

NN Group reports 1H20 results

Robust capital position

- NN Group Solvency II ratio of 221% versus 224% at the end of 2019; the Solvency II ratio before deduction of the interim dividend and EUR 183 million of share buybacks in the first half of 2020 was 231%
- Cash capital position at the holding decreased to EUR 1,315 million from EUR 1,989 million at the end of 2019, reflecting cash outflows of EUR 1,132 million including the consideration paid for the acquisition of VIVAT Non-life, the redemption of EUR 300 million senior debt and the repurchase of own shares, partly offset by remittances from subsidiaries to the holding
- 2020 interim dividend of EUR 2.26 per ordinary share or approximately EUR 705 million, which comprises the amount of the suspended final dividend plus the regular interim dividend amount
- Resumption of share buybacks for the remaining amount of EUR 67 million of the original EUR 250 million programme

Strong results in current economic environment

- Operating capital generation decreased to EUR 543 million from EUR 697 million in the first half of 2019, reflecting lower interest rates and the impact of COVID-19 restrictions
- Operating result increased to EUR 926 million from EUR 914 million in the first half of 2019, which benefited from EUR 67 million of private equity dividends, while the current half-year includes EUR 16 million of private equity dividends and non-recurring benefits
- Limited negative impact of COVID-19 of around EUR 30 million in the first half of 2020
- Net result of EUR 587 million, down from EUR 1,118 million in first half of 2019, which benefited from positive revaluations
- Further cost reductions of EUR 21 million in the first half of 2020; total cost reductions achieved to date of EUR 381 million versus the full-year 2016 administrative expense base
- The value of new business was EUR 122 million, down from EUR 236 million in the first half of 2019, reflecting lower sales in Japan and Insurance Europe

Statement of David Knibbe, CEO

‘Despite the current turbulent economic environment, we present a solid set of results for NN Group today. We were able to respond quickly to the COVID-19 pandemic by ensuring continuity of our business and adapting to the changing needs of our customers, employees and other stakeholders. Our Solvency II ratio remains strong at 221% and our balance sheet is resilient, with a strong cash capital position of EUR 1,315 million at the end of June 2020.

The decision to suspend the 2019 final dividend and share buyback programme in April followed the recommendations of the European and Dutch regulators in response to the COVID-19 crisis and the uncertainty about how that would develop. However, it was always our intention to make those distributions to shareholders when the time was right and therefore we now announce that we are resuming the share buyback programme and will pay an interim dividend of EUR 2.26 per ordinary share, comprising the combined amount of the suspended final dividend and the regular interim dividend.

Our focus is now on operating capital generation (OCG) and our commitment to grow OCG to mid-single digit over time. The OCG in the first half of 2020 was EUR 543 million, reflecting the impact of low interest rates and COVID-19. We are reporting an operating result for the first half-year of EUR 926 million, an increase of 1.3% compared with the same period last year. The impact of the pandemic on our operating result was limited at around EUR 30 million, while sales and value of new business were impacted by COVID-19 restrictions and the tax regulation change in Japan. In Netherlands Life we accelerated the shift to higher-yielding assets and we took various expense initiatives at Insurance Europe to maintain efficiency. And in Japan we successfully kept surrender rates down, for example by offering policy loans.

In the first six months of the year almost 15 thousand new mortgages for a total amount of EUR 4.4 billion were originated at NN Bank, compared with 12.5 thousand mortgages and EUR 3.7 billion in the first half of 2019. Total Assets under Management at NN IP increased to EUR 285 billion, compared with EUR 276 billion at the end of 2019. Our asset manager attracted net Third-Party assets of EUR 3.5 billion in the first half-year, mainly in Fixed Income

and multi-asset strategies as well as in its Dutch residential mortgage fund. The pandemic understandably put some pressure on our customer engagement scores (NPS), while our employee scores improved significantly. Employees indicate they value the measures taken by the company to safeguard their well-being and facilitate working from home.

We reduced administrative expenses by a further EUR 21 million in the first half of the year, bringing our total expense reduction to EUR 381 million at the end of the first half of 2020. After completing the acquisition of VIVAT Non-life on 1 April, we have started the process of integrating the business, for example by redirecting new business to NN platforms and cooperating closely with our intermediaries on migrations. Overall Netherlands Non-life performed well with a combined ratio of 94.9% for the first half of 2020. We are taking measures to improve the performance of the Netherlands Non-life business, especially at Disability & Accident.

During our Capital Markets Day in June, we presented our strategy as well as new targets for the Group and the individual business segments. It is our aim to create value for the benefit of all stakeholders. Our broader responsibility to society is reflected in our non-financial targets that, for instance, help to accelerate the transition to a low-carbon economy by transitioning our proprietary investments to net-zero carbon emissions by 2050. This commitment to align with the Paris Agreement follows earlier steps, such as the phase-out strategy of thermal coal-exposed proprietary investments by 2030, the carbon footprint analysis, and the climate-related scenario analysis. At the end of June 2020, the percentage of our total Assets under Management where environmental, social and governance (ESG) factors are integrated in the investment process, was 71 percent.

With our priority to maintain a strong balance sheet, and the strategic actions we are taking to achieve resilient and growing long-term capital generation, we are well-positioned to navigate through volatile markets, drive profitable growth and deliver attractive capital returns going forward.'

NN Group key figures

In EUR million	1H20	1H19	Change
Operating capital generation ¹⁾	543	697	-22.1%
Value of new business	122	236	-48.2%
Operating result ²⁾	926	914	1.3%
Net result	587	1,118	-47.5%
	30 Jun 20	31 Dec 19	30 Jun 19
Solvency II ratio ³⁾²⁷⁾	221%	224%	210%
	30 Jun 20	31 Dec 19	Change
Number of insurance businesses scoring above market average NPS ⁴⁾	4	4	-
Brand consideration ⁵⁾	19%	24%	-5 pt
Employee engagement ⁶⁾	7.9	7.4	0.5
Women in senior management positions	33%	36%	-3 pt
ESG-integrated AuM ⁷⁾	71%	68%	+3 pt

Note: All footnotes are included on page 27

Business update

At NN, we help people care for what matters most to them. Our purpose reflects the kind of company we aspire to be: a company that delivers long-term value for all stakeholders. Our ambition is to be an industry leader, known for our customer engagement, talented people, and contribution to society. To realise our ambition, we identified five strategic commitments, with all parts of our business contributing.

Customers and distribution

Responding to the coronavirus pandemic, we enabled our sales agents to move sales processes online in all markets to serve our customers remotely. We also changed the terms of some of our products to support customers unable to pay their insurance premiums. NN Bank increased the use of payment breaks for both mortgage and consumer loan customers in financial distress. Nationale-Nederlanden announced a partnership with MKB-Nederland, the largest entrepreneurs' organisation in the Netherlands, through which experts share knowledge, experience and solutions to help Dutch entrepreneurs.

Nationale-Nederlanden and BeFrank, which have a leading position in the group pensions market in the Netherlands, are engaging in constructive dialogues with all relevant parties involved in the new Dutch pension agreement to ensure a sustainable solution for Dutch customers in the long term.

In our efforts to make our operations more efficient and reduce IT complexity, the migration to the target retail protection platform in NN Belgium Life is complete for brokers and the legacy system decommissioned.

Products and services

Several new protection products were launched in the first half of 2020, such as NN Orange Risk in the Czech Republic, a standard term risk product offering a variety of coverages and options for discounts. NN Orange Risk brings together best practices following the integration of NN and Aegon and is offered through brokers, and later in the year, through tied agents and our banking partners. In Turkey, we introduced Return of Premium, a long-term life protection product with a partial premium return at maturity, subject to the insured person's survival. Accidental death and critical illness are provided as riders and the policy duration is offered from three to five years.

In Poland, we launched a diabetes insurance, as a supplement to life insurance contracts. This is a unique product in Poland, allowing people already suffering from diabetes to take out an insurance product.

NN Non-life successfully launched a new state of the art target platform in Belgium in close collaboration with bancassurance partner ING to offer car insurance and other products.

In March, NN Investment Partners (NN IP) and its strategic partner China Asset Management Co. Ltd. (ChinaAMC) together launched an inaugural ESG-integrated China A-Share Equities strategy. The current market developments underline the importance of integrating Environmental, Social and Governance (ESG) factors into our investment strategies, making the fund well-positioned to leverage on this opportunity.

People and organisation

We empower our colleagues to be their best and nurture a culture that supports continuous learning, collaboration, and diversity of thinking. Testament to our efforts is the Top Employer 2020 certification our Insurance International units received, which stands for excellence in HR practices and distinctive work conditions. We measure our employee engagement in our (semi) annual employee survey in which we want to hear views of our employees on how we are doing as a company, how they feel about working at NN, and how we can make our company an even better place to work. Our Employee engagement score increased from 7.4 to 7.9 in the first half of 2020.

Financial strength

We aim to maintain a strong balance sheet and generate attractive financial returns for shareholders. In the first half of 2020, we accelerated the shift to higher-yielding assets by investing in investment grade bonds, equities and Emerging Market Debt for a total amount of EUR 4.2 billion.

In May 2020, NN Life completed three transactions to transfer the full longevity risk associated with a total of approximately EUR 13.5 billion of pension liabilities in the Netherlands. This will reduce NN's exposure to longevity risk, and consequently reduce the required capital and further strengthen NN's capital position.

In June, NN Bank successfully launched and priced its inaugural EUR 500 million, 10-year Soft Bullet Covered bond, thereby further diversifying the Bank's funding mix and broadening its investor base.

Society

NN IP complemented its impact investment offering through the launch of the NN (L) Corporate Green Bond fund and three thematic impact equity funds - NN (L) Health & Well-being, NN (L) Climate & Environment, and NN (L) Smart Connectivity each seeking to tackle specific UN Sustainable Development Goals.

NN, amongst other companies, is a signatory to a statement by the Dutch Sustainable Growth Coalition, requesting the government to place sustainability at the cornerstone of the COVID-19 recovery. Following last year's announcement that NN Group and Plastic Whale are joining forces to fight plastic waste, in April 2020 Nationale-Nederlanden Spain signed a plastic pledge to reduce the use of plastic in our offices.

Consolidated results

In EUR million	1H20	1H19	Change
Operating capital generation¹⁾			
Netherlands Life	376	441	-14.6%
Netherlands Non-life	61	49	25.0%
Insurance Europe	119	130	-8.5%
Japan Life	70	70	-0.6%
Asset Management	50	62	-19.2%
Banking	0	56	
Other	-133	-111	
Operating capital generation	543	697	-22.1%

In EUR million	1H20	1H19	Change
Analysis of results²⁾			
Netherlands Life	494	524	-5.8%
Netherlands Non-life	111	84	31.9%
Insurance Europe	133	140	-5.1%
Japan Life	138	118	17.4%
Asset Management	74	76	-2.6%
Banking	80	60	33.7%
Other	-104	-88	
Operating result	926	914	1.3%
Non-operating items	57	593	-90.4%
of which gains/losses and impairments	168	94	78.3%
of which revaluations	167	573	-70.9%
of which market and other impacts	-278	-75	
Special items	-123	-108	
Acquisition intangibles and goodwill	-13	17	
Result on divestments	0	8	
Result before tax	846	1,424	-40.6%
Taxation	250	296	-15.7%
Minority interests	9	10	-5.8%
Net result	587	1,118	-47.5%
Basic earnings per ordinary share in EUR ⁸⁾	1.77	3.26	-45.8%

Key figures			
Gross premium income	7,751	7,819	-0.9%
New sales life insurance (APE)	620	1,188	-47.9%
Value of new business	122	236	-48.2%
Total administrative expenses	1,043	1,030	1.3%
Combined ratio (Netherlands Non-life) ⁹⁾	94.9%	96.8%	

In EUR billion	30 Jun 20	31 Dec 19	Change
Key figures			
Asset Management Assets under Management	285	276	3.2%
Life general account invested assets	148	143	3.7%
Total provisions for insurance and investment contracts	170	168	1.2%
of which for risk policyholder	32	34	-6.1%
Solvency II ratio ³⁾²⁷⁾	221%	224%	
NN Life Solvency II ratio ³⁾	226%	213%	
CET1 ratio ¹⁰⁾	16.7%	15.7%	
Total assets	262	249	5.5%
Employees (internal FTEs, end of period)	14,884	14,343	3.8%

- NN Group's operating capital generation decreased to EUR 543 million from EUR 697 million in the first half of 2019 mainly reflecting a lower contribution from Netherlands Life and Banking, partly offset by a higher contribution from Netherlands Non-life
- Operating result increased to EUR 926 million from EUR 914 million in the first half of 2019, which benefited from EUR 67 million of private equity dividends, while the first half of 2020 includes EUR 16 million of private equity dividends and non-recurring benefits
- Administrative expense base of the business units in scope of the cost reduction target reduced by EUR 21 million in the first half of 2020; total cost reductions achieved to date of EUR 381 million
- The value of new business was EUR 122 million, down from EUR 236 million in the first half of 2019, reflecting lower sales in Japan and Insurance Europe.

Operating capital generation

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

Operating result

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

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

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

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

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

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

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

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

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

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

Result before tax

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

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

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

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

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

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

Net result

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

Sales and value of new business

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

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

Capital Management

- Solvency II ratio of NN Group decreased to 221% from 224% at the end of 2019, reflecting the proposed 2020 interim dividend, the EUR 183 million share buybacks, the acquisition of VIVAT Non-life, reduction of the Ultimate Forward Rate (UFR) and unfavourable market impacts, partly offset by the positive impact of the longevity transactions and operating capital generation
- Operating capital generation decreased to EUR 543 million from EUR 697 million in the first half of 2019 mainly reflecting the negative impact of lower interest rates mainly in Netherlands Life and the suspension of dividend payments from NN Bank, partly offset by the shift to higher-yielding assets as well as a higher contribution from Netherlands Non-life
- Cash capital position at the holding decreased to EUR 1,315 million from EUR 1,989 million at the end of 2019, reflecting the consideration paid for the acquisition of VIVAT Non-life, the redemption of EUR 300 million senior debt and the repurchase of own shares, partly offset by free cash flow to the holding
- Free cash flow to the holding in the first half of 2020 was EUR 458 million, driven by EUR 718 million of remittances from subsidiaries, partly offset by other holding company cash flows that mainly reflect holding company expenses and interest paid on financial leverage

Solvency II

In EUR million	30 Jun 20	31 Dec 19
Basic Own Funds	19,510	19,491
Non-available Own Funds	1,123	1,252
Non-eligible Own Funds	0	0
Eligible Own Funds (a)	18,388	18,240
of which Tier 1 Unrestricted	12,235	11,836
of which Tier 1 Restricted	1,938	1,922
of which Tier 2	2,470	2,474
of which Tier 3	500	703
of which non-solvency II regulated entities	1,244	1,305
Solvency Capital Requirements (b)	8,338	8,154
of which non-solvency II regulated entities	486	542
NN Group Solvency II ratio (a/b)³⁾²⁷⁾	221%	224%
NN Life Solvency II ratio³⁾	226%	213%

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

The NN Life Solvency II ratio increased to 226% from 213% at the end of 2019, driven by the positive impact of the longevity transactions and operating capital generation, partly offset by dividend payments of EUR 420 million to the holding company, the impact of the UFR reduction and the aforementioned unfavourable market impacts.

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

Operating capital generation

In EUR million	1H20	1H19	Change
Investment return	569	509	11.8%
Life - UFR drag	-421	-243	
Life - Risk margin release	215	206	4.5%
Life - Experience variance	37	-4	
Life - New business	53	108	-50.9%
Non-life underwriting	43	22	94.9%
Non-Solvency II entities (Asset Management, Japan Life, Bank, Other ²⁸⁾)	152	220	-30.7%
Holding expenses and debt costs	-141	-133	
Change in SCR	35	12	195.1%
Operating capital generation	543	697	-22.1%

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

Cash capital position at the holding company

In EUR million	1H20	FY19
Beginning of period	1,989	2,005
Cash divestment proceeds	0	4
Remittances from subsidiaries ¹¹⁾	718	1,459
Capital injections into subsidiaries ¹²⁾	-52	-76
Other ¹³⁾	-209	-200
Free cash flow to the holding¹⁴⁾	458	1,187
Acquisitions	-572	-117
Capital flow from / (to) shareholders	-260	-1,085
Increase / (decrease) in debt and loans	-300	0
End of period	1,315	1,989

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

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

Financial leverage

In EUR million	30 Jun 20	31 Dec 19
Shareholders' equity	35,117	30,768
Adjustment for revaluation reserves ¹⁵⁾	-17,519	-13,397
Minority interests	256	260
Capital base for financial leverage (a)	17,854	17,632
Undated subordinated notes ¹⁷⁾	1,764	1,764
Subordinated debt	2,396	2,409
Total subordinated debt	4,159	4,172
Debt securities issued	1,693	1,992
Financial leverage (b)	5,852	6,164
Financial leverage ratio (b/(a+b))	24.7%	25.9%
Fixed-cost coverage ratio ¹⁶⁾¹⁷⁾	11.1x	12.0x

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

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

Dividend

NN Group will pay an interim dividend of EUR 2.26 per ordinary share, or approximately EUR 705 million in total. This amount comprises (i) EUR 1.40 per ordinary share, equal to the amount of the 2019 final dividend that was suspended in April 2020 plus (ii) EUR 0.86 per ordinary share, equal to the regular 2020 interim dividend calculated in accordance with the NN Group dividend policy. The interim dividend will be paid either in cash, after deduction of withholding tax if applicable, or ordinary shares from the share premium reserve at the election of the shareholder. To neutralise the dilutive effect of the stock dividend, NN Group will repurchase ordinary shares for an amount equivalent to the stock dividend.

The NN Group ordinary shares will be quoted ex-dividend on 10 August 2020. The record date for the dividend will be 11 August 2020. The election period will run from 12 August up to and including 26 August 2020. The stock fraction for the stock dividend will be based on the volume weighted average price of NN Group ordinary shares on Euronext Amsterdam for the five trading days from 20 August through 26 August 2020. The dividend will be payable on 2 September 2020 (for more information: www.nn-group.com/investors/share-information/dividend-policy-and-dividend-history.htm).

Share buyback

NN Group announced today that it will resume the open market share buyback programme which commenced on 2 March 2020 and which was temporarily suspended in April 2020. The remaining amount to be repurchased of EUR 67 million of the original EUR 250 million programme will be completed before 2 March 2021. NN Group intends to cancel the shares acquired under the programme. The remaining amount of the share buyback will be deducted in full from Solvency II Own Funds in the second half of 2020 and is estimated to reduce NN Group's Solvency II ratio by approximately 1%-point.

In addition to the resumption of the share buyback programme announced today, NN Group intends to repurchase shares to neutralise the dilutive effect of any stock dividends in line with its dividend policy. NN Group intends to cancel any repurchased NN Group shares under the programme unless used to cover obligations under share-based remuneration arrangements or to deliver stock dividend.

The share buyback programmes will be executed within the limitations of the existing authority granted by the General Meeting on 28 May 2020. The shares will be repurchased at a price that does not exceed the last independent trade or the highest current independent bid on the relevant trading platform. The programmes will be executed by financial intermediaries and will be performed in compliance with the safe harbour provisions for share buybacks.

NN Group reports on the progress of the share buyback programmes on its corporate website (for more information: www.nn-group.com/investors/share-information/share-buyback-programme.htm) on a weekly basis.

Share capital

The total number of NN Group shares outstanding (net of 8,505,049 treasury shares) on 31 July 2020 was 311,761,514.

Credit ratings

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

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

Credit ratings of NN Group on 5 August 2020

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

Netherlands Life

- Operating capital generation decreased to EUR 376 million from EUR 441 million in the first half of 2019 reflecting the impact of lower interest rates, partly offset by the shift to higher-yielding assets
- Operating result of EUR 494 million compared with EUR 524 million in the first half of 2019, which included EUR 67 million of private equity and special dividends, while the current half-year mainly reflects a higher technical margin and lower administrative expenses

In EUR million	1H20	1H19	Change
Analysis of results			
Investment margin	433	482	-10.2%
Fees and premium-based revenues	201	209	-4.1%
Technical margin	98	81	20.9%
Operating income non-modelled business	0	0	
Operating income	731	772	-5.3%
Administrative expenses	221	230	-4.2%
DAC amortisation and trail commissions	17	17	-3.2%
Total expenses	237	248	-4.1%
Operating result	494	524	-5.8%
Non-operating items	149	564	-73.5%
of which gains/losses and impairments	211	15	
of which revaluations	212	614	-65.5%
of which market and other impacts	-274	-64	
Special items	-32	-20	
Result on divestments	0	5	
Result before tax	612	1,073	-43.0%
Taxation	192	224	-14.5%
Minority interests	7	5	60.8%
Net result	413	844	-51.1%
New business			
Single premiums	241	230	4.9%
Regular premiums	153	305	-49.7%
New sales life insurance (APE)	178	328	-45.8%
Value of new business	9	1	
Key figures			
Gross premium income	1,993	2,121	-6.0%
Administrative expenses	221	230	-4.2%
Operating capital generation ¹⁾	376	441	-14.6%

In EUR billion	30 Jun 20	31 Dec 19	Change
Key figures			
Life general account invested assets	113	108	4.7%
AuM DC business total ¹⁸⁾	22	21	4.2%
Total provisions for insurance and investment contracts	116	116	0.1%
of which for risk policyholder	22	24	-6.0%
NN Life Solvency II ratio ³⁾	226%	213%	
Employees (internal FTEs, end of period)	2,234	2,317	-3.6%

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

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

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

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

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

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

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

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

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

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

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

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

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

Assets under management DC increased to EUR 22.3 billion at 30 June 2020, from EUR 21.4 billion at the end of 2019.

Unit-linked products in the Netherlands

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

Netherlands Non-life

- Operating capital generation increased to EUR 61 million from EUR 49 million in the first half of 2019, reflecting the acquisition of VIVAT Non-life as well as higher underwriting results in Property & Casualty, partly offset by lower results in Disability & Accident
- Operating result increased to EUR 111 million from EUR 84 million in the first half of 2019, reflecting the VIVAT Non-life acquisition as well as higher underwriting results in Property & Casualty, partly offset by lower underwriting results in Disability & Accident
- Combined ratio improved to 94.9% from 96.8% in the first half of 2019

In EUR million	1H20	1H19	Change
Analysis of results			
Earned premiums	1,638	1,477	10.9%
Investment income	50	55	-9.5%
Other income	-2	-1	
Operating income	1,686	1,531	10.1%
Claims incurred, net of reinsurance	1,137	1,045	8.8%
Acquisition costs	291	262	11.2%
Administrative expenses	157	154	1.8%
Acquisition costs and administrative expenses	448	416	7.7%
Expenditure	1,585	1,461	8.5%
Operating result insurance businesses	101	70	43.7%
Operating result non-insurance businesses	11	14	-25.5%
Total operating result	111	84	31.9%
Non-operating items	-36	12	
of which gains/losses and impairments	-24	8	
of which revaluations	-16	4	
of which market and other impacts	4	0	
Special items	-35	-26	
Result on divestments	0	0	
Result before tax	40	70	-42.6%
Taxation	10	15	-34.3%
Minority interests	0	5	-99.3%
Net result	30	50	-39.0%
Key figures			
Gross premium income	2,093	1,956	7.0%
Total administrative expenses ¹⁹⁾	202	191	5.5%
Combined ratio ⁹⁾	94.9%	96.8%	
of which Claims ratio ⁹⁾	67.5%	68.7%	
of which Expense ratio ⁹⁾	27.4%	28.2%	
Operating capital generation ¹⁾	61	49	25.0%

In EUR billion	30 Jun 20	31 Dec 19	Change
Key figures			
Total insurance provisions	8	6	29.7%
Employees (internal FTEs, end of period)	3,309	2,775	19.2%

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

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

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

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

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

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

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

Insurance Europe

- Operating capital generation decreased to EUR 119 million from EUR 130 million in the first half of 2019, mainly reflecting a lower contribution from new business as a result of lower sales due to COVID-19 restrictions
- Value of new business for the first half of 2020 was EUR 84 million, down 22.2% from EUR 108 million in the same period last year, reflecting the impact of lower sales and decreased interest rates
- Operating result decreased to EUR 133 million from EUR 140 million in the first half of 2019, which included a EUR 6 million non-recurring benefit

In EUR million	1H20	1H19	Change
Analysis of results			
Investment margin	48	49	-2.0%
Fees and premium-based revenues	367	360	2.1%
Technical margin	125	120	3.9%
Operating income non-modelled business	1	1	15.3%
Operating income Life Insurance	541	530	2.1%
Administrative expenses	214	206	3.7%
DAC amortisation and trail commissions	196	189	3.6%
Expenses Life Insurance	410	396	3.7%
Operating result Life Insurance	131	134	-2.4%
Operating result Non-life	2	5	-72.2%
Operating result	133	140	-5.1%
Non-operating items	-22	36	
of which gains/losses and impairments	-1	65	
of which revaluations	-14	-28	
of which market and other impacts	-7	-1	
Special items	-13	-17	
Acquisition intangibles and goodwill	0	33	
Result on divestments	0	0	
Result before tax	98	191	-48.8%
Taxation	24	36	-31.7%
Minority interests	0	0	
Net result	74	156	-52.7%
New business			
Single premiums	554	692	-20.0%
Regular premiums	263	279	-5.7%
New sales life insurance (APE)	319	348	-8.6%
Value of new business	84	108	-22%
Key figures			
Gross premium income	1,512	1,533	-1.4%
Total administrative expenses (Life and Non-life)	220	213	3.4%
Operating capital generation ¹⁾	119	130	-8.5%
In EUR billion			
Key figures			
Life general account invested assets	18	18	-0.0%
Total provisions for insurance and investment contracts	26	27	-1.8%
of which for risk policyholder	8	8	-5.6%
Assets under management pensions ²⁰⁾	20	22	-10.2%
Employees (internal FTEs, end of period)	4,952	4,942	0.2%

Note: For data in constant currencies, refer to the 'NN Group Financial Supplement: 2.4.1 Analysis of results: Insurance Europe – Excluding currency effects'

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

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

The investment margin was broadly stable at EUR 48 million.

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

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

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

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

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

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

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

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

Japan Life

- Value of new business was EUR 29 million, down from EUR 128 million in the first half of 2019 due to strong sales in the first quarter of 2019 ahead of the implementation of the revised tax regulations of COLI products, as well as COVID-19 restrictions
- Operating capital generation stable at EUR 70 million
- Operating result was EUR 138 million, up 12.1% from the first half of 2019, excluding currency effects, reflecting improved persistency, partly offset by the negative impact of COVID-19 of EUR 9 million

In EUR million	1H20	1H19	Change
Analysis of results			
Investment margin	-8	-7	
Fees and premium-based revenues	364	366	-0.5%
Technical margin	8	7	14.6%
Operating income non-modelled business	0	0	
Operating income	364	365	-0.3%
Administrative expenses	71	69	3.1%
DAC amortisation and trail commissions	155	179	-13.3%
Total expenses	226	247	-8.8%
Operating result	138	118	17.4%
Non-operating items	-32	-18	
of which gains/losses and impairments	-17	-4	
of which revaluations	-16	-14	
of which market and other impacts	0	0	
Special items	-2	-2	
Result on divestments	0	0	
Result before tax	104	98	6.1%
Taxation	29	28	5.1%
Minority interests	0	0	
Net result	75	70	6.5%
New business			
Single premiums	0	0	
Regular premiums	123	512	-75.9%
New sales life insurance (APE)	123	512	-75.9%
Value of new business	29	128	-77.1%
Key figures			
Gross premium income	2,138	2,195	-2.6%
Administrative expenses	71	69	3.1%
Operating capital generation ¹⁾	70	70	-0.6%

In EUR billion	30 Jun 20	31 Dec 19	Change
Key figures			
Life general account invested assets	18	17	1.4%
Total provisions for insurance and investment contracts	18	17	4.5%
of which for risk policyholder	0	0	-5.5%
Employees (internal FTEs, end of period)	848	820	3.4%

Note: For data in constant currencies, refer to the 'NN Group Financial Supplement: 2.5.1 Analysis of results: Japan Life – Excluding currency effects'

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

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

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

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

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

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

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

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

Asset Management

- Operating capital generation of EUR 50 million in the first half of 2020 mainly reflecting the net result, compared with EUR 62 million in the first half of 2019 which included non-recurring items
- Total Assets under Management (AuM) increased to EUR 285 billion compared with EUR 276 billion at the end of 2019, driven by positive market performance, the inclusion of acquired assets and net inflows
- Operating result was broadly stable at EUR 74 million in the first half of 2020

In EUR million	1H20	1H19	Change
Analysis of results			
Investment income	-1	1	
Fees	216	215	0.6%
Operating income	215	217	-0.5%
Administrative expenses	141	141	0.6%
Operating result	74	76	-2.6%
Non-operating items	0	0	
of which gains/losses and impairments	0	0	
of which revaluations	0	0	
of which market and other impacts	0	0	
Special items	0	-6	
Result on divestments	0	0	
Result before tax	74	70	6.5%
Taxation	19	16	16.3%
Minority interests	2	0	
Net result	53	53	-0.2%
Key figures			
Administrative expenses	141	141	0.6%
Cost/income ratio (Administrative expenses/Operating income)	65.6%	64.9%	
Fees/average Assets under Management (bps) ²¹⁾	15	17	
Operating capital generation ¹⁾	50	62	-19.2%

In EUR billion	30 Jun 20	31 Dec 19	Change
Key figures			
Assets under Management	285	276	3.2%
Employees (internal FTEs, end of period)	943	941	0.2%
AuM roll-forward			
Beginning of period	276	268	3.2%
Net inflow	1	3	
Acquisition / Divestments / Transfers	3	0	
Market performance (incl. FX impact) and other	5	6	
End of period	285	276	3.2%

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

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

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

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

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

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

Banking

- Net operating Return on Equity (RoE) increased to 15.0% compared with 11.6% in the first half of 2019, reflecting a higher net operating result partly offset by higher equity
- Operating capital generation of EUR 0 million in the first half of 2020 compared with EUR 56 million in the first half of 2019 due to the suspension of dividend payments in 2020 in accordance with the recommendation of the Dutch regulator
- Operating result increased to EUR 80 million from EUR 60 million in the first half of 2019, mainly driven by a higher interest result as well as higher investment and other income which includes a EUR 7 million non-recurring benefit

In EUR million	1H20	1H19	Change
Analysis of results			
Interest result	140	127	10.4%
Commission income	18	17	3.9%
Total investment and other income	27	20	40.5%
Operating income	185	164	13.3%
Operating expenses	93	92	0.6%
Regulatory levies	12	10	22.8%
Addition to loan loss provision	0	2	-79.1%
Total expenses	105	104	1.5%
Operating result	80	60	33.7%
Non-operating items	1	-3	
of which gains/losses and impairments	3	4	-31.3%
of which revaluations	0	0	
of which market and other impacts	-2	-7	
Special items	-7	-8	
Result before tax	73	49	50.8%
Taxation	19	13	40.7%
Minority interests	0	0	
Net result	54	35	54.7%
Key figures			
Total administrative expenses ²²⁾	105	102	2.8%
Cost/income ratio ²³⁾	50.1%	56.4%	
Net Interest Margin (NIM) ²⁴⁾	1.11%	1.15%	
Net operating RoE ²⁵⁾	15.0%	11.6%	
Operating capital generation ¹⁾	0	56	

In EUR billion	30 Jun 20	31 Dec 19	Change
Key figures			
CET1 ratio ¹⁰⁾	16.7%	15.7%	
Total capital ratio ¹⁰⁾	18.1%	17.2%	
Risk Weighted Assets (RWA) ¹⁰⁾	6	6	0.9%
Savings & deposits	16	15	3.0%
Mortgages	20	19	3.1%
Total assets	25	25	-0.0%
Employees (internal FTEs, end of period)	875	847	3.3%

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

Operating capital generation reflects the dividends of the segment to the holding and was EUR 0 million in the first half of 2020 compared with EUR 56 million in the first half of 2019, due to the suspension of dividend payments in 2020 in accordance with the recommendation of the Dutch regulator.

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

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

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

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

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

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

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

Other

- Operating capital generation of EUR -133 million in the first half of 2020 compared with EUR -111 million in the first half of 2019, which benefited from a reinsurance transaction with Japan Life
- Operating result decreased to EUR -104 million from EUR -88 million in the first half of 2019, due to a lower operating result of the reinsurance business partly offset by a higher holding result
- Operating result of the reinsurance business decreased to EUR -25 million from EUR -5 million in the first half of 2019, mainly reflecting claims related to Netherlands Non-life's Disability portfolio

In EUR million	1H20	1H19	Change
Analysis of results			
Interest on hybrids and debt ²⁶⁾	-54	-54	
Investment income and fees	55	51	7.5%
Holding expenses	-79	-81	
Amortisation of intangible assets	0	0	
Holding result	-78	-83	
Operating result reinsurance business	-25	-5	
Other results	-1	0	
Operating result	-104	-88	
Non-operating items	-2	1	
of which gains/losses and impairments	-5	6	
of which revaluations	1	-3	
of which market and other impacts	1	-2	
Special items	-35	-27	
Acquisition intangibles and goodwill	-13	-16	
Result on divestments	0	4	
Result before tax	-155	-126	
Taxation	-43	-36	
Minority interests	0	0	
Net result	-112	-90	
Key figures			
Total administrative expenses	83	84	-1.1%
of which reinsurance business	4	3	17.3%
of which corporate/holding	79	81	-1.9%
Employees (internal FTEs, end of period)	1,722	1,669	3.2%
Operating capital generation ¹⁾	-133	-111	

In EUR million	30 Jun 20	31 Dec 19	Change
Key figures Japan Closed Block VA			
Account value	1,691	1,865	-9.3%
Net Amount at Risk	78	34	131.3%
Number of policies	19,105	20,047	-4.7%

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

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

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

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

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

Consolidated Balance Sheet

- Total assets of NN Group increased by EUR 13.7 billion in the first half of 2020 to EUR 262.3 billion, reflecting the impact of lower interest rates
- Shareholders' equity increased by EUR 4.4 billion to EUR 35.1 billion, reflecting increased revaluation reserves as a result of lower interest rates

In EUR million	30 Jun 20	31 Dec 19	30 Jun 20	31 Dec 19
Assets			Equity and liabilities	
Cash and cash equivalents	12,388	6,436	Shareholders' equity (parent)	35,117
Financial assets at fair value through profit or loss			Minority interests	256
- investments for risk of policyholders	32,288	34,433	Undated subordinated notes	1,764
- non-trading derivatives	16,431	10,189	Total equity	37,137
- designated as at fair value through profit or loss	1,344	1,184	Subordinated debt	2,396
Available-for-sale investments	118,202	117,644	Debt securities issued	1,693
Loans	64,580	61,768	Other borrowed funds	7,027
Reinsurance contracts	1,173	988	Insurance and investment contracts	170,204
Associates and joint ventures	5,396	5,457	Customer deposits and other funds on deposit	15,598
Real estate investments	2,561	2,571	Financial liabilities at fair value through profit or loss	
Property and equipment	471	465	- non-trading derivatives	4,480
Intangible assets	1,093	995	Deferred tax liabilities	5,185
Deferred acquisition costs	1,934	1,913	Other liabilities	18,549
Deferred tax assets	82	84	Total liabilities	225,132
Other assets	4,326	4,470	Total equity and liabilities	262,269
Total assets	262,269	248,597		248,597

Assets

Non-trading derivatives

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

Available-for-sale investments

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

Liabilities

Insurance and investment contracts

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

Other liabilities

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

Equity

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

Changes in Shareholders' equity for the first half year 2020 and the previous full year were as follows:

In EUR million	1H20	FY19
Shareholders' equity beginning of period	30,768	22,850
Net result for the period	587	1,962
Unrealised revaluations available-for-sale investments and other	1,225	4,471
Realised gains/losses transferred to the profit and loss account	-151	-286
Change in cash flow hedge reserve	3,749	4,284
Deferred interest credited to policyholders	-739	-1,403
Share of other comprehensive income of associates and joint ventures	4	-4
Exchange rate differences	-35	53
Remeasurement of the net defined benefit asset/liability	-1	-38
Dividend	0	-387
Purchase/sale treasury shares	-258	-707
Employee stock option & share plans	-1	2
Coupon on undated subordinated notes	-59	-59
Other	28	30
Total changes	4,349	7,918
Shareholders' equity end of period	35,117	30,768

The composition of Total equity at 30 June 2020 and 31 December 2019 was as follows:

In EUR million	30 Jun 20	31 Dec 19
Share capital	38	41
Share premium	12,575	12,572
Revaluation reserve available-for-sale investments and other	6,786	6,471
Cash flow hedge reserve	12,547	8,798
Currency translation reserve	-3	3
Net defined benefit asset/liability remeasurement reserve	-145	-144
Retained earnings and other reserves	3,319	3,027
Shareholders' equity (parent)	35,117	30,768
Minority interests	256	260
Undated subordinated notes	1,764	1,764
Total equity	37,137	32,792

Footnotes reference page

- 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) Operating result is an Alternative Performance Measure. This measure is derived from figures according to IFRS-EU. The operating result is derived by adjusting the reported result before tax to exclude the impact of result on divestments, the amortisation of acquisition intangibles, discontinued operations and special items, gains/losses and impairments, revaluations and market and other impacts. Alternative Performance Measures are non-IFRS-EU measures that have a relevant IFRS-EU equivalent. For definitions and explanations of the Alternative Performance Measures reference is made to the section 'Alternative Performance measures (Non-GAAP measures)' in the NN Group N.V. 30 June 2020 Condensed consolidated interim financial information.
- 3) The solvency ratios are not final until filed with the regulators. The Solvency II ratios for NN Group and NN Life are based on the partial internal model.
- 4) The target indicates the number of our insurance business units scoring above the NPS market average. Japan will be included as of 2H20. Numbers are based on the Net Promoter Score (NPS), an internationally used method that measures customer satisfaction. It specifically assesses whether customers would recommend the company to friends or colleagues.
- 5) Both Customer engagement and Brand consideration metrics are part of the broader research called Global Brand Health Monitor, which provide a general overview of the NN brand and its position in all of its markets. The question posed to calculate the brand consideration rate is: 'If you were to take out a life insurance for yourself, which of the companies below would you consider?'
- 6) We measure our employee engagement in our (semi) annual employee survey in which we want to hear views of our employees on how we are doing as a company, how they feel about working at NN, and how we can make our company an even better place to work. The metric indicates on a scale from 0 to 10 how likely it is that someone will recommend NN as an employer.
- 7) Indicates the percentage of AuM where environmental, social and governance (ESG) factors are integrated in the investment process in a documented and consistent way.
- 8) Basic earnings per ordinary share is calculated as the net result, adjusted to reflect the deduction of the accrued coupon on undated subordinated notes classified in equity, divided by the weighted average number of ordinary shares outstanding (net of treasury shares).
- 9) Excluding non-insurance businesses (health business and broker business).
- 10) The Common Equity Tier 1 (CET1) ratio, Total capital ratio and Risk Weighted Assets (RWA) are not final until filed with the regulators.
- 11) Includes interest on subordinated loans provided to subsidiaries by the holding company.
- 12) Includes the change of subordinated loans provided to subsidiaries by the holding company.
- 13) Includes interest on subordinated loans and debt, holding company expenses and other cash flows.
- 14) 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.
- 15) Includes revaluations on debt securities, on the cash flow hedge reserve and on the reserves crediting to life policyholders.
- 16) Measures the ability of Earnings Before Interest and Tax (EBIT) to cover funding costs on financial leverage; calculated on a last 12-months basis.
- 17) 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.
- 18) AuM DC business total includes both the AuM DC business in accumulation phase and AuM DC business in decumulation phase. For the latter the IFRS insurance liabilities are used as a proxy for the AuM.
- 19) Including non-insurance businesses (health business and broker business).
- 20) The numbers shown under AuM are client balances which exclude IFRS shareholders' equity related to the respective pension businesses and include the assets under administration.
- 21) Fees/average Assets under Management (bps) is calculated as the (annualised) fees, divided by average AuM at the beginning and end of the half-year reporting period. The comparative figures have been restated accordingly.
- 22) Operating expenses plus regulatory levies.
- 23) Cost/income ratio is calculated as Operating expenses divided by Operating income.
- 24) Four-quarter rolling average.
- 25) Net operating RoE is calculated as the (annualised) net operating result of the segment, divided by (average) adjusted allocated equity. Adjusted allocated equity is an Alternative Performance Measure. It is derived from IFRS equity by excluding revaluation reserves. Reference is made to the section 'Alternative Performance measures (Non-GAAP measures)' in the NN Group N.V. 30 June 2020 Condensed consolidated interim financial information. As from 2H19, the average adjusted allocated equity is calculated based on the average of the adjusted allocated equity at the beginning and end of the half-year reporting period. Prior-period number was calculated on a quarterly basis and have not been restated.
- 26) Does not include interest costs on subordinated debt treated as equity.
- 27) The year-end 2019 NN Group Solvency II ratio was restated to reverse the deduction of the proposed 2019 final dividend following the decision to suspend dividend payments in light of the recommendations of EIOPA and the Dutch Central Bank (DNB).
- 28) Other comprises Europe pension funds as well as broker and services companies; dividends from Banking.

NN Group profile

NN Group is an international financial services company, active in 18 countries, with a strong presence in a number of European countries and Japan. With all its employees, the Group provides retirement services, pensions, insurance, investments and banking to approximately 18 million customers. NN Group includes Nationale-Nederlanden, NN, NN Investment Partners, ABN AMRO Insurance, Movir, AZL, BeFrank and OHRA. NN Group is listed on Euronext Amsterdam (NN).

Press call

David Knibbe (CEO), Delfin Rueda (CFO) and Bernhard Kaufmann (CRO) will host a press call to discuss the 1H20 results at 07:45 am CET on Thursday 6 August 2020. Journalists can join the press call at +31 20 531 5863 (NL).

Analyst and investor call

David Knibbe (CEO) and Delfin Rueda (CFO) will host an analyst and investor conference call to discuss the 1H20 results at 10.30 am CET on Thursday 6 August 2020. Members of the investment community can join the conference call at +31 20 531 5865 (NL), +44 203 365 3210 (UK), +1 866 349 6093 (US) or follow the webcast on www.nn-group.com.

Financial calendar

- Publication 2H20 results: 18 February 2021
- Publication 1H21 results: 12 August 2021
- AGM: 20 May 2021

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Additional information on www.nn-group.com

- NN Group 1H20 Financial Supplement, NN Group 1H20 Analyst Presentation
- NN Group 30 June 2020 Condensed consolidated interim financial information
- Photos of NN Group executives, buildings and events are available for download at [Flickr](#)

Important legal information

Elements of this press release 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. Condensed consolidated interim financial information for the period ended 30 June 2020.

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

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

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