

30 June 2021 Condensed consolidated interim financial information

Nationale-Nederlanden Bank N.V.

Condensed consolidated interim financial information contents

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Interim report

Overview

NN Bank is part of NN Group N.V.

NN Group

NN Group N.V. (NN Group) is an international financial services company, active in 19 countries, with a strong presence in a number of European countries and Japan. Led by our purpose and ambition, guided by our values and brand promise and driven by our strategic commitments, we are committed to creating long-term value for all our stakeholders: customers, shareholders, employees, business partners and society at large. With all our employees, we provide retirement services, pensions, insurance, investments and banking products to approximately 18 million customers. We are a leading financial services provider in the Netherlands. We provide our products and services under the following brand names: Nationale-Nederlanden, Woonnu, OHRA, Movir, AZL and BeFrank, as well as via our joint venture, ABN AMRO Verzekeringen. Our roots lie in the Netherlands, with a rich history that stretches back 175 years. NN Group is listed on Euronext Amsterdam (NN).

NN Bank

Nationale-Nederlanden Bank N.V. (NN Bank) was founded in 2011 as a Dutch retail bank. It is a fully owned subsidiary of NN Group, and its broad range of banking products is complementary to Nationale-Nederlanden's individual life and non-life insurance products for retail customers in the Netherlands. NN Bank's purpose is to help people care for what matters most to them. With our retail banking products and solutions, we help them make conscious choices that have a positive impact on their lives and the world around them. In addition, NN Bank provides mortgage administration and mortgage management services to ING Bank N.V. (formerly WestlandUtrecht Bank), Nationale-Nederlanden Levensverzekering Maatschappij N.V. (NN Life), Nationale-Nederlanden Schadeverzekering Maatschappij N.V. (NN Non-Life), NN Insurance Belgium N.V. (NN Belgium), the NN Dutch Residential Mortgage Fund and other entities.

On 30 June 2021, NN Bank had three fully owned subsidiaries:

- *Woonnu B.V.*, which was founded on 13 August 2019 with a registered office in The Hague. NN Bank has obtained an AFM licence for Woonnu B.V. Woonnu B.V. originates mortgage loans under the Woonnu label, with a focus on sustainability and external investors.
- *HQ Hypotheken 50 B.V.*, which was founded on 21 August 2012 with registered office in Rotterdam. Through this subsidiary, NN Bank offered mortgage loans to customers via a third-party mortgage servicer. As of April 2020, no new mortgages are being offered.
- *Nationale-Nederlanden Beleggingsrekening N.V.* This is a dormant company, not conducting any business or other activities. On 31 July 2021, NN Bank entered into a legal merger with Nationale-Nederlanden Beleggingsrekening N.V. (Beleggingsrekening). On 1 August 2021, the legal merger between NN Bank and Beleggingsrekening came into effect. As a result of this merger, Beleggingsrekening ceased to exist as a separate legal entity and NN Bank acquired all assets and liabilities of Beleggingsrekening under universal title of succession. In accordance with the deed of merger, the Beleggingsrekening financial data have been included in the NN Bank financial accounts as from 1 January 2021.

The Hypenn RMBS entities (I, VI and VII), NN Conditional Pass-Through Covered Bond Company B.V. and NN Covered Bond Company B.V. are not subsidiaries of NN Bank. Since NN Bank has control over the structured entities, these special-purpose entities (SPEs) have been consolidated as group companies. Hypenn RMBS V and Arena NHG 2016-I were redeemed in April and June 2021, respectively.

Key financial developments

NN Bank reported a net result of EUR 64.6 million for the first half of 2021, driven by higher commission income and lower impairment charges on our loans. The cost/income ratio improved from 51.0% in the first half of 2020 to 50.7% in the first half of 2021. The net interest margin decreased from 1.08% in the first half of 2020 to 1.02% in the first half of 2021. Competition in the Dutch mortgage market was fierce in the first half of 2021, which put pressure on mortgage rates. Combined with the limited flexibility to reduce rates on the retail savings portfolios, this puts pressure on NN Bank's interest margin. The return on equity declined from 11.9% in the first half 2020 to 11.1% in the first half of 2021. This decline reflects an increase in capital due to retained profit, as NN Bank has adhered to supervisory recommendations to limit dividends.

The balance sheet remained strong in terms of capital and liquidity. The Common Equity Tier 1 (CET1) ratio was 18.6% and total capital ratio was 20.0% at 30 June 2021, compared with 17.4% and 18.9% respectively at 31 December 2020. These ratios improved due to a higher Tier 1 capital as a result of retained earnings. The risk weighted assets (RWA) remained stable, at EUR 6.0 billion at 30 June 2021. The leverage ratio improved from 4.0% at year-end 2020 to 4.5% at 30 June 2021. The liquidity coverage ratio (LCR) remained stable at 168% at 30 June 2021. The Net Stable Funding ratio (NSFR) improved from 132% at year-end 2020 to 138% at 30 June 2021. The Loan-to-Deposit (LtD) ratio decreased from 127% at year-end 2020 to 126% at 30 June 2021.

The NN Bank mortgage portfolio increased by EUR 0.5 billion to EUR 20.6 billion in the first half of 2021. The mortgage market was favourable, but market competition is still fierce. NN Bank's mortgage origination was EUR 4.4 billion in the first half of 2021, which was stable compared with the first half of 2020. Of the EUR 4.4 billion in origination, EUR 1.9 billion was transferred to NN Life, EUR 0.7 billion to the NN Dutch Residential Mortgage Fund, EUR 0.2 billion was transferred to NN Non-Life, EUR 46 million to NN Belgium and EUR 1.7 billion was originated for NN Bank's balance sheet. The loans (predominantly mortgage loans) on the balance sheet decreased from EUR 21.3 billion at year-end 2020 to EUR 21.1 billion at 30 June 2021. This was caused by a decrease in the fair value hedge adjustment on mortgages, due to increasing interest rates, and due to the transfers temporarily held on NN Bank's balance sheet to the NN Dutch Residential Mortgage Fund. The mortgage servicing portfolio, including NN Bank's own portfolio, increased from EUR 52.4 billion at year-end 2020 to EUR 53.2 billion at 30 June 2021.

Interim report continued

Driven by existing and new customer deposits and an increase in savings due to Covid-19, the net inflow of retail savings amounted to EUR 0.4 billion in the first half of 2021, bringing the total savings portfolio to EUR 16.1 billion at 30 June 2021. This growth was in internet savings, which grew from EUR 6.2 billion at year-end 2020 to EUR 6.6 billion at 30 June 2021. For certain savings products and savings balances, interest rates have turned negative, given general developments in interest rates.

Covid-19

Covid-19 has not had a significant financial impact on NN Bank in the first half of 2021. The use of payment holidays has been limited, and overall arrears levels in the Bank's portfolios have been stable. From an operational point of view, NN Bank staff has continued to predominately work from home, in line with government advice.

NN Bank paid a limited final dividend over 2020 of EUR 12.0 million, in line with the ECB and DNB recommendations in light of the current Covid-19 pandemic. NN Bank is considering the payment of an interim dividend in October 2021, in light of the recent ECB communication with respect to not extending the recommendation on dividend restriction beyond September 2021.

Funding update

In March 2021, NN Bank raised EUR 500 million in secured funding by issuing a 20-year Soft Bullet Covered Bond. This transaction contributed to further reducing NN Bank's funding costs, extending its maturity profile and optimising the matching of its long-tenor assets. This transaction was completed in order to refinance the Hypenn RMBS V and Arena NHG 2016-I transactions, both redeemed at their first optional redemption dates in April and June 2021, respectively.

On 3 June 2021, NN Bank published its Green Bond Framework on its website. The framework enables the issuance of green bonds as an integral part of NN Bank's funding strategy. The issuance of green bonds supports NN Bank's sustainability strategy, whereby we promote improving sustainability of our clients' homes and further disclosure and transparency of enhanced energy-efficiency data going forward.

In addition, NN Bank has joined the Energy Efficient Mortgage Initiative and the Energy Efficient Mortgage Label. The objective of these initiatives is to stimulate and finance investment in energy-efficient buildings and energy-saving renovations.

Changes in Supervisory Board composition

On 1 June 2021, Hein Blocks resigned as Chair of the NN Bank Supervisory Board, whereupon André Bergen, an independent member of the Bank's Supervisory Board and chair of the Audit & Risk Committee, was appointed as the Supervisory Board's Chair. Anne Snel-Simmons, an independent member of the Supervisory Board since 1 January 2021, was appointed Chair of the Bank's Audit & Risk Committee as of 1 June 2021. NN Bank thanks Hein Blocks for his long-standing involvement with NN Bank's development and growth.

Outlook

The current macro-economic environment is strongly influenced by central bank and Covid-19-related government interventions. This makes economic forecasting difficult. For instance, the Dutch housing market currently seems largely unaffected, housing price increases are at record levels, and GDP seems set for growth rates not seen in twenty years. Nevertheless, this could change abruptly depending on consumer perceptions of housing affordability, job security, the development and mutation of the Covid-19 virus and on any future government and central bank interventions. Interest rates are historically low due to, amongst other factors, central bank measures, but this could change abruptly depending on financial market inflation expectations. For its own economic scenario, NN Bank takes into account the scenarios of the Dutch Central Planning Bureau (CPB), International Monetary Fund (IMF) and Dutch Central Bank (DNB). NN Bank will continue to monitor developments and will adjust assumptions used as appropriate.

Competition in the Dutch mortgage market was fierce in the first half of 2021, which put pressure on mortgage rates. NN Bank expects this to continue for the remainder of 2021. Combined with the limited flexibility to reduce rates on the retail savings portfolios, this will continue to put pressure on NN Bank's interest margin.

NN Bank's purpose, ambition and strategic priorities will guide the Bank in the second half of 2021. We will continue to fulfil our ambitions for healthy growth, our business model, our role in society and the development of data-driven work. NN Bank will continue to strengthen its relationship with customers and help customers at the relevant moments in life that matter to them.

Conformity statement

The Management Board of Nationale-Nederlanden Bank N.V. is required to prepare the Interim report and Condensed consolidated interim accounts of Nationale-Nederlanden Bank N.V. in accordance with applicable Dutch law and with International Accounting Standard 34 'Interim Financial Reporting'.

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

The Management Board of Nationale-Nederlanden Bank 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 that ensure that all major financial information is known to the Management Board of Nationale-Nederlanden Bank 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/her knowledge:

- The Nationale-Nederlanden Bank 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 Nationale-Nederlanden Bank N.V. and the entities included in the consolidation taken as a whole.
- The Nationale-Nederlanden Bank 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 Nationale-Nederlanden Bank N.V. and the entities included in the consolidation taken as a whole.

The Hague, 26 August 2021

The Management Board

A.J.M. (Marcel) Zuidam, CEO and chair

C.H.A. (Kees) van Kalveen, CFO

P.C.A.M. (Pieter) Emmen, CRO

Condensed consolidated statement of financial position

Amounts in thousands of euros, unless stated otherwise

Condensed consolidated statement of financial position

	notes	30 June 2021	31 December 2020
Assets			
Cash and balances at central banks		1,808,614	2,585,528
Amounts due from banks		254,918	423,195
Financial assets at fair value through profit or loss:			
– non-trading derivatives	2	43,547	57,995
Investment securities	3	1,348,226	933,334
Loans	4	21,137,202	21,255,396
Intangible assets		30,314	24,689
Other assets		197,284	217,691
Total assets		24,820,105	25,497,828
Liabilities			
Amounts due to banks		252,088	438,583
Customer deposits and other funds on deposit	5	16,131,207	15,742,735
Financial liabilities at fair value through profit or loss:			
– non-trading derivatives	6	23,145	138,737
Other borrowed funds	7	696,000	1,260,000
Other liabilities		149,453	294,685
Deferred tax liabilities		10,790	11,603
Provisions	8	5,029	6,402
Debt securities issued	9	6,280,442	6,384,373
Subordinated debt	10	85,000	85,000
Total liabilities		23,633,154	24,362,118
Equity			
Shareholders' equity		1,186,951	1,135,710
Total equity	11	1,186,951	1,135,710
Total equity and liabilities		24,820,105	25,497,828

References relate to the notes starting on page 12. These form an integral part of the Condensed consolidated interim accounts.

Condensed consolidated statement of profit or loss

Amounts in thousands of euros, unless stated otherwise

Condensed consolidated statement of profit or loss

notes	1 January to 30 June 2021	1 January to 30 June 2020
Interest income	295,412	312,903
Interest expenses	166,561	179,496
Interest result	128,851	133,407
Gains and losses on financial transactions and other income	240	11,274
– gross fee and commission income	68,059	58,247
– fee and commission expenses	6,530	7,554
Net fee and commission income	61,529	50,693
Valuation results on non-trading derivatives	3,010	1,355
Total income	193,630	196,729
Impairment charges on financial instruments	-6,522	2,029
Staff expenses	61,934	55,846
Regulatory levies	15,906	12,141
Other operating expenses	36,166	44,416
Total expenses	107,484	114,432
Result before tax	86,146	82,297
Taxation	21,552	20,586
Net result	64,594	61,711

Condensed consolidated statement of comprehensive income

Amounts in thousands of euros, unless stated otherwise

Condensed consolidated statement of comprehensive income

	1 January to 30 June 2021	1 January to 30 June 2020
Net result	64,594	61,711
– unrealised revaluations investment securities at fair value through other comprehensive income	-1,145	6,923
– realised gains or losses transferred to the profit and loss account	-268	-2,289
Items that may be reclassified subsequently to the profit and loss account	-1,413	4,634
Total other comprehensive income	-1,413	4,634
Total comprehensive income	63,181	66,345
Comprehensive income attributable to:		
Shareholder of the parent	63,181	66,345
Total comprehensive income	63,181	66,345

Condensed consolidated statement of changes in equity

Amounts in thousands of euros, unless stated otherwise

Condensed consolidated statement of changes in equity (2021)

	Share capital	Share premium	Reserves	Total equity
Equity - 1 January 2021	10,000	481,000	644,710	1,135,710
Unrealised revaluations investment securities at fair value through other comprehensive income	0	0	-1,145	-1,145
Realised gains or losses transferred to the profit and loss account	0	0	-268	-268
Total amount recognised directly in equity (Other comprehensive income)	0	0	-1,413	-1,413
Net result	0	0	64,594	64,594
Total comprehensive income	0	0	63,181	63,181
Dividend paid	0	0	-12,000	-12,000
Change in employee share plans	0	0	60	60
Equity - 30 June 2021	10,000	481,000	695,951	1,186,951

Condensed consolidated statement of changes in equity (2020)

	Share capital	Share premium	Reserves	Total equity
Equity - 1 January 2020	10,000	481,000	517,073	1,008,073
Unrealised revaluations investment securities at fair value through other comprehensive income	0	0	6,923	6,923
Realised gains or losses transferred to the profit and loss account	0	0	-2,289	-2,289
Total amount recognised directly in equity (Other comprehensive income)	0	0	4,634	4,634
Net result	0	0	61,711	61,711
Total comprehensive income	0	0	66,345	66,345
Dividend paid	0	0	0	0
Change in employee share plans	0	0	56	56
Equity - 30 June 2020	10,000	481,000	583,474	1,074,474

Condensed consolidated statement of cash flows

Amounts in thousands of euros, unless stated otherwise

Condensed consolidated statement of cash flows

	notes	1 January to 30 June 2021	1 January to 30 June 2020
Result before tax		86,146	82,297
Adjusted for:			
- amortisation of intangible assets	15	1,142	907
- amortisation of mortgage premium	4	11,610	20,624
- modifications	4	-1,038	-536
- net impairment charges on financial instruments		-6,522	2,029
- net addition to provisions	15	-754	941
- fair value change on hedged items	4	244,213	-274,872
- accrued interest		-1,115	1,403
- amortisation premium investment securities		5,427	12,287
- increase (decrease) deferred tax		-342	-2,027
- change in employee share plans		60	56
Taxation paid		-20,661	-28,287
Changes in:			
- amounts due to banks		-186,496	151,947
- non-trading derivatives		-101,143	-179,709
- loans	4	-182,700	-950,184
- sale of mortgages	4	0	394,338
- other assets		14,238	-15,418
- customer deposits and other funds on deposit	5	388,472	448,927
- other liabilities		-139,458	-16,840
Net cash flow from operating activities		111,079	-352,117
Investments and advances:			
- investment securities	3	-548,269	-392,670
- intangible assets		-6,767	-5,275
Disposals and redemptions:			
- investment securities	3	126,051	529,425
Net cash flow from investing activities		-428,985	131,480
Proceeds from issuance of subordinated debt	10	0	30,000
Proceeds from repayment of subordinated debt	10	0	-30,000
Proceeds from issuance of debt securities	9	497,858	10,386
Repayments of debt securities	9	-549,143	-434,509
Proceeds from other borrowed funds	7	0	518,964
Repayments of other borrowed funds	7	-564,000	-575,000
Dividend paid	11	-12,000	0
Net cash flow from financing activities		-627,285	-480,159
Net cash flow		-945,191	-700,796

Interest included in net cash flow from operating activities

	1 January to 30 June 2021	1 January to 30 June 2020
Interest received	301,583	312,346
Interest paid	-211,928	-205,661
Interest received and paid	89,655	106,685

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	3,008,723	2,318,898
Net cash flow	-945,191	-700,796
Cash and cash equivalents at end of the period	2,063,532	1,618,102
	30 June 2021	30 June 2020
Cash and balances at central banks	1,808,614	1,119,553
Amounts due from banks	254,918	498,549
Cash and cash equivalents at end of the period	2,063,532	1,618,102

Notes to the Condensed consolidated interim accounts continued

Nationale-Nederlanden Bank N.V. (NN Bank) is a public limited liability company (*naamloze vennootschap*) incorporated under Dutch law. NN Bank has its official seat and its office address in The Hague, the Netherlands. NN Bank is recorded in the Commercial Register, no. 52605884.

NN Bank's principal activities are providing retail customers with mortgage loans, (internet) savings, bank annuities, consumer lending and retail investment products. In addition, NN Bank provides mortgage administration and management services to ING Bank N.V. (formerly WestlandUtrecht Bank), Nationale-Nederlanden Levensverzekering Maatschappij N.V. (NN Life), Nationale-Nederlanden Schadeverzekering Maatschappij N.V. (NN Non-Life), NN Insurance Belgium N.V. (NN Belgium), the NN Dutch Residential Mortgage Fund and other entities.

1 Accounting policies

The NN Bank Condensed consolidated interim accounts have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting'. 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 Bank Consolidated annual accounts, except as indicated below.

These Condensed consolidated interim accounts should be read in conjunction with the 2020 NN Bank Consolidated annual accounts. They do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in NN Bank's financial position and performance since the last annual accounts.

Use of judgement and estimates

The preparation of the Condensed consolidated interim accounts requires management to make judgements, estimates and assumptions that impact the application of the accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing these Condensed consolidated interim accounts, management's significant judgements in applying its accounting policies and the key sources of estimation uncertainty were based on those applied in the 2020 NN Bank Consolidated annual accounts. Certain amounts recorded in the Condensed consolidated interim accounts reflect estimates and assumptions made by management. Interim results are not necessarily indicative of full-year results.

NN Bank has refined its application of effective interest regarding extension of fixed interest tenors prior to the end of the current interest period (Interest rate averaging). A receivable based on the change in net present value of the contract is now accrued at the time of change of interest tenor. This refinement is treated as a change in an accounting estimate.

Due to the Covid-19 pandemic, the assumptions in expected credit losses on Loans, e.g., macro-economic scenarios, were updated to reflect the credit risk impact. Reference is made to Note 4 'Loans'.

Changes in accounting policies

Except as described below, the accounting policies applied in these interim accounts are the same as those applied in NN Bank's Consolidated annual accounts as at and for the year ended 31 December 2020.

The change in accounting policies will also be reflected in NN Bank's Consolidated annual accounts as at and for the year ended 31 December 2021.

Additional amendments to IAS 39, IFRS 9 and IFRS 7

Additional amendments to IAS 39, IFRS 9 and IFRS 7 in relation to the interest rate benchmark reform are effective as of 1 January 2021. The implementation of these amendments as at 1 January 2021 did not have significant impact on Shareholder's equity at that date, and did not impact NN Bank's net result.

Notes to the Condensed consolidated interim accounts continued

2 Financial assets at fair value through profit or loss

Non-trading derivatives

	30 June 2021	31 December 2020
Derivatives held for fair value hedge accounting	29,565	34,187
Balanced guaranteed swaps	13,982	21,916
Other non-trading derivatives	0	1,892
Non-trading derivatives	43,547	57,995

3 Investment securities

Investment securities by type 30 June 2021

	AC ¹	FVOCI ²	30 June 2021
Government bonds	223,997	269,133	493,130
Covered bonds	0	691,193	691,193
Corporate bonds	2,395	13,005	15,400
Financial institution bonds	62,019	58,971	120,990
Asset backed securities	27,612	0	27,612
Investment securities - before loss provisions	316,023	1,032,302	1,348,325
Investment securities loss provisions	-48	-51	-99
Investment securities - after loss provisions	315,975	1,032,251	1,348,226

1 AC= Amortised Cost

2 FVOCI = Fair value through Other Comprehensive Income

Investment securities by type 31 December 2020

	AC	FVOCI	31 December 2020
Government bonds	225,299	0	225,299
Covered bonds	0	603,358	603,358
Corporate bonds	2,450	0	2,450
Financial institution bonds	62,046	12,654	74,700
Asset backed securities	27,611	0	27,611
Investment securities - before loss provisions	317,406	616,012	933,418
Investment securities loss provisions	-48	-36	-84
Investment securities - after loss provisions	317,358	615,976	933,334

Changes in investment securities

	6-month period ended 30 June 2021	Year ended 31 December 2020
Investment securities – opening balance	933,418	2,027,803
Additions	548,269	688,613
Amortisation	-5,427	-20,680
Changes in unrealised revaluations	-1,884	3,046
Disposals and redemptions	-126,051	-1,765,364
Investment securities – closing balance	1,348,325	933,418

Notes to the Condensed consolidated interim accounts continued

4 Loans

Loans by type 30 June 2021

	AC	FVTPL ¹	30 June 2021
Loans secured by mortgages, guaranteed by public authorities	5,559,258	0	5,559,258
Loans secured by mortgages ²	15,103,194	0	15,103,194
Consumer lending	120,484	0	120,484
Other loans	95,001	0	95,001
Group companies	277,996	0	277,996
Loans – before loan loss provisions	21,155,933	0	21,155,933
Loan loss provisions	-18,731	0	-18,731
Loans	21,137,202	0	21,137,202

1 FVTPL = Fair Value through Profit and Loss

2 Including purchased credit-impaired assets

Loans by type 31 December 2020

	AC	FVTPL ¹	31 December 2020
Loans secured by mortgages, guaranteed by public authorities	5,620,012	496	5,620,508
Loans secured by mortgages ¹	14,931,859	3,151	14,935,010
Consumer lending	136,620	0	136,620
Other loans	306,749	0	306,749
Group companies	281,773	0	281,773
Loans – before loan loss provisions	21,277,013	3,647	21,280,660
Loan loss provisions	-25,264	0	-25,264
Loans	21,251,749	3,647	21,255,396

1 Including purchased credit-impaired assets

'Other loans' relates to a short-term receivable from NN Dutch Residential Mortgage Fund for mortgages sold, but not yet transferred.

'Group companies' relates to a receivable following arrangements to transfer mortgage parts in a current account for the former Delta Lloyd Bank portfolio.

Loans by stage 30 June 2021

	Stage 1	Stage 2	Stage 3	Purchased or Originated Credit-Impaired	No allocated stage ¹	30 June 2021
Loans - before loan loss provisions	19,639,784	498,959	198,742	34,598	783,850	21,155,933
Loan loss provisions	-1,565	-2,476	-14,169	-521	0	-18,731
Loans - after loan loss provisions	19,638,219	496,483	184,573	34,077	783,850	21,137,202

Loans by stage 31 December 2020

	Stage 1	Stage 2	Stage 3	Purchased or Originated Credit-Impaired	No allocated stage ¹	31 December 2020
Loans - before loan loss provisions	19,531,229	331,844	263,124	35,783	1,118,680	21,280,660
Loan loss provisions	-2,313	-3,092	-19,279	-580	0	-25,264
Loans - after loan loss provisions	19,528,916	328,752	243,845	35,203	1,118,680	21,255,396

1 'No allocated stage' relates mainly to mortgage premium and fair value changes of hedged items.

Notes to the Condensed consolidated interim accounts continued

Changes in loans by stage

	Stage 1	Stage 2	Stage 3	Purchased or Originated Credit-Impaired	No allocated stage ¹	6-month period ended 30 June 2021	Year ended 31 December 2020
Loans – opening balance	19,531,229	331,844	263,124	35,783	1,118,680	21,280,660	20,024,534
Mortgage portfolio transfer	144,814	6,302	4,521	1,102	0	156,739	437,329
Partial transfer of mortgage loans	5,596	0	0	0	0	5,596	13,895
Origination	1,522,374	48,367	4,300	31	0	1,575,072	4,395,099
Sale of mortgages	0	0	0	0	0	0	-1,135,220
Premium new mortgages	0	0	0	0	633	633	20,517
Amortisation mortgage premium	0	0	0	162	-11,772	-11,610	-39,586
Fair value change hedged items	0	0	0	0	-296,860	-296,860	327,459
Other changes ²	-257,317	93,651	-183	-32	-27,869	-191,750	30,204
Modifications	0	0	0	0	1,038	1,038	3,399
Redemptions	-1,176,549	-138,307	-27,315	-2,556	0	-1,344,727	-2,774,770
Transfers to ³ :							
– Stage 1	0	-72,225	-6,359	0	0	-78,584	-167,997
– Stage 2	-186,619	0	-84,967	0	0	-271,586	-196,644
– Stage 3	-21,416	-25,452	0	0	0	-46,868	-201,041
Transfers from ³ :							
– Stage 1	0	170,485	20,259	0	0	190,744	325,260
– Stage 2	71,337	0	25,362	0	0	96,699	197,015
– Stage 3	6,335	84,294	0	0	0	90,629	21,205
Changes in credit quality	0	0	0	108	0	108	0
Loans – closing balance	19,639,784	498,959	198,742	34,598	783,850	21,155,933	21,280,660

¹ 'No allocated stage' relates mainly to mortgage premium and fair value changes of hedged items.

² 'Other changes' mainly reflects the differences that result from 'Transfers to' / 'Transfer from', which are based on YtD and other movements which are based on MtD.

³ 'Transfers to' shows the outflow from the stage in the column to the stage stated on row level. 'Transfers from' shows the inflow from stage on row level to the stage in the column. Differences between 'Transfers to' and 'Transfers from' arise due to changes in balance amount between the moment of outflow and inflow.

Changes in Purchased or Originated Credit-Impaired loans (POCI)

	6-month period ended 30 June 2021	Year ended 31 December 2020
POCI - opening balance	35,783	34,594
Mortgage portfolio transfer	1,102	3,984
Amortisation value adjustment	162	723
Redemptions	-2,556	-3,490
Unfavourable changes in credit quality	-325	-547
Favourable changes in credit quality	432	519
POCI - closing balance	34,598	35,783

Purchased or Originated Credit-Impaired (POCI) assets are purchased from ING Bank and recognised initially at an amount net of impairments and are measured at amortised cost using a credit-adjusted effective interest rate. In subsequent periods, any deteriorating changes to the estimated lifetime ECL are recognised in the profit and loss account.

Loan loss provisions by type

	30 June 2021	31 December 2020
Loans secured by mortgages	8,759	13,783
Consumer lending	9,972	11,481
Loan loss provisions by type	18,731	25,264

Compared with 31 December 2020, the provision for loan losses decreased by EUR 6.5 million, of which EUR 5.0 million relates to a decrease in the provision for loans secured by mortgages. The decrease in the provision for mortgages is mainly due to the increase in the Housing Price index during the first half of 2021 (+5.7%). The decrease in the provision for consumer lending is mainly due to the decrease in the size of the portfolio. Furthermore, the positive update in the macroeconomic forecast leads to a further decrease in provisions. The impact of the Covid-19 pandemic was limited in the first half of 2021.

Total write-offs minus recoveries were low (EUR 0.2 million), due to low unemployment and a strong housing price increase in the first half of 2021.

Loans secured by mortgages

After an internal review, individual borrowers who face temporary payment difficulties on their mortgage loans are offered a 'payment holiday' for interest and principal payments for a maximum period of six months. The treatment of these payment holidays is in line with the impairment policies as described in the 2020 NN Bank Consolidated annual accounts. The Bank has assessed that offering such payment holidays, taking into account the initial assessment conducted before the payment holiday is granted, qualifies as a Significant Increase in Credit Risk (SICR)

Notes to the Condensed consolidated interim accounts continued

under IFRS. Consequently, clients who are offered a payment holiday are classified in Stage 2. The number of payment holidays offered in relation to the active mortgage portfolio at 30 June 2021 increased slightly, by 15, in the first half of the year. This raised the total to 524 since the start of the pandemic, representing 0.8% of the total mortgage loans outstanding. As at 30 June 2021, 88% of these customers had recovered, 8% had an active payment holiday, and 4% showed structural payment problems, for which NN Bank's arrears management policy applies.

Macro-economic scenarios

Furthermore, NN Bank has updated its macro-economic scenarios. The assumptions on future macro-economic variables such as GDP, unemployment and housing prices are used as input in the calculation of the expected credit losses under IFRS 9, where it is required to use forward-looking information. Various institutions published adjusted economic outlooks and scenarios that include the possible economic impact of the pandemic. The Bank has taken into account the scenarios as published by the CPB, IMF and DNB. The scenario weighting (neutral case 80%, upside 10%, downside 10%) has remained unchanged as compared with year-end 2020.

At the end of 2021, GDP growth is expected to be 2.2%, and in the following year, we expect an upward trend. The unemployment rate is expected to increase to 4.5% in 2021 in our neutral case, and this upward trend will continue in 2022 as well. Despite the Covid-19 pandemic, housing prices still continue to show an upward trend, and are expected to grow by 7% in 2021. This is mainly due to low supply. As this will not change in the coming years, we do not expect housing prices to drop in our neutral case. In subsequent years, we also expect housing prices to continue to rise, but at a slower rate.

Scenario variant	Weighting	Macro-economic variable	2021	2022	2023	Long Term Rate	Unweighted ECL	Weighted ECL
Up	10%	Unemployment	3.0%	2.1%	3.1%		15,230	
		Housing Price index growth	14.7%	13.1%	7.5%			
		GDP growth	2.2%	5.0%	3.4%			
Neutral	80%	Unemployment	4.5%	5.0%	4.4%	4.1%	18,263	18,731
		Housing Price index growth	7.0%	3.0%	1.9%	1.9%		
		GDP growth	2.2%	3.5%	1.9%	1.8%		
Down	10%	Unemployment	4.5%	5.5%	4.8%		25,967	
		Housing Price index growth	7.0%	-3.5%	-0.8%			
		GDP growth	-2.1%	-4.3%	-1.2%			

Changes in loan loss provisions by stage – Loans secured by mortgages

	Stage 1 12-month ECL non-credit impaired	Stage 2 Lifetime ECL non-credit impaired	Stage 3 Lifetime ECL credit impaired	Purchased or Originated Credit- Impaired	6-month period ended 30 June 2021	Year ended 31 December 2020
Loan loss provisions – opening balance	1,652	2,196	9,355	580	13,783	8,658
Addition (release from) to the loan loss provisions	-533	-713	-1,293	-59	-2,598	-950
Changes in models and methodologies ¹	0	0	0	0	0	-411
Transfers to ² :						
- Stage 1	0	-240	-262		-502	-1,134
- Stage 2	-38	0	-3,863		-3,901	-1,103
- Stage 3	-7	-227	0		-234	-350
Transfers from ² :						
- Stage 1	0	208	532		740	6,841
- Stage 2	5	0	944		949	2,126
- Stage 3	0	522	0		522	106
Loan loss provisions – closing balance	1,079	1,746	5,413	521	8,759	13,783
Write-offs	0	0	258	0	258	719
Recoveries	0	0	-538	0	-538	-901

¹ 'Changes in models and methodologies' shows the change in provisions due to updates of the model parameters.

² 'Transfers to' shows the outflow from the stage in the column to the stage stated on row level. 'Transfers from' shows the inflow from stage on row level to the stage in the column. Differences between 'Transfers to' and 'Transfers from' arise because the provision changes as a result of the change in stage.

Notes to the Condensed consolidated interim accounts continued

Changes in loan loss provisions by stage – Consumer lending

	Stage 1 12-month ECL non-credit impaired	Stage 2 Lifetime ECL non-credit impaired	Stage 3 Lifetime ECL credit impaired	6-month period ended 30 June 2021	Year ended 31 December 2020
Loan loss provisions – opening balance	661	896	9,924	11,481	11,954
Addition (release from) to the loan loss provisions	-115	-139	-1,422	-1,676	-1,438
Changes in models and methodologies ¹	0	0	0	0	-495
Transfers to ² :					
– Stage 1	0	-217	-454	-671	-855
– Stage 2	-34	0	-268	-302	-99
– Stage 3	-51	-265	0	-316	-473
Transfers from ² :					
– Stage 1	0	392	477	869	1,686
– Stage 2	12	0	499	511	1,166
– Stage 3	13	63	0	76	35
Loan loss provisions – closing balance	486	730	8,756	9,972	11,481
Write-offs	0	0	1,093	1,093	1,115
Recoveries	0	0	-621	-621	-1,280

¹ 'Changes in models and methodologies' shows the change in provisions due to updates of the model parameters.

² 'Transfers to' shows the outflow from the stage in the column to the stage stated on row level. 'Transfers from' shows the inflow from stage on row level to the stage in the column. Differences between 'Transfers to' and 'Transfers from' arise because the provision changes as a result of the change in stage.

Delinquency

	Mortgages		Consumer lending		Total	
	30 June 2021 ¹	31 December 2020 ¹	30 June 2021 ¹	31 December 2020 ¹	30 June 2021 ¹	31 December 2020 ¹
0 days	20,024,752	19,787,210	106,871	119,418	20,131,623	19,906,628
1 – 30 days	34,913	117,994	991	3,673	35,904	121,667
31 – 60 days	25,137	35,308	292	1,434	25,429	36,742
61 – 90 days	23,623	40,744	350	435	23,973	41,179
> 90 days	143,174	44,104	11,980	11,660	155,154	55,764
Total	20,251,599	20,025,360	120,484	136,620	20,372,083	20,161,980

¹ Total amount reconciles to stage 1-3 and purchased credit-impaired loans, excluding the category 'no allocated stage'.

Loans exposed to credit risk

	Stage 1		Stage 2		Stage 3		POCI assets		Total		Total
	31		31		31		31				31
	30 June 2021	December 2020	30 June 2021	December 2020	30 June 2021	December 2020	30 June 2021	December 2020	30 June 2021 ¹	December 2020 ¹	2020 ¹
											20,025,36
Mortgages	19,535,716	19,412,782	495,728	327,758	185,557	249,037	34,598	35,783	20,251,599		0
Consumer loans	104,068	118,447	3,231	4,086	13,185	14,087	0	0	120,484		136,620
Total	19,639,784	19,531,228	498,959	331,844	198,742	263,124	34,598	35,783	20,372,083		20,161,980

¹ Total amount reconciles to stage 1-3 and purchased credit-impaired loans, excluding the category 'no allocated stage'.

5 Customer deposits and other funds on deposit

Customer deposits and other funds on deposit by type

	30 June 2021	31 December 2020
Savings	7,698,425	7,269,894
Bank annuities	6,743,988	6,796,334
Bank annuities related to mortgages	1,558,594	1,541,276
Corporate deposits	3,500	3,500
Group companies	126,700	131,731
Customer deposits and other funds on deposit	16,131,207	15,742,735

'Group companies' relates to a payable following arrangements to transfer mortgage parts in a current account for the former Delta Lloyd Bank portfolio.

Notes to the Condensed consolidated interim accounts continued

Changes in Customer deposits and other funds on deposit

	6-month period ended 30 June 2021	Year ended 31 December 2020
Customer deposits and other funds on deposit – opening balance	15,742,735	15,078,921
Deposits received	2,407,955	4,276,806
Withdrawals	-2,019,483	-3,612,992
Customer deposits and other funds on deposit – closing balance	16,131,207	15,742,735

6 Financial liabilities at fair value through profit or loss

Non-trading derivatives

	30 June 2021	31 December 2020
Derivatives held for fair value hedge accounting	9,163	114,508
Balanced guaranteed swaps	13,982	21,916
Other non-trading derivatives	0	2,313
Non-trading derivatives	23,145	138,737

7 Other borrowed funds

Other borrowed funds

	30 June 2021	31 December 2020
NN Group	521,000	790,000
Other borrowed funds	175,000	470,000
Other borrowed funds	696,000	1,260,000

	6-month period ended 30 June 2021	Year ended 31 December 2020
Other borrowed funds – opening balance	1,260,000	1,273,000
Issuances	0	672,000
Redemption	-564,000	-685,000
Other borrowed funds – closing balance	696,000	1,260,000

In the first half of 2021, no new loans were contracted with third parties, while EUR 295 million was repaid, resulting in a decrease in 'Other borrowed funds' to EUR 175 million (2020: EUR 470 million).

NN Group provided a revolving credit facility commitment to NN Bank up to an amount of EUR 250 million (2020: EUR 250 million). In addition, NN Group provided a Central Clearing Borrowing Facility up to an amount of EUR 1,300 million (2020: EUR 1,300 million) for the funding of variation margin calls regarding centrally cleared interest rate derivatives contracts.

The drawdown under the Central Clearing Borrowing Facility provided by NN Group decreased to EUR 521 million (2020: EUR 790 million), due to higher interest rates with consequently lower variation margin obligations.

On 30 June 2021, EUR 1,029 million was not drawn by NN Bank (2020: EUR 760 million).

Notes to the Condensed consolidated interim accounts continued

8 Provisions

Provisions

	30 June 2021	31 December 2020
Restructuring provisions	4,639	6,375
Other provisions	390	27
Provisions	5,029	6,402

Restructuring provisions

	6-month period ended 30 June 2021	Year ended 31 December 2020
Restructuring provisions – opening balance	6,375	4,505
Additions	326	7,455
Releases	-1,444	-1,224
Charges	-618	-4,247
Other	0	-114
Restructuring provisions – closing balance	4,639	6,375

The restructuring provision is recognised for expected future redundancy costs, mainly as result of a limited strategic reorientation within NN Bank's own advisory channel. The releases mainly resulted from staff that NN Bank was able to transfer to another internal position.

'Additions' or 'releases' are recognised in the profit and loss account.

The remaining restructuring provision at the balance sheet date represents the best estimate of the expected future redundancy costs and is expected to be sufficient to cover the remaining costs of the restructuring programme.

9 Debt securities issued

'Debt securities issued' relates to debentures and other issued debt securities with either fixed or floating interest rates. NN Bank does not have debt securities that are issued on terms other than those available in the normal course of business. The maturities, based on the earliest contractual payment date of the debt securities, are as follows:

Debt securities issued – maturities 30 June 2021

	Less than 1 year	1-2 years	2 - 3 years	3 - 4 years	4 - 5 years	Over 5 years	Total
Fixed rate debt securities	0	0	0	0	0	0	0
Floating rate debt securities	0	355,204	0	0	0	0	355,204
Subtotal RMBS securitisation programmes	0	355,204	0	0	0	0	355,204
Covered bond issuances	0	0	498,886	510,775	507,647	2,819,945	4,337,253
Fixed rate unsecured debt securities	4,014	500,292	273,354	498,873	0	96,859	1,373,392
Floating rate unsecured debt securities	189,699	0	0	0	0	24,894	214,593
Debt securities issued	193,713	855,496	772,240	1,009,648	507,647	2,941,698	6,280,442

Debt securities issued – maturities 31 December 2020

	Less than 1 year	1-2 years	2 - 3 years	3 - 4 years	4 - 5 years	Over 5 years	Total
Fixed rate debt securities	100,000	0	0	0	0	0	100,000
Floating rate debt securities	405,014	384,966	0	0	0	0	789,980
Subtotal RMBS securitisation programmes	505,014	384,966	0	0	0	0	889,980
Covered bond issuances	0	0	0	1,012,806	510,428	2,365,677	3,888,911
Fixed rate unsecured debt securities	19,011	0	775,227	0	499,783	96,828	1,390,849
Floating rate unsecured debt securities	189,749	0	0	0	0	24,884	214,633
Debt securities issued	713,774	384,966	775,227	1,012,806	1,010,211	2,487,389	6,384,373

Notes to the Condensed consolidated interim accounts continued

Secured debt securities

NN Bank has the right to redeem the Residential Mortgage Backed Securities under the Arena NHG and the Hypenn RMBS securitisation programmes at First Optional Redemption Date (FORD). These dates for the debt securities issued are as follows:

	FORD	30 June 2021	31 December 2020
Arena NHG 2016-I	17-6-2021	0	222,510
Hypenn RMBS I A3	17-11-2023	0	0
Hypenn RMBS V	17-4-2021	0	282,504
Hypenn RMBS VI	17-12-2022	355,204	384,966
Hypenn RMBS VII	17-9-2026	0	0
Total		355,204	889,980

Arena NHG 2016-I and Hypenn RMBS V were both redeemed at their respective first optional redemption dates.

The outstanding notes of Hypenn RMBS I and Hypenn RMBS VII are fully held (retained) by NN Bank.

	Maturity date	30 June 2021	31 December 2020
Covered bond October 2017	10-10-2024	499,147	498,991
Covered bond June 2018	11-9-2025	497,682	497,416
Covered bond September 2018	25-9-2028	494,939	494,601
Covered bond February 2019	27-2-2024	498,886	498,673
Covered bond March 2019 - 1	18-3-2039	24,828	24,823
Covered bond March 2019 - 2	21-3-2039	19,924	19,922
Covered bond July 2019	25-9-2028	52,475	52,646
Covered bond September 2019	24-9-2029	498,322	498,560
Soft Bullet Covered Bond July 2020	8-7-2030	501,108	501,286
Soft Bullet Covered Bond September 2020	24-9-2035	496,274	495,691
Soft Bullet Covered Bond November 2020	12-11-2040	246,912	247,202
Soft Bullet Covered Bond March 2021	4-3-2041	497,172	0
Fair value change hedged items		9,584	59,100
Total		4,337,253	3,888,911

On 4 March 2021, NN Bank raised EUR 500 million in secured funding by issuing a 20-year Soft Bullet Covered Bond under the Soft Bullet Covered Bond Programme.

Unsecured debt securities

	Maturity date	30 June 2021	31 December 2020
Debt Issuance Programme May 2019	31-5-2023	498,729	498,407
Debt Issuance Programme August 2019	3-9-2029	19,867	19,859
Debt Issuance Programme November 2019	26-2-2025	497,805	497,488
Other unsecured debt securities	n/a	351,006	365,980
Fair value change hedged items		5,985	9,115
Fixed rate unsecured debt securities		1,373,392	1,390,849
Floating Rate Note June 2019 - 2	1-7-2021	35,000	35,012
Floating Rate Note July 2019 - 2	10-7-2026	24,894	24,884
Floating Rate Note July 2019 - 3	15-7-2021	100,004	100,031
Floating Rate Note August 2019	3-9-2021	54,695	54,706
Floating rate unsecured debt securities		214,593	214,633

10 Subordinated debt

Interest rate	Year of issue	Due date	First call date	Notional amount		Balance sheet value	
				30 June 2021	31 December 2020	30 June 2021	31 December 2020
1.29%	2020	26 February 2030	26 February 2025	30,000	30,000	30,000	30,000
1.38%	2019	26 September 2029	26 September 2024	25,000	25,000	25,000	25,000
1.83%	2019	26 June 2029	26 June 2024	15,000	15,000	15,000	15,000
3.02%	2017	27 February 2027	27 February 2022	15,000	15,000	15,000	15,000
Subordinated debt				85,000	85,000	85,000	85,000

Notes to the Condensed consolidated interim accounts continued

11 Equity

Total equity

	30 June 2021	31 December 2020
Share capital	10,000	10,000
Share premium	481,000	481,000
Revaluation reserve	1,044	2,457
Retained earnings and unappropriated result	694,907	642,253
Shareholder's equity	1,186,951	1,135,710

Changes in equity (2021)

30 June 2021	Share capital	Share premium	Reserves	Total shareholder's equity
Equity – opening balance	10,000	481,000	644,710	1,135,710
Net result for the period	0	0	64,594	64,594
Total amount recognised directly in equity (Other comprehensive income)	0	0	-1,413	-1,413
Dividend paid	0	0	-12,000	-12,000
Change in employee share plans	0	0	60	60
Equity – closing balance	10,000	481,000	695,951	1,186,951

Changes in equity (2020)

31 December 2020	Share capital	Share premium	Reserves	Total shareholder's equity
Equity – opening balance	10,000	481,000	517,073	1,008,073
Net result for the period	0	0	125,258	125,258
Total amount recognised directly in equity (Other comprehensive income)	0	0	2,310	2,310
Dividend paid	0	0	0	0
Change in employee share plans	0	0	69	69
Equity – closing balance	10,000	481,000	644,710	1,135,710

Appropriation of result 2020

On 21 May 2021, following the adoption of the 2020 Consolidated annual accounts by the general meeting of NN Bank (General Meeting), the 2020 net result of EUR 125.3 million, less the proposed final cash dividend of EUR 12.0 million, was added to the retained earnings.

Interim dividend 2021

NN Bank is considering the payment of an interim dividend in October 2021, in light of the recent ECB communication with respect to not extending the recommendation on dividend restriction beyond September 2021.

12 Interest result

Interest result

	1 January to 30 June 2021	1 January to 30 June 2020
Interest income on loans ¹	270,129	285,468
Modifications	1,056	559
Interest income on non-trading derivatives	22,669	26,298
Negative interest on liabilities	1,558	579
Total interest income	295,412	312,903
Interest expenses on amounts due to banks	76	32
Interest expenses on customer deposits and other funds on deposit	70,879	81,877
Interest expenses on debt securities issued and other borrowed funds	18,412	17,399
Interest expenses on subordinated loans	723	790
Interest expenses on non-trading derivatives	67,832	72,753
Negative interest on assets	5,843	3,695
Other interest expenses	2,796	2,950
Total interest expenses	166,561	179,496
Interest result	128,851	133,407

¹ Interest on loans at FVTPL is not separately presented, as this amount is not material.

Notes to the Condensed consolidated interim accounts continued

13 Staff expenses

Staff expenses

	1 January to 30 June 2021	1 January to 30 June 2020
Salaries	33,622	30,001
Pension and other staff-related benefit costs	6,529	5,820
Social security costs	4,437	3,964
Share-based compensation arrangements	60	10
External staff costs	16,224	15,333
Education	379	479
Other staff costs	683	239
Staff expenses	61,934	55,846

14 Regulatory levies

Regulatory levies represent contributions to Deposit Guarantee Schemes (DGS) and the Single Resolution Fund (SRF). In the first six months of 2021, the contributions to DGS were EUR 7.9 million (first six months of 2020: EUR 7.3 million) and contributions to the SRF were EUR 8.0 million (first six months of 2020: EUR 4.9 million). The contribution to the SRF in the first six months of 2021 comprises NN Bank's contribution for the full year 2021.

15 Other operating expenses

Other operating expenses

	1 January to 30 June 2021	1 January to 30 June 2020
Computer costs	7,817	11,617
Office expenses	140	50
Travel and accommodation expenses	579	1,318
Advertising and public relations	702	1,383
Bank costs	126	118
Net release from (addition to) restructuring provisions	-1,118	839
Amortisation of intangible assets	1,142	907
Other	3,917	3,724
Other operating expenses	13,305	19,956
Customer & Commerce	7,776	9,117
IT	5,348	7,065
Facility Management	3,193	3,370
General Management	4,742	3,097
Group HR	1,235	1,135
Shared Service Centre Finance	568	676
Total Group Services	22,861	24,460
Total other operating expenses	36,166	44,416

'Other' mainly consists of audit fees and contributions to, amongst others, AFM, DNB and ECB.

16 Fair value of financial assets and liabilities

The following table presents the estimated fair value of NN Bank'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 Bank.

Notes to the Condensed consolidated interim accounts continued

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 balances at central banks	1,808,614	2,585,528	1,808,614	2,585,528
Amounts due from banks	254,918	423,195	254,918	423,195
Financial assets at fair value through profit or loss:				
– non-trading derivatives	43,547	57,995	43,547	57,995
Investment securities	1,348,876	935,096	1,348,226	933,334
Loans	22,418,722	22,508,948	21,137,202	21,255,396
Financial assets	25,874,677	26,510,762	24,592,507	25,255,448
Financial liabilities				
Amounts due to banks	251,540	438,512	252,088	438,583
Customer deposits and other funds on deposit	16,979,595	16,736,835	16,131,207	15,742,735
Financial liabilities at fair value through profit or loss:				
– non-trading derivatives	23,145	138,737	23,145	138,737
Other borrowed funds	695,979	1,260,403	696,000	1,260,000
Debt securities issued	6,372,149	6,545,042	6,280,442	6,384,373
Subordinated debt	85,747	86,241	85,000	85,000
Financial liabilities	24,408,155	25,205,770	23,467,882	24,049,428

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. Where exposures of a group of financial assets and financial liabilities are managed on a net basis, NN Bank measures the fair value of the group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position or settle a net short position.

Financial assets and liabilities at fair value and amortised cost

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

Methods applied in determining the fair value of financial assets and liabilities (30 June 2021)

	Balance sheet				
	value	Total fair value	Level 1	Level 2	Level 3
Financial assets measured at fair value					
Non-trading derivatives	43,547	43,547	0	29,565	13,982
Investment securities - FVOCI	1,032,251	1,032,302	282,688	749,614	0
Loans - FVTPL	0	0	0	0	0
Financial assets not measured at fair value					
Cash and balances at central banks ¹	1,808,614	1,808,614	1,808,614	0	0
Amounts due from banks ¹	254,918	254,918	254,918	0	0
Investment securities - AC	315,975	316,574	147,755	168,819	0
Loans - AC	21,137,202	22,418,722	0	0	22,418,722
Financial assets	24,592,507	25,874,677	2,493,975	947,998	22,432,704
Financial liabilities measured at fair value					
Non-trading derivatives	23,145	23,145	0	9,163	13,982
Financial liabilities not measured at fair value					
Amounts due to banks	252,088	251,540	0	251,540	0
Customer deposits and other funds on deposit ¹	16,131,207	16,979,595	10,223,820	6,723,777	31,998
Other borrowed funds	696,000	695,979	521,000	174,979	0
Debt securities issued	6,280,442	6,372,149	5,629,156	742,993	0
Subordinated debt	85,000	85,747	0	85,747	0
Financial liabilities	23,467,882	24,408,155	16,373,976	7,988,199	45,980

Notes to the Condensed consolidated interim accounts continued

Methods applied in determining the fair value of financial assets and liabilities (31 December 2020)

	Balance sheet value	Total fair value	Level 1	Level 2	Level 3
Financial assets measured at fair value					
Non-trading derivatives	57,995	57,995	0	36,079	21,916
Investment securities - FVOCI	615,976	616,012	0	616,012	0
Loans - FVTPL	3,647	3,647	0	0	3,647
Financial assets not measured at fair value					
Cash and balances at central banks ¹	2,585,528	2,585,528	2,585,528	0	0
Amounts due from banks ¹	423,195	423,195	423,195	0	0
Investment securities - AC	317,358	319,084	149,606	169,478	0
Loans - AC	21,251,749	22,505,301	0	0	22,505,301
Financial assets	25,255,448	26,510,762	3,158,329	821,569	22,530,864
Financial liabilities measured at fair value					
Non-trading derivatives	138,737	138,737	0	116,821	21,916
Financial liabilities not measured at fair value					
Amounts due to banks	438,583	438,512	0	438,512	0
Customer deposits and other funds on deposit ¹	15,742,735	16,736,835	9,980,172	6,725,611	31,052
Other borrowed funds	1,260,000	1,260,403	790,000	470,403	0
Debt securities issued	6,384,373	6,545,042	5,652,866	892,176	0
Subordinated debt	85,000	86,241	0	86,241	0
Financial liabilities	24,049,428	25,205,770	16,423,038	8,729,764	52,968

¹ Financial assets and liabilities measured at amortised cost that are on demand are classified in Level 1 in the table above. Their fair value approximates the carrying value.

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 Bank 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

	Non-trading derivatives	Loans - FVTPL	6-month period ended 30 June 2021	Year ended 31 December 2020
Level 3 Financial assets – opening balance	21,916	3,647	25,563	178,394
Amounts recognised in the profit and loss account during the year	-7,934	33	-7,901	-20,431
Additions	0	782	782	623,702
Sale of assets	0	-4,462	-4,462	-756,102
Level 3 Financial assets – closing balance	13,982	0	13,982	25,563

Changes in Level 3 Financial liabilities

	6-month period ended 30 June 2021	Year ended 31 December 2020
Level 3 Financial liabilities – opening balance	21,916	49,871
Amounts recognised in the profit and loss account during the year	-7,934	-27,955
Purchases of liabilities	0	0
Level 3 Financial liabilities – closing balance	13,982	21,916

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

	1 January to 30 June 2021	1 January to 30 June 2020
Financial assets		
Non-trading derivatives	-7,934	-16,608
Loans - FVTPL	33	7,707
Financial assets	-7,901	-8,901
Financial liabilities		
Non-trading derivatives	7,934	16,608
Financial liabilities	7,934	16,608

17 Contingent liabilities and commitments

As a recent development in the Dutch consumer credit industry, several credit providers are involved in Kifid and civil court proceedings regarding variable interest in revolving consumer credit loans. At this stage, NN Bank is not involved in any legal proceedings regarding this topic. Both the probability of outflow and the amount of outflow are uncertain, since there is no clarity and consistency in the market on legal verdicts and assumptions for any obligation. Therefore, NN Bank classifies any potential claim in this respect as a possible obligation.

Compared with 31 December 2020, the outstanding 'mortgage and consumer lending offerings' increased by EUR 7 million to EUR 738 million (31 December 2020: EUR 731 million).

There were no other material changes in the contingent liabilities and commitments.

For the other contingent liabilities and commitments of NN Bank at 31 December 2020, reference is made to Note 32 'Contingent liabilities and commitments' of the 2020 NN Bank Consolidated annual accounts.

18 Legal proceedings

There have been no noteworthy developments with respect to ongoing legal proceedings. Further reference is made to Note 33 'Legal proceedings' of the 2020 NN Bank Consolidated annual accounts.

19 Subsequent events

On 31 July 2021, NN Bank entered into a legal merger with Nationale-Nederlanden Beleggingsrekening N.V. (Beleggingsrekening). On 1 August 2021, the legal merger between NN Bank and Beleggingsrekening came into effect. As a result of this merger, Beleggingsrekening ceased to exist as a separate legal entity and NN Bank acquired all assets and liabilities of Beleggingsrekening under universal title of succession. In accordance with the deed of merger, the Beleggingsrekening financial data have been included in the NN Bank financial accounts as from 1 January 2021. The merger does not have a material impact on the NN Bank financial accounts.

Notes to the Condensed consolidated interim accounts continued

20 Capital and liquidity management

Capital adequacy

Capital position

Amounts in millions of euros	30 June 2021	31 December 2020
Common Equity Tier 1 Capital	1,121	1,047
Total capital ¹	1,206	1,132
Risk Weighted Assets	6,025	6,001
Common Equity Tier 1 ratio ¹	18.6%	17.4%
Total capital ratio ¹	20.0%	18.9%

¹ If DNB approves the addition of the net result for the second quarter 2021, the CET1 ratio will be 19.1% and the total capital ratio will be 20.6%.

NN Bank maintained a solid capital position with a Capital Requirements Regulation (CRR) total capital ratio of 20.0% (31 December 2020: 18.9%) and a CRR CET1 ratio of 18.6% as of 30 June 2021 (31 December 2020: 17.4%). Common Equity Tier 1 Capital amounts to EUR 1.121 million (31 December 2020: EUR 1,047 million) and has increased, mainly due to internal capital generation in the form of retained profits.

Liquidity adequacy

During 2021, NN Bank maintained an adequate liquidity position.

	30 June 2021	31 December 2020
Liquidity Coverage Ratio (LCR)	168%	168%
Net Stable Funding Ratio (NSFR)	138%	132%
Loan-to-Deposit ratio (LtD)	126%	127%

The liquidity coverage ratio (LCR) remained stable, at 168% at year-end 2020 and at 30 June 2021. This is well above regulatory and internal minimums. In addition to the available liquidity as captured by the LCR, NN Bank has other sources of liquidity available. NN Bank has previously issued RMBSs, for which the notes are included in NN Bank's liquidity buffer. These can be used for ECB standing facilities (excluding emergency facilities) and commercial repo transactions. Further, NN Bank had intra-group facilities in place for use when necessary.

In addition to its liquidity ratio, NN Bank uses two ratios to measure and monitor the Bank's funding position. The NSFR ratio is defined as the amount of available stable funding relative to the amount of required stable funding. The objective of the NSFR is to incentivise banks to fund their activities from stable sources of funding on an ongoing basis. On 30 June 2021, NN Bank had a NSFR ratio of 138%. This is well above regulatory and internal minimums.

The LtD ratio is a statistic for assessing a bank's deposit funding gap by dividing the bank's total volume of commercial loans by its retail deposits. This ratio is used for a diversified funding base and gives an indication of the bank's dependence on wholesale funding for financing client loans. On 30 June 2021, NN Bank had a LtD ratio of 126%, which is well within the internal threshold.

Dividend policy

NN Bank aims to pay dividends to its shareholder on a semi-annual basis, while ensuring that the capital ratios show stable development that remains well within NN Bank's risk appetite and the regulatory required capital ratios.

In May 2021, after the adoption of the 2020 Consolidated annual accounts by the General Meeting, NN Bank paid a dividend of EUR 12.0 million for 2020.

NN Bank is considering the payment of an interim dividend in October 2021, in light of the recent ECB communication with respect to not extending the recommendation on dividend restriction beyond September 2021.

Authorisation of the Condensed consolidated interim accounts

The interim report of NN Bank for the period ended 30 June 2021 was authorised for issue in accordance with a resolution of the NN Bank Management Board on 26 August 2021.

The Hague, 26 August 2021

The Management Board

A.J.M. (Marcel) Zuidam, CEO and chair

C.H.A. (Kees) van Kalveen, CFO

P.C.A.M. (Pieter) Emmen, CRO

The Supervisory Board

A.A.G. (André) Bergen, chair

D. (Delfin) Rueda

T. (Tjeerd) Bosklopper

A.M. (Anne) Snel-Simmons

Independent auditor's review report

To: the Shareholder and the Supervisory Board of Nationale-Nederlanden Bank N.V.

Our conclusion

We have reviewed the accompanying condensed consolidated interim accounts of Nationale-Nederlanden Bank N.V. (or hereafter: the "Company") based in The Hague. 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 comprises:

- 1 the condensed consolidated statement of financial position as at 30 June 2021;
- 2 the following statements for the six-month period ended 30 June 2021: the condensed consolidated profit or loss account, the condensed consolidated statements of comprehensive income, changes in equity and cash flows; and
- 3 the notes comprising of a summary of the significant 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 Nationale-Nederlanden Bank 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 Management Board and the Supervisory Board for the condensed consolidated interim accounts

The Management 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, management 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.

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 of 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;

Independent auditor's review report continued

- 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, 26 August 2021

KPMG Accountants N.V.

B.M. Hengreen RA

Contact and legal information

Contact us

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Nationale-Nederlanden Bank N.V. is part of NN Group N.V.

Disclaimer

NN Bank'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 2020 NN Bank Consolidated annual accounts, except as indicated in Note 1 of the 30 June 2021 Condensed consolidated interim financial information.

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 Bank'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 Bank operates, on NN Bank's business and operations and on NN Bank'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 and capital markets generally, (6) changes affecting interest rate levels, (7) changes affecting currency exchange rates, (8) changes in investor and customer behaviour, (9) changes in general competitive factors, (10) changes in laws and regulations and the interpretation and application thereof, (11) changes in the policies and actions of governments and/or regulatory authorities, (12) conclusions with regard to accounting assumptions and methodologies, (13) changes in ownership that could affect the future availability to NN Bank of net operating loss, net capital and built-in loss carry forwards, (14) changes in credit and financial strength ratings, (15) NN Bank's ability to achieve its strategy, including projected operational synergies, (16) operational risks, such as system disruptions or failures, breaches of security, cyber-attacks, human error, or inadequate controls including in respect of third parties with which we do business, (17) the inability to retain key personnel, (18) catastrophes and terrorist-related events, (19) adverse developments in legal and other proceedings and (20) the other risks and uncertainties contained in recent public disclosures made by NN Bank and/or related to NN Bank.

Any forward-looking statements made by or on behalf of NN Bank speak only as of the date they are made, and, NN Bank 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.

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