

# 30 June 2020 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 18 countries, with a strong presence in a number of European countries and Japan. NN Group offers 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).

#### 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 retail customers secure their financial futures: helping them manage and protect their assets and income through 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 Leven), Nationale-Nederlanden Schadeverzekering Maatschappij N.V. (NN Schade), NN Insurance Belgium N.V. (NN Belgium), the NN Dutch Residential Mortgage Fund and other entities.

NN Bank has three fully owned subsidiaries:

- *HQ Hypotheken 50 B.V.*, which was founded on 21 August 2012 with a registered office in Rotterdam. Through this subsidiary, NN Bank offers mortgage loans to customers via a business partner.
- *Nationale-Nederlanden Beleggingsrekening N.V.* This is a dormant company, currently not conducting any business or other activities.
- *Woonnu B.V.*, which was founded on 13 August 2019 with its statutory seat in The Hague. Via Woonnu B.V., NN Bank intends to originate mortgage loans under a new label. NN Bank has obtained an AFM licence for Woonnu B.V. Woonnu B.V. did not perform any business during the first half of 2020.

The Hypenn RMBS entities (I, IV, V, VI and VII), Arena NHG 2016-I entity, 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. Arena NHG 2014-II was called in April 2020.

## Main developments

### COVID-19

COVID-19 has had a substantial impact on financial markets, global trade, manufacturing and travel and also has a negative impact on the markets in which NN Bank is active. However, to date, the impact on the Dutch mortgage market has been limited and the Euro wholesale funding market has largely recovered.

NN Bank's key priorities are to safeguard the well-being of our employees and provide an uninterrupted service to our customers. In that respect, NN Bank has taken several measures to mitigate the immediate impact of COVID-19:

- NN Bank is following the recommendations of the Dutch government with nearly all of our employees working from home and only employees in essential functions working from our office locations
- Payment holidays (postponement of payments) are offered on an individual basis to borrowers who face temporary payment difficulties on their mortgage loans or consumer loans. As at 30 June 2020, NN Bank had granted a payment holiday to 0.7% of its mortgage loan customers. It is reasonable to expect that this percentage will increase over the course of 2020.
- Sufficient (backup) liquidity and funding alternatives have been put in place, hence for the foreseeable future no significant difficulties are expected in refinancing our funding positions and liquidity positions which are expected to remain comfortably above regulatory and internal limits
- No final dividend over 2019 was paid and no interim dividend over 2020 will be proposed. With this, NN Bank follows the recommendation issued by the ECB in view of the current COVID-19 situation to refrain from dividend payments until 1 January 2021. NN Bank intends to resume dividend payments at such time that is appropriate in light of COVID-19 developments.

Although the financial impact to date is limited to a slight increase in risk costs due to payments holidays and the application of revised macro-economic outlooks, the expenses incurred to increase capacity at loan servicing and the measures to increase (back up) liquidity, COVID-19 is likely to continue to impact NN Bank in the coming period.

### Further diversification of funding sources

NN Bank has a strong funding and liquidity position. NN Bank has a diversified funding base and in addition can rely on its current liquid assets and the available committed facilities in combination with access to facilities offered by the ECB. In light of the volatile funding market in the first half of 2020, close monitoring and preventive measures were taken to keep the funding and liquidity position sound. In the first half of 2020 retail savings in the Netherlands and deposits in Spain grew steadily, which had a positive impact on the liquidity position. In June 2020, the new Soft Bullet Covered Bond programme was launched to benefit from increased investor demand for this type of funding. The Soft Bullet Covered Bond

## Interim report continued

programme is an important addition to NN Bank's funding base. NN Bank completed its first EUR 500 million issue under the programme on 30 June 2020 with settlement on 8 July 2020.

Furthermore, additional contingent liquidity in the form of a retained RMBS, Hypenn VII with just under EUR 2.0 billion of senior notes was created on 11 June 2020. If needed, the Hypenn VII can be used as collateral with the ECB or in other repo transactions to attract funding. In April 2020, NN Bank called the Arena NHG 2014-II transaction at its first optional redemption date.

### Advanced Internal Rating-Based methodology and definition of default

NN Bank has the ambition to apply the Advanced Internal Ratings Based (A-IRB) methodology to determine its capital position for credit risk under Pillar 1 capital requirements. NN Bank is currently preparing its application for A-IRB, as well as the implementation of the new definition of default (DoD) to comply with the European Banking Authority (EBA) Guidelines. These guidelines harmonise the definition of default across the EU prudential framework and improve consistency in the way EU banks apply regulatory requirements to their capital positions. This project (within the A-IRB programme) aims to have NN Bank ready by the end of this year to report in accordance with the new default definition and redevelop the models in line with this definition in 2021. Reference is made to Note 1 Accounting policies for the impact of the new definition of default.

### Completion of integration NN Bank and Delta Lloyd Bank

Following the completion of the integration of the Delta Lloyd Bank's savings and investment operations, further progress was made with the integration in the first half of 2020, with the following results reached:

- Decommissioning of former Delta Lloyd systems for Savings & Investments
- Migration of customers with a Delta Lloyd Bank mortgage to NN Bank systems was prepared, migration has taken place in July 2020.

The Amsterdam District Court rejected all claims by consumer organisations Consumentenbond and Vereniging Eigen Huis against Amstelhuys on 15 January 2020 (Amstelhuys is now NN Bank as a result of the legal merger between Amstelhuys and NN Bank as of 1 December 2019). The decision has become final.

### Key financial developments

NN Bank reported a net result of EUR 61.7 million for the first half of 2020. The cost/income ratio<sup>1</sup> improved to 51.0% in the first half of 2020 compared with 56.6% in the first half of 2019. The return on equity increased from 10.4% in the first half 2019 to 11.9% in the first half of 2020. Both improved ratios reflect the increase in total income compared with the first half of 2019. This increase was mainly driven by an increase in mortgage origination, prepayment penalties and lower wholesale funding expenses.

The balance sheet remained strong in terms of capital and liquidity. The Common Equity Tier 1 (CET1) ratio was 16.7% and total capital ratio was 18.1% at 30 June 2020, compared with 15.7% and 17.2% respectively at 31 December 2019. The liquidity coverage ratio (LCR) increased to 193% at 30 June 2020 from 173% at 31 December 2019.

Total mortgages originated by NN Bank amounted to EUR 4.4 billion in the first six months of 2020, an increase compared with the same period last year (EUR 3.7 billion). Of this amount, EUR 2.9 billion was originated on behalf of NN Group entities and the NN Dutch Residential Mortgage Fund and the remainder was originated for NN Bank's balance sheet. The loans (predominantly mortgage loans) on the balance sheet increased to EUR 20.8 billion from EUR 20.0 billion at year-end 2019, driven by the aforementioned originations and the effect of the application of hedge accounting on the valuation of the hedged items (i.e. mortgages), partially offset by redemptions. Customer deposits increased from EUR 15.1 billion at year-end 2019 to EUR 15.5 billion at 30 June 2020.

### Change in governance

On 1 January 2020, Jan-Hendrik Erasmus resigned as member of the Supervisory Board of NN Bank, whereupon Guus Schoorlemmer, Head of Risk Oversight NN Group, was appointed as a member of the Supervisory Board of NN Bank on 21 April 2020.

### Outlook

Looking ahead, the Dutch economy is in unfamiliar territory. Never before has the start of a recession been caused by shutting down parts of the economy. Various institutions published adjusted economic outlooks and scenarios which include possible impacts of the pandemic on the economy, as well as the effect of government support measures. 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 around COVID-19 and will adjust assumptions used where appropriate.

We expect the results of NN Bank for the second half of 2020 might be further impacted by increased levels of risk costs (loan loss provisions) and higher operating expenses, particularly in the arrears management and mortgage acceptance departments.

NN Bank will continue to strengthen its relationship with customers and help customers at the relevant moments in life that matter, especially in this COVID-19 period. Also NN Bank continues to work on improving our data governance, data quality and data management processes, capabilities and tooling.

To balance our business model, NN Bank will expand its services for external institutional investors in our role as mortgage orchestrator.

<sup>1</sup> The cost/income ratio is calculated as staff expenses plus other expenses minus regulatory levies divided by total income.

## 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 International Financial Reporting Standards that are endorsed by the European Union (IFRS-EU).

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

The 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 which 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 2020 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 2020 includes a fair review of the information required pursuant to article 5.25d, paragraph 8 and 9 of the Dutch Financial Supervision Act regarding Nationale-Nederlanden Bank N.V. and the entities included in the consolidation taken as a whole.

The Hague, 27 August 2020

### 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 balance sheet

Amounts in thousands of euros, unless stated otherwise

### Condensed consolidated balance sheet

|   | notes | 30 June 2020      | 31 December 2019  |
|---|-------|-------------------|-------------------|
| <b>Assets</b>   |       |                   |                   |
| Cash and balances at central banks                          |       | 1,119,553         | 1,660,465         |
| Amounts due from banks                                      |       | 498,549           | 658,432           |
| Financial assets at fair value through profit or loss:      |       |                   |                   |
| – non-trading derivatives                                   | 2     | 73,547            | 88,198            |
| Investment securities                                       | 3     | 1,884,523         | 2,027,326         |
| Loans   | 4     | 20,837,448        | 20,003,922        |
| Intangible assets   |       | 18,052            | 13,683            |
| Other assets  |       | 226,751           | 210,778           |
| <b>Total assets</b>   |       | <b>24,658,423</b> | <b>24,662,804</b> |
| <b>Liabilities</b>  |       |                   |                   |
| Amounts due to banks  |       | 466,000           | 314,053           |
| Customer deposits and other funds on deposit                | 5     | 15,527,848        | 15,078,921        |
| Financial liabilities at fair value through profit or loss: |       |                   |                   |
| – non-trading derivatives                                   | 6     | 140,823           | 335,183           |
| Other borrowed funds  | 7     | 1,216,964         | 1,273,000         |
| Other liabilities   |       | 254,501           | 273,652           |
| Deferred tax liabilities                                    |       | 14,063            | 14,806            |
| Provisions  | 8     | 3,216             | 5,705             |
| Debt securities issued                                      | 9     | 5,875,534         | 6,274,411         |
| Subordinated debt   | 10    | 85,000            | 85,000            |
| <b>Total liabilities</b>                                    |       | <b>23,583,949</b> | <b>23,654,731</b> |
| <b>Equity</b>   |       |                   |                   |
| Shareholders' equity  |       | 1,074,474         | 1,008,073         |
| <b>Total equity</b>   | 11    | <b>1,074,474</b>  | <b>1,008,073</b>  |
| <b>Total equity and liabilities</b>                         |       | <b>24,658,423</b> | <b>24,662,804</b> |

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

## Condensed consolidated profit and loss account

Amounts in thousands of euros, unless stated otherwise

### Condensed consolidated profit and loss account

| notes   | 1 January to 30<br>June 2020 | 1 January to 30<br>June 2019 |
|---|------------------------------|------------------------------|
| Interest income   | 312,903                      | 309,485                      |
| Interest expenses   | 179,496                      | 189,975                      |
| Interest result   | 12 133,407                   | 119,510                      |
| Gains and losses on financial transactions and other income | 11,274                       | 11,665                       |
| – gross fee and commission income                           | 58,247                       | 61,892                       |
| – fee and commission expenses                               | 7,554                        | 7,117                        |
| Net fee and commission income                               | 50,693                       | 54,775                       |
| Valuation results on non-trading derivatives                | 1,355                        | -8,119                       |
| <b>Total income</b>   | <b>196,729</b>               | <b>177,831</b>               |
| Impairment charges on financial instruments                 | 2,029                        | 324                          |
| Staff expenses  | 13 55,846                    | 56,049                       |
| Regulatory levies   | 14 12,141                    | 9,887                        |
| Other operating expenses                                    | 15 44,416                    | 44,544                       |
| <b>Total expenses</b>                                       | <b>114,432</b>               | <b>110,804</b>               |
| <b>Result before tax</b>                                    | <b>82,297</b>                | <b>67,027</b>                |
| Taxation  | 20,586                       | 16,521                       |
| <b>Net result</b>   | <b>61,711</b>                | <b>50,506</b>                |



# Condensed consolidated statement of comprehensive income

Amounts in thousands of euros, unless stated otherwise

## Condensed consolidated statement of comprehensive income

|  | 1 January to 30<br>June 2020 | 1 January to 30<br>June 2019 |
|--|------------------------------|------------------------------|
| <b>Net result</b>  | <b>61,711</b>                | <b>50,506</b>                |
| - unrealised revaluations investment securities at fair value through other comprehensive income | 6,923                        | 8,266                        |
| - realised gains or losses transferred to the profit and loss account                            | -2,289                       | -3,385                       |
| Items that may be reclassified subsequently to the profit and loss account                       | 4,634                        | 4,881                        |
| <b>Total other comprehensive income</b>  | <b>4,634</b>                 | <b>4,881</b>                 |
| <b>Total comprehensive income</b>  | <b>66,345</b>                | <b>55,387</b>                |
| Comprehensive income attributable to:  |                              |                              |
| Shareholder of the parent  | 66,345                       | 55,387                       |
| <b>Total comprehensive income</b>  | <b>66,345</b>                | <b>55,387</b>                |

# 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<br>June 2020 | 1 January to 30<br>June 2019 |
|---|-------|------------------------------|------------------------------|
| Result before tax                                 |       | 82,297                       | 67,027                       |
| Adjusted for:                                     |       |                              |                              |
| - amortisation of intangible assets               | 15    | 907                          | 756                          |
| - amortisation of mortgage premium                | 4     | 20,624                       | 23,514                       |
| - modifications                                   | 4     | -536                         | -2,174                       |
| - net impairment charges on financial instruments |       | 2,029                        | 324                          |
| - net addition to provisions                      | 15    | 941                          | 3,858                        |
| - fair value change on hedged items               | 4     | -274,872                     | -433,760                     |
| - accrued interest                                |       | 1,403                        | -1,842                       |
| - amortisation premium investment securities      | 3     | 12,287                       | 10,998                       |
| - increase (decrease) deferred tax                |       | -2,027                       | -2,203                       |
| - movement employee share plan                    |       | 56                           | 107                          |
| - other   |       | 0                            | -139                         |
| Taxation paid                                     |       | -28,287                      | -17,678                      |
| Changes in:                                       |       |                              |                              |
| - amounts due to banks                            |       | 151,947                      | 150,000                      |
| - non-trading derivatives                         |       | -179,709                     | 410,576                      |
| - loans   | 4     | -950,184                     | -657,841                     |
| - sale of mortgages                               | 4     | 394,338                      | 272,347                      |
| - other assets                                    |       | -15,418                      | 23,847                       |
| - customer deposits and other funds on deposit    | 5     | 448,927                      | 468,053                      |
| - other liabilities                               |       | -16,840                      | 4,902                        |
| <b>Net cash flow from operating activities</b>    |       | <b>-352,117</b>              | <b>320,672</b>               |
| Investments and advances:                         |       |                              |                              |
| - investment securities                           | 3     | -392,670                     | -1,065,249                   |
| - intangible assets                               |       | -5,275                       | -1,417                       |
| Disposals and redemptions:                        |       |                              |                              |
| - investment securities                           | 3     | 529,425                      | 495,852                      |
| <b>Net cash flow from investing activities</b>    |       | <b>131,480</b>               | <b>-570,814</b>              |
| Proceeds from issuance of subordinated debt       | 10    | 30,000                       | 0                            |
| Proceeds from repayment of subordinated debt      | 10    | -30,000                      | 0                            |
| Proceeds from issuance of debt securities         | 9     | 10,386                       | 1,364,186                    |
| Repayments of debt securities                     | 9     | -434,509                     | -844,802                     |
| Proceeds from other borrowed funds                | 7     | 518,964                      | 244,925                      |
| Repayments of other borrowed funds                | 7     | -575,000                     | -125,000                     |
| Dividend paid                                     | 11    | 0                            | -55,900                      |
| <b>Net cash flow from financing activities</b>    |       | <b>-480,159</b>              | <b>583,409</b>               |
| <b>Net cash flow</b>                              |       | <b>-700,796</b>              | <b>333,267</b>               |

## Interest included in net cash flow from operating activities

|                                   | 1 January to 30<br>June 2020 | 1 January to 30<br>June 2019 |
|-----------------------------------|------------------------------|------------------------------|
| Interest received                 | 312,346                      | 305,185                      |
| Interest paid                     | -205,661                     | -219,951                     |
| <b>Interest received and paid</b> | <b>106,685</b>               | <b>85,234</b>                |

## Cash and cash equivalents

|   | 1 January to 30<br>June 2020 | 1 January to 30<br>June 2019 |
|---|------------------------------|------------------------------|
| Cash and cash equivalents at beginning of the period  | 2,318,898                    | 1,796,839                    |
| Net cash flow   | -700,796                     | 333,267                      |
| <b>Cash and cash equivalents at end of the period</b> | <b>1,618,102</b>             | <b>2,130,106</b>             |

|   | 1 January to 30<br>June 2020 | 1 January to 30<br>June 2019 |
|---|------------------------------|------------------------------|
| Cash and balances at central banks                    | 1,119,553                    | 1,215,979                    |
| Amounts due from banks                                | 498,549                      | 914,127                      |
| <b>Cash and cash equivalents at end of the period</b> | <b>1,618,102</b>             | <b>2,130,106</b>             |

# Condensed consolidated statement of changes in equity

Amounts in thousands of euros, unless stated otherwise

## Condensed consolidated statement of changes in equity (2020)

|  | Share capital | Share premium  | Reserves       | Total equity     |
|--|---------------|----------------|----------------|------------------|
| <b>Equity - 1 January 2020</b>   | <b>10,000</b> | <b>481,000</b> | <b>517,073</b> | <b>1,008,073</b> |
| 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           |
| <b>Total amount recognised directly in equity (Other comprehensive income)</b>                 | <b>0</b>      | <b>0</b>       | <b>4,634</b>   | <b>4,634</b>     |
| Net result   | 0             | 0              | 61,711         | 61,711           |
| <b>Total comprehensive income</b>  | <b>0</b>      | <b>0</b>       | <b>66,345</b>  | <b>66,345</b>    |
| Dividend paid  | 0             | 0              | 0              | 0                |
| Change in employee share plans   | 0             | 0              | 56             | 56               |
| Other  | 0             | 0              | 0              | 0                |
| <b>Equity - 30 June 2020</b>   | <b>10,000</b> | <b>481,000</b> | <b>583,474</b> | <b>1,074,474</b> |

## Condensed consolidated statement of changes in equity (2019)

|  | Share capital | Share premium  | Reserves       | Total equity   |
|--|---------------|----------------|----------------|----------------|
| <b>Equity - 1 January 2019</b>   | <b>10,000</b> | <b>481,000</b> | <b>481,709</b> | <b>972,709</b> |
| Unrealised revaluations investment securities at fair value through other comprehensive income | 0             | 0              | 8,266          | 8,266          |
| Realised gains or losses transferred to the profit and loss account                            | 0             | 0              | -3,385         | -3,385         |
| <b>Total amount recognised directly in equity (Other comprehensive income)</b>                 | <b>0</b>      | <b>0</b>       | <b>4,881</b>   | <b>4,881</b>   |
| Net result   | 0             | 0              | 50,506         | 50,506         |
| <b>Total comprehensive income</b>  | <b>0</b>      | <b>0</b>       | <b>55,387</b>  | <b>55,387</b>  |
| Dividend paid  | 0             | 0              | -55,900        | -55,900        |
| Change in employee share plans   | 0             | 0              | 107            | 107            |
| Other  | 0             | 0              | -139           | -139           |
| <b>Equity - 30 June 2019</b>   | <b>10,000</b> | <b>481,000</b> | <b>481,164</b> | <b>972,164</b> |

# Notes to the Condensed consolidated interim accounts

Amounts in thousands of euros, unless stated otherwise

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. (former WestlandUtrecht Bank), Nationale-Nederlanden Levensverzekering Maatschappij N.V. (NN Leven), Nationale-Nederlanden Schadeverzekering Maatschappij N.V. (NN Schade), NN Insurance Belgium N.V. (NN Belgium), the NN Dutch Residential Mortgage Fund and other entities.

## 1 Accounting policies

These Condensed consolidated interim accounts of NN Bank 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 2019 NN Bank Consolidated annual accounts, except as set out below.

These Condensed consolidated interim accounts should be read in conjunction with the 2019 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.

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

### COVID-19 pandemic

Since early 2020, the spread of the coronavirus (the COVID-19 pandemic) has caused significant disruption to society and the worldwide economy, impacting NN Bank, its employees, its customers and its suppliers. COVID-19 has a substantial impact on financial markets, global trade, manufacturing and travel and it also has a negative impact on the markets in which NN Bank is active. This in particular pertains to the mortgage market and the wholesale funding market. At the date of this report, the depth and length of this crisis is unknown. NN Bank is constantly monitoring the developments and the (potential) impact on NN Bank. The most significant risks that NN Bank faces in this context are related to the wholesale funding markets (including interest rates and spreads), retail mortgage market (payment holidays) and operational risk (continuity of business processes). In order to mitigate these risks, NN Bank launched a new Soft Bullet Covered Bond programme to benefit from increased investor demand for this type of funding. Furthermore, NN Bank created a retained RMBS, Hypenn VII, which can be deposited at the ECB to attract funding. Payment holidays (postponement of payments) are being offered on an individual basis to retail borrowers who face temporary payment difficulties on their mortgage loans or consumer loans. NN Bank has established a business continuity plan to help ensure the continuity of its businesses, the well-being of its staff and its ability to support its customers, whilst maintaining financial and operations resilience.

The actual impact will be mainly dependent on the possibility of subsequent waves and the speed and shape of the recovery of the Dutch economy.

### 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, the significant judgements made by management in applying its accounting policies and the key sources of estimation uncertainty were based on those applied in the 2019 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. However, 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 the 2019 NN Bank Consolidated annual accounts.

These changes in accounting policies will also be reflected in the 2020 NN Bank Consolidated annual accounts.

### IFRS amendments

The revisions to IAS 1 and IAS 8 are amendments that sharpen the definition of materiality for the inclusion of information in the annual accounts and harmonise it within the Conceptual Framework and the different standards. The amended standards were endorsed by the EU in November 2019 and are effective as of 2020. These changes have no material effects on NN Bank's accounts.

Amendments to IAS 39, IFRS 9 and IFRS 7 in relation to the interest rate benchmark reform are effective as of 2020. These amendments eliminate the impact, if any, of the interest rate benchmark reform on derivatives qualifying for hedge accounting under IFRS. The hedge accounting applied by NN Bank relates to interest rate risk based on Euribor. The calculation method of Euribor changed during 2019 and Euribor will continue to be used after the benchmark reform. As a result, NN Bank expects that Euribor will continue to exist as a benchmark and

## Notes to the Condensed consolidated interim accounts continued

does not anticipate replacing Euribor in its interest rate risk management and related hedge accounting. Therefore, the implementation of these amendments are not expected to have a significant impact on NN Bank.

As per 1 January 2021, the EBA Guidelines on the application on the definition of default will become effective. This date coincides with the effectiveness date of the EBA Regulatory Technical Standards (RTS) on the materiality threshold for credit obligations past due. These two pieces of new legislation are highly intertwined and might impact the measurement of expected credit losses under IFRS 9 due to the harmonisation of the default definition between regulatory reporting and financial reporting. On the one hand, the counting of days past due will only commence once two regulatory prescribed thresholds are breached. Simultaneously, the counting of days past due will be reset to zero as soon as one or both thresholds are no longer breached. It is expected that this will have a downwards as well as delaying effect on default materialisation. On the other hand, the introduction of strict return-to-non-default rules will keep defaulted exposures longer in default status. Due to these offsetting effects, management expects the impact of the implementation of the new definition of default on the expected credit losses to be limited.

## Notes to the Condensed consolidated interim accounts continued

### 2 Financial assets at fair value through profit or loss

#### Non-trading derivatives

|  | 30 June 2020  | 31 December 2019 |
|--|---------------|------------------|
| Derivatives held for fair value hedge accounting | 40,284        | 33,757           |
| Balanced guaranteed swaps                        | 33,263        | 49,871           |
| Other non-trading derivatives                    | 0             | 4,570            |
| <b>Non-trading derivatives</b>                   | <b>73,547</b> | <b>88,198</b>    |

### 3 Investment securities

#### Investment securities by type 30 June 2020

|   | AC <sup>1</sup> | FVOCI <sup>2</sup> | 30 June 2020     |
|---|-----------------|--------------------|------------------|
| Government bonds                                      | 226,622         | 311,411            | 538,033          |
| Covered bonds   | 0               | 1,215,550          | 1,215,550        |
| Corporate bonds                                       | 2,506           | 8,212              | 10,718           |
| Financial institution bonds                           | 62,071          | 30,698             | 92,769           |
| Asset backed securities                               | 27,610          | 0                  | 27,610           |
| <b>Investment securities - before loss provisions</b> | <b>318,809</b>  | <b>1,565,871</b>   | <b>1,884,680</b> |
| Investment securities loss provisions                 | -47             | -110               | -157             |
| <b>Investment securities - after loss provisions</b>  | <b>318,762</b>  | <b>1,565,761</b>   | <b>1,884,523</b> |

1 AC= Amortised Cost

2 FVOCI = Fair value through Other Comprehensive Income

#### Investment securities by type 31 December 2019

|   | AC             | FVOCI            | 31 December 2019 |
|---|----------------|------------------|------------------|
| Government bonds                                      | 227,928        | 441,854          | 669,782          |
| Covered bonds   | 0              | 1,199,801        | 1,199,801        |
| Corporate bonds                                       | 2,561          | 8,184            | 10,745           |
| Financial institution bonds                           | 62,097         | 57,768           | 119,865          |
| Asset backed securities                               | 27,610         | 0                | 27,610           |
| <b>Investment securities - before loss provisions</b> | <b>320,196</b> | <b>1,707,607</b> | <b>2,027,803</b> |
| Investment securities loss provisions                 | -99            | -378             | -477             |
| <b>Investment securities - after loss provisions</b>  | <b>320,097</b> | <b>1,707,229</b> | <b>2,027,326</b> |

#### Changes in investment securities

|  | 6 month period ended 30 June 2020 | Year ended 31 December 2019 |
|--|-----------------------------------|-----------------------------|
| Investment securities – opening balance        | 2,027,803                         | 1,068,941                   |
| Additions                                      | 392,670                           | 1,720,414                   |
| Amortisation                                   | -12,287                           | -20,974                     |
| Changes in unrealised revaluations             | 5,919                             | -1,863                      |
| Disposals and redemptions                      | -529,425                          | -738,715                    |
| <b>Investment securities – closing balance</b> | <b>1,884,680</b>                  | <b>2,027,803</b>            |

The changes in the portfolio are mainly caused by the sale of government bonds investment securities. There were only sales from the FVOCI portfolio, and the sales did not have an impact on the business model classification.

## Notes to the Condensed consolidated interim accounts continued

### 4 Loans

#### Loans by type 30 June 2020

|  | AC                | FVTPL <sup>1</sup> | 30 June 2020      |
|--|-------------------|--------------------|-------------------|
| Loans secured by mortgages, guaranteed by public authorities | 5,695,149         | 13,454             | 5,708,603         |
| Loans secured by mortgages <sup>2</sup>                      | 14,635,235        | 57,124             | 14,692,359        |
| Consumer lending   | 158,492           | 0                  | 158,492           |
| Other loans  | 16,510            | 0                  | 16,510            |
| Group companies  | 284,656           | 0                  | 284,656           |
| <b>Loans – before loan loss provisions</b>                   | <b>20,790,042</b> | <b>70,578</b>      | <b>20,860,620</b> |
| Loan loss provisions   | -23,172           | 0                  | -23,172           |
| <b>Loans</b>   | <b>20,766,870</b> | <b>70,578</b>      | <b>20,837,448</b> |

<sup>1</sup> FVTPL = Fair Value through Profit and Loss

<sup>2</sup> Including purchased credit-impaired assets

#### Loans by type 31 December 2019

|  | AC                | FVTPL          | 31 December 2019  |
|--|-------------------|----------------|-------------------|
| Loans secured by mortgages, guaranteed by public authorities | 5,461,132         | 25,485         | 5,486,617         |
| Loans secured by mortgages <sup>1</sup>                      | 13,965,618        | 103,038        | 14,068,656        |
| Consumer lending   | 181,064           | 0              | 181,064           |
| Group companies  | 288,197           | 0              | 288,197           |
| <b>Loans – before loan loss provisions</b>                   | <b>19,896,011</b> | <b>128,523</b> | <b>20,024,534</b> |
| Loan loss provisions   | -20,612           | 0              | -20,612           |
| <b>Loans</b>   | <b>19,875,399</b> | <b>128,523</b> | <b>20,003,922</b> |

<sup>1</sup> Including purchased credit-impaired assets

'Other loans' relates to a short term receivable from NN Dutch Residential Mortgage Fund for mortgages sold.

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

#### Loans by stage 30 June 2020

|   | Stage 1           | Stage 2        | Stage 3       | Purchased credit-impaired | No allocated stage <sup>1</sup> | 30 June 2020      |
|---|-------------------|----------------|---------------|---------------------------|---------------------------------|-------------------|
| Loans - before loan loss provisions       | 19,225,383        | 431,317        | 113,991       | 35,245                    | 1,054,684                       | 20,860,620        |
| Loan loss provisions                      | -2,594            | -5,372         | -14,469       | -737                      | 0                               | -23,172           |
| <b>Loans - after loan loss provisions</b> | <b>19,222,789</b> | <b>425,945</b> | <b>99,522</b> | <b>34,507</b>             | <b>1,054,684</b>                | <b>20,837,448</b> |

#### Loans by stage 31 December 2019

|   | Stage 1           | Stage 2        | Stage 3       | Purchased credit-impaired | No allocated stage <sup>1</sup> | 31 December 2019  |
|---|-------------------|----------------|---------------|---------------------------|---------------------------------|-------------------|
| Loans - before loan loss provisions       | 18,756,070        | 359,466        | 84,078        | 34,594                    | 790,326                         | 20,024,534        |
| Loan loss provisions                      | -3,267            | -3,912         | -12,998       | -435                      | 0                               | -20,612           |
| <b>Loans - after loan loss provisions</b> | <b>18,752,803</b> | <b>355,554</b> | <b>71,080</b> | <b>34,159</b>             | <b>790,326</b>                  | <b>20,003,922</b> |

<sup>1</sup> '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 credit-impaired | No allocated stage <sup>1</sup> | 6 month period ended 30 June 2020 | Year ended 31 December 2019 |
|---|-------------------|----------------|----------------|---------------------------|---------------------------------|-----------------------------------|-----------------------------|
| Loans – opening balance                   | 18,756,070        | 359,466        | 84,078         | 34,594                    | 790,326                         | 20,024,534                        | 18,471,414                  |
| Mortgage portfolio transfer               | 189,095           | 10,853         | 1,311          | 1,996                     | 0                               | 203,255                           | 572,172                     |
| Partial transfer of mortgage loans        | 0                 | 0              | 0              | 0                         | 9,621                           | 9,621                             | 35,182                      |
| Origination                               | 2,020,907         | 36,860         | 1,559          | 0                         | 0                               | 2,059,326                         | 3,775,768                   |
| Sale of mortgages                         | -386,758          | -7,178         | -402           | 0                         | 0                               | -394,338                          | -947,979                    |
| Amstelhuys and OHF merger 1 December 2019 | 0                 | 0              | 0              | 0                         | 0                               | 0                                 | 30,312                      |
| Premium new mortgages                     | 0                 | 0              | 0              | 0                         | 9,773                           | 9,773                             | 18,742                      |
| Amortisation mortgage premium             | 0                 | 0              | 0              | 565                       | -21,189                         | -20,624                           | -44,391                     |
| Fair value change hedged items            | 0                 | 0              | 0              | 0                         | 300,118                         | 300,118                           | 393,473                     |
| Other changes                             | -14,563           | 22,099         | 2,939          | 0                         | -34,501                         | -24,026                           | -61,658                     |
| Modifications                             | 0                 | 0              | 0              | 0                         | 536                             | 536                               | 6,057                       |
| Redemptions                               | -1,228,100        | -57,961        | -11,338        | -1,718                    | 0                               | -1,299,117                        | -2,213,516                  |
| Transfers to <sup>2</sup> :               |                   |                |                |                           |                                 |                                   |                             |
| – Stage 1                                 | 0                 | -133,583       | -5,873         | 0                         | 0                               | -139,456                          | -158,689                    |
| – Stage 2                                 | -204,665          | 0              | -18,853        | 0                         | 0                               | -223,518                          | -224,441                    |
| – Stage 3                                 | -42,792           | -18,832        | 0              | 0                         | 0                               | -61,624                           | -36,943                     |
| Transfers from <sup>2</sup> :             |                   |                |                |                           |                                 |                                   |                             |
| – Stage 1                                 | 0                 | 201,113        | 41,879         | 0                         | 0                               | 242,992                           | 213,423                     |
| – Stage 2                                 | 130,823           | 0              | 18,691         | 0                         | 0                               | 149,514                           | 137,804                     |
| – Stage 3                                 | 5,366             | 18,480         | 0              | 0                         | 0                               | 23,846                            | 57,804                      |
| Changes in credit quality                 | 0                 | 0              | 0              | -192                      | 0                               | -192                              | 0                           |
| <b>Loans – closing balance</b>            | <b>19,225,383</b> | <b>431,317</b> | <b>113,991</b> | <b>35,245</b>             | <b>1,054,684</b>                | <b>20,860,620</b>                 | <b>20,024,534</b>           |

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

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.

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

|  | 6 month period ended 30 June 2020 | Year ended 31 December 2019 |
|--|-----------------------------------|-----------------------------|
| POCI - opening balance                 | 34,594                            | 35,055                      |
| Mortgage portfolio transfer            | 1,996                             | 3,047                       |
| Amortisation value adjustment          | 565                               | 461                         |
| Redemptions                            | -1,718                            | -3,935                      |
| Unfavourable changes in credit quality | -433                              | -337                        |
| Favourable changes in credit quality   | 241                               | 303                         |
| <b>POCI - closing balance</b>          | <b>35,245</b>                     | <b>34,594</b>               |

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 2020  | 31 December 2019 |
|-------------------------------------|---------------|------------------|
| Loans secured by mortgages          | 11,794        | 8,658            |
| Consumer lending                    | 11,378        | 11,954           |
| <b>Loan loss provisions by type</b> | <b>23,172</b> | <b>20,612</b>    |

Compared to 31 December 2019 the provision for loan losses increased by EUR 2.6 million of which EUR 3.1 million relates to an increase in the provision for loans secured by mortgages. The increase in the provision for mortgages is mostly a result of the impact of the COVID-19 pandemic which is further explained below.

#### 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 period of three months. The treatment of these payment holidays is in line with the impairment policies as described in the 2019 NN Bank Consolidated annual accounts. The bank has assessed that offering such payments holidays, taking into account the initial assessment conducted before the payment holidays is granted, qualifies as a Significant Increase in Credit Risk (SICR) under IFRS. Consequently, clients who are offered a payment holiday are classified in stage 2 resulting in an addition to the loan loss provisions amounting to approximately EUR 2.4 million. The number of payment holidays offered in relation to mortgage loans as per 30 June is limited to 454, representing 0.7% of the total mortgage loans outstanding.



## Notes to the Condensed consolidated interim accounts continued

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 which include the possible impacts of the pandemic on the economy. The bank has taken into account the scenarios as published by the CPB, IMF and DNB. Based on the updated forecasts management applied a so-called 'U-shape' scenario whilst applying a recovery period of two years. The scenario weighting (base case 80%, upside 10%, downside 10%) has remained unchanged as compared to year-end 2019. The impact of updating the macro-economic outlook during the first half year of 2020 amounts to an increase of the expected credit losses on mortgage loans of EUR 3.0 million. These assumptions will be assessed on a continuing basis and adjusted if necessary, based on the further developments of COVID-19.

The increase in the loan loss provision on mortgages is partially offset by the effect of a further increase in the house price index during the first half year of 2020 which has had a positive impact on the value of collateral obtained and other non-material effects.

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

|   | Stage 1<br>12-month ECL<br>non-credit<br>impaired | Stage 2<br>Lifetime ECL<br>non-credit<br>impaired | Stage 3<br>Lifetime ECL<br>credit impaired | Purchased<br>credit-impaired | 6 month period<br>ended 30 June<br>2020 | Year ended 31<br>December 2019 |
|---|---|---|--|------------------------------|---|--------------------------------|
| Loan loss provisions – opening balance        | 2,130   | 1,474   | 4,619                                      | 435                          | 8,658                                   | 10,701                         |
| Addition to the loan loss provisions          | 495   | 1,756   | 1,540                                      | 204                          | 3,995                                   | 589                            |
| Release from the loan loss provisions         | -1,057  | -1,067  | -1,291                                     | 25                           | -3,390                                  | 0                              |
| Changes in models and methodologies           | 0   | 474   | -495                                       | 73                           | 52                                      | 0                              |
| Transfers to <sup>1</sup> :                   |   |   |  |                              |   |                                |
| – Stage 1                                     | 0   | -492  | -663                                       | 0                            | -1,155                                  | -3,919                         |
| – Stage 2                                     | -69   | 0   | -1,070                                     | 0                            | -1,139                                  | -1,505                         |
| – Stage 3                                     | -11   | -161  | 0  | 0                            | -172                                    | -97                            |
| Transfers from <sup>1</sup> :                 |   |   |  |                              |   |                                |
| – Stage 1                                     | 0   | 1,321   | 2,290                                      | 0                            | 3,611                                   | 1,862                          |
| – Stage 2                                     | 17  | 0   | 1,153                                      | 0                            | 1,170                                   | 710                            |
| – Stage 3                                     | 12  | 152   | 0  | 0                            | 164                                     | 317                            |
| <b>Loan loss provisions – closing balance</b> | <b>1,517</b>                                      | <b>3,457</b>                                      | <b>6,083</b>                               | <b>737</b>                   | <b>11,794</b>                           | <b>8,658</b>                   |
| Write-offs                                    | 0   | 0   | 555  | 0                            | 555                                     | 1,578                          |
| Recoveries                                    | 0   | 0   | -433                                       | 0                            | -433                                    | -556                           |

<sup>1</sup> '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.

### Changes in loan loss provisions by stage – Consumer lending

|   | Stage 1<br>12-month ECL<br>non-credit<br>impaired | Stage 2<br>Lifetime ECL<br>non-credit<br>impaired | Stage 3<br>Lifetime ECL<br>credit impaired | 6 month period<br>ended 30 June<br>2020 | Year ended 31<br>December 2019 |
|---|---|---|--|---|--------------------------------|
| Loan loss provisions – opening balance        | 1,137   | 2,438   | 8,379                                      | 11,954                                  | 17,773                         |
| Addition to the loan loss provisions          | 16  | 0   | 0  | 16                                      | -8,067                         |
| Release from the loan loss provisions         | -63   | -599  | -849                                       | -1,511                                  | 0                              |
| Changes in models and methodologies           | -2  | 94  | -51  | 41                                      | 845                            |
| Transfers to <sup>1</sup> :                   |   |   |  |   |                                |
| – Stage 1                                     | 0   | -525  | -74  | -599                                    | -716                           |
| – Stage 2                                     | -51   | 0   | -23  | -74                                     | -294                           |
| – Stage 3                                     | -21   | -318  | 0  | -339                                    | -454                           |
| Transfers from <sup>1</sup> :                 |   |   |  |   |                                |
| – Stage 1                                     | 0   | 817   | 272  | 1,089                                   | 2,035                          |
| – Stage 2                                     | 50  | 0   | 732  | 782                                     | 784                            |
| – Stage 3                                     | 11  | 8   | 0  | 19                                      | 48                             |
| <b>Loan loss provisions – closing balance</b> | <b>1,077</b>                                      | <b>1,915</b>                                      | <b>8,386</b>                               | <b>11,378</b>                           | <b>11,954</b>                  |
| Write-offs                                    | 0   | 0   | 555  | 555                                     | 6,864                          |
| Recoveries                                    | 0   | 0   | -708                                       | -708                                    | -683                           |

<sup>1</sup> '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.

## Notes to the Condensed consolidated interim accounts continued

### Delinquency

|              | Mortgages         |                   | Consumer lending |                  | Total                     |                               |
|--------------|-------------------|-------------------|------------------|------------------|---------------------------|-------------------------------|
|              | 30 June 2020      | 31 December 2019  | 30 June 2020     | 31 December 2019 | 30 June 2020 <sup>1</sup> | 31 December 2019 <sup>1</sup> |
| 0 days       | 19,421,119        | 18,751,347        | 140,258          | 161,152          | 19,561,377                | 18,912,499                    |
| 1 – 30 days  | 109,745           | 174,478           | 4,628            | 5,039            | 114,373                   | 179,517                       |
| 31 – 60 days | 47,141            | 50,981            | 1,233            | 1,924            | 48,374                    | 52,905                        |
| 61 – 90 days | 23,876            | 32,532            | 379              | 808              | 24,255                    | 33,340                        |
| > 90 days    | 45,563            | 43,713            | 11,994           | 12,234           | 57,557                    | 55,947                        |
| <b>Total</b> | <b>19,647,444</b> | <b>19,053,051</b> | <b>158,492</b>   | <b>181,157</b>   | <b>19,805,936</b>         | <b>19,234,208</b>             |

<sup>1</sup> 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             |                   |
|----------------|-------------------|-------------------|----------------|------------------|----------------|------------------|---------------|------------------|---------------------------|-------------------------------|-------------------|-------------------|
|                | 30 June 2020      | 31 December 2019  | 30 June 2020   | 31 December 2019 | 30 June 2020   | 31 December 2019 | 30 June 2020  | 31 December 2019 | 30 June 2020 <sup>1</sup> | 31 December 2019 <sup>1</sup> | 30 June 2020      | 31 December 2019  |
| Mortgages      | 19,086,164        | 18,595,699        | 424,602        | 351,433          | 101,433        | 71,325           | 35,245        | 34,594           | 19,647,444                | 19,053,051                    | 19,647,444        | 19,053,051        |
| Consumer loans | 139,219           | 160,371           | 6,715          | 8,033            | 12,558         | 12,753           | 0             | 0                | 158,492                   | 181,157                       | 158,492           | 181,157           |
| <b>Total</b>   | <b>19,225,383</b> | <b>18,756,070</b> | <b>431,317</b> | <b>359,466</b>   | <b>113,991</b> | <b>84,078</b>    | <b>35,245</b> | <b>34,594</b>    | <b>19,805,936</b>         | <b>19,234,208</b>             | <b>19,805,936</b> | <b>19,234,208</b> |

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

The impaired loans include 'unlikely to pay' mortgage loans, which may not be past due.

## 5 Customer deposits and other funds on deposit

### Customer deposits and other funds on deposit by type

|   | 30 June 2020      |                   | 31 December 2019 |  |
|---|-------------------|-------------------|------------------|--|
| Savings   | 7,081,856         | 6,708,147         |                  |  |
| Bank annuities                                      | 6,789,367         | 6,754,430         |                  |  |
| Bank annuities related to mortgages                 | 1,517,289         | 1,477,296         |                  |  |
| Corporate deposits                                  | 3,500             | 0                 |                  |  |
| Group companies                                     | 135,836           | 139,048           |                  |  |
| <b>Customer deposits and other funds on deposit</b> | <b>15,527,848</b> | <b>15,078,921</b> |                  |  |

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

### Changes in Customer deposits and other funds on deposit

|   | 6 month period ended 30 June 2020 |                   | Year ended 31 December 2019 |
|---|-----------------------------------|-------------------|-----------------------------|
| Customer deposits and other funds on deposit – opening balance        | 15,078,921                        | 14,476,439        |                             |
| Deposits received   | 2,205,824                         | 3,877,090         |                             |
| Withdrawals   | -1,756,897                        | -3,274,608        |                             |
| <b>Customer deposits and other funds on deposit – closing balance</b> | <b>15,527,848</b>                 | <b>15,078,921</b> |                             |

## 6 Financial liabilities at fair value through profit or loss

### Non-trading derivatives

|  | 30 June 2020   | 31 December 2019 |
|--|----------------|------------------|
| Derivatives held for macro fair value hedge accounting | 107,560        | 264,880          |
| Balanced guaranteed swaps                              | 33,263         | 49,871           |
| Other non-trading derivatives                          | 0              | 20,432           |
| <b>Non-trading derivatives</b>                         | <b>140,823</b> | <b>335,183</b>   |

## Notes to the Condensed consolidated interim accounts continued

### 7 Other borrowed funds

#### Other borrowed funds

|                             | 30 June 2020     | 31 December 2019 |
|-----------------------------|------------------|------------------|
| NN Group                    | 782,000          | 493,000          |
| Other borrowed funds        | 434,964          | 780,000          |
| <b>Other borrowed funds</b> | <b>1,216,964</b> | <b>1,273,000</b> |

In the first half of 2020 new loans amounting to EUR 230 million were contracted with third parties, while EUR 575 million was repaid resulting in a decrease of other borrow funds to EUR 435 million (2019: EUR 780 million).

The drawdown under the Central Clearing Borrowing Facility for the funding of variation margin calls regarding centrally cleared interest rate derivatives contracts provided by NN Group increased to EUR 782 million (2019: EUR 493 million).

|   | 6 month period ended 30 June 2020 | Year ended 31 December 2019 |
|---|-----------------------------------|-----------------------------|
| Other borrowed funds – opening balance        | 1,273,000                         | 330,000                     |
| Issuances                                     | 518,964                           | 1,183,000                   |
| Redemption                                    | -575,000                          | -240,000                    |
| <b>Other borrowed funds – closing balance</b> | <b>1,216,964</b>                  | <b>1,273,000</b>            |

### 8 Provisions

#### Provisions

|                          | 30 June 2020 | 31 December 2019 |
|--------------------------|--------------|------------------|
| Restructuring provisions | 3,141        | 4,505            |
| Other provisions         | 75           | 1,200            |
| <b>Provisions</b>        | <b>3,216</b> | <b>5,705</b>     |

#### Restructuring provisions

|   | 6 month period ended 30 June 2020 | Year ended 31 December 2019 |
|---|-----------------------------------|-----------------------------|
| Restructuring provisions – opening balance        | 4,505                             | 4,689                       |
| Additions   | 1,427                             | 5,586                       |
| Releases  | -588                              | -955                        |
| Charges   | -2,203                            | -4,761                      |
| Other   | 0                                 | -54                         |
| <b>Restructuring provisions – closing balance</b> | <b>3,141</b>                      | <b>4,505</b>                |

The restructuring provision is partly recognised for the expected future redundancy costs as a consequence of the merger with Delta Lloyd Bank. During the first half of 2020 a Request for Advice has been issued to the Works Council for the agile transformation of NN Bank. The expected impact of this restructuring is EUR 1.4 million. Additions or releases are charged to the profit and loss account of NN Bank.

### 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 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                     | 0                | 100,000        | 0              | 0              | 0                | 0                | 100,000          |
| Floating rate debt securities                  | 630,644          | 157,339        | 417,312        | 0              | 0                | 0                | 1,205,295        |
| <b>Subtotal RMBS securitisation programmes</b> | <b>630,644</b>   | <b>257,339</b> | <b>417,312</b> | <b>0</b>       | <b>0</b>         | <b>0</b>         | <b>1,305,295</b> |
| Covered bond issues                            | 0                | 0              | 0              | 498,457        | 513,943          | 1,623,448        | 2,635,848        |
| Fixed rate unsecured debt securities           | 14,998           | 4,010          | 499,912        | 274,510        | 498,595          | 96,861           | 1,388,886        |
| Floating rate unsecured debt securities        | 330,862          | 189,771        | 0              | 0              | 0                | 24,872           | 545,505          |
| <b>Debt securities issued</b>                  | <b>976,504</b>   | <b>451,120</b> | <b>917,224</b> | <b>772,967</b> | <b>1,012,538</b> | <b>1,745,181</b> | <b>5,875,534</b> |

## Notes to the Condensed consolidated interim accounts continued

### Debt securities issued – maturities 31 December 2019

|  | Less than 1 year | 1-2 years      | 2 - 3 years    | 3 - 4 years    | 4 - 5 years      | Over 5 years     | Total            |
|--|------------------|----------------|----------------|----------------|------------------|------------------|------------------|
| Fixed rate debt securities                     | 125,000          | 100,000        | 0              | 0              | 0                | 0                | 225,000          |
| Floating rate debt securities                  | 551,633          | 523,002        | 440,169        | 0              | 0                | 0                | 1,514,804        |
| <b>Subtotal RMBS securitisation programmes</b> | <b>676,633</b>   | <b>623,002</b> | <b>440,169</b> | <b>0</b>       | <b>0</b>         | <b>0</b>         | <b>1,739,804</b> |
| Covered bond issues                            | 0                | 0              | 0              | 0              | 1,009,207        | 1,605,376        | 2,614,583        |
| Fixed rate unsecured debt securities           | 0                | 19,004         | 0              | 772,046        | 0                | 582,977          | 1,374,027        |
| Floating rate unsecured debt securities        | 330,927          | 190,208        | 0              | 0              | 0                | 24,862           | 545,997          |
| <b>Debt securities issued</b>                  | <b>1,007,560</b> | <b>832,214</b> | <b>440,169</b> | <b>772,046</b> | <b>1,009,207</b> | <b>2,213,215</b> | <b>6,274,411</b> |

### 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 2020     | 31 December 2019 |
|-------------------|------------|------------------|------------------|
| Arena NHG 2014-II | 17-4-2020  | 0                | 335,327          |
| Arena NHG 2016-I  | 17-7-2021  | 257,339          | 289,120          |
| Hypenn RMBS I A3  | 17-11-2020 | 0                | 0                |
| Hypenn RMBS IV    | 17-7-2020  | 321,538          | 341,306          |
| Hypenn RMBS V     | 17-4-2021  | 309,106          | 333,882          |
| Hypenn RMBS VI    | 17-12-2022 | 417,312          | 440,169          |
| Hypenn RMBS VII   | 17-9-2026  | 0                | 0                |
| <b>Total</b>      |            | <b>1,305,295</b> | <b>1,739,804</b> |

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

The Arena NHG 2014-II notes have been redeemed on the FORD.

On 11 June 2020, NN Bank issued a new securitisation named Hypenn RMBS VII for an amount of EUR 2,067 million. The outstanding notes of this SPV are fully held (retained) by NN Bank and as such the notes are eliminated at NN Bank consolidated level. The FORD is on 17 September 2026.

|                                | Maturity date | 30 June 2020     | 31 December 2019 |
|--------------------------------|---------------|------------------|------------------|
| Covered bond October 2017      | 10-10-2024    | 498,826          | 498,667          |
| Covered bond June 2018         | 11-9-2025     | 497,147          | 496,880          |
| Covered bond September 2018    | 25-9-2028     | 494,258          | 493,918          |
| Covered bond February 2019     | 27-2-2024     | 498,457          | 498,243          |
| Covered bond March 2019 - 1    | 18-3-2039     | 24,823           | 24,819           |
| Covered bond March 2019 - 2    | 21-3-2039     | 19,920           | 19,917           |
| Covered bond July 2019         | 25-9-2028     | 52,821           | 53,309           |
| Covered bond September 2019    | 24-9-2029     | 498,477          | 498,396          |
| Fair value change hedged items |               | 51,120           | 30,434           |
| <b>Total</b>                   |               | <b>2,635,848</b> | <b>2,614,583</b> |

On 17 June 2020, NN Bank's Soft Bullet Covered Bond programme was registered with DNB. The programme exists next to the conditional pass-through covered bond programme and is the primary source for attracting new secured funding from institutional investors going forward. The inaugural issuance under the Soft Bullet Covered Bond programme took place on 8 July 2020.

### Unsecured debt securities

|  | Maturity date | 30 June 2020     | 31 December 2019 |
|--|---------------|------------------|------------------|
| Debt Issuance Programme May 2019               | 31-5-2023     | 498,061          | 497,727          |
| Debt Issuance Programme August 2019            | 3-9-2029      | 19,852           | 19,978           |
| Debt Issuance Programme November 2019          | 26-2-2025     | 497,158          | 496,919          |
| Other unsecured debt securities                | n/a           | 366,016          | 356,164          |
| Fair value change hedged items                 |               | 7,799            | 3,239            |
| <b>Fixed rate unsecured debt securities</b>    |               | <b>1,388,886</b> | <b>1,374,027</b> |
| Floating Rate Note June 2019 - 1               | 11-12-2020    | 250,032          | 250,064          |
| Floating Rate Note June 2019 - 2               | 1-7-2021      | 35,015           | 35,020           |
| Floating Rate Note July 2019 - 1               | 11-12-2020    | 80,830           | 80,863           |
| Floating Rate Note July 2019 - 2               | 10-7-2026     | 24,872           | 24,862           |
| Floating Rate Note July 2019 - 3               | 15-7-2021     | 100,050          | 100,073          |
| Floating Rate Note August 2019                 | 3-9-2021      | 54,706           | 55,115           |
| <b>Floating rate unsecured debt securities</b> |               | <b>545,505</b>   | <b>545,997</b>   |

## Notes to the Condensed consolidated interim accounts continued

### 10 Subordinated debt

| Interest rate            | Year of issue | Due date          | First call date   | Notional amount |               | Balance sheet value |               |
|--------------------------|---------------|-------------------|-------------------|-----------------|---------------|---------------------|---------------|
|                          |               |                   |                   | 31 December     |               | 31 December         |               |
|                          |               |                   |                   | 30 June 2020    | 2019          | 30 June 2020        | 2019          |
| 1.29%                    | 2020          | 26 February 2030  | 26 February 2025  | 30,000          | 0             | 30,000              | 0             |
| 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        |
| 2.66%                    | 2015          | 26 February 2025  | 26 February 2020  | 0               | 30,000        | 0                   | 30,000        |
| <b>Subordinated debt</b> |               |                   |                   | <b>85,000</b>   | <b>85,000</b> | <b>85,000</b>       | <b>85,000</b> |

The EUR 30.0 million subordinated loan issued in 2015 was restructured on 26 February 2020, and NN Group extended the maturity date by five years. The new interest rate is 1.29%. This restructured loan is considered to be a new loan under IFRS.

### 11 Equity

#### Total equity

|   | 30 June 2020     | 31 December 2019 |
|---|------------------|------------------|
| Share capital                               | 10,000           | 10,000           |
| Share premium                               | 481,000          | 481,000          |
| Revaluation reserve                         | 4,781            | 147              |
| Retained earnings and unappropriated result | 578,693          | 516,926          |
| <b>Shareholders' equity</b>                 | <b>1,074,474</b> | <b>1,008,073</b> |

#### Changes in equity (2020)

| 30 June 2020  | Share capital | Share premium  | Reserves       | Total shareholders' equity |
|---|---------------|----------------|----------------|----------------------------|
| Equity – opening balance  | 10,000        | 481,000        | 517,073        | 1,008,073                  |
| Net result for the period   | 0             | 0              | 61,711         | 61,711                     |
| Total amount recognised directly in equity (Other comprehensive income) | 0             | 0              | 4,634          | 4,634                      |
| Dividend paid   | 0             | 0              | 0              | 0                          |
| Employee share plans  | 0             | 0              | 56             | 56                         |
| Other   | 0             | 0              | 0              | 0                          |
| <b>Equity – closing balance</b>   | <b>10,000</b> | <b>481,000</b> | <b>583,474</b> | <b>1,074,474</b>           |

#### Changes in equity (2019)

| 31 December 2019  | Share capital | Share premium  | Reserves       | Total shareholders' equity |
|---|---------------|----------------|----------------|----------------------------|
| Equity – opening balance  | 10,000        | 481,000        | 481,709        | 972,709                    |
| Net result for the period   | 0             | 0              | 116,171        | 116,171                    |
| Total amount recognised directly in equity (Other comprehensive income) | 0             | 0              | -1,472         | -1,472                     |
| Dividend paid   | 0             | 0              | -82,100        | -82,100                    |
| Amstelhuys and OHF merger 1 December 2019                               | 0             | 0              | 2,587          | 2,587                      |
| Employee share plans  | 0             | 0              | 141            | 141                        |
| Other   | 0             | 0              | 37             | 37                         |
| <b>Equity – closing balance</b>   | <b>10,000</b> | <b>481,000</b> | <b>517,073</b> | <b>1,008,073</b>           |

#### Appropriation of result 2019

On 29 May 2020, following the adoption of the 2019 Consolidated annual accounts by the general meeting of NN Bank (General Meeting), the 2019 net result of EUR 116.2 million, was added to the retained earnings.

No final dividend over 2019 was paid and no interim dividend over 2020 will be proposed. With this, NN Bank follows the recommendation issued by the ECB in view of the current COVID-19 situation to refrain from dividend payments until 1 January 2021. NN Bank intends to resume dividend payments at such time that is appropriate in light of COVID-19 developments.

## Notes to the Condensed consolidated interim accounts continued

### 12 Interest result

#### Interest result

|  | 1 January to 30<br>June 2020 | 1 January to 30<br>June 2019 |
|--|------------------------------|------------------------------|
| Interest income on loans <sup>1</sup>                                | 285,468                      | 277,541                      |
| Modifications  | 559                          | 2,174                        |
| Interest income on non-trading derivatives                           | 26,298                       | 29,442                       |
| Negative interest on liabilities                                     | 579                          | 328                          |
| <b>Total interest income</b>   | <b>312,903</b>               | <b>309,485</b>               |
| Interest expenses on amounts due to banks                            | 32                           | 93                           |
| Interest expenses on customer deposits and other funds on deposit    | 81,877                       | 88,149                       |
| Interest expenses on debt securities issued and other borrowed funds | 17,399                       | 22,147                       |
| Interest expenses on subordinated loans                              | 790                          | 1,700                        |
| Interest expenses on non-trading derivatives                         | 72,753                       | 69,953                       |
| Negative interest on assets  | 3,695                        | 2,848                        |
| Other interest expenses  | 2,950                        | 5,085                        |
| <b>Total interest expenses</b>                                       | <b>179,496</b>               | <b>189,975</b>               |
| <b>Interest result</b>   | <b>133,407</b>               | <b>119,510</b>               |

<sup>1</sup> Interest income on loans includes interest on loans measured at FVTPL, as this amount is not material.

### 13 Staff expenses

#### Staff expenses

|   | 1 January to 30<br>June 2020 | 1 January to 30<br>June 2019 |
|---|------------------------------|------------------------------|
| Salaries                                      | 30,001                       | 28,869                       |
| Pension and other staff-related benefit costs | 5,820                        | 6,141                        |
| Social security costs                         | 3,964                        | 4,212                        |
| Share-based compensation arrangements         | 10                           | 26                           |
| External staff costs                          | 15,333                       | 15,981                       |
| Education                                     | 479                          | 503                          |
| Other staff costs                             | 239                          | 317                          |
| <b>Staff expenses</b>                         | <b>55,846</b>                | <b>56,049</b>                |

### 14 Regulatory levies

Regulatory levies represents contributions to Deposit Guarantee Schemes (DGS) and the Single Resolution Fund (SRF). In the first six months of 2020 the contributions to DGS were EUR 7.3 million (first six months of 2019: EUR 6.7 million) and contributions to the SRF were EUR 4.9 million (first six months of 2019: EUR 3.2 million). The contribution to the SRF in the first six months of 2020 comprises NN Bank's contribution for the full year 2020.

Notes to the Condensed consolidated interim accounts continued

15 Other operating expenses

Other operating expenses

|  | 1 January to 30<br>June 2020 | 1 January to 30<br>June 2019 |
|--|------------------------------|------------------------------|
| Computer costs                           | 11,617                       | 9,991                        |
| Office expenses                          | 50                           | 74                           |
| Travel and accommodation expenses        | 1,318                        | 1,371                        |
| Advertising and public relations         | 1,383                        | 1,638                        |
| Bank costs                               | 118                          | 227                          |
| Net addition to restructuring provisions | 839                          | 3,858                        |
| Amortisation of intangible assets        | 907                          | 756                          |
| Other                                    | 3,724                        | 3,191                        |
| <b>Other operating expenses</b>          | <b>19,956</b>                | <b>21,106</b>                |
| Customer & Commerce                      | 9,117                        | 9,051                        |
| IT                                       | 7,065                        | 8,395                        |
| Facility Management                      | 3,370                        | 3,223                        |
| General Management                       | 3,097                        | 543                          |
| Group HR                                 | 1,135                        | 1,405                        |
| Shared Service Center Finance            | 676                          | 821                          |
| <b>Total Group Services</b>              | <b>24,460</b>                | <b>23,438</b>                |
| <b>Total other operating expenses</b>    | <b>44,416</b>                | <b>44,544</b>                |

'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.

Fair value of financial assets and liabilities

|   | Estimated fair value |                   | Balance sheet value |                   |
|---|----------------------|-------------------|---------------------|-------------------|
|   | 30 June 2020         | 31 December 2019  | 30 June 2020        | 31 December 2019  |
| <b>Financial assets</b>                                     |                      |                   |                     |                   |
| Cash and balances at central banks                          | 1,119,553            | 1,660,465         | 1,119,553           | 1,660,465         |
| Amounts due from banks                                      | 498,549              | 658,432           | 498,549             | 658,432           |
| Financial assets at fair value through profit or loss:      |                      |                   |                     |                   |
| – non-trading derivatives                                   | 73,547               | 88,198            | 73,547              | 88,198            |
| Investment securities                                       | 1,885,117            | 2,029,911         | 1,884,523           | 2,027,326         |
| Loans   | 21,477,819           | 21,193,804        | 20,837,448          | 20,003,922        |
| <b>Financial assets</b>                                     | <b>25,054,585</b>    | <b>25,630,810</b> | <b>24,413,620</b>   | <b>24,438,343</b> |
| <b>Financial liabilities</b>                                |                      |                   |                     |                   |
| Amounts due to banks  | 464,707              | 313,920           | 466,000             | 314,053           |
| Customer deposits and other funds on deposit                | 16,275,565           | 15,964,207        | 15,527,848          | 15,078,921        |
| Financial liabilities at fair value through profit or loss: |                      |                   |                     |                   |
| – non-trading derivatives                                   | 140,823              | 335,183           | 140,823             | 335,183           |
| Other borrowed funds  | 1,216,538            | 1,272,838         | 1,216,964           | 1,273,000         |
| Debt securities issued                                      | 5,955,434            | 6,390,111         | 5,875,534           | 6,274,411         |
| Subordinated debt   | 86,106               | 85,507            | 85,000              | 85,000            |
| <b>Financial liabilities</b>                                | <b>24,139,173</b>    | <b>24,361,766</b> | <b>23,312,169</b>   | <b>23,360,568</b> |

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.

## Notes to the Condensed consolidated interim accounts continued

### 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 2020)

|   | Balance sheet value | Total fair value  | Level 1           | Level 2          | Level 3           |
|---|---------------------|-------------------|-------------------|------------------|-------------------|
| <b>Financial assets measured at fair value</b>            |                     |                   |                   |                  |                   |
| Non-trading derivatives                                   | 73,547              | 73,547            | 0                 | 40,284           | 33,263            |
| Investment securities - FVOCI                             | 1,565,761           | 1,565,870         | 122,482           | 1,443,388        | 0                 |
| Loans - FVTPL   | 70,578              | 70,578            | 0                 | 0                | 70,578            |
| <b>Financial assets not measured at fair value</b>        |                     |                   |                   |                  |                   |
| Cash and balances at central banks <sup>1</sup>           | 1,119,553           | 1,119,553         | 1,119,553         | 0                | 0                 |
| Amounts due from banks <sup>1</sup>                       | 498,549             | 498,549           | 498,549           | 0                | 0                 |
| Investment securities - AC                                | 318,762             | 319,247           | 121,278           | 197,969          | 0                 |
| Loans - AC  | 20,766,870          | 21,407,241        | 0                 | 0                | 21,407,241        |
| <b>Financial assets</b>                                   | <b>24,413,620</b>   | <b>25,054,585</b> | <b>1,861,862</b>  | <b>1,681,641</b> | <b>21,511,082</b> |
| <b>Financial liabilities measured at fair value</b>       |                     |                   |                   |                  |                   |
| Non-trading derivatives                                   | 140,823             | 140,823           | 0                 | 107,560          | 33,263            |
| <b>Financial liabilities not measured at fair value</b>   |                     |                   |                   |                  |                   |
| Amounts due to banks                                      | 466,000             | 464,707           | 0                 | 464,707          | 0                 |
| Customer deposits and other funds on deposit <sup>1</sup> | 15,527,848          | 16,275,565        | 9,580,693         | 6,663,448        | 31,424            |
| Other borrowed funds                                      | 1,216,964           | 1,216,538         | 782,000           | 434,538          | 0                 |
| Debt securities issued                                    | 5,875,534           | 5,955,434         | 4,244,355         | 1,711,079        | 0                 |
| Subordinated debt   | 85,000              | 86,106            | 0                 | 86,106           | 0                 |
| <b>Financial liabilities</b>                              | <b>23,312,169</b>   | <b>24,139,173</b> | <b>14,607,048</b> | <b>9,467,438</b> | <b>64,687</b>     |

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

#### Methods applied in determining the fair value of financial assets and liabilities (31 December 2019)

|   | Balance sheet value | Total fair value  | Level 1           | Level 2           | Level 3           |
|---|---------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Financial assets measured at fair value</b>            |                     |                   |                   |                   |                   |
| Non-trading derivatives                                   | 88,198              | 88,198            | 0                 | 38,327            | 49,871            |
| Investment securities - FVOCI                             | 1,707,229           | 1,707,607         | 251,025           | 1,456,582         | 0                 |
| Loans - FVTPL   | 128,523             | 128,523           | 0                 | 0                 | 128,523           |
| <b>Financial assets not measured at fair value</b>        |                     |                   |                   |                   |                   |
| Cash and balances at central banks <sup>1</sup>           | 1,660,465           | 1,660,465         | 1,660,465         | 0                 | 0                 |
| Amounts due from banks <sup>1</sup>                       | 658,432             | 658,432           | 658,432           | 0                 | 0                 |
| Investment securities - AC                                | 320,097             | 322,304           | 122,187           | 200,117           | 0                 |
| Loans - AC  | 19,875,399          | 21,065,281        | 0                 | 0                 | 21,065,281        |
| <b>Financial assets</b>                                   | <b>24,438,343</b>   | <b>25,630,810</b> | <b>2,692,109</b>  | <b>1,695,026</b>  | <b>21,243,675</b> |
| <b>Financial liabilities measured at fair value</b>       |                     |                   |                   |                   |                   |
| Non-trading derivatives                                   | 335,183             | 335,183           | 0                 | 285,312           | 49,871            |
| <b>Financial liabilities not measured at fair value</b>   |                     |                   |                   |                   |                   |
| Amounts due to banks                                      | 314,053             | 313,920           | 0                 | 313,920           | 0                 |
| Customer deposits and other funds on deposit <sup>1</sup> | 15,078,921          | 15,964,207        | 9,325,359         | 6,607,736         | 31,112            |
| Other borrowed funds                                      | 1,273,000           | 1,272,838         | 493,000           | 779,838           | 0                 |
| Debt securities issued                                    | 6,274,411           | 6,390,111         | 4,240,768         | 2,149,343         | 0                 |
| Subordinated debt   | 85,000              | 85,507            | 0                 | 85,507            | 0                 |
| <b>Financial liabilities</b>                              | <b>23,360,568</b>   | <b>24,361,766</b> | <b>14,059,127</b> | <b>10,221,656</b> | <b>80,983</b>     |

<sup>1</sup> Financial assets and liabilities measured at amortized 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.



## Notes to the Condensed consolidated interim accounts continued

### 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.

### Changes in Level 3 Financial assets

|   | Non-trading derivatives | Loans - FVTPL | 6 month period ended 30 June 2020 | Year ended 31 December 2019 |
|---|-------------------------|---------------|-----------------------------------|-----------------------------|
| Level 3 Financial assets – opening balance                        | 49,871                  | 128,523       | 178,394                           | 117,316                     |
| Amounts recognised in the profit and loss account during the year | -16,608                 | 7,707         | -8,901                            | -1,892                      |
| Additions   | 0                       | 515,959       | 515,959                           | 732,228                     |
| Sale of assets  | 0                       | -581,611      | -581,611                          | -669,258                    |
| <b>Level 3 Financial assets – closing balance</b>                 | <b>33,263</b>           | <b>70,578</b> | <b>103,841</b>                    | <b>178,394</b>              |

### Changes in Level 3 Financial liabilities

|   | 6 month period ended 30 June 2020 | Year ended 31 December 2019 |
|---|-----------------------------------|-----------------------------|
| Level 3 Financial liabilities – opening balance                   | 49,871                            | 84,965                      |
| Amounts recognised in the profit and loss account during the year | -16,608                           | -35,094                     |
| <b>Level 3 Financial liabilities – closing balance</b>            | <b>33,263</b>                     | <b>49,871</b>               |

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

|                              | 1 January to 30 June 2020 | 1 January to 30 June 2019 |
|------------------------------|---------------------------|---------------------------|
| <b>Financial assets</b>      |                           |                           |
| Non-trading derivatives      | -16,608                   | -15,946                   |
| Loans - FVTPL                | 7,707                     | 1,120                     |
| <b>Financial assets</b>      | <b>-8,901</b>             | <b>-14,826</b>            |
| <b>Financial liabilities</b> |                           |                           |
| Non-trading derivatives      | 16,608                    | 15,946                    |
| <b>Financial liabilities</b> | <b>16,608</b>             | <b>15,946</b>             |

## 17 Contingent liabilities and commitments

Compared with 31 December 2019, the outstanding 'mortgage and consumer lending offerings' decreased by EUR 216 million to EUR 900 million (31 December 2019: EUR 1,116 million). There were no other material changes in the contingent liabilities and commitments.

For the contingent liabilities and commitments of NN Bank at 31 December 2019, reference is made to Note 32 'Contingent liabilities and commitments' of the 2019 NN Bank Consolidated annual accounts.

## 18 Subsequent and other events

### Repurchase Hypenn IV notes

On 17 July 2020 NN Bank repurchased the notes of Hypenn RMBS IV B.V.

### Soft Bullet Covered Bond

In June 2020, the new Soft Bullet Covered Bond programme launched to benefit from a larger investor demand for this type of funding. NN Bank has done a first issuance under the programme on 30 June 2020 with settlement on 8 July 2020.

### IBOR reform

As part of the IBOR reform, major Central Clearing Counterparties have changed from EONIA to €STR discounting for the calculation of cleared OTC EUR derivatives on 27 July 2020. In connection with this discounting switch, cash compensation payments have been received by NN Bank as compensation for the change in net present value of these derivatives.

## Notes to the Condensed consolidated interim accounts continued

### Migration of the former Delta Lloyd Bank

The migration of the Delta Lloyd customers with a Delta Lloyd Bank mortgage to NN Bank systems has been completed in July 2020.

### Woonnu

In August 2020, Woonnu B.V. launched its new mortgage label Woonnu and has started to originate loans.

## 19 Capital and liquidity management

### Capital adequacy

#### Capital position

| Amounts in millions of euros              | 30 June 2020 | 31 December 2019 |
|---|--------------|------------------|
| Common Equity Tier 1 Capital <sup>1</sup> | 993          | 926              |
| Total capital <sup>1</sup>                | 1,078        | 1,011            |
| Risk Weighted Assets                      | 5,947        | 5,894            |
| Common Equity Tier 1 ratio <sup>1</sup>   | 16.7%        | 15.7%            |
| Total capital ratio <sup>1</sup>          | 18.1%        | 17.2%            |

<sup>1</sup> If DNB approves the addition of the net result for the first half year 2020, the CET1 ratio will be 17.7% and the total capital ratio will be 19.2%.

Despite the balance sheet increase, NN Bank has maintained a solid capital position with a Capital Requirements Regulation (CRR) total capital ratio of 18.1% (31 December 2019: 17.2%) and a CRR CET1 ratio of 16.7% as of 30 June 2020 (31 December 2019: 15.7%). Common Equity Tier 1 Capital amounts to EUR 993 million (31 December 2019: EUR 926 million) and has increased driven by internal capital generation in the form of retained profit.

### Liquidity adequacy

During 2020, NN Bank maintained an adequate liquidity position.

|                                 | 30 June 2020 | 31 December 2019 |
|---------------------------------|--------------|------------------|
| Liquidity Coverage Ratio (LCR)  | 193%         | 173%             |
| Net Stable Funding Ratio (NSFR) | 130%         | 132%             |
| Loan-to-Deposit ratio (LtD)     | 130%         | 128%             |

The liquidity coverage ratio (LCR) increased to 193% at 30 June 2020 from 173% at 31 December 2019, mainly due to the settlement of the Soft Bullet Covered Bond in July, which is included as inflow in the LCR, causing a temporary increase. This is well above regulatory and internal limits. In addition to the available liquidity as captured by the LCR, NN Bank has other sources of liquidity available. NN Bank has external credit facilities in place for use when necessary: two committed loan facilities secured by mortgages and a credit facility with NN Group.

Next 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 2020, NN Bank had a NSFR ratio of 130%. This is well above regulatory and internal limits.

The LtD ratio is a metric for assessing a bank's deposit funding gap by dividing the banks 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 2020, NN Bank has a LtD ratio of 130% which is well within the internal limit.

### Dividend policy

NN Bank aims to pay dividends on a semi-annual basis to its shareholder, 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 the second half of 2019, NN Bank paid an interim dividend of EUR 26.2 million relating to the profit for the first half of 2019. The 2019 interim dividend was paid in cash, and was deducted from the retained earnings.

No final dividend over 2019 was paid and no interim dividend over 2020 will be proposed. With this, NN Bank follows the recommendation issued by the ECB in view of the current COVID-19 situation to refrain from dividend payments until 1 January 2021. NN Bank intends to resume dividend payments at such time that is appropriate in light of COVID-19 developments.

## Authorisation of the Condensed consolidated interim accounts

The interim report of NN Bank for the period ended 30 June 2020 was authorised for issue in accordance with a resolution of the NN Bank Management Board on 27 August 2020.

The Hague, 27 August 2020

### 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

H.G.M. (Hein) Blocks, chair

A.A.G. (André) Bergen

D. (Delfin) Rueda

G.A. (Guus) Schoorlemmer

# Independent auditor's review report

To: the Shareholder and 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 balance sheet as at 30 June 2020;
2. the following statements for the period 1 January 2020 up to and including 30 June 2020: the condensed consolidated profit and loss account, the condensed consolidated statements of comprehensive income, changes in equity and cash flows; and
3. the notes, comprising 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, 27 August 2020

KPMG Accountants N.V.

B.M Hengreen RA

# Contact and legal information

## Contact us

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Commercial Register number 52605884

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 2019 NN Bank Consolidated annual accounts, except as indicated in Note 1 of the 30 June 2020 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 markets generally, (6) changes affecting interest rate levels, (7) changes affecting currency exchange rates, (8) changes in investor and customer behavior, (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 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 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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