2018 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.

1.1 Financial and business performance for H1 2018

a.s.r. key figures

(in € millions, unless stated otherwise)	H1 2018	H1 2017	Delta
Gross written premiums	**2,502**	**2,233**	**12.0%**
- Non-life	1,717	1,474	16.5%
- Life	885	848	4.4%
- Eliminations	-100	-89	12.4%
Operating expenses	**-299**	**-283**	**5.7%**
- Non-life	-111	-99	12.1%
- Life	-93	-91	2.2%
- Banking and Asset Management	-45	-45	-
- Distribution and Services	-25	-21	19.0%
- Holding and Other / Eliminations	-23	-25	-8.0%
- Real Estate Development	-2	-2	-
Operating expenses associated with ordinary activities	**-286**	**-277**	**3.3%**
Provision for restructuring expenses	-19	-4	n.a.
Operating result	**382**	**385**	**-0.8%**
- Non-life	66	106	-37.7%
- Life	340	314	8.3%
- Banking and Asset Management	11	5	120.0%
- Distribution and Services	12	10	20.0%
- Holding and Other / Eliminations	-47	-50	-6.0%
Incidental items (not included in operating result)	**99**	**130**	**-23.8%**
- Investment income	110	109	0.9%
- Underwriting incidentals	3	14	-78.6%
- Other incidentals	-14	7	n.a.
Profit/(loss) before tax	**481**	**515**	**-6.6%**
- Non-life	77	129	-40.3%
- Life	440	412	6.8%
- Banking and Asset Management	7	7	-
- Distribution and Services	13	10	30.0%
- Holding and Other / Eliminations	-57	-47	21.3%
- Real Estate Development	1	4	-75.0%
Income tax expense	-112	-119	-5.9%
Profit/(loss) for the period from continuing operations	369	396	-6.8%
Non-controlling interest	-1	1	n.a.
Profit/(loss) for the period attributable to holders of equity instruments	**368**	**397**	**-7.3%**
Earnings per share			
Operating result per share (€)	1.87	1.85	1.1%
Interim dividend per share (€)	0.65	-	n.a.
Basic earnings per share on IFRS basis (€)	2.58	2.70	4.4%
(in € million, unless stated otherwise)	**H1 2018**	**H1 2017**	**Delta**
New business, Life segment (APE)	36	26	38.5%
Combined ratio, Non-life segment	97.1%	93.6%	3.5%-p
Return on equity	15.5%	19.2%	-3.7%-p
Operating return on equity	14.7%	17.4%	-2.7%-p
Number of internal FTEs (2017 as of 31 December)	3,793	3,493	300
Equity and solvency (in € million, unless stated otherwise)	**30 June 2018**	**31 Dec. 2017**	**Delta**
Total assets	59,723	55,405	7.8%
Equity attributable to shareholders	4,493	4,432	1.4%
Total equity (IFRS)	5,493	5,432	1.1%
Solvency II ratio (standard formula, excluding a.s.r. bank, post interim dividend)	194%	196%	-2%-p

The operating result was in line with last year and remained strong at € 382 million despite the impact of the storm on 18 January 2018 and the favourable (weather-related) claims experience in the comparable period last year. The lower result in the Non-life segment (€ 40 million), mainly a consequence of the January storm, was largely absorbed by an improvement in the Life segment (€ 26 million). In addition, the results of the Banking and Asset Management segment as well as the Distribution and Services segment improved.

The operating result in the Non-life segment decreased by € 40 million to € 66 million due to the January storm (€ 31 million) and due to the particularly favourable 2017 first half year for the P&C business, with a relatively low level of large claims and the absence of calamities. Disability showed an improved performance, especially in absenteeism and individual occupational disability insurance. The Health business showed a slightly lower result. The combined ratio segment stood at 97.1%, including a 2.1%-point impact of the January storm and a 0.5%-point impact of Generali Nederland (GNL).

The operating result in the Life segment increased by € 26 million to € 340 million mainly due to a higher investment margin (€ 19 million) and the acquisition of GNL (€ 8 million). The technical result remained broadly stable.

The Banking and Asset Management segment was up € 6 million to € 11 million, mostly due to the inflow of assets under management resulting in higher fee income.
The Distribution and Services segment continued to grow, resulting in a € 2 million increase in the operating result, to € 12 million.

The Holding and Other segment was up € 3 million to € -47 million due to lower pension scheme expenses (current net service costs) as a result of changes in the discount rate.

Gross written premiums increased by € 269 million to € 2,502 million this half year (up 12.0%) including the contribution of GNL (€ 230 million). Gross written premiums in the Non-life segment increased (€ 243 million), which was mainly attributable to GNL Non-life (€ 176 million). All business lines showed an increase in gross written premiums. The P&C business experienced further growth thanks to an increase in the number of *Vernieuwd Voordeel Pakket* packages sold. The increase in gross written premiums of the Life segment (up € 37 million) was due to the inclusion of GNL Life (€ 54 million) and the Pension business (€ 9 million), especially in DC (*WerknemersPensioen*). The decrease of Individual Life business continued (€ 25 million) due to surrenders of policies related to mortgages. Gross written premiums of Funeral insurance remained rather stable (€ -1 million).

Operating expenses increased due to the acquired cost base of GNL to € 299 million. The operating expenses associated with ordinary activities, which are part of the operating result, were € 286 million (an increase of € 9 million). Excluding the addition of GNL, the ordinary operating expenses showed a decrease of € 13 million. The operating expenses of GNL (€ 25 million) consist of ordinary operating expenses (€ 22 million) and expenses for non-ordinary activities (integration costs of € 3 million).
This decrease of ordinary operating expenses excluding GNL is due to improved efficiency and rationalisation of processes and products in both the Non-life and the Life segment. On the other hand, growth in Asset Management activities also led to increased personnel and additional licensing costs.
The expenses for non-ordinary activities (not part of regular operating expenses and operating result) showed an increase of € 7 million to € 13 million. This increase relates, among other things, to integration costs (GNL) and regulatory costs.

The number of **internal FTEs** (including redundancies) increased by 300 FTEs (8.6%) to 3,793 FTEs as at 30 June 2018 due to the inclusion of GNL. The number of former GNL employees decreased as a result of employees opting for the social plan. Internal vacancies were also filled by former GNL employees.

Profit before tax decreased by € 34 million from € 515 million to € 481 million. This year's IFRS result showed a lower impact from incidental items. These declined by € 31 million to € 99 million. This was partly due to higher costs for the social plan (€ 15 million), which relates mainly to the integration of GNL.

Operating return on equity was 14.7%, which is well above the target of up to 12%. The decrease is mainly due to the increase in equity. IFRS return on equity stood at 15.5%.

The **Solvency II ratio** continued to be robust at 194% and absorbed the impact of the GNL acquisition. The solvency II ratio before interim dividend amounted to 197%. In addition to the GNL acquisition, the impact of a lower UFR and the interim dividend impacted the ratio negatively. This negative impact was mostly offset by organic capital creation and the increase of the volatility adjustment.

Medium-term targets

During the IPO process and the listing of a.s.r. on Euronext, a.s.r. management communicated targets for the medium term (2016-2018).

Medium-term targets

(in € millions, unless stated otherwise)	H1 2018	Medium-term target
Solvency II (standard formula)	194%	> 160%
Operating return on equity	14.7%	up to 12%
Reduction in operating expenses	on target	€ 50 million
Combined ratio Non-life segment	97.1%	< 97%
Financial leverage	25.4%	< 30%
S&P rating (insurance business)	Single A	Single A

Almost all of the medium-term financial targets have been exceeded.

The combined ratio of the Non-life segment was just above target due to the acquisition of GNL Non-life (101.4%). Excluding GNL Non-life the combined ratio was 96.6%.

Non-life segment

- The operating result decreased by € 40 million to € 66 million due to the January storm this year and the particularly favourable 2017 half year in the P&C business.
- The combined ratio increased to 97.1% including the 2.1%-point impact of the January storm and a 0.5%-point impact of the inclusion of GNL Non-life.
- Gross written premiums increased to € 1,717 million (16.5%) driven by GNL Non-life and growth in all business lines (P&C, Disability, Health).
- Operating expenses were up € 12 million to € 111 million mainly due to GNL Non-life (effect of € 10 million).

Key figures, Non-life segment

(in € millions, unless stated otherwise)	H1 2018	H1 2017	Delta
Gross written premiums	1,717	1,474	16.5%
Operating expenses	-111	-99	12.1%
Provision for restructuring expenses	-2	-1	100.0%
Operating result	**66**	**106**	**-37.7%**
Incidental items (not included in operating result)	**11**	**23**	**-52.2%**
- Investment income	13	23	43.5%
- Underwriting incidentals	-	1	n.a.
- Other incidentals	-2	-1	100.0%
Profit/(loss) before tax	77	129	-40.3%
Profit/(loss) for the period attributable to holders of equity instruments	**61**	**98**	**-37.8%**

	H1 2018	H1 2017	Delta
Combined ratio	**97.1%**	**93.6%**	**3.5%-p**
- Commission ratio	16.1%	14.5%	1.6%-p
- Cost ratio	7.4%	7.5%	-0.1%-p
- Claims ratio	73.6%	71.6%	2.0%-p
Combined ratio			
- P&C	100.0%	92.7%	7.3%-p
- Disability	91.2%	91.9%	-0.7%-p
- Health	98.4%	97.1%	1.3%-p

The **operating result** decreased by € 40 million from € 106 million to € 66 million and the combined ratio increased by 3.5%-point to 97.1%. This is primarily the result of the January storm damage with an impact of € 31 million, while the first half year of 2017 was exceptionally good with a favourable level of claims and no calamities at P&C.

The **combined ratio** of P&C amounted to 100.0% and was impacted by the January storm and the higher combined ratio of the acquired GNL portfolio. Excluding these effects the combined ratio amounted to a strong 95.5%, which is 2.8%-point higher compared to the exceptional first half of last year and ahead of the medium-term target for P&C. The combined ratio of Disability further improved by 0.7%-point to 91.2%.and was positively influenced by an improvement of the underwriting process and additional focus on the performance of the absenteeism portfolio. The combined ratio of Health increased by 1.3%-point to 98.4% due to higher claims at supplementary health insurance.

Gross written premiums increased by € 243 million to € 1,717 million. Besides the addition of GNL Non-life (€ 176 million) all product lines (P&C, Disability and Health) showed growth. The P&C business grew (up € 33 million) due to a continuing success of *Vernieuwd Voordeel Pakket*. The number of *Vernieuwd Voordeel Pakket* sold increased by 24%. An average number of 285 packages were sold per day (H1 2017: 222 packages). Growth in Health insurance (up € 15 million) reflects our 'value over volume' strategy. A price increase compensated the decrease in number of policyholders. Premiums in the Disability business went up (€ 19 million) due to higher volumes.

The **operating expenses** increased by € 12 million from € 99 million to € 111 million (12.1%). The increase is mainly due to the addition of GNL Non-life (€ 10 million).

The **profit for the period** decreased by € 52 million to € 77 million and reflects the decrease in the operating result (€ 40 million), as well as a lower contribution of incidental investment income (€ 10 million).

Life segment

- Operating result increased by € 26 million to € 340 million (8.3%) mostly due to an increase in the investment margin and the addition of GNL Life.
- Gross written premiums increased from € 848 million to € 885 million, most notably due to the contribution of the GNL Life portfolio (€ 54 million).
- Operating expenses increased by € 2 million to € 93 million, driven by the addition of € 10 million operating expenses from GNL Life.

Key figures, Life segment

(in € million, unless stated otherwise)	H1 2018	H1 2017	Delta
Recurring premiums	737	722	2.1%
Single premiums	148	126	17.5%
Gross written premiums	885	848	4.4%
Operating expenses	-93	-91	2.2%
Provision for restructuring expenses	-1	-2	-50.0%
Operating result	**340**	**314**	**8.3%**
Incidental items (not included in operating result)	**100**	**98**	**2.0%**
- Investment income	97	85	14.1%
- Underwriting Incidentals	3	13	-76.9%
- Other Incidentals	-	-	-
Profit/(loss) before tax	440	412	6.8%
Profit/(loss) for the period attributable to holders of equity instruments	**333**	**315**	**5.7%**
Cost/premium ratio (APE)	9.8%	9.6%	0.2%-p
New business (APE)	36	26	38.5%

The **operating result** improved by € 26 million to € 340 million (8.3%) mainly due to a higher investment margin, as a result of the contribution of GNL Life (€ 8 million) and a lower required interest (€ 9 million) due to the shrinking Individual Life book while investment returns remained stable. Besides, the half year figures for 2017 were impacted by a temporary positive effect related to the reduction of separate accounts (€ 9 million), which was largely neutralised in the second half of the year. The technical result remained fairly stable. The decrease in cost coverage, mostly for Individual Life policies, was offset by lower IT-related costs and cost savings.

The profit for the period increased by € 18 million, from € 315 million to € 333 million (5.7%). The increase is mainly attributable to the improvement in operating result.

Gross written premiums increased by € 37 million, to € 885 million (4.4%), of which € 54 million was due to the acquisition of GNL Life. Increased premiums in the Pension business (€ 9 million) partly compensated the decline in the Individual Life portfolio (€ 25 million). The increase in the Pension business relates primarily to the DC *WerknemersPensioen.*

The share of capital light Defined Contribution (DC) products in new pension business continued to increase to 82% (Q4 2017: 77%) and was also driven by contract renewals from the existing portfolio to the *WerknemersPensioen* as new policies are almost entirely DC. The level of surrenders of policies at Individual Life was 0.9% and above the four-year average. This is mainly attributable to an increase in repayments of savings-based mortgages as a result of the sustained low interest rates. With 1.63%, surrenders in the unit-linked portfolio were in line with the four year average.

Operating expenses increased by € 2 million to € 93 million. When excluding the operating expenses of GNL Life (€ 10 million), operating expenses decreased by € 8 million. The decrease is mainly attributable to the continuing rationalisation of systems, products and processes. Last year's figures were also impacted by integration costs related to De Eendragt.

The increase in gross written premiums was largely in line with the development of operating expenses, resulting in a stable cost-premium ratio (on the basis of APE) of 9.8% (H1 2017: 9.6%).

The profit for the period increased by € 18 million to € 333 million as a result of the higher operating result. The total contribution of incidental items at € 100 million was virtually stable (€ 2 million) when compared to last year and mainly consists of incidental investment income.

Banking and Asset Management segment[1]

Key figures, Banking and Asset Management segment

(in € millions, unless stated otherwise)	H1 2018	H1 2017	Delta
Assets under Management for third parties (€ bn, 2017 as at 31 December)	15.6	14.3	9.1%
Operating expenses	-45	-45	-
Provision for restructuring expenses	-1	-1	-
Operating result	**11**	**5**	**120.0%**
Incidental items (not included in operating result)	**-4**	**2**	**n.a.**
- Investment income	-4	3	n.a.
- Underwriting incidentals	-	-	-
- Other incidentals	-	-1	-100%
Profit/(loss) before tax	7	7	-
Tax	-2	-1	100.0%
Profit/(loss) for the period attributable to holders of equity instruments	**5**	**6**	**-16.7%**

The **operating result** of the Banking and Asset Management segment increased by € 6 million to € 11 million. This was driven by Asset Management (up € 4 million) as well as Banking (up € 2 million). Asset Management improved due to the inflow of assets under management from third parties in the newly introduced funds of a.s.r., resulting in higher fee income. The increase in Banking profit is attributable to a higher net interest margin.

The ESG funds invest globally in corporate bonds and other fixed income and invests with strict sustainability criteria. Companies that are mainly active in non-sustainable activities are excluded, such as the production, trade and distribution of weapons, nuclear energy, tobacco and the gambling industry. Furthermore, companies in which the funds invest must comply with international conventions in the field of human rights and labour rights.

The share of **assets under management (AuM)** for third parties increased by € 1.3 billion to € 15.6 billion (Q4 2017: € 14.3 billion). The increase can be explained by an inflow in the ASR Hypotheekfonds mortgage fund (€ 702 million) and the ESG Funds (€ 549 million), mainly in the ASR ESG IndexPlus Institutioneel Euro Bedrijfsobligatie Fonds. ASR Hypotheekfonds, launched in 2017, has grown to more than € 1.2 billion, with clients comprising of pension funds, insurers, family offices and charity funds.

This year, the total mortgage portfolio, including mortgages of ASR Hypotheekfonds, increased by 13% to € 9.4 billion (Q4 2017: € 8.3 billion). In Q2, a.s.r. introduced the WelThuis Starters mortgage on the housing market, offering flexibility and security criteria that are essential for starters. The offered term of 40 years instead of the usual 30 years results in lower monthly mortgage payments.

Payment arrears of more than 90 days on the *WelThuis* portfolio decreased to as little as 0.12% in June 2018. Credit losses decreased to 0.23 basis points.

The total savings deposits at **a.s.r. bank** increased by € 102 million (or 6%) to € 1,748 million (31 December 2017: € 1,646 million).

1 The Banking and Asset Management segment involves all banking activities and activities related to asset management, including investment property management. The related entities include ASR Bank N.V., ASR Hypotheken B.V., ASR Vastgoed Vermogensbeheer B.V., ASR Vermogensbeheer N.V., ASR Financieringen B.V. and First Investments B.V.

Distribution and Services segment[2]

Key figures

(in € millions)	H1 2018	H1 2017	Delta
Total income	39	32	21.9%
Operating expenses	-25	-21	19.0%
Provision for restructuring expenses	-	-	
Operating result	**12**	**10**	**20.0%**
Incidental items (not included in operating result)	**1**	**-**	**n.a.**
- Investment income	-	-	-
- Underwriting incidentals	-	-	-
- Other incidentals	1	-	n.a.
Profit/(loss) before tax	13	10	30.0%
Tax	-3	-2	50.0%
Profit/(loss) for the period attributable to holders of equity instruments	**10**	**8**	**25.0%**

In 2018, the distribution and services activities of GNL were also added to this segment. These activities comprise of ANAC, All-Finance Nederland Advies-Combinatie and Stoutenburgh Adviesgroep.

As at 1 May of this year, GNL's co-insurance activities were transferred to Corins. This will further strengthen the position on the co-insurance market and give substance to the ambition to grow in the large business market.

The **operating result** of the Distribution and Services segment increased by € 2 million to € 12 million. The growth in **operating expenses** (€ 4 million) was more than offset by the increase in fee income (€ 7 million). Particularly the portfolio of activities of financial service provider Dutch ID, SuperGarant and Corins showed a steady growth compared to the corresponding period last year.

2 The Distribution and Services segment includes the activities related to the distribution of insurance contracts and includes the financial intermediary businesses 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. (as at 1 September 2016) (including subsidiary VSP Risk B.V. as at April 2017), Corins B.V. (as at 3 October 2016)s and, as at 5 February 2018, ANAC Verzekeringen B.V., ANAC, All-Finance Nederland Advies-Combinatie B.V. and Stoutenburgh Adviesgroep B.V.

Holding and Other segment (including Eliminations)[3]

Key figures, Holding and Other segment / Eliminations

(in € millions)	1H 2018	1H 2017	Delta
Operating expenses	-23	-25	-8.0%
Provision for restructuring expenses	-15	-	-
Operating result	**-47**	**-50**	**6.0%**
Incidental items (not included in operating result)	**-10**	**3**	**n.a.**
- Investment income	4	-2	n.a.
- Underwriting incidentals	-	-	-
- Other incidentals	-14	5	n.a.
Profit/(loss) before tax	-57	-47	-21.3%
Tax	16	14	14.3%
Non-controlling interest	-	-	-
Profit/(loss) for the period attributable to holders of equity instruments	**-41**	**-33**	**-24.2%**

The **operating result** improved by € 3 million to € -47 million. This reflects last year's one-off costs at the Holding and lower current net service costs (down € 1 million) this year due to increased discount rates as at year-end 2017. These rates are used to calculate the Defined Benefit Obligation (DBO) of a.s.r.'s own pension scheme. As a consequence, **operating expenses** also improved to € -23 million.

GNL was legally merged into a.s.r. on 8 May and former GNL employees have been employed by a.s.r. and covered by a.s.r.'s collective labour agreement from this date onwards. As employees opted for a social plan, an addition to the **provision for restructuring expenses** was made (€ 15 million).

The **incidental items** amounted to € -10 million compared to € 3 million last year. The decrease mainly relates to the above mentioned addition of € 15 million to the provision for restructuring expenses, which is classified under other incidentals. This is also reflected in the development of the **profit before tax**, which decreased to € -57 million, despite the increase in the operating result.

3 The 'Holding and Other' segment consists primarily of the holding activities of ASR Nederland N.V. (including the group-related activities), other holding and intermediate holding companies and the activities of ASR Deelnemingen N.V.

Real Estate Development segment[4]

Solvency II

(in € millions)	H1 2018	H1 2017	Delta
Profit/(loss) for the period from continuing operations	1	2	-50.0%
Profit/(loss) attributable to non-controlling interests	1	-1	200.0%
Profit/(loss) for the period attributable to holders of equity instruments	**-**	**3**	**-100.0%**

a.s.r. considers Real Estate Development activities not a part of its core business and its result is excluded from the operating result.

The new LRC city centre in Utrecht opened on 16 May 2018; 90% of the retail space has already been let. The **profit for the period** decreased from € 3 million to nil, reflecting last year's positive impact from revaluation on land positions within Vastgoed Projecten Grondbanken. The exposure has decreased to € 54 million.

4 The Real Estate Development consists of the activities where property development occurs and includes ASR Vastgoed Projecten B.V. As at 1 January 2017, all activities in the Real Estate Development segment have been classified as continuing.

Capital management

- Solvency II ratio (standard formula) continued to be robust at 194% while absorbing the acquisition of GNL and is still comfortable above our target of above 160%. The Solvency II ratio before the interim dividend amounted to 197%.
- Ample Solvency II headroom available of € 1,594 million.
- Organic capital creation amounted to € 179 million, which adds 5%-point to the Solvency II ratio, and was negatively impacted by the January storm. GNL contributed for € 7 million to the organic capital creation.
- Capital accretion was € 331 million before interim dividend.
- Financial leverage remained robust at 25.4%.
- Double leverage was 100.6%.

Solvency II

Solvency II

(in € millions)	30 June 2018	31 December 2017	Delta
Eligible Own Funds	6,935	6,826	1.6%
Required capital	3,574	3,479	2.7%
Solvency II ratio (post interim dividend)	194%	196%	-2%-p

The **Solvency II ratio** continued to be robust at 194%, while absorbing the -9% point impact of the GNL acquisition. The Solvency II ratio before the interim dividend of € 92 million amounted to 197%.

The eligible own funds increased to € 6,935 million as at 30 June 2018, driven mainly by organic capital creation, the increase of the volatility adjustment, spread tightening on government bonds and the inclusion of GNL. This was partially offset by the impact of a lower UFR, spread widening on credits, negative impact of interest rates and interim dividend.

The required capital stood at € 3,574 million as at 30 June 2018. The increase is mainly due to the acquisition of GNL, offset by a reduction of the SCR due to a decline in interest rate risk caused by an adjustment of the interest rate hedge.

Equity

Breakdown of total equity

(in € millions)	30 June 2018	31 December 2017	Delta
Share capital	24	24	-
Share premium reserve	1,018	1,018	-
Unrealised gains and losses	805	869	-7.4%
Actuarial gains and losses (IAS19)	-684	-674	1.5%
Retained earnings	3,518	3,383	4.0%
Treasury shares	-188	-188	-
Equity attributable to shareholders	4,493	4,432	1.4%
Other equity instruments	1,001	1,001	-
Equity attributable to holders of equity instruments	**5,494**	**5,433**	**1.1%**
Non-controlling interest	-1	-1	-
Total equity attributable to shareholders	**5,493**	**5,432**	**1.1%**

Statement of changes in total equity

(in € millions)	30 June 2018	31 December 2017
Beginning of reporting period - total equity	**5,432**	**4,471**
Profit/(loss) for the period	368	906
Unrealised gains and losses	-64	143
Actuarial gains and losses (IAS19)	-10	80
Other equity instruments (Tier 1 capital)	-	300
Non-controlling interest	-	8
Dividend	-230	-187
Treasury shares	-	-188
Other changes (e.g. coupon hybrids)	-3	-101
End of reporting period - total equity	**5,493**	**5,432**

Equity attributable to holders of equity instruments (IFRS-based equity) increased by € 61 million, from € 5,432 million to € 5,493 million. The increase was mainly caused by the addition of the net profit for the period of € 368 million. The increase was mainly offset by the dividend distribution to shareholders for 2017 of € 230 million and a decrease in unrealised gains on investments of € 64 million.

Financial leverage

Financial leverage

(in € millions)	30 June 2018	31 December 2017	Delta
Basis for financial leverage (equity attributable to shareholders)	4,493	4,432	1.4%
Financial liabilities	1,528	1,498	2.0%
of which hybrids	1,001	1,001	-
of which subordinated liabilities	497	497	-
of which senior debt	30	-	-
Financial leverage (%)	**25.4%**	**25.3%**	**0.1%-p**
Interest coverage ratio (IFRS)	**12**	**16**	**-4**

The financial leverage of a.s.r. as at 30 June 2018 was in line with the financial leverage at 31 December 2017. The ratio stood at a robust level of 25.4% (Q4 2017: 25.3%). The increase in financial liabilities was offset by the increase in equity attributable to holders of equity instruments.

The interest coverage ratio decreased to 12 times mainly due to an increase in interest charges following the RT1 hybrid bond that was issued in October 2017 (€ 300 million) and an inclusion of senior debt (€ 30 million).

Double leverage

Double leverage

(in € millions)	30 June 2018	31 December 2017	Delta
Total value of associates	6,028	5,750	4.8%
Equity attributable to shareholders	4,493	4,432	1.4%
Hybrids and subordinated liabilities	1,498	1,498	-
Equity attributable to holders of equity instruments	**5,991**	**5,930**	**1.0%**
Double leverage (%)	**100.6%**	**97.0%**	**3.6%-p**

Double leverage increased from 97.0% as at year-end 2017 to 100.6% as at 30 June 2018. The increase in the total value of associates exceeded the equity attributable to holders of equity instruments due to share premium payments from ASR Nederland N.V. to ASR Levensverzekering N.V. and ASR Schadeverzekering N.V., related to acquisition of GNL.

1.2 Risk management

Financial Markets

During the first half of 2018 financial markets alternated were rather volatile. In the end, sentiment was dominated by fear of political risk, even when macro-economic data remained quite resilient. More specifically, fear of a global trade war and the appointment of a populist government coalition in Italy caused bouts of volatility throughout the first two quarters of the year. European equity markets lost about 2% in the first half year. US equities performed somewhat better, in part thanks to the strong dollar, while emerging markets lagged behind.

At the end of the first half year, sovereign bond spreads in core eurozone countries (e.g. Germany and the Netherlands) were tightened from the beginning of the year. Italian bond yields rose, as markets feared the potential impact of fiscal loosening and anti-euro statements from the incoming government (flight to safety). US bond yields also rose, as inflation pressures increased and the Fed hiked rates twice during the first two quarters. Credit spreads generally widened, as the impact of solid corporate earnings was outweighed by increased political risk and the ECB announced the end of quantitative easing in the eurozone approaching, most likely as of the end of 2018.

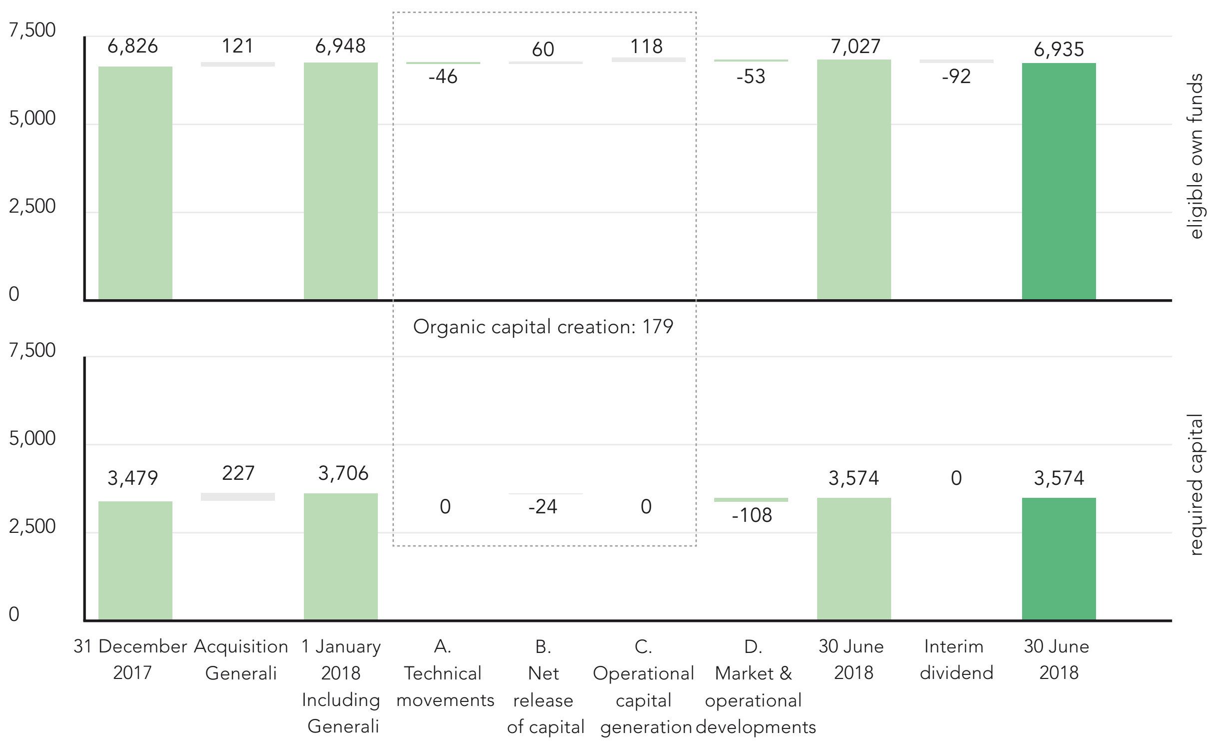
Developments in solvency

The Solvency II ratio stood at 194% after proposed interim dividend as at 30 June 2018 (31 December 2017: 196%). The eligible own funds increased to € 6,935 million as at 30 June 2018 (31 December 2017: € 6,826 million). As a result of the increased VA, organic growth and spread tightening on sovereign bonds the eligible own funds increased. These effects were partially offset by a lower UFR, proposed interim dividend and business developments. The required capital stood at € 3,574 million as at 30 June 2018 (31 December 2017: € 3,479 million). This increase is mainly due to the acquisition of Generali, which is partially balanced as result of a decrease in market risk caused by an adjustment of the interest rate hedge.

Capital Generation

Within a.s.r. the Organic Capital Creation (OCC) definition includes Technical Movements, Net release of Capital and Operational Capital Generation. The definition provides an indication of the capital created in the regular course of business. The figure below shows the OCC as part of the overall movement of the solvency ratio.

Movement solvency



Sensitivities

The sensitivities of Solvency II ratio as at 30 June 2018 expressed as impact on the Group solvency ratio (in percentage points) are as follows:

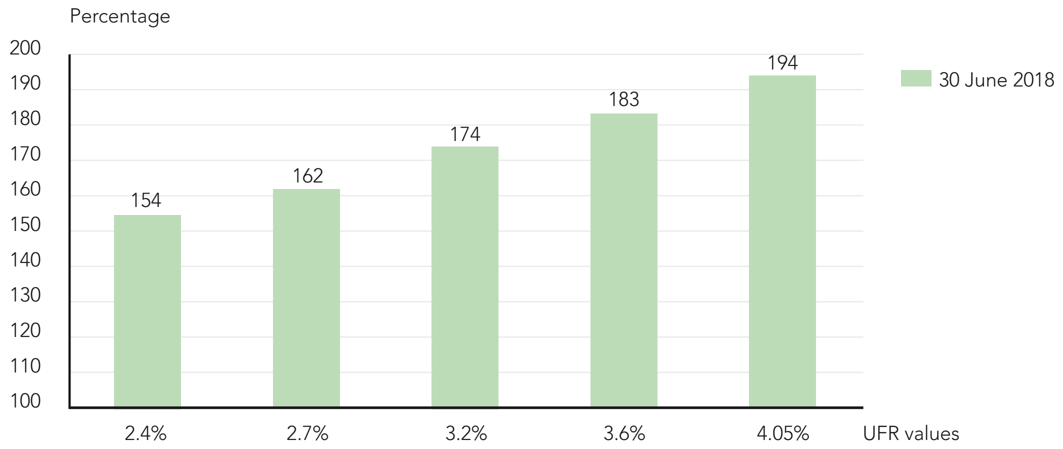
Sensitivity scenario (%-points)

	Avaliable capital	Required capital	Ratio
UFR -1% (UFR 3.05)	-21%	-4%	-24%
Interest rate +1% (incl. UFR 4.05%)	-1%	11%	10%
Interest rate -1% (incl. UFR 4.05%)	5%	-13%	-8%
Spread +75 bps / VA +21 bps	10%	5%	16%
Government spread + 50 / VA + 11 bps	-2%	1%	-2%
Equity prices -20%	-10%	10%	-1%
Property values -10%	-8%	3%	-5%

Risk	Scenario
UFR	Measured as the impact of a lower UFR -1%. For the valuation of liabilities the extrapolation to the UFR of 3.05% 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 the interest rates. For the liabilities, the extrapolation to the UFR of 4.05% 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 bp. At the same time, it is assumed that the Volatility Adjustment will increase by 21bp.
Government spread +50 / VA +11 BPS	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 by 11 bp.
Equity risk	Measured as the impact of a 20% downward movement in equity prices.
Property risk	Measured as the impact of a 10% downward movement in the market value of real estate.

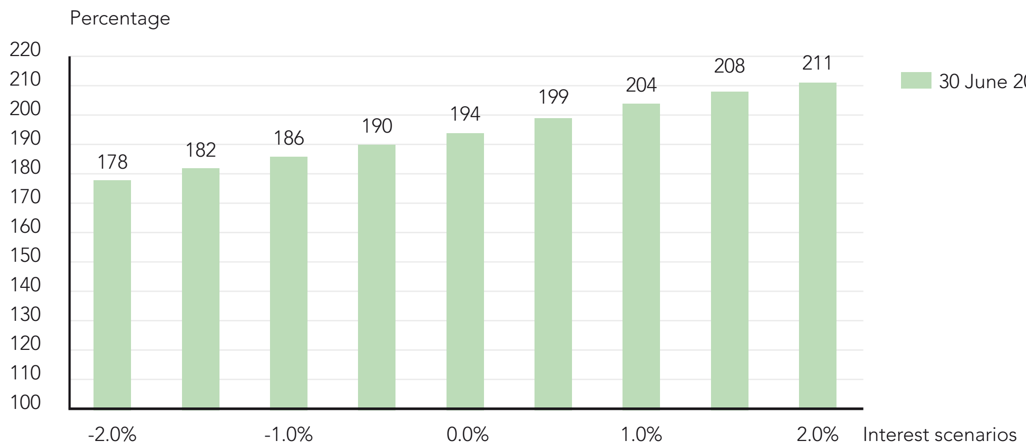
Expected development Ultimate Forward Rate
The European Insurance and Occupational Pensions Authority (EIOPA) will reduce the ultimate forward rate used to extrapolate insurers' discount curves to better reflect expected inflation and real interest rates. The UFR will decrease to 3.6%, phasing in by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

Interest sensitivity UFR 4.05%



Capital Management

Objectives
The Group is committed to maintain 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 that is within the limits defined in the risk appetite statements and the solvency targets.

Capital Management Actions
During the first half of 2018 a.s.r. continued its capital management policy. The development of the capital position was monitored closely, and there were no important capital management actions required. Key focus has been on the integration of GNL and the subsequent alignment of the GNL portfolio with a.s.r. investment policy. The impact of both the acquisition and the subsequent legal merger of the GNL entities into the a.s.r. entities on the solvency ratio was in line with the communication at the time of the acquisition. The total net impact of the acquisition on

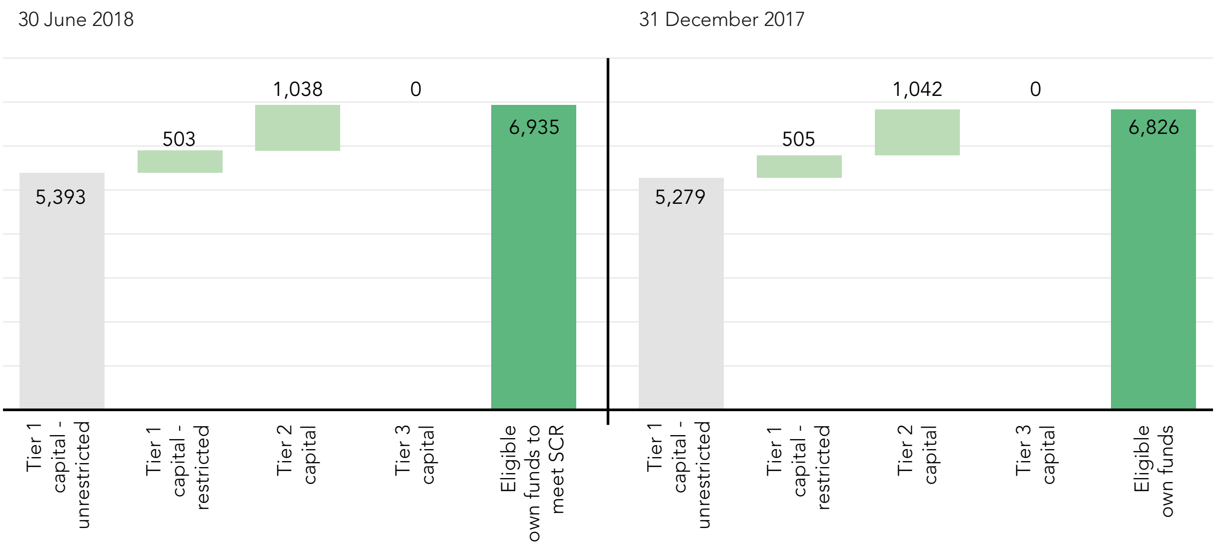
the a.s.r.'s solvency position was 9% in the first half year of 2018. The reinsurance programme of GNL was amended and brought in line with a.s.r.'s reinsurance policy.

During the first half of 2018, the Group made continuous improvements in its hedging policies, to reflect the latest insights in market conditions and the Group's exposures. The Group made some adjustments in the interest risk policy to take account of the current swap spread.

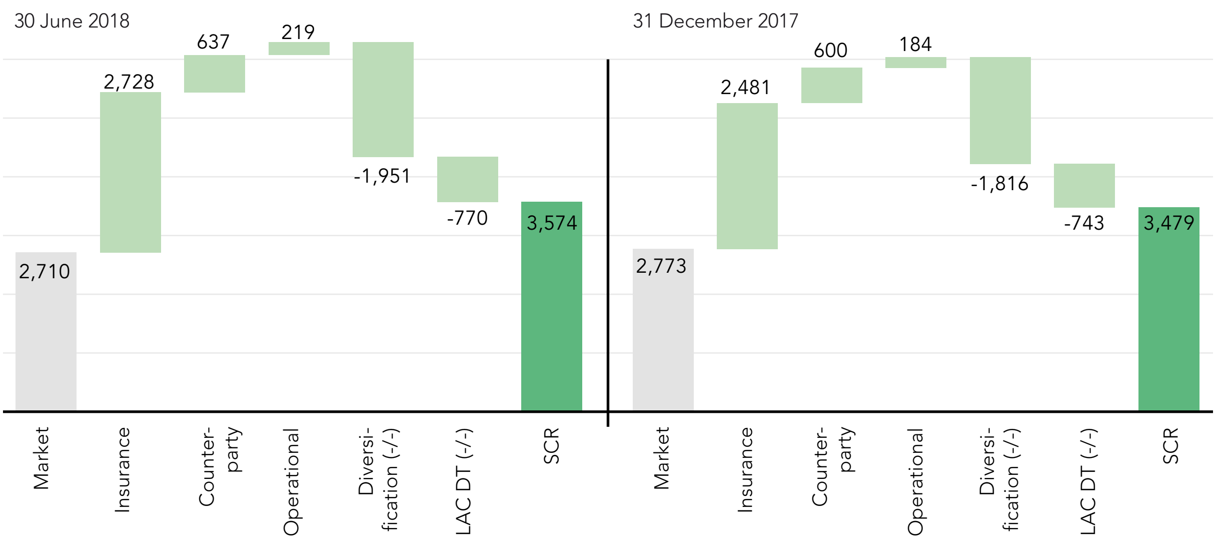
Tiering

With respect to the capital position, Solvency II requires the insurers to categorise own funds into Tiers. The figure below shows the capital position of a.s.r.

Eligible own funds



SCR



Standard & Poor's confirmed the single A rating of ASR Levensverzekering N.V. and ASR Schadeverzekering N.V. on August 20, 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: 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 interim financial statements for the period ended 30 June 2018 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 2018 includes a fair review of the information required pursuant to article 5:25d, paragraph 8 and 9 of the Dutch Financial Supervision Act regarding ASR Nederland N.V. and its consolidated entities.

Utrecht, the Netherlands, 28 August 2018

Jos Baeten (CEO)
Karin Bergstein
Chris Figee
Michel Verwoest

Condensed consolidated interim financial statements of ASR Nederland N.V.

For the first half year 2018

Condensed consolidated interim financial statements of ASR Nederland N.V.

For the first half year 2018

2 General information

ASR Nederland N.V. ('a.s.r.') is a leading insurance company in the Netherlands. In 2018, a.s.r. sells insurance products under the following labels: a.s.r., De Amersfoortse, Ardanta, Europeesche Verzekeringen and Ditzo. a.s.r. has a total of 3,793 internal FTE's (31 December 2017: 3,493 internal FTE's).

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: ASR NL).

These condensed consolidated interim financial statements of a.s.r. for the period ended on 30 June 2018 are impacted by the acquisition of Generali Nederland N.V. (GNL) in the first quarter of 2018. Information on the acquisition of GNL, the acquisition accounting under IFRS and the impact on the financial information included in these interim financial statements 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 28 August 2018.

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 2018	31 December 2017
Intangible assets		350	333
Property and equipment		170	171
Investment property	6.1	1,669	1,597
Associates and joint ventures at equity method		70	45
Investments	6.2	27,498	25,681
Investments on behalf of policyholders	6.2	8,423	7,684
Loans and receivables	6.2	12,823	12,174
Derivatives	6.2	2,611	2,527
Deferred tax assets		310	226
Reinsurance contracts	6.3	603	546
Other assets		913	672
Cash and cash equivalents	6.2	4,283	3,749
Total assets		**59,723**	**55,405**
Share capital		24	24
Share premium reserve		1,018	1,018
Unrealised gains and losses		805	869
Actuarial gains and losses		-684	-674
Retained earnings		3,518	3,383
Treasury shares		-188	-188
Equity attributable to shareholders		**4,493**	**4,432**
Other equity instruments		1,001	1,001
Equity attributable to holders of equity instruments		**5,494**	**5,433**
Non-controlling interests		-1	-1
Total equity		**5,493**	**5,432**
Subordinated liabilities		497	497
Liabilities arising from insurance contracts	6.3	33,970	31,057
Liabilities arising from insurance contracts on behalf of policyholders		10,551	9,804
Employee benefits	6.4	3,376	3,161
Provisions		41	33
Borrowings	6.2	42	39
Derivatives	6.2	451	403
Due to customers	6.2	2,316	2,184
Due to banks	6.2	2,380	2,254
Other liabilities	6.2	606	541
Total liabilities		**54,230**	**49,973**
Total equity and liabilities		**59,723**	**55,405**

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)	Note	H1 2018	H1 2017
Gross written premiums		2,502	2,233
Change in provision for unearned premiums		-215	-175
Gross insurance premiums		**2,287**	**2,058**
Reinsurance premiums		-50	-30
Net insurance premiums		**2,237**	**2,028**
Investment income		675	650
Realised gains and losses		135	208
Fair value gains and losses		41	45
Result on investments on behalf of policyholders		133	191
Fee and commission income		60	62
Other income		60	56
Share of profit/(loss) of associates and joint ventures		4	6
Total income		**1,108**	**1,218**
Insurance claims and benefits		-2,171	-2,141
Insurance claims and benefits recovered from reinsurers		3	21
Net insurance claims and benefits		**-2,168**	**-2,120**
Operating expenses		-299	-283
Restructuring provision expenses		-19	-4
Commission expenses		-238	-199
Impairments		17	9
Interest expense		-100	-90
Other expenses		-57	-44
Total expenses		**-696**	**-611**
Profit before tax		**481**	**515**
Income tax (expense)/gain		-112	-119
Profit for the period		**369**	**396**
Attributable to:			
Result attributable to non-controlling interests		1	-1
- Shareholders of the parent		363	397
- Holders of other equity instruments		7	-
- Tax on interest of other equity instruments		-2	-
Profit attributable to holders of equity instruments		**368**	**397**

The number following the line item refers to the relevant chapter in the notes.

Earnings per share

(in €)	H1 2018	H1 2017
Basic earnings per share	**2.58**	**2.70**

Diluted earnings per share

(in €)	H1 2018	H1 2017[5]
Diluted earnings per share	**2.39**	**2.70**

5 The perpetual restricted Tier 1 convertible capital instrument was issued in October 2017, and therefore there is no dilutive impact in H1 2017.

3.3 Consolidated interim statement of comprehensive income

Consolidated interim statement of comprehensive income

(in € millions)	H1 2018	H1 2017
Profit for the period	**369**	**396**
Remeasurements of post-employment benefit obligation	-13	164
Income tax on items that will not be reclassified to profit or loss	3	-42
Total items that will not be reclassified to profit or loss	**-10**	**122**
Unrealised change in value of available for sale assets	-7	-91
Realised gains/(losses) on available for sale assets reclassified to profit or loss	-166	-259
Shadow accounting	52	537
Segregated investment pools	41	-3
Income tax on items that may be reclassified to profit or loss	16	2
Total items that may be reclassified subsequently to profit or loss	**-64**	**186**
Total other comprehensive income for the year, after tax	**-74**	**308**
Total comprehensive income	**295**	**704**
Attributable to:		
- Attributable to non-controlling interests	1	-1
- Shareholders	289	705
- Holders of other equity instruments	7	-
- Tax on interest of other equity instruments	-2	-
Total comprehensive income attributable to holders of equity instruments	**294**	**705**

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 2017 consolidated financial statements in Chapter 5.3.4 (I).

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	Actuarial gains and losses (pension obligation)	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	-	-	-	-	-7	-	-7	-	-	-7
Tax relating to interest on other equity instruments	-	-	-	-	2	-	2	-	-	2
Dividend paid	-	-	-	-	-230	-	-230	-	-	-230
Other	-	-	-	-	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 2017	**24**	**1,038**	**726**	**-754**	**2,746**	**-**	**3,780**	**701**	**-10**	**4,471**
Profit for the period	-	-	-	-	397	-	397	-	-1	396
Total other comprehensive income	-	-	186	122	-	-	308	-	-	308
Total comprehensive income	**-**	**-**	**186**	**122**	**397**	**-**	**705**	**-**	**-1**	**704**
Dividend paid	-	-	-	-	-187	-	-187	-	-	-187
Treasury shares acquired	-	-	-	-	-	-153	-153	-	-	-153
Other	-	-	-	-	-1	-	-1	-	1	-
At 30 June 2017	**24**	**1,038**	**912**	**-632**	**2,955**	**-153**	**4,144**	**701**	**-10**	**4,835**

The actuarial gains and losses decreased in H1 2018 by € -10 million after tax and € -13 million before tax (H1 2017: increased by € 122 million after tax and € 164 million before tax). Further information related to employee benefits is disclosed in chapter 6.4.

In the Annual General Meeting of Shareholders on 31 May 2018 the resolution was adopted to cancel the 6,000,000 own shares. The cancellation has been effected in the beginning of August 2018.

3.5 Condensed consolidated interim statement of cash flows

Condensed consolidated interim statement of cash flows

(in € millions)	2018	2017
Cash and cash equivalents at 1 January	**3,749**	**3,581**
Cash flows from operating activities	865	65
Cash flows from investing activities	-79	-7
Cash flows from financing activities	-252	-353
Cash and cash equivalents as at 30 June	**4,283**	**3,286**

The cash components include € 2,214 million (30 June 2017: € 1,999 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.

4 Accounting policies

4.1 General

The condensed consolidated interim financial statements of a.s.r. for the first half year ended 30 June 2018 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 2017 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 2017 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 2018 a.s.r. made no changes in accounting policies or changes in presentation, except for the adoption of new standards effective from 1 January 2018.

4.2 Changes in EU endorsed published IFRS Standards and Interpretations effective in 2018

The following changes effective in 2018, which are all endorsed by EU, are relevant to a.s.r.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 is EU endorsed and became effective as of 1 January 2018. IFRS 15 provides more specific guidance on recognising revenue other than insurance contracts and financial instruments. The implementation of IFRS 15 had no significant impact on the condensed consolidated interim financial statements of a.s.r.

Amendments to IFRS 4 Insurance Contracts

These amendments became effective as of 1 January 2018. The IFRS 4 amendments permit insurers to apply a temporary exemption from applying IFRS 9 for predominant insurance entities or to use the overlay approach, until the implementation of IFRS 17 (new accounting standard for insurance contracts) or at the latest 1 January 2021.

Based on the amended IFRS 4 and the a.s.r. 2015 Annual report, a.s.r. meets the criteria of a predominant insurer as the percentage of the total carrying amount of its liabilities connected with insurance related activities to the total carrying amount of all its liabilities exceeds 90%. As a result, a.s.r. decided to apply the temporary exemption from applying IFRS 9 until IFRS 17 (new accounting standard for insurance contracts) is implemented. The implementation of amended IFRS 4 had no impact on the condensed consolidated interim financial statements of a.s.r.

4.3 Upcoming changes in published IFRS standards and Interpretations

The following upcoming changes in IFRS standards and Interpretations are relevant to a.s.r.

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts was issued by the IASB in May 2017 and will replace IFRS 4 Insurance Contracts. The standard will be effective from 1 January 2021, subject to endorsement by the EU. 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 in the 2017 a.s.r. financial statements).

This standard represents the most significant change to European insurance accounting requirements in decades, 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 that can be used mainly for short-duration contracts.

The general model measures insurance liabilities by taking the present value of future cash flows adding a risk adjustment (RA) as well as 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 risk of all Insurance contracts.

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. The programme is focusing on the following activities:

- Project organisation and communication structures have been set up;
- Training of key staff;
- Drafting Technical Implementation Documents to gain a better understanding of the detail and complexity in IFRS 17 including the combination with IFRS 9;
- Various workstreams have started their projects to address the implementation in the operations and have prepared implementation plans for the period till the effective date of IFRS 17;
- Gaining a further understanding of the financial impact through performing a high level financial impact assessment in the second half of 2018, supporting management to make key accounting decisions;
- 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 transition plan for IFRS 17;
- Preparation of transition plan for IFRS 9 including if and how to implement hedge accounting;
- Providing feedback and input for the EU endorsement process where possible.

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 a significant impact.

IFRS 9 Financial Instruments

IFRS 9 is effective from 1 January 2018 and has been endorsed by the EU. a.s.r. applied 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 1 January 2021. Due to this exemption there is no impact of IFRS 9 on the condensed consolidated interim financial statements 2018 of a.s.r. However, it may have a significant impact on Shareholders' equity, Net result and/or Other comprehensive income of the consolidated financial statements of a.s.r. in 2021 and subsequent years.

IFRS 9 replaces most of 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. Identifying potential accounting mismatches and addressing volatility / predictability in the income statement will be a.s.r.'s major priority.

Impairment
The recognition and measurement of impairments 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
a.s.r. is currently assessing the impact of the new requirements including:
- Investigation into the classification and measurement of the financial instruments;
- Implementing the new expected loss impairment requirements and models;
- Preparing disclosure requirements for the 2018 financial statements as a result of the temporary exemption of IFRS 9;
- Performing business model evaluation and solely payment of principle and interest (SPPI) testing related to the financial assets and liabilities held by entities that engage in insurance activities, as part of the overall IFRS 17 and IFRS 9 programme.

a.s.r. has concluded the implementation of IFRS 9 for ASR Bank including the classification and measurement of the financial instruments. The impact of the implementation for ASR Bank related to a.s.r. as a whole is limited. 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.

IFRS 16 Leases
IFRS 16 is effective for annual periods beginning on or after 1 January 2019. IFRS 16 contains a new accounting model for lessees. Under the new lease standards the current operational lease accounting (where a.s.r. is the lessee) will change, introducing a right-of-use asset and lease liability. The main items a.s.r. is leasing are cars, rented buildings and IT equipment.

The implementation of IFRS 16 will be performed retrospectively in 2019 with any cumulative effect of initially applying the standard recognised at the date of initial application. The implementation of IFRS 16 is not expected to have a significant impact on the consolidated financial statements of a.s.r.

4.4 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 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 2017 consolidated financial statements.

4.5 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)[1];
III. Other financial assets and liabilities [1].

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)
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

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

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);
II. Financial instruments: loans and receivables – mortgage loans and mortgage equity funds;
III. Investment property, buildings for own use and real estate equity funds.

I. Financial instruments: private equity investments (or private equity partners)
The main non-observable market input for private equity investments is the net asset value of the investment as published by the private equity company (or partner).

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.

III. Investment property, buildings for own use and real estate equity funds
The following categories of investment properties, including real estate equity funds, and buildings for own use is 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, 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;
- The 10 year Dutch Government Bond Yield (%) rate 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 5.4.1 and 5.7.7 as included in the 2017 consolidated financial statements for the organisation structure and a list of principal group companies and associates in the relevant segments. As of 8 May 2018 the legal merger of ASR Utrecht N.V. (formerly named Generali Nederland N.V.) with ASR Nederland N.V. was effective. As of 29 June 2018 Generali levensverzekering maatschappij N.V. (GNL life) merged with a.s.r. leven and Generali schadeverzekering maatschappij N.V. (GNL Non-life) merged with a.s.r. schade. ANAC, All-Finance Nederland Advies-Combinatie B.V. (and its subsidiary Anac Verzekeringen B.V.), Nederlands Algemeen Verzekeringskantoor B.V. and Stoutenburgh Adviesgroep B.V. were transferred to ASR Deelnemingen N.V. as per the same date.

Segment information
The operations of a.s.r. have been divided into six operating segments. The main segments are the Non-life segment and Life segment in which all insurance activities are presented. The other activities are presented as four separate segments being the Banking and Asset Management, Distribution and Services, Holding and Other and Real Estate Development.

As of 30 June 2018, following the acquisition and merger of the entities of GNL as mentioned above, the GNL entities are included in the respective segments. GNL life is included in segment Life, GNL Non-life is included in segment Non-life, ASR Utrecht N.V. (former Generali Nederland N.V.) is included in segment Holding and Other, and ANAC Verzekeringen B.V., ANAC, All-Finance Nederland Advies-Combinatie B.V., Nederlands Algemeen Verzekeringskantoor B.V. and Stoutenburgh Adviesgroep B.V. in segment Distribution and Services.

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. 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., ASR Financieringen B.V. and First Investments B.V.;
- 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. (as of 1 September 2016) (as of april 2017 including subsidiary VSP Risk B.V.), Corins B.V. (as of 3 October 2016), and as of 5 February 2018: ANAC Verzekeringen B.V., ANAC, All-Finance Nederland Advies-Combinatie B.V., Nederlands Algemeen Verzekeringskantoor B.V. and Stoutenburgh Adviesgroep B.V.;
- 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 and the activities of ASR Deelnemingen N.V.;
- The Real Estate Development consists of the activities where property development occurs and includes ASR Vastgoed Projecten B.V. As of 1 January 2017, all activities in the Real Estate Development segment are classified as continuing.

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, cost 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 2018 (Before profit appropriation)	Non-life	Life	Banking and Asset Management	Distribution and Services	Holding and Other	Real Estate Development	Eliminations	Total
Intangible assets	17	159	8	166	-	-	-	350
Property and equipment	-	143	-	6	21	-	-	170
Investment property	185	1,484	-	-	-	-	-	1,669
Associates and joint ventures at equity method	-	26	-	1	17	26	-	70
Investments	4,973	22,287	106	-	3,158	-	-3,026	27,498
Investments on behalf of policyholders	-	8,423	-	-	-	-	-	8,423
Loans and receivables	427	10,996	1,569	21	51	19	-260	12,823
Derivatives	9	2,601	1	-	-	-	-	2,611
Deferred tax assets	10	128	-	-2	173	1	-	310
Reinsurance contracts	423	180	-	-	-	-	-	603
Other assets	174	576	13	-	13	136	1	913
Cash and cash equivalents	575	3,303	265	56	74	10	-	4,283
Total assets	**6,793**	**50,306**	**1,962**	**248**	**3,507**	**192**	**-3,285**	**59,723**
Equity attributable to holders of equity instruments	1,353	4,581	156	175	-764	37	-44	5,494
Non-controlling interests	-	11	-	-	-	-1	-11	-1
Total equity	**1,353**	**4,592**	**156**	**175**	**-764**	**36**	**-55**	**5,493**
Subordinated liabilities	15	-	-	-	497	-	-15	497
Liabilities arising from insurance contracts	5,225	31,366	-	-	-	-	-2,621	33,970
Liabilities arising from insurance contracts on behalf of policyholders	-	10,551	-	-	-	-	-	10,551
Employee benefits	-	-	-	-	3,376	-	-	3,376
Provisions	-	13	1	-	23	4	-	41
Borrowings	-	31	5	1	80	135	-210	42
Derivatives	8	440	3	-	-	-	-	451
Deferred tax liabilities	76	-203	4	5	133	-	-15	-
Due to customers	60	861	1,748	7	-	-	-360	2,316
Due to banks	4	2,345	-	1	30	-	-	2,380
Other liabilities	52	310	45	59	132	17	-9	606
Total liabilities	**5,440**	**45,714**	**1,806**	**73**	**4,271**	**156**	**-3,230**	**54,230**
Total equity and liabilities	**6,793**	**50,306**	**1,962**	**248**	**3,507**	**192**	**-3,285**	**59,723**

Segmented balance sheet

As at 31 December 2017 (Before profit appropriation)	Non-life	Life	Banking and Asset Management	Distribution and Services	Holding and Other	Real Estate Development	Eliminations	Total
Intangible assets	13	144	8	168	-	-	-	333
Property and equipment	-	146	-	5	20	-	-	171
Investment property	135	1,462	-	-	-	-	-	1,597
Associates and joint ventures at equity method	-	3	-	1	16	25	-	45
Investments	4,607	20,803	130	-	2,889	-	-2,748	25,681
Investments on behalf of policyholders	-	7,684	-	-	-	-	-	7,684
Loans and receivables	338	10,433	1,503	15	51	15	-181	12,174
Derivatives	5	2,520	2	-	-	-	-	2,527
Deferred tax assets	-	-	-	-	225	1	-	226
Reinsurance contracts	366	180	-	-	-	-	-	546
Other assets	155	563	24	-	-208	138	-	672
Cash and cash equivalents	467	2,554	191	33	490	14	-	3,749
Total assets	**6,086**	**46,492**	**1,858**	**222**	**3,483**	**193**	**-2,929**	**55,405**
Equity attributable to holders of equity instruments	1,286	4,332	151	181	-512	37	-42	5,433
Non-controlling interests	-	10	-	-	-	-1	-10	-1
Total equity	**1,286**	**4,342**	**151**	**181**	**-512**	**36**	**-52**	**5,432**
Subordinated liabilities	15	-	-	-	497	-	-15	497
Liabilities arising from insurance contracts	4,579	28,796	-	-	-	-	-2,318	31,057
Liabilities arising from insurance contracts on behalf of policyholders	-	9,804	-	-	-	-	-	9,804
Employee benefits	-	-	-	1	3,160	-	-	3,161
Provisions	-	12	1	-	15	5	-	33
Borrowings	-	31	3	1	-	133	-129	39
Derivatives	5	398	-	-	-	-	-	403
Deferred tax liabilities	73	-245	5	5	176	-	-14	-
Due to customers	53	873	1,646	9	-	-	-397	2,184
Due to banks	2	2,251	1	-	-	-	-	2,254
Other liabilities	73	230	51	25	147	19	-4	541
Total liabilities	**4,800**	**42,150**	**1,707**	**41**	**3,995**	**157**	**-2,877**	**49,973**
Total equity and liabilities	**6,086**	**46,492**	**1,858**	**222**	**3,483**	**193**	**-2,929**	**55,405**

5.1.3 Segmented income statement and reconciliation to operating result

Segmented income statement

H1 2018	Non-life	Life	Banking and Asset Management	Distribution and Services	Holding and Other	Real Estate Development	Eliminations	Total
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	-46	-4	-	-	-	-	-	-50
Net insurance premiums	**1,456**	**881**	**-**	**-**	**-**	**-**	**-100**	**2,237**
Investment income	60	589	20	-	5	1	-	675
Realised gains and losses	14	119	-	-	2	-	-	135
Fair value gains and losses	13	34	-4	-	1	-	-3	41
Result on investments on behalf of policyholders	-	133	-	-	-	-	-	133
Fee and commission income	10	1	60	32	-	-	-43	60
Other income	-	14	-	7	3	44	-8	60
Share of profit/(loss) of associates and joint ventures	-	1	-	-	2	1	-	4
Total income	**97**	**891**	**76**	**39**	**13**	**46**	**-54**	**1,108**
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	-45	-25	-49	-2	26	-299
Restructuring provision expenses	-2	-1	-1	-	-15	-	-	-19
Commission expenses	-245	-8	-	-	-	-	15	-238
Impairments	-14	31	-	-	-	-	-	17
Interest expense	-2	-47	-9	-	-2	-2	-38	-100
Other expenses	-2	-9	-14	-1	-1	-41	11	-57
Total expenses	**-376**	**-127**	**-69**	**-26**	**-67**	**-45**	**14**	**-696**
Profit before tax	**77**	**440**	**7**	**13**	**-54**	**1**	**-3**	**481**
Income tax (expense)/gain	-16	-107	-2	-3	16	-	-	-112
Profit for the period	**61**	**333**	**5**	**10**	**-38**	**1**	**-3**	**369**
Attributable to:								
Result attributable to non-controlling interests	-	-	-	-	-	1	-	1
Profit attributable to holders of equity instruments	**61**	**333**	**5**	**10**	**-38**	**-**	**-3**	**368**

Operating result

H1 2018	Non-life	Life	Banking and Asset Management	Distribution and Services	Holding and Other	Real Estate Development	Eliminations	Total
Profit before tax	77	440	7	13	-54	1	-3	481
minus: investment related	13	97	-4	-	4	-	-	110
minus: incidentals	-2	3	-	1	-10	1	-4	-11
Operating result	**66**	**340**	**11**	**12**	**-48**	**-**	**1**	**382**

Segmented income statement

H1 2017	Non-life	Life	Banking and Asset Management	Distribution and Services	Holding and Other	Real Estate Development	Eliminations	Total
Gross written premiums	1,474	848	-	-	-	-	-89	2,233
Change in provision for unearned premiums	-175	-	-	-	-	-	-	-175
Gross insurance premiums	**1,299**	**848**	**-**	**-**	**-**	**-**	**-89**	**2,058**
Reinsurance premiums	-27	-3	-	-	-	-	-	-30
Net insurance premiums	**1,272**	**845**	**-**	**-**	**-**	**-**	**-89**	**2,028**
Investment income	56	558	19	-	6	-	11	650
Realised gains and losses	26	183	-	-	-	-1	-	208
Fair value gains and losses	7	35	3	-	-	-	-	45
Result on investments on behalf of policyholders	-	188	-	-	-	-	3	191
Fee and commission income	15	-	65	25	-	-	-43	62
Other income	2	18	-	7	-	31	-2	56
Share of profit/(loss) of associates and joint ventures	-	-	-	-	-	6	-	6
Total income	**106**	**982**	**87**	**32**	**6**	**36**	**-31**	**1,218**
Insurance claims and benefits	-974	-1,229	-	-	-	-	62	-2,141
Insurance claims and benefits recovered from reinsurers	19	2	-	-	-	-	-	21
Net insurance claims and benefits	**-955**	**-1,227**	**-**	**-**	**-**	**-**	**62**	**-2,120**
Operating expenses	-99	-91	-45	-21	-47	-2	22	-283
Restructuring provision expenses	-1	-2	-1	-	-	-	-	-4
Commission expenses	-199	-8	-	-	-	-	8	-199
Impairments	8	4	-	-	-3	-	-	9
Interest expense	-2	-45	-10	-	2	-1	-34	-90
Other expenses	-1	-46	-24	-1	4	-29	53	-44
Total expenses	**-294**	**-188**	**-80**	**-22**	**-44**	**-32**	**49**	**-611**
Profit before tax	**129**	**412**	**7**	**10**	**-38**	**4**	**-9**	**515**
Income tax (expense)/gain	-31	-97	-1	-2	12	-2	2	-119
Profit for the period	**98**	**315**	**6**	**8**	**-26**	**2**	**-7**	**396**
Attributable to:								
Result attributable to non-controlling interests	-	-	-	-	-	-1	-	-1
Profit attributable to holders of equity instruments	**98**	**315**	**6**	**8**	**-26**	**3**	**-7**	**397**

Operating result

H1 2017	Non-life	Life	Banking and Asset Management	Distribution and Services	Holding and Other	Real Estate Development	Eliminations	Total
Profit before tax	**129**	**412**	**7**	**10**	**-38**	**4**	**-9**	**515**
minus: investment related	23	85	3	-	-2	-	-	109
minus: incidentals	-	13	-1	-	17	4	-12	21
Operating result	**106**	**314**	**5**	**10**	**-53**	**-**	**3**	**385**

In 2017, various relatively small administrative differences of prior years have been resolved which led to a release of provisions in the Life insurance business of in total € 13 million. This amount is classified as an incidental as it does not reflect the underlying performance of the insurance portfolio.

5.1.4 Non-life ratios

Non-life segment combined ratio

	H1 2018	H1 2017
Claims ratio	73.6%	71.6%
Commission ratio	16.1%	14.5%
Expense ratio	7.4%	7.5%
Combined ratio	**97.1%**	**93.6%**
Disability	91.2%	91.9%
Health	98.4%	97.1%
Property & Casualty	100.0%	92.7%

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

Claims, commission and expenses

	H1 2018	H1 2017
Net insurance premiums	**1,456**	**1,272**
Net insurance claims and benefits	-1,100	-955
Adjustments:		
- Compensation capital gains (Disability)	-6	12
- Interest accrual on provisions (Disability)	32	31
- Prudence margin (Health)	2	1
Total corrections	**28**	**44**
Net Insurance claims and benefits (after adjustments)	**-1,072**	**-911**
Fee and commission income	10	15
Commission expenses	-245	-199
Commission	**-235**	**-184**
Operating expenses	-111	-99
Adjustments made for investment charges	3	4
Operating expenses (after adjustments)	**-108**	**-95**

5.2 Acquisitions

Acquisitions 2018

Generali Nederland

On 6 February 2018, ASR Nederland N.V. announced the completion of its acquisition of Generali Nederland N.V. (hereafter GNL) by acquiring all issued and outstanding shares for a total consideration of € 145 million paid in cash.

GNL is the group company of a number of entities, the main being Generali levensverzekering maatschappij N.V. (GNL life) and Generali schadeverzekering maatschappij N.V. (GNL non-life). GNL focuses on non-life and life insurance contracts in the Dutch market. Generali Nederland N.V. has been renamed to ASR Utrecht N.V. and was merged with a.s.r. during the first half year.

The acquisition of GNL further strengthens a.s.r.'s position on the Dutch insurance market and ties in with a.s.r.'s strategy of combining organic growth and growth through targeted acquisitions. Business synergies, diversification benefits and elimination of capital tiering restrictions generate significant synergy potential.

The closing for the transaction of Generali Nederland took place on 5 February 2018. 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. The full integration of GNL's activities into a.s.r. will take place in phases and is likely to be completed by 2020 at the latest.

GNL staff have moved to a.s.r. locations during Q2 2018 and as of 29 June 2018 GNL life and GNL non-life have been legally merged with ASR Levensverzekering N.V. and ASR Schadeverzekering N.V. respectively. The GNL products will be rebranded into a.s.r. or one of a.s.r.'s labels in due course.

In accordance with IFRS 3 business combinations, the final opening balance sheet will be drawn up within 12 months of the closing date. The balance sheet is based on fair value and uses the following techniques and assumptions:

- Financial assets and liabilities (including investments and loans and receivables) were remeasured to fair value at the closing date.
- Liabilities arising from insurance contracts were remeasured to fair value as defined in IFRS; this resulted in a significant increase predominately resulting from applying a different market consistent discount rate assumption and risk adjustment using a cost of capital approach at the closing date.
- The intangible assets recognised relate to client relationships for the property and casualty and income business. The valuation technique used to measure the fair value is based on the multi-period Excess Earnings Method (Meem) approach.

Given the recent closing, the initial accounting for GNL as at 5 February 2018 is ongoing and as such values (mainly the insurance liabilities) 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.

Provisional acquisition date fair values of the assets and liabilities acquired

	Acquired date Balance sheet based on fair value
Intangible assets	3
Property and equipment	9
Investment property	9
Associates and joint ventures at equity method	22
Investments	2,499
Investments on behalf of policyholders	713
Loans and receivables	418
Derivatives	8
Deferred tax assets	133
Reinsurance contracts	86
Other assets	55
Cash and cash equivalents	78
Total assets	**4,033**
Subordinated liabilities	15
Liabilities arising from insurance contracts	2,890
Liabilities arising from insurance contracts on behalf of policyholders	718
Employee benefits	191
Borrowings	2
Deferred tax liabilities	-
Due to customers	41
Other liabilities	63
Total liabilities	**3,920**
Net assets and liabilities	**113**
Less consideration paid (including deferred and contingent consideration)	145
Goodwill	**32**

The goodwill recognised of € 32 million is not tax deductible and relates to the expected synergies by sharing office space, IT systems and know-how for the life and non-life business. The goodwill is allocated to the cash generating units (CGUs) Life (€ 21 million) and Non-life (€ 11 million).

The a.s.r. Solvency II ratio decreased by 9%-points as a result of the acquisition.

Cash and cash equivalents related to the acquisition

	Acquired date
Consideration paid	145
Acquired cash and cash equivalents	78
Decrease in cash and cash equivalents at acquisition date	**67**

The condensed consolidated interim statement of comprehensive income of a.s.r. for the first half year includes € 229 million revenue and € 7 million profit after tax relating to GNL. The revenue and profit of the combined entity for the current period, as though the acquisition date for the business combination of GNL had been as of the beginning of 2018, would not materially differ from the amounts presented above. The acquisition-related costs recognised as expense amount to € 3 million.

Acquisitions 2017

VSP Risk
In April 2018 SuperGarant Verzekeringen B.V. established the final acquisition balance sheet of VSP Risk B.V. No differences with the provisional balance sheet were identified, therefore no retrospective adjustments were made.

First Investments
In December 2017 ASR Vermogensbeheer N.V. acquired 100% of the shares of First Investments B.V. a.s.r. will establish the final acquisition balance sheet and identify possible differences with the provisional balance no later than December 2018.

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, real estate equity funds and land and buildings for own use in accordance with the fair value hierarchy, is as follows:

Fair value of the investment property and land and buildings for own use

30 June 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
Retail	-	-	64	64
Residential	-	-	1	1
Rural	-	-	1,421	1,421
Offices	-	-	103	103
Development investment property	-	-	27	27
Other	-	-	53	53
Investment property	**-**	**-**	**1,669**	**1,669**
Land and buildings for own use	-	-	144	144
Total	**-**	**-**	**1,813**	**1,813**

Fair value of the investment property and land and buildings for own use

31 December 2017	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
Retail	-	-	67	67
Residential	-	-	1	1
Rural	-	-	1,350	1,350
Offices	-	-	109	109
Development investment property	-	-	17	17
Other	-	-	53	53
Investment property	**-**	**-**	**1,597**	**1,597**
Land and buildings for own use	-	-	147	147
Total	**-**	**-**	**1,744**	**1,744**

The table below discloses the sensitivities to non-observable market inputs for the property portfolio, including real estate equity funds.

Unobservable and observable inputs used in determination of fair value

30 June 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	Gross yield (%)	Change in yield	-5%	0%	5%
Investment property - Fair value model										
Retail	64	DCF	total	3,581,607	mean	5.6%	-5%	-	3	7
			max	1,948,300	max	16.3%	0%	-3	-	3
			min	4,882	min	2.7%	5%	-6	-3	-
Residential	1	DCF	total	70,698	mean	6.6%	-5%	-	-	-
			max	69,800	max	6.6%	0%	-	-	-
			min	2,240	min	6.6%	5%	-	-	-
Rural	1,421	DCF	total	31,623,773	mean	2.2%	-5%	-	75	150
			max	199,243	max	29.8%	0%	-71	-	71
			min	1,008	min	0.6%	5%	-135	-68	-
Offices	103	DCF	total	13,406,795	mean	11.6%	-5%	-	5	11
			max	6,668,810	max	18.9%	0%	-5	-	5
			min	181,278	min	4.6%	5%	-10	-5	-
Other	53	DCF	total	3,835,936	mean	10.3%	-5%	-	3	6
			max	2,604,321	max	13.2%	0%	-3	-	3
			min	7,927	min	7.5%	5%	-5	-3	-
Development investment property	27	n/a		n/a	n/a	n/a	n/a	n/a	n/a	n/a
Land and buildings for own use	144	DCF	total	9,086,254	mean	6.3%	-5%	-	7	15
			max	9,086,254	max	6.3%	0%	-7	-	7
			min	9,086,254	min	6.3%	5%	-13	-7	-
Total	**1,813**									

Unobservable and observable inputs used in determination of fair value

31 December 2017								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	Gross yield (%)	Change in yield	-5%	0%	5%
Investment property - Fair value model										
Retail	67	DCF	total	4,475,217	mean	6.6%	-5%	-	4	7
			max	1,948,300	max	28.7%	0%	-3	-	3
			min	8,339	min	2.0%	5%	-6	-3	-
Residential	1	DCF	total	82,024	mean	7.7%	-5%	-	-	-
			max	68,100	max	7.7%	0%	-	-	-
			min	35,145	min	7.7%	5%	-	-	-
Rural	1,350	DCF	total	31,176,151	mean	2.3%	-5%	-	71	142
			max	193,964	max	29.6%	0%	-67	-	67
			min	1,000	min	0.5%	5%	-129	-64	-
Offices	109	DCF	total	16,751,482	mean	11.7%	-5%	-	6	12
			max	7,249,717	max	13.7%	0%	-5	-	5
			min	2,947	min	9.6%	5%	-10	-5	-
Other	53	DCF	total	3,950,102	mean	10.7%	-5%	-	3	6
			max	2,522,266	max	13.1%	0%	-3	-	3
			min	7,838	min	8.7%	5%	-5	-3	-
Development investment property	17	n/a		n/a	n/a	n/a	n/a	n/a	n/a	n/a
Land and buildings for own use	147	DCF	total	8,956,234	mean	6.2%	-5%	-	8	15
			max	8,956,234	max	6.2%	0%	-7	-	7
			min	8,956,234	min	6.2%	5%	-14	-7	-
Total	**1,744**									

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

	2018	2017
At 1 January	1,597	3,057
Changes in value of investments, realised/unrealised gains and losses:		
- Fair value gains and losses	13	65
- Other	-	1
Purchases	79	105
Issues	-	1
Disposals	-37	-175
Transferred from property and equipment	7	-
Transferred between investments on behalf of policyholders and investment property	1	9
Transfer	-	-1,466
Changes in the composition of the group	9	-
At 30 June (31 December 2017)	**1,669**	**1,597**

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.

In 2017, due to further tranches in real estate equity funds which were sold by a.s.r. to institutional investors and transactions in fund participations in the context of the legal merger of ASR Nederland Vastgoed Maatschappij N.V. with ASR Levensverzekering N.V., we reassessed the classification of these funds. This has led to an adjustment in the classification of investment property to real estate equity funds, which are classified as investments at fair value through profit or loss.

6.2 Financial assets and derivatives

6.2.1 General

Financial assets and derivatives can be broken down as follows:

Finacial assets and derivatives

	30 June 2018	31 December 2017
Investments		
Available for sale	25,662	23,975
Investments at fair value through profit or loss	1,836	1,706
	27,498	**25,681**
Loans and receivables	12,823	12,174
Derivatives - assets	2,611	2,527
Derivatives - liabilities	-451	-403
Cash and cash equivalents	4,283	3,749
	19,266	**18,047**
Investments on behalf of policyholders		
At fair value through profit or loss	8,423	7,684
Total	**55,187**	**51,412**

In 2018, the financial assets and derivatives increased mainly due to the acquisition of GNL (see for more detail Chapter 5.2 Acquisitions). The increase in cash and cash equivalents is mainly due to the sale of investments available for sale.

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 2018	Level 1	Level 2	Level 3	Total fair value
Investments available for sale				
Investments				
Government bonds	11,862	1	-	11,863
Corporate bonds	9,758	835	8	10,601
Asset-backed securities	-	31	85	116
Equities	2,394	326	351	3,071
Other participating interests	4	-	-	4
Other investments	7	-	-	7
	24,025	**1,193**	**444**	**25,662**
Investments at fair value through profit or loss				
Investments				
Real estate equity funds	-	-	1,640	1,640
Mortgage equity funds	-	-	81	81
Equities	89	-	26	115
	89	**-**	**1,747**	**1,836**
Derivatives				
Exchange rate contracts	-	5	-	5
Interest rate contracts	-	2,588	-	2,588
Equity index contracts	15	-	-	15
Inflation linked swaps	-	3	-	3
Total assets	**15**	**2,596**	**-**	**2,611**
Exchange rate contracts	-	-12	-	-12
Interest rate contracts	-25	-414	-	-439
Total liabilities	**-25**	**-426**	**-**	**-451**
	-10	**2,170**	**-**	**2,160**
Investments on behalf of policyholders				
Government bonds	1,321	-	-	1,321
Corporate bonds	1,030	-	-	1,030
Derivatives	-	5	-	5
Listed equities	3,899	-	-	3,899
Equity funds	1,668	152	-	1,820
Real estate equity funds	-	-	101	101
Investment property	-	-	86	86
Cash and cash equivalents	279	-	-	279
Other investments	5	-123	-	-118
	8,202	**34**	**187**	**8,423**
Cash and cash equivalents	**4,283**	**-**	**-**	**4,283**
Total	**36,741**	**3,245**	**2,378**	**42,364**

Breakdown of financial assets and derivatives measured at fair value

31 December 2017	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				
Investments				
Government bonds	10,408	1	-	10,409
Corporate bonds	9,429	858	3	10,290
Asset-backed securities	20	18	116	154
Equities	2,656	199	248	3,103
Other participating interests	12	-	-	12
Other investments	7	-	-	7
	22,532	**1,076**	**367**	**23,975**
Investments at fair value through profit or loss				
Investments				
Real estate equity funds	-	-	1,585	1,585
Equities	92	-	29	121
	92	**-**	**1,614**	**1,706**
Derivatives				
Exchange rate contracts	-	14	-	14
Interest rate contracts	16	2,480	-	2,496
Equity index contracts	14	-	-	14
Inflation linked swaps	-	3	-	3
Total assets	**30**	**2,497**	**-**	**2,527**
Exchange rate contracts	-	-3	-	-3
Interest rate contracts	-	-400	-	-400
Total liabilities	**-**	**-403**	**-**	**-403**
	30	**2,094**	**-**	**2,124**
Investments on behalf of policyholders				
Government bonds	1,204	-	-	1,204
Corporate bonds	861	-	-	861
Derivatives	-	4	-	4
Listed equities	4,088	-	-	4,088
Equity funds	1,184	-	-	1,184
Real estate equity funds	-	-	99	99
Investment property	-	-	85	85
Other investments	110	49	-	159
	7,447	**53**	**184**	**7,684**
Cash and cash equivalents	**3,749**	**-**	**-**	**3,749**
Total	**33,850**	**3,223**	**2,165**	**39,238**

Reclassifications between categories during the first half year of 2018

2018	To level 1	To level 2	To level 3	Total
From:				
Level 1: Fair value based on quoted prices in active market	-	124	106	230
Level 2: Fair value based on observable market data	-	-	-	-
Level 3: Fair value based not based on observable market data	-	-	-	-

The movement from level 1 to level 2 concerns the adjustment of investments funds unlisted and asset backed securities due to lower liquidity of these funds. The movement of unlisted equity funds from level 1 to level 3 is the result of an analysis on the nature of these shares.

Reclassifications between categories during 2017

2017	To level 1	To level 2	To level 3	Total
From:				
Level 1: Fair value based on quoted prices in an active market	-	-	73	73
Level 2: Fair value based on observable market data	14	-	191	205
Level 3: Fair value based not based on observable market data	14	102	-	116

The adjustment of asset backed securities and various preference shares to level 3 is mainly the result of a reassessment of the nature of the valuation technique of the external sources, including the assessment of an active market.

The adjustment of the unlisted real estate funds to level 3 is mainly the result of a decision to base the level classification on the valuation technique of the underlying investment since that primarily drives the value of the fund.

Debt funds are adjusted from level 3 to level 2 based on a reassessment of the impact of the observable and non-observable market assumptions used in determining the fair values of the underlying instrument.

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 categorised within level 3

	Financial assets at fair value through profit or loss		Investments available for sale	
	2018	2017	2018	2017
At 1 January	1,798	255	367	143
Changes in value of investments, realised/unrealised gains and losses:				
- Fair value gains and losses	56	127	-	-
- Realised gains and losses	-	-	6	8
- Recognised in Other comprehensive income (unrealised gains and losses)	-	-	-24	-2
Purchases	87	172	14	83
Repayments	-	-	-36	-32
Sales	-6	-163	-16	-20
Amortisation	-	-	-	2
Impairments	-	-	29	24
Reclassification of investments from/to Level 3 valuation technique	-	-12	106	161
Transfer between investments on behalf of policyholders and investment property	-1	-9	-	-
Transfer of real estate equity funds from investment property	-	1,432	-	-
Other	-	-4	-2	-
At 30 June (31 December 2017)	**1,934**	**1,798**	**444**	**367**
Total revaluations of investments, held at year-end, recognised in the income statement	**57**	**125**		

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 if the impairment criteria are met. For investments at fair value through profit or loss the result will be recognised in the income statement.

The transfer of real estate equity funds consists of the ASR Dutch Prime Retail Fund, ASR Dutch Core Residential Fund and ASR Dutch Mobility Office Fund, where a.s.r. has significant influence. For these real estate equity funds, the exemption of IAS 28 is used, thereby measuring the investments at fair value through profit or loss and present them as a separate category within the investments at fair value through profit or loss.

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 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	Gross yield (%)	Change in yield	-5%	0%	5%
Investments at fair value throught profit or loss										
							-5%	-	86	173
Real estate equity funds	1,640	NAV[6]		85,562,730		5.2%	0%	-82	-	82
							5%	-156	-78	-
Investments on behalf of policyholders										
Investment property	86	DCF	total	5,681,555	mean	6.6%	-5%	-	5	9
			max	1,910,358	max	14.9%	0%	-4	-	4
			min	112,871	min	2.7%	5%	-8	-4	-
							-5%	-	5	11
Real estate equity funds	101	DCF		6,106,365		6%	0%	-5	-	5
							5%	-10	-5	-
Total	**1,827**									

Unoberservable and observable inputs used in determination of fair value

31 December 2017								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	Gross yield (%)	Change in yield	-5%	0%	5%
Investments at fair value throught profit or loss										
							-5%	-	83	167
Real estate equity funds	1,585	NAV[6]		80,707,002		5.1%	0%	-79	-	79
							5%	-151	-75	-
Investments on behalf of policyholders										
Investment property	85	DCF	total	8,372,483	mean	9.8%	-5%	-	4	9
			max	2,970,712	max	28.7%	0%	-4	-	4
			min	188,799	min	3.7%	5%	-8	-4	-
							-5%	-	5	10
Real estate equity funds	99	DCF		5,882,793		6%	0%	-5	-	5
							5%	-9	-5	-
Total	**1,769**									

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

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 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	286	8,873	9,161	8,418
Due from banks	382	4,377	-	4,759	3,553
Trade and other receivables	-	852	-	852	852
Total financial assets	**384**	**5,515**	**8,873**	**14,772**	**12,823**
Financial liabilities					
Subordinated liabilities	555	-	-	555	497
Borrowings	-	41	-	41	42
Due to customers	1,774	568	-	2,342	2,316
Due to banks	2,350	30	-	2,380	2,380
Other liabilities	449	157	-	606	606
Total financial liabilities	**5,128**	**796**	**-**	**5,924**	**5,841**

Breakdown of financial assets and liabilities not measured at fair value

31 December 2017	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	285	8,557	8,844	8,059
Due from credit institutions	184	4,557	-	4,741	3,425
Trade and other receivables	-	690	-	690	690
Total financial assets	**186**	**5,532**	**8,557**	**14,275**	**12,174**
Financial liabilities					
Subordinated liabilities	609	-	-	609	497
Borrowings	-	39	-	39	39
Due to customers	1,675	538	-	2,213	2,184
Due to banks	2,254	-	-	2,254	2,254
Other liabilities	79	462	-	541	541
Total financial liabilities	**4,617**	**1,039**	**-**	**5,656**	**5,515**

Due from credit institutions Level 2 category concerns primarily savings held related to mortgage loans amounting to a fair value of € 4,012 million (2017: € 4,042 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 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 2018	31 December 2017	30 June 2018	31 December 2017
Provision for unearned premiums	584	302	35	3
Provision for claims (including IBNR)	4,641	4,277	388	363
Non-life insurance contracts	**5,225**	**4,579**	**423**	**366**
Life insurance contracts	**28,745**	**26,478**	**180**	**180**
Total liabilities arising from insurance contracts	**33,970**	**31,057**	**603**	**546**

Changes in liabilities arising from non-life insurance contracts	Gross		Of which reinsurance	
	2018	2017	2018	2017
Provision for unearned premiums				
At 1 January	302	345	3	3
Changes in provision for unearned premiums	215	-43	1	-
Changes in the composition of the group	67	-	31	-
Provision for unearned premiums at 30 June 2018 (31 December 2017)	**584**	**302**	**35**	**3**
Provision for claims (including IBNR)				
At 1 January	4,277	4,266	363	439
Benefits paid	-1,049	-1,903	-28	-104
Changes in provision for claims	1,103	1,973	3	28
Changes in shadow accounting through equity	-8	-59	-	-
Changes in shadow accounting through profit or loss	5	-	-	-
Changes in the composition of the group	313	-	50	-
Provision for claims (including IBNR) at 30 June 2018 (31 December 2017)	**4,641**	**4,277**	**388**	**363**
Non life insure contracts 30 June 2018 (31 December 2017)	**5,225**	**4,579**	**423**	**366**

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	
	2018	2017	2018	2017
At 1 January	26,494	27,898	183	197
Premiums received	452	802	-	-
Regular interest added	339	665	2	4
Realised gains and losses	47	63	-	-
Amortisation of realised gains	-165	-337	-	-
Benefits	-770	-1,580	-	-
Technical result	-51	-210	-4	-6
Release of cost recovery	-75	-139	-	-
Changes in shadow accounting through equity	-45	-384	-	-
Changes in shadow accounting through income	31	-445	-	-
Other changes	-4	161	-2	-11
Changes in the composition of the group	2,510	-	4	-
At 30 June (31 December 2017)	**28,763**	**26,494**	**183**	**183**
Interest margin participation to be written down				
At 1 January	-27	-35	-3	-3
Write-down recognised in profit or loss	5	10	-	-
Other changes	-1	-2	-	-
At 30 June (31 December 2017)	**-23**	**-27**	**-3**	**-3**
Provision for discretionary profit sharing, bonusses and discounts				
At 1 January	11	10	-	-
Profit-sharing, bonuses and discounts granted in the financial year	-6	1	-	-
At 30 June (31 December 2017)	**5**	**11**	**-**	**-**
Total life insurance contracts at 30 June 2018 (31 December 2017)	**28,745**	**26,478**	**180**	**180**

In 2018, the changes in the composition of the group are a result of the acquisition of GNL by a.s.r. See for more detail Chapter 5.2 Acquisitions.

In 2017, the other changes mainly concern the reassessment of policy data prior to an IT conversion that led to an adjustment of € 152 million from insurance contracts on behalf of policyholders to insurance contracts.

The insurance liabilities are deemed to be adequate following the performance of the Liability Adequacy Test (LAT) taking into account the UFR of 4.05% applicable for 2018. 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 4.20% in 2017 to 4.05% in 2018 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.

6.4 Employee benefits

The employee benefits increased by € 215 million to € 3,376 million (31 December 2017 € 3,161 million) primarily through the acquisition of GNL by € 191 million. In addition, the regular recurring remeasurements of the post-employment benefit obligation resulted in an increase of € 13 million, which is included in the actuarial gains and losses. The remeasurements are primarily due to the decrease in the discount rate from 1.89% at 31 December 2017 to 1.87% at 30 June 2018.

In 2018, the discount rate methodology changed. a.s.r. developed an internal curve for high quality corporate bonds for determination of the discount rate. The discount rate is based on the return (zero coupon rate) of high-quality corporate bonds (AA rating) and the cash flow pattern of the pension obligation. All other methods used for determining the post-employment benefit defined obligation and assumptions are consistent with those applied in 2017.

6.5 Contingent liabilities

Dutch insurers see an increase in 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 2017 consolidated financial statements in chapter 5.7.5.

6.6 Events after the balance sheet date

As disclosed in the 2017 financial statements, as from 2018, a.s.r. intends to pay an interim dividend. Therefore, a.s.r. will pay an interim cash dividend of € 0.65 per ordinary share for 2018 amounting to € 92 million.

7 Review report

To: the shareholders and the 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 2018, the consolidated interim income statement, the consolidated interim statements of comprehensive income, changes in equity, and cash flowsfor the six-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 interimfinancial information for the six-month period ended 30 June 2018 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting', as adopted by the European Union.

Amsterdam, 28 August 2018

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 2017 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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Publication

Concept and design
Cascade - visuele communicatie bv, Amsterdam

Photography
Raphaël Drent Fotoburo

Text
ASR Nederland N.V.

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