NN Group N.V.
30 June 2020
Condensed consolidated interim financial information

Condensed consolidated interim financial information contents

Interim report

Overview

NN Group N.V.

Profile, values, strategy

Founded in 1845, NN Group N.V. ('NN Group') is a financial services company, active in 18 countries, with a strong presence in a number of European countries and Japan. Over the past 175 years, NN Group has been dedicated to meeting and exceeding customers' expectations. The purpose of NN Group is to help people care for what matters most to them. Through its products and services, NN Group wants to create value for its customers and other stakeholders. With all its employees, NN Group provides retirement services, pensions, insurance, investments and banking to approximately 18 million customers.

NN Group is committed to do business in a way that is consistent with its values: care, clear, commit. NN Group is committed to resilient and growing long-term capital generation and cash flows for shareholders. NN Group has a clear ambition to achieve sustainable value creation for all stakeholders through disciplined capital deployment whilst remaining resilient during volatile financial markets.

More information about NN Group's business model, values and performance is available on www.nn-group.com and in the NN Group Annual Report.

COVID-19 pandemic

Since early 2020, the spread of the coronavirus (the COVID-19 pandemic) is causing significant disruption to society and the world-wide economy, impacting NN Group, its employees, its customers and its suppliers. Financial markets have been severely impacted by significant decreases in interest rates, equity prices and spread widening and the world-wide economy has been significantly impacted as well. Governments and central banks worldwide are responding to this crisis with aid packages and further supporting measures. At the date of this report, the depth and length of this crisis is unknown. NN Group is constantly monitoring the developments and the (potential) impact on NN Group. The most significant risks that NN Group is facing in this context are related to the financial markets (including interest rates, equity prices and spreads), insurance risk (including mortality and policyholder behaviour) and operational risk (continuity of business processes). The notes to the 2019 annual accounts include extensive disclosure on the exposure to such risks and the risk management thereof; these disclosures remain valid.

The COVID-19 pandemic, and the related impact on the financial markets, impacted the results of NN Group in the first half of 2020 mainly in the following areas:

- Increased amount of impairments on investments in equity securities, reflected in Investment income - Impairments of available-for-sale equity securities.
- Negative revaluations on real estate and private equity investments, reflected in Investment income - Change in fair value of real estate investments and Share of result from associates and joint ventures.
- Additional uncertainties in the determination of the fair value of illiquid assets, including real estate investments and private equity investments. NN Group uses quarterly appraisals by external valuers as main input for the determination of fair value of its real estate investments. Uncertainties in the current environment have led to the inclusion of 'material valuation uncertainty' clauses in external valuation reports. Such clauses do not imply that the valuation cannot be relied upon, but are used to indicate that – in the current extraordinary circumstances – less certainty can be attached to valuations than would otherwise be the case.

In the first half of 2020, there were no significant impairments of other assets (including debt securities, loans and intangible assets). Furthermore, there was no significant impact from the COVID-19 pandemic on the technical provisions for insurance contracts.

At the date of this report, it is too early to determine the structural impact of the COVID-19 pandemic on results, capitalisation and longer term assumptions, if any. Also the amount and profitability of new sales may be impacted but, at the date of this report, it is too early to assess any (potential) structural impact.

NN Group has established a business continuity plan to help ensure the continuity of its businesses, the well-being of its staff and its capability to support its customers, whilst maintaining financial and operations resilience.

Acquisition of VIVAT Non-life

In April 2020 NN Group completed the acquisition of VIVAT Schadeverzekeringen N.V. ('VIVAT Non-life'). NN Group announced in June 2019 that it had acquired VIVAT Non-life for a consideration of EUR 416 million. VIVAT Non-life was acquired from Athora Holding Ltd. ('Athora'), following the acquisition of the VIVAT Group (VIVAT) by Athora. In addition, NN Group acquired the intercompany Tier 2 loans granted by VIVAT to VIVAT Non-life for a consideration of EUR 150 million plus accrued interest. The approvals for the acquisition were received in the first quarter of 2020. The transaction closed on 1 April 2020. As a result, VIVAT Non-life is included in the consolidation in the reporting for the first half of 2020 as of 1 April 2020.

Longevity transactions

In May 2020, NN Group announced that it had completed three transactions to transfer the full longevity risk associated with in total approximately EUR 13.5 billion of pension liabilities in the Netherlands. This will reduce NN Group's exposure to longevity risk, and consequently reduce the required capital and further strengthen NN Group's capital position. These transactions cover the risks associated with the policies of over 200,000 pensioners and dependants. The longevity reinsurance agreements have no impact on the services and guarantees that NN Group provides to its policyholders.

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The transactions have been entered into with reinsurance companies Canada Life, Munich Re and Swiss Re. The risk transfer is effective as of 1 January 2020, and the reinsurance agreements will continue until the portfolio has run off.

2019 Final dividend and the 2020 share buyback programme

On 6 April 2020 NN Group announced that it would act in accordance with the recommendations of EIOPA and the Dutch Central Bank (DNB) published on 2 April 2020, which urged insurers to temporarily suspend their dividend distributions and share buyback programmes as a consequence of the COVID-19 pandemic.

Although NN Group is well capitalised and has a strong liquidity position, it decided to postpone the payment of dividends on its ordinary shares in line with the EIOPA and DNB recommendations. The proposal to pay a 2019 final dividend that was included in the 2019 Annual Accounts was not included in the agenda of the annual general meeting of 28 May 2020. In addition, the EUR 250 million share buyback programme, which commenced on 2 March 2020, was suspended. Up to and including 3 April 2020, shares for a total amount of EUR 183 million had been repurchased under this programme.

The proposed 2019 final dividend was already deducted from Solvency II Own Funds as at 31 December 2019 and reflected in the 2019 solvency ratio as disclosed in the 2019 Annual Report. Following the decision not to propose a 2019 final dividend, there was no deduction in the final 2019 Solvency ratio that was filed with the regulator. As a result, the final Solvency ratio at 31 December 2019 was 224% (compared with 218% as disclosed in the 2019 Annual Report). There was no impact on shareholders' equity under IFRS.

The suspension of the share buyback programme did not impact the Solvency ratio at 31 December 2019. The shares that were bought under the programme until 3 April 2020 are deducted from shareholders' equity and own funds in the first half of 2020.

Reference is made to Note 9 'Equity' for the 2020 interim dividend and to Note 20 'Subsequent events' for the re-start of the share buyback programme.

Changes to the Supervisory Board

Robert Ruijter stepped down from the Supervisory Board as at 12 April 2020.

Dick Harryvan stepped down from the Supervisory Board as at 28 May 2020. Following his resignation, Hélène Vletter-van Dort was appointed as new vice-chair.

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Analysis of results

NN Group N.V.

Analysis of results

amounts in millions of euros	1 January to 30 June 2020	1 January to 30 June 2019
Netherlands Life	494	524
Netherlands Non-life	111	84
Insurance Europe	133	140
Japan Life	138	118
Asset Management	74	76
Banking	80	60
Other	-104	-88
Operating result	**926**	**914**
Non-operating items:	57	593
– of which gains/losses and impairments	168	94
– of which revaluations	167	573
– of which market and other impacts	-278	-75
Special items	-123	-108
Acquisition intangibles and goodwill	-13	17
Result on divestments		8
Result before tax	**846**	**1,424**
Taxation	250	296
Minority interests	9	10
Net result	**587**	**1,118**

Key figures

amounts in millions of euros	1 January to 30 June 2020	1 January to 30 June 2019
New sales life insurance (APE)	620	1,188
Value of new business	122	236
Total administrative expenses	1,043	1,030
Operating capital generation[1]	543	697

	30 June 2020	31 December 2019
Solvency II ratio[2]	221%	224%

1 NN Group analyses the change in the excess of Solvency II Own Funds over the Solvency Capital Requirement ('SCR') in the following components: Operating Capital Generation, Market variance, Capital flows and Other. Operating Capital Generation is the movement in the Solvency II surplus (Own Funds before eligibility over SCR at 100%) in the period due to operating items, including the impact of new business, expected investment returns in excess of the unwind of liabilities, release of the risk margin, operating variances, non-life underwriting result, contribution of non-Solvency II entities and holding expenses and debt costs and the change in the SCR. It excludes economic variances, economic assumption changes and non-operating expenses.

2 The solvency ratio is not final until filed with the regulators. The Solvency II ratio for NN Group is based on the partial internal model. The year-end 2019 NN Group Solvency II ratio was restated to reverse the deduction of the proposed 2019 final dividend following the decision to suspend dividend payments in light of the recommendations of EIOPA and the Dutch Central Bank (DNB).

Note: For definitions and explanations of the Alternative Performance Measures reference is made to the Note 15 'Segments' in section 'Alternative Performance measures (Non-GAAP measures)'.

Operating result

NN Group's operating result increased to EUR 926 million from EUR 914 million in the first half of 2019, which benefited from EUR 67 million of private equity and special dividends, while the first half of 2020 includes EUR 16 million of private equity dividends and non-recurring benefits.

The impact of COVID-19 on the operating result for the first half of 2020 was around EUR 30 million, mainly in the segments Japan Life, Asset Management, Other, Insurance Europe and Banking. The restrictions in place to halt the spread of the virus have also led to lower new sales in Europe and Japan in the current period. The lower new business volumes will impact results going forward.

The administrative expenses of the business units in the scope of the cost reduction target decreased by EUR 21 million in the first half of 2020, bringing the administrative expense base down to EUR 1,589 million on a last 12-months basis. Total cost reductions achieved to date amount to EUR 381 million compared with the full-year 2016 administrative expense base of EUR 1,970 million.

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The operating result of Netherlands Life was EUR 494 million compared with EUR 524 million in the first half of 2019, reflecting a lower investment margin as the first half of 2019 benefited from EUR 67 million of private equity and special dividends, while the first half of 2020 mainly reflects a higher technical margin and lower administrative expenses.

The operating result of Netherlands Non-life increased to EUR 111 million from EUR 84 million in the first half of 2019, reflecting the inclusion of the results of VIVAT Non-life of EUR 20 million as from 1 April 2020, as well as higher underwriting results in Property & Casualty, partly offset by lower underwriting results in Disability & Accident.

The operating result of Insurance Europe decreased to EUR 133 million from EUR 140 million in the first half of 2019, which included a non-recurring benefit of EUR 6 million. Excluding this item, the operating result was broadly stable in the first half of 2020 reflecting a negative impact from COVID-19 of EUR 4 million, offset by higher life protection fees and higher pension fees in Romania.

The operating result of Japan Life was EUR 138 million, up 12.1% from the first half of 2019, excluding currency effects, reflecting improved persistency partly offset by a negative impact of COVID-19 of EUR 9 million.

The operating result of Asset Management was broadly stable at EUR 74 million in the first half of 2020. The impact of COVID-19 was EUR -8 million due to the volatile markets which put pressure on fee income.

The operating result of Banking increased to EUR 80 million from EUR 60 million in the first half of 2019, mainly driven by a higher interest result and higher investment and other income, which includes a EUR 7 million non-recurring benefit. The COVID-19 impact in the first half of 2020 was EUR -4 million reflecting higher operating expenses for acceptance processes and arrears management as well as higher additions to loan loss provisions.

The operating result of the segment Other was EUR -104 million versus EUR -88 million in the first half of 2019, mainly reflecting a lower operating result of the reinsurance business, partly offset by a higher holding result. The impact of COVID-19 was EUR -5 million for the first half of the year, related to the reinsurance business.

Result before tax

The result before tax decreased to EUR 846 million from EUR 1,424 million in the first half of 2019, primarily due to lower non-operating items mainly reflecting the volatile markets as a result of COVID-19.

Gains/losses and impairments were EUR 168 million compared with EUR 94 million in the first half of 2019, mainly reflecting higher capital gains on the sale of debt securities and public equities, partly offset by higher impairments on equities.

Revaluations amounted to EUR 167 million versus EUR 573 million in the first half of 2019. The first half of 2020 includes EUR 223 million positive revaluations of derivatives used for hedging purposes mainly reflecting accounting asymmetries, partly offset by negative revaluations on real estate.

Market and other impacts amounted to EUR -278 million compared with EUR -75 million in the first half of 2019. The first half of 2020 reflects movements in the provision for guarantees on unit-linked, separate account pension contracts and inflation-linked liabilities (all net of hedging) at Netherlands Life.

Special items amounted to EUR -123 million compared with EUR -108 million in the first half of 2019, mainly reflecting restructuring expenses incurred in respect of the cost reduction target as well as expenses related to the VIVAT Non-life acquisition.

Acquisition intangibles and goodwill amounted to EUR -13 million versus EUR 17 million in the first half of 2019, which included the negative goodwill recognised on the acquisition of the Czech and Slovak businesses.

Net result

The net result in the first half of 2020 decreased to EUR 587 million from EUR 1,118 million in the first half of 2019. The effective tax rate in the first half of 2020 was 29.5%, reflecting a relatively high tax charge on the investment income, amongst others due to impairments and negative revaluations on tax-exempt investments.

Sales and Value of New Business

Total new sales (APE) were EUR 620 million, down 48.6% from the first half of 2019 on a constant currency basis. New sales at Netherlands Life were EUR 178 million compared with EUR 328 million in the first half of 2019. As from 2020, new sales related to defined contribution (DC) accumulation contracts are no longer reported as insurance new sales but are reported as part of the DC assets under management. At Japan Life, new sales were down 77.1% from the first half of 2019, excluding currency effects, reflecting strong sales in the first quarter of 2019 ahead of the implementation of the revised tax regulations of COLI products, as well as COVID-19 restrictions. New sales at Insurance Europe were down 6.1% on a constant currency basis, mainly due to lower life and pension sales across the region as a result of COVID-19 restrictions.

Value of new business was EUR 122 million, down from EUR 236 million in the first half of 2019 due to strong sales in Japan in the first quarter of 2019 ahead of the implementation of the revised tax regulations of COLI products, as well as lower sales in Japan and Insurance Europe in the first half of 2020.

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Capital management

Solvency II

	30 June 2020	31 December 2019
Basic Own Funds	19,510	19,491
Non-available Own Funds	1,123	1,252
Eligible Own Funds to cover Solvency Capital Requirements (a)	**18,388**	**18,240**
– of which Tier 1 unrestricted	12,235	11,836
– of which Tier 1 restricted	1,938	1,922
– of which Tier 2	2,470	2,474
– of which Tier 3	500	703
– of which non-Solvency II regulated entities	1,244	1,305
Solvency Capital Requirements (b)	**8,338**	**8,154**
– of which Solvency Capital Requirements calculated on the basis of consolidated data	7,852	7,612
– of which the capital requirements for investment firms, pension funds and credit institutions	188	249
– of which the capital requirements for undertakings included under the D&A method	298	294
NN Group Solvency II ratio (a/b)[1]	**221%**	**224%**

1 The solvency ratio is not final until filed with the regulators. The Solvency II ratio for NN Group is based on the partial internal model. The year-end 2019 NN Group Solvency II ratio was restated to reverse the deduction of the proposed 2019 final dividend following the decision to suspend dividend payments in light of the recommendations of EIOPA and the Dutch Central Bank (DNB).

The NN Group Solvency II ratio decreased to 221% from 224% at the end of 2019, mainly reflecting the proposed 2020 interim dividend and the EUR 183 million share buybacks executed in the first half of 2020, the acquisition of VIVAT Non-life, the impact of the UFR reduction from 3.90% to 3.75% and unfavourable market impacts. These items were partly offset by the positive impact of the longevity transactions executed by NN Life in May 2020 and operating capital generation. Market impacts mainly reflect movements in credit spreads and negative equity revaluations.

On 11 July 2020, the Dutch Central Bank (DNB) published new regulations in which the required approach to calculating the Solvency II ratio was revised. As from 31 December 2020, NN Group will be required to include NN Bank in the calculation of its Solvency II ratio. The pro forma NN Group Solvency II ratio including NN Bank is 211% as at 30 June 2020.

Operating capital generation

	1 January to 30 June 2020	1 January to 30 June 2019
Investment return	569	509
Life - UFR drag	–421	–243
Life - Risk margin release	215	206
Life - Experience variance	37	–4
Life - New business	53	108
Non-life underwriting	43	22
Non-Solvency II entities (Asset Management, Japan Life, Bank, Other[1])	152	220
Holding expenses and debt costs	–141	–133
Change in SCR	35	12
Operating capital generation	**543**	**697**

1 Other comprises Europe pension funds as well as broker and services companies; dividends from Banking.

Operating capital generation per segment

	1 January to 30 June 2020	1 January to 30 June 2019
Netherlands Life	376	441
Netherlands Non-life	61	49
Insurance Europe	119	130
Japan Life	70	70
Asset Management	50	62
Banking	0	56
Other	–133	-111
Operating capital generation	**543**	**697**

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NN Group's operating capital generation decreased to EUR 543 million from EUR 697 million in the first half of 2019. The decrease reflects the negative impact of lower interest rates, the suspension of dividend payments from NN Bank and a lower new business contribution in Insurance Europe as a result of COVID-19 restrictions. This was partly offset by a higher investment return mainly in Netherlands Life reflecting the shift to higher-yielding assets and the inclusion of the results of VIVAT Non-life as from 1 April 2020 in the Netherlands Non-life business.

Cash capital position at the holding company

	30 June 2020	31 December 2019
Cash capital position — opening balance	1,989	2,005
Cash divestment proceeds		4
Remittances from subsidiaries[1]	718	1,459
Capital injections into subsidiaries[2]	-52	-76
Other[3]	-209	-200
Free cash flow to the holding[4]	**458**	**1,187**
Acquisitions	-572	-117
Capital flow from/ (to) shareholders	-260	-1,085
Increase/ (decrease) in debt and loans	-300	
Cash capital position — closing balance	**1,315**	**1,989**

1 Includes interest on subordinated loans provided to subsidiaries by the holding company.
2 Includes the change of subordinated loans provided to subsidiaries by the holding company.
3 Includes interest on subordinated loans and debt, holding company expenses and other cash flows.
4 Free cash flow to the holding company is defined as the change in cash capital position of the holding company over the period, excluding acquisitions, capital transactions with shareholders and debtholders.

The cash capital position at the holding company decreased to EUR 1,315 million from EUR 1,989 million at the end of 2019. The decrease mainly reflects the EUR 572 million consideration paid for the acquisition of VIVAT Non-life, the redemption of EUR 300 million senior debt and the repurchase of EUR 260 million of own shares, partly offset by EUR 718 million of remittances from subsidiaries. The line 'Other' includes holding company expenses, interest on loans and debt, and other holding company cash flows for a negative amount of EUR 209 million.

Financial leverage

	30 June 2020	31 December 2019
Shareholders' equity	35,117	30,768
Adjustment for revaluation reserves[1]	-17,519	-13,397
Minority interests	256	260
Capital base for financial leverage (a)	**17,854**	**17,632**
– Undated subordinated notes[2]	1,764	1,764
– Subordinated debt	2,396	2,409
Total subordinated debt	**4,159**	**4,172**
Debt securities issued	1,693	1,992
Financial leverage (b)	**5,852**	**6,164**
Financial leverage ratio (b/(a+b))	24.7%	25.9%
Fixed-cost coverage ratio[2,3]	11.1x	12.0x

1 Includes revaluations on debt securities, on the cash flow hedge reserve and on the reserves crediting to life policyholders.
2 The undated subordinated notes classified as equity are considered financial leverage in the calculation of the financial leverage ratio. The related interest is included on an accrual basis in the calculation of the fixed-cost coverage ratio.
3 Measures the ability of Earnings Before Interest and Tax (EBIT) to cover funding costs on financial leverage; calculated on a last 12-months basis.

The financial leverage ratio of NN Group improved to 24.7% compared with 25.9% at the end of 2019, driven by the redemption of EUR 300 million senior debt.

The fixed-cost coverage ratio decreased to 11.1x compared with 12.0x at the end of 2019 (on a last 12-months basis).

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Credit ratings

	Financial Strength Rating	NN Group N.V. Counterparty Credit Rating
Standard & Poor's	A	BBB+
	Stable	Stable
Fitch	A+	A
	Stable	Stable

On 27 May 2020, Standard & Poor's published a report affirming NN Group's 'A' financial strength rating and 'BBB+' credit rating with a stable outlook.

On 29 April 2020, Fitch Ratings published a report affirming NN Group's 'A+' financial strength rating and 'A' credit rating with a stable outlook.

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Segments

Netherlands Life

Analysis of results

amounts in millions of euros	1 January to 30 June 2020	1 January to 30 June 2019
Investment margin	433	482
Fees and premium-based revenues	201	209
Technical margin	98	81
Operating income	**731**	**772**
Administrative expenses	221	230
DAC amortisation and trail commissions	17	17
Total expenses	**237**	**248**
Operating result	**494**	**524**
Non-operating items:	149	564
– of which gains/losses and impairments	211	15
– of which revaluations	212	614
– of which market and other impacts	-274	-64
Special items	-32	-20
Result on divestments		5
Result before tax	**612**	**1,073**
Taxation	192	224
Minority interests	7	5
Net result	**413**	**844**

Key figures

amounts in millions of euros	1 January to 30 June 2020	1 January to 30 June 2019
New sales life insurance (APE)	178	328
Value of new business	9	1
Total administrative expenses	221	230
Operating capital generation	376	441

	30 June 2020	31 December 2019
NN Life Solvency II ratio[1]	226%	213%

1 The solvency ratio is not final until filed with the regulators. The Solvency II ratio for NN Life is based on the partial internal model.

Operating capital generation of Netherlands Life was EUR 376 million in the first half of 2020, compared with EUR 441 million in the first half of 2019. The decrease was mainly due to the net negative impact of the UFR drag and risk margin release as a result of lower interest rates as well as the negative impact of the longevity reinsurance transactions, partly offset by a higher investment return reflecting the shift to higher-yielding assets.

The operating result was EUR 494 million compared with EUR 524 million in the first half of 2019, reflecting a lower investment margin as the first half of 2019 benefited from EUR 67 million of private equity and special dividends, while the current half-year mainly reflects a higher technical margin and lower administrative expenses.

The investment margin decreased to EUR 433 million compared with EUR 482 million in the first half of 2019 which benefited from private equity and special dividends for a total amount of EUR 67 million whereas the current half-year included a EUR 9 million private equity dividend. Lower dividends as a result of COVID-19 were largely compensated by higher income from other asset classes driven by the shift to higher-yielding assets.

Fees and premium-based revenues decreased to EUR 201 million from EUR 209 million in the first half of 2019, due to the run-off of the individual life closed book as well as lower margins in the pension business.

The technical margin increased to EUR 98 million from EUR 81 million in the first half of 2019. The current half-year reflects higher longevity results as well as higher morbidity results, partly offset by the reinsurance premiums related to the longevity transactions completed in May 2020.

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Administrative expenses decreased to EUR 221 million from EUR 230 million in the first half of 2019 mainly driven by lower staff expenses.

DAC amortisation and trail commissions were in line with the first half of 2019 at EUR 17 million.

The result before tax decreased to EUR 612 million from EUR 1,073 million in the first half of 2019 due to lower non-operating items, mainly reflecting the volatile markets as a result of COVID-19 and the lower operating result.

Gains/losses and impairments increased to EUR 211 million in the first half of 2020 from EUR 15 million in the same period last year. The current half-year mainly reflects capital gains on the sale of government bonds and public equities, partly offset by impairments on equities.

Revaluations decreased to EUR 212 million compared with EUR 614 million in the first half of 2019. The current half-year reflects positive revaluations on derivatives used for hedging purposes reflecting accounting asymmetries, partly offset by negative revaluations on real estate.

Market and other impacts were EUR -274 million versus EUR -64 million in the first half of 2019, mainly reflecting movements in the provisions for guarantees on unit-linked, separate account pension contracts and inflation-linked liabilities (all net of hedging).

New sales (APE) were EUR 178 million compared with EUR 328 million in the first half of 2019. As from 2020, new sales related to defined contribution (DC) accumulation contracts are no longer reported as insurance new sales but are reported as part of the DC assets under management. On a comparable basis, based on the new definition, new sales (APE) were down by 8% compared to the first half of 2019.

The value of new business was EUR 9 million in the first half of 2020 compared with EUR 1 million in the same period last year.

Unit-linked products in the Netherlands

On 31 March 2020, the Court of Appeal in The Hague decided in the collective action initiated by Woekerpolis.nl against NN to refer preliminary questions to the Dutch Supreme Court to obtain clarity on various principal points of law related to unit-linked products. On 29 July 2020, the District Court in Rotterdam rejected all claims of Consumentenbond and ruled that NN has provided sufficient information on the effect of costs and premiums. These rulings do not change earlier statements and conclusions disclosed by NN Group in relation to unit-linked products. NN continues to reach out to customers to encourage them to carefully assess their unit-linked products in order to find an appropriate solution on an individual basis, where needed.

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Netherlands Non-life

Analysis of results

amounts in millions of euros	1 January to 30 June 2020	1 January to 30 June 2019
Earned premiums	1,638	1,477
Investment income	50	55
Other income	-2	-1
Operating income	**1,686**	**1,531**
Claims incurred, net of reinsurance	**1,137**	**1,045**
Acquisition costs	291	262
Administrative expenses	157	154
Acquisition costs and administrative expenses	**448**	**416**
Expenditure	**1,585**	**1,461**
Operating result insurance businesses	**101**	**70**
Operating result health business and broker business	11	14
Total operating result	**111**	**84**
Non-operating items:	-36	12
– of which gains/losses and impairments	-24	8
– of which revaluations	-16	4
– of which market and other impacts	4	
Special items	-35	-26
Result before tax	**40**	**70**
Taxation	10	15
Minority interests		5
Net result	**30**	**50**

Key figures

amounts in millions of euros	1 January to 30 June 2020	1 January to 30 June 2019
Gross premium income	2,093	1,956
Total administrative expenses[1]	202	191
Combined ratio:[2]	94.9%	96.8%
– of which Claims ratio[2]	67.5%	68.7%
– of which Expense ratio[2]	27.4%	28.2%
Operating capital generation	61	49

1 Including non-insurance businesses (health business and broker business).
2 Excluding non-insurance businesses (health business and broker business).

Operating capital generation of Netherlands Non-life was EUR 61 million compared with EUR 49 million in the first half of 2019, reflecting the acquisition of VIVAT Non-life as well as higher underwriting results in Property & Casualty (P&C), partly offset by lower results in Disability & Accident (D&A).

The operating result increased to EUR 111 million from EUR 84 million in the first half of 2019, reflecting the inclusion of the results of VIVAT Non-life of EUR 20 million as from 1 April 2020, as well as higher underwriting results in P&C, partly offset by lower underwriting results in D&A. The combined ratio improved to 94.9% from 96.8% in the first half of 2019.

The operating result in D&A decreased to EUR -20 million from EUR 39 million in the first half of 2019. The first half of 2020 reflects lower underwriting results including higher claims experience due to COVID-19, the reduction of the discount rate of the IFRS technical provisions to reflect the current low interest rate environment, as well as unfavourable claims development in the Individual Disability portfolio which was partly covered by reinsurance with NN Re. The contribution of the aforementioned acquisition to the operating result of D&A was broadly neutral. The D&A combined ratio was 103.1% versus 93.7% in the first half of 2019.

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The operating result in P&C increased to EUR 120 million from EUR 31 million in the first half of 2019, reflecting higher underwriting results, mainly in the Fire and Motor portfolios, including favourable run-off results and a positive impact from COVID-19, as well as the aforementioned acquisition. The P&C combined ratio improved to 90.8% from 98.5% in the first half of 2019.

The increase in administrative expenses to EUR 157 million from EUR 154 million in the first half of 2019 reflects the impact of the VIVAT Non-life acquisition, partly offset by expense reductions.

The operating result of the non-insurance businesses decreased to EUR 11 million from EUR 14 million in the first half of 2019.

The result before tax of Netherlands Non-life decreased to EUR 40 million from EUR 70 million in the first half of 2019, mainly reflecting lower non-operating items and higher special items, partly offset by the contribution from the VIVAT Non-life acquisition and the higher operating result. Lower non-operating items include impairments on public equity as well as lower revaluations on private equity and real estate reflecting the volatile markets as a result of COVID-19.

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Insurance Europe

Analysis of results

amounts in millions of euros	1 January to 30 June 2020	1 January to 30 June 2019
Investment margin	48	49
Fees and premium-based revenues	367	360
Technical margin	125	120
Operating income non-modelled business	1	1
Operating income Life Insurance	**541**	**530**
Administrative expenses	214	206
DAC amortisation and trail commissions	196	189
Expenses Life Insurance	**410**	**396**
Operating result Life Insurance	**131**	**134**
Operating result Non-life	2	5
Operating result	**133**	**140**
Non-operating items:	-22	36
– of which gains/losses and impairments	-1	65
– of which revaluations	-14	-28
– of which market and other impacts	-7	-1
Special items	-13	-17
Acquisition intangibles and goodwill		33
Result before tax	**98**	**191**
Taxation	24	36
Net result	**74**	**156**

Key figures

amounts in millions of euros	1 January to 30 June 2020	1 January to 30 June 2019
New sales life insurance (APE)	319	348
Value of new business	84	108
Total administrative expenses (Life and Non-life)	220	213
Operating capital generation	119	130

Operating capital generation of Insurance Europe decreased to EUR 119 million from EUR 130 million in the first half of 2019, mainly reflecting a lower contribution from new business, which was impacted by lower sales due to COVID-19 restrictions as well as lower margins due to a decrease in interest rates.

The operating result decreased to EUR 133 million from EUR 140 million in the first half of 2019, which included a non-recurring benefit of EUR 6 million. Excluding this item, the operating result was broadly stable in the first half of 2020 reflecting a negative impact from COVID-19 of EUR 4 million, offset by higher life protection fees and higher pension fees in Romania.

The investment margin was broadly stable at EUR 48 million.

Fees and premium-based revenues increased to EUR 367 million from EUR 360 million in the first half of 2019, driven by higher life protection fees across the region as well as higher pension fees in Romania, partly offset by currency impacts across the region.

The technical margin increased to EUR 125 million from EUR 120 million in the first half of 2019, reflecting higher morbidity results across the region driven by COVID-19 restrictions, partly offset by unfavourable claims experience in Belgium.

Administrative expenses increased to EUR 214 million from EUR 206 million in the first half of 2019, mainly reflecting higher project expenses, partly offset by currency impacts across the region.

DAC amortisation and trail commissions increased to EUR 196 million from EUR 189 million in the first half of 2019, mainly due to portfolio growth.

The Non-life operating result decreased to EUR 2 million from EUR 5 million in the first half of 2019, which included a EUR 6 million non-recurring benefit.

Interim report continued

The result before tax decreased to EUR 98 million from EUR 191 million in the first half of 2019, reflecting gains on the sale of government bonds and negative goodwill arising from the acquired Czech and Slovak businesses.

New sales (APE) decreased to EUR 319 million from EUR 348 million in the first half of 2019, mainly due to lower life and pension sales across the region due to COVID-19 restrictions, as well as negative currency impacts.

Value of new business decreased to EUR 84 million from EUR 108 million in the first half of 2019, reflecting the impact of lower sales and decreased interest rates.

Interim report continued

Japan Life

Analysis of results

amounts in millions of euros	1 January to 30 June 2020	1 January to 30 June 2019
Investment margin	-8	-7
Fees and premium-based revenues	364	366
Technical margin	8	7
Operating income	**364**	**365**
Administrative expenses	71	69
DAC amortisation and trail commissions	155	179
Total expenses	**226**	**247**
Operating result	**138**	**118**
Non-operating items:	-32	-18
– of which gains/losses and impairments	-17	-4
– of which revaluations	-16	-14
Special items	-2	-2
Result before tax	**104**	**98**
Taxation	29	28
Net result	**75**	**70**

Key figures

amounts in millions of euros	1 January to 30 June 2020	1 January to 30 June 2019
New sales life insurance (APE)	123	512
Value of new business	29	128
Administrative expenses	71	69
Operating capital generation	70	70

Value of new business of Japan Life was EUR 29 million, down from EUR 128 million in the first half of 2019 due to strong sales in the first quarter of 2019 ahead of the implementation of the revised tax regulations of COLI products, as well as COVID-19 restrictions in the first half of 2020.

Operating capital generation was stable at EUR 70 million, reflecting the positive impact of a lower new business strain as a result of lower sales following the revision of tax regulations of COLI products as well as COVID-19 restrictions in the first half of 2020, while the same period last year benefited from the impact of a reinsurance transaction.

Operating result was EUR 138 million, up 12.1% from the first half of 2019, excluding currency effects, reflecting improved persistency, partly offset by negative impact of COVID-19 of EUR 9 million.

Fees and premium-based revenues were EUR 364 million, down 4.9% from the first half of 2019, excluding currency effects, due to lower new business premiums following the revised regulations for the tax deductibility of COLI products which were introduced in July 2019, partly offset by increased persistency of the in-force portfolio.

Administrative expenses were EUR 71 million, down 1.2% from the first half of 2019, excluding currency effects.

DAC amortisation and trail commissions were EUR 155 million, down 17.2% from the first half of 2019, excluding currency effects, driven by lower new business premiums and lower surrenders reflecting increased persistency after the aforementioned tax rule change.

The result before tax was EUR 104 million, up 1.3% from the first half of 2019, excluding currency effects, reflecting higher operating result partly offset by impairments due to volatile markets as a result of COVID-19.

New sales (APE) were EUR 123 million, down 77.1% from the first half of 2019, excluding currency effects, reflecting strong sales in the first quarter of 2019, ahead of the implementation of the revised tax regulations of COLI products, as well as COVID-19 restrictions.

Interim report continued

Asset Management

Analysis of results

amounts in millions of euros	1 January to 30 June 2020	1 January to 30 June 2019
Investment income	-1	1
Fees	216	215
Operating income	**215**	**217**
Administrative expenses	141	141
Operating result	**74**	**76**
Non-operating items:		
Special items		-6
Result before tax	**74**	**70**
Taxation	19	16
Minority interests	2	
Net result	**53**	**53**

Key figures

amounts in millions of euros	1 January to 30 June 2020	1 January to 30 June 2019
Administrative expenses	141	141
Operating capital generation	50	62

amounts in billions of euros	30 June 2020	31 December 2019
Assets under Management	285	276

Operating capital generation was EUR 50 million in the first half of 2020 mainly reflecting the net result, compared with EUR 62 million in the first half of 2019 which included non-recurring benefits.

Total Assets under Management (AuM) increased to EUR 285 billion at 30 June 2020 from EUR 276 billion at the end of 2019. The increase reflects positive market performance of EUR 4.7 billion, the inclusion of EUR 2.8 billion of assets related to VIVAT Non-life and Venn Hypotheken, as well as net inflows of EUR 1.5 billion. Positive market performance reflects the impact of the lower interest rates, mainly in Fixed Income and multi-asset strategies, partly offset by lower equity markets. The first half of 2020 saw net inflows in Third Party (EUR 3.5 billion) and Other Affiliates (EUR 0.2 billion), partly offset by net outflows in Proprietary (EUR 2.2 billion).

The operating result was broadly stable at EUR 74 million in the first half of 2020. The impact of COVID-19 was EUR -8 million due to the volatile markets which put pressure on fee income.

Fees were EUR 216 million, up from EUR 215 million in the first half of 2019. The increase reflects higher average AuM largely offset by a less favourable asset mix and fee pressure.

Administrative expenses remained stable at EUR 141 million compared with the first half of 2019.

The first half-year result before tax increased to EUR 74 million compared with EUR 70 million in the first half of 2019, driven by lower special items, partly offset by the lower operating result.

Interim report continued

Banking

Analysis of results

amounts in millions of euros	1 January to 30 June 2020	1 January to 30 June 2019
Interest result	140	127
Commission income	18	17
Total investment and other income	27	20
Operating income	**185**	**164**
Operating expenses	93	92
Regulatory levies	12	10
Addition to loan loss provision		2
Total expenses	**105**	**104**
Operating result	**80**	**60**
Non-operating items:	1	-3
– of which gains/losses and impairments	3	4
– of which market and other impacts	-2	-7
Special items	-7	-8
Result before tax	**73**	**49**
Taxation	19	13
Net result	**54**	**35**

Key figures

amounts in millions of euros	1 January to 30 June 2020	1 January to 30 June 2019
Total administrative expenses[1]	105	102
Cost/income ratio[2]	50.1%	56.4%
Net operating RoE[3]	15.0%	11.6%
Operating capital generation	0	56

amounts in billions of euros	30 June 2020	31 December 2019
Total assets	25	25

1 Operating expenses plus regulatory levies.
2 Cost/income ratio is calculated as Operating expenses divided by Operating income.
3 Net operating RoE is calculated as the (annualised) net operating result of the segment, divided by (average) adjusted allocated equity. Adjusted allocated equity is an Alternative Performance Measure. It is derived from IFRS equity by excluding revaluation reserves. Reference is made to the section 'Alternative Performance measures (Non-GAAP measures)' in the NN Group N.V. 30 June 2020 Condensed consolidated interim financial information. As from 2H19, the average adjusted allocated equity is calculated based on the average of the adjusted allocated equity at the beginning and end of the half-year reporting period. Prior-period number was calculated on a quarterly basis and have not been restated.

Net operating Return on Equity (RoE) of Banking increased to 15.0% compared with 11.6% in the first half of 2019, reflecting a higher net operating result partly offset by higher equity.

Operating capital generation reflects the dividends of the segment to the holding and was nil in the first half of 2020 compared with EUR 56 million in the first half of 2019, due to the suspension of dividend payments in 2020 in accordance with the recommendation of the Dutch regulator.

The operating result increased to EUR 80 million from EUR 60 million in the first half of 2019, mainly driven by a higher interest result and higher investment and other income, which includes a EUR 7 million non-recurring benefit. The COVID-19 impact in the first half of 2020 was EUR -4 million reflecting higher operating expenses for acceptance processes and arrears management as well as higher additions to loan loss provisions.

The interest result increased to EUR 140 million from EUR 127 million in the first half of 2019, mainly reflecting lower funding costs and higher penalty interest on a higher volume of mortgage redemptions as well as lower mortgage rates. The net interest margin, calculated on a four quarter rolling average, remained broadly stable at 1.11% in the first half of 2020.

Commission income increased to EUR 18 million from EUR 17 million in the first half of 2019, driven by servicing fees on a larger mortgage portfolio.

Interim report continued

Total investment and other income increased to EUR 27 million from EUR 20 million in the first half of 2019, mainly driven by a EUR 7 million non-recurring benefit relating to premiums on mortgage sales to the NN IP Dutch Residential Mortgage Fund.

Operating expenses increased to EUR 93 million from EUR 92 million in the first half of 2019. Regulatory levies increased to EUR 12 million from EUR 10 million in the first half of 2019 reflecting the higher volume of savings.

Loan loss provisions were stable in the first half of 2020, reflecting higher provisions due to payment holidays granted to customers affected by COVID-19 offset by higher house prices.

The result before tax increased to EUR 73 million from EUR 49 million in the first half of 2019, mainly driven by the higher operating result and higher non-operating items.

Interim report continued

Other

Analysis of results

amounts in millions of euros	1 January to 30 June 2020	1 January to 30 June 2019
Interest on hybrids and debt[1]	-54	-54
Investment income and fees	55	51
Holding expenses	-79	-81
Holding result	**-78**	**-83**
Operating result reinsurance business	**-25**	**-5**
Other results	-1	
Operating result	**-104**	**-88**
Non-operating items:	-2	1
– of which gains/losses and impairments	-5	6
– of which revaluations	1	-3
– of which market and other impacts	1	-2
Special items	-35	-27
Acquisition intangibles and goodwill	-13	-16
Result on divestments		4
Result before tax	**-155**	**-126**
Taxation	-43	-36
Net result	**-112**	**-90**

1 Does not include interest costs on subordinated debt treated as equity.

Key figures

amounts in millions of euros	1 January to 30 June 2020	1 January to 30 June 2019
Total administrative expenses:	83	84
– of which reinsurance business	4	3
– of which corporate/holding	79	81
Operating capital generation	-133	-111

Operating capital generation of the segment Other was EUR -133 million compared with EUR -111 million in the first half of 2019, which benefited from a reinsurance transaction with Japan Life, while first half of 2020 reflects higher claims related to Netherlands Non-life's Disability portfolio.

The operating result was EUR -104 million versus EUR -88 million in the first half of 2019, mainly reflecting a lower operating result of the reinsurance business, partly offset by a higher holding result. The impact of COVID-19 was EUR -5 million for the first half of the year, related to the reinsurance business.

The holding result improved to EUR -78 million from EUR -83 million in the first half of 2019, reflecting higher investment and interest income, as well as lower holding expenses.

The operating result of the reinsurance business decreased to EUR -25 million from EUR -5 million in the first half of 2019, mainly reflecting EUR 39 million of claims related to Non-life's Disability portfolio, while the same period in 2019 included EUR 13 million of claims related to Non-life's Disability portfolio as well as a large claim from a legacy reinsurance portfolio.

The result before tax of the segment Other decreased to EUR -155 million from EUR -126 million in the first half of 2019, mainly reflecting the lower operating result and higher special items.

Interim report continued

Balance Sheet

Assets

Non-trading derivatives

Non-trading derivatives increased by EUR 6.2 billion in the first half of 2020 to EUR 16.4 billion, reflecting positive revaluations on derivatives used for hedging purposes driven by lower interest rates.

Available-for-sale investments

The Available-for-sale investments increased by EUR 0.6 billion in the first half of 2020 to EUR 118.2 billion driven by the decrease in interest rates and the addition of the assets of VIVAT Non-life, largely offset by reinvestments in loans.

Liabilities

Insurance and investment contracts

Insurance and investment contracts increased by EUR 1.9 billion in the first half of 2020 to EUR 170.2 billion, mainly reflecting the addition of the insurance liabilities of VIVAT Non-life.

Other liabilities

The increase of Other liabilities of EUR 5.4 billion in the first half of 2020 to EUR 18.6 billion mainly reflects higher cash collateral due to decreased interest rates.

Equity

Shareholders' equity increased by EUR 4.4 billion in the first half of 2020 to EUR 35.1 billion, reflecting positive revaluations driven by lower interest rates.

Conformity statement

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

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

The Executive Board of NN Group N.V. is responsible for maintaining proper accounting records, for safeguarding assets and for taking reasonable steps to prevent and detect fraud and other irregularities. It is responsible for selecting suitable accounting policies and applying them on a consistent basis, making judgements and estimates that are prudent and reasonable. It is also responsible for establishing and maintaining internal procedures which ensure that all major financial information is known to the Executive Board of NN Group N.V., so that the timeliness, completeness and correctness of the external financial reporting are assured. As required by section 5:25d paragraph 2(c) of the Dutch Financial Supervision Act, each of the signatories hereby confirms that to the best of his knowledge:

- The NN Group N.V. Condensed consolidated interim accounts for the period ended 30 June 2020 give a true and fair view of the assets, liabilities, financial position and profit or loss of NN Group N.V. and the enterprises included in the consolidation taken as a whole.
- The NN Group N.V. interim report for the period ended 30 June 2020 includes a fair review of the information required pursuant to article 5.25d, paragraph 8 and 9 of the Dutch Financial Supervision Act regarding NN Group N.V. and the enterprises included in the consolidation taken as a whole.

The Hague, 5 August 2020

David Knibbe
CEO, Chair of the Executive Board

Delfin Rueda
CFO, Vice-chair of the Executive Board

Condensed consolidated balance sheet

Amounts in millions of euros, unless stated otherwise

Condensed consolidated balance sheet

	notes	30 June 2020	31 December 2019
Assets			
Cash and cash equivalents		12,388	6,436
Financial assets at fair value through profit or loss:	3		
– investments for risk of policyholders		32,288	34,433
– non-trading derivatives		16,431	10,189
– designated as at fair value through profit or loss		1,344	1,184
Available-for-sale investments	4	118,202	117,644
Loans	5	64,580	61,768
Reinsurance contracts	10	1,173	988
Associates and joint ventures	6	5,396	5,457
Real estate investments		2,561	2,571
Property and equipment		471	465
Intangible assets	7	1,093	995
Deferred acquisition costs		1,934	1,913
Deferred tax assets		82	84
Other assets	8	4,326	4,470
Total assets		**262,269**	**248,597**
Equity			
Shareholders' equity (parent)		35,117	30,768
Minority interests		256	260
Undated subordinated notes		1,764	1,764
Total equity	9	**37,137**	**32,792**
Liabilities			
Subordinated debt		2,396	2,409
Debt securities issued		1,693	1,992
Other borrowed funds		7,027	7,614
Insurance and investment contracts	10	170,204	168,251
Customer deposits and other funds on deposit		15,598	15,161
Financial liabilities at fair value through profit or loss:			
– non-trading derivatives		4,480	3,232
Deferred tax liabilities		5,185	4,030
Other liabilities	11	18,549	13,116
Total liabilities		**225,132**	**215,805**
Total equity and liabilities		**262,269**	**248,597**

References relate to the notes starting with Note 1 'Accounting policies'. These form an integral part of the Condensed consolidated interim accounts.

Condensed consolidated profit and loss account

Condensed consolidated profit and loss account

	notes		1 January to 30 June 2020		1 January to 30 June 2019
Gross premium income			7,751		7,819
Investment income	12		2,130		2,131
Result on disposals of group companies					8
– gross fee and commission income		504		517	
– fee and commission expenses		-149		-173	
Net fee and commission income:			355		344
Valuation results on non-trading derivatives			468		180
Foreign currency results			-46		-49
Share of result from associates and joint ventures			46		322
Other income			21		63
Total income			**10,725**		**10,818**
– gross underwriting expenditure		8,232		11,086	
– investment result for risk of policyholders		712		-3,066	
– reinsurance recoveries		-605		-116	
Underwriting expenditure:	13		8,339		7,904
Intangible amortisation and other impairments			14		16
Staff expenses			784		789
Interest expenses			270		248
Other operating expenses			472		437
Total expenses			**9,879**		**9,394**
Result before tax			**846**		**1,424**
Taxation			249		296
Net result			**597**		**1,128**

Net result

	1 January to 30 June 2020	1 January to 30 June 2019
Net result attributable to:		
Shareholders of the parent	587	1,118
Minority interests	10	10
Net result	**597**	**1,128**

Earnings per ordinary share

amounts in euros	1 January to 30 June 2020	1 January to 30 June 2019
Earnings per ordinary share		
Basic earnings per ordinary share	1.77	3.26
Diluted earnings per ordinary share	1.76	3.26

Reference is made to Note 14 'Earnings per ordinary share' for the disclosure on the Earnings per ordinary share.

Condensed consolidated statement of comprehensive income

Condensed consolidated statement of comprehensive income

		1 January to 30 June 2020		1 January to 30 June 2019
Net result		**597**		**1,128**
– unrealised revaluations available-for-sale investments and other	1,216		4,843	
– realised gains/losses transferred to the profit and loss account	-151		-84	
– changes in cash flow hedge reserve	3,749		3,859	
– deferred interest credited to policyholders	-739		-1,707	
– share of other comprehensive income of associates and joint ventures	4		-5	
– exchange rate differences	-35		36	
Items that may be reclassified subsequently to the profit and loss account:		4,044		6,942
– remeasurement of the net defined benefit asset/liability	-1		-37	
– unrealised revaluations property in own use	-1		4	
Items that will not be reclassified to the profit and loss account:		-2		-33
Total other comprehensive income		**4,042**		**6,909**
Total comprehensive income		**4,639**		**8,037**
Comprehensive income attributable to:				
Shareholders of the parent		4,639		8,006
Minority interests				31
Total comprehensive income		**4,639**		**8,037**

Condensed consolidated statement of cash flows

Condensed consolidated statement of cash flows

	1 January to 30 June 2020	1 January to 30 June 2019
Result before tax	846	1,424
Adjusted for:		
– depreciation and amortisation	80	71
– deferred acquisition costs and value of business acquired	1	-178
– underwriting expenditure (change in insurance liabilities)	1,226	-5
– realised results and impairments of Available-for-sale investments	-172	-103
– other	62	162
Taxation paid (received)	-130	-37
Changes in:		
– non-trading derivatives	378	1,430
– other financial assets at fair value through profit or loss	-146	-518
– loans	-2,609	-1,855
– other assets	417	-305
– customer deposits and other funds on deposit	449	468
– financial liabilities at fair value through profit or loss – non-trading derivatives	-610	-945
– other liabilities	5,169	3,245
Net cash flow from operating activities	**4,961**	**2,854**
Investments and advances:		
– group companies, net of cash acquired	-539	-123
– available-for-sale investments	-15,302	-9,047
– associates and joint ventures	-153	-292
– real estate investments	-52	-68
– property and equipment	-28	-30
– investments for risk of policyholders	-4,190	-2,711
– other investments	-30	-131
Disposals and redemptions:		
– available-for-sale investments	17,606	7,786
– associates and joint ventures	78	296
– real estate investments	30	
– property and equipment	1	2
– investments for risk of policyholders	4,772	3,267
Net cash flow from investing activities	**2,193**	**-1,051**
Proceeds from other borrowed funds	3,380	1,945
Repayments of other borrowed funds	-4,295	-1,091
Dividend paid		-253
Purchase/sale of treasury shares and warrants	-257	-163
Coupon on undated subordinated notes	-33	-33
Net cash flow from financing activities	**-1,205**	**405**
Net cash flow	**5,949**	**2,208**

Included in Net cash flow from operating activities

	1 January to 30 June 2020	1 January to 30 June 2019
Interest received	2,438	2,472
Interest paid	-318	-301
Dividend received	344	308

Condensed consolidated statement of cash flows continued

Cash and cash equivalents

	1 January to 30 June 2020	1 January to 30 June 2019
Cash and cash equivalents at beginning of the period	6,436	8,886
Net cash flow	5,949	2,208
Effect of exchange rate changes on cash and cash equivalents	3	37
Cash and cash equivalents at end of the period	**12,388**	**11,131**

Condensed consolidated statement of changes in equity

Condensed consolidated statement of changes in equity (2020)

	Share capital	Share premium	Reserves	Total Shareholders' equity (parent)	Minority interest	Undated subordinated notes	Total equity
Balance at 1 January 2020	**41**	**12,572**	**18,155**	**30,768**	**260**	**1,764**	**32,792**
Unrealised revaluations available-for-sale investments and other			1,226	1,226	-10		1,216
Realised gains/losses transferred to the profit and loss account			-151	-151			-151
Changes in cash flow hedge reserve			3,749	3,749			3,749
Deferred interest credited to policyholders			-739	-739			-739
Share of other comprehensive income of associates and joint ventures			4	4			4
Exchange rate differences			-35	-35			-35
Remeasurement of the net defined benefit asset/liability			-1	-1			-1
Unrealised revaluations property in own use			-1	-1			-1
Total amount recognised directly in equity (Other comprehensive income)	**-**	**-**	**4,052**	**4,052**	**-10**	**-**	**4,042**
Net result for the period			587	587	10		597
Total comprehensive income	**-**	**-**	**4,639**	**4,639**	**-**	**-**	**4,639**
Changes in share capital	-3	3		-			-
Dividend					-4		-4
Purchase/sale of treasury shares			-258	-258			-258
Employee stock option and share plans			-1	-1			-1
Coupon on undated subordinated notes			-59	-59			-59
Changes in composition of the group and other changes			28	28			28
Balance at 30 June 2020	**38**	**12,575**	**22,504**	**35,117**	**256**	**1,764**	**37,137**

Condensed consolidated statement of changes in equity continued

Condensed consolidated statement of changes in equity (2019)

	Share capital	Share premium	Reserves	Total Shareholders' equity (parent)	Minority interest	Undated subordinated notes	Total equity
Balance at 1 January 2019	**41**	**12,572**	**10,237**	**22,850**	**234**	**1,764**	**24,848**
Unrealised revaluations available-for-sale investments and other			4,822	4,822	21		4,843
Realised gains/losses transferred to the profit and loss account			-84	-84			-84
Changes in cash flow hedge reserve			3,859	3,859			3,859
Deferred interest credited to policyholders			-1,707	-1,707			-1,707
Share of other comprehensive income of associates and joint ventures			-5	-5			-5
Exchange rate differences			36	36			36
Remeasurement of the net defined benefit asset/liability			-37	-37			-37
Unrealised revaluations property in own use			4	4			4
Total amount recognised directly in equity (Other comprehensive income)	**-**	**-**	**6,888**	**6,888**	**21**	**-**	**6,909**
Net result for the period			1,118	1,118	10		1,128
Total comprehensive income	**-**	**-**	**8,006**	**8,006**	**31**	**-**	**8,037**
Dividend			-243	-243	-10		-253
Purchase/sale of treasury shares			-168	-168			-168
Employee stock option and share plans			-1	-1			-1
Coupon on undated subordinated notes			-59	-59			-59
Balance at 30 June 2019	**41**	**12,572**	**17,772**	**30,385**	**255**	**1,764**	**32,404**

Notes to the Condensed consolidated interim accounts

1 Accounting policies

The accounting principles used to prepare these Condensed consolidated interim accounts comply with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and are consistent with those set out in the notes to the 2019 NN Group Consolidated annual accounts, except as set out below.

In these Condensed consolidated interim accounts, 'NN Group' refers to NN Group N.V. (the parent company) and/or NN Group N.V. together with its consolidated subsidiaries (the consolidated group). These Condensed consolidated interim accounts should be read in conjunction with the 2019 NN Group Consolidated annual accounts.

IFRS-EU provides a number of options in accounting policies. NN Group's accounting policies under IFRS-EU and its decision on the options available are set out in Note 1 'Accounting policies' of the 2019 NN Group Consolidated annual accounts.

Certain amounts recorded in the Condensed consolidated interim accounts reflect estimates and assumptions made by management. Actual results may differ from the estimates made. Interim results are not necessarily indicative of full-year results.

Reference is made to the 2019 NN Group Consolidated annual accounts for more details on upcoming changes in accounting policies.

Changes in accounting policies and presentation

Interest rate benchmark reform

In September 2019, the IASB issued an amendment to IAS 39, IFRS 7 and IFRS 9 in relation to the interest rate benchmark reform. These amendments eliminate the impact, if any, of the interest rate benchmark reform on derivatives qualifying for hedge accounting under IFRS. The amendments are effective for NN Group as of 1 January 2020. Almost all hedge accounting applied by NN Group relates to interest rate risk based on Euribor. The calculation method of Euribor changed during 2019 and Euribor will continue to be used after the benchmark reform. As a result, NN Group expects that Euribor will continue to exist as a benchmark and does not anticipate replacing Euribor in its interest rate risk management and related hedge accounting. Therefore, the implementation of the amendments does not have an impact on NN Group.

Reporting frequency

As of 2020 NN Group changed its external reporting frequency from quarterly reporting to semi-annual reporting. The reporting frequency impacts the determination of certain impairments under IFRS, most notable impairments on investments in equity securities, as these are determined for the specific reporting period and cannot be reversed. Therefore such impairments are determined on a semi-annual basis as of 2020. This change does not impact the comparative figures for 2019.

Japan Closed Block VA

As of 2020 NN Group changed its accounting for the Japan Closed Block VA portfolio, part of the reporting segment Other. Under the revised accounting, further elements of the portfolio are accounted for at fair value through profit or loss in order to better align with the accounting of the related hedging derivatives. The impact of this change as at 1 January 2020, which was not material for NN Group, is included directly in shareholders' equity.

2 COVID-19 pandemic

Since early 2020, the spread of the COVID-19 pandemic is causing significant disruption to society and the world-wide economy, impacting NN Group, its employees, its customers and its suppliers. Financial markets have been severely impacted by significant decreases in interest rates, equity prices and spread widening and the world-wide economy has been significantly impacted as well. Governments and central banks worldwide are responding to this crisis with aid packages and further supporting measures. At the date of this report, the depth and length of this crisis is unknown. NN Group is constantly monitoring the developments and the (potential) impact on NN Group. The most significant risks that NN Group is facing in this context are related to the financial markets (including interest rates, equity prices and spreads), insurance risk (including mortality and policyholder behaviour) and operational risk (continuity of business processes). The notes to the 2019 annual accounts include extensive disclosure on the exposure to such risks and the risk management thereof; these disclosures remain valid.

The COVID-19 pandemic, and the related impact on the financial markets, impacted the results of NN Group in the first half of 2020 mainly in the following areas:

- Increased amount of impairments on investments in equity securities, reflected in Investment income - Impairments of available-for-sale equity securities.
- Negative revaluations on real estate and private equity investments, reflected in Investment income - Change in fair value of real estate investments and Share of result from associates and joint ventures.
- Additional uncertainties in the determination of the fair value of illiquid assets, including real estate investments and private equity investments. NN Group uses quarterly appraisals by external valuers as main input for the determination of fair value of its real estate investments. Uncertainties in the current environment have led to the inclusion of 'material valuation uncertainty' clauses in external valuation reports. Such clauses do not imply that the valuation cannot be relied upon, but are used to indicate that – in the current extraordinary circumstances – less certainty can be attached to valuations than would otherwise be the case.

In the first half of 2020, there were no significant impairments of other assets (including debt securities, loans and intangible assets). Furthermore, there was no significant impact from the COVID-19 pandemic on the technical provisions for insurance contracts.

Notes to the Condensed consolidated interim accounts continued

At the date of this report, it is too early to determine the structural impact of the COVID-19 pandemic on results, capitalisation and longer term assumptions, if any. Also the amount and profitability of new sales may be impacted but, at the date of this report, it is too early to assess any (potential) structural impact.

NN Group has established a business continuity plan to help ensure the continuity of its businesses, the well-being of its staff and its capability to support its customers, whilst maintaining financial and operations resilience.

3 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss

	30 June 2020	31 December 2019
Investments for risk of policyholders	32,288	34,433
Non-trading derivatives	16,431	10,189
Designated as at fair value through profit or loss	1,344	1,184
Financial assets at fair value through profit or loss	**50,063**	**45,806**

Investments for risk of policyholders

	30 June 2020	31 December 2019
Equity securities	29,317	31,534
Debt securities	1,679	1,695
Loans and receivables	1,292	1,204
Investments for risk of policyholders	**32,288**	**34,433**

Investments in investment funds (with underlying investments in debt and equity securities, real estate and derivatives) are included in equity securities.

Non-trading derivatives

	30 June 2020	31 December 2019
Derivatives used in:		
– fair value hedges	6	52
– cash flow hedges	12,011	7,365
– hedges of net investments in foreign operations	10	
Other non-trading derivatives	4,404	2,772
Non-trading derivatives	**16,431**	**10,189**

Other non-trading derivatives includes derivatives for which no hedge accounting is applied.

Designated as at fair value through profit or loss

	30 June 2020	31 December 2019
Equity securities	419	333
Debt securities	39	31
Money market funds	886	820
Designated as at fair value through profit or loss	**1,344**	**1,184**

Notes to the Condensed consolidated interim accounts continued

4 Available-for-sale investments

The increase in Available-for-sale investments from EUR 117,644 million as at 31 December 2019 to EUR 118,202 million as at 30 June 2020 includes EUR 1,517 million recognised on the acquisition of VIVAT Non-life. For more information reference is made to Note 18 'Companies and businesses acquired and divested'.

Available-for-sale investments

	30 June 2020	31 December 2019
Equity securities:		
– shares in NN Group managed investment funds	2,374	2,096
– shares in third-party managed investment funds	1,840	1,552
– other	5,028	4,430
Equity securities	**9,242**	**8,078**
Debt securities	108,960	109,566
Available-for-sale investments	**118,202**	**117,644**

NN Group's total exposure to debt securities is included in the following balance sheet lines:

Total exposure to debt securities

	30 June 2020	31 December 2019
Available-for-sale investments	108,960	109,566
Loans	1,133	1,251
Available-for-sale investments and loans	**110,093**	**110,817**
Investments for risk of policyholders	1,679	1,695
Designated as at fair value through profit or loss	39	31
Financial assets at fair value through profit or loss	**1,718**	**1,726**
Total exposure to debt securities	**111,811**	**112,543**

NN Group's total exposure to debt securities included in 'Available-for-sale investments' and 'Loans' is specified as follows by type of exposure:

Debt securities by type

	Available-for-sale investments		Loans		Total	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019	30 June 2020	31 December 2019
Government bonds	71,639	74,271			71,639	74,271
Corporate bonds	20,977	19,024			20,977	19,024
Financial institution and Covered bonds	12,829	13,318			12,829	13,318
Bond portfolio (excluding ABS)	**105,445**	**106,613**	**-**	**-**	**105,445**	**106,613**
US RMBS	563	552			563	552
Non-US RMBS	2,419	1,987	1,039	1,138	3,458	3,125
CDO/CLO	6	6			6	6
Other ABS	527	408	94	113	621	521
ABS portfolio	**3,515**	**2,953**	**1,133**	**1,251**	**4,648**	**4,204**
Debt securities – Available-for-sale investments and Loans	**108,960**	**109,566**	**1,133**	**1,251**	**110,093**	**110,817**

Notes to the Condensed consolidated interim accounts continued

5 Loans

Loans

	30 June 2020	31 December 2019
Loans secured by mortgages	54,195	51,382
Loans related to savings mortgages	1,605	1,672
Loans to or guaranteed by public authorities	1,900	1,879
Asset-backed securities	1,133	1,251
Policy loans	967	666
Other loans	4,907	5,040
Loans – before loan loss provisions	**64,707**	**61,890**
Loan loss provisions	-127	-122
Loans	**64,580**	**61,768**

Changes in Loan loss provisions

	30 June 2020	31 December 2019
Loan loss provisions – opening balance	122	167
Write-offs	-1	-52
Recoveries	1	
Increase/decrease in loan loss provisions	5	11
Changes in the composition of the group and other changes		-4
Loan loss provisions – closing balance	**127**	**122**

Notes to the Condensed consolidated interim accounts continued

6 Associates and joint ventures

Associates and joint ventures

	Interest held	Balance sheet value	Interest held	Balance sheet value
		30 June 2020		31 December 2019
Vesteda Residential Fund FGR	24%	1,505	24%	1,467
CBRE Dutch Office Fund FGR	19%	360	19%	361
CBRE Retail Property Fund Iberica L.P.	50%	233	50%	265
CBRE European Industrial Fund C.V.	25%	218	19%	151
CBRE Dutch Retail Fund FGR	20%	207	20%	218
CBRE Dutch Residential Fund FGR	10%	204	10%	200
Lazora S.I.I. S.A.	22%	203	22%	205
NRP Nordic Logistic Fund AS	42%	192	42%	190
CBRE UK Property Fund PAIF	10%	161	10%	182
Allee center Kft	50%	129	50%	129
Achmea Dutch Health Care Property Fund	24%	122	27%	119
Dutch Student and Young Professional Housing fund FGR	49%	116	49%	113
Robeco Bedrijfsleningen FGR	26%	114	26%	112
Parcom Buy-Out Fund V CV	21%	99	21%	96
Fiumaranuova s.r.l.	50%	99	50%	101
Siresa House S.L.	49%	91	49%	96
Boccaccio - Closed-end Real Estate Mutual Investment Fund	50%	89	50%	93
The Fizz Student Housing Fund SCS	50%	84	50%	83
Dutch Urban Living Venture FGR	42%	77	42%	71
DPE Deutschland II B GmbH & Co KG	35%	76	35%	117
Parcom Buy Out Fund IV B.V.	100%	74	100%	89
CBRE Dutch Retail Fund II FGR	10%	71	10%	74
Rivage Euro Debt infrastructure 3	34%	64	34%	40
DPE Deutschland III (Parallel) GmbH & Co	17%	63	17%	56
CBRE Property Fund Central and Eastern Europe FGR	50%	60	50%	62
Delta Mainlog Holding GmbH & Co. KG	50%	59	50%	61
Parquest Capital II B FPCI	29%	56	29%	53
Other		570		653
Associates and joint ventures		**5,396**		**5,457**

The above associates and joint ventures mainly consist of non-listed investment entities investing in real estate and private equity.

Significant influence exists for certain associates in which the interest held is below 20%, based on the combination of NN Group's financial interest for own risk and other arrangements, such as participation in the relevant boards.

NN Group holds associates over which it cannot exercise control despite holding more than 50% of the share capital. For this reason, these are classified as associates and are not consolidated.

Other includes EUR 377 million (31 December 2019: EUR 468 million) of associates and joint ventures with an individual balance sheet value of less than EUR 50 million (in current year) and EUR 193 million (31 December 2019: EUR 185 million) of receivables from associates and joint ventures.

The amounts presented in the table above could differ from the individual annual accounts of the associates due to the fact that the individual amounts have been brought in line with NN Group's accounting principles.

Notes to the Condensed consolidated interim accounts continued

7 Intangible assets

Intangible assets

	30 June 2020	31 December 2019
Goodwill	536	539
Value of business acquired	244	149
Software	84	79
Other	229	228
Intangible assets	**1,093**	**995**

Value of business acquired relates to the acquisition of VIVAT Non-life in 2020 and the acquisitions in the Czech Republic and Slovakia in 2019. Reference is made to Note 18 'Companies and businesses acquired and divested'.

8 Other assets

Other assets

	30 June 2020	31 December 2019
Insurance and reinsurance receivables	928	824
Income tax receivables	56	29
Accrued interest and rents	1,226	1,512
Other accrued assets	171	258
Cash collateral amounts paid	1,330	1,326
Other	615	521
Other assets	**4,326**	**4,470**

9 Equity

Total equity

	30 June 2020	31 December 2019
Share capital	38	41
Share premium	12,575	12,572
Revaluation reserve	19,333	15,269
Currency translation reserve	-3	3
Net defined benefit asset/liability remeasurement reserve	-145	-144
Other reserves	3,319	3,027
Shareholders' equity (parent)	**35,117**	**30,768**
Minority interests	256	260
Undated subordinated notes	1,764	1,764
Total equity	**37,137**	**32,792**

Changes in equity (2020)

	Share capital	Share premium	Reserves	Total shareholders' equity (parent)
Equity – opening balance	41	12,572	18,155	30,768
Total amount recognised directly in equity (Other comprehensive income)			4,052	4,052
Net result for the period			587	587
Changes in share capital	-3	3		-
Purchase/sale of treasury shares			-258	-258
Employee stock option and share plans			-1	-1
Coupon on undated subordinated notes			-59	-59
Changes in the composition of the group and other changes			28	28
Equity – closing balance	**38**	**12,575**	**22,504**	**35,117**

Notes to the Condensed consolidated interim accounts continued

Final dividend 2019

There was no final dividend for 2019. For more information reference is made to Note 19 'Other events'.

Interim dividend 2020

NN Group will pay an interim dividend of EUR 2.26 per ordinary share, or approximately EUR 705 million in total. This amount comprises (i) EUR 1.40 per ordinary share, equal to the amount of the 2019 final dividend that was suspended in April 2020 plus (ii) EUR 0.86 per ordinary share, equal to the regular 2020 interim dividend calculated in accordance with the NN Group dividend policy. The interim dividend will be paid either in cash, after deduction of withholding tax if applicable, or ordinary shares from the share premium reserve at the election of the shareholder. To neutralise the dilutive effect of the stock dividend, NN Group will repurchase ordinary shares for an amount equivalent to the stock dividend. The NN Group ordinary shares will be quoted ex-dividend on 10 August 2020. The record date for the dividend will be 11 August 2020. The election period will run from 12 August up to and including 26 August 2020. The stock fraction for the stock dividend will be based on the volume weighted average price of NN Group ordinary shares on Euronext Amsterdam for the five trading days from 20 August through 26 August 2020. The dividend will be payable on 2 September 2020. The interim dividend is deducted from Solvency II Own Funds at 30 June 2020. It is reflected in shareholders' equity under IFRS in the second half of 2020.

Purchase/sale of treasury shares (2020)

During the first half of 2020, treasury shares for a total amount of EUR 4 million were delivered under Employee share plans. Also 10,496,227 ordinary shares for a total amount of EUR 262 million were repurchased under the open market share buyback programme. As at 30 June 2020, 8,510,072 treasury shares were held by NN Group. For more information on the 2020 share buyback programme, refer to Note 19 'Other events'.

In the first half of 2020, 23,289,558 treasury shares were cancelled.

Coupon paid on undated subordinated notes (2020)

The undated subordinated notes have optional annual coupon payments in June and July. As a result of the share buyback programme, the 2020 coupon became mandatory and therefore the full annual coupon of EUR 59 million (net of tax) was deducted from equity in the first half of 2020.

Changes in equity (2019)

	Share capital	Share premium	Reserves	Total shareholders' equity (parent)
Equity – opening balance	41	12,572	10,237	22,850
Total amount recognised directly in equity (Other comprehensive income)			7,077	7,077
Net result for the period			1,962	1,962
Dividend			-387	-387
Purchase/sale of treasury shares			-707	-707
Employee stock option and share plans			2	2
Coupon on undated subordinated notes			-59	-59
Changes in the composition of the group and other changes			30	30
Equity – closing balance	**41**	**12,572**	**18,155**	**30,768**

Purchase/sale of treasury shares (2019)

In 2019, 20,996,349 ordinary shares for a total amount of EUR 712 million were repurchased under an open market share buyback programme, including repurchases to neutralise the dilutive effect of stock dividends. Treasury shares for an amount of EUR 5 million were delivered under Employee share plans. The repurchased shares are held by NN Group and the amount was deducted from Other reserves (Purchase/sale of treasury shares).

In 2019, 5,850,000 NN Group treasury shares were cancelled.

As at 31 December 2019, 21,485,285 treasury shares were held by NN Group.

Issue of ordinary shares (2019)

In 2019, 4,807,859 NN Group shares were issued for the final dividend and 3,539,191 NN Group shares were issued for the interim dividend for the shareholders that opted to receive a stock dividend.

Coupon paid on undated subordinated notes (2019)

The undated subordinated notes have optional annual coupon payments in June and July. The annual coupons resulted in a deduction of EUR 59 million (net of tax) from equity.

Minority interest

NN Group owns 51% of the shares of ABN AMRO Verzekeringen Holding B.V. (ABN AMRO Verzekeringen). ABN AMRO Verzekeringen's principal place of business is Zwolle, the Netherlands. ABN AMRO Verzekeringen is fully consolidated by NN Group, with a minority interest recognised of 49%.

Notes to the Condensed consolidated interim accounts continued

At 30 June 2020, the minority interest relating to ABN AMRO Verzekeringen recognised in equity was EUR 240 million (31 December 2019: EUR 241 million).

Summarised information ABN AMRO Verzekeringen[1]

	30 June 2020	31 December 2019[2]
Total assets	4,699	4,867
Total liabilities	4,210	4,375
Total income	288	561
Total expenses	267	503
Net result recognised in period	15	42
Other comprehensive income recognised in period	-18	46
Dividends paid	0	49

1 All on 100% basis.
2 Total income, Total expenses, Net result recognised in period and Dividend paid are for the full year 2019.

10 Insurance and investment contracts, reinsurance contracts

The increase in Insurance and investment contracts, reinsurance contracts from EUR 167,263 million as at 31 December 2019 to EUR 169,031 million as at 30 June 2020 includes EUR 1,266 million Insurance and investment contracts and EUR 70 million reinsurance contracts recognised on the acquisition of VIVAT Non-life. For more information reference is made to Note 18 'Companies and businesses acquired and divested'.

Insurance and investment contracts, reinsurance contracts

	Liabilities net of reinsurance		Reinsurance contracts		Insurance and investment contracts	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019	30 June 2020	31 December 2019
Life insurance liabilities excluding liabilities for risk of policyholders	128,335	126,089	716	679	129,051	126,768
Liabilities for life insurance for risk of policyholders	30,916	32,979	33	34	30,949	33,013
Investment contract with discretionary participation features for risk of policyholders	227	245			227	245
Life insurance liabilities	**159,478**	**159,313**	**749**	**713**	**160,227**	**160,026**
Liabilities for unearned premiums and unexpired risks	890	390	27	15	917	405
Claims liabilities	6,499	5,400	397	260	6,896	5,660
Insurance liabilities and investment contracts with discretionary participation features	**166,867**	**165,103**	**1,173**	**988**	**168,040**	**166,091**
Investment contracts liabilities	2,164	2,160			2,164	2,160
Insurance and investment contracts, reinsurance contracts	**169,031**	**167,263**	**1,173**	**988**	**170,204**	**168,251**

The liabilities for insurance and investment contracts are presented gross in the balance sheet as 'Insurance and investment contracts'. The related reinsurance is presented as 'Reinsurance contracts' under Assets in the balance sheet.

Longevity reinsurance

In May 2020, NN Group entered into three reinsurance agreements to reinsure the full longevity risk associated with in total approximately EUR 13.5 billion of pension liabilities in NN Life in the Netherlands. This reinsurance reduces NN Group's exposure to longevity risk and, consequently, the required capital under Solvency II. The three reinsurance agreements are similar in nature but are agreed with three different assuming reinsurers, Canada Life, Munich Re and Swiss Re. The risk transfer is effective as of 1 January 2020 and will continue until the relevant portfolio has run off.

The relevant portfolio continues to be included in the Life insurance provisions in the IFRS balance sheet. There is no impact from the reinsurance on the recognition and measurement of the life insurance provisions in the balance sheet. NN Group will recognise premiums due to the reinsurers in Reinsurance and retrocession premiums and will recognise recoveries from the reinsurers in Reinsurance recoveries, both part of Underwriting expenditure in the profit and loss account. Reinsurance premiums and recoveries are settled with the reinsurers on an annual basis. In addition, a reinsurance asset is recognised under Reinsurance contracts for any reinsurance share of the underlying insurance liability based on NN Group's accounting policies for insurance contracts under IFRS. As at 30 June 2020 the reinsurance asset was nil. The reinsurance does not impact NN Group's liabilities towards its policyholders; to the extent that the assuming reinsurers would be unable to meet their obligations, NN Group remains liable to its policyholders for the portion reinsured. Consequently, provisions will be made for receivables on reinsurance contracts which are deemed uncollectable if and when relevant; no provision was recognised at 30 June 2020. There is no impact on the Reserve Adequacy Test, which is performed on the insurance liability gross of reinsurance.

Notes to the Condensed consolidated interim accounts continued

The best estimate of all premiums and benefits due under the reinsurance are directly reflected in Solvency II Own Funds. The reduction of the longevity risk is reflected in a lower Solvency Capital Requirement. In combination, the lower risk profile resulted in an increase in the Solvency II ratio of NN Group of approximately 17%-points at the announcement of the reinsurance.

The premium payable to the assuming reinsurers is fixed and includes a margin of approximately EUR 451 million over the current best estimate of benefits payable under the related portfolios. This margin, which represents a cost of reinsurance to NN Group is recognised in the profit and loss account over the duration of the reinsurance. An amount of EUR 14 million was recognised in Underwriting expenditure in the profit and loss account in the current reporting period. An amount of approximately EUR 437 million (undiscounted) remains to be recognised in future periods.

11 Other liabilities

Other liabilities

	30 June 2020	31 December 2019
Income tax payable	167	83
Net defined benefit liability	202	175
Other post-employment benefits	16	17
Other staff-related liabilities	98	106
Other taxation and social security contributions	188	133
Deposits from reinsurers	328	321
Lease liabilities	353	345
Accrued interest	209	245
Costs payable	319	289
Amounts payable to policyholders	1,083	1,052
Provisions	285	292
Amounts to be settled	1,155	1,290
Cash collateral amounts received	13,006	7,978
Other	1,140	790
Other liabilities	**18,549**	**13,116**

12 Investment income

Investment income

	1 January to 30 June 2020	1 January to 30 June 2019
Interest income from investments in debt securities	886	890
Interest income from loans	811	789
Interest income from investments in debt securities and loans	**1,697**	**1,679**
Realised gains/losses on disposal of available-for-sale debt securities	402	96
Impairments of available-for-sale debt securities	-5	
Realised gains/losses and impairments of available-for-sale debt securities	**397**	**96**
Realised gains/losses on disposal of available-for-sale equity securities	87	32
Impairments of available-for-sale equity securities	-312	-25
Realised gains/losses and impairments of available-for-sale equity securities	**-225**	**7**
Interest income on non-trading derivatives	114	106
Increase/decrease in loan loss provisions	-5	-14
Income from real estate investments	57	49
Dividend income	127	203
Change in fair value of real estate investments	-32	5
Investment income	**2,130**	**2,131**

Notes to the Condensed consolidated interim accounts continued

Impairments on investments by segment

	1 January to 30 June 2020	1 January to 30 June 2019
Netherlands Life	-261	-21
Netherlands Non-life	-23	-1
Insurance Europe	-2	-3
Japan Life	-17	
Other	-14	
Impairments on investments	**-317**	**-25**

13 Underwriting expenditure

Underwriting expenditure

	1 January to 30 June 2020	1 January to 30 June 2019
Gross underwriting expenditure:		
– before effect of investment result for risk of policyholders	8,944	8,020
– effect of investment result for risk of policyholders	-712	3,066
Gross underwriting expenditure	**8,232**	**11,086**
Investment result for risk of policyholders	712	-3,066
Reinsurance recoveries	-605	-116
Underwriting expenditure	**8,339**	**7,904**

The investment income and valuation results regarding investments for risk of policyholders is recognised in 'Underwriting expenditure'. As a result, it is shown together with the equal amount of related change in insurance liabilities for risk of policyholders. Reference is made to Note 10 'Insurance and investment contracts, reinsurance contracts'.

Reference is made to Note 10 'Insurance and investment contracts, reinsurance contracts' for the new longevity reinsurance transactions in 2020.

Underwriting expenditure by class

	1 January to 30 June 2020	1 January to 30 June 2019
Expenditure from life underwriting:		
– reinsurance and retrocession premiums	627	153
– gross benefits	5,920	6,195
– reinsurance recoveries	-562	-74
– change in life insurance liabilities	42	-550
– costs of acquiring insurance business	272	282
– other underwriting expenditure	98	88
– profit sharing and rebates	39	31
Expenditure from life underwriting	**6,436**	**6,125**
Expenditure from non-life underwriting:		
– reinsurance and retrocession premiums	115	79
– gross claims	1,099	981
– reinsurance recoveries	-43	-42
– changes in the liabilities for unearned premiums	338	399
– changes in claims liabilities	73	82
– costs of acquiring insurance business	314	278
– other underwriting expenditure	-17	-10
Expenditure from non-life underwriting	**1,879**	**1,767**
Expenditure from investment contracts:		
– costs of acquiring investment contracts		1
– other changes in investment contract liabilities	24	11
Expenditure from investment contracts	**24**	**12**
Underwriting expenditure	**8,339**	**7,904**

Notes to the Condensed consolidated interim accounts continued

14 Earnings per ordinary share

Earnings per ordinary share shows earnings per share amounts for profit or loss attributable to shareholders of the parent. Earnings per ordinary share is calculated on the basis of the weighted average number of ordinary shares outstanding. In calculating the weighted average number of ordinary shares outstanding, own shares held by group companies are deducted from the total number of ordinary shares in issue.

Earnings per ordinary share

	Amounts (in millions of euros)		Weighted average number of ordinary shares (in millions)		Per ordinary share (in euros)	
	1 January to 30 June 2020	1 January to 30 June 2019	1 January to 30 June 2020	1 January to 30 June 2019	1 January to 30 June 2020	1 January to 30 June 2019
Net result	587	1,118				
Coupon on undated subordinated notes	-29	-29				
Basic earnings per ordinary share	**558**	**1,089**	**315.7**	**333.6**	**1.77**	**3.26**
Dilutive instruments:						
– Share plans			0.4	0.4		
Dilutive instruments			**0.4**	**0.4**		
Diluted earnings per ordinary share	**558**	**1,089**	**316.1**	**334.0**	**1.76**	**3.26**

Diluted earnings per share is calculated as if the share plans and warrants outstanding at the end of the period had been exercised at the beginning of the period and assuming that the cash received from exercised share plans and warrants was used to buy own shares against the average market price during the period. The net increase in the number of shares resulting from exercising share plans and warrants is added to the average number of shares used for the calculation of diluted earnings per share.

15 Segments

The reporting segments for NN Group, based on the internal reporting structure, are as follows:

- Netherlands Life (Group life and individual life insurance products in the Netherlands)
- Netherlands Non-life (Non-life insurance in the Netherlands including disability and accident, fire, motor and transport insurance)
- Insurance Europe (Life insurance, pension products and to a small extent non-life insurance and retirement services in Central and Rest of Europe)
- Japan Life (Life insurance primarily Corporate Owned Life Insurance (COLI) business)
- Asset Management
- Banking
- Other (Operating segments that have been aggregated due to their respective size; including Japan Closed Block VA (Closed block single premium variable annuity individual life insurance portfolio in Japan, including the internally reinsured minimum guarantee risk, which has been closed to new business and which is being managed in run-off), reinsurance and items related to capital management and the head office)

The Executive Board and the Management Board set the performance targets and approve and monitor the budgets prepared by the reporting segments. The segments formulate strategic, commercial and financial policies in conformity with the strategy and performance targets set by the Executive Board and the Management Board.

The accounting policies of the segments are the same as those described in Note 1 'Accounting policies'. Transfer prices for inter-segment transactions are set at arm's length. Corporate expenses are allocated to segments based on time spent by head office personnel, the relative number of staff, or on the basis of income and/or assets of the segment. Intercompany loans that qualify as equity instruments under IFRS-EU are presented in the segment reporting as debt; related coupon payments are presented as income and expenses in the respective segments.

Notes to the Condensed consolidated interim accounts continued

Segments (2020)

1 January to 30 June 2020	Netherlands Life	Netherlands Non-life	Insurance Europe	Japan Life	Asset Management	Banking	Other	Total segments
Investment margin	433		48	-8	-1			473
Fees and premium-based revenues	201		367	364	216			1,148
Technical margin	98		125	8				230
Operating income non-modelled life business			1					1
Operating income	**731**	**-**	**541**	**364**	**215**	**-**	**-**	**1,852**
Administrative expenses	221		214	71	141			647
DAC amortisation and trail commissions	17		196	155				368
Expenses	**237**	**-**	**410**	**226**	**141**	**-**	**-**	**1,015**
Operating result non-life		111	2					113
Operating result banking						80		80
Operating result other							-104	-104
Operating result	**494**	**111**	**133**	**138**	**74**	**80**	**-104**	**926**
Non-operating items:								
– gains/losses and impairments	211	-24	-1	-17		3	-5	168
– revaluations	212	-16	-14	-16			1	167
– market and other impacts	-274	4	-7			-2	1	-278
Special items before tax	-32	-35	-13	-2		-7	-35	-123
Acquisition intangibles and goodwill							-13	-13
Result before tax	**612**	**40**	**98**	**104**	**74**	**73**	**-155**	**846**
Taxation	192	10	24	29	19	19	-43	249
Minority interests	7				2			10
Net result	**413**	**30**	**74**	**75**	**53**	**54**	**-112**	**587**

Notes to the Condensed consolidated interim accounts continued

Segments (2019)

1 January to 30 June 2019	Netherlands Life	Netherlands Non-life	Insurance Europe	Japan Life	Asset Management	Banking	Other	Total segments
Investment margin	482		49	-7	1			525
Fees and premium-based revenues	209		360	366	215			1,150
Technical margin	81		120	7				207
Operating income non-modelled life business			1					1
Operating income	**772**	**-**	**530**	**365**	**217**	**-**	**-**	**1,883**
Administrative expenses	230		206	69	141			646
DAC amortisation and trail commissions	17		189	179				386
Expenses	**248**	**-**	**396**	**247**	**141**	**-**	**-**	**1,031**
Operating result non-life		84	5					90
Operating result banking						60		60
Operating result other							-88	-88
Operating result	**524**	**84**	**140**	**118**	**76**	**60**	**-88**	**914**
Non-operating items:								
– gains/losses and impairments	15	8	65	-4		4	6	94
– revaluations	614	4	-28	-14			-3	573
– market and other impacts	-64		-1			-7	-2	-75
Special items before tax	-20	-26	-17	-2	-6	-8	-27	-108
Acquisition intangibles and goodwill			33				-16	17
Result on divestments	5						4	8
Result before tax	**1,073**	**70**	**191**	**98**	**70**	**49**	**-126**	**1,424**
Taxation	224	15	36	28	16	13	-36	296
Minority interests	5	5						10
Net result	**844**	**50**	**156**	**70**	**53**	**35**	**-90**	**1,118**

Special items in 2020 and 2019 mainly relate to restructuring expenses incurred in respect of the cost reduction target as well as expenses related to the VIVAT acquisition.

Alternative Performance Measures (Non-GAAP measures)

NN Group uses three Alternative Performance Measures (APMs, also referred to as Non-GAAP measures) in its external financial reporting: Operating result, Adjusted allocated equity and Administrative expenses.

Operating result

Operating result (before tax) is used by NN Group to evaluate the financial performance of its segments. Each segment's operating result is calculated by adjusting the reported result before tax for the following items:

- Non-operating items: related to (general account) investments that are held for own risk (net of policyholder profit sharing):
  - Gains/losses and impairments: realised gains and losses as well as impairments on financial assets that are classified as Available-for-sale and debt securities that are classified as loans. These investments include debt and equity securities (including fixed income and equity funds), private equity (< 20% ownership), real estate funds and loans quoted in active markets.
  - Revaluations: revaluations on assets marked-to-market through the Consolidated profit and loss account. These investments include private equity (associates), real estate (property and associates), derivatives unrelated to product hedging programmes (i.e. interest rate swaps, foreign exchange hedges) and direct equity hedges.
  - Market and other impacts: these impacts mainly include movements in the liability for guarantees on separate account pension contracts and unit-linked guarantee provisions in the Netherlands and related hedges, the accounting volatility related to the reinsurance of minimum guaranteed benefits of Japan Closed Block VA and the changes in valuation of certain inflation linked liabilities and related derivatives.
- Special items: items of income or expense before tax that are significant and arise from events or transactions that are clearly distinct from the ordinary business activities and therefore are not expected to recur frequently or regularly. This includes, for example, restructuring expenses, rebranding costs, results related to early redemption of debt, and gains/losses from employee pension plan amendments or curtailments.
- Acquisition intangibles and goodwill: At the acquisition date, all assets and liabilities (including investments, loans and funding liabilities) were remeasured to fair value. Acquisition related intangible assets (mainly brand names, distribution agreements and client relationships) were recognised and will be amortised through the profit and loss account over their useful life. Goodwill on acquisition was also recognised; goodwill is not amortised but tested annually for impairment. Any amortisation and goodwill impairment is recognised in the line 'Acquisition intangibles and goodwill'.
- Result on divestments: result before tax related to divested operations.

Notes to the Condensed consolidated interim accounts continued

The operating result for the life insurance business is analysed through a margin analysis, which includes the investment margin, fees and premium-based revenues and the technical margin. Disclosures on comparative years also reflect the impact of current year's divestments. Operating result as presented below is an Alternative Performance Measure (non-GAAP financial measure) and is not a measure of financial performance under IFRS-EU. Because it is not determined in accordance with IFRS-EU, operating result as presented by NN Group may not be comparable to other similarly titled measures of performance of other companies. The net result on transactions between segments is eliminated in the net result of the relevant segment.

Adjusted allocated equity

NN Group evaluates the efficiency of the operational deployment of its equity by calculating Return on Equity (RoE). The net operating RoE is calculated using Net operating result in the numerator and average Adjusted allocated equity in the denominator. Net operating result of NN Group is the Net operating result, adjusted to reflect the deduction of the accrued coupon on undated subordinated notes classified in equity. Adjusted allocated equity is derived from IFRS equity by adjusting for:

- Revaluation reserves
- Undated subordinated notes classified as equity under IFRS
- Goodwill and Intangible assets recognised upon acquisitions

Allocated equity per segment represents the part of equity that is economically deployed by the segments. This allocation does not impact equity in total for NN Group. Adjusted allocated equity is an Alternative Performance Measure that is not a measure under IFRS-EU. Adjusted allocated equity as applied by NN Group may not be comparable to other similarly titled measures of other companies. Adjusted allocated equity is reconciled to IFRS Total equity as follows:

Adjusted allocated equity

	1 January to 30 June 2020	31 December 2019
IFRS Total equity	37,137	32,792
Revaluation reserves, Goodwill and Intangible assets recognised upon acquisitions	-19,768	-15,742
Undated subordinated notes	-1,764	-1,764
Adjusted allocated equity	**15,605**	**15,286**

Administrative expenses

NN Group monitors the level of expenses and assesses cost savings through the Administrative expenses. Administrative expenses are the expenses included in operating result, unless already included in the technical margin or the investment margin in the margin analysis of the operating result.

Administrative expenses

	1 January to 30 June 2020
Staff expenses	784
Other operating expenses	471
IFRS operating expenses	**1,255**
Presented in non-operating items (including special items)	-128
Presented in the Technical margin (claims handling expenses)	-63
Presented in the Investment margin (investment expenses)	-20
Administrative expenses	**1,044**

Administrative expenses are calculated as the total of IFRS Staff expenses and IFRS Other operating expenses, adjusted for expenses already recognised in the technical margin and the investment margin and for expenses that are not included in operating result (non-operating expenses and special items). From the total administrative expenses of EUR 1,044 million, EUR 647 million relates to the segments Netherlands Life, Insurance Europe Life, Japan Life and Asset Management. The remainder of EUR 397 million is included in the operating result non-life, banking and other.

Notes to the Condensed consolidated interim accounts continued

In addition, NN Group discloses a number of other metrics (that are not defined in IFRS and/or not defined in regulatory capital legislation). As these are not derived from comparable metrics under IFRS, these cannot be reconciled to an IFRS equivalent. These include the following:

- Annual Premium Equivalent (APE): the total of the IFRS annual recurring premiums and 10% of the IFRS single premiums received in a given period
- Assets under Management (AuM): the total market value of all investments being managed by NN Group's asset management segment on behalf of NN Group entities and clients
- Combined ratio: the sum of the claims ratio (claims incurred, net of reinsurance, excluding unwind of interest accrual, divided by net earned premiums) and the expense ratio (sum of acquisition costs and administrative expenses, divided by net earned premiums)
- Financial leverage ratio: the percentage of financial leverage in the total of financial leverage and equity
- Fixed cost coverage ratio: the ability of Earnings Before Interest and Tax (EBIT) to cover funding costs on financial leverage; calculated on a last 12-months basis
- Free cash flow: the change in the cash capital position at the holding company over the period, excluding acquisitions and capital transactions with shareholders and debtholders
- Cash capital position at the holding company: net current assets available at the holding company
- Net interest margin (NIM): interest result of the banking operations divided by the average total interest bearing assets of the banking operations
- Net operating RoE: the (annualised) net operating result, adjusted to reflect the deduction of the accrued coupon on undated subordinated notes classified in equity, divided by (average) adjusted allocated equity
- NN Group analyses the change in the excess of Solvency II Own Funds over the Solvency Capital Requirement ('SCR') in the following components: Operating Capital Generation, Market variance, Capital flows and Other. Operating Capital Generation is the movement in the Solvency II surplus (Own Funds before eligibility over SCR at 100%) in the period due to operating items, including the impact of new business, expected investment returns in excess of the unwind of liabilities, release of the risk margin, operating variances, non-life underwriting result, contribution of non-Solvency II entities and holding expenses and debt costs and the change in the SCR. It excludes economic variances, economic assumption changes and non-operating expenses.
- Value of New Business: the additional economic value created through writing new business during the period.

16 Taxation

Taxation on components of other comprehensive income

	1 January to 30 June 2020	1 January to 30 June 2019
Unrealised revaluations property in own use		1
Unrealised revaluations available-for-sale investments and other	-289	-1,212
Realised gains/losses transferred to the profit and loss account	21	19
Changes in cash flow hedge reserve	-1,037	-1,006
Deferred interest credited to policyholders	218	479
Remeasurement of the net defined benefit asset/liability		11
Income tax	**-1,087**	**-1,708**

Notes to the Condensed consolidated interim accounts continued

17 Fair value of financial assets and liabilities

The following table presents the estimated fair value of NN Group's financial assets and liabilities. Certain balance sheet items are not included in the table, as they do not meet the definition of a financial asset or liability. The aggregation of the fair value presented below does not represent and should not be construed as representing the underlying value of NN Group.

Fair value of financial assets and liabilities

	Estimated fair value		Balance sheet value	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
Financial assets				
Cash and cash equivalents	12,388	6,436	12,388	6,436
Financial assets at fair value through profit or loss:				
– investments for risk of policyholders	32,288	34,433	32,288	34,433
– non-trading derivatives	16,431	10,189	16,431	10,189
– designated as at fair value through profit or loss	1,344	1,184	1,344	1,184
Available-for-sale investments	118,202	117,644	118,202	117,644
Loans	68,124	66,018	64,580	61,768
Total financial assets	**248,777**	**235,904**	**245,233**	**231,654**
Financial liabilities				
Subordinated debt	2,655	2,807	2,396	2,409
Debt securities issued	1,752	2,079	1,693	1,992
Other borrowed funds	7,100	7,725	7,027	7,614
Investment contracts with discretionary participation features for risk of policyholders	227	245	227	245
Investment contracts for risk of company	1,101	1,063	1,046	1,025
Investment contracts for risk of policyholders	1,118	1,135	1,118	1,135
Customer deposits and other funds on deposit	16,103	15,799	15,598	15,161
Financial liabilities at fair value through profit or loss:				
– non-trading derivatives	4,480	3,232	4,480	3,232
Total financial liabilities	**34,536**	**34,085**	**33,585**	**32,813**

For the other financial assets and financial liabilities not included in the table above, including short-term receivables and payables, the carrying amount is a reasonable approximation of fair value.

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

Further information on the methods and assumptions that were used by NN Group to estimate the fair value of the financial instruments and the sensitivities for changes in these assumptions is disclosed in Note 33 'Fair value of financial assets and liabilities' of the 2019 NN Group Consolidated annual accounts.

Notes to the Condensed consolidated interim accounts continued

Financial assets and liabilities at fair value

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

Methods applied in determining the fair value of financial assets and liabilities at fair value (2020)

30 June 2020	Level 1	Level 2	Level 3	Total
Financial assets				
Investments for risk of policyholders	31,013	480	795	32,288
Non-trading derivatives	15	16,383	33	16,431
Financial assets designated as at fair value through profit or loss	1,208	136		1,344
Available-for-sale investments	76,523	40,070	1,609	118,202
Financial assets	**108,759**	**57,069**	**2,437**	**168,265**
Financial liabilities				
Investment contracts with discretionary participation features for risk of policyholders		227		227
Investment contracts (for contracts at fair value)	1,118			1,118
Non-trading derivatives	25	4,410	45	4,480
Financial liabilities	**1,143**	**4,637**	**45**	**5,825**

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

31 December 2019	Level 1	Level 2	Level 3	Total
Financial assets				
Investments for risk of policyholders	33,406	225	802	34,433
Non-trading derivatives	18	10,121	50	10,189
Financial assets designated as at fair value through profit or loss	1,045	139		1,184
Available-for-sale investments	77,468	38,842	1,334	117,644
Financial assets	**111,937**	**49,327**	**2,186**	**163,450**
Financial liabilities				
Investment contracts with discretionary participation features for risk of policyholders		245		245
Investment contracts (for contracts at fair value)	1,135			1,135
Non-trading derivatives	11	3,162	59	3,232
Financial liabilities	**1,146**	**3,407**	**59**	**4,612**

Level 1 – (Unadjusted) Quoted prices in active markets

This category includes financial instruments whose fair value is determined directly by reference to published quotes in an active market that NN Group can access. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions with sufficient frequency and volume to provide reliable pricing information on an ongoing basis.

Level 2 – Valuation technique supported by observable inputs

This category includes financial instruments whose fair value is determined using a valuation technique (e.g. a model), where inputs in the model are taken from an active market or are observable. If certain inputs in the model are unobservable the instrument is still classified in this category, provided that the impact of those unobservable inputs elements on the overall valuation is insignificant. Included in this category are items whose value is derived from quoted prices of similar instruments, but for which the prices are modified based on other market observable external data and items whose value is derived from quoted prices but for which there was insufficient evidence of an active market.

Level 3 – Valuation technique supported by unobservable inputs

This category includes financial instruments whose fair value is determined using a valuation technique (e.g. a model) for which more than an insignificant part of the inputs in terms of the overall valuation are not market observable. This category also includes financial assets and liabilities whose fair value is determined by reference to price quotes but for which the market is considered inactive. An instrument is classified in its entirety as Level 3 if a significant portion of the instrument's fair value is driven by unobservable inputs. Unobservable in this context means that there is little or no current market data available from which the price at which an orderly transaction would likely occur can be derived.

Notes to the Condensed consolidated interim accounts continued

Changes in Level 3 Financial assets (2020)

30 June 2020	Investments for risk of policyholders	Non-trading derivatives	Available-for-sale investments	Total
Level 3 Financial assets – opening balance	802	50	1,334	2,186
Amounts recognised in the profit and loss account	-1	-17	-43	-61
Revaluations recognised in other comprehensive income (equity)			-14	-14
Purchase			382	382
Sale	-6		-11	-17
Maturity/settlement			-1	-1
Other transfers and reclassifications			-19	-19
Exchange rate differences			-19	-19
Level 3 Financial assets – closing balance	**795**	**33**	**1,609**	**2,437**

Changes in Level 3 Financial assets (2019)

31 December 2019	Investments for risk of policyholders	Non-trading derivatives	Available-for-sale investments	Total
Level 3 Financial assets – opening balance	788	85	1,087	1,960
Amounts recognised in the profit and loss account	21	-35	-55	-69
Revaluations recognised in other comprehensive income (equity)			-2	-2
Purchase			334	334
Sale	-7		-9	-16
Maturity/settlement			-15	-15
Exchange rate differences			-6	-6
Level 3 Financial assets – closing balance	**802**	**50**	**1,334**	**2,186**

Changes in Level 3 Financial liabilities (2020)

30 June 2020	Non-trading derivatives
Level 3 Financial liabilities – opening balance	59
Amounts recognised in the profit and loss account	-14
Level 3 Financial liabilities – closing balance	**45**

Changes in Level 3 Financial liabilities (2019)

31 December 2019	Non-trading derivatives
Level 3 Financial liabilities – opening balance	99
Amounts recognised in the profit and loss account	-29
Sale	-11
Level 3 Financial liabilities – closing balance	**59**

Level 3 – Amounts recognised in the profit and loss account during the year (2020)

30 June 2020	Held at balance sheet date	Derecognised during the period	Total
Financial assets			
Investments for risk of policyholders	-1		-1
Non-trading derivatives	-17		-17
Available-for-sale investments	-43		-43
Financial assets	**-61**	**-**	**-61**
Financial liabilities			
Non-trading derivatives	-14		-14
Financial liabilities	**-14**	**-**	**-14**

Notes to the Condensed consolidated interim accounts continued

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

31 December 2019	Held at balance sheet date	Derecognised during the period	Total
Financial assets			
Investments for risk of policyholders	21		21
Non-trading derivatives	-35		-35
Available-for-sale investments	-55		-55
Financial assets	**-69**	**-**	**-69**
Financial liabilities			
Non-trading derivatives	-29		-29
Financial liabilities	**-29**	**-**	**-29**

18 Companies and businesses acquired and divested

Acquisitions (2020)

VIVAT Non-life

In April 2020, NN Group announced the completion of its acquisition of VIVAT Schadeverzekeringen N.V. ('VIVAT Non-life'). Included below is an overview of the transaction, a description of VIVAT Non-life, the rationale for the transaction, the accounting at the acquisition date and certain additional disclosures on the acquisition.

Overview of the transaction

On 7 June 2019, NN Group announced that it acquired 100% of the voting equity interest of VIVAT Non-life for a consideration of EUR 416 million. NN Group announced that it acquired VIVAT Non-life from Athora, following the acquisition of the VIVAT Group (VIVAT) by Athora. In addition, NN Group announced that it acquired the intercompany Tier 2 loans granted by VIVAT to VIVAT Non-life for a consideration of EUR 150 million plus accrued interest. The acquisition of the intercompany Tier 2 loans is considered part of the acquisition of VIVAT Non-life for IFRS accounting purposes. The approvals for the acquisition were received in the first quarter of 2020. The transaction closed on 1 April 2020. As a result, VIVAT Non-life is included in the consolidation in the reporting for the first half of 2020 as of 1 April 2020.

Description of VIVAT Non-life

VIVAT Non-life is a Dutch insurance company that offers a variety of non-life insurance products. VIVAT Non-life provides mainly property & casualty and disability insurance. VIVAT Non-life operates in the Netherlands. VIVAT Non-life was a 100% subsidiary of VIVAT N.V. VIVAT N.V, was previously owned by Anbang Group Holdings Co Ltd until it was sold to Athora immediately before NN Group purchased VIVAT Non-life from Athora.

Rationale for the transaction

The acquisition of VIVAT Non-life by NN Group is in line with NN Group's strategic goal of long-term value creation for its stakeholders - increasing operating capital generation and driving growth in attractive markets The completion of the acquisition of VIVAT Non-life adds additional scale and capabilities to NN Group's non-life platform, enabling further improvement of customer propositions and increasing NN Group's ability to invest in digital capabilities and innovation.

The acquisition of VIVAT Non-life will help achieve the strategic goals, extracting the synergy benefits from the transaction and further reducing expenses. This acquisition will enable NN Group to continue to optimise the Non-life business by building data capabilities and leveraging on its additional scale.

Accounting at the acquisition date

The acquisition date of VIVAT Non-life by NN Group for acquisition accounting under IFRS is 1 April 2020. On this date, NN Group acquired 100% of the ordinary shares in VIVAT Non-life and thus obtained control. Therefore, VIVAT Non-life is included in the NN Group consolidation from 1 April 2020.

NN Group has performed the initial accounting for the acquisition using the values below. However NN Group will recognise any adjustments to these values within a twelve month period from the acquisition date as amendments to the initial accounting as is required by IFRS 3.

Notes to the Condensed consolidated interim accounts continued

The initial accounting values of certain assets and liabilities acquired as at 1 April 2020 as disclosed below differ from the values of the assets and liabilities in the balance sheet of VIVAT Non-life immediately before the acquisition by NN Group. This difference is mainly a result of the following most significant amendments as a result of the purchase price allocation as required under IFRS:

- Insurance liabilities and reinsurance contracts were remeasured to fair value as defined in IFRS; this resulted in a decrease in insurance liabilities. The fair value of the insurance liabilities was determined based on the price that a market participant would charge to assume the insurance liabilities of VIVAT-Non-life in an orderly transaction at the measurement date. In arriving at the fair value of the insurance liabilities, the future cash flows were estimated using current best estimate actuarial assumptions. The future cash flows were then adjusted for the compensation a market participant would require for assuming the risks and uncertainties relating to the insurance liabilities. Where relevant these adjusted future cash flows were discounted using a current market discount rate to reflect the time value of money.
- Subordinated debt was revalued from amortised cost to fair value. This resulted in an increase in the value of the subordinated debt.
- Acquisition related intangible assets were recognised. This mainly related to a distribution agreement. The distribution agreement was valued using the excess earnings method. Under this method the fair value is calculated by adjusting the forecasted income for the remaining useful life for contributory asset charges. This amount is then discounted using an adjusted cost of equity. The value of the distribution agreement is estimated at EUR 10 million and will be amortised through the profit and loss account over its useful life of 20 years.

Notes to the Condensed consolidated interim accounts continued

Acquisition date fair values of the assets and liabilities acquired (2020)

	Acquisition date
Cash paid to acquire shares in VIVAT Non-life	416
Cash paid to acquire the intercompany Tier 2 loans (including accrued interest)	152
Cash in company acquired	-29
Cash flow on acquisition	**539**

	Acquisition date
Assets	
Cash and cash equivalents	29
Financial assets at fair value through profit or loss:	
– non-trading derivatives	62
Available-for-sale investments	1,517
Loans	43
Reinsurance contracts	70
Associates and joint ventures	21
Intangible assets	12
VOBA	119
Other assets	128
Total assets	**2,001**
Liabilities	
Subordinated debt	171
Insurance and investment contracts	1,266
Deferred tax liabilities	16
Other liabilities	142
Total liabilities	**1,595**
Net assets acquired - VIVAT Non-life	**406**
Fair value of purchase consideration	
- To acquire shares in VIVAT Non-life	416
- To acquire the intercompany Tier 2 loans (including accrued interest)	152
Total fair value of purchase consideration	**568**
Fair value of net assets acquired	
- Net assets acquired VIVAT Non-life	406
- Acquired intercompany Tier 2 loans	166
Total fair value of net assets acquired	**572**
Difference	**-4**

The difference represents negative goodwill, which is recognised in the line Other income in the profit and loss account.

Other information

	Acquisition date
Acquisition-related costs recognised as expense	6
Total income recognised in profit and loss since date of acquisition	196
Net profit recognised in profit and loss since date of acquisition	17
Total income that would have been recognised in profit and loss if acquired from the start of the year[1]	403
Net profit that would have been recognised in profit and loss if acquired from the start of the year[2]	21

1 The sum of Total income since the date of acquisition plus the first quarter 2020 Total income for VIVAT Non-life stand-alone.
2 The sum of Net profit since the date of acquisition plus the first quarter 2020 Net profit for VIVAT Non-life stand-alone.

Acquisitions (2019)

Aegon's Life Insurance business in the Czech Republic and Aegon's Life Insurance and Pension businesses in Slovakia

In the first half of 2019, NN Group acquired all issued and outstanding ordinary shares of Aegon's Life Insurance business in the Czech Republic and Aegon's Life Insurance and Pension businesses in Slovakia for a total consideration of EUR 155 million. NN Group acquired multiple legal entities. For further information on this acquisition, reference is made to NN Group's Consolidated annual accounts 2019.

Notes to the Condensed consolidated interim accounts continued

19 Other events

Unit-linked products in the Netherlands

Reference is made to Note 42 'Legal proceedings' of the 2019 NN Group Consolidated annual accounts for a description of legal proceedings with respect to unit-linked products in the Netherlands.

On 31 March 2020, the Court of Appeal in The Hague ruled in an interim ruling in the collective action initiated by Woekerpolis.nl against NN that it wishes to refer preliminary questions to the Dutch Supreme Court to obtain clarity on various principal points of law related to unit-linked products. The collective action before the Court of Appeal in The Hague will only resume once the Dutch Supreme Court has formulated its answers to the preliminary questions.

In an interim ruling issued on 22 April 2020 the District Court in Rotterdam dismissed Wakkerpolis' claim to recalculate the value of unit-linked products without initial costs. With respect to unit-linked products issued after 1994, the District Court concluded that NN complied with information requirements prescribed by law and regulations applicable at the time and further concluded that in principle all costs (including initial costs) were agreed upon by parties (wilsovereenstemming). With respect to unit-linked products issued before 1994, NN is requested to provide the District Court with information to demonstrate that also for these unit-linked products it acted in accordance with the applicable information requirements at the time. For unit-linked products issued before 1 August 1999, the District Court concluded that policyholders were not sufficiently informed by NN on the effect of costs on the surrender value or paid up value of a policy, leading to an absence in the agreement between parties (leemte). In principle, the District Court will apply the principle of reasonableness and fairness in order to determine what the implied agreement is between parties. NN is requested to inform the District Court on whether the allocation system for initial costs used by NN would negatively affect the value of policies in case they are surrendered early or converted into paid up policies.

On 29 July 2020, the District Court in Rotterdam rejected all claims of Consumentenbond and ruled that NN has provided sufficient information on the effect of costs and premiums. The ruling of the District Court in Rotterdam is subject to appeal.

The rulings mentioned above do not change earlier statements and conclusions disclosed by NN Group in relation to unit-linked products. Although the financial consequences could be substantial for the Dutch insurance business of NN Group and, as a result, may have a material adverse effect on NN Group's business, reputation, revenues, results of operations, solvency, financial condition and prospects, it is not possible to reliably estimate or quantify NN Group's exposures at this time.

2019 Final dividend and the 2020 share buyback programme

On 6 April 2020 NN Group announced that it would act in accordance with the recommendations of EIOPA and the Dutch Central Bank (DNB) published on 2 April 2020, which urged insurers to temporarily suspend their dividend distributions and share buyback programmes as a consequence of the COVID-19 pandemic.

Although NN Group is well capitalised and has a strong liquidity position, it decided to postpone the payment of dividends on its ordinary shares in line with the EIOPA and DNB recommendations. The proposal to pay a 2019 final dividend that was included in the 2019 Annual Accounts was not included in the agenda of the annual general meeting of 28 May 2020. In addition, the EUR 250 million share buyback programme, which commenced on 2 March 2020, was suspended. Up to and including 3 April 2020, shares for a total amount of EUR 183 million had been repurchased under this programme.

The proposed 2019 final dividend was already deducted from Solvency II Own Funds as at 31 December 2019 and reflected in the 2019 Solvency ratio as disclosed in the 2019 Annual Report. Following the decision not to propose a 2019 final dividend, there was no deduction in the final 2019 Solvency ratio that was filed with the regulator. As a result, the final Solvency ratio at 31 December 2019 was 224% (compared with 218% as disclosed in the 2019 Annual Report). There was no impact on shareholders' equity under IFRS.

The suspension of the share buyback programme did not impact the Solvency ratio at 31 December 2019. The shares that were bought under the programme until 3 April 2020 are deducted from shareholders' equity and own funds in the first half of 2020.

20 Subsequent events

Share buyback programme

NN Group will re-start the open market share buyback programme which commenced on 2 March 2020 and which was suspended in April 2020. The remaining amount to be repurchased of EUR 67 million of the original EUR 250 million programme will be completed before 2 March 2021. NN Group intends to cancel the shares acquired under the programme. The remaining amount of the share buyback will be deducted in full from Solvency II Own Funds in the second half of 2020. It will be reflected in shareholders' equity under IFRS upon execution of the buyback transactions.

Notes to the Condensed consolidated interim accounts continued

21 Capital management

Solvency II

	30 June 2020	31 December 2019
Basic Own Funds	19,510	19,491
Non-available Own Funds	1,123	1,252
Eligible Own Funds to cover Solvency Capital Requirements (a)	**18,388**	**18,240**
– of which Tier 1 unrestricted	12,235	11,836
– of which Tier 1 restricted	1,938	1,922
– of which Tier 2	2,470	2,474
– of which Tier 3	500	703
– of which non-Solvency II regulated entities	1,244	1,305
Solvency Capital Requirements (b)	**8,338**	**8,154**
– of which Solvency Capital Requirements calculated on the basis of consolidated data	7,852	7,612
– of which the capital requirements for investment firms, pension funds and credit institutions	188	249
– of which the capital requirements for undertakings included under the D&A method	298	294
NN Group Solvency II ratio (a/b)[1]	**221%**	**224%**

1 The Solvency ratio is not final until filed with the regulators. The Solvency ratio of NN Group is based on the Partial Internal Model. The Solvency ratio at 31 December 2019 of 224% changed from the ratio disclosed in the 2019 Annual Report of 218% as a result of the decision to suspend the 2019 final dividend and the share buyback programme. Reference is made to Note 19 'Other events'.

On 11 July 2020, the Dutch Central Bank (DNB) published new regulations in which the required approach to calculating the Solvency II ratio was revised. As from 31 December 2020, NN Group will be required to include NN Bank in the calculation of its Solvency II ratio. The pro forma NN Group Solvency II ratio including NN Bank is 211% as at 30 June 2020.

Authorisation of the Condensed consolidated interim accounts

The Hague, 5 August 2020

The Supervisory Board

D.A. (David) Cole, chair
H.M. (Hélène) Vletter-van Dort, vice-chair
H.J.G. (Heijo) Hauser
R.W. (Robert) Jenkins
J.W. (Hans) Schoen
C.C.F.T. (Clara) Streit

The Executive Board

D.E. (David) Knibbe, CEO, chair
D. (Delfin) Rueda, CFO, vice-chair

Review report

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

Introduction

We have reviewed the accompanying condensed consolidated interim accounts as at 30 June 2020 of NN Group N.V. (the Company), The Hague, as included on pages 22 to 52 of this report. These condensed consolidated interim accounts comprise the condensed consolidated balance sheet as at 30 June 2020, the condensed consolidated profit and loss account, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity, and the condensed consolidated statement of cash flows for the six-month period ended 30 June 2020, and the notes. Management of the Company is responsible for the preparation and presentation of these condensed consolidated interim accounts in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on these condensed consolidated interim accounts based on our review.

Scope

We conducted our review in accordance with Dutch law including standard 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with Dutch Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim accounts as at 30 June 2020 are not prepared, in all material respects, in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

Amstelveen, 5 August 2020

KPMG Accountants N.V.

P.A.M. de Wit RA

Contact us

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Commercial register of Amsterdam, no. 52387534

Disclaimer

Elements of this Condensed consolidated interim financial information contain or may contain information about NN Group N.V. within the meaning of Article 7(1) to (4) of EU Regulation No 596/ 2014 (Market Abuse Regulation).

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

In preparing the financial information in this document, the same accounting principles are applied as in the NN Group N.V. 2019 Annual Accounts, unless indicated otherwise in Note 1 'Accounting policies' in the Condensed consolidated interim accounts for the period ended 30 June 2020.

All figures in this document are unaudited. Small differences are possible in the tables due to rounding. Certain of the statements contained herein are not historical facts, including, without limitation, certain statements made of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Actual results, performance or events may differ materially from those in such statements due to, without limitation: (1) changes in general economic conditions, in particular economic conditions in NN Group's core markets, (2) the effects of the Covid-19 pandemic and related response measures, including lockdowns and travel restrictions, on economic conditions in countries in which NN Group operates, on NN Group's business and operations and on NN Group's employees, customers and counterparties (3) changes in performance of financial markets, including developing markets, (4) consequences of a potential (partial) break-up of the euro or European Union countries leaving the European Union, (5) changes in the availability of, and costs associated with, sources of liquidity as well as conditions in the credit markets generally, (6) the frequency and severity of insured loss events, (7) changes affecting mortality and morbidity levels and trends, (8) changes affecting persistency levels, (9) changes affecting interest rate levels, (10) changes affecting currency exchange rates, (11) changes in investor, customer and policyholder behaviour, (12) changes in general competitive factors, (13) changes in laws and regulations and the interpretation and application thereof, (14) changes in the policies and actions of governments and/or regulatory authorities, (15) conclusions with regard to accounting assumptions and methodologies, (16) changes in ownership that could affect the future availability to NN Group of net operating loss, net capital and built-in loss carry forwards, (17) changes in credit and financial strength ratings, (18) NN Group's ability to achieve projected operational synergies, (19) catastrophes and terrorist-related events, (20) adverse developments in legal and other proceedings and (21) the other risks and uncertainties contained in recent public disclosures made by NN Group.

Any forward-looking statements made by or on behalf of NN Group speak only as of the date they are made, and, NN Group assumes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information or for any other reason.

This document does not constitute an offer to sell, or a solicitation of an offer to buy, any securities.