

NN Group reports full-year 2020 operating result of EUR 1.9 billion

Strong financial and commercial performance; cost reduction target achieved

- Operating result increased to EUR 963 million from EUR 881 million in the second half of 2019, mainly driven by a higher investment margin and lower administrative expenses at Netherlands Life; Full-year 2020 operating result of EUR 1,889 million, up 5.3% on 2019
- Operating capital generation of EUR 450 million versus EUR 653 million in the second half of 2019, reflecting the negative impact of lower interest rates; Full-year 2020 operating capital generation of EUR 993 million, compared with EUR 1,349 million in 2019
- Limited negative impact of Covid-19 on operating result of around EUR 23 million in the second half of 2020, bringing the full-year 2020 impact to EUR 53 million
- Net result of EUR 1,317 million, up from EUR 844 million in the second half of 2019; Full-year 2020 net result of EUR 1,904 million versus EUR 1,962 million in 2019
- Further cost reductions of EUR 23 million in the second half of 2020; total cost reductions of EUR 404 million versus the full-year 2016 administrative expense base, thereby achieving the cost reduction target
- Value of new business of EUR 144 million, up 17.9% from the second half of 2019, mainly driven by the recovery in sales of COLI products in Japan Life

Focus on all stakeholders; high employee engagement and increased ESG-integrated Assets under Management

- Customer satisfaction remained broadly stable amidst the pandemic, with 4 of our businesses scoring an above market average Net Promotor Score
- Employee engagement increased substantially with an overall score of 7.9, up from 7.4 in 2019
- ESG-integrated Assets under Management increased to 74% from 68% in 2019

Resilient balance sheet; delivering on our commitment to attractive capital returns to shareholders

- NN Group Solvency II ratio of 210% versus 221% at 30 June 2020, mainly reflecting the inclusion of NN Bank in the Group Solvency II calculations as of the end of 2020 and the deduction of the proposed 2020 final dividend, partly offset by operating capital generation
- Cash capital position at the holding decreased to EUR 1,170 million in the second half of 2020, reflecting capital flows to shareholders and remittances from subsidiaries
- 2020 final dividend proposal of EUR 1.47 per ordinary share or approximately EUR 456 million, bringing the pro forma total 2020 dividend to EUR 2.33 per ordinary share, up 7.9% on 2019¹⁾
- New share buyback programme of EUR 250 million announced in line with dividend policy

Statement of David Knibbe, CEO

‘In 2020 we delivered a strong financial and commercial performance, even though it clearly was an unprecedented year, marked by the Covid-19 pandemic and various other economic, political and regulatory developments. These circumstances impacted people and societies, and are reshaping markets, industries and companies - which requires adaptability and resilience from us all. When designing our new strategy in the first half of the year, we took these changes into account as much as possible. It is our aim to pursue long-term value creation, based on the belief that a focus on the well-being of customers and employees is in the end beneficial for all our stakeholder groups.

For our employees, we want to create an inclusive and inspiring working environment, which stimulates agility, efficiency and transformation. Last year, our people demonstrated proactivity and flexibility in giving unwavering attention to our customers in a difficult change environment. This has also proven to be a strong accelerator for the transformation journey we embarked on, of becoming more customer centric and data driven. Thanks to the efforts of our colleagues, who were mostly working remotely, we were able to continue to go the extra mile for our customers. We were for example able to provide payment holidays for insurance premiums and mortgages to customers facing financial difficulties, and temporary coverage of delivery services for businesses that normally do not deliver products. Also, we supported the communities in which we live and work, for example by computer

donations, enabling children to home school. Besides supporting customers to navigate today's challenges, we also want to help by giving them the confidence to look and plan ahead. This way, insurers can make an important contribution to economic recovery, a goal we are very committed to support.

Our overall financial performance remained strong in 2020. The second half-year operating result was up more than 9% compared with the same period in 2019, with Netherlands Life posting solid results on the back of the accelerated shift to higher-yielding assets in the first half of the year. At Netherlands Non-life, lower underwriting results in Disability & Accident were partly offset by lower claims in Property & Casualty and the inclusion of the results of VIVAT Non-life. The overall combined ratio held up well at 95.7%. Further expense savings were achieved across the company, allowing us to achieve the cost savings target of EUR 400 million.

We saw resilient commercial momentum in the second half of the year as sales were up at Japan Life and Insurance Europe, resulting in a higher value of new business, despite Covid-19 restrictions. Defined Contribution assets under management increased to EUR 24.6 billion, reflecting our market leading position in Dutch pensions. Total Assets under Management at NN Investment Partners increased to EUR 300 billion, driven by positive market performance and strong net third party inflows of EUR 10.1 billion. NN Bank, the fifth largest mortgage originator in the Netherlands, originated new mortgages for a total amount of EUR 3.8 billion.

As expected, operating capital generation in 2020 was impacted by the exceptional market circumstances and low interest rates, as well as the suspension of bank dividends. On the other hand, our accelerated shift to higher-yielding assets provided some offset in the form of higher investment margins. Our strong solvency and capital generation support attractive and growing cash returns to shareholders. We followed the request for prudence from regulators, and limited dividend flows from our subsidiaries to the holding. However, our strong Solvency II ratio and capital generation allows us to fulfill the commitments made in our dividend policy.

With the aim to contribute to the well-being of people and planet, we supported the transition to a sustainable economy by engaging with hundreds of investee companies, and voting for change at more than 2,500 AGMs. Through these actions, we also give substance to our ambition to transition our proprietary investment portfolio to net-zero carbon emissions by 2050, in line with the Paris Agreement. Together with around 40 financial institutions, NN Investment Partners signed the Finance for Biodiversity Pledge calling on global leaders to act, and committing ourselves to protect and restore biodiversity through our finance activities and investments. We are pleased to have received external recognition for our ESG performance by again being included in the Dow Jones Sustainability Indices, both the World and Europe index, and by our improved CDP climate change disclosure A- rating.

All in all, we have made a promising start with the implementation of our new strategy and have a solid foundation for delivering both on our financial and non-financial target.'

NN Group key figures

In EUR million	2H20	2H19	Change	FY20	FY19	Change
Operating capital generation ²⁾	450	653	-31.1%	993	1,349	-26.4%
Value of new business	144	122	17.9%	266	358	-25.7%
Operating result ³⁾	963	881	9.4%	1,889	1,794	5.3%
Net result	1,317	844	56.0%	1,904	1,962	-2.9%
	31 Dec 20	30 Jun 20	31 Dec 19			
Solvency II ratio ⁴⁾²⁹⁾³⁰⁾	210%	221%	224%			
	31 Dec 20	30 Jun 20	31 Dec 19			
No. of insurance businesses scoring above market average NPS ⁵⁾	4	4	4			
Brand consideration ⁶⁾	21%	21%	25%			
Employee engagement ⁷⁾	7.9	7.9	7.4			
Women in senior management positions	33%	33%	36%			
ESG-integrated AuM ⁸⁾	74%	71%	68%			
Contribution to society in annual charitable donations (in EUR million)	4.7		3.2			

Note: All footnotes are included on page 30

Business update

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

Customers and distribution

As part of our efforts to enhance customer engagement and focus on service solutions, we aim to be an active participant in platforms on key themes such as Selfcare and Carefree Retirement. In the Netherlands, we launched several initiatives such as Zorggenoot, a network of local experts who can help find, arrange and finance informal elderly homecare. We initiated Kwiek, a platform supporting people over 65 years find a job and fight loneliness, and we invested in Klup, a social platform for people over 50 years old.

Our distribution partners play a vital role in engaging with our customers. Our tied agents throughout Europe adjusted swiftly to remote sales and service processes and adapted to our customers' changing needs. They made a major contribution to Insurance International results, increasing sales by 2% compared with 2019, despite challenges from Covid-19. In the Netherlands Life business, we managed to further grow the overall satisfaction of our business partners to 7.6. In the Netherlands Non-life and Bank business we steadily improved our broker and customer satisfaction over the year.

We continued to strengthen and expand our partnerships. In the Netherlands, we partnered with Insify, a digital insurance platform that enables small businesses to arrange their own insurance anytime, anywhere. Nationale-Nederlanden acquired a stake in Invers, a company developing smart technology to analyse and deliver financial data. In the Czech Republic, we entered a partnership with AirBank to sell and service our pension products. NN Belgium Life partnered with one of the most prominent brokers in Belgium, Wilink, strengthening our distribution in the retail and self-employed broker segments.

NN started the integration of Keerpunt in its label, HCS. Keerpunt is a quality player in the occupational health and safety service market. Its expertise and products, combined with HCS's IT and innovation power, will enable us to further develop services for our customers.

Products and services

We launched several protection and living benefit products meeting our customers' evolving needs. NN Romania entered the general insurance market by launching a home insurance product, and in just two months issued over 1,700 policies, of which 30% to new customers. In Spain, we introduced a flexible, transparent and guaranteed protection product targeted to the self-employed which allows them to pay only for the coverage they need. Sales of COLI products in Japan showed signs of recovery in the second half of 2020, supported by the launch of two new products at the beginning of the year, the Emergency Plus CSV and Emergency Plus LCV which offer sudden-death insurance to small and medium-sized enterprise (SME) owners.

In the Netherlands, we collaborated with Hyfen, APG, PGGM and Blue Sky Group to develop our first blockchain solution, an automated and digitised value transfer process for individual pensions, which also offers support with customer questions and reduces processing time. We also entered a collaboration with the Dutch Consumers' Association (Consumentenbond) which will offer NN's cybersecurity emergency call service, Cyberwacht, to their customers for one year.

NN Bank developed NOVA app, a digital household budget providing insights on customers' actual spending. NN Bank also introduced Woonnu, a new mortgage label which incentivises sustainable living, for example by linking the mortgage interest rate to the home's energy label.

NN IP expanded its mortgage proposition with two new funds. Partnering with Channel Capital Advisors LLP, NN IP also initiated the NN (L) Flex Trade Finance fund, offering institutional investors access to a conservative portfolio of globally sourced, short-dated trade finance loans. In addition, NN IP strengthened its global Emerging Markets Debt (EMD) team by transferring MN's EMD team including USD 4 billion of MN's in-house managed EMD assets to NN IP. The total size of NN IP's AuM in EMD is now over USD 17 billion.

People and organisation

We are on a journey to transform our company, which also means enabling colleagues to adapt to change. The Covid-19 pandemic measures in 2020 required great flexibility from employees, while at the same time led to enhanced digitisation and new ways of working. Our colleagues embraced these ongoing changes throughout the year, as evidenced by the high engagement score of 7.9 based on the semi-annual survey carried out in the second half of 2020.

We want to be known for our talented employees, and we do this by fostering the NN culture and creating an inclusive working environment. In December, we launched NN's diversity and inclusion (D&I) statement, explaining our approach to creating a more inclusive workforce, customer experience and community support. We also started the internal series Wo{men}talk to discuss D&I-related topics, and we initiated the NN Pride Network to connect colleagues within the LGBTI+ community.

The integration of VIVAT Non-life is progressing well, and a total of 380 new colleagues from VIVAT joined NN and received a warm virtual welcome.

Financial strength

We aim to maintain a strong balance sheet and generate attractive financial returns for shareholders.

On 17 December 2020, European regulator EIOPA published an Opinion to the European Commission on the review of Solvency II. A change of legislation is expected to be implemented at the earliest in 2024. Based on the EIOPA Opinion and the prevailing market conditions in December, the net impact from the proposed changes to NN Group's Solvency II ratio at the anticipated implementation date is expected to be manageable.

In September, NN Bank issued a EUR 500 million 15-year Soft Bullet Covered bond at an attractive yield, thereby further broadening its investor base and lengthening its funding profile.

Society

NN IP has again been awarded the top score (A+) from the UN Principles for Responsible Investment (UN PRI), for its strategy and governance approach to responsible investing and its ESG integration. NN IP also ranked sixth amongst the world's largest asset managers using proxy voting for action on climate and social issues, by ShareAction, an association dedicated to raising awareness and participation of sustainable practices in financial activities.

Once more NN was the top-scoring company in the annual Tax Transparency Benchmark, published by the Dutch association of investors for Sustainable Development (VBDO). The jury praised NN for further improving the disclosures of direct and other taxes on a country-by-country basis, and for gaining third-party tax assurance on its 2019 Total Tax Contribution Report.

We continue to focus on supporting our communities during Covid-19 through various initiatives. For example, in the Czech Republic, 150 employees took part in a challenge to support single parent families, lonely seniors and people in senior care homes. In the Netherlands, 350 colleagues were trained as home administration volunteers, a training developed by the National Institute for Family Finance Information (Nibud), and are now able to help family members and friends when they face challenging financial circumstances. We also made donations to the association of Dutch food banks and other charitable organisations.

Consolidated results

In EUR million	2H20	2H19	Change	FY20	FY19	Change
Operating capital generation²⁾						
Netherlands Life	266	330	-19.3%	642	770	-16.6%
Netherlands Non-life	14	83	-82.9%	76	132	-42.8%
Insurance Europe	135	121	11.3%	253	251	1.0%
Japan Life	63	103	-38.9%	133	173	-23.3%
Asset Management	53	60	-11.0%	103	122	-15.2%
Banking	0	26		0	82	
Other	-81	-70		-214	-180	
Operating capital generation	450	653	-31.1%	993	1,349	-26.4%

In EUR million	2H20	2H19	Change	FY20	FY19	Change
Analysis of results³⁾						
Netherlands Life	500	397	25.9%	994	922	7.9%
Netherlands Non-life	103	119	-12.9%	215	203	5.7%
Insurance Europe	152	143	6.3%	285	283	0.7%
Japan Life	102	100	2.0%	240	218	10.3%
Asset Management	78	85	-7.8%	152	161	-5.3%
Banking	74	92	-20.0%	154	152	1.1%
Other	-47	-56		-151	-144	
Operating result	963	881	9.4%	1,889	1,794	5.3%
Non-operating items	605	295	105.3%	662	887	-25.4%
of which gains/losses and impairments	472	241	95.6%	640	335	90.8%
of which revaluations	170	254	-33.1%	337	827	-59.3%
of which market and other impacts	-36	-200		-315	-275	
Special items	-155	-155		-278	-262	
Acquisition intangibles and goodwill	-11	-16		-24	1	
Result on divestments	100	0		100	8	
Result before tax	1,502	1,005	49.5%	2,349	2,429	-3.3%
Taxation	172	148	16.7%	422	444	-4.9%
Minority interests	13	13	-0.0%	22	23	-2.5%
Net result	1,317	844	56.0%	1,904	1,962	-2.9%
Basic earnings per ordinary share in EUR ⁹⁾	4.12	2.49	65.6%	5.88	5.76	2.0%

Key figures

Gross premium income	6,071	6,689	-9.2%	13,822	14,508	-4.7%
New sales life insurance (APE)	507	553	-8.3%	1,127	1,741	-35.3%
Value of new business	144	122	17.9%	266	358	-25.7%
Total administrative expenses	1,078	1,046	3.1%	2,121	2,076	2.2%
Combined ratio (Netherlands Non-life) ¹⁰⁾	95.7%	93.9%		95.3%	95.4%	

In EUR billion	31 Dec 20	30 Jun 20	Change	31 Dec 20	31 Dec 19	Change
Key figures						
Asset Management Assets under Management	300	285	5.2%	300	276	8.6%
Life general account invested assets	149	148	0.1%	149	143	3.8%
Total provisions for insurance and investment contracts	171	170	0.3%	171	168	1.4%
of which for risk policyholder	35	32	7.8%	35	34	1.2%
Solvency II ratio ⁴⁾ (29)(30)	210%	221%		210%	224%	
NN Life Solvency II ratio ⁴⁾	220%	226%		220%	213%	
CET1 ratio ¹¹⁾	17.4%	16.7%		17.4%	15.7%	
Total assets	264	262	0.6%	264	249	6.1%
Employees (internal FTEs, end of period)	14,845	14,884	-0.3%	14,845	14,343	3.5%

- NN Group's operating capital generation decreased to EUR 450 million from EUR 653 million in the second half of 2019, mainly reflecting a lower contribution from Netherlands Non-life, Netherlands Life, Japan Life and Banking, partly compensated by a higher contribution from Insurance Europe
- Operating result increased to EUR 963 million from EUR 881 million in the second half of 2019, mainly driven by a higher investment margin at Netherlands Life
- Value of new business was EUR 144 million for the second half of 2020, up 17.9% from the second half of 2019, mainly driven by the recovery in sales of COLI products in Japan Life
- Administrative expense base of the business units in scope of the cost reduction target reduced by EUR 23 million in the second half of 2020; total cost reductions achieved of EUR 404 million
- Full-year 2020 operating capital generation decreased to EUR 993 million from EUR 1,349 million in 2019, mainly reflecting a lower contribution from Netherlands Life, Netherlands Non-life and Banking
- Full-year 2020 operating result increased to EUR 1,889 million from EUR 1,794 million in 2019, which included a total of EUR 121 million of non-recurring benefits versus a total of EUR 24 million of non-recurring benefits in 2020
- Value of new business for full-year 2020 down 25.7% to EUR 266 million, reflecting lower sales in Japan and Insurance Europe impacted by Covid-19 restrictions

Operating capital generation

NN Group's operating capital generation was EUR 450 million compared with EUR 653 million in the second half of 2019. The decrease reflects the negative impact of lower interest rates, unfavourable developments in the Disability & Accident (D&A) portfolio of Netherlands Non-life, higher sales in Japan Life which have a negative impact due to a higher new business strain, as well as the suspension of dividend payments from NN Bank. This was partly compensated by a higher investment return mainly in Netherlands Life reflecting the shift to higher-yielding assets as well as a higher new business contribution in Insurance Europe.

Full-year 2020 operating capital generation decreased to EUR 993 million from EUR 1,349 million in 2019. The decrease reflects the negative impact of lower interest rates, the suspension of dividend payments from NN Bank and unfavourable developments in the D&A portfolio of Netherlands Non-life. This was partly compensated by a higher investment return mainly in Netherlands life reflecting the shift to higher-yielding assets.

Operating result

Operating result increased to EUR 963 million from EUR 881 million in the second half of 2019, which included EUR 54 million of non-recurring benefits, while the second half of 2020 includes EUR 8 million of non-recurring benefits. Excluding these items, the increase in the operating result was mainly driven by a higher investment margin at Netherlands Life.

The negative impact of Covid-19 on the operating result for the second half of 2020 was around EUR 23 million, mainly in the segments Other, Insurance Europe, Japan Life and Banking.

The administrative expenses of the business units in the scope of the cost reduction target decreased by EUR 23 million in the second half of 2020, bringing the administrative expense base down to EUR 1,566 million on a last 12-months basis. Total cost reductions amount to EUR 404 million. Consequently, the target to reduce the full-year 2016 administrative expense base of EUR 1,970 million by EUR 400 million by the end of 2020 has been achieved.

The operating result of Netherlands Life was EUR 500 million compared with EUR 397 million in the second half of 2019, reflecting a higher investment margin, a higher technical margin and lower administrative expenses, partly offset by lower fees and premium-based revenues.

The operating result of Netherlands Non-life decreased to EUR 103 million from EUR 119 million in the second half of 2019, reflecting lower underwriting results in D&A including a negative impact from Covid-19, and the reduction of the discount rate of the IFRS technical provisions to reflect the current low interest rate environment. This was partly compensated by lower claims in Property & Casualty including a positive impact from Covid-19, as well as the inclusion of the results of VIVAT Non-life of EUR 26 million. The combined ratio was 95.7% versus 93.9% in the second half of 2019.

The operating result of Insurance Europe increased to EUR 152 million from EUR 143 million in the second half of 2019, mainly driven by a higher investment margin in Belgium and higher pension fees in Romania, partly offset by lower Non-life results as well as a negative Covid-19 impact of EUR 6 million.

The operating result of Japan Life was EUR 102 million, up 6.0% from the second half of 2019, excluding currency effects, reflecting lower DAC amortisation and trail commissions and lower administrative expenses, partly offset by a negative impact of Covid-19 of EUR 4 million.

The operating result of Asset Management decreased to EUR 78 million from EUR 85 million in the second half of 2019 due to lower fees, as well as higher administrative expenses.

The operating result of Banking decreased to EUR 74 million from EUR 92 million in the second half of 2019, which included EUR 26 million of non-recurring premiums on mortgage sales to the NN IP Dutch Residential Mortgage Fund while the current period reflects a higher interest result. The negative Covid-19 impact in the second half of 2020 was EUR 2 million, reflecting higher operating expenses for acceptance and arrears management.

The operating result of the segment Other was EUR -47 million versus EUR -56 million in the second half of 2019, mainly reflecting the higher operating result of the reinsurance business, absorbing the negative Covid-19 impact of EUR 11 million, partly offset by lower other results.

The full-year 2020 operating result increased to EUR 1,889 million from EUR 1,794 million in 2019, which included a total of EUR 121 million of non-recurring benefits, versus a total of EUR 24 million of non-recurring benefits in 2020. Excluding these items, the increase mainly reflects the higher investment margin at Netherlands Life driven by the shift to higher yielding assets, partly offset by the negative impact of Covid-19 of around EUR 53 million.

Result before tax

The result before tax increased to EUR 1,502 million from EUR 1,005 million in the second half of 2019, primarily driven by higher non-operating items mainly reflecting the volatile markets as a result of Covid-19 as well as a higher result on divestments and the higher operating result.

Gains/losses and impairments were EUR 472 million compared with EUR 241 million in the second half of 2019, mainly reflecting higher capital gains on public equities and lower impairments on equities, partly offset by lower gains on the sale of debt securities.

Revaluations amounted to EUR 170 million versus EUR 254 million in the second half of 2019. The second half of 2020 includes positive revaluations on real estate, private equity and on derivatives used for hedging purposes mainly reflecting accounting asymmetries.

Market and other impacts amounted to EUR -36 million compared with EUR -200 million in the second half of 2019. The second half of 2020 mainly reflects movements in the provision for guarantees on unit-linked, separate account pension contracts and inflation-linked liabilities (all net of hedging) at Netherlands Life.

Special items were EUR 155 million for the second half of 2020, stable compared with the same period of 2019.

Acquisition intangibles and goodwill amounted to EUR -11 million versus EUR -16 million in the second half of 2019.

The result on divestments amounted to EUR 100 million compared with EUR 0 million in the second half of 2019, mainly reflecting a provision release following the completion of a tax audit on ING Australia Holdings.

The full-year 2020 result before tax decreased to EUR 2,349 million from EUR 2,429 million in 2019, reflecting lower non-operating results, partly compensated by the higher operating result and a higher result on divestments.

Net result

The net result in the second half of 2020 increased to EUR 1,317 million from EUR 844 million in the second half of 2019. The effective tax rate in the second half of 2020 was 11.5%, reflecting a relatively low tax charge on the investment income, mainly due to tax exempt dividends and capital gains in the Netherlands, the tax exempt release of a provision related to ING Australia Holdings and non-recurring tax adjustments.

The full-year 2020 net result was EUR 1,904 million compared with EUR 1,962 million in 2019. The effective tax rate for the full-year 2020 was 18.0%.

Sales and value of new business

Total new sales (APE) were EUR 507 million, down 4.7% from the second half of 2019 on a constant currency basis. New sales at Netherlands Life were EUR 41 million compared with EUR 152 million in the second half of 2019. As from 2020, new sales related to defined contribution (DC) accumulation contracts are no longer reported as insurance new sales but are reported as part of the DC assets under management. At Japan Life, new sales were EUR 140 million, up 92.9. % from the second half of 2019, excluding currency effects, reflecting the recovery in sales of COLI products following the revised tax regulations and despite Covid-19 restrictions. New sales at Insurance Europe were up 5.9% on a constant currency basis, mainly reflecting increased pension sales in Slovakia, partly offset by lower life sales in Turkey and Belgium.

Value of new business was EUR 144 million, up 17.9% from the second half of 2019, mainly driven by the recovery in sales of COLI products in Japan Life.

The full-year 2020 total new sales (APE) were EUR 1,127 million, down 34.6% at constant currencies, mainly due to lower sales at Japan Life following the revised tax regulations of COLI products, as well as Covid-19 restrictions, and at Netherlands Life where the 2019 sales benefited from a higher volume of group pension contracts.

Value of new business for full-year 2020 amounted to EUR 266 million, down 25.7% on 2019, reflecting lower sales at Japan Life, partly compensated by an improved product mix, as well as lower sales at Insurance Europe due to Covid-19 restrictions and lower interest rates.

Capital Management

- Solvency II ratio of NN Group decreased to 210% from 221% at the end of the first half of 2020, mainly reflecting the inclusion of NN Bank in the Group Solvency II calculations as of the end of 2020 and the deduction of the proposed 2020 final dividend, partly offset by operating capital generation
- NN Group's operating capital generation decreased to EUR 450 million from EUR 653 million in the second half of 2019, mainly reflecting a lower contribution from Netherlands Non-life, Netherlands Life, Japan Life and Banking, partly offset by a higher contribution from Insurance Europe
- Cash capital position at the holding decreased to EUR 1,170 million from EUR 1,315 million at the end of the first half of 2020, reflecting capital flows to shareholders of EUR 758 million, partly offset by free cash flow to the holding
- Free cash flow to the holding in the second half of 2020 was EUR 613 million, mainly driven by EUR 592 million of remittances from subsidiaries
- 2020 final dividend proposal of EUR 1.47 per ordinary share, bringing the full-year 2020 dividend to EUR 2.33 per ordinary share¹⁾

Solvency II

In EUR million	31 Dec 20	30 Jun 20	31 Dec 19
Basic Own Funds	21,228	19,510	19,491
Non-available Own Funds	1,200	1,123	1,252
Non-eligible Own Funds	0	0	0
Eligible Own Funds (a)	20,028	18,388	18,240
of which Tier 1 Unrestricted	12,484	12,235	11,836
of which Tier 1 Restricted	1,927	1,938	1,922
of which Tier 2	2,484	2,470	2,474
of which Tier 3	733	500	703
of which non-solvency II regulated entities	2,400	1,244	1,305
Solvency Capital Requirements (b)	9,534	8,338	8,154
of which non-solvency II regulated entities	1,368	486	542
NN Group Solvency II ratio (a/b)⁴⁾²⁹⁾³⁰⁾	210%	221%	224%
NN Life Solvency II ratio⁴⁾	220%	226%	213%

The NN Group Solvency II ratio decreased to 210% from 221% at the end of the first half of 2020, mainly reflecting the inclusion of NN Bank in the Group Solvency II calculations as of the end of 2020, the proposed 2020 final dividend and EUR 67 million of share buybacks in the second half of 2020. These items were partly offset by operating capital generation as well as the impact of model and assumption changes including the reversal of the corporate tax rate change in the Netherlands.

The NN Life Solvency II ratio decreased to 220% from 226% at the end of the first half of 2020, due to the EUR 450 million dividend payments to the holding company, partly offset by operating capital generation and the impact of the aforementioned model and assumption changes.

Operating capital generation

In EUR million	2H20	2H19	Change	FY20	FY19	Change
Investment return	654	580	12.8%	1,223	1,089	12.3%
Life - UFR drag	-557	-383		-978	-626	
Life - Risk margin release	225	230	-2.2%	440	436	1.0%
Life - Experience variance	-42	10		-5	7	
Life - New business	39	14	173.8%	92	123	-24.9%
Non-life underwriting	49	67	-27.6%	92	90	2.9%
Non-Solvency II entities (Asset Management, Japan, Bank, Other ¹²)	146	213	-31.6%	298	433	-31.1%
Holding expenses and debt costs	-136	-145		-277	-279	
Change in SCR	73	66	10.2%	108	78	38.1%
Operating capital generation	450	653	-31.1%	993	1,349	-26.4%

NN Group's operating capital generation was EUR 450 million compared with EUR 653 million in the second half of 2019. The decrease reflects the negative impact of lower interest rates, unfavourable developments in the Disability & Accident (D&A) portfolio of Netherlands Non-life, higher sales in Japan Life which have a negative impact due to a higher new business strain, as well as the suspension of dividend payments from NN Bank. This was partly offset by a higher investment return mainly in Netherlands Life reflecting the shift to higher-yielding assets as well as a higher new business contribution in Insurance Europe.

Full-year 2020 operating capital generation decreased to EUR 993 million from EUR 1,349 million in 2019. The decrease reflects the negative impact of lower interest rates, the suspension of dividend payments from NN Bank and unfavourable developments in the D&A portfolio of Netherlands Non-life. This was partly offset by a higher investment return mainly in Netherlands life reflecting the shift to higher-yielding assets.

Cash capital position at the holding company

In EUR million	2H20	FY20
Beginning of period	1,315	1,989
Cash divestment proceeds	0	0
Remittances from subsidiaries ¹³⁾	592	1,310
Capital injections into subsidiaries ¹⁴⁾	-5	-56
Other ¹⁵⁾	26	-183
Free cash flow to the holding¹⁶⁾	613	1,070
Acquisitions	0	-572
Capital flow from / (to) shareholders	-758	-1,017
Increase / (decrease) in debt and loans	0	-300
End of period	1,170	1,170

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

The cash capital position at the holding company decreased to EUR 1,170 million from EUR 1,315 million at the end of the first half of 2020. The decrease mainly reflects EUR 758 million of capital flows to shareholders, partly compensated by EUR 592 million of remittances from subsidiaries. Capital flows to shareholders include the 2020 interim cash dividend of EUR 394 million and the repurchase of EUR 364 million of own shares.

Financial leverage

In EUR million	31 Dec 20	30 Jun 20	31 Dec 19
Shareholders' equity	36,731	35,117	30,768
Adjustment for revaluation reserves ¹⁷⁾	-17,790	-17,519	-13,397
Minority interests	277	256	260
Capital base for financial leverage (a)	19,219	17,854	17,632
Undated subordinated notes ¹⁹⁾	1,764	1,764	1,764
Subordinated debt	2,383	2,396	2,409
Total subordinated debt	4,146	4,159	4,172
Debt securities issued	1,694	1,693	1,992
Financial leverage (b)	5,840	5,852	6,164
Financial leverage ratio (b/(a+b))	23.3%	24.7%	25.9%
Fixed-cost coverage ratio ¹⁸⁾¹⁹⁾	11.9x	11.1x	12.0x

The financial leverage ratio of NN Group decreased to 23.3% at the end of 2020 compared with 24.7% at the end of the first half of 2020. This reflects an increase of the capital base for financial leverage driven by the second half-year net result of EUR 1,317 million and positive revaluations of equity investments, partly offset by capital flows to shareholders for an amount of EUR 758 million.

The fixed-cost coverage ratio was 11.9x at the end of 2020 versus 11.1x at the end of the first half of 2020 (on a last 12-months basis).

Dividend

At the annual general meeting on 20 May 2021, a final dividend will be proposed of EUR 1.47 per ordinary share, or approximately EUR 456 million in total based on the current number of outstanding shares (net of treasury shares). The final dividend will be paid either fully in cash, after deduction of withholding tax if applicable, or fully in ordinary shares, at the election of the shareholders. Dividends paid in the form of ordinary shares will be delivered from NN Group treasury shares or issued from the share premium reserve. To neutralise the dilutive effect of the stock dividend, NN Group will repurchase ordinary shares for an amount equivalent to the stock dividend. If the proposed dividend is approved by the General Meeting, NN Group ordinary shares will be quoted ex-dividend on 24 May 2021. The record date for the dividend will be 25 May 2021. The election period will run from 26 May up to and including 9 June 2021. The stock fraction for the stock dividend will be based on the volume weighted average price of NN Group ordinary shares on Euronext Amsterdam for the five trading days from 3 June through 9 June 2021. The dividend will be payable on 16 June 2021. (For more information: www.nn-group.com/investors)

On 2 September 2020, NN Group paid an interim dividend of EUR 2.26 per ordinary share, comprising (i) EUR 1.40 per ordinary share, equal to the amount of the 2019 final dividend that was suspended in April 2020 plus (ii) EUR 0.86 per ordinary share, equal to the regular 2020 interim dividend calculated in accordance with the NN Group dividend policy. The proposed 2020 final dividend of EUR 1.47 per ordinary share plus the regular 2020 interim dividend of EUR 0.86 per ordinary share gives a pro forma total dividend for 2020 of EUR 2.33 per ordinary share.

Share buyback

NN Group announced today that it will execute an open market share buyback programme for an amount of EUR 250 million. The programme will be executed within 12 months and is anticipated to commence on 1 March 2021. The share buyback will be deducted in full from Solvency II Own Funds in the first half of 2021 and is estimated to reduce NN Group's Solvency II ratio by approximately 3%-points. In addition to the share buyback programme announced today, NN Group intends to repurchase shares to neutralise the dilutive effect of any stock dividends. NN Group intends to cancel any repurchased NN Group shares under the programmes unless used to cover obligations under share-based remuneration arrangements or to deliver stock dividend.

The share buyback programmes will be executed within the limitations of the existing authority granted by the General Meeting on 28 May 2020 and such authority to be granted by the General Meeting on 20 May 2021. The shares will be repurchased at a price that does not exceed the last independent trade or the highest current

independent bid on the relevant trading platform. The programmes will be executed by financial intermediaries and will be performed in compliance with the safe harbour provisions for share buybacks.

On 13 February 2020, NN Group announced an open market share buyback programme for an amount up to EUR 250 million over a period of 12 months, commencing 2 March 2020. This share buyback is executed by financial intermediaries under an open market share buyback programme, which was temporarily suspended on 6 April 2020 and resumed on 6 August 2020. Up to 12 February 2021, shares for a total amount of EUR 247 million were repurchased, representing 98.7% of the total share buyback amount.

Following payment of the 2020 interim dividend, NN Group announced that it would repurchase ordinary shares for a total amount of EUR 310 million, equivalent to the value of the stock dividends, to neutralise the dilutive effect. This share buyback programme was completed on 30 October 2020.

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

Share capital

The total number of NN Group shares outstanding (net of 20,099,918 treasury shares) on 12 February 2021 was 310,178,292.

Credit ratings

On 14 December 2020, Standard & Poor's published a report affirming NN Group's 'A' financial strength rating and 'BBB+' credit rating with a stable outlook.

On 16 October 2020, Fitch Ratings published a report affirming NN Group's 'A+' financial strength rating and 'A' credit rating with a stable outlook.

Credit ratings of NN Group on 17 February 2021	Financial Strength Rating	NN Group N.V. Counterparty Credit Rating
Standard & Poor's	A Stable	BBB+ Stable
Fitch	A+ Stable	A Stable

Netherlands Life

- Operating capital generation decreased to EUR 266 million from EUR 330 million in the second half of 2019, mainly reflecting the impact of lower interest rates, partly compensated by the shift to higher-yielding assets
- Operating result of EUR 500 million compared with EUR 397 million in the second half of 2019, mainly reflecting a higher investment margin and lower administrative expenses
- Full-year 2020 operating capital generation decreased to EUR 642 million from EUR 770 million in 2019, reflecting the impact of lower interest rates, partly compensated by the shift to higher-yielding assets
- Full-year 2020 operating result increased to EUR 994 million from EUR 922 million in 2019, driven by a higher investment margin, higher technical margin and lower administrative expenses, partly offset by lower fees and premium-based revenues

In EUR million	2H20	2H19	Change	FY20	FY19	Change
Analysis of results						
Investment margin	457	362	26.4%	890	844	5.5%
Fees and premium-based revenues	191	202	-5.3%	392	412	-4.7%
Technical margin	87	80	7.7%	184	161	14.3%
Operating income non-modelled business	0	0		0	0	-99.1%
Operating income	735	645	14.1%	1,467	1,417	3.5%
Administrative expenses	220	232	-5.2%	440	462	-4.7%
DAC amortisation and trail commissions	16	16	0.1%	33	33	-1.6%
Total expenses	235	247	-4.9%	473	495	-4.5%
Operating result	500	397	25.9%	994	922	7.9%
Non-operating items	531	269	97.3%	680	833	-18.3%
of which gains/losses and impairments	409	191	114.0%	620	205	201.8%
of which revaluations	159	251	-36.7%	371	864	-57.1%
of which market and other impacts	-36	-172		-310	-237	
Special items	-46	-36		-77	-57	
Result on divestments	0	0		0	5	
Result before tax	985	630	56.4%	1,597	1,703	-6.2%
Taxation	138	84	64.4%	330	308	7.0%
Minority interests	0	4	-98.1%	8	8	-10.5%
Net result	847	542	56.3%	1,260	1,386	-9.1%
New business						
Single premiums	244	1,056	-76.9%	485	1,286	-62.3%
Regular premiums	17	46	-63.5%	170	351	-51.5%
New sales life insurance (APE)	41	152	-72.8%	219	480	-54.4%
Value of new business	-1	8		8	9	-2.6%
Key figures						
Operating capital generation ²⁾	266	330	-19.3%	642	770	-16.6%
Gross premium income	1,551	2,252	-31.1%	3,544	4,373	-18.9%
Administrative expenses	220	232	-5.2%	440	462	-4.7%

In EUR billion	31 Dec 20	30 Jun 20	Change	31 Dec 20	31 Dec 19	Change
Key figures						
Life general account invested assets	113	113	0.7%	113	108	5.4%
Assets under Management DC business total ²⁰⁾	25	22	10.5%	25	21	15.2%
Total provisions for insurance and investment contracts	117	116	0.7%	117	116	0.8%
of which for risk policyholder	24	22	8.5%	24	24	1.9%
NN Life Solvency II ratio ⁴⁾	220%	226%		220%	213%	
Employees (internal FTEs, end of period)	2,172	2,234	-2.8%	2,172	2,317	-6.3%

Operating capital generation of Netherlands Life decreased to EUR 266 million from EUR 330 million in the second half of 2019. The decrease is mainly due to the net negative impact of the UFR drag and risk margin release as a result of lower interest rates, and the negative impact of the longevity reinsurance transactions. This was partly compensated by a higher investment return reflecting the shift to higher-yielding assets.

The operating result was EUR 500 million compared with EUR 397 million in the second half of 2019, reflecting a higher investment margin, a higher technical margin and lower administrative expenses, partly offset by lower fees and premium-based revenues.

The investment margin increased to EUR 457 million compared with EUR 362 million in the second half of 2019. The current half-year reflects higher income driven by the shift to higher-yielding assets and higher dividends, partly offset by lower real estate income as a result of Covid-19, whereas the second half of 2019 benefited from a special dividend of EUR 16 million.

Fees and premium-based revenues decreased to EUR 191 million from EUR 202 million in the second half of 2019, due to the run-off of the individual life closed book as well as lower margins in the pension business.

The technical margin increased to EUR 87 million from EUR 80 million in the second half of 2019. The current half-year reflects non-recurring benefits as well as favourable longevity results, partly offset by the reinsurance premiums related to the longevity transactions completed in May 2020.

Administrative expenses decreased to EUR 220 million from EUR 232 million in the second half of 2019 mainly driven by lower staff expenses.

DAC amortisation and trail commissions were in line with the second half of 2019 at EUR 16 million.

The result before tax increased to EUR 985 million from EUR 630 million in the second half of 2019 due to higher non-operating items and the higher operating result.

Gains/losses and impairments amounted to EUR 409 million in the second half of 2020 compared with EUR 191 million in the same period of 2019. The current half-year mainly reflects capital gains on public equities and bonds. Revaluations were EUR 159 million compared with EUR 251 million in the second half of 2019. The current half-year mainly reflects positive revaluations on real estate, private equity and on derivatives used for hedging purposes reflecting accounting asymmetries. Market and other impacts were EUR -36 million versus EUR -172 million in the second half of 2019, mainly reflecting movements in the provisions for guarantees on unit linked and separate account pension contracts and inflation-linked liabilities (all net of hedging).

New sales (APE) were EUR 41 million compared with EUR 152 million in the second half of 2019. As from 2020, new sales related to defined contribution (DC) accumulation contracts are no longer reported as insurance new sales but are reported as part of the DC assets under management. On a comparable basis, based on the new definition, new sales (APE) were down EUR 82 million compared with the second half of 2019 which benefited from a higher volume of group pension contracts.

The value of new business was EUR -1 million compared with EUR 8 million in the same period of 2019 which benefited from a higher volume of group pension contracts.

Assets under management DC increased to EUR 24.6 billion at 31 December 2020, from EUR 22.3 billion at 30 June 2020.

Full-year 2020 operating capital generation decreased to EUR 642 million from EUR 770 million in 2019. The decrease is mainly due to the net negative impact of the UFR drag and risk margin release as a result of lower interest rates as well as the negative impact of the longevity reinsurance transactions, partly compensated by a higher investment return reflecting the shift to higher-yielding assets.

The full-year 2020 operating result increased to EUR 994 million from EUR 922 million in 2019. The increase is driven by a higher investment margin, higher technical margin and lower administrative expenses, partly offset by lower fees and premium-based revenues. The investment margin in 2020 includes private equity and special dividends for a total amount of EUR 9 million, whereas 2019 included EUR 83 million of such items. Excluding these items, the investment margin increased as a result of the shift to higher-yielding assets. The technical margin in 2020 benefited from non-recurring benefits as well as favourable longevity results. Administrative expenses decreased to EUR 440 million from EUR 462 million in 2019, mainly driven by lower staff expenses.



The full-year 2020 result before tax decreased to EUR 1,597 million compared with EUR 1,703 million in 2019. The decrease mainly reflects lower non-operating items, partly compensated by the higher operating result.

New sales (APE) for full-year 2020 decreased to EUR 219 million from EUR 480 million in 2019. On a comparable basis, based on the new definition, new sales (APE) were down EUR 97 million compared with 2019 which benefited from a higher volume of group pension contracts.

The value of new business for full-year 2020 was EUR 8 million compared with EUR 9 million in 2019.

Netherlands Non-life

- Operating capital generation decreased to EUR 14 million from EUR 83 million in the second half of 2019, mainly reflecting unfavourable developments in the Disability & Accident portfolio
- Operating result decreased to EUR 103 million from EUR 119 million in the second half of 2019, reflecting lower underwriting results in Disability & Accident, partly compensated by lower claims in Property & Casualty and the inclusion of the results of VIVAT Non-life
- Combined ratio was 95.7% versus 93.9% in the second half of 2019
- Full-year 2020 operating capital generation decreased to EUR 76 million from EUR 132 million in 2019, mainly reflecting unfavourable developments in the Disability & Accident portfolio
- Full-year 2020 operating result of Netherlands Non-life increased to EUR 215 million from EUR 203 million in 2019 reflecting the contribution of VIVAT Non-life and lower claims in Property & Casualty, partly offset by lower underwriting results in Disability & Accident

In EUR million	2H20	2H19	Change	FY20	FY19	Change
Analysis of results						
Earned premiums	1,780	1,464	21.6%	3,418	2,941	16.2%
Investment income	48	51	-6.1%	98	106	-7.9%
Other income	1	-4		-1	-5	
Operating income	1,829	1,511	21.1%	3,515	3,042	15.5%
Claims incurred, net of reinsurance	1,212	1,000	21.3%	2,350	2,045	14.9%
Acquisition costs	338	254	33.1%	630	516	22.0%
Administrative expenses	183	151	21.1%	340	305	11.3%
Acquisition costs and administrative expenses	521	405	28.6%	970	821	18.0%
Expenditure	1,734	1,405	23.4%	3,319	2,866	15.8%
Operating result insurance businesses	95	105	-10.0%	196	176	11.4%
Operating result non-insurance businesses	8	13	-36.2%	19	28	-30.6%
Total operating result	103	119	-12.9%	215	203	5.7%
Non-operating items	40	49	-19.0%	3	61	-94.8%
of which gains/losses and impairments	24	40	-41.4%	0	48	-100.0%
of which revaluations	7	8	-9.1%	-9	12	
of which market and other impacts	9	1		12	1	
Special items	-45	-41		-79	-67	
Result on divestments	0	0		0	0	
Result before tax	98	127	-22.6%	138	197	-29.7%
Taxation	21	26	-20.6%	31	42	-25.6%
Minority interests	11	7	46.9%	11	13	-15.3%
Net result	67	93	-28.6%	97	143	-32.2%
Key figures						
Operating capital generation ²⁾	14	83	-82.9%	76	132	-42.8%
Gross premium income	1,428	1,142	25.1%	3,521	3,097	13.7%
Total administrative expenses ²¹⁾	249	193	28.6%	451	385	17.1%
Combined ratio ¹⁰⁾	95.7%	93.9%		95.3%	95.4%	
of which Claims ratio ¹⁰⁾	66.4%	66.2%		67.0%	67.4%	
of which Expense ratio ¹⁰⁾	29.3%	27.7%		28.4%	27.9%	

In EUR billion	31 Dec 20	30 Jun 20	Change	31 Dec 20	31 Dec 19	Change
Key figures						
Total insurance provisions	7	8	-6.2%	7	6	21.7%
Employees (internal FTEs, end of period)	3,330	3,309	0.6%	3,330	2,775	20.0%

Operating capital generation of Netherlands Non-life decreased to EUR 14 million from EUR 83 million in the second half of 2019. The decrease is mainly due to a higher SCR following the termination of an internal reinsurance agreement in the Individual Disability portfolio, as well as a lower underwriting result in Disability & Accident (D&A).

The operating result decreased to EUR 103 million from EUR 119 million in the second half of 2019, reflecting lower underwriting results in D&A, partly compensated by lower claims in Property & Casualty (P&C) and the inclusion of the results of VIVAT Non-life of EUR 26 million. The combined ratio was 95.7% versus 93.9% in the second half of 2019.

The operating result in D&A decreased to EUR -10 million from EUR 52 million in the second half of 2019, reflecting higher claims in the Group Income portfolio, including a negative impact from Covid-19, and the reduction of the discount rate of the IFRS technical provisions to reflect the current low interest rate environment, partly compensated by the inclusion of VIVAT Non-life D&A result. The D&A combined ratio was 102.0% versus 90.9% in the second half of 2019.

The operating result in P&C increased to EUR 105 million from EUR 53 million in the second half of 2019. The current half-year reflects higher underwriting results in the Fire and Motor portfolios, including a positive impact from Covid-19, and the inclusion of VIVAT Non-life P&C result. The P&C combined ratio improved to 93.0% from 95.5% in the second half of 2019.

The increase in administrative expenses to EUR 183 million from EUR 151 million in the second half of 2019 reflects the impact of the VIVAT Non-life acquisition, partly offset by expense reductions.

The operating result of the non-insurance businesses decreased to EUR 8 million from EUR 13 million in the second half of 2019.

The result before tax of Netherlands Non-life decreased to EUR 98 million from EUR 127 million in the second half of 2019, reflecting the lower operating result, lower non-operating items and higher special items. Lower non-operating items mainly reflect lower gains on the sale of government bonds.

Full-year 2020 operating capital generation decreased to EUR 76 million from EUR 132 million in 2019. The decrease is mainly due to a higher SCR following the termination of an internal reinsurance agreement in the Individual Disability portfolio, as well as a lower underwriting result in D&A, partly offset by better results in P&C and the acquisition of VIVAT Non-life.

The full-year 2020 operating result of Netherlands Non-life increased to EUR 215 million from EUR 203 million in 2019. The increase reflects a EUR 45 million contribution of VIVAT Non-life and lower claims in P&C, partly offset by lower underwriting results in D&A. The higher underwriting results in P&C reflect a favourable claims development including a positive impact from Covid-19 and favourable run-off results. Lower underwriting results in D&A include the reduction of the discount rate of the IFRS technical provisions to reflect the current low interest rate environment and an unfavourable claims development in the Group Income and Individual Disability portfolios, partly due to Covid-19.

The full-year 2020 result before tax decreased to EUR 138 million from EUR 197 million in 2019, reflecting lower non-operating items and higher special items, partly compensated by the higher operating result. Lower non-operating items include lower results on the sale of government bonds and lower revaluations on real estate and private equity. Special items mainly reflect integration expenses.

The combined ratio for 2020 was 95.3% compared with 95.4% in 2019.

Insurance Europe

- Operating capital generation increased to EUR 135 million from EUR 121 million in the second half of 2019, mainly reflecting a higher new business contribution
- Value of new business increased to EUR 99 million from EUR 96 million in the second half of 2019, reflecting an improved life insurance business mix and higher pension sales in Slovakia
- Operating result increased to EUR 152 million from EUR 143 million in the second half of 2019, mainly driven by higher pension fees in Romania
- Full-year 2020 operating capital generation was broadly stable at EUR 253 million
- Full-year 2020 value of new business was EUR 183 million, down 10.3% from EUR 204 million in 2019, reflecting lower sales due to Covid-19 restrictions and lower interest rates
- Full-year 2020 operating result was broadly stable at EUR 285 million

In EUR million	2H20	2H19	Change	FY20	FY19	Change
Analysis of results						
Investment margin	61	53	15.5%	110	102	7.1%
Fees and premium-based revenues	363	377	-3.8%	730	737	-1.0%
Technical margin	128	119	6.8%	252	239	5.4%
Operating income non-modelled business	0	0		1	1	57.0%
Operating income Life Insurance	552	550	0.4%	1,093	1,080	1.3%
Administrative expenses	203	212	-4.6%	417	419	-0.5%
DAC amortisation and trail commissions	193	197	-2.0%	389	386	0.7%
Expenses Life Insurance	396	410	-3.3%	806	805	0.1%
Operating result Life Insurance	156	140	11.3%	287	275	4.6%
Operating result Non-life	-4	3		-3	8	
Operating result	152	143	6.3%	285	283	0.7%
Non-operating items	11	15	-29.2%	-11	51	
of which gains/losses and impairments	5	8	-29.1%	4	73	-93.9%
of which revaluations	2	8	-70.0%	-12	-20	
of which market and other impacts	3	-1		-4	-2	
Special items	-16	-18		-29	-35	
Acquisition intangibles and goodwill	0	0		0	33	
Result on divestments	-11	0		-11	0	
Result before tax	136	140	-3.3%	234	331	-29.5%
Taxation	39	37	4.2%	63	73	-13.4%
Minority interests	0	0		0	0	
Net result	97	103	-5.9%	171	259	-34.1%
New business						
Single premiums	623	553	12.6%	1,177	1,245	-5.5%
Regular premiums	264	270	-2.5%	527	550	-4.2%
New sales life insurance (APE)	326	326	0.0%	644	674	-4.4%
Value of new business	99	96	3.1%	183	204	-10.3%
Key figures						
Operating capital generation ²⁾	135	121	11.3%	253	251	1.0%
Gross premium income	1,489	1,540	-3.3%	3,001	3,073	-2.3%
Total administrative expenses (Life and Non-life)	212	218	-2.7%	432	431	0.3%

In EUR billion	31 Dec 20	30 Jun 20	Change	31 Dec 20	31 Dec 19	Change
Key figures						
Life general account invested assets	18	18	-0.3%	18	18	-0.3%
Total provisions for insurance and investment contracts	27	26	2.5%	27	27	0.7%
of which for risk policyholder	9	8	8.0%	9	8	1.9%
Assets under management pensions ²²⁾	22	20	10.4%	22	22	-0.8%
Employees (internal FTEs, end of period)	4,820	4,952	-2.7%	4,820	4,942	-2.5%

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

Operating capital generation of Insurance Europe increased to EUR 135 million from EUR 121 million in the second half of 2019, mainly driven by a higher new business contribution.

The operating result increased to EUR 152 million from EUR 143 million in the second half of 2019, mainly driven by a higher investment margin in Belgium and higher pension fees in Romania, partly offset by lower Non-life results as well as a negative Covid-19 impact of EUR 6 million.

The investment margin increased to EUR 61 million from EUR 53 million in the second half of 2019, mainly driven by a higher investment margin in Belgium.

Fees and premium-based revenues decreased to EUR 363 million from EUR 377 million in the second half of 2019. This mainly reflects lower pension performance in Slovakia and Poland, currency impacts across the region and lower fee income in Turkey, partly offset by higher pension fees in Romania.

The technical margin increased to EUR 128 million from EUR 119 million in the second half of 2019, mainly driven by a EUR 9 million non-recurring provision release in Belgium.

Administrative expenses decreased to EUR 203 million from EUR 212 million in the second half of 2019, reflecting currency impacts in Turkey and Poland and Covid-19 related cost containment measures across the region.

DAC amortisation and trail commissions decreased to EUR 193 million from EUR 197 million in the second half of 2019, mainly as a result of lower life premiums and currency impact in Turkey. This was partly offset by a EUR 8 million non-recurring item as a result of lower reinsurance commissions received related to the aforementioned provision release in Belgium.

The Non-life operating result decreased to EUR -4 million from EUR 3 million in the second half of 2019, mainly due to higher claims in Spain, as well as higher expenses in Romania and Hungary.

The result before tax decreased to EUR 136 million from EUR 140 million in the second half of 2019, reflecting a loss on the sale of the broker business in Turkey, partly offset by the higher operating result.

New sales (APE) at Insurance Europe were up 5.9% from the second half of 2019 on a constant currency basis, mainly reflecting increased pension sales in Slovakia, partly offset by lower life sales in Turkey and Belgium.

Value of new business increased to EUR 99 million from EUR 96 million in the second half of 2019, reflecting an improved life insurance business mix and higher pension sales in Slovakia.

Full-year 2020 operating capital generation was broadly stable at EUR 253 million compared with EUR 251 million in 2019, mainly reflecting a lower new business contribution in the first half of the year due to Covid-19 restrictions which was compensated by higher new business contribution in the second half.

The full-year 2020 operating result was broadly stable at EUR 285 million compared with EUR 283 million in 2019, reflecting higher technical margin across the region, higher pension fees in Romania and a higher investment margin in Belgium, partly offset by lower fees due to Covid-19 and lower Non-life results.

The result before tax for full-year 2020 decreased to EUR 234 million from EUR 331 million in 2019, which included gains on the sale of government bonds as well as negative goodwill arising from the acquired Czech and Slovak businesses.

Full-year 2020 new sales (APE) decreased to EUR 644 million from EUR 674 million in 2019, reflecting lower sales due to Covid-19 restrictions as well as negative currency impacts.

Value of new business for full-year 2020 decreased to EUR 183 million, down 10.3% from EUR 204 million in 2019, reflecting lower sales due to Covid-19 restrictions and lower interest rates.

Japan Life

- Value of new business was EUR 46 million, up from EUR 18 million in the second half of 2019, driven by the recovery in sales of COLI products
- Operating capital generation decreased to EUR 63 million from EUR 103 million in the second half of 2019, mainly reflecting the negative impact of higher new business strain as a result of higher sales
- Operating result was EUR 102 million, up 6.0% from the second half of 2019, excluding currency effects, reflecting lower DAC amortisation and trail commissions and lower administrative expenses
- Full-year 2020 value of new business decreased to EUR 75 million from EUR 146 million in 2019, reflecting lower sales, partly offset by an improved product mix
- Full-year 2020 operating capital generation decreased to EUR 133 million from EUR 173 million in 2019, which benefited from the impact of a reinsurance transaction, while 2020 reflects a positive impact of lower new business strain as a result of lower sales
- Full-year 2020 operating result was EUR 240 million, up 9.3% compared with 2019, excluding currency effects, reflecting lower DAC amortisation and trail commissions

In EUR million	2H20	2H19	Change	FY20	FY19	Change
Analysis of results						
Investment margin	-6	-9		-14	-16	
Fees and premium-based revenues	275	294	-6.3%	639	659	-3.1%
Technical margin	10	18	-44.8%	17	24	-28.4%
Operating income non-modelled business	0	0		0	0	
Operating income	279	302	-7.8%	642	667	-3.7%
Administrative expenses	73	79	-7.3%	144	148	-2.5%
DAC amortisation and trail commissions	103	123	-16.2%	258	302	-14.5%
Total expenses	176	202	-12.7%	402	449	-10.5%
Operating result	102	100	2.0%	240	218	10.3%
Non-operating items	5	-16		-27	-34	
of which gains/losses and impairments	10	-2		-7	-6	
of which revaluations	-4	-14		-20	-28	
of which market and other impacts	0	0		0	0	
Special items	-1	-2		-3	-4	
Result on divestments	0	0		0	0	
Result before tax	106	82	29.5%	210	180	16.8%
Taxation	28	21	37.4%	57	48	18.9%
Minority interests	0	0		0	0	
Net result	78	61	26.8%	152	131	16.0%
New business						
Single premiums	0	0		0	0	
Regular premiums	140	75	85.6%	263	587	-55.1%
New sales life insurance (APE)	140	75	85.6%	263	587	-55.1%
Value of new business	46	18	153.9%	75	146	-48.7%
Key figures						
Operating capital generation ²⁾	63	103	-38.9%	133	173	-23.3%
Gross premium income	1,590	1,744	-8.8%	3,728	3,939	-5.4%
Administrative expenses	73	79	-7.3%	144	148	-2.5%

In EUR billion	31 Dec 20	30 Jun 20	Change	31 Dec 20	31 Dec 19	Change
Key figures						
Life general account invested assets	17	18	-2.5%	17	17	-1.1%
Total provisions for insurance and investment contracts	17	18	-1.8%	17	17	2.6%
of which for risk policyholder	0	0	7.8%	0	0	
Employees (internal FTEs, end of period)	855	848	0.8%	855	820	4.3%

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

Value of new business of Japan life was EUR 46 million, up from EUR 18 million in the second half of 2019, driven by the recovery in sales of COLI products.

Operating capital generation decreased to EUR 63 million from EUR 103 million in the second half of 2019. This mainly reflects the negative impact of a higher new business strain as a result of higher sales following new COLI product launches reflecting the revised tax regulations and despite Covid-19 restrictions, as well as a lower in-force contribution as a result of lower sales in previous periods.

The operating result was EUR 102 million, up 6.0% from the second half of 2019, excluding currency effects, reflecting lower DAC amortisation and trail commissions and lower administrative expenses, partly offset by the negative impact of Covid-19 of EUR 4 million.

Fees and premium-based revenues were EUR 275 million, down 2.6% from the second half of 2019, excluding currency effects, due to lower in-force premium affected by low sales following the revision of tax regulations in 2019, partly offset by higher new business sales.

The technical margin was EUR 10 million, down from EUR 18 million in the second half of 2019, mainly due to a lower surrender margin.

Administrative expenses were EUR 73 million, down 3.7% from the second half of 2019, excluding currency effects, reflecting various expense measures as well as lower sales-related expenses due to the Covid-19 restrictions.

DAC amortisation and trail commissions were EUR 103 million, down 12.8% from the second half of 2019, excluding currency effects, driven by lower surrenders reflecting the increased persistency.

The result before tax was EUR 106 million, up by EUR 27 million compared with the second half of 2019 excluding currency effects, driven by higher non-operating items reflecting gains on the sale of securities in the second half of 2020 as well as lower hedging costs.

New sales (APE) increased to EUR 140 million from EUR 73 million in the second half of 2019, excluding currency effects, reflecting the recovery in sales of COLI products from low sales following the revised tax regulations and despite Covid-19 restrictions.

Full-year 2020 value of new business decreased to EUR 75 million from EUR 146 million in 2019, reflecting lower sales, partly offset by an improved product mix.

Full-year 2020 operating capital generation decreased to EUR 133 million from EUR 173 million in 2019, which benefited from the impact of a reinsurance transaction. The current period reflects the positive impact of lower new business strain as a result of lower sales following the revision of tax regulations of COLI products as well as Covid-19 restrictions, partly offset by a lower in-force contribution as a result of lower sales.

The full-year 2020 operating result was EUR 240 million, up 9.3% compared with 2019, excluding currency effects. The increase was primarily driven by lower DAC amortisation and trail commissions reflecting the increased persistency as well as lower administrative expenses, partly offset by the negative impact of Covid-19 of EUR 13 million.

The result before tax for full-year 2020 was EUR 210 million, up 16.3% compared with 2019, excluding currency effects, reflecting the higher operating result and higher non-operating items.

New sales (APE) for full-year 2020 were EUR 263 million, down 55.9% from 2019, excluding currency effects, due to lower sales following the revised tax regulations of COLI products, as well as Covid-19 restrictions.

Asset Management

- Operating capital generation of EUR 53 million in the second half of 2020 mainly reflecting the net result, compared with EUR 60 million in the second half of 2019
- Total Assets under Management (AuM) increased to EUR 300 billion compared with EUR 285 billion at the end of the first half of 2020 driven by positive market performance and net inflows
- Operating result decreased to EUR 78 million from EUR 85 million in the second half of 2019 due to lower fees and higher administrative expenses
- Full-year 2020 operating capital generation of EUR 103 million mainly reflecting the net result, compared with EUR 122 million in 2019 which included non-recurring benefits
- Full-year 2020 operating result was EUR 152 million compared with EUR 161 million in 2019 reflecting lower fees, as well as higher administrative expenses

In EUR million	2H20	2H19	Change	FY20	FY19	Change
Analysis of results						
Investment income	-2	-1		-3	1	
Fees	224	228	-1.7%	440	443	-0.6%
Operating income	222	227	-2.1%	438	444	-1.4%
Administrative expenses	144	142	1.2%	286	283	0.9%
Operating result	78	85	-7.8%	152	161	-5.3%
Non-operating items	0	0		0	0	
of which gains/losses and impairments	0	0		0	0	
of which revaluations	0	0		0	0	
of which market and other impacts	0	0		0	0	
Special items	0	-9		0	-15	
Result on divestments	0	0		0	0	
Result before tax	78	76	2.6%	152	146	4.5%
Taxation	18	19	-4.8%	37	35	5.0%
Minority interests	2	2	2.6%	4	2	98.3%
Net result	58	55	5.2%	111	108	2.5%
Key figures						
Operating capital generation ²⁾	53	60	-11.0%	103	122	-15.2%
Administrative expenses	144	142	1.2%	286	283	0.9%
Cost/income ratio (Administrative expenses/Operating income)	64.9%	62.7%		65.2%	63.8%	
Fees/average Assets under Management (bps) ²³⁾	15	17		15	17	

In EUR billion	31 Dec 20	30 Jun 20	Change	31 Dec 20	31 Dec 19	Change
Key figures						
Assets under Management	300	285	5.2%	300	276	8.6%
Employees (internal FTEs, end of period)	955	943	1.3%	955	941	1.4%
AuM roll-forward						
Beginning of period	285	276	3.2%	276	246	12.3%
Net inflow	6	1		7	2	
Acquisition / Divestments / Transfers	0	3		3	0	
Market performance (incl. FX impact) and other	9	5		14	29	
End of period	300	285	5.2%	300	276	8.6%

Operating capital generation of Asset Management was EUR 53 million in the second half of 2020 mainly reflecting the net result, compared with EUR 60 million in the second half of 2019.

Total Assets under Management (AuM) increased to EUR 300 billion at the end of 2020 from EUR 285 billion at 30 June 2020, driven by positive market performance of EUR 9.1 billion as well as net inflows of EUR 5.7 billion. Positive market performance reflects the impact of lower interest rates, as well as higher equity markets. The second half of 2020 saw net inflows in Third Party (EUR 10.1 billion) mainly in fixed income and EMD strategies, as well as in Other affiliates (EUR 0.2 billion), partly offset by net outflows in Proprietary (EUR 4.6 billion) mainly due to the run-off of the NN Life book.

The operating result decreased to EUR 78 million from EUR 85 million in the second half of 2019 due to lower fees, as well as higher administrative expenses.

Fees were EUR 224 million, down from EUR 228 million in the second half of 2019. The decrease reflects the asset mix moving more to lower-margin strategies as well as fee pressure, partly offset by higher average AuM.

Administrative expenses increased to EUR 144 million compared with EUR 142 million in the second half of 2019, primarily due to higher staff-related costs partly compensated by lower other expenses.

The result before tax increased to EUR 78 million compared with EUR 76 million in the second half of 2019 driven by lower special items, partly offset by the lower operating result.

Full-year 2020 operating capital generation was EUR 103 million mainly reflecting the net result, compared with EUR 122 million in 2019 which included non-recurring benefits.

The full-year 2020 operating result was EUR 152 million compared with EUR 161 million in 2019. The decrease reflects lower fees, as well as higher administrative expenses.

The result before tax for 2020 increased to EUR 152 million from EUR 146 million in 2019 driven by lower special items, partly offset by the lower operating result.

Banking

- Net operating Return on Equity (RoE) of Banking decreased to 12.8% compared with 18.1% in the second half of 2019, reflecting a lower net operating result and higher equity
- Operating capital generation of EUR 0 million compared with EUR 26 million in the second half of 2019 due to the suspension of dividend payments in 2020 in accordance with the recommendations of the Dutch regulator
- Operating result decreased to EUR 74 million from EUR 92 million in the second half of 2019, which included EUR 26 million of non-recurring benefits
- Full-year 2020 net operating RoE decreased to 13.8% compared with 15.0% for 2019, reflecting higher equity partly offset by a higher net operating result
- Full-year 2020 operating capital generation of EUR 0 million compared with EUR 82 million in 2019 due to the suspension of dividend payments in 2020 in accordance with the recommendations of the Dutch regulator
- Full-year 2020 operating result increased to EUR 154 million from EUR 152 million in 2019, which included EUR 26 million of non-recurring benefits, while 2020 reflects EUR 7 million of non-recurring benefits as well as a higher interest result

In EUR million	2H20	2H19	Change	FY20	FY19	Change
Analysis of results						
Interest result	141	132	6.5%	280	259	8.4%
Commission income	30	18	68.5%	48	35	36.6%
Total investment and other income	17	47	-64.1%	45	67	-33.6%
Operating income	187	197	-4.9%	373	361	3.3%
Operating expenses	103	100	2.5%	195	192	1.6%
Regulatory levies	8	7	10.9%	20	17	17.7%
Addition to loan loss provision	3	-2		3	-1	
Total expenses	114	105	8.3%	219	209	4.9%
Operating result	74	92	-20.0%	154	152	1.1%
Non-operating items	27	-11		27	-14	
of which gains/losses and impairments	8	3	157.3%	11	7	47.3%
of which revaluations	0	0		0	0	
of which market and other impacts	19	-14		17	-21	
Special items	-7	-6		-14	-15	
Result before tax	93	74	25.3%	167	123	35.4%
Taxation	16	17	-4.0%	35	30	15.9%
Minority interests	0	0		0	0	
Net result	77	58	33.8%	132	93	41.7%
Key figures						
Operating capital generation ²⁾	0	26		0	82	
Total administrative expenses ²⁴⁾	111	108	3.0%	216	210	2.9%
Cost/income ratio ²⁵⁾	54.7%	50.8%		52.4%	53.3%	
Net Interest Margin (NIM) ²⁶⁾	1.13%	1.11%				
Net operating RoE ²⁷⁾	12.8%	18.1%		13.8%	15.0%	

In EUR billion	31 Dec 20	30 Jun 20	Change	31 Dec 20	31 Dec 19	Change
Key figures						
CET1 ratio ¹¹⁾	17.4%	16.7%		17.4%	15.7%	
Total capital ratio ¹¹⁾	18.9%	18.1%		18.9%	17.2%	
Risk Weighted Assets (RWA) ¹¹⁾	6	6	0.9%	6	6	1.8%
Savings and deposits	16	16	1.4%	16	15	4.4%
Mortgages	20	20	0.3%	20	19	3.4%
Total assets	25	25	3.4%	25	25	3.3%
Employees (internal FTEs, end of period)	919	875	5.1%	919	847	8.5%

Net operating Return on Equity (RoE) of Banking decreased to 12.8% compared with 18.1% in the second half of 2019, reflecting a lower net operating result and higher equity.

Operating capital generation reflects the dividends of the Banking segment to the holding and was EUR 0 million in the second half of 2020 compared with EUR 26 million in the second half of 2019, due to the suspension of dividend payments in accordance with the recommendation of the Dutch regulator.

The operating result decreased to EUR 74 million from EUR 92 million in the second half of 2019, which included EUR 26 million of non-recurring premiums on mortgage sales to the NN IP Dutch Residential Mortgage Fund while the current period reflects a higher interest result. The negative Covid-19 impact in the second half of 2020 was EUR 2 million, reflecting higher operating expenses for acceptance and arrears management.

The interest result increased to EUR 141 million from EUR 132 million in the second half of 2019, mainly reflecting lower funding costs and higher penalty interest received on a higher volume of mortgage redemptions, partly offset by lower mortgage rates. The net interest margin (NIM), calculated on a four-quarter rolling average, remained broadly stable at 1.13%.

Commission income increased to EUR 30 million from EUR 18 million in the second half of 2019. The current period includes EUR 11 million of mortgage origination fees from the NN IP Dutch Residential Mortgage Fund previously reported under Investment and other income.

Total investment and other income decreased to EUR 17 million, compared with EUR 47 million in the second half of 2019 which included EUR 26 million of non-recurring benefits relating to premiums on mortgage sales, as well as mortgage origination fees from the NN IP Dutch Residential Mortgage Fund which are now reported under Commission income.

Operating expenses increased to EUR 103 million from EUR 100 million in the second half of 2019 due to the additional expenses incurred as a result of Covid-19.

The addition to loan loss provision was EUR 3 million versus a release of EUR 2 million in the second half of 2019, mainly reflecting new regulatory guidelines introducing a revised definition of loan default, offset by higher house prices.

The result before tax increased to EUR 93 million from EUR 74 million in the second half of 2019, which included lower non-operating items reflecting the premium paid on the repurchase of Hypenn I RMBS notes in July 2019.

The full-year 2020 net operating RoE of Banking decreased to 13.8% compared with 15.0% for 2019, reflecting higher equity partly offset by a higher net operating result.

Full-year 2020 operating capital generation of EUR 0 million compared with EUR 82 million in 2019 due to the suspension of dividend payments in 2020 in accordance with the recommendations of the Dutch regulator.

The full-year 2020 operating result increased to EUR 154 million from EUR 152 million in 2019, which included EUR 26 million of non-recurring premiums on mortgage sales to the NN IP Dutch Residential Mortgage Fund, while 2020 included EUR 7 million of such non-recurring benefits. Excluding these items, the higher 2020 operating result was mainly driven by a higher interest result, partly offset by higher operating expenses reflecting the impact of Covid-19.

The full-year 2020 result before tax increased to EUR 167 million from EUR 123 million in 2019, mainly reflecting higher non-operating items.

Other

- Operating capital generation of EUR -81 million compared with EUR -70 million in the second half of 2019, which benefited from a reinsurance transaction with Japan Life
- Operating result was EUR -47 million versus EUR -56 million in the second half of 2019, mainly reflecting the higher operating result of the reinsurance business, partly offset by lower other results
- Operating result of the reinsurance business increased to EUR 17 million from EUR 0 million in the second half of 2019, as the current period includes an EUR 8 million release of the claims reserve related to Netherlands Non-life's Disability portfolio, while the same period in 2019 included EUR 9 million of claims related to Netherlands Non-life's Disability portfolio
- Full-year 2020 operating capital generation of EUR -214 million compared with EUR -180 million in 2019, which benefited from a reinsurance transaction with Japan Life
- Full-year 2020 operating result was EUR -151 million compared with EUR -144 million in 2019, mainly due to lower other results
- Full-year 2020 operating result of the reinsurance business was EUR -8 million compared with EUR -5 million in 2019, as claims related to Netherlands Non-life's Disability portfolio amounted to EUR 31 million in 2020 versus EUR 22 million in 2019, while 2019 also included a large claim from a legacy reinsurance portfolio

In EUR million	2H20	2H19	Change	FY20	FY19	Change
Analysis of results						
Interest on hybrids and debt ²⁸⁾	-54	-54		-108	-108	
Investment income and fees	52	53	-2.4%	107	105	2.4%
Holding expenses	-63	-64		-142	-145	
Amortisation of intangible assets	0	0		0	0	
Holding result	-65	-65		-143	-148	
Operating result reinsurance business	17	0		-8	-5	
Other results	1	10	-85.6%	0	10	-99.0%
Operating result	-47	-56		-151	-144	
Non-operating items	-8	-11		-10	-9	
of which gains/losses and impairments	17	1		12	8	59.6%
of which revaluations	6	2	282.7%	7	-1	
of which market and other impacts	-31	-13		-29	-16	
Special items	-40	-42		-75	-69	
Acquisition intangibles and goodwill	-11	-16		-24	-32	
Result on divestments	111	0		111	4	
Result before tax	6	-124		-149	-251	
Taxation	-88	-56		-131	-92	
Minority interests	0	0		0	0	
Net result	94	-68		-18	-158	
Key figures						
Operating capital generation ²⁾	-81	-70		-214	-180	
Total administrative expenses	70	74	-5.8%	153	158	-3.3%
of which reinsurance business	5	3	37.1%	8	7	27.3%
of which corporate/holding	65	71	-7.8%	144	152	-4.7%

	31 Dec 20	30 Jun 20	Change	31 Dec 20	31 Dec 19	Change
Key figures						
Employees (internal FTEs, end of period)	1,794	1,722	4.2%	1,794	1,700	5.5%
Key figures Japan Closed Block VA						
Account value	1,691	1,691	-0.0%	1,691	1,865	-9.3%
Net Amount at Risk	20	78	-74.2%	20	34	-40.3%
Number of policies	17,888	19,105	-6.4%	17,888	20,047	-10.8%

Operating capital generation of the segment Other was EUR -81 million compared with EUR -70 million in the second half of 2019, which benefited from a reinsurance transaction with Japan Life, while the current period reflects a release of SCR following the termination of an internal reinsurance agreement with Netherlands Non-life.

The operating result was EUR -47 million versus EUR -56 million in the second half of 2019, mainly reflecting the higher operating result of the reinsurance business, partly offset by lower other results. The negative impact of Covid-19 was EUR 11 million for the second half of the year, related to the reinsurance business.

The holding result was stable at EUR 65 million.

The operating result of the reinsurance business increased to EUR 17 million from EUR 0 million in the second half of 2019. The current period reflects an EUR 8 million release of the claims reserve related to Netherlands Non-life's Disability portfolio, while the same period in 2019 included EUR 9 million of claims related to Netherlands Non-life's Disability portfolio.

Other results decreased to EUR 1 million from EUR 10 million in the second half of 2019, which included a net release of provisions of EUR 12 million, while the current half year includes a net release of provisions of EUR 7 million both related to a legacy entity.

The result before tax of the segment Other increased to EUR 6 million from EUR -124 million in the second half of 2019, mainly driven by the result on divestments reflecting a provision release following the completion of a tax audit on ING Australia Holdings.

Full-year 2020 operating capital generation was EUR -214 million compared with EUR -180 million in 2019, which benefited from a reinsurance transaction with Japan Life, while the current period reflects a release of SCR following the termination of an internal reinsurance agreement with Netherlands Non-life.

The full-year 2020 operating result was EUR -151 million compared with EUR -144 million in 2019 mainly due to lower other results.

The full-year 2020 holding result improved to EUR -143 million from EUR -148 million in 2019, reflecting lower holding expenses and higher investment income and fees.

The operating result of the reinsurance business for full-year 2020 was EUR -8 million compared with EUR -5 million in 2019. Claims related to Netherlands Non-life's Disability portfolio amounted to EUR 31 million in 2020 versus EUR 22 million in 2019, while 2019 also included a large claim from a legacy reinsurance portfolio.

Other results in 2020 were EUR 0 million compared with EUR 10 million in 2019, which included a higher net release of provisions related to a legacy entity.

The full-year 2020 result before tax of the segment Other was EUR -149 million compared with EUR -251 million in 2019, mainly driven by the result on divestments reflecting a provision release following the completion of a tax audit on ING Australia Holdings.

Consolidated Balance Sheet

- Total assets of NN Group increased by EUR 1.5 billion in the second half of 2020 to EUR 263.7 billion, reflecting the impact of lower interest rates and higher equity markets
- Shareholders' equity increased by EUR 1.6 billion to EUR 36.7 billion, reflecting increased revaluation reserves as a result of lower interest rates

In EUR million	31 Dec.20	30 Jun.20	31 Dec.19		31 Dec.20	30 Jun.20	31 Dec.19
Assets				Equity and liabilities			
Cash and cash equivalents	12,382	12,388	6,436	Shareholders' equity (parent)	36,731	35,117	30,768
Financial assets at fair value through profit or loss				Minority interests	277	256	260
- investments for risk of policyholders	34,797	32,288	34,433	Undated subordinated notes	1,764	1,764	1,764
- non-trading derivatives	14,833	16,431	10,189	Total equity	38,772	37,137	32,792
- designated as at fair value through profit or loss	1,336	1,344	1,184	Subordinated debt	2,383	2,396	2,409
Available-for-sale investments	118,175	118,202	117,644	Debt securities issued	1,694	1,693	1,992
Loans	65,428	64,580	61,768	Other borrowed funds	7,542	7,027	7,614
Reinsurance contracts	1,063	1,173	988	Insurance and investment contracts	170,672	170,204	168,251
Associates and joint ventures	5,673	5,396	5,457	Customer deposits and other funds on deposit	15,803	15,598	15,161
Real estate investments	2,444	2,561	2,571	Financial liabilities at fair value through profit or loss			
Property and equipment	448	471	465	- non-trading derivatives	4,012	4,480	3,232
Intangible assets	1,063	1,093	995	Liabilities held for sale	93	0	0
Deferred acquisition costs	1,871	1,934	1,913	Deferred tax liabilities	6,329	5,185	4,030
Assets held for sale	113	0	0	Other liabilities	16,438	18,549	13,116
Deferred tax assets	73	82	84	Total liabilities	224,966	225,132	215,805
Other assets	4,039	4,326	4,470	Total equity and liabilities	263,738	262,269	248,597
Total assets	263,738	262,269	248,597				

Assets

Investments for risk of policyholders

The investments for risk of policyholders increased by EUR 2.5 billion in the second half of 2020 to EUR 34.8 billion, driven by higher equity markets.

Available-for-sale investments

The Available-for-sale investments were stable at EUR 118.2 billion in the second half of 2020 as higher equity markets were largely offset by reinvestments in loans.

Liabilities

Insurance and investment contracts

Insurance and investment contracts increased by EUR 0.5 billion in the second half of 2020 to EUR 170.7 billion, mainly driven by the increase in liabilities for life insurance for risk of policyholders partly offset by a decrease in life insurance liabilities for risk of the company driven by portfolio movements.

Other liabilities

The decrease of Other liabilities of EUR 2.1 billion in the second half of 2020 to EUR 16.4 billion mainly reflects lower cash collateral due to transactions in derivatives used for hedging purposes.

Equity

Shareholders' equity increased by EUR 1.6 billion in the second half of 2020 to EUR 36.7 billion, reflecting increased revaluations reserves as a result of lower interest rates.

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

In EUR million	2H20	FY20	FY19
Shareholders' equity beginning of period	35,117	30,768	22,850
Net result for the period	1,317	1,904	1,962
Unrealised revaluations available-for-sale investments and other	1,881	3,106	4,471
Realised gains/losses transferred to the profit and loss account	-423	-574	-286
Change in cash flow hedge reserve	-327	3,422	4,284
Deferred interest credited to policyholders	-11	-750	-1,403
Share of other comprehensive income of associates and joint ventures	1	5	-4
Exchange rate differences	-75	-110	53
Remeasurement of the net defined benefit asset/liability	7	6	-38
Dividend	-394	-394	-387
Purchase/sale treasury shares	-364	-622	-707
Employee stock option & share plans	2	1	2
Coupon on undated subordinated notes	0	-59	-59
Other	0	28	30
Total changes	1,614	5,963	7,918
Shareholders' equity end of period	36,731	36,731	30,768

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

In EUR million	31 Dec 20	30 Jun 20	31 Dec 19
Share capital	39	38	41
Share premium	12,574	12,575	12,572
Revaluation reserve available-for-sale investments and other	8,248	6,786	6,471
Cash flow hedge reserve	12,220	12,547	8,798
Currency translation reserve	-97	-3	3
Net defined benefit asset/liability remeasurement reserve	-138	-145	-144
Retained earnings and other reserves	3,885	3,319	3,027
Shareholders' equity (parent)	36,731	35,117	30,768
Minority interests	277	256	260
Undated subordinated notes	1,764	1,764	1,764
Total equity	38,772	37,137	32,792

Footnotes reference page

- 1) The pro forma total dividend for 2020 of EUR 2.33 per ordinary share comprises the proposed 2020 final dividend of EUR 1.47 per ordinary share plus the regular 2020 interim dividend of EUR 0.86 per ordinary share. The interim dividend of EUR 2.26 per ordinary share paid by NN Group in September 2020 comprised (i) EUR 1.40 per ordinary share, equal to the amount of the 2019 final dividend that was suspended in April 2020 plus (ii) EUR 0.86 per ordinary share, equal to the regular 2020 interim dividend calculated in accordance with the NN Group dividend policy.
- 2) NN Group analyses the change in the excess of Solvency II Own Funds over the Solvency Capital Requirement ("SCR") in the following components: Operating Capital Generation, Market variance, Capital flows and Other. Operating Capital Generation is the movement in the solvency surplus (Own Funds before eligibility over SCR at 100%) in the period due to operating items, including the impact of new business, expected investment returns in excess of the unwind of liabilities, release of the risk margin, operating variances, non-life underwriting result, contribution of non-Solvency II entities and holding expenses and debt costs and the change in the SCR. It excludes economic variances, economic assumption changes and non-operating expenses.
- 3) Operating result is an Alternative Performance Measure. This measure is derived from figures according to IFRS-EU. The operating result is derived by adjusting the reported result before tax to exclude the impact of result on divestments, the amortisation of acquisition intangibles, discontinued operations and special items, gains/losses and impairments, revaluations and market and other impacts. Alternative Performance Measures are non-IFRS-EU measures that have a relevant IFRS-EU equivalent. For definitions and explanations of the Alternative Performance Measures reference is made to the section 'Alternative Performance measures (Non-GAAP measures)' in the NN Group N.V. 30 June 2020 Condensed consolidated interim financial information.
- 4) The solvency ratios are not final until filed with the regulators. The Solvency II ratios for NN Group and NN Life are based on the partial internal model.
- 5) The target indicates the number of our insurance business units scoring above the NPS market average. Japan will be included as of 2H20. Numbers are based on the Net Promoter Score (NPS), an internationally used method that measures customer satisfaction. It specifically assesses whether customers would recommend the company to friends or colleagues.
- 6) Both Customer engagement and Brand consideration metrics are part of the broader research called Global Brand Health Monitor, which provide a general overview of the NN brand and its position in all of its markets. The question posed to calculate the brand consideration rate is: 'If you were to take out a life insurance for yourself, which of the companies below would you consider?'. From 2H20, NN Group brand consideration score is based on adjusted relative weights of the business units in Insurance International, resulting in a restatement of the 1H20 brand consideration score to 21% (from 19%). 2H19 score is based on the average brand consideration score from 2017 to 2019.
- 7) We measure our employee engagement in our (semi) annual employee survey in which we want to hear views of our employees on how we are doing as a company, how they feel about working at NN, and how we can make our company an even better place to work. The metric indicates on a scale from 0 to 10 how likely it is that someone will recommend NN as an employer.
- 8) Indicates the percentage of AuM where environmental, social and governance (ESG) factors are integrated in the investment process in a documented and consistent way.
- 9) Basic earnings per ordinary share is calculated as the net result, adjusted to reflect the deduction of the accrued coupon on undated subordinated notes classified in equity, divided by the weighted average number of ordinary shares outstanding (net of treasury shares).
- 10) Excluding non-insurance businesses (health business and broker business).
- 11) The Common Equity Tier 1 (CET1) ratio, Total capital ratio and Risk Weighted Assets (RWA) are not final until filed with the regulators.
- 12) Other comprises Europe pension funds as well as broker and services companies.
- 13) Includes interest on subordinated loans provided to subsidiaries by the holding company.
- 14) Includes the change of subordinated loans provided to subsidiaries by the holding company.
- 15) Includes interest on subordinated loans and debt, holding company expenses and other cash flows.
- 16) Free cash flow to the holding company is defined as the change in cash capital position of the holding company over the period, excluding acquisitions, capital transactions with shareholders and debtholders.
- 17) Includes revaluations on debt securities, on the cash flow hedge reserve and on the reserves crediting to life policyholders.
- 18) The fixed-cost coverage ratio measures the ability of NN Group to pay its fixed financing expenses and is defined as the earnings before interest and tax (EBIT) divided by interest before tax on financial leverage; calculated on a last 12-months basis. Special items, revaluations on derivatives that are non-eligible for hedge accounting, market and other impacts, amortization of acquisition intangibles are excluded from EBIT.
- 19) The undated subordinated notes classified as equity are considered financial leverage in the calculation of the financial leverage ratio. The related interest is included on an accrual basis in the calculation of the fixed-cost coverage ratio.
- 20) Assets under Management (AuM) DC business total includes both the AuM DC business in accumulation phase and AuM DC business in decumulation phase. For the latter the IFRS insurance liabilities are used as a proxy for the AuM.
- 21) Including non-insurance businesses (health business and broker business).
- 22) The numbers shown under AuM are client balances which exclude IFRS shareholders' equity related to the respective pension businesses and include the assets under administration.
- 23) Fees/average Assets under Management (bps) is calculated as the (annualised) fees, divided by average AuM at the beginning and end of the half-year reporting period. The comparative figures have been restated accordingly.
- 24) Operating expenses plus regulatory levies.
- 25) Cost/income ratio is calculated as Operating expenses divided by Operating income.
- 26) Four-quarter rolling average.
- 27) Net operating RoE is calculated as the (annualised) net operating result of the segment, divided by (average) adjusted allocated equity. Adjusted allocated equity is an Alternative Performance Measure. It is derived from IFRS equity by excluding revaluation reserves. Reference is made to the section 'Alternative Performance measures (Non-GAAP measures)' in the NN Group N.V. 30 June 2020 Condensed consolidated interim financial information. As from 2H19, the average adjusted allocated equity is calculated based on the average of the adjusted allocated equity at the beginning and end of the half-year reporting period. Prior-period numbers were calculated on a quarterly basis and have not been restated.
- 28) Does not include interest costs on subordinated debt treated as equity.
- 29) The year-end 2019 NN Group Solvency II ratio was restated to reverse the deduction of the proposed 2019 final dividend following the decision to suspend dividend payments in light of the recommendations of EIOPA and the Dutch Central Bank (DNB).
- 30) NN Bank is included in the calculation of the NN Group Solvency II ratio as of the end of 2020.

NN Group profile

NN Group is an international financial services company, active in 20 countries, with a strong presence in a number of European countries and Japan. With all its employees, the Group provides retirement services, pensions, insurance, investments and banking to approximately 18 million customers. NN Group includes Nationale-Nederlanden, NN, NN Investment Partners, ABN AMRO Insurance, Movir, AZL, BeFrank and OHRA. NN Group is listed on Euronext Amsterdam (NN).

Press call

David Knibbe (CEO), Delfin Rueda (CFO) and Bernhard Kaufmann (CRO) will host a press call to discuss the 2H20 results at 07:45 am CET on Thursday 18 February 2021. Journalists can join the press call at +31 20 531 5863 (NL).

Analyst and investor call

David Knibbe (CEO) and Delfin Rueda (CFO) will host an analyst and investor conference call to discuss the 2H20 results at 10:00 am CET on Thursday 18 February 2021. Members of the investment community can join the conference call at +31 20 531 5865 (NL), +44 203 365 3210 (UK), +1 866 349 6093 (US) or follow the webcast on www.nn-group.com.

Financial calendar

- AGM: 20 May 2021
- Publication 1H21 results: 12 August 2021

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- NN Group 2H20 Financial Supplement, NN Group 2H20 Analyst presentation, NN Group Company profile and NN Group ESG presentation
- Photos of NN Group executives, buildings and events are available for download at [Flickr](#)

Important legal information

Elements of this press release contain or may contain information about NN Group N.V. within the meaning of Article 7(1) to (4) of EU Regulation No 596/ 2014 (Market Abuse Regulation). NN Group's Consolidated Annual Accounts are prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS-EU") and with Part 9 of Book 2 of the Dutch Civil Code. In preparing the financial information in this document, the same accounting principles are applied as in the NN Group N.V. condensed consolidated interim accounts for the period ended 30 June 2020. The Annual Accounts for 2020 are in progress and may be subject to adjustments from subsequent events. All figures in this document are unaudited. Small differences are possible in the tables due to rounding. Certain of the statements contained herein are not historical facts, including, without limitation, certain statements made of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Actual results, performance or events may differ materially from those in such statements due to, without limitation: (1) changes in general economic conditions, in particular economic conditions in NN Group's core markets, (2) the effects of the Covid-19 pandemic and related response measures, including lockdowns and travel restrictions, on economic conditions in countries in which NN Group operates, on NN Group's business and operations and on NN Group's employees, customers and counterparties (3) changes in performance of financial markets, including developing markets, (4) consequences of a potential (partial) break-up of the euro or European Union countries leaving the European Union, (5) changes in the availability of, and costs associated with, sources of liquidity as well as conditions in the credit markets generally, (6) the frequency and severity of insured loss events, (7) changes affecting mortality and morbidity levels and trends, (8) changes affecting persistency levels, (9) changes affecting interest rate levels, (10) changes affecting currency exchange rates, (11) changes in investor, customer and policyholder behaviour, (12) changes in general competitive factors, (13) changes in laws and regulations and the interpretation and application thereof, (14) changes in the policies and actions of governments and/or regulatory authorities, (15) conclusions with regard to accounting assumptions and methodologies, (16) changes in ownership that could affect the future availability to NN Group of net operating loss, net capital and built-in loss carry forwards, (17) changes in credit and financial strength ratings, (18) NN Group's ability to achieve projected operational synergies, (19) catastrophes and terrorist-related events, (20) adverse developments in legal and other proceedings and (21) the other risks and uncertainties contained in recent public disclosures made by NN Group. Any forward-looking statements made by or on behalf of NN Group speak only as of the date they are made, and NN Group assumes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information or for any other reason. This document does not constitute an offer to sell, or a solicitation of an offer to buy, any securities.