts on behalf of policyholders	-	12,046	-	-	-	-	12,046
Employee benefits	-	-	-	-	3,790	-	3,790
Provisions	-	4	-	-	21	-	25
Borrowings	-	30	7	8	443	-439	49
Derivatives	30	951	-	-	-	-	981
Deferred tax liabilities	97	-211	2	4	131	-23	-
Due to customers	106	834	-	34	-	-376	598
Due to banks	93	4,684		-	105	-	4,882
Other liabilities	104	397	20	55	61	-11	626
Liabilities relating to assets held for sale	-	-	1,775	-	-	-	1,775
Total liabilities	**7,030**	**53,676**	**1,804**	**101**	**5,540**	**-3,577**	**64,574**
Total equity and liabilities	**8,931**	**58,758**	**1,922**	**284**	**4,128**	**-3,639**	**70,384**

Segmented balance sheet

As at 31 December 2018 (Before profit appropriation)	Non-life	Life	Banking and Asset Management	Distribution and Services	Holding and Other	Eliminations	Total
Intangible assets	19	164	8	175	-	-	366
Property and equipment	-	148	-	6	18	-	172
Investment property	229	1,659	-	-	-	1	1,889
Associates and joint ventures at equity method	-	26	-	1	39	1	67
Investments	5,139	22,421	1	-	3,055	-2,956	27,660
Investments on behalf of policyholders	-	7,771	-	-	-	-	7,771
Loans and receivables	333	10,919	24	27	63	-283	11,083
Derivatives	18	2,850	-	-	-	-1	2,867
Deferred tax assets	-	4	-	-2	272	1	275
Reinsurance contracts	415	174	-	-	-	-	589
Other assets	127	524	-	-	-15	-	636
Cash and cash equivalents	352	2,892	70	46	422	-	3,782
Assets held for sale	-	-	1,853	-	-	-1	1,852
Total assets	**6,633**	**49,553**	**1,955**	**254**	**3,853**	**-3,239**	**59,009**
Equity attributable to holders of equity instruments	1,374	4,528	125	184	-684	-48	5,479
Non-controlling interests	-	11	-	-	-	-11	-
Total equity	**1,374**	**4,539**	**125**	**184**	**-684**	**-59**	**5,479**
Subordinated liabilities	15	-	-	-	497	-15	497
Liabilities arising from insurance contracts	5,027	30,814	-	-	-	-2,597	33,244
Liabilities arising from insurance contracts on behalf of policyholders	-	10,222	-	-	-	-	10,222
Employee benefits	-	-	-	-	3,327	-	3,327
Provisions	-	4	-	-	17	1	22
Borrowings	-	31	7	4	229	-232	39
Derivatives	6	429	-	-	-	-	435
Deferred tax liabilities	60	-257	2	4	205	-14	-
Due to customers	66	861	-	10	-	-312	625
Due to banks	13	2,538	-	-	135	-	2,686
Other liabilities	71	372	19	51	127	-10	630
Liabilities relating to assets held for sale	-	-	1,803	-	-	-	1,803
Total liabilities	**5,258**	**45,014**	**1,830**	**70**	**4,538**	**-3,180**	**53,530**
Total equity and liabilities	**6,633**	**49,553**	**1,955**	**254**	**3,853**	**-3,239**	**59,009**

5.1.3 Segmented income statement and reconciliation to operating result

Segmented income statement and operating result

H1 2019	Non-life	Life	Banking and Asset Management	Distribution and Services	Holding and Other	Eliminations	Total
Continuing operations							
Gross written premiums	1,791	849	-	-	-	-64	2,576
Change in provision for unearned premiums	-220	-	-	-	-	-	-220
Gross insurance premiums	**1,571**	**849**	**-**	**-**	**-**	**-64**	**2,356**
Reinsurance premiums	-52	-3	-	-	-	-1	-56
Gross premiums - Direct insurance - Transfer	-	-	-	-	-	-	-
Net insurance premiums	**1,518**	**846**	**-**	**-**	**-**	**-64**	**2,300**
Investment income	65	651	4	-	5	-1	724
Realised gains and losses	59	130	-	-	1	-1	189
Fair value gains and losses	15	157	-	-	-	12	184
Result on investments on behalf of policyholders	-	971	-	-	-	-	971
Fee and commission income	18	2	62	34	-	-50	66
Other income	-	31	-	8	96	-10	125
Share of profit/(loss) of associates and joint ventures	-	-1	-	-	1	-	-
Total income	**157**	**1,940**	**65**	**41**	**102**	**-46**	**2,259**
Insurance claims and benefits	-1,157	-2,087	-	-	-	84	-3,160
Insurance claims and benefits recovered from reinsurers	24	5	-	-	-	1	30
Net insurance claims and benefits	**-1,133**	**-2,082**	**-**	**-**	**-**	**85**	**-3,130**
Operating expenses	-112	-92	-41	-27	-58	26	-304
Restructuring provision expenses	-3	-3	-1	-	-	-	-7
Commission expenses	-243	-7	-	-	-	21	-229
Impairments	-4	-7	-	-	-	-	-11
Interest expense	-4	-120	-	-	-24	-22	-170
Other expenses	-3	-9	-13	-3	-9	9	-28
Total expenses	**-369**	**-239**	**-55**	**-31**	**-91**	**36**	**-749**
Profit before tax	**173**	**465**	**11**	**11**	**11**	**9**	**680**
Income tax (expense) / gain	-34	-115	-3	-2	31	-3	-126
Profit after tax from continuing operations	**139**	**350**	**8**	**9**	**42**	**6**	**554**
Discontinued operations							
Profit / (loss) from discontinued operations, after tax	-	-	-15	-	-	-	-15
Profit for the period	**139**	**350**	**-7**	**9**	**42**	**6**	**539**

H1 2019	Non-life	Life	Banking and Asset Management	Distribution and Services	Holding and Other	Eliminations	Total
Attributable to:							
Non-controlling interests	-	-	-	-	-	-	-
- Shareholders of the parent	139	350	-7	9	37	7	535
- Holders of other equity instruments	-	-	-	-	5	-	5
Profit attributable to holders of equity instruments	**139**	**350**	**-7**	**9**	**42**	**7**	**540**

Segmented income statement

H1 2018 (restated)	Non-life	Life	Banking and Asset Management	Distribution and Services	Holding and Other	Eliminations	Total
Continuing operations							
Gross written premiums	1,717	885	-	-	-	-100	2,502
Change in provision for unearned premiums	-215	-	-	-	-	-	-215
Gross insurance premiums	**1,502**	**885**	**-**	**-**	**-**	**-100**	**2,287**
Reinsurance premiums	-47	-3	-	-	-	-	-50
Gross premiums - Direct insurance - Transfer	-	-	-	-	-	-	-
Net insurance premiums	**1,456**	**881**	**-**	**-**	**-**	**-100**	**2,237**
Investment income	60	590	3	-	6	-1	658
Realised gains and losses	14	119	-	-	2	-	135
Fair value gains and losses	13	34	-	-	1	-3	45
Result on investments on behalf of policyholders	-	133	-	-	-	-	133
Fee and commission income	10	1	59	32	-	-43	59
Other income	-	14	-	8	46	-7	61
Share of profit/(loss) of associates and joint ventures	-	1	-	-	3	-	4
Total income	**97**	**892**	**61**	**40**	**58**	**-53**	**1,095**
Insurance claims and benefits	-1,103	-1,205	-	-	-	137	-2,171
Insurance claims and benefits recovered from reinsurers	3	-	-	-	-	-	3
Net insurance claims and benefits	**-1,100**	**-1,205**	**-**	**-**	**-**	**137**	**-2,168**
Operating expenses	-111	-93	-40	-25	-51	27	-293
Restructuring provision expenses	-2	-1	-1	-	-15	-	-19
Commission expenses	-245	-8	-	-	-	15	-238
Impairments	-14	31	-	-	-	-	17
Interest expense	-2	-46	-	-	-5	-39	-92
Other expenses	-1	-10	-13	-1	-42	10	-57
Total expenses	**-375**	**-128**	**-53**	**-26**	**-112**	**12**	**-682**
Profit before tax	**77**	**440**	**8**	**13**	**-54**	**-2**	**482**
Income tax (expense) / gain	-16	-107	-2	-3	16	-1	-113
Profit after tax from continuing operations	**61**	**333**	**6**	**10**	**-38**	**-3**	**369**
Discontinued operations							
Profit / (loss) from discontinued operations, after tax	-	-	-	-	-	-	-
Profit for the period	**61**	**333**	**5**	**10**	**-38**	**-2**	**369**

H1 2018 (restated)	Non-life	Life	Banking and Asset Management	Distribution and Services	Holding and Other	Eliminations	Total
Attributable to:							
Non-controlling interests	-	-	-	-	1	-	1
- Shareholders of the parent	61	333	5	10	-44	-2	363
- Holders of other equity instruments	-	-	-	-	5	-	5
Profit attributable to holders of equity instruments	**61**	**333**	**5**	**10**	**-39**	**-2**	**368**

Operating result

H1 2019	Non-life	Life	Banking and Asset Management	Distribution and Services	Holding and Other	Eliminations	Total
Profit before tax	173	465	11	11	11	9	680
minus: investment related	67	101	-	-	1	1	170
minus: incidentals	-16	-4	-1	-	65	7	51
Operating result	**122**	**368**	**11**	**11**	**-55**	**2**	**459**

Operating result

H1 2018 (restated)	Non-life	Life	Banking and Asset Management	Distribution and Services	Holding and Other	Eliminations	Total
Profit before tax	**77**	**440**	**8**	**13**	**-54**	**-2**	**482**
minus: investment related	13	97	-	-	3	-	113
minus: incidentals	-2	4	-1	1	-9	-4	-11
Operating result	**66**	**340**	**9**	**12**	**-48**	**1**	**380**

Besides the indirect investment income, the incidentals in 2019 are mainly related to the provisional gain as a result of the purchase of Loyalis (see chapter 5.2), a.s.r. post-employment benefit plans, Generali Nederland integration costs and project implementation regulatory costs for a.o. project IFRS17/9 in segment Holding and Other. The incidental related to Non-life (€ -16 million) primarily considers the harmonisation of IFRS IBNR best estimate assumptions towards Solvency II best estimate assumptions.

5.1.4 Non-life ratios

Non-life segment combined ratio

	H1 2019	H1 2018
Claims ratio	72.7%	73.7%
Commission ratio	14.8%	16.1%
Expense ratio	7.2%	7.4%
Combined ratio	**94.7%**	**97.1%**
P&C and Disability	**93.5%**	**96.7%**
P&C	97.4%	100.0%
Disability	87.4%	91.2%
Health	98.0%	98.4%

The claims, commission and expense ratios can be calculated based on the following information:

Claims, commission and expenses

	H1 2019	H1 2018
Net insurance premiums Non-life	**1,518**	**1,456**
Net insurance claims and benefits	-1,133	-1,100
Adjustments:		
- Compensation capital gains (Disability)	-5	-6
- Interest accrual on provisions (Disability)	33	32
- Prudence margin (Health)	1	2
Total corrections	**30**	**28**
Net Insurance claims and benefits (after adjustments)	**-1,103**	**-1,072**
Fee and commission income	18	10
Commission expenses	-243	-245
Commission	**-225**	**-234**
Operating expenses	-112	-111
Corrections made for investment charges	3	3
Operational expenses (after adjustments)	**-109**	**-107**

5.2 Acquisitions

Acquisitions 2019

Loyalis

On 1 May 2019, ASR Nederland N.V. announced the completion of its acquisition of Loyalis N.V. (hereafter Loyalis) by acquiring all issued and outstanding shares for a total consideration of € 436 million paid in cash, financed by a.s.r. with a subordinated Tier 2 liability.

Loyalis is the group company of a number of entities, being Loyalis Leven N.V. (Loyalis Life), Loyalis Schade N.V. (Loyalis Non-life), Loyalis Kennis & Consult B.V. and Cordares Advies B.V. Loyalis offers disability insurance, survivors' insurance and supplementary pensions for employers, employees and self-employed persons. Loyalis has been legally merged into ASR Nederland N.V. as per 1 August 2019. Furthermore, Loyalis Life and Loyalis Non-life will be legally merged into ASR Levensverzekering N.V. and ASR Schadeverzekering N.V. respectively later during the second half of 2019. In preparation of these mergers, Loyalis Life and Loyalis Non-life were sold to ASR Levensverzekering N.V. and ASR Schadeverzekering N.V. respectively.

With this acquisition, a.s.r. broadens and strengthens its market position in the field of disability insurance and strengthens its leading role as a provider of overall solutions for sustainable employability. The Loyalis name and brand will continue to exist. The office of Loyalis will remain located in Heerlen. From there, Loyalis will continue to operate its disability business and continue its cooperation with APG for the purpose of knowledge sharing, product development and customer service. The life/pensions activities of Loyalis are expected to be integrated into those of a.s.r. in 2020.

The closing for the transaction of Loyalis took place on 1 May 2019. As a result, a.s.r. fully included the results and the balance sheet positions in the a.s.r. condensed consolidated interim financial statements from that date.

In accordance with IFRS 3 business combinations, the final opening balance sheet will be drawn up within twelve months of the closing date. The balance sheet is based on fair value and uses the following techniques and assumptions:

- Liabilities arising from insurance contracts were remeasured to fair value as defined in IFRS; this resulted in a significant adjustment resulting from applying a different market consistent discount rate assumption, a risk adjustment using a cost of capital approach at the closing date and some changes in other best estimate assumptions. For Non-life, this remeasurement resulted in recognising an intangible asset (Value of Business Acquired or VOBA);
- The other intangible assets recognised relate to the distribution agreement with APG, the Loyalis brand name and client relationships for income business. The valuation techniques used to measure the fair value are based on either the Multi-period Excess Earnings Method (MEEM) or the Relief from Royalty method;
- Financial assets and liabilities (including investments and loans and receivables) were remeasured to fair value at the closing date.

Given the recent closing, the initial accounting for Loyalis as at 1 May 2019 is ongoing, including the reassessment of the gain on the purchase, and as such values (mainly the insurance liabilities as well as the related VOBA) are provisional. a.s.r. has accounted for the acquisition using the provisional values disclosed below and will recognise any adjustments to these provisional values within a twelve-month period from the acquisition date as amendments to the initial accounting.

In addition to the acquisition of Loyalis N.V., ASR Vermogensbeheer N.V. acquired the assets and liabilities of Loyalis Sparen en Beleggen N.V. on 1 May 2019. The assets acquired result in an increase of cash and cash equivalents (€ 1 million) and other liabilities (€ 1 million). The value of these assets and liabilities are included in the disclosure below.

Provisional acquisition date fair values of the assets and liabilities acquired

	Acquisition date Balance sheet based on fair value
Intangible assets	120
Property and equipment	1
Investments	2,569
Investments on behalf of policyholders	592
Loans and receivables	38
Derivatives	35
Deferred tax assets	52
Reinsurance contracts	68
Other assets	26
Cash and cash equivalents	185
Total assets	**3,686**
Liabilities arising from insurance contracts	2,204
Liabilities arising from insurance contracts on behalf of policyholders	832
Employee benefits	4
Provisions	9
Borrowings	1
Derivatives	3
Due to customers	22
Due to banks	36
Other liabilities	51
Total liabilities	**3,162**
Net assets and liabilities	**524**
Less consideration paid	436
Gain as a result of the purchase	**88**

The provisional gain as a result of the purchase is directly recognised as other income in the income statement on the acquisition date. The gain mainly reflects the IFRS requirement to identify and value intangible assets which have previously not been recognised on the balance sheet of Loyalis as these have been internally generated. Through the acquisition accounting under IFRS, these previously unrecognised intangible assets are recognised in the acquisition balance sheet. The gain arose as a result of the vendor making a strategic decision to sell Loyalis, as this fits in the vendors strategy to focus primarily on the realisation of pension value for participants of pension funds operated by the vendor. Furthermore, the remeasurement of the Non-life insurance liabilities to fair value resulted in recognizing a VOBA. The gain as a result of the purchase is tax-exempt, attributed to the acquirer ASR Nederland N.V. and not allocated to the Non-life and Life segments.

The a.s.r. Solvency II ratio decreased by 7%-points as a result of the acquisition.

Cash and cash equivalents related to the acquisition

	Acquisition date
Consideration paid	436
Acquired cash and cash equivalents	185
Decrease in cash and cash equivalents at acquisition date	**251**

The condensed consolidated interim statement of comprehensive income of a.s.r. for the first half year includes € 43 million revenue and € 8 million profit after tax relating to Loyalis for the period commencing 1 May 2019. The revenue and profit of the combined entity for the current period, as though the acquisition date for the business combination of Loyalis had been as of the beginning of 2019, would have been € 145 million revenue and € 15 million profit after tax. The acquisition-related costs recognised as expense amount to € 1 million and are included in line item other expenses in the income statement.

Acquisitions 2018

Generali Nederland
In February 2018 a.s.r. acquired 100% of the shares of Generali Nederland N.V. (hereafter Generali Nederland). a.s.r. established the final acquisition balance sheet of Generali in December 2018.

Other acquisitions
In July 2018, Certitudo Investments B.V. acquired 100% of the shares of two Distribution and Services entities.

5.3 Discontinued operations and assets held for sale and related liabilities

ASR Bank N.V.

In October 2018, the Executive Board of a.s.r. decided to look for a strategic buyer for ASR Bank N.V. (hereafter a.s.r. bank) and enter into a program to sell a.s.r. bank. As a result a.s.r. bank has been classified as ‘held for sale’ and subsequently a.s.r. has presented the assets of a.s.r. bank in the balance sheet on the line item ‘assets held for sale’, and the liabilities on the line item ‘Liabilities relating to assets held for sale’.

On 20 March 2019, a.s.r. bank and Achmea Bank N.V. (Achmea Bank) agreed that Achmea Bank will acquire the savings and mortgage portfolios of a.s.r. bank in an asset / liability transaction. Achmea and a.s.r. expect to finalise the transaction in the second half of 2019.

During the first half of 2019 a.s.r. reassessed the initial measurement of a.s.r. bank, being the lower of its carrying amount and fair value less costs to sell (non-recurring fair value measurement). The reassessment did not lead to an adjustment of the provision initially recognised (€ 48 million) as at 31 December 2018.

The non-recurring fair value of the bank, including cost to sell, is presented as held for sale and amounts to € 34 million (€ 50 million per 31 December 2018). The movement in the fair value of the bank (i.e. in the assets held for sale and related liabilities) amounting to € 15 million, is mainly the result of unrealised losses on derivatives (swaps), to hedge against interest rate movements which are recognised in the profit or loss for the reporting period. The net loss over the interim period 2019 does not impact the initially recognised provision of € 48 million. a.s.r. expects this provision to be fully utilised upon the closing of the sale transaction in the second half of 2019.

Discontinued operations

	H1 2019	H1 2018
Total income	-5	15
Total expenses	-16	-16
Profit before tax	**-21**	**-1**
Income tax (expense) /gain	5	-
Result for the period	**-15**	**-**

For more information reference is made to the a.s.r. 2018 Financial statements note 7.4.6.

6 Notes to the condensed consolidated interim financial statements

6.1 Property (including land and buildings for own use)

The breakdown of the investment property and land and buildings for own use in accordance with the fair value hierarchy, is as follows:

Breakdown of the fair value of the investment property and land and buildings for own use

	Fair value based on quoted prices in an active market	Fair value based on observable market data	Fair value not based on observable market data	
30 June 2019	Level 1	Level 2	Level 3	Total fair value
Investment property	-	-	1,948	1,948
Land and buildings for own use	-	-	146	146
Total	**-**	**-**	**2,094**	**2,094**

	Fair value based on quoted prices in an active market	Fair value based on observable market data	Fair value not based on observable market data	
31 December 2018	Level 1	Level 2	Level 3	Total fair value
Investment property	-	-	1,889	1,889
Land and buildings for own use	-	-	151	151
Total	**-**	**-**	**2,040**	**2,040**

The table below discloses the sensitivities to non-observable market inputs for the property portfolio.

Unobservable and observable inputs used in determination of fair value

30 June 2019								Change in theoretical rental value		
Unobservable and observable inputs used in determination of fair value	Fair value	Valuation technique	Gross	Gross theoretical rental value (€)		Gross yield (%)	Change in yield	-5%	0%	5%
Investment property - Fair value model										
Retail	251	DCF	total	13,517,966	mean	5.4%	-5%	-	13	26
			max	3,972,809	max	5.9%	0%	-13	-	13
			min	6,000	min	0.8%	5%	-24	-12	-
Residential	1	DCF	total	83,196	mean	8.1%	-5%	-	-	-
			max	41,598	max	4.0%	0%	-	-	-
			min	41,598	min	4.0%	5%	-	-	-
Rural	1,535	DCF	total	33,316,122	mean	2.2%	-5%	-	81	162
			max	288,104	max	28.8%	0%	-77	-	77
			min	1,001	min	0.5%	5%	-146	-73	-
Offices	162	DCF	total	10,319,104	mean	6.4%	-5%	-	9	17
			max	2,827,548	max	29.7%	0%	-8	-	8
			min	3,030	min	1.4%	5%	-15	-8	-
Land and buildings for own use	146	DCF	total	9,257,256	mean	6.5%	-5%	-	8	15
			max	9,257,256	max	6.5%	0%	-7	-	7
			min	9,257,256	min	6.5%	5%	-14	-7	-
Total	**2,094**									

Unobservable and observable inputs used in determination of fair value

31 December 2018								Change in theoretical rental value		
Unobservable and observable inputs used in determination of fair value	Fair value	Valuation technique	Gross	Gross theoretical rental value (€)		Gross yield (%)	Change in yield	-5%	0%	5%
Investment property - Fair value model										
Retail	247	DCF	total	4,263,503	mean	1.7%	-5%	-	13	26
			max	447,910	max	3.1%	0%	-12	-	12
			min	1,168	min	0.7%	5%	-24	-12	-
Residential	1	DCF	total	69,800	mean	8.0%	-5%	-	-	-
			max	69,800	max	8.0%	0%	-	-	-
			min	69,800	min	8.0%	5%	-	-	-
Rural	1,474	DCF	total	32,352,786	mean	2.2%	-5%	-	78	155
			max	184,478	max	29.4%	0%	-74	-	74
			min	1,002	min	0.5%	5%	-140	-70	-
Offices	167	DCF	total	15,685,294	mean	9.4%	-5%	-	9	18
			max	6,690,943	max	13.2%	0%	-8	-	8
			min	7,936	min	4.6%	5%	-16	-8	-
Land and buildings for own use	151	DCF	total	9,086,254	mean	6.2%	-5%	-	8	15
			max	9,086,254	max	6.2%	0%	-7	-	7
			min	9,086,254	min	6.2%	5%	-14	-7	-
Total	**2,040**									

The following table shows the movement in investment property measured at fair value that are categorised within level 3.

Movement in investment property measured at fair value that are categorised within level 3

	2019	2018
At 1 January	1,889	1,597
Changes in value of investments, realised/unrealised gains and losses:		
- Fair value gains and losses	31	46
Purchases	55	202
Issues	8	3
Disposals	-29	-98
Transferred between investments on behalf of policyholders and investment property	-6	-4
Transferred from property and equipment	-	7
Transfer of other assets	-	115
Changes in the composition of the group	-	21
At 30 June (31 December 2018)	**1,948**	**1,889**

The significant inputs are the net initial yield and market rental value. These inputs are verified with the following market observable data:

- Market rent per square meter for renewals and their respective re-letting rates;
- Reviewed rent per square meter;
- Investment transaction of comparable objects.

6.2 Financial assets and derivatives

6.2.1 General

Financial assets and derivatives can be broken down as follows:

Financial assets and derivatives

	30 June 2019	31 December 2018
Investments		
Available for sale	32,658	25,328
At fair value through profit or loss	2,538	2,332
	35,196	**27,660**
Loans and receivables	11,398	11,083
Derivatives - assets	5,549	2,867
Derivatives - liabilities	-981	-435
Cash and cash equivalents	2,924	3,782
	18,890	**17,298**
Investments on behalf of policyholders		
At fair value through profit or loss	9,177	7,771
Total	**63,263**	**52,728**

The increase in investments available for sale is due to the acquisition of Loyalis (€ 2.2 billion), revaluation (€ 1.5 billion) and to decreasing interest rates and direct investments, mainly, in government- and corporate bonds (€ 3.6 billion).

The increase in investments on behalf of policyholders is due to the acquisition of Loyalis (€ 592 million) and revaluation (€ 813 million). The increase in derivatives is due to revaluation caused by the decreasing interest rates.

6.2.2 Financial assets and derivatives measured at fair value

The breakdown of financial assets and derivatives measured at fair value in accordance with the level of fair value hierarchy, is as follows:

Breakdown of financial assets and derivatives measured at fair value

	Fair value based on quoted prices in an active market	Fair value based on observable market data	Fair value not based on observable market data	
30 June 2019	Level 1	Level 2	Level 3	Total fair value
Investments available for sale				
Government bonds	16,928	1	-	16,929
Corporate bonds	11,106	517	3	11,627
Asset-backed securities	-	-	620	620
Preference shares	-	310	3	313
Equities	2,233	405	526	3,164
Other participating interests	5	-	-	5
	30,272	**1,233**	**1,153**	**32,658**
Investments at fair value through profit or loss				
Equities	71	-	20	91
Real estate equity funds	-	-	2,137	2,137
Mortgage equity funds	-	-	311	311
	71	**-**	**2,467**	**2,538**
Derivatives				
Foreign exchange contracts	-	20	-	20
Interest rate contracts	-	5,523	-	5,523
Equity index contracts	6	-	-	6
Total derivatives assets	**6**	**5,543**	**-**	**5,549**
Foreign exchange contracts	-	-	-	-
Interest rate contracts	-	-819	-	-819
Futures	-41	-92	-	-133
Inflation linked swaps	-	-29	-	-29
Total derivatives liabilities	**-41**	**-940**	**-**	**-981**
	-35	**4,603**	**-**	**4,568**
Investments on behalf of policyholders				
Government bonds	1,593	-	-	1,593
Corporate bonds	1,143	-	-	1,143
Derivatives	-	12	-	12
Listed equities	4,347	-	-	4,347
Listed equity funds	1,710	-	-	1,710
Real estate equity funds	-	-	110	110
Investment property	-	-	45	45
Other investments	-	17	130	146
Cash and cash equivalents	69	-	-	69
	8,864	**29**	**285**	**9,177**
Cash and cash equivalents	**2,924**	**-**	**-**	**2,924**
Total	**42,096**	**5,864**	**3,904**	**51,865**

Breakdown of financial assets and derivatives measured at fair value

31 December 2018	Fair value based on quoted prices in an active market Level 1	Fair value based on observable market data Level 2	Fair value not based on observable market data Level 3	Total fair value
Investments available for sale				
Government bonds	11,587	187	-	11,773
Corporate bonds	9,867	404	3	10,274
Asset-backed securities	-	24	103	127
Preference shares	-	430	4	434
Equities	2,157	333	226	2,716
Other participating interests	4	-	-	4
	23,614	**1,377**	**336**	**25,328**
Investments at fair value through profit or loss				
Equities	74	-	33	107
Real estate equity funds	-	-	1,928	1,928
Mortgage equity funds	-	-	298	298
	74	**-**	**2,258**	**2,332**
Derivatives				
Foreign exchange contracts	-	5	-	5
Interest rate contracts	-	2,837	-	2,837
Equity index contracts	26	-	-	26
Total derivative assets	**26**	**2,842**	**-**	**2,867**
Foreign exchange contracts	-	-3	-	-3
Interest rate contracts	-	-372	-	-372
Futures	-18	-35	-	-53
Inflation linked swaps	-	-8	-	-8
Total derivative liabilities	**-18**	**-417**	**-**	**-435**
	8	**2,424**	**-**	**2,432**
Investments on behalf of policyholders				
Government bonds	1,445	-	-	1,445
Corporate bonds	928	-	-	928
Derivatives	-	6	-	6
Listed equities	3,635	-	-	3,635
Listed equity funds	1,492	-	-	1,492
Real estate equity funds	-	-	108	108
Investment property	-	-	42	42
Other investments	-	11	-	11
Cash and cash equivalents	105	-	-	105
	7,604	**17**	**150**	**7,771**
Cash and cash equivalents	**3,782**	**-**	**-**	**3,782**
Total	**35,082**	**3,819**	**2,744**	**41,645**

Reclassifications between categories during the first half year of 2019

2019	To level 1	To level 2	To level 3	Total
From:				
Level 1: Fair value based on quoted prices in an active market	-	131	3	134
Level 2: Fair value based on observable market data	197	-	21	218
Level 3: Fair value not based on observable market data	7	3	-	11

Debt funds are adjusted from level 2 to level 1 (€ 197 million) and from level 1 to level 2 (€ 131 million). Both movements are based respectively on increased and decreased observability of the inputs during the period.

A reassesment of certain securities has led to a change from level 2 to level 3 of asset backed securities (€ 24 million).

Reclassifications between categories during 2018

2018	To level 1	To level 2	To level 3	Total
From:				
Level 1: Fair value based on quoted prices in an active market	-	287	-	287
Level 2: Fair value based on observable market data	-	-	-	-
Level 3: Fair value not based on observable market data	22	-	-	22

The adjustment of listed investments funds and asset backed securities from level 1 to level 2 (€ 287 million) is due to the lower level of liquidity of these funds.

The movements of € 22 million from level 3 to level 1 relates to unlisted funds entirely consisting of listed investments.

The following table shows the movement in financial assets and liabilities measured at fair value (recurring basis) including investment on behalf of policyholders that are categorised within level 3.

Changes in financial assets classified as available for sale categorised within level 3

	2019	2018
At 1 January	336	366
Changes in value of investments, realised/unrealised gains and losses:		
- Realised gains and losses	8	3
- Recognised in other comprehensive income (unrealised gains and losses)	-	-33
Purchases	83	43
Repayments	-41	-39
Sales	-55	-15
Impairments	-	33
Reclassification of investments from/to Level 3 valuation technique	21	-22
Other	-	1
Changes in the composition of the group	801	-
At 30 June (31 December 2018)	**1,152**	**336**

Changes in financial assets classified at fair value through profit or loss categorised within level 3

	2019	2018
At 1 January	2,408	1,798
Changes in value of investments, realised/unrealised gains and losses:		
- Fair value gains and losses	94	129
Purchases	36	529
Sales	-67	-61
Reclassification of investments from/to Level 3 valuation technique	-7	-
Transfer between investments on behalf of policyholders and investment property	6	4
Other	-	10
Changes in the composition of the group	282	-
At 30 June (31 December 2018)	**2,752**	**2,408**
Total revaluations of investments, held at end of period, recognised in the income statement	**84**	**142**

The main non-observable market input, for the equities and unlisted equities classified as level 3, is the net asset value of the investment as published by the investee. An increase or decrease in the net asset value of the equities will have a direct proportional impact on the fair value of the investment. As a result the effect for the available for sale investments is recorded in the equity unless the impairment criteria are met. For investments at fair value through profit or loss the result will be recognised in the income statement.

The table below discloses the sensitivities to non-observable market inputs for the real estate equity funds and for the investment properties held on behalf of policyholders.

Unoberservable and observable inputs used in determination of fair value

30 June 2019							Change in theoretical rental value		
Unobservable and observable inputs used in determination of fair value[1]	Fair value	Valuation technique	Gross theoretical rental value (€)		Gross yield (%)	Change in yield	-5%	0%	5%
Investments at fair value through profit or loss									
Real estate equity funds associates	1,743	DCF	81,780,613		3.8%	-5%	-	114	228
						0%	-108	-	108
						5%	-206	-103	-
Real estate equity funds third parties	393	-	-	-	-	-	-	-	-
Total real estate equity funds	**2,137**								
Investments on behalf of policyholders									
Investment property	45	DCF	799,284	mean	1.8%	-5%	-	2	5
			4,628,628	max	2.5%	0%	-2	-	2
			6,000	min	0.8%	5%	-4	-2	-
Real estate equity funds associates	81	DCF	5,008,011		6.2%	-5%	-	4	9
						0%	-4	-	4
						5%	-8	-4	-
Real estate equity funds third parties	28	-	-	-	-	-	-	-	-
Total real estate equity funds	**110**								

Unoberservable and observable inputs used in determination of fair value

31 December 2018							Change in theoretical rental value		
Unobservable and observable inputs used in determination of fair value[1]	Fair value	Valuation technique	Gross theoretical rental value (€)		Gross yield (%)	Change in yield	-5%	0%	5%
Investments at fair value through profit or loss									
Real estate equity funds associates	1,677	DCF	82,604,365		4.4%	-5%	-	3	198
						0%	-3	-	3
						5%	-6	-3	-
Real estate equity funds third parties	250	-	-	-	-	-	-	-	-
Total real estate equity funds	**1,928**								
Investments on behalf of policyholders									
Investment property	42	DCF	3,988,020	mean	9.5%	-5%	-	2	4
			447,910	max	2.1%	0%	-2	-	2
			1,168	min	1.6%	5%	-4	-2	-
Real estate equity funds associates	70	DCF	4,466,525		4.1%	-5%	-	6	11
						0%	-5	-	5
						5%	-10	-5	-
Real estate equity funds third parties	38	-	-	-	-	-	-	-	-
Total real estate equity funds	**108**								

1 The value of the real estate equity funds associates is based on Net Asset Value (NAV). The value of the underlying real estate is based on the Discounted Cash Flow (DCF), for which the information is shown in the table above.

The main non-observable market input for the real estate equity funds third parties is the net asset value as published by the investee. An increase or decrease in the net asset value of equities classified as level 3 will have a direct proportional impact on the fair value of the investment.

6.2.3 Financial instruments not measured at fair value and for which the fair value is disclosed

The breakdown of the fair values of financial assets and liabilities not measured at fair value and for which the fair value is disclosed in accordance with the level of fair value hierarchy, is as follows:

Breakdown of financial assets and liabilities not measured at fair value

30 June 2019	Fair value based on quoted prices in an active market Level 1	Fair value based on observable market data Level 2	Fair value not based on observable market data Level 3	Total fair value	Total carrying value
Financial assets					
Due from customers	2	344	7,388	7,734	7,107
Due from credit institutions	150	4,690	-	4,840	3,534
Trade and other receivables	-	757	-	757	757
Total financial assets	**152**	**5,791**	**7,388**	**13,331**	**11,398**
Financial liabilities					
Subordinated liabilities	-	1,040	-	1,040	989
Borrowings	-	49	-	49	49
Due to customers	-	598	-	598	598
Due to banks	4,777	105	-	4,882	4,882
Other liabilities	482	143	-	626	626
Total financial liabilities	**5,259**	**1,936**	**-**	**7,195**	**7,144**

Breakdown of financial assets and liabilities not measured at fair value

31 December 2018	Fair value based on quoted prices in an active market Level 1	Fair value based on observable market data Level 2	Fair value not based on observable market data Level 3	Total fair value	Total carrying value
Financial assets					
Due from customers	2	290	7,252	7,544	6,952
Due from credit institutions	87	4,437	-	4,524	3,421
Trade and other receivables	7	703	-	710	710
Total financial assets	**95**	**5,430**	**7,252**	**12,778**	**11,083**
Financial liabilities					
Subordinated liabilities	-	528	-	528	497
Borrowings	-	39	-	39	39
Due to customers	2	623	-	625	625
Due to banks	2,551	135	-	2,686	2,686
Other liabilities	498	132	-	630	630
Total financial liabilities	**3,051**	**1,457**	**-**	**4,508**	**4,477**

Due from credit institutions Level 2 category concerns primarily savings held related to mortgage loans amounting to a fair value of € 4,042 million (2018: € 3,884 million). Amounts due to customers and due to banks presented as level 1 primarily comprise savings and the liability recognised for cash collateral received. The accrued interest included in other liabilities follows the classification of the underlying assets.

The mortgage loan portfolio is classified as level 3 ‘Fair value not based on observable market data’. The valuation method used to determine the fair value of the mortgage loan portfolio is based on the spread on the interest rate curve for discounting the mortgage portfolio cash flows on consumer rates and includes assumptions for originating cost, proposal risk and the options related to early redemption and moving.

6.3 Subordinated liabilities

On 2 May 2019 a.s.r. issued € 500 million subordinated liabilities in the form of Tier 2 notes. The bond has a maturity date of 2049 and is first callable 3 months before the first reset date of 2 May 2029. The coupon is fixed at 3.375% and paid annually on 2 May. After the reset date the interest is calculated based on the 5 Year Mid Swap Rate plus a margin of 4.00 per cent and updated once every five years.

The proceeds of the bond are primarily used to finance the acquisition of Loyalis.

6.4 Liabilities arising from insurance contracts

Insurance contracts with retained exposure can be broken down as follows:

Insurance contracts with retained exposure

	Gross		Of which reinsurance	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018
Provision for unearned premiums	642	353	36	37
Provision for claims (including IBNR)	5,948	4,674	434	378
Non-life insurance contracts	**6,590**	**5,027**	**470**	**415**
Life insurance contracts excluding own pension contracts	**32,223**	**28,217**	**170**	**174**
Total liabilities arising from insurance contracts	**38,813**	**33,244**	**640**	**589**

Changes in liabilities arising from non-life insurance contracts can be broken down as follows:

Changes in liabilities arising from non-life insurance contracts

	Gross		Of which reinsurance	
	2019	2018	2019	2018
Provision for unearned premiums				
At 1 January	353	303	37	3
Changes in provision for unearned premiums	220	-34	-1	-1
Changes in the composition of the group	68	84	-	35
Provision for unearned premiums as at 30 June 2019 (31 December 2018)	**642**	**353**	**36**	**37**
Provision for claims (including IBNR)				
At 1 January	4,674	4,276	378	363
Benefits paid	-1,094	-2,168	-37	-70
Changes in provision for claims	1,156	2,258	24	43
Changes in shadow accounting through equity	151	-31	-	-
Changes in shadow accounting through income	71	15	-	-
Changes in the composition of the group	991	324	68	42
Provision for claims (including IBNR) as at 30 June 2019 (31 December 2018)	**5,948**	**4,674**	**434**	**378**
Non-life insurance contracts as at 30 June 2019 (31 December 2018)	**6,590**	**5,027**	**470**	**415**

Changes in liabilities arising from life insurance contracts can be broken down as follows:

Changes in liabilities arising from life insurance contracts

	Gross		Of which reinsurance	
	2019	2018	2019	2018
At 1 January	28,226	26,494	177	183
Premiums received / paid	428	839	-	-
Regular interest added	313	669	2	3
Realised gains and losses	175	33	-	-
Amortisation of realised gains	-170	-333	-	-
Benefits	-725	-1,579	-	-
Technical result	-54	-101	2	-7
Release of cost recovery	-69	-146	-	-
Changes in shadow accounting through equity	952	-217	-	-
Changes in shadow accounting through income	2,126	295	-	-
Other changes	-110	-283	-8	-6
Changes in the composition of the group	1,144	2,555	-	4
At 30 June 2019 (31 December 2018)	**32,236**	**28,226**	**173**	**177**
Interest margin participation to be written down				
At 1 January	-20	-27	-3	-3
Write-down recognised in profit or loss	5	10	-	-
Other changes	-3	-3	-	-
At 30 June 2019 (31 December 2018)	**-18**	**-20**	**-3**	**-3**
Provision for discretionary profit sharing, bonusses and discounts				
At 1 January	11	11	-	-
Profit sharing, bonuses and discounts granted in the financial year	-6	-	-	-
At 30 June 2019 (31 December 2018)	**5**	**11**	**-**	**-**
Total life insurance contracts At 30 June 2019 (31 December 2018)	**32,223**	**28,217**	**170**	**174**

In 2019, the changes in the composition of the group are a result of the acquisition of Loyalis by a.s.r. (see chapter 5.2).

In 2018 en 2019, other changes in life insurance contracts mainly concern the reassessment of insurance contracts to insurance contracts on behalf of policyholders resulting from new product features provided to clients.

The insurance liabilities are deemed to be adequate following the performance of the Liability Adequacy Test-LAT taking into account the UFR of 3.9% applicable for 2019. The future UFR is subject to developments in the real interest rate and, based on the in 2017 published EIOPA UFR methodology, would result in an UFR of 3.60% in 2021. The UFR under Solvency II and therefore also for the LAT decreased from 4.05% in 2018 to 3.9% in 2019 with future decreases expected in the coming years. a.s.r. performed a sensitivity analysis on the impact of the development of the UFR as if the UFR would have been 3.60% and concluded that it still has an adequate surplus of the insurance liabilities over the IFRS-LAT.

6.5 Employee benefits

The employee benefits increased by € 463 million to € 3,790 million (31 December 2018: € 3,327 million) primarily through the regular recurring remeasurements of the post-employment benefit obligation. This resulted in an increase of € 447 million, which is included in the actuarial gains and losses. The remeasurements are primarily due to the decrease in the discount rate from 1.85% at 31 December 2018 to 1.15% at 30 June 2019.

6.6 Contingent liabilities

Dutch insurers are still subject to insurance policies complaints/claims based on grounds other than cost compensation. Current and possible future legal proceedings could have a substantial financial and reputational impact.

The total costs related to compensation for unit-linked insurance contracts have been fully recognised in the financial statements based on management's best knowledge of current facts, actions, claims, complaints and events. Provisions are recognised in the liabilities arising from insurance contracts and legal provisions. Although the financial consequences of the legal developments could be substantial, a.s.r.'s exposures cannot be reliably estimated or quantified at this point. If one or more of these legal proceedings should succeed, there is a risk a ruling, although legally only binding for the parties that are involved in the procedure, could be applied to or be relevant for other unit-linked life insurance policies sold by a.s.r. Consequently, the financial consequences of any of the current and/or future legal proceedings brought upon a.s.r. can be substantial for a.s.r.'s life insurance business and may have a material adverse effect on a.s.r.'s financial position, business, reputation, revenues, results of operations, solvency, financial condition and prospects.

Further information related to contingent liabilities is disclosed in the 2018 consolidated financial statements in chapter 7.7.6.

6.7 Events after the balance sheet date

In Q3 2019, a.s.r. has agreed to acquire VvAA Levensverzekeringen N.V. (VvAA) offering life insurance to healthcare providers and Veherex Schade N.V. (Veherex) offering disability insurance for the railway and other public transportation sector. The acquisitions fit into a.s.r.'s strategy to grow through bolt-on acquisitions. The annual premium income and the technical provisions amounts to € 43 million (VvAA € 28 million / Veherex € 15 million) and € 510 million (VvAA € 430 million / Veherex € 80 million) for the acquisitions (based on the respective 2018 financial statements). The acquisitions have limited impact on a.s.r.'s profitability and solvency.

The acquisitions are subject to approval by regulatory authorities. a.s.r.'s works council has already issued a positive advice on the acquisitions.

As from 2018, a.s.r. intends to pay interim dividend. Therefore, a.s.r. will pay an interim dividend of € 0.70 per ordinary share for 2019 amounting to € 98 million.

7 Review report

To: the shareholders and supervisory board of ASR Nederland N.V.

Introduction

We have reviewed the accompanying condensed consolidated interim financial information of ASR Nederland N.V., Utrecht, which comprises the consolidated interim balance sheet as at 30 June 2019, the consolidated interim income statement, the consolidated interim statements of comprehensive income, changes in equity, and cash flows for the 6-month period then ended, and the notes, comprising a summary of the significant accounting policies and other explanatory information.
Management 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 Dutch 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 for the 6-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.

Amsterdam, 22 August 2019

Ernst & Young Accountants LLP

signed by M. Koning

Disclaimer/ Forward-looking Statements

ASR Nederland'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 on the Netherlands Civil Code. In preparing the financial information in this document, the same accounting principles are applied as in the 2018 ASR Nederland consolidated annual accounts. All figures in this document are unaudited. Small differences are possible in the tables due to rounding.
Certain of the statements contained herein are not historical facts, including, without limitation, certain statements made of future expectations and other forward-looking statements ('Statements'). These Statements may be identified by words such as 'expect', 'should', 'could', 'shall' and similar expressions. The Statements are based on our beliefs, assumptions and expectations of future performance, taking into account information that was available to ASR Nederland at the moment of drafting of the document. ASR Nederland cautions that such forward-looking statements are qualified by certain risks and uncertainties that could cause actual results and events to differ materially from what is contemplated by Statements.

Factors which could cause actual results to differ from these Statements may include, without limitation: (1) changes in general economic conditions; (2) changes of conditions in the markets in which ASR Nederland is engaged; (3) changes in the performance of financial markets in general; (4) changes in the sales of insurance and/or other financial products; (5) the behavior of customers, suppliers, investors, shareholders and competitors; (6) changes in the relationships with principal intermediaries or partnerships or termination of relationships with principal intermediaries or partnerships; (7) the unavailability and/or unaffordability of reinsurance; (8) deteriorations in the financial soundness of customers, suppliers or financial institutions, countries/states and/or other counterparties; (9) technological developments; (10) changes in the implementation and execution of ICT systems or outsourcing; (11) changes in the availability of, and costs associated with, sources of liquidity; (12) consequences of a potential (partial) termination of the European currency: the Euro or the European Union; (13) changes in the frequency and severity of insured loss events; (14) catastrophes and terrorist related events; (15) changes affecting mortality and morbidity levels and trends and changes in longevity; (16) changes in laws and regulations and/or changes in the interpretation thereof, including without limitation Solvency II, IFRS and taxes; (17) changes in the policies of governments and/or regulatory-or supervisory authorities; (18) changes in ownership that could affect the future availability of net operating loss, net capital and built-in loss; (19) changes in conclusions with regard to accounting assumptions and methodologies; (20) adverse developments in legal and other proceedings and/or investigations or sanctions taken by supervisory authorities; (21) risks related to mergers, acquisitions, and divestments (22) other financial risks such as currency movements, interest rate fluctuations, liquidity, and credit risks could influence future results and (23) the other risks and uncertainties detailed in the Risk Factors section contained in recent public disclosures made by ASR Nederland.

The foregoing list of factors should not be construed as exhaustive. Any Statements made by or on behalf of ASR Nederland speak only as of the date they are made and, except as required by applicable law, ASR Nederland disclaims any intention or obligation to publicly update or revise any Statements, whether as a result of new information, future events or otherwise. Neither ASR Nederland nor any of its directors, officers, employees do make any representation, warranty or prediction that the results anticipated by such Statements will be achieved, and such Statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario. We qualify any and all of our forward-looking statements by these cautionary factors.

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The a.s.r. 2019 Interim Report is published in the English language only.

We welcome feedback or questions on our report.

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