NN Group N.V.
30 June 2021
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 volatility in interest rates, equity prices and spreads 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 2020 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 financial reporting of NN Group mainly through 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. During 2020 uncertainties in the environment have led to the inclusion of 'material valuation uncertainty' clauses in certain external valuation reports. Such clauses do not imply that the valuation cannot be relied upon, but are used to indicate that – in the extraordinary circumstances – less certainty can be attached to valuations than would otherwise be the case.

In the first half year of 2021, the Covid-19 pandemic continued and at the date of this report, the situation appears to be starting to show first signs of stabilisation. The impact on NN Group's financial reporting in the first half year of 2021 was limited. While real estate valuations remain complex and uncertain, the specific valuation uncertainty clauses were no longer included in real estate appraisals by external appraisers in the valuations as per 30 June 2021. There were no significant impairments (including debt and equity securities, loans and intangible assets). Furthermore, there was no significant impact from the Covid-19 pandemic on the technical provisions for insurance contracts.

Postponements of interest and/or principal payments have been offered on an individual basis to retail borrowers who face temporary payment difficulties on their mortgage loans or consumer loans. The number of cases is limited and the financial impact for NN Group was not significant.

NN Group has maintained 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.

Interim dividend 2021

NN Group will pay an interim dividend of EUR 0.93 per ordinary share, or approximately EUR 287 million in total based on the current number of outstanding shares (net of treasury shares). The interim dividend will be paid either fully in cash, after deduction of withholding tax if applicable, or fully in ordinary shares, at the election of the shareholders. To neutralise the dilutive effect of the stock dividend, NN Group repurchases ordinary shares for an amount equivalent to the value of the stock dividend.

Final dividend 2020

On 20 May 2021, the General Meeting adopted the proposed final dividend of EUR 1.47 per ordinary share, or approximately EUR 456 million in total based on the current number of outstanding shares (net of treasury shares). Together with the regular 2020 interim dividend of EUR 0.86 per ordinary share paid in September 2020, NN Group's total pro forma dividend for 2020 was EUR 2.33 per ordinary share. The final dividend was paid in cash, after deduction of withholding tax if applicable, or ordinary shares, at the election of the shareholder. Dividends paid in the form of ordinary shares have been delivered from NN Group treasury shares. To neutralise the dilutive effect of the stock dividend, NN Group repurchases ordinary shares for an amount equivalent to the value of the stock dividend. The cash dividend was distributed out of Other reserves.

Changes to the Supervisory Board

Inga Beale, Rob Lelieveld and Cecilia Reyes were appointed as members of the Supervisory Board at the General Meeting of NN Group N.V., held on 20 May 2021. The appointment of Rob Lelieveld will become effective 1 September 2021.

Interim report continued

Analysis of results
NN Group N.V.

Analysis of results

amounts in millions of euros	1 January to 30 June 2021	1 January to 30 June 2020
Netherlands Life	520	494
Netherlands Non-life	189	111
Insurance Europe	161	133
Japan Life	156	138
Asset Management	91	74
Banking	79	80
Other	-76	-104
Operating result	**1,119**	**926**
Non-operating items:	719	57
– of which gains/losses and impairments	684	168
– of which revaluations	40	167
– of which market and other impacts	-6	-278
Special items	-47	-123
Acquisition intangibles and goodwill	-11	-13
Result before tax	**1,780**	**846**
Taxation	355	250
Minority interests	11	9
Net result	**1,414**	**587**

Key figures

amounts in millions of euros	1 January to 30 June 2021	1 January to 30 June 2020
New sales life insurance (APE)	743	620
Value of new business	242	122
Total administrative expenses	1,079	1,043
Operating capital generation[1]	780	543

	30 June 2021	31 December 2020
Solvency II ratio[2]	209%	210%

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. NN Bank is included in the calculation of the NN Group Solvency II ratio as of the end of 2020.

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 1,119 million from EUR 926 million in the first half of 2020. The increase in the operating result mainly reflects higher Netherlands Non-life underwriting results in both P&C and D&A, a higher investment margin at Netherlands Life, improved operating result at the reinsurance business and higher sales in Insurance Europe. The current period benefited from EUR 24 million of private equity dividends, while the first half of 2020 included EUR 16 million of private equity dividends and non-recurring benefits.

The operating result of Netherlands Life was EUR 520 million compared with EUR 494 million in the first half of 2020, mainly reflecting a higher investment margin, partly offset by a lower technical margin and lower fees and premium-based revenues.

The operating result of Netherlands Non-life increased to EUR 189 million from EUR 111 million in the first half of 2020, reflecting higher underwriting results in both P&C and D&A and higher investment income following the shift to higher yielding assets. The combined ratio was 92.0% versus 94.9% in the first half of 2020.

The operating result of Insurance Europe increased to EUR 161 million from EUR 133 million in the first half of 2020, mainly driven by higher life and pension fees across the region on the back of higher sales and market recovery as Covid-19 restrictions are eased.

Interim report continued

The operating result of Japan Life was EUR 156 million, up 23.4% from the first half of 2020, excluding currency effects, reflecting a higher technical margin, lower DAC amortisation and trail commissions and higher fees and premium-based revenues.

The operating result of Asset Management increased to EUR 91 million from EUR 74 million in the first half of 2020, driven by higher fees.

The operating result of Banking was broadly stable at EUR 79 million in the first half of 2021, as higher operating income was offset by higher total expenses.

The operating result of the segment Other improved to EUR -76 million from EUR -104 million in the first half of 2020, mainly driven by the higher operating result of the reinsurance business, partly offset by a lower holding result.

Result before tax

The result before tax increased to EUR 1,780 million from EUR 846 million in the first half of 2020, primarily driven by higher non-operating items, the higher operating result and lower special items.

Gains/losses and impairments were EUR 684 million compared with EUR 168 million in the first half of 2020, mainly reflecting capital gains on the sale of public equities and government bonds.

Revaluations amounted to EUR 40 million versus EUR 167 million in the first half of 2020. The first half of 2021 includes positive revaluations of EUR 215 million on real estate and EUR 53 million on private equity, partly offset by negative revaluations of derivatives used for hedging purposes mainly reflecting accounting asymmetries of EUR 255 million.

Market and other impacts amounted to EUR -6 million compared with EUR -278 million in the first half of 2020. This line item mainly 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 -47 million compared with EUR -123 million in the first half of 2020, mainly reflecting lower restructuring expenses incurred.

Acquisition intangibles and goodwill amounted to EUR -11 million versus EUR -13 million in the first half of 2020.

Net result

The net result in the first half of 2021 increased to EUR 1,414 million from EUR 587 million in the first half of 2020. The effective tax rate in the first half of 2021 was 19.9%, reflecting a relatively low tax charge on the investment income, mainly due to tax-exempt dividends, capital gains and revaluations in the Netherlands.

Sales and Value of New Business

Total new sales (APE) were EUR 743 million, up 24.2% from the first half of 2020 on a constant currency basis. New sales at Netherlands Life were EUR 168 million compared with EUR 178 million in the first half of 2020, reflecting a lower volume of group pension contracts. New sales at Insurance Europe were up 23.5% on a constant currency basis, mainly driven by higher life and pension sales across the region following the easing of Covid-19 restrictions. At Japan Life, new sales were up 72.1% from the first half of 2020, excluding currency effects, reflecting the recovery in sales of COLI products from low sales following the revised tax regulations and despite Covid-19 restrictions.

Value of new business was EUR 242 million, up from EUR 122 million in the first half of 2020, driven by the recovery in sales of COLI products and an improved margin at Japan Life, as well as higher sales across the region and an improved life insurance business mix towards protection products at Insurance Europe.

Capital management

Solvency II

	30 June 2021	31 December 2020
Basic Own Funds	21,620	21,228
Non-available Own Funds	1,049	1,200
Eligible Own Funds to cover Solvency Capital Requirements (a)	**20,571**	**20,028**
– of which Tier 1 unrestricted	12,985	12,484
– of which Tier 1 restricted	1,908	1,927
– of which Tier 2	2,432	2,484
– of which Tier 3	899	733
– of which non-Solvency II regulated entities	2,347	2,400
Solvency Capital Requirements (b)	**9,858**	**9,534**
– of which from Solvency II entities	8,471	8,166
– of which from non-Solvency II entities	1,387	1,368
NN Group Solvency II ratio (a/b)[1]	**209%**	**210%**

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. NN Bank is included in the calculation of the NN Group Solvency II ratio as of the end of 2020.

The NN Group Solvency II ratio decreased to 209% from 210% at the end of 2020, mainly reflecting the deduction of the 2021 interim dividend and the EUR 250 million share buyback programme as well as the impact of the UFR reduction from 3.75% to 3.60%. These items were largely offset by operating capital generation and the positive impact of credit spread tightening.

Operating capital generation

	1 January to 30 June 2021	1 January to 30 June 2020
Investment return	647	569
Life - UFR drag	-431	-421
Life - Risk margin release	204	215
Life - Experience variance	3	37
Life - New business	79	53
Non-life underwriting	129	43
Non-Solvency II entities (Asset Management, Japan, Bank, Other)	234	152
Holding expenses and debt costs	-140	-141
Change in SCR	55	35
Operating capital generation	**780**	**543**

Operating capital generation per segment

	1 January to 30 June 2021	1 January to 30 June 2020
Netherlands Life	395	376
Netherlands Non-life	162	61
Insurance Europe	182	119
Japan Life	57	70
Asset management	67	50
Banking	55	
Other	-136	-133
Operating capital generation	**780**	**543**

NN Group's operating capital generation increased to EUR 780 million from EUR 543 million in the first half of 2020. The increase reflects the improved Netherlands Non-life underwriting result in both Property & Casualty (P&C) and Disability & Accident (D&A), higher investment return as a result of the shift to higher-yielding assets and higher equity valuations, as well as higher new business contribution in Insurance Europe and a higher contribution from Asset Management. It also reflects a positive contribution from Banking of EUR 55 million in the first half of 2021, mainly reflecting the statutory net result, compared with nil in the same period in 2020 under the former methodology based on dividends remitted to the holding. Under the new methodology, operating capital generation in the first half of 2020 would have been EUR 64 million for Banking and EUR 607 million for NN Group.

Interim report continued

Cash capital position at the holding company

	30 June 2021	31 December 2020
Cash capital position — opening balance	1,170	1,989
Cash divestment proceeds		
Dividends from subsidiaries[1]	978	1,310
Capital injections into subsidiaries[2]	-6	-56
Other[3]	-194	-183
Free cash flow to the holding[4]	**779**	**1,070**
Acquisitions		-572
Capital flow from/to shareholders	-416	-1,017
Increase/decrease in debt and loans		-300
Cash capital position — closing balance	**1,533**	**1,170**

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.

Note: cash capital is defined as net current assets available at the holding company.

The cash capital position at the holding company increased to EUR 1,533 million from EUR 1,170 million at the end of 2020. The increase mainly reflects EUR 978 million of remittances from subsidiaries, partly offset by EUR 416 million of capital flows to shareholders as well as other movements including EUR 194 million of holding company expenses, interest on loans and debt and other holding company cash flows. Capital flows to shareholders reflect the 2020 final cash dividend of EUR 252 million and the repurchase of own shares for an amount of EUR 165 million.

Financial leverage

	30 June 2021	31 December 2020
Shareholders' equity	32,863	36,731
Adjustment for revaluation reserves[1]	-12,690	-17,790
Minority interests	287	277
Capital base for financial leverage (a)	**20,459**	**19,219**
– Undated subordinated notes[2]	1,764	1,764
– Subordinated debt	2,370	2,383
Total subordinated debt	**4,133**	**4,146**
Debt securities issued	1,695	1,694
Financial leverage (b)	**5,828**	**5,840**
Financial leverage ratio (b/(a+b))	22.2%	23.3%
Fixed-cost coverage ratio[3]	16.6x	11.9x

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 The fixed-cost coverage ratio measures the ability of NN Group to pay its fixed financing expenses and is defined as the earnings before interest and tax (EBIT) divided by interest before tax on financial leverage; calculated on a last 12-months basis. Special items, revaluations on derivatives that are non-eligible for hedge accounting, market and other impacts, amortisation of acquisition intangibles are excluded from EBIT 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.

The financial leverage ratio of NN Group improved to 22.2% at the end of the first half of 2021 compared with 23.3% at the end of 2020. This reflects an increase of the capital base for financial leverage driven by the first half-year net result of EUR 1,414 million and positive revaluations of equity investments, partly offset by capital flows to shareholders for an amount of EUR 416 million.

The fixed-cost coverage ratio was 16.6x at the end of the first half of 2021 versus 11.9x at the end of 2020 (on a last 12-months basis).

Interim report continued

Credit ratings
On 10 June 2021, Standard & Poor's published a report affirming NN Group's 'A' financial strength rating and 'BBB+' credit rating with a stable outlook.

On 12 April 2021, Fitch Ratings upgraded NN Group's financial strength rating to 'AA-' and its credit rating to 'A+'. The rating outlook is stable.

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

Segments
Netherlands Life

Analysis of results

amounts in millions of euros	1 January to 30 June 2021	1 January to 30 June 2020
Investment margin	494	433
Fees and premium-based revenues	192	201
Technical margin	74	98
Operating income	**760**	**731**
Administrative expenses	225	221
DAC amortisation and trail commissions	16	17
Total expenses	**241**	**237**
Operating result	**520**	**494**
Non-operating items:	661	149
– of which gains/losses and impairments	661	211
– of which revaluations	-7	212
– of which market and other impacts	7	-274
Special items	-6	-32
Result before tax	**1,174**	**612**
Taxation	204	192
Minority interests	-2	7
Net result	**972**	**413**

Key figures

amounts in millions of euros	1 January to 30 June 2021	1 January to 30 June 2020
New sales life insurance (APE)	168	178
Value of new business	15	9
Operating capital generation	395	376

	30 June 2021	31 December 2020
NN Life Solvency II ratio[1]	213%	220%

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 increased to EUR 395 million from EUR 376 million in the first half of 2020. The increase is driven by higher investment returns reflecting the shift to higher-yielding assets and higher equity valuations.

The operating result was EUR 520 million compared with EUR 494 million in the first half of 2020, mainly reflecting a higher investment margin, partly offset by a lower technical margin and lower fees and premium-based revenues.

The investment margin increased to EUR 494 million compared with EUR 433 million in the first half of 2020, which benefited from EUR 9 million of private equity dividends, while the current period includes EUR 24 million of private equity dividends. The investment margin in the current period reflects the impact of the shift to higher-yielding assets as well as higher dividends following the postponement of dividends in the same period last year due to Covid-19.

Fees and premium-based revenues decreased to EUR 192 million from EUR 201 million in the first half of 2020, due to the run-off of the individual life closed book as well as lower margins in the pension business.

The technical margin decreased to EUR 74 million from EUR 98 million in the first half of 2020, which included favourable longevity results.

Administrative expenses increased to EUR 225 million from EUR 221 million in the first half of 2020, reflecting a reclassification of specific expenses from special items to administrative expenses as from 2021. On a comparable basis, administrative expenses decreased compared with the same period last year mainly driven by lower staff expenses.

DAC amortisation and trail commissions amounted to EUR 16 million compared with EUR 17 million in the first half of 2020.

The result before tax increased to EUR 1,174 million from EUR 612 million in the first half of 2020 driven by higher gains/losses and impairments, higher market and other impacts and a higher operating result, partly offset by lower revaluations.

Gains/losses and impairments increased to EUR 661 million in the first half of 2021 from EUR 211 million in the same period last year. The current half-year mainly reflects capital gains on the sale of public equities and government bonds.

Revaluations decreased to EUR -7 million compared with EUR 212 million in the first half of 2020. The current half-year mainly reflects negative revaluations on derivatives used for hedging purposes reflecting accounting asymmetries, partly compensated by positive revaluations on real estate and private equity.

Market and other impacts were EUR 7 million versus EUR -274 million in the first half of 2020, 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 168 million compared with EUR 178 million in the first half of 2020. The current half year reflects lower new sales due to a lower volume of group pension contracts.

The value of new business was EUR 15 million in the first half of 2021 compared with EUR 9 million in the same period last year.

Assets under management DC increased to EUR 27.4 billion at 30 June 2021, from EUR 24.6 billion at 31 December 2020.

Interim report continued

Netherlands Non-life

Analysis of results

amounts in millions of euros	1 January to 30 June 2021	1 January to 30 June 2020
Earned premiums	1,819	1,638
Investment income	64	50
Other income		-2
Operating income	**1,882**	**1,686**
Claims incurred, net of reinsurance	**1,205**	**1,137**
Acquisition costs	330	291
Administrative expenses	168	157
Acquisition costs and administrative expenses	**498**	**448**
Expenditure	**1,703**	**1,585**
Operating result insurance businesses	**180**	**101**
Operating result non-insurance businesses	10	11
Total operating result	**189**	**111**
Non-operating items:	4	-36
– of which gains/losses and impairments	9	-24
– of which revaluations	-5	-16
– of which market and other impacts		4
Special items	-21	-35
Result before tax	**172**	**40**
Taxation	37	10
Minority interests	9	
Net result	**126**	**30**

Key figures

amounts in millions of euros	1 January to 30 June 2021	1 January to 30 June 2020
Gross premium income	2,307	2,093
Total administrative expenses[1]	224	202
Combined ratio:[2]	92.0%	94.9%
– of which Claims ratio[2]	64.6%	67.5%
– of which Expense ratio[2]	27.4%	27.4%
Operating capital generation	162	61

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 increased to EUR 162 million from EUR 61 million in the first half of 2020 reflecting higher underwriting results in Property & Casualty (P&C) and Disability & Accident (D&A), while the first half of last year was negatively impacted by a higher SCR following the termination of an internal reinsurance agreement in the Individual Disability portfolio.

The operating result increased to EUR 189 million from EUR 111 million in the first half of 2020, reflecting higher underwriting results in both P&C and D&A and higher investment income following the shift to higher yielding assets. The combined ratio was 92.0% versus 94.9% in the first half of 2020.

The operating result in P&C increased to EUR 138 million from EUR 120 million in the first half of 2020. The current half-year mainly reflects favourable claims development in the Fire portfolio including a positive impact from Covid-19, partly offset by a negative impact from discount rate adjustments for bodily injury claims in the Motor and Miscellaneous portfolios. The P&C combined ratio was 90.8%, in line with the first half of 2020.

The operating result in D&A increased to EUR 42 million from EUR -20 million in the first half of 2020, mainly driven by favourable claims development in the Individual Disability portfolio, as well as a higher underwriting result in the Accident & Travel portfolio. The D&A combined ratio was 94.6% versus 103.1% in the first half of 2020.

The increase in administrative expenses to EUR 168 million from EUR 157 million in the first half of 2020 reflects higher project expenses and the impact of the VIVAT Non-life acquisition, partly offset by expense reductions.

The operating result of the non-insurance businesses was broadly stable at EUR 10 million.

The result before tax of Netherlands Non-life increased to EUR 172 million from EUR 40 million in the first half of 2020, reflecting the higher operating result, higher non-operating items and lower special items. Non-operating items in the first half of 2020 included impairments on public equity and negative revaluations on private equity and real estate reflecting the volatile markets as a result of Covid-19.

Interim report continued

Insurance Europe

Analysis of results

amounts in millions of euros	1 January to 30 June 2021	1 January to 30 June 2020
Investment margin	57	48
Fees and premium-based revenues	393	367
Technical margin	119	125
Operating income non-modelled business		1
Operating income Life Insurance	**569**	**541**
Administrative expenses	210	214
DAC amortisation and trail commissions	197	196
Expenses Life Insurance	**407**	**410**
Operating result Life Insurance	**162**	**131**
Operating result Non-life	-1	2
Operating result	**161**	**133**
Non-operating items:	19	-22
– of which gains/losses and impairments	1	-1
– of which revaluations	15	-14
– of which market and other impacts	2	-7
Special items	-5	-13
Result before tax	**175**	**98**
Taxation	40	24
Net result	**135**	**74**

Key figures

amounts in millions of euros	1 January to 30 June 2021	1 January to 30 June 2020
New sales life insurance (APE)	380	319
Value of new business	135	84
Operating capital generation	182	119

Operating capital generation of Insurance Europe increased to EUR 182 million from EUR 119 million in the first half of 2020, mainly driven by a higher new business contribution from higher sales across the region and higher pension fees in Romania and Slovakia.

The operating result increased to EUR 161 million from EUR 133 million in the first half of 2020, mainly driven by higher life and pension fees across the region on the back of higher sales and market recovery as Covid-19 restrictions are eased.

The investment margin increased to EUR 57 million from EUR 48 million in the first half of 2020, mainly driven by a higher investment margin in Belgium.

Fees and premium-based revenues increased to EUR 393 million from EUR 367 million in the first half of 2020. This mainly reflects higher life fees across the region and higher pension fees in Romania and Slovakia.

The technical margin decreased to EUR 119 million from EUR 125 million in the first half of 2020, mainly due to a lower mortality margin.

Administrative expenses decreased to EUR 210 million from EUR 214 million in the first half of 2020, mainly reflecting currency impacts in Turkey and Poland.

DAC amortisation and trail commissions was broadly stable at EUR 197 million.

The Non-life operating result decreased to EUR -1 million from EUR 2 million in the first half of 2020, mainly due to higher weather-related claims in Spain.

The result before tax increased to EUR 175 million from EUR 98 million in the first half of 2020, mainly reflecting positive revaluations on real estate, a higher operating result and lower special items.

New sales (APE) at Insurance Europe increased to EUR 380 million from EUR 319 million in the first half of 2020, mainly driven by higher life and pension sales across the region reflecting the recovery in sales following the easing of Covid-19 restrictions.

Value of new business increased to EUR 135 million, up 60.5% from EUR 84 million in the first half of 2020, reflecting higher sales across the region and an improved life insurance business mix towards protection products.

Interim report continued

Japan Life

Analysis of results

amounts in millions of euros	1 January to 30 June 2021	1 January to 30 June 2020
Investment margin	-8	-8
Fees and premium-based revenues	339	364
Technical margin	21	8
Operating income	**352**	**364**
Administrative expenses	64	71
DAC amortisation and trail commissions	132	155
Total expenses	**196**	**226**
Operating result	**156**	**138**
Non-operating items:	2	-32
– of which gains/losses and impairments	4	-17
– of which revaluations	-2	-16
Special items	-1	-2
Result before tax	**157**	**104**
Taxation	44	29
Net result	**113**	**75**

Key figures

amounts in millions of euros	1 January to 30 June 2021	1 January to 30 June 2020
New sales life insurance (APE)	195	123
Value of new business	92	29
Operating capital generation	57	70

Value of new business of Japan Life was EUR 92 million, up from EUR 29 million in the first half of 2020, driven by the recovery in sales of COLI products and an improved margin as a result of management actions including repricing.

Operating capital generation decreased to EUR 57 million from EUR 70 million in the first half of 2020. This reflects the negative impact of a higher new business strain as a result of higher sales following the recovery in sales of COLI products, partly compensated by a higher in-force contribution from lower mortality claims.

The operating result was EUR 156 million, up 23.4% from the first half of 2020, excluding currency effects, reflecting a higher technical margin, lower DAC amortisation and trail commissions and higher fees and premium-based revenues.

Fees and premium-based revenues were EUR 339 million, up 1.6% from the first half of 2020, excluding currency effects, driven by higher in-force premium as a result of increased persistency, as well as higher new business sales.

The technical margin was EUR 21 million, up from EUR 7 million in the first half of 2020, excluding currency effects, mainly driven by a higher mortality margin.

Administrative expenses were EUR 64 million, down 1.1% from the first half of 2020, excluding currency effects.

DAC amortisation and trail commissions amounted to EUR 132 million, down 7.4% from the first half of 2020, excluding currency effects, driven by lower surrenders reflecting the increased persistency.

The result before tax was EUR 157 million, up by EUR 62 million compared with the first half of 2020, excluding currency effects. The first half of 2020 reflects impairments due to volatile markets as a result of Covid-19, while the current period reflects a higher operating result.

New sales (APE) increased to EUR 195 million from EUR 113 million in the first half of 2020, excluding currency effects, reflecting the recovery in sales of COLI products from low sales following the revised tax regulations and despite Covid-19 restrictions.

Interim report continued

Asset Management

Analysis of results

amounts in millions of euros	1 January to 30 June 2021	1 January to 30 June 2020
Investment income		-1
Fees	234	216
Operating income	**233**	**215**
Administrative expenses	143	141
Operating result	**91**	**74**
Non-operating items:		
Special items	-1	
Result before tax	**90**	**74**
Taxation	22	19
Minority interests	3	2
Net result	**65**	**53**

Key figures

amounts in millions of euros	1 January to 30 June 2021	1 January to 30 June 2020
Administrative expenses	143	141
Operating capital generation	67	50

amounts in billions of euros	30 June 2021	31 December 2020
Assets under Management	298	300

Operating capital generation of Asset Management increased to EUR 67 million compared with EUR 50 million in the first half of 2020 mainly reflecting the higher net result.

Total Assets under Management (AuM) decreased to EUR 298 billion at 30 June 2021 compared with EUR 300 billion at the end of 2020, due to negative market performance of EUR 4.5 billion, partly compensated by net inflows of EUR 2.2 billion. Negative market performance mainly reflects the impact of higher interest rates, partly offset by higher equity markets. Net inflows in Third Party (EUR 3.9 billion) across investment strategies and segments were partly offset by net outflows in Affiliates (EUR 1.6 billion), mainly due to the run-off of the NN Life book.

The operating result increased to EUR 91 million from EUR 74 million in the first half of 2020 driven by higher fees, partly offset by higher administrative expenses.

Fees increased to EUR 234 million from EUR 216 million in the first half of 2020, mainly reflecting higher average AuM and a more favourable asset mix.

Administrative expenses increased to EUR 143 million compared with EUR 141 million in the first half of 2020, primarily due to higher staff-related costs.

The result before tax increased to EUR 90 million compared with EUR 74 million in the first half of 2020 driven by the higher operating result.

Interim report continued

Banking

Analysis of results

amounts in millions of euros	1 January to 30 June 2021	1 January to 30 June 2020
Interest result	139	140
Commission income	34	18
Total investment and other income	16	27
Operating income	**189**	**185**
Operating expenses	98	93
Regulatory levies	16	12
Addition to loan loss provision	-4	
Total expenses	**110**	**105**
Operating result	**79**	**80**
Non-operating items:	-1	1
– of which gains/losses and impairments		3
– of which revaluations	-2	-2
Special items		-7
Result before tax	**77**	**73**
Taxation	19	19
Net result	**58**	**54**

Key figures

amounts in millions of euros	1 January to 30 June 2021	1 January to 30 June 2020
Total administrative expenses[1]	114	105
Cost/income ratio[2]	51.9%	50.1%
Net operating RoE[3]	12.7%	15.0%
Operating capital generation	55	0

amounts in billions of euros	30 June 2021	31 December 2020
Total assets (in EUR billion)	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 2021 Condensed consolidated interim financial information.

Net Operating Return on Equity (RoE) of Banking decreased to 12.7% from 15.0% in the first half of 2020, reflecting higher average equity following the suspension of dividend payments in 2020 in accordance with the recommendation of the Dutch regulator.

Operating capital generation was EUR 55 million in the first half of 2021, mainly reflecting the statutory net result while the increase of the risk weighted assets (RWA) was limited on the back of a strong increase of house prices. Operating capital generation in the first half of 2020 was EUR 0 million under the former methodology based on dividends remitted to the holding, which were suspended in 2020 in accordance with the recommendation of the Dutch regulator. The change in methodology follows the change in Solvency II requirements that became effective prospectively as of 31 December 2020. Under the new methodology operating capital generation in the first half of 2020 would have been EUR 64 million.

The operating result was broadly stable at EUR 79 million in the first half of 2021, as higher operating income was offset by higher total expenses.

The interest result was broadly stable at EUR 139 million in the first half of 2021, mainly reflecting lower average mortgage rates offset by lower funding costs. The net interest margin (NIM), calculated on a four-quarter rolling average, remained broadly stable at 1.1%.

Commission income increased to EUR 34 million from EUR 18 million in the first half of 2020. The current period reflects higher origination fees on a larger volume of mortgages transferred to the NN IP Dutch Residential Mortgage Fund and higher fees on the larger serviced mortgage portfolio, as well as a reclassification of EUR 5 million relating to mortgage origination fees previously reported under Investment and other income.

Total investment and other income decreased to EUR 16 million from EUR 27 million in the first half of 2020, which included EUR 7 million of non-recurring benefits relating to premiums on mortgage sales to the NN IP Dutch Residential Mortgage Fund, while the current period reflects the EUR 5 million reclassification of mortgage origination fees now reported under Commission income.

Operating expenses were EUR 98 million compared with EUR 93 million in the first half of 2020, mainly due to expenses supporting an increase in mortgage origination, as well as project expenses.

Regulatory levies increased to EUR 16 million from EUR 12 million in the first half of 2020, mainly reflecting higher contributions to the European Single Resolution Fund.

The release of the loan loss provision was EUR 4 million in the first half of 2021 compared with nil in the first half of 2020, mainly reflecting a strong increase in house prices, while the first half of 2020 included additions to provisions relating to the impact of Covid-19.

The result before tax increased to EUR 77 million from EUR 73 million in the first half of 2020, mainly driven by lower special items.

Interim report continued

Other

Analysis of results

amounts in millions of euros	1 January to 30 June 2021	1 January to 30 June 2020
Interest on hybrids and debt[1]	-53	-54
Investment income and fees	51	55
Holding expenses	-89	-79
Holding result	**-91**	**-78**
Operating result reinsurance business	**18**	**-25**
Other results	-4	-1
Operating result	**-76**	**-104**
Non-operating items:	35	-2
– of which gains/losses and impairments	9	-5
– of which revaluations	40	1
– of which market and other impacts	-14	1
Special items	-13	-35
Acquisition intangibles and goodwill	-11	-13
Result before tax	**-65**	**-155**
Taxation	-11	-43
Net result	**-54**	**-112**

Key figures

amounts in millions of euros	1 January to 30 June 2021	1 January to 30 June 2020
Total administrative expenses:	93	83
– of which reinsurance business	4	4
– of which corporate/holding	90	79
Operating capital generation	-136	-133

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

Operating capital generation of the segment Other was stable at EUR -136 million as the first half of 2020 included claims related to the reinsured Netherlands Non-life's Disability portfolio which was compensated by a release of the SCR following the termination of an internal reinsurance agreement with Netherlands Non-life.

The operating result improved to EUR -76 million from EUR -104 million in the first half of 2020, mainly driven by the higher operating result of the reinsurance business, partly offset by a lower holding result.

The holding result decreased to EUR -91 million from EUR -78 million in the first half of 2020, reflecting higher holding expenses and lower investment and interest income.

The operating result of the reinsurance business increased to EUR 18 million from EUR -25 million in the first half of 2020, which included EUR 39 million of claims related to Netherlands Non-life's Disability portfolio.

The result before tax of the segment Other improved to EUR -65 million from EUR -155 million in the first half of 2020, mainly reflecting higher non-operating items, lower special items related to restructuring expenses, and the improved operating result.

Balance Sheet

Assets

Cash and cash equivalents

Cash and cash equivalents decreased by EUR 5.3 billion in the first half of 2021 to EUR 7.1 billion due to lower cash collateral as interest rates increased.

Investments for risk of policyholders

The investments for risk of policyholders increased by EUR 2.4 billion in the first half of 2021 to EUR 37.2 billion, driven by higher equity markets.

Non-trading derivatives

Non-trading derivatives decreased by EUR 7.9 billion in the first half of 2021 to EUR 6.9 billion due to higher interest rates.

Available-for-sale investments

The Available-for-sale investments decreased by EUR 2.7 billion in the first half of 2021 to EUR 115.4 billion due to a decrease in market value as a result of higher interest rates, partly offset by reinvestments and higher equity markets.

Liabilities

Insurance and investment contracts

Insurance and investment contracts increased by EUR 0.4 billion in the first half of 2021 to EUR 171.1 billion, mainly reflecting an increase in liabilities for life insurance for risk of policyholder, partly offset by a decrease in life insurance liabilities for risk of the company driven by portfolio movements.

Other liabilities

The decrease of Other liabilities of EUR 6.1 billion in the first half of 2021 to EUR 10.4 billion mainly reflects lower cash collateral due to higher interest rates.

Equity

Shareholders' equity decreased by EUR 3.9 billion in the first half of 2021 to EUR 32.9 billion, reflecting the positive net result for the period and lower revaluation reserves as a result of higher 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 2021 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 2021 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, 11 August 2021

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 2021	31 December 2020
Assets			
Cash and cash equivalents		7,122	12,382
Financial assets at fair value through profit or loss:	3		
– investments for risk of policyholders		37,191	34,797
– non-trading derivatives		6,900	14,833
– designated as at fair value through profit or loss		782	1,336
Available-for-sale investments	4	115,427	118,175
Loans	5	65,870	65,428
Reinsurance contracts	10	767	1,063
Associates and joint ventures	6	6,120	5,673
Real estate investments		2,672	2,444
Property and equipment		430	448
Intangible assets	7	1,043	1,063
Deferred acquisition costs		1,908	1,871
Assets held for sale		119	113
Deferred tax assets		63	73
Other assets	8	3,801	4,039
Total assets		**250,215**	**263,738**
Equity			
Shareholders' equity (parent)		32,863	36,731
Minority interests		286	277
Undated subordinated notes		1,764	1,764
Total equity	9	**34,913**	**38,772**
Liabilities			
Subordinated debt		2,370	2,383
Debt securities issued		1,695	1,694
Other borrowed funds		6,832	7,542
Insurance and investment contracts	10	171,072	170,672
Customer deposits and other funds on deposit		16,182	15,803
Financial liabilities at fair value through profit or loss:			
– non-trading derivatives		1,962	4,012
Liabilities held for sale		96	93
Deferred tax liabilities		4,712	6,329
Other liabilities	11	10,381	16,438
Total liabilities		**215,302**	**224,966**
Total equity and liabilities		**250,215**	**263,738**

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 2021		1 January to 30 June 2020
Gross premium income			8,070		7,751
Investment income	12		2,732		2,130
Result on disposals of group companies					
– gross fee and commission income		583		504	
– fee and commission expenses		-205		-149	
Net fee and commission income:			378		355
Valuation results on non-trading derivatives			-549		468
Foreign currency results			336		-46
Share of result from associates and joint ventures	6		274		46
Other income			43		21
Total income			**11,284**		**10,725**
– gross underwriting expenditure		10,871		8,232	
– investment result for risk of policyholders		-2,312		712	
– reinsurance recoveries		-536		-605	
Underwriting expenditure:	13		8,023		8,339
Amortisation of intangible assets and other impairments			12		14
Staff expenses			793		784
Interest expenses			256		270
Other operating expenses			420		472
Total expenses			**9,504**		**9,879**
Result before tax			**1,780**		**846**
Taxation			355		249
Net result			**1,425**		**597**

Net result

	1 January to 30 June 2021	1 January to 30 June 2020
Net result attributable to:		
Shareholders of the parent	1,414	587
Minority interests	11	10
Net result	**1,425**	**597**

Earnings per ordinary share

amounts in euros	1 January to 30 June 2021	1 January to 30 June 2020
Earnings		
Basic earnings	4.47	1.77
Diluted earnings	4.47	1.76

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 2021		1 January to 30 June 2020
Net result		**1,425**		**597**
– unrealised revaluations available-for-sale investments and other	-2,455		1,216	
– realised gains/losses transferred to the profit and loss account	-603		-151	
– changes in cash flow hedge reserve	-3,072		3,749	
– deferred interest credited to policyholders	1,372		-739	
– share of other comprehensive income of associates and joint ventures	-1		4	
– exchange rate differences	-67		-35	
Items that may be reclassified subsequently to the profit and loss account:		-4,826		4,044
– remeasurement of the net defined benefit asset/liability	19		-1	
– unrealised revaluations property in own use			-1	
Items that will not be reclassified to the profit and loss account:		19		-2
Total other comprehensive income		**-4,807**		**4,042**
Total comprehensive income		**-3,382**		**4,639**
Comprehensive income attributable to:				
Shareholders of the parent		-3,395		4,639
Minority interests		13		
Total comprehensive income		**-3,382**		**4,639**

Condensed consolidated statement of cash flows

Condensed consolidated statement of cash flows

	1 January to 30 June 2021	1 January to 30 June 2020
Result before tax	1,780	846
Adjusted for:		
– depreciation and amortisation	71	80
– deferred acquisition costs and value of business acquired	-63	1
– underwriting expenditure (change in insurance liabilities)	368	1,226
– realised results and impairments of Available-for-sale investments	-685	-172
– other	188	62
Taxation paid (received)	-177	-130
Changes in:		
– non-trading derivatives	1,917	378
– other financial assets at fair value through profit or loss	569	-146
– loans	-79	119
– other assets	748	417
– customer deposits and other funds on deposit	326	449
– financial liabilities at fair value through profit or loss – non-trading derivatives	-383	-610
– other liabilities	-6,040	5,169
Net cash flow from operating activities	**-1,460**	**7,689**
Investments and advances:		
– group companies, net of cash acquired		-539
– available-for-sale investments	-14,921	-15,302
– loans	-3,254	-6,763
– associates and joint ventures	-335	-153
– real estate investments	-148	-52
– property and equipment	-20	-28
– investments for risk of policyholders	-4,331	-4,190
– other investments	-26	-30
Disposals and redemptions:		
– available-for-sale investments	13,581	17,606
– loans	2,488	4,035
– associates and joint ventures	62	78
– real estate investments	9	30
– property and equipment	5	1
– investments for risk of policyholders	4,309	4,772
– other investments	1	
Net cash flow from investing activities	**-2,580**	**-535**
Proceeds from other borrowed funds	600	3,380
Repayments of other borrowed funds	-1,256	-4,295
Dividend paid	-289	
Purchase/sale of treasury shares	-161	-257
Coupon on undated subordinated notes	-33	-33
Net cash flow from financing activities	**-1,139**	**-1,205**
Net cash flow	**-5,179**	**5,949**

Included in Net cash flow from operating activities

	1 January to 30 June 2021	1 January to 30 June 2020
Interest received	2,364	2,438
Interest paid	-351	-318
Dividend received	270	344

Condensed consolidated statement of cash flows continued

Cash and cash equivalents

	1 January to 30 June 2021	1 January to 30 June 2020
Cash and cash equivalents at beginning of the period	12,382	6,436
Net cash flow	-5,179	5,949
Effect of exchange rate changes on cash and cash equivalents	-81	3
Cash and cash equivalents	**7,122**	**12,388**
Cash and cash equivalents classified as assets held for sale	6	-
Cash and cash equivalents at the end of the period	**7,128**	**12,388**

Condensed consolidated statement of changes in equity

Condensed consolidated statement of changes in equity (2021)

	Share capital	Share premium	Reserves	Total Shareholders' equity (parent)	Minority interest	Undated subordinated notes	Total equity
Balance at 1 January 2021	**39**	**12,574**	**24,118**	**36,731**	**277**	**1,764**	**38,772**
Unrealised revaluations available-for-sale investments and other			-2,457	-2,457	2		-2,455
Realised gains/losses transferred to the profit and loss account			-603	-603			-603
Changes in cash flow hedge reserve			-3,072	-3,072			-3,072
Deferred interest credited to policyholders			1,372	1,372			1,372
Share of other comprehensive income of associates and joint ventures			-1	-1			-1
Exchange rate differences			-67	-67			-67
Remeasurement of the net defined benefit asset/liability			19	19			19
Total amount recognised directly in equity (Other comprehensive income)	**-**	**-**	**-4,809**	**-4,809**	**2**	**-**	**-4,807**
Net result for the period			1,414	1,414	11		1,425
Total comprehensive income	**-**	**-**	**-3,395**	**-3,395**	**13**	**-**	**-3,382**
Changes in share capital	-1	1		-			-
Dividend			-252	-252	-4		-256
Purchase/sale of treasury shares			-161	-161			-161
Employee stock option and share plans			-1	-1			-1
Coupon on undated subordinated notes			-59	-59			-59
Balance at 30 June 2021	**38**	**12,575**	**20,250**	**32,863**	**286**	**1,764**	**34,913**

Condensed consolidated statement of changes in equity continued

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 the 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**

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 2020 NN Group Consolidated annual accounts.

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 2020 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 2020 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 2020 NN Group Consolidated annual accounts for more details on upcoming changes in accounting policies.

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 volatility in interest rates, equity prices and spreads 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. NN Group has constantly been monitoring the developments and the (potential) impact on NN Group. The most significant risks that NN Group has been 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 2020 Consolidated 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 financial reporting of NN Group mainly through 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. During 2020 uncertainties in the environment have led to the inclusion of 'material valuation uncertainty' clauses in certain external valuation reports. Such clauses do not imply that the valuation cannot be relied upon, but are used to indicate that – in the extraordinary circumstances – less certainty can be attached to valuations than would otherwise be the case.

In the first half year of 2021, the Covid-19 pandemic continued and at the date of this report, the situation appears to be starting to show first signs of stabilisation. The impact on NN Group's financial reporting in the first half year of 2021 was limited. While real estate valuations remain complex and uncertain, the specific valuation uncertainty clauses were no longer included in real estate appraisals by external appraisers in the valuations as per 30 June 2021. There were no significant impairments (including debt and equity securities, loans and intangible assets). Furthermore, there was no significant impact from the Covid-19 pandemic on the technical provisions for insurance contracts.

Postponements of interest and/or principal payments have been offered on an individual basis to retail borrowers who face temporary payment difficulties on their mortgage loans or consumer loans. The number of cases is limited and the financial impact for NN Group was not significant.

NN Group has maintained 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 2021	31 December 2020
Investments for risk of policyholders	37,191	34,797
Non-trading derivatives	6,900	14,833
Designated as at fair value through profit or loss	782	1,336
Financial assets at fair value through profit or loss	**44,873**	**50,966**

Notes to the Condensed consolidated interim accounts continued

Investments for risk of policyholders

	30 June 2021	31 December 2020
Equity securities	34,555	31,992
Debt securities	1,753	1,786
Loans and receivables	883	1,019
Investments for risk of policyholders	**37,191**	**34,797**

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 2021	31 December 2020
Derivatives used in:		
– fair value hedges	44	1
– cash flow hedges	5,201	10,530
– hedges of net investments in foreign operations	2	
Other non-trading derivatives	1,653	4,302
Non-trading derivatives	**6,900**	**14,833**

The fair value of derivatives was impacted significantly in the first half of 2021 by the change (increase) in market interest rates. This change in market interest rates also significantly impacted other balance sheet items, including Available for sale investments, Other assets - Cash collateral amounts paid and Other liabilities – Cash collateral amounts received as well as the revaluation reserve in Shareholders' equity.

Non-trading derivatives include foreign currency derivatives that hedge foreign currency revaluations on debt securities. The result on these derivatives (included in Valuation results on non-trading derivatives) largely offsets the foreign currency revaluations (included in Foreign currency results).

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

Designated as at fair value through profit or loss

	30 June 2021	31 December 2020
Equity securities	378	425
Debt securities	29	28
Money market funds	375	883
Designated as at fair value through profit or loss	**782**	**1,336**

4 Available-for-sale investments

Available-for-sale investments

	30 June 2021	31 December 2020
Equity securities:		
– shares in NN Group managed investment funds	2,552	2,539
– shares in third-party managed investment funds	3,322	2,774
– other	6,351	5,986
Equity securities	**12,225**	**11,299**
Debt securities	103,202	106,876
Available-for-sale investments	**115,427**	**118,175**

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

Notes to the Condensed consolidated interim accounts continued

Total exposure to debt securities

	30 June 2021	31 December 2020
Available-for-sale investments	103,202	106,876
Loans	453	667
Available-for-sale investments and loans	**103,655**	**107,543**
Investments for risk of policyholders	1,753	1,786
Designated as at fair value through profit or loss	29	28
Financial assets at fair value through profit or loss	**1,782**	**1,814**
Total exposure to debt securities	**105,437**	**109,357**

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 2021	31 December 2020	30 June 2021	31 December 2020	30 June 2021	31 December 2020
Government bonds	67,141	70,716			67,141	70,716
Corporate bonds	21,451	20,544			21,451	20,544
Financial institution and Covered bonds	11,242	12,247			11,242	12,247
Bond portfolio (excluding ABS)	**99,834**	**103,507**	**-**	**-**	**99,834**	**103,507**
US RMBS	525	517			525	517
Non-US RMBS	2,222	2,318	366	575	2,588	2,893
CDO/CLO	135				135	-
Other ABS	486	534	87	92	573	626
ABS portfolio	**3,368**	**3,369**	**453**	**667**	**3,821**	**4,036**
Debt securities – Available-for-sale investments and Loans	**103,202**	**106,876**	**453**	**667**	**103,655**	**107,543**

5 Loans

Loans

	30 June 2021	31 December 2020
Loans secured by mortgages	56,732	55,310
Loans related to savings mortgages	1,471	1,532
Loans to or guaranteed by public authorities	1,528	1,830
Asset-backed securities	453	667
Policy loans	935	947
Other loans	4,925	5,324
Loans – before loan loss provisions	**66,044**	**65,610**
Loan loss provisions	-174	-182
Loans	**65,870**	**65,428**

Changes in Loan loss provisions

	30 June 2021	31 December 2020
Loan loss provisions – opening balance	182	166
Write-offs	-8	-6
Increase/decrease in loan loss provisions	-1	19
Changes in the composition of the group and other changes	1	3
Loan loss provisions – closing balance	**174**	**182**

6 Associates and joint ventures

Associates and joint ventures

	Interest held	Balance sheet value	Interest held	Balance sheet value
		30 June 2021		31 December 2020
Vesteda Residential Fund FGR	24%	1,595	24%	1,531
CBRE Dutch Office Fund FGR	19%	384	19%	370
CBRE European Industrial Fund FGR	27%	286	26%	240
CBRE Retail Industrial Fund Iberica FGR	50%	215	50%	218
CBRE Dutch Residential Fund FGR	8%	214	9%	209
NRP Nordic Logistic Fund SA	42%	211	42%	203
Lazora S.I.I. S.A.	22%	211	22%	209
CBRE Dutch Retail Fund FGR	20%	192	20%	201
CBRE UK Property Fund PAIF	10%	176	10%	163
Dutch Urban Living Venture FGR	45%	140	45%	127
Rivage Euro Debt infrastructure 3	34%	156	34%	104
Allee center Kft	50%	127	50%	126
Robeco Bedrijfsleningen FGR	26%	126	26%	117
Dutch Student and Young Professional Housing fund FGR	49%	121	49%	120
Achmea Dutch Health Care Property Fund	23%	121	23%	121
Ardstone Residential Partners III	47%	117		
Fiumaranuova s.r.l.	50%	111	50%	100
DPE Deutschland III (Parallel) GmbH & Co	17%	109	17%	93
Parcom Buy-Out Fund V CV	21%	105	21%	119
Siresa House S.L.	49%	97	49%	96
Boccaccio - Closed-end Real Estate Mutual Investment Fund	50%	90	50%	88
The Fizz Student Housing Fund SCS	50%	86	50%	87
Parquest Capital II B FPCI	27%	79	28%	54
Delta Mainlog Holding GmbH & Co. KG	50%	75	50%	64
Parcom Buy Out Fund IV B.V.	100%	68	100%	82
CBRE Dutch Retail Fund II FGR	10%	67	10%	69
DPE Deutschland II B GmbH & Co KG	37%	61	37%	56
NL Boompjes Property 5 C.V.	50%	60	50%	54
CBRE Property Fund Central and Eastern Europe FGR	50%	60	50%	60
Siresa House 2 S.L.	49%	52	49%	44
Other		608		548
Associates and joint ventures		**6,120**		**5,673**

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 394 million (31 December 2020: EUR 345 million) of associates and joint ventures with an individual balance sheet value less than EUR 50 million (in current year) and EUR 214 million (31 December 2020: EUR 203 million) of receivables from associates and joint ventures.

The amounts presented in the table above could differ from the individual annual accounts and semi-annual accounts of the associates due to the fact that these 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 2021	31 December 2020
Goodwill	531	533
Value of business acquired	201	210
Software	86	87
Other	225	233
Intangible assets	**1,043**	**1,063**

Value of business acquired relates to the acquisition of VIVAT Non-life in 2020 and the acquisitions in 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 2021	31 December 2020
Insurance and reinsurance receivables	796	724
Income tax receivables	45	55
Accrued interest and rents	1,110	1,467
Other accrued assets	199	249
Cash collateral amounts paid	799	1,000
Other	852	544
Other assets	**3,801**	**4,039**

Other includes amounts to be settled for an amount of EUR 308 million.

9 Equity

Total equity

	30 June 2021	31 December 2020
Share capital	38	39
Share premium	12,575	12,574
Revaluation reserve	15,721	20,468
Currency translation reserve	-173	-97
Net defined benefit asset/liability remeasurement reserve	-119	-138
Other reserves	4,821	3,885
Shareholders' equity (parent)	**32,863**	**36,731**
Minority interests	286	277
Undated subordinated notes	1,764	1,764
Total equity	**34,913**	**38,772**

Changes in equity (2021)

	Share capital	Share premium	Reserves	Total shareholders' equity (parent)
Equity – opening balance	39	12,574	24,118	36,731
Total amount recognised directly in equity (Other comprehensive income)			-4,809	-4,809
Net result for the period			1,414	1,414
Changes in share capital	-1	1		-
Dividend			-252	-252
Purchase/sale of treasury shares			-161	-161
Employee stock option and share plans			-1	-1
Coupon on undated subordinated notes			-59	-59
Equity – closing balance	**38**	**12,575**	**20,250**	**32,863**

Notes to the Condensed consolidated interim accounts continued

Interim dividend 2021
NN Group will pay an interim dividend of EUR 0.93 per ordinary share, or approximately EUR 287 million in total based on the current number of outstanding shares (net of treasury shares). The interim dividend will be paid either fully in cash, after deduction of withholding tax if applicable, or fully in ordinary shares, at the election of the shareholders. To neutralise the dilutive effect of the stock dividend, NN Group repurchases ordinary shares for an amount equivalent to the value of the stock dividend.

Final dividend 2020
On 20 May 2021, the General Meeting adopted the proposed final dividend of EUR 1.47 per ordinary share, or approximately EUR 456 million in total based on the current number of outstanding shares (net of treasury shares). Together with the regular 2020 interim dividend of EUR 0.86 per ordinary share paid in September 2020, NN Group's total pro forma dividend for 2020 was EUR 2.33 per ordinary share. The final dividend was paid in cash, after deduction of withholding tax if applicable, or ordinary shares, at the election of the shareholder. Dividends paid in the form of ordinary shares have been delivered from NN Group treasury shares. To neutralise the dilutive effect of the stock dividend, NN Group repurchases ordinary shares for an amount equivalent to the value of the stock dividend. The cash dividend was distributed out of Other reserves.

Purchase/sale of treasury shares (2021)
During the first six months of 2021, treasury shares for a total amount of EUR 4 million were delivered under Employee share plans and 4,073,240 ordinary shares for a total amount of EUR 165 million were repurchased under the open market share buyback programme.

As at 30 June 2021, 6,451,345 treasury shares were held by NN Group.

In the first six months of 2021, 12,400,000 treasury shares were cancelled.

Coupon paid on undated subordinated notes (2021)
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 in the first half year of 2021.

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)			5,105	5,105
Net result for the period			1,904	1,904
Changes in share capital	-2	2		-
Dividend			-394	-394
Purchase/sale of treasury shares			-622	-622
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	**39**	**12,574**	**24,118**	**36,731**

Purchase/sale of treasury shares (2020)
During 2020, treasury shares for a total amount of EUR 5 million were delivered under Employee share plans. Also 21,817,879 ordinary shares for a total amount of EUR 627 million were repurchased under the open market share buyback programme.

In 2020, 23,289,558 treasury shares were cancelled.

As at 31 December 2020, 19,822,194 treasury shares were held by NN Group.

Coupon paid on undated subordinated notes (2020)
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 Nationale-Nederlanden 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%.

At 30 June 2021, the minority interest relating to ABN AMRO Verzekeringen recognised in equity was EUR 270 million (31 December 2020: EUR 259 million).

Notes to the Condensed consolidated interim accounts continued

Summarised information ABN AMRO Verzekeringen[1]

	30 June 2021	31 December 2020[2]
Total assets	4,705	4,706
Total liabilities	4,154	4,176
Total income	260	546
Total expenses	241	489
Net result recognised in period	14	37
Other comprehensive income recognised in period	7	6
Dividends paid	0	5

1 All on 100% basis.
2 Total income, Total expenses, Net result recognised in period and Dividend paid are for the full year 2020.

10 Insurance and investment contracts, reinsurance contracts

Insurance and investment contracts, reinsurance contracts

	Liabilities net of reinsurance		Reinsurance contracts		Insurance and investment contracts	
	30 June 2021	31 December 2020	30 June 2021	31 December 2020	30 June 2021	31 December 2020
Life insurance liabilities excluding liabilities for risk of policyholders	124,713	126,842	393	681	125,106	127,523
Liabilities for life insurance for risk of policyholders	35,547	33,287	36	36	35,583	33,323
Investment contract with discretionary participation features for risk of policyholders	260	245			260	245
Life insurance liabilities	**160,520**	**160,374**	**429**	**717**	**160,949**	**161,091**
Liabilities for unearned premiums and unexpired risks	828	443	19	16	847	459
Claims liabilities	6,607	6,540	319	330	6,926	6,870
Insurance liabilities and investment contracts with discretionary participation features	**167,955**	**167,357**	**767**	**1,063**	**168,722**	**168,420**
Investment contracts liabilities	2,350	2,252			2,350	2,252
Insurance and investment contracts, reinsurance contracts	**170,305**	**169,609**	**767**	**1,063**	**171,072**	**170,672**

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 liabilities in the IFRS balance sheet. There is no impact from the reinsurance on the recognition and measurement of the life insurance liabilities 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.

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 2021. There is no impact on the Reserve Adequacy Test, which is performed on the insurance liability gross of reinsurance.

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.

Notes to the Condensed consolidated interim accounts continued

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 13 million was recognised in Underwriting expenditure in the profit and loss account in 2021 (2020 Full year: EUR 25 million). An amount of approximately EUR 413 million (undiscounted) remains to be recognised in future periods.

11 Other liabilities

Other liabilities

	30 June 2021	31 December 2020
Income tax payable	129	92
Net defined benefit liability	141	167
Other post-employment benefits	14	14
Other staff-related liabilities	116	124
Other taxation and social security contributions	148	169
Deposits from reinsurers	67	327
Lease liabilities	312	335
Accrued interest	173	240
Costs payable	331	324
Amounts payable to policyholders	845	1,002
Provisions	135	158
Amounts to be settled	1,139	1,126
Cash collateral amounts received	5,792	11,594
Other	1,039	766
Other liabilities	**10,381**	**16,438**

12 Investment income

Investment income

	1 January to 30 June 2021	1 January to 30 June 2020
Interest income from investments in debt securities	863	886
Interest income from loans	770	811
Interest income from investments in debt securities and loans	**1,633**	**1,697**
Realised gains/losses on disposal of available-for-sale debt securities	219	402
Impairments of available-for-sale debt securities	1	-5
Realised gains/losses and impairments of available-for-sale debt securities	**220**	**397**
Realised gains/losses on disposal of available-for-sale equity securities	478	87
Impairments of available-for-sale equity securities	-13	-312
Realised gains/losses and impairments of available-for-sale equity securities	**465**	**-225**
Interest income on non-trading derivatives	107	114
Changes in loan loss provisions	1	-5
Income from real estate investments	50	57
Dividend income	166	127
Change in fair value of real estate investments	90	-32
Investment income	**2,732**	**2,130**

Impairments on investments by segment

	1 January to 30 June 2021	1 January to 30 June 2020
Netherlands Life	-9	-261
Netherlands Non-life	-1	-23
Insurance Europe	-2	-2
Japan Life		-17
Other		-14
Impairments on investments	**-12**	**-317**

Notes to the Condensed consolidated interim accounts continued

13 Underwriting expenditure

Underwriting expenditure

	1 January to 30 June 2021	1 January to 30 June 2020
Gross underwriting expenditure:		
– before effect of investment result for risk of policyholders	8,559	8,944
– effect of investment result for risk of policyholders	2,312	-712
Gross underwriting expenditure	**10,871**	**8,232**
Investment result for risk of policyholders	-2,312	712
Reinsurance recoveries	-536	-605
Underwriting expenditure	**8,023**	**8,339**

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.

Underwriting expenditure by class

	1 January to 30 June 2021	1 January to 30 June 2020
Expenditure from life underwriting:		
– reinsurance and retrocession premiums	578	627
– gross benefits	5,615	5,920
– reinsurance recoveries	-503	-562
– change in life insurance liabilities	-22	42
– costs of acquiring insurance business	242	272
– other underwriting expenditure	102	98
– profit sharing and rebates	26	39
Expenditure from life underwriting	**6,038**	**6,436**
Expenditure from non-life underwriting:		
– reinsurance and retrocession premiums	106	115
– gross claims	1,117	1,099
– reinsurance recoveries	-33	-43
– changes in the liabilities for unearned premiums	386	338
– changes in claims liabilities	67	73
– costs of acquiring insurance business	356	314
– other underwriting expenditure	-19	-17
Expenditure from non-life underwriting	**1,980**	**1,879**
Expenditure from investment contracts:		
– costs of acquiring investment contracts	1	
– other changes in investment contract liabilities	4	24
Expenditure from investment contracts	**5**	**24**
Underwriting expenditure	**8,023**	**8,339**

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 2021	1 January to 30 June 2020	1 January to 30 June 2021	1 January to 30 June 2020	1 January to 30 June 2021	1 January to 30 June 2020
Net result	1,414	587				
Coupon on undated subordinated notes	-29	-29				
Basic earnings	**1,385**	**558**	**309.8**	**315.7**	**4.47**	**1.77**
Dilutive instruments:						
– Share plans			0.4	0.4		
Dilutive instruments			**0.4**	**0.4**		
Diluted earnings	**1,385**	**558**	**310.2**	**316.1**	**4.47**	**1.76**

Diluted earnings per share is calculated as if the share plans 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 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 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, on the basis of income and/or assets of the segment or other relevant metrics. 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 (2021)

1 January to 30 June 2021	Netherlands Life	Netherlands Non-life	Insurance Europe	Japan Life	Asset Management	Banking	Other	Total segments
Investment margin	494		57	-8				543
Fees and premium-based revenues	192		393	339	234			1,158
Technical margin	74		119	21				214
Operating income	**760**	**-**	**569**	**352**	**233**	**-**	**-**	**1,915**
Administrative expenses	225		210	64	143			642
DAC amortisation and trail commissions	16		197	132				345
Expenses	**241**	**-**	**407**	**196**	**143**	**-**	**-**	**987**
Operating result non-life		189	-1					189
Operating result banking						79		79
Operating result other							-76	-76
Operating result	**520**	**189**	**161**	**156**	**91**	**79**	**-76**	**1,119**
Non-operating items:								
– gains/losses and impairments	661	9	1	4			9	684
– revaluations	-7	-5	15	-2			40	40
– market and other impacts	7		2			-2	-14	-6
Special items before tax	-6	-21	-5	-1	-1		-13	-47
Acquisition intangibles and goodwill							-11	-11
Result before tax	**1,174**	**172**	**175**	**157**	**90**	**77**	**-65**	**1,780**
Taxation	204	37	40	44	22	19	-11	355
Minority interests	-2	9			3			11
Net result	**972**	**126**	**135**	**113**	**65**	**58**	**-54**	**1,414**

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**

Special items in 2021 and 2020 reflect restructuring expenses incurred in respect of the cost reduction target.

Notes to the Condensed consolidated interim accounts continued

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 & 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 'Amortisation of acquisition intangibles and other impairments'.
- Result on divestments: result before tax related to divested operations.

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. Investment margin is defined as the investment income (on the investments for the account of NN Group) minus interest credited to policyholders and investment expenses. Technical margin includes the difference between costs charged and claim related revenues (such as risk premiums, surrenders and reserve releases) and incurred claims. Also the net effect of the hedging of guaranteed benefits and reinsurance ceded is included. 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 of its banking operations 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

Adjusted 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

	30 June 2021	31 December 2020
IFRS Total equity	34,913	38,772
Revaluation reserves, Goodwill and Intangible assets recognised upon acquisitions	-16,249	-21,079
Undated subordinated notes	-1,764	-1,764
Adjusted allocated equity excluding Japan Closed Block VA	**16,900**	**15,929**
Japan Closed Block VA	102	151
Adjusted allocated equity	**17,002**	**16,080**

Notes to the Condensed consolidated interim accounts continued

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 2021	1 January to 30 June 2020
Staff expenses	793	784
Other operating expenses	420	471
IFRS operating expenses	**1,213**	**1,255**
Presented in non-operating items (including special items)	-52	-128
Presented in the Technical margin (claims handling expenses)	-63	-63
Presented in the Investment margin (investment expenses)	-19	-20
Administrative expenses	**1,079**	**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 1,079 million (2020: EUR 1,044 million), EUR 643 million (2020: EUR 647 million) relates to the segments Netherlands Life, Insurance Europe Life, Japan Life and Asset Management. The remainder of EUR 436 million (2020: EUR 397 million) is included in the operating result non-life, banking and other.

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:
- Operating Capital Generation (OCG): 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.
- 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 of the banking operations, adjusted to reflect the deduction of the accrued coupon on undated subordinated notes classified in equity, divided by (average) Adjusted allocated equity of the banking operations
- Value of New Business (VNB): 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 2021	1 January to 30 June 2020
Unrealised revaluations available-for-sale investments and other	1,023	-289
Realised gains/losses transferred to the profit and loss account	82	21
Changes in cash flow hedge reserve	1,024	-1,037
Deferred interest credited to policyholders	-450	218
Remeasurement of the net defined benefit asset/liability	-6	
Income tax	**1,673**	**-1,087**

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 2021	31 December 2020	30 June 2021	31 December 2020
Financial assets				
Cash and cash equivalents	7,122	12,382	7,122	12,382
Financial assets at fair value through profit or loss:				
– investments for risk of policyholders	37,191	34,797	37,191	34,797
– non-trading derivatives	6,900	14,833	6,900	14,833
– designated as at fair value through profit or loss	782	1,336	782	1,336
Available-for-sale investments	115,427	118,175	115,427	118,175
Loans	70,650	70,124	65,870	65,428
Total financial assets	**238,072**	**251,647**	**233,292**	**246,951**
Financial liabilities				
Subordinated debt	2,690	2,734	2,370	2,383
Debt securities issued	1,767	1,781	1,695	1,694
Other borrowed funds	6,923	7,701	6,832	7,542
Investment contracts with discretionary participation features for risk of policyholders	260	245	260	245
Investment contracts for risk of company	1,042	1,057	1,005	1,002
Investment contracts for risk of policyholders	1,345	1,250	1,345	1,250
Customer deposits and other funds on deposit	16,834	16,585	16,182	15,803
Financial liabilities at fair value through profit or loss:				
– non-trading derivatives	1,962	4,012	1,962	4,012
Total financial liabilities	**32,823**	**35,365**	**31,651**	**33,931**

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 35 'Fair value of financial assets and liabilities' of the 2020 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 (2021)

30 June 2021	Level 1	Level 2	Level 3	Total
Financial assets				
Investments for risk of policyholders	35,987	451	753	37,191
Non-trading derivatives	4	6,882	14	6,900
Financial assets designated as at fair value through profit or loss	657	125		782
Available-for-sale investments	75,824	36,271	3,332	115,427
Financial assets	**112,472**	**43,729**	**4,099**	**160,300**
Financial liabilities				
Investment contracts with discretionary participation features for risk of policyholders		260		260
Investment contracts (for contracts at fair value)	1,345			1,345
Non-trading derivatives	45	1,885	32	1,962
Financial liabilities	**1,390**	**2,145**	**32**	**3,567**

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

31 December 2020	Level 1	Level 2	Level 3	Total
Financial assets				
Investments for risk of policyholders	33,521	489	787	34,797
Non-trading derivatives		14,811	22	14,833
Financial assets designated as at fair value through profit or loss	1,217	119		1,336
Available-for-sale investments	79,118	36,377	2,680	118,175
Financial assets	**113,856**	**51,796**	**3,489**	**169,141**
Financial liabilities				
Investment contracts with discretionary participation features for risk of policyholders		245		245
Investment contracts (for contracts at fair value)	1,250			1,250
Non-trading derivatives	30	3,940	42	4,012
Financial liabilities	**1,280**	**4,185**	**42**	**5,507**

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 (2021)

30 June 2021	Investments for risk of policyholders	Non-trading derivatives	Available-for-sale investments	Total
Level 3 Financial assets – opening balance	787	22	2,680	3,489
Amounts recognised in the profit and loss account	-23	-8	-11	-42
Revaluations recognised in other comprehensive income (equity)			159	159
Purchase			617	617
Sale	-11		-16	-27
Maturity/settlement			-109	-109
Exchange rate differences			12	12
Level 3 Financial assets – closing balance	**753**	**14**	**3,332**	**4,099**

Changes in Level 3 Financial assets (2020)

31 December 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	-2	-28	-69	-99
Revaluations recognised in other comprehensive income (equity)			54	54
Purchase			1,425	1,425
Sale	-13		-46	-59
Maturity/settlement			-2	-2
Other transfers and reclassifications			-19	-19
Transfers into Level 3			18	18
Exchange rate differences			-15	-15
Level 3 Financial assets – closing balance	**787**	**22**	**2,680**	**3,489**

Changes in Level 3 Financial liabilities

	30 June 2021	31 December 2020
Level 3 Financial liabilities – opening balance	42	59
Amounts recognised in the profit and loss account	-10	-19
Other transfers and reclassifications		2
Level 3 Financial liabilities – closing balance	**32**	**42**

Level 3 – Amounts recognised in the profit and loss account during the year (2021)

30 June 2021	Held at balance sheet date	Derecognised during the period	Total
Financial assets			
Investments for risk of policyholders	-23		-23
Non-trading derivatives	-8		-8
Available-for-sale investments	-11		-11
Financial assets	**-42**	**-**	**-42**
Financial liabilities			
Non-trading derivatives	-10		-10
Financial liabilities	**-10**	**-**	**-10**

Notes to the Condensed consolidated interim accounts continued

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

31 December 2020	Held at balance sheet date	Derecognised during the period	Total
Financial assets			
Investments for risk of policyholders	-2		-2
Non-trading derivatives	-28		-28
Available-for-sale investments	-69		-69
Financial assets	**-99**	**-**	**-99**
Financial liabilities			
Non-trading derivatives	-19		-19
Financial liabilities	**-19**	**-**	**-19**

Valuation methodology, sensitivities and uncertainties

In determining the fair value of financial instruments and real estate in the first half year 2021 no changes were made in methodology or calculation process as compared to year end 2020. Also there were no significant changes in assumptions used and accompanying sensitivities as to arrive at the reported fair values.

As before, the fair value of real estate is based on quarterly appraisals by independent, qualified valuers. The fair value is established using valuation methods that take into account recent comparable market transactions (CMT), capitalisation of income (CI) methods and/or discounted cash flow (DCF) calculations. In 2020, uncertainties related to the Covid-19 pandemic have led to the inclusion of 'material valuation uncertainty' clauses in certain external valuation reports. Such clauses do not imply that the valuation cannot be relied upon, but are used to indicate that – in the extraordinary circumstances – less certainty could be attached to valuations than would otherwise be the case. This was primarily the case for real estate investments in the retail sector. As per 30 June 2021, valuators have no longer included such clauses in the valuation reports for assets in the portfolio of NN Group. As for the different sectors the fair value of industrial and logistic real estate developed positive during the reporting period, as result of continuing favourable letting, capital markets and comparable market transactions, whereas for the retail sector, the vacancy and yield assumptions were updated as to be in accordance with the current (Covid-19 dominated) situation.

18 Companies and businesses acquired and divested

Divestments announced in 2021

Bulgaria

In February 2021, NN Group announced that it has reached an agreement with KBC Group N.V. (KBC) to sell its Bulgarian operations for a total consideration of EUR 77.7 million to KBC's Bulgarian insurance business DZI. The sale is not expected to have a significant impact on the net result, equity or the Solvency II ratio of NN Group. The transaction closed in July 2021. The Bulgarian operations are reported under 'Assets held for sale' and 'Liabilities held for sale' in the balance sheet.

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 from 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.

Notes to the Condensed consolidated interim accounts continued

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 accounting for the acquisition using the values below.

The 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	-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	141
Other assets	128
Total assets	**2,023**
Liabilities	
Subordinated debt	171
Insurance and investment contracts	1,278
Deferred tax liabilities	18
Other liabilities	142
Total liabilities	**1,609**
Net assets acquired	**414**
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	414
- Acquired intercompany Tier 2 loans	166
Total fair value of net assets acquired	**580**
Difference	**-12**

	Acquisition date
Acquisition-related costs recognised as expense	9
Total income recognised in profit and loss since date of acquisition	529
Net profit recognised in profit and loss since date of acquisition	27
Total income that would have been recognised in profit and loss if acquired from the start of the year[1]	736
Net profit that would have been recognised in profit and loss if acquired from the start of the year[2]	31

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.

No significant acquisition-related costs were recognised on this transaction. The financial assets acquired do not include any significant receivables, other than investments in debt securities and Loans. There were no significant contingent liabilities that were recognised at the date of acquisition.

Divestments (2020)

Sigorta Cini

In December 2020, NN Group sold Sigorta Cini, the intermediary business in Turkey, to BUBA Ventures. The transaction, which was completed in December 2020, did not have a material impact on the result and capital position of NN Group.

19 Other events

Unit-linked products in the Netherlands

Reference is made to Note 44 'Legal proceedings' of the 2020 NN Group Consolidated annual accounts for a description of legal proceedings with respect to unit-linked products in the Netherlands. 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.

Review of strategic options for NN Investment Partners

On 26 April 2021, NN Group announced it is reviewing strategic options for its asset management business, covering a broad range of options including a merger, joint venture, or (partial) divestment. The review is part of NN Group's regular and thorough assessment of its individual businesses, in line with its aim to pursue long-term value creation that is beneficial to all stakeholders.

Dispute on reinsurance agreement

NN Group had reinsured with another insurance company part of the exposure on certain insured pension obligations. The counterparty acknowledged the existence of a reinsurance arrangement, but disputed the applicability of fundamental aspects of the reinsurance agreement. NN Group started legal proceedings in 2019. A provision was recognised in 2019. In 2021, both parties agreed on a settlement. As a result, the reinsurance was cancelled and a settlement amount was received. The net positive impact of the settlement was recognised in 2021.

20 Subsequent events

Acquisition of MetLife's businesses in Poland and Greece

On 5 July 2021, NN Group announced it has acquired MetLife's businesses in Poland and Greece for a consideration of EUR 584 million. This is in line with the strategy to consolidate NN Group's leading positions in attractive growth markets in which NN Group is already active. The transaction is subject to regulatory and antitrust approvals and is expected to close in the first half of 2022.

Acquisition of Heinenoord in the Netherlands

On 8 July 2021, NN Group announced to acquire a 70% stake in insurance broker and service provider Heinenoord, for a total consideration of EUR 176 million. In addition, NN Group will refinance the outstanding debt granted to Heinenoord for an amount of EUR 129 million. The agreement includes an option structure to acquire the remaining 30% of shares by NN Group within four years, following the closing of the transaction. At closing, NN Group will recognise a financial liability of approximately EUR 85 million in connection with the acquisition of the remaining 30% of shares. The transaction is subject to regulatory and antitrust approvals and is expected to close in the second half of 2021.

Floods in the Netherlands and Belgium

In July 2021, certain regions in the Netherlands and Belgium were impacted by severe floods. Based on current claims estimates, the financial impact of the flooding on the results in the second half of the year is expected to be around EUR 70 million (net of reinsurance, before tax).

21 Capital management

Solvency II

	30 June 2021	31 December 2020
Basic Own Funds	21,620	21,228
Non-available Own Funds	1,049	1,200
Eligible Own Funds to cover Solvency Capital Requirements (a)	**20,571**	**20,028**
– of which Tier 1 unrestricted	12,985	12,484
– of which Tier 1 restricted	1,908	1,927
– of which Tier 2	2,432	2,484
– of which Tier 3	899	733
– of which non-Solvency II regulated entities	2,347	2,400
Solvency Capital Requirements (b)	**9,858**	**9,534**
– of which from Solvency II entities	8,471	8,166
– of which from non-Solvency II entities	1,387	1,368
NN Group Solvency II ratio (a/b)[1]	**209%**	**210%**

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. NN Bank is included in the calculation of the NN Group Solvency II ratio as of the end of 2020.

The NN Group Solvency II ratio decreased to 209% from 210% at the end of 2020, mainly reflecting the deduction of the 2021 interim dividend and the EUR 250 million share buyback programme as well as the impact of the UFR reduction from 3.75% to 3.60%. These items were largely offset by operating capital generation and favourable movements in credit spreads.

Authorisation of the Condensed consolidated interim accounts

The Hague, 11 August 2021

The Supervisory Board
D.A. (David) Cole, chair
H.M. (Hélène) Vletter-van Dort, vice-chair
I.K. (Inga) Beale
H.J.G. (Heijo) Hauser
R.W. (Robert) Jenkins
C. (Cecilia) Reyes
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.

Our conclusion

We have reviewed the accompanying condensed consolidated interim accounts as at 30 June 2021 of NN Group N.V. (or hereafter: the 'Company') based in The Hague, as included on pages 20 to 47 of the NN Group N.V. 30 June 2021 Condensed consolidated interim financial information. Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim accounts are not prepared, in all material respects, in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

The condensed consolidated interim accounts comprise:

1. the condensed consolidated balance sheet as at 30 June 2021;
2. the condensed consolidated profit and loss account, statement of comprehensive income, statement of cash flows and statement of changes in equity for the six-month period ended 30 June 2021; and
3. the notes comprising of a summary of the accounting policies and other explanatory information.

Basis for our conclusion

We conducted our review in accordance with Dutch law, including the Dutch Standard 2410, 'Het beoordelen van tussentijdse financiële informatie door de accountant van de entiteit' (Review of interim financial information performed by the independent auditor of the entity). A review of interim financial information in accordance with the Dutch Standard 2410 is a limited assurance engagement. Our responsibilities under this standard are further described in the 'Our responsibilities for the review of the interim financial information' section of our report.

We are independent of NN Group N.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Responsibilities of the Executive Board and the Supervisory Board for the condensed consolidated interim accounts

The Executive Board is responsible for the preparation and presentation of the condensed consolidated interim accounts in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union. Furthermore, the Executive Board is responsible for such internal control as it determines is necessary to enable the preparation of the condensed consolidated interim accounts that are free from material misstatement, whether due to fraud or error.

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the review of the condensed consolidated interim accounts

Our responsibility is to plan and perform the review in a manner that allows us to obtain sufficient and appropriate assurance evidence for our conclusion.

The level of assurance obtained in a limited assurance engagement is substantially less than the level of assurance obtained in an audit conducted in accordance with the Dutch Standards on Auditing. Accordingly, we do not express an audit opinion.

We have exercised professional judgement and have maintained professional scepticism throughout the review, in accordance with Dutch Standard 2410.

Review report continued

Our review included among others:
- Updating our understanding of the entity and its environment, including its internal control, and the applicable financial reporting framework, in order to identify areas in the condensed consolidated interim accounts where material misstatements are likely to arise due to fraud or error, designing and performing procedures to address those areas, and obtaining assurance evidence that is sufficient and appropriate to provide a basis for our conclusion;
- Obtaining an understanding in the internal control, as it relates to the preparation of the condensed consolidated interim accounts;
- Making inquiries of management and others within the entity;
- Applying analytical procedures with respect to information included in the condensed consolidated interim accounts;
- Obtaining assurance evidence that the condensed consolidated interim accounts agrees with, or reconciles to the entity's underlying accounting records;
- Evaluating the assurance evidence obtained;
- Considering whether there have been any changes in accounting principles or in the methods of applying them and whether any new transactions have necessitated the application of a new accounting principle;
- Considering whether management has identified all events that may require adjustment to or disclosure in the condensed consolidated interim accounts; and
- Considering whether the condensed consolidated interim accounts have been prepared in accordance with the applicable financial reporting framework and represents the underlying transactions free from material misstatement.

Amstelveen, 11 August 2021

KPMG Accountants N.V.

D. Korf RA

Contact us

NN Group N.V.
Schenkkade 65
2595 AS The Hague
The Netherlands
P.O. Box 90504, 2509 LM The Hague
The Netherlands
www.nn-group.com

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. 2020 Annual Accounts, unless indicated otherwise in Note 1 'Accounting policies' in the Condensed consolidated interim accounts for the period ended 30 June 2021.

Small differences are possible in the tables due to rounding.

All figures in this document are unaudited. 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.