

30 June 2023

Condensed consolidated interim financial information

Nationale-Nederlanden Bank N.V.

Condensed consolidated interim financial information contents

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Interim report

Overview

NN Group and NN Bank at a glance

NN Group

NN Group N.V. (NN Group) is an international financial services company, active in 11 countries, with a strong presence in a number of European countries and Japan. Led by our purpose and ambition, guided by our values and brand promise and driven by our strategic commitments, we are committed to creating long-term value for all our stakeholders: customers, shareholders, employees, business partners and society at large. With all our employees, we provide retirement services, pensions, insurance, investments and banking products to approximately 20 million customers. We are a leading financial services provider in the Netherlands. We provide our products and services under the following brand names: Nationale-Nederlanden, Woonnu, OHRA, Movir, AZL and BeFrank, as well as via our joint venture, ABN AMRO Verzekeringen. Our roots lie in the Netherlands, with a rich history that stretches back 175 years. NN Group is listed on Euronext Amsterdam (NN).

NN Bank

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

At 30 June 2023, NN Bank had two fully owned subsidiaries:

- *Woonnu B.V.*, with a registered office in The Hague and separate AFM licence. Through Woonnu B.V., NN Bank originates mortgage loans under a separate label and via a third-party mortgage servicer.
- *HQ Hypotheken 50 B.V.*, with registered office in Rotterdam. Through this subsidiary, NN Bank offered mortgage loans to customers via a third-party mortgage servicer. This is a closed-book mortgage portfolio.

The Hypenn RMBS entities (I and VII) and NN Covered Bond Company B.V. have been consolidated as group companies, since NN Bank has control over these entities, but these special-purpose entities (SPEs) are not subsidiaries of NN Bank.

Main developments

Key figures

Amounts in millions of euros	31 December	
	30 June 2023	2022
Loans	20,897	20,335
Customer deposits and other funds on deposit	16,304	16,228
Total assets	24,524	24,160
CET1 capital	1,017	981
CET1 ratio ¹	15.8%	15.3%
Total capital ¹	1,102	1,066
Total capital ratio ¹	17.1%	16.6%
Leverage ratio	3.9%	3.8%
Liquidity Coverage Ratio (LCR)	159%	183%
Average number of internal FTE	1,027	974

Amounts in millions of euros	1 January to	
	30 June 2023	30 June 2022
Interest result	202.0	118.5
Net result	64.8	49.9
Net interest margin ²	1.66%	0.97%
Cost/Income ratio ²	54.5%	55.6%
Return on assets ²	0.5%	0.4%
Return on equity ²	12.0%	9.5%

1 'Total capital' would be EUR 1,147 million, 'CET1 ratio' would be 16.5% and 'Total capital ratio' would be 17.8% after inclusion of the net result less the payment of the proposed interim dividend for the first half of 2023.

2 These ratios are calculated as follows:

'Net interest margin': interest result divided by the average total assets in a year (for reference, see Note 12 'Interest result').

'Cost/Income ratio': staff expenses plus other operating expenses divided by total income.

'Return on assets': net result divided by the average total assets in a year.

'Return on equity': net result divided by the average equity in a year.

Key financial developments

NN Bank reported a Net result of EUR 64.8 million for the first half of 2023, compared with EUR 49.9 million in the first half of 2022. This is mainly driven by a higher Interest result, partly offset by lower commission income, a lower valuation result on derivatives and higher staff expenses.

Net interest income was EUR 202.0 million in the first half of 2023, compared with EUR 118.5 million in the first half of 2022. This is mainly driven by the increased interest margins on liabilities, partly offset by decreasing margins on new mortgages and lower prepayments on the mortgage portfolio. The net interest margin increased from 0.97% in the first half of 2022 to 1.66% in the first half of 2023.

Net fee and commission income decreased from EUR 58.6 million in the first half of 2022 to EUR 32.5 million in the same period this year, as we originated fewer NN Mortgage loans for investors.

Impairment charges on financial instruments show a higher net release in the first half of 2023 compared to the same period in 2022, which is equivalent to -1.2 basis points compared to -0.9 basis points in the first half of 2022. This mainly reflects the limited impact of inflation and interest rate movement in the first half of 2023 on our Credit Risk profile.

Total expenses have increased by EUR 10.8 million, mainly due to higher project costs for ongoing digitalisation, our strategic priorities and investments in our capabilities to combat financial economic crime. The Cost/Income ratio improved from 55.6% in the first half of 2022 to 54.5% in the first half of 2023, reflecting a higher Total income, partly offset by higher operating expenses.

Interim report continued

The return on equity increased from 9.5% in the first half of 2022 to 12.0% in the first half of 2023, reflecting the higher Net result.

The Bank's capital and liquidity positions remain strong. The Common Equity Tier 1 (CET1) ratio was 15.8% and Total capital ratio was 17.1% at 30 June 2023, compared with 15.3% and 16.6%, respectively, at 31 December 2022. The increase in the capital ratios was mainly the result of retaining net profit, since the capital requirement increased due to the introduction of the countercyclical capital buffer (CCyB). The Risk Weighted Assets (RWA) increased from EUR 6,408 million at 31 December 2022 to EUR 6,427 million at 30 June 2023. The leverage ratio increased from 3.8% at year-end 2022 to 3.9% at 30 June 2023.

In February 2022, DNB released its updated CCyB framework. As per May 2023, the CCyB increased to 1%, increasing the target for the Total capital ratio to 16.7%. As DNB aims to reach a CCyB of 2% in a standard risk environment, the CCyB will increase to 2% by May 2024. Therefore, the Total capital ratio target, all other things being equal, will increase to 17.7% from May 2024 onwards. Driven by a strong first-half-year 2023 result and a solid capital position, NN Bank is proposing the payment of an interim dividend of EUR 20 million in the second half of 2023.

The Liquidity Coverage Ratio (LCR) decreased from 183% at 31 December 2022 to 159% at 30 June 2023, mainly due to the redemption of wholesale funding. The Net Stable Funding Ratio (NSFR) slightly decreased from 139% at 31 December 2022 to 137% at 30 June 2023. The Loan-to-Deposit (LtD) ratio increased from 134% at 31 December 2022 to 136% at 30 June 2023.

NN Bank's residential¹ mortgage portfolio increased from EUR 22.1 billion at 31 December 2022 to EUR 22.4 billion at 30 June 2023. In the same period, NN Bank's mortgage origination decreased by EUR 2.7 billion to EUR 2.2 billion. Of the EUR 2.2 billion in origination, EUR 0.7 billion was transferred to NN Life, EUR 0.2 billion to third parties, EUR 0.1 billion to NN Non-Life, EUR 69 million to NN Belgium and EUR 1.2 billion was originated for NN Bank's balance sheet. The category 'Loans' on the balance sheet (predominantly mortgage loans) increased to EUR 20.9 billion at 30 June 2023 from EUR 20.3 billion at year-end 2022. This was mainly driven by an increase in mortgage loans and the fair value hedge adjustment on mortgages. The mortgage servicing portfolio, including NN Bank's own portfolio, remained stable at EUR 55.9 billion at 30 June 2023.

The net inflow of retail savings in the first half of 2023 was EUR 0.1 billion, bringing the total savings portfolio to EUR 16.3 billion at 30 June 2023.

Capital Market Funding update

In February 2023, NN Bank issued a EUR 750 million, four-and-a-quarter-year Soft Bullet Green Covered Bond. This was the third public green bond transaction issued under NN Bank's Green Bond Framework and supports the Bank's long term sustainability strategy.

In addition, in June 2023 NN Bank issued a EUR 1.25 billion, nine-year Soft Bullet Covered Bond. This was the first bond issue under the Soft Bullet Covered Bond Programme to be retained by NN Bank in order to replace existing retained securitisations. The

bonds are used to create ECB-eligible collateral and can be used for contingent secured funding purposes.

Outlook

The outlook for NN Bank remains positive, due in part to higher interest rates. However, inflation pressure remains and mortgage origination is lower than previous years, both of which create a challenging environment. Margins on retail funding are contributing to our profitability, as opposed to their negative impact in previous years. In the first half of 2023, retail savings rates steadily increased. Future profitability depends, among other things, on the development of market rates, investor appetite in mortgage loans and the rates on retail savings.

The production volume for mortgages has declined as mortgage rates have increased. The refinancing market has shown a significant decrease in the first half of 2023. The outlook is uncertain as there are no strong signs yet of a recovery of the mortgage market.

NN Bank's purpose, ambition and strategic priorities will guide the Bank in the second half of 2023. We will continue to fulfil our ambitions for healthy growth, for our business model, for our role in society and for the development of data-driven work. We will continue to strengthen our relationship with customers and help customers at the moments in life that matter to them.

For determining our outlook, we take into account the scenarios of the Dutch Central Planning Bureau (CPB), International Monetary Fund (IMF) and Dutch Central Bank (DNB). We will continue to monitor developments and will update assumptions accordingly.

¹ Mortgage portfolio, excluding notary amounts in transit, staged payments and accounting effects such as premiums and the fair value hedge adjustment.

Conformity statement

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

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

The Management Board of Nationale-Nederlanden Bank N.V. is responsible for maintaining proper accounting records, for safeguarding assets and for taking reasonable steps to prevent and detect fraud and other irregularities. It is responsible for selecting suitable accounting policies and applying them on a consistent basis, making judgements and estimates that are prudent and reasonable. It is also responsible for establishing and maintaining internal procedures that ensure that all major financial information is known to the Management Board of Nationale-Nederlanden Bank N.V., so that the timeliness, completeness and correctness of the external financial reporting are assured.

As required by section 5:25d paragraph 2(c) of the Dutch Financial Supervision Act, each of the signatories hereby confirms that, to the best of his/her knowledge:

- The Nationale-Nederlanden Bank N.V. Condensed consolidated interim accounts for the period ended 30 June 2023 give a true and fair view of the assets, liabilities, financial position and profit or loss of Nationale-Nederlanden Bank N.V. and the entities included in the consolidation taken as a whole.
- The Nationale-Nederlanden Bank N.V. interim report for the period ended 30 June 2023 includes a fair review of the information required pursuant to article 5.25d, paragraph 8 and 9 of the Dutch Financial Supervision Act regarding Nationale-Nederlanden Bank N.V. and the entities included in the consolidation taken as a whole.

The Hague, 29 August 2023

The Management Board

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

N.A.M. (Nadine) van der Meulen, CFO

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

Condensed consolidated statement of financial position

Amounts in thousands of euros, unless stated otherwise

Condensed consolidated statement of financial position

	notes	30 June 2023	31 December 2022
Assets			
Cash and balances at central banks		2,207,184	2,182,806
Amounts due from banks		307,176	350,037
Financial assets at fair value through profit or loss:			
– non-trading derivatives	2	0	45,473
Investment securities	3	918,444	1,023,654
Loans	4	20,896,686	20,335,474
Intangible assets		28,338	27,186
Other assets		164,811	192,514
Deferred tax assets		1,827	2,998
Total assets		24,524,466	24,160,142
Liabilities			
Amounts due to banks		20,000	245,000
Customer deposits and other funds on deposit	5	16,303,543	16,227,542
Financial liabilities at fair value through profit or loss:			
– non-trading derivatives	6	11,636	0
Other borrowed funds	7	393,039	318,000
Other liabilities		159,571	90,345
Provisions	8	16,823	27,394
Debt securities issued	9	6,423,458	6,125,471
Subordinated debt	10	85,000	85,000
Total liabilities		23,413,070	23,118,752
Equity			
Shareholders' equity		1,111,396	1,041,390
Total equity	11	1,111,396	1,041,390
Total equity and liabilities		24,524,466	24,160,142

References relate to the notes starting on page 11. These form an integral part of the Condensed consolidated interim accounts.

Condensed consolidated statement of profit or loss

Amounts in thousands of euros, unless stated otherwise

Condensed consolidated statement of profit or loss

notes	1 January to 30 June 2023	1 January to 30 June 2022
Interest income	476,456	276,611
Interest expenses	274,485	158,090
Interest result	201,971	118,521
Gains and losses on financial transactions and other income	-14	-537
– gross fee and commission income	40,105	66,353
– fee and commission expenses	7,638	7,793
Net fee and commission income	32,467	58,560
Valuation results on non-trading derivatives	-16,267	10,531
Total income	218,157	187,075
Impairment charges on financial instruments	-2,269	-1,852
Staff expenses	76,004	66,392
Regulatory levies	14,120	17,712
Other operating expenses	42,884	37,605
Total expenses	130,739	119,857
Result before tax	87,418	67,218
Taxation	22,573	17,356
Net result	64,845	49,862

Condensed consolidated statement of comprehensive income

Amounts in thousands of euros, unless stated otherwise

Condensed consolidated statement of comprehensive income

	1 January to 30 June 2023	1 January to 30 June 2022
Net result	64,845	49,862
- unrealised revaluations on investment securities at fair value through other comprehensive income	6,129	-33,784
- macro fair value hedge accounting effect on investment securities at fair value through other comprehensive income transferred to the statement of profit or loss	-1,042	5,114
- realised gains or losses transferred to the statement of profit or loss	2	0
Items that may be reclassified subsequently to the statement of profit or loss	5,089	-28,670
Total other comprehensive income	5,089	-28,670
Total comprehensive income	69,934	21,192
Comprehensive income attributable to:		
Shareholder of the parent	69,934	21,192
Total comprehensive income	69,934	21,192

Condensed consolidated statement of changes in equity

Amounts in thousands of euros, unless stated otherwise

Condensed consolidated statement of changes in equity (2023)

	Share capital	Share premium	Reserves	Total equity
Equity - 1 January 2023	10,000	481,000	550,390	1,041,390
Unrealised revaluations on investment securities at fair value through other comprehensive income	0	0	6,129	6,129
Macro fair value hedge accounting effect on investment securities at fair value through other comprehensive income transferred to the statement of profit or loss	0	0	-1,042	-1,042
Realised gains or losses transferred to the statement of profit or loss	0	0	2	2
Total amount recognised directly in equity (Other comprehensive income)	0	0	5,089	5,089
Net result	0	0	64,845	64,845
Total comprehensive income	0	0	69,934	69,934
Dividend paid	0	0	0	0
Change in employee share plans	0	0	72	72
Equity - 30 June 2023	10,000	481,000	620,396	1,111,396

Condensed consolidated statement of changes in equity (2022)

	Share capital	Share premium	Reserves	Total equity
Equity - 1 January 2022	10,000	481,000	603,639	1,094,639
Unrealised revaluations on investment securities at fair value through other comprehensive income	0	0	-33,784	-33,784
Macro fair value hedge accounting effect on investment securities at fair value through other comprehensive income transferred to the statement of profit or loss	0	0	5,114	5,114
Realised gains or losses transferred to the statement of profit or loss	0	0	0	0
Total amount recognised directly in equity (Other comprehensive income)	0	0	-28,670	-28,670
Net result	0	0	49,862	49,862
Total comprehensive income	0	0	21,192	21,192
Dividend paid	0	0	-111,600	-111,600
Change in employee share plans	0	0	48	48
Equity - 30 June 2022	10,000	481,000	513,279	1,004,279

Condensed consolidated statement of cash flows

Amounts in thousands of euros, unless stated otherwise

Condensed consolidated statement of cash flows

	notes	1 January to 30 June 2023	1 January to 30 June 2022
Result before tax		87,418	67,218
Adjusted for:			
- amortisation and disposals of intangible assets	15	1,769	1,574
- amortisation of mortgage premium	4	10,202	17,995
- amortisation premium investment securities		3,713	4,828
- modifications	4	-510	-1,005
- net impairment charges on financial instruments		-2,269	-1,853
- net addition to provisions	15	-863	349
- fair value change on hedged items	4	-90,437	1,015,315
- increase (decrease) deferred tax		-598	10,550
- change in employee share plans		72	48
Taxation paid		-22,644	-24,242
Changes in:			
- amounts due to banks		-225,000	80,000
- non-trading derivatives		57,109	76,465
- loans	4	-429,604	-455,140
- other assets		27,703	49,701
- customer deposits and other funds on deposit	5	76,001	223,350
- other liabilities		59,589	45,391
Net cash flow from operating activities		-448,349	1,110,544
Investments and advances:			
- investment securities	3	0	-17,094
- intangible assets		-2,921	-3,572
Disposals and redemptions:			
- investment securities	3	109,765	169,516
Net cash flow from investing activities		106,844	148,850
Proceeds from issuance of subordinated debt	10	0	15,000
Repayments of subordinated debt	10	0	-15,000
Proceeds from issuance of debt securities	9	747,124	496,615
Repayments of debt securities	9	-499,141	-26,259
Proceeds from other borrowed funds	7	318,039	160,000
Repayments of other borrowed funds	7	-243,000	-638,000
Dividend paid	11	0	-111,600
Net cash flow from financing activities		323,022	-119,244
Net cash flow		-18,483	1,140,150

Interest included in net cash flow from operating activities

	1 January to 30 June 2023	1 January to 30 June 2022
Interest received	475,854	278,945
Interest paid	-266,069	-184,612
Interest received and paid	209,786	94,332

Cash and cash equivalents

	1 January to 30 June 2023	1 January to 30 June 2022
Cash and cash equivalents at beginning of the period	2,532,843	1,592,747
Net cash flow	-18,483	1,140,150
Cash and cash equivalents at end of the period	2,514,360	2,732,897
	30 June 2023	30 June 2022
Cash and balances at central banks	2,207,184	2,441,303
Amounts due from banks	307,176	291,594
Cash and cash equivalents at end of the period	2,514,360	2,732,897

Notes to the Condensed consolidated interim accounts

Amounts in thousands of euros, unless stated otherwise

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

NN Bank's principal activities are providing retail customers with mortgage loans, (internet) savings, bank annuities, bancassurance, consumer lending and retail investment products. In addition, NN Bank provides mortgage administration and management services to Nationale-Nederlanden Levensverzekering Maatschappij N.V. (NN Life), Nationale-Nederlanden Schadeverzekering Maatschappij N.V. (NN Non-Life), NN Insurance Belgium N.V. (NN Belgium) and other third parties.

1 Accounting policies

The NN Bank Condensed consolidated interim accounts have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting'. The accounting principles used to prepare these Condensed consolidated interim accounts comply with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and are consistent with those set out in the notes to the 2022 NN Bank Consolidated annual accounts, except as indicated below.

These Condensed consolidated interim accounts should be read in conjunction with the 2022 NN Bank Consolidated annual accounts. They do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in NN Bank's financial position and performance since the last annual accounts.

Use of judgement and estimates

The preparation of the Condensed consolidated interim accounts requires management to make judgements, estimates and assumptions that impact the application of the accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing these Condensed consolidated interim accounts, management's significant judgements in applying its accounting policies and the key sources of estimation uncertainty were based on those applied in the 2022 NN Bank Consolidated annual accounts. Certain amounts recorded in the Condensed consolidated interim accounts reflect management's estimates and assumptions. Interim results are not necessarily indicative of full-year results.

Changes in accounting policies

Except as described below, the accounting policies applied in these interim accounts are the same as those applied in NN Bank's Consolidated annual accounts as at and for the year ended 31 December 2022.

IFRS 17 'Insurance Contracts' was issued in 2017 and revised in 2020. IFRS 17 covers the recognition and measurement, presentation and disclosure of insurance contracts and replaces the current IFRS 4. IFRS 17 is endorsed in the EU and is effective as of 1 January 2023. The implementation of IFRS 17 did not have a significant impact on shareholder's equity at that date, and did not impact NN Bank's net result. It did not have a significant impact on the operating and regulatory ratios.

The change in accounting policies will also be reflected in NN Bank's Consolidated annual accounts as at and for the year ended 31 December 2023.

Other changes in IFRS effective in 2023

The following amendments to IFRS became effective in the current reporting period with no significant impact for NN Bank:

- Amendments to IAS 1 'Presentation of Financial Statements': Disclosure of Accounting Policies.
- Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors': Definition of Accounting Estimates.
- Amendments to IAS 12 'Income Taxes': Deferred Tax Related to Assets and Liabilities Arising From a Single Transaction.

Notes to the Condensed consolidated interim accounts continued

2 Financial assets at fair value through profit or loss

Non-trading derivatives

	30 June 2023	31 December 2022
Derivatives held for fair value hedge accounting	0	45,473
Non-trading derivatives	0	45,473

Reference is made to Note 6 'Financial liabilities at fair value through profit or loss'.

3 Investment securities

Investment securities by type 30 June 2023

	AC ¹	FVOCI ²	30 June 2023
Government bonds ³	61,021	184,375	245,396
Covered bonds	0	653,374	653,374
Corporate bonds	0	12,111	12,111
Financial institution bonds	0	0	0
Asset backed securities	7,615	0	7,615
Investment securities - before loss provisions	68,636	849,860	918,496
Investment securities loss provisions	-12	-40	-52
Investment securities - after loss provisions	68,624	849,820	918,444

1 AC= Amortised Cost

2 FVOCI = Fair value through Other Comprehensive Income

3 'Government bonds' includes supranational and government bonds from European Union member states and Great Britain.

Investment securities by type 31 December 2022

	AC ¹	FVOCI ²	31 December 2022
Government bonds ³	95,764	183,360	279,124
Covered bonds	0	704,246	704,246
Corporate bonds	0	12,228	12,228
Financial institution bonds	500	0	500
Asset backed securities	27,614	0	27,614
Investment securities - before loss provisions	123,878	899,834	1,023,712
Investment securities loss provisions	-20	-38	-58
Investment securities - after loss provisions	123,858	899,796	1,023,654

1 AC= Amortised Cost

2 FVOCI = Fair value through Other Comprehensive Income

3 'Government bonds' includes supranational and government bonds from European Union member states and Great Britain.

Changes in investment securities

	6-month period ended 30 June 2023	Year ended 31 December 2022
Investment securities – opening balance	1,023,712	1,271,518
Additions	0	17,094
Amortisation	-3,713	-9,477
Changes in unrealised revaluations	8,262	-74,461
Disposals and redemptions	-109,765	-180,962
Investment securities – closing balance	918,496	1,023,712

In the first half of 2023, the unrealised gains on investment securities amounted to EUR 8.3 million. EUR 1.4 million (after tax, EUR 1.0 million) of these unrealised gains is hedged by macro fair value hedge accounting. Reference is made to the Statement of comprehensive income.

Notes to the Condensed consolidated interim accounts continued

4 Loans

Loans by type

	30 June 2023	31 December 2022
Loans secured by mortgages, guaranteed by public authorities	5,629,434	5,445,571
Loans secured by mortgages	16,244,697	15,988,971
Loans secured by mortgages, hedged items	-1,384,176	-1,523,213
Consumer lending	75,879	86,107
Other loans	54,934	69,053
Group companies	284,572	279,066
Loans – before loan loss provisions	20,905,340	20,345,555
Loan loss provisions	-8,654	-10,081
Loans	20,896,686	20,335,474

'Loans secured by mortgages' includes Purchased or Originated Credit-Impaired loans. 'Other loans' relates to a short-term receivable from third parties for mortgages sold, but not yet transferred. 'Group companies' relates to a receivable, following arrangements to transfer mortgage parts in a current account for the former Delta Lloyd Bank portfolio.

Loans by stage 30 June 2023

	Stage 1	Stage 2	Stage 3	Purchased or Originated Credit-Impaired	No allocated stage	30 June 2023
Loans - before loan loss provisions	21,220,248	911,688	97,016	27,573	-1,351,185	20,905,340
Loan loss provisions	-525	-3,089	-4,966	-74	0	-8,654
Loans - after loan loss provisions	21,219,724	908,599	92,049	27,499	-1,351,185	20,896,686

Loans by stage 31 December 2022

	Stage 1	Stage 2	Stage 3	Purchased or Originated Credit-Impaired	No allocated stage	31 December 2022
Loans - before loan loss provisions	21,292,815	417,666	95,059	29,025	-1,489,010	20,345,555
Loan loss provisions	-652	-4,336	-5,016	-77	0	-10,081
Loans - after loan loss provisions	21,292,163	413,330	90,043	28,948	-1,489,010	20,335,474

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

Notes to the Condensed consolidated interim accounts continued

Changes in loans by stage

	Stage 1	Stage 2	Stage 3	Purchased or Originated Credit-Impaired	No allocated stage	6-month period ended 30 June 2023	Year ended 31 December 2022
Loans – opening balance	21,292,815	417,666	95,059	29,025	-1,489,010	20,345,555	21,238,453
Mortgage portfolio transfer	20,391	1,235	315	0	0	21,941	364,760
Partial transfer of mortgage loans	9,729	18,602	131	0	0	28,462	3,119
Origination	1,392,078	17,772	2,730	0	0	1,412,580	3,717,963
Premium new mortgages	0	0	0	0	-945	-945	-7,591
Amortisation mortgage premium	0	0	0	40	-10,242	-10,202	-29,607
Fair value change hedged items	0	0	0	0	139,037	139,037	-1,952,197
Other changes ¹	-29,536	10,370	8,452	-4	9,465	-1,253	-148,524
Modifications ²	0	0	0	0	510	510	1,707
Redemptions	-975,167	-33,517	-20,173	-1,488	0	-1,030,345	-2,842,527
Transfers to ³ :							
– Stage 1	0	-86,174	-257	0	0	-86,431	-287,069
– Stage 2	-564,885	0	-16,979	0	0	-581,864	-177,544
– Stage 3	-11,608	-16,130	0	0	0	-27,738	-37,618
Transfers from ³ :							
– Stage 1	0	564,885	11,608	0	0	576,493	164,927
– Stage 2	86,174	0	16,130	0	0	102,304	301,821
– Stage 3	257	16,979	0	0	0	17,236	35,482
Loans – closing balance	21,220,248	911,688	97,016	27,573	-1,351,185	20,905,340	20,345,555

¹ 'Other changes' mainly reflects the differences that result from 'Transfers to/Transfers from', which are based on year-to-date (YtD) and other movements based on month-to-date (MtD). The transfers are based on the YtD methodology to avoid double-counting movements whereby a loan can change stages multiple times a year. Additionally, it reflects changes in the drawn amounts of the construction deposits, and changes in 'Other loans'.

² 'Modifications' relates to the impact of the modification of the outstanding mortgage loans as a result of the amended interest rate pricing system for NN and former Delta Lloyd mortgage portfolios.

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

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

	6-month period ended 30 June 2023	Year ended 31 December 2022
POCI - opening balance	29,025	31,483
Mortgage portfolio transfer	0	156
Amortisation value adjustment	40	104
Redemptions	-1,488	-2,863
Unfavourable changes in credit quality	-18	-93
Favourable changes in credit quality	14	238
POCI - closing balance	27,573	29,025

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

Loan loss provisions by type

	30 June 2023	31 December 2022
Loans secured by mortgages	4,619	5,439
Consumer lending	4,035	4,642
Loan loss provisions by type	8,654	10,081

Compared with 31 December 2022, the loan loss provision for mortgages decreased to EUR 4.6 million. The release in provisions is largely driven by the decrease of EUR 1.5 million in the size of the management overlay, which NN Bank holds in relation to the high levels of inflation and the sharply increasing mortgage interest rates. The number of loans in Stage 2 increased, in line with the Stage 2 provisions allocated for them. However, the management overlay that we hold in Stage 2 provisions decreased. This led to an overall decrease in Stage 2 provisions. The decrease was slightly offset by the 4.0%² decrease in housing prices in the first half of 2023, which resulted in an increase in provision of around EUR 0.9 million. The remainder of the change in provisions is attributed to a drop in the historic unemployment – following the end of the Covid lockdowns – affects the model output. The provisions for consumer lending decreased by EUR 0.6 million due to write-offs and a decrease in the size of the portfolio.

Total write-offs minus recoveries were negative – i.e., profit – (EUR 0.8 million), due to low unemployment.

² According to CBS.

Notes to the Condensed consolidated interim accounts continued

Macro-economic scenarios

Furthermore, NN Bank has updated its macro-economic scenarios. The assumptions on macro-economic variables, such as GDP, unemployment and housing prices are used as input in the calculation of the loan loss provision under IFRS 9, where it is required to use forward-looking information. Various institutions published adjusted economic outlooks and scenarios, which include the possible economic impact of the ongoing inflationary trends and the reaction of the monetary authorities. The Bank has taken into account the most recent scenarios as published by the CPB, IMF and DNB. The outlook is uncertain, and dependent on the effects of the political situation and monetary interventions in the economy. Due to this continued uncertainty, the macro-economic scenarios are kept with a higher weight for the downturn scenario. The scenario weights are assigned as follows: neutral scenario 50%, upside 10%, downside 40%. These assumptions will be assessed on a continual basis and adjusted, if necessary, based on the further economic developments.

In a neutral scenario, NN Bank expects the economy to grow by 1.5% in 2023 overall. This growth has already been realised, but a slight negative downturn is expected in the second half of 2023. In 2024, growth of 1.0% is expected, caused both by higher government spending and household consumption. We expect the unemployment rate to rise slightly in 2023 and 2024, but the labour market will remain tight. Bankruptcies are expected to increase, but to a smaller extent than expected before, and the labour market is expected to remain relatively flat and tight from a historical perspective. However, forecasts on the housing market remain negative as a result of the increase in interest rates and lower affordability. Lastly, there is a lower demand from investors in real estate, as new regulations are making investments less profitable. Therefore, we expect a decrease in investments of 5% in the second half of 2023, and a decrease of 1% in 2024.

Scenario / Weighting	Macro-economic variable	2023	2024	2025	Long-Term Rate	Unweighted ECL	Weighted ECL
Up / 10%	Unemployment	3.2%	2.3%	3.2%			
	Housing Price index growth	-0.7%	8.8%	5.6%		8,144	
	GDP growth	4.5%	5.4%	3.7%			
Neutral / 50%	Unemployment	4.0%	4.2%	4.1%	4.1%		
	Housing Price index growth	-5.0%	-1.0%	2.3%	2.3%	8,542	8,654
	GDP growth	1.5%	1.0%	2.0%	2.0%		
Down / 40%	Unemployment	4.0%	5.0%	4.5%			
	Housing Price index growth	-5.6%	-11.0%	-4.3%		8,922	
	GDP growth	1.5%	-3.5%	-0.7%			

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

	Stage 1 12-month ECL non-credit impaired	Stage 2 Lifetime ECL non-credit impaired	Stage 3 Lifetime ECL credit impaired	Purchased or Originated Credit- Impaired	6-month period ended 30 June 2023	Year ended 31 December 2022
Loan loss provisions – opening balance	361	3,738	1,263	77	5,439	4,413
Addition (release from) to the loan loss provisions	-83	-1,556	-117	-3	-1,759	843
Changes in models and methodologies	0	0	0	0	0	319
Transfers to ¹ :						
– Stage 1	0	-141	-3		-144	-510
– Stage 2	-9	0	-170		-179	-472
– Stage 3	0	-50	0		-50	-59
Transfers from ¹ :						
– Stage 1	0	580	469		1,049	505
– Stage 2	2	0	238		240	343
– Stage 3	0	23	0		23	57
Loan loss provisions – closing balance	271	2,594	1,680	74	4,619	5,439
Write-offs	0	0	43	0	43	227
Recoveries	0	0	-436	0	-436	-647

¹ 'Transfers to' shows the outflow from the stage in the column to the stage stated on row level. 'Transfers from' shows the inflow from stage on row level to the stage in the column. Differences between 'Transfers to' and 'Transfers from' arise because the provision changes as a result of the change in stage.

Notes to the Condensed consolidated interim accounts continued

Changes in loan loss provisions by stage – Consumer lending

	Stage 1 12-month ECL non-credit impaired	Stage 2 Lifetime ECL non-credit impaired	Stage 3 Lifetime ECL credit impaired	6-month period ended 30 June 2023	Year ended 31 December 2022
Loan loss provisions – opening balance	291	598	3,753	4,642	6,482
Addition (release from) to the loan loss provisions	-38	-107	-200	-345	-2,621
Changes in models and methodologies	0	0	0	0	567
Transfers to ¹ :					
– Stage 1	0	-149	-91	-240	-418
– Stage 2	-7	0	-354	-361	-471
– Stage 3	-2	-28	0	-30	-116
Transfers from ¹ :					
– Stage 1	0	121	86	207	722
– Stage 2	9	0	92	101	380
– Stage 3	1	60	0	61	117
Loan loss provisions – closing balance	254	495	3,286	4,035	4,642
Write-offs	0	0	752	752	2,310
Recoveries	0	0	-1,160	-1,160	-1,742

¹ 'Transfers to' shows the outflow from the stage in the column to the stage stated on row level. 'Transfers from' shows the inflow from stage on row level to the stage in the column. Differences between 'Transfers to' and 'Transfers from' arise because the provision changes as a result of the change in stage.

Delinquency

	Mortgages		Consumer lending		Total ¹	
	30 June 2023	31 December 2022	30 June 2023	31 December 2022	30 June 2023	31 December 2022
0 days	22,027,788	21,581,047	72,606	81,351	22,100,394	21,662,398
1 – 30 days	44,269	33,191	683	562	44,952	33,753
31 – 60 days	22,532	15,988	270	353	22,802	16,341
61 – 90 days	18,055	31,886	137	175	18,192	32,061
> 90 days	68,002	86,346	2,183	3,666	70,185	90,012
Total	22,180,646	21,748,458	75,879	86,107	22,256,525	21,834,565

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

Loans exposed to credit risk

Amounts in millions of euros	Stage 1		Stage 2		Stage 3		POCI assets		Total ¹	
	30 June 2023	31 December 2022	30 June 2023	31 December 2022	30 June 2023	31 December 2022	30 June 2023	31 December 2022	30 June 2023	31 December 2022
Mortgages	21,150.5	21,214.7	908.0	413.6	94.5	91.1	27.6	29.0	22,180.6	21,748.5
Consumer loans	69.7	78.2	3.6	4.0	2.5	3.9	0.0	0.0	75.9	86.1
Total	21,220.2	21,292.8	911.7	417.7	97.0	95.1	27.6	29.0	22,256.5	21,834.6

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

5 Customer deposits and other funds on deposit

Customer deposits and other funds on deposit by type

	30 June 2023	31 December 2022
Savings	7,635,208	7,621,106
Bank annuities	6,877,374	6,852,389
Bank annuities related to mortgages	1,662,816	1,622,111
Group companies	128,145	131,936
Customer deposits and other funds on deposit	16,303,543	16,227,542

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

Changes in Customer deposits and other funds on deposit

	6-month period ended 30 June 2023	Year ended 31 December 2022
Customer deposits and other funds on deposit – opening balance	16,227,542	15,904,147
Deposits received	1,912,902	3,855,309
Withdrawals	-1,836,901	-3,531,914
Customer deposits and other funds on deposit – closing balance	16,303,543	16,227,542

Notes to the Condensed consolidated interim accounts continued

6 Financial liabilities at fair value through profit or loss

Non-trading derivatives

	30 June 2023	31 December 2022
Derivatives held for fair value hedge accounting	11,636	0
Non-trading derivatives	11,636	0

'Non-trading derivatives' comprises centrally cleared interest rate swaps for which Settled-to-Market (STM) is applied, in accordance with which the Variation Margin paid/received is treated as a settlement of the daily marked-to-market revaluations. The 'Derivatives held for fair value hedge accounting' represent the marked-to-market revaluation of the last day of the reporting period, which has not yet been settled with the clearing member.

7 Other borrowed funds

Other borrowed funds

	30 June 2023	31 December 2022
Other funds	393,039	318,000
Other borrowed funds	393,039	318,000

Changes in other borrowed funds

	6-month period ended 30 June 2023	Year ended 31 December 2022
Other borrowed funds – opening balance	318,000	638,000
Issuances	318,039	543,000
Redemption	-243,000	-863,000
Other borrowed funds – closing balance	393,039	318,000

In the first half of 2023, funds received from third parties amounted to EUR 318 million, while EUR 243 million was repaid, resulting in an increase in 'Other funds' to EUR 393 million (2022: EUR 318 million).

Unchanged from 2022, NN Group provided a revolving credit facility commitment to NN Bank, up to an amount of EUR 250 million (2022: EUR 250 million). In addition, NN Group provided a Central Clearing Borrowing Facility up to an amount of EUR 1,300 million (2022: EUR 1,300 million) for the funding of variation margin calls regarding centrally cleared interest rate derivatives contracts. The facilities were fully undrawn at 30 June 2023.

8 Provisions

Provisions

	30 June 2023	31 December 2022
Provision for client compensation schemes	14,386	23,127
Restructuring provisions	2,407	4,237
Other provisions	30	30
Provisions	16,823	27,394

Changes in provisions

	Provision for client compensation schemes		Restructuring provisions		Other provisions	
	6-month period ended 30 June 2023	Year ended 31 December 2022	6-month period ended 30 June 2023	Year ended 31 December 2022	6-month period ended 30 June 2023	Year ended 31 December 2022
Provisions - opening balance	23,127	22,904	4,237	2,827	30	30
Additions	436	5,077	1,738	4,881	0	0
Releases	-800	-1,768	-2,237	-1,260	0	0
Charges	-8,377	-3,086	-1,331	-2,211	0	0
Provisions - closing balance	14,386	23,127	2,407	4,237	30	30

'Provision for client compensation schemes' is mainly recognised for the interest compensation consumer credit, which is a compensation scheme regarding revolving consumer credit with a floating interest rate. This provision was created in 2021 and updated in 2022.

In the first half of 2023, the actual payments for client compensation amounted to EUR 7.0 million.

Notes to the Condensed consolidated interim accounts continued

'Restructuring provisions' are recognised for expected future redundancy costs. The addition in the first half of 2023 is mainly the result of a reorganisation within NN Bank's mortgages & consumer loans department. The releases mainly resulted from staff that NN Bank was able to transfer to another internal position. The remaining restructuring provision at the balance sheet date represents the best estimate of the expected future redundancy costs and is expected to be sufficient to cover the remaining costs of the restructuring programme.

'Additions' or 'Releases' are recognised in the statement of profit or loss.

9 Debt securities issued

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

Debt securities issued – maturities 30 June 2023

	Less than 1 year	1-2 years	2 - 3 years	3 - 4 years	4 - 5 years	Over 5 years	Total
Covered bond issuances	499,732	482,419	482,140	740,128	0	2,923,861	5,128,280
Fixed rate unsecured debt securities	269,937	485,800	0	27,415	24,958	462,131	1,270,241
Floating rate unsecured debt securities	0	0	0	24,937	0	0	24,937
Debt securities issued	769,669	968,219	482,140	792,480	24,958	3,385,992	6,423,458

Debt securities issued – maturities 31 December 2022

	Less than 1 year	1-2 years	2 - 3 years	3 - 4 years	4 - 5 years	Over 5 years	Total
Covered bond issuances	0	979,505	481,244	0	0	2,884,251	4,345,000
Fixed rate unsecured debt securities	764,408	0	483,888	0	32,408	474,923	1,755,627
Floating rate unsecured debt securities	0	0	0	24,844	0	0	24,844
Debt securities issued	764,408	979,505	965,132	24,844	32,408	3,359,174	6,125,471

Secured debt securities

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

	FORD	30 June 2023	31 December 2022
Hypenn RMBS I A3	17-11-2024	0	0
Hypenn RMBS VII	17-9-2026	0	0
Total		0	0

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

	Maturity date	30 June 2023	31 December 2022
Soft Bullet Covered Bond October 2017	10-10-2024	499,759	499,590
Soft Bullet Covered Bond June 2018	11-9-2025	498,708	498,432
Soft Bullet Covered Bond September 2018	25-9-2028	496,195	495,847
Soft Bullet Covered Bond February 2019	27-2-2024	499,732	499,509
Soft Bullet Covered Bond March 2019 - 1	18-3-2039	24,832	24,827
Soft Bullet Covered Bond March 2019 - 2	21-3-2039	19,920	19,917
Soft Bullet Covered Bond July 2019	25-9-2028	51,985	52,173
Soft Bullet Covered Bond September 2019	24-9-2029	498,633	498,524
Soft Bullet Covered Bond July 2020	8-7-2030	495,895	495,962
Soft Bullet Covered Bond September 2020	24-9-2035	497,339	497,199
Soft Bullet Covered Bond November 2020	12-11-2040	247,434	247,360
Soft Bullet Covered Bond March 2021	4-3-2041	499,937	499,857
Soft Bullet Covered Bond May 2022	17-5-2032	496,993	496,744
Soft Bullet Covered Bond February 2023	28-5-2027	745,718	0
Soft Bullet Covered Bond June 2023	9-6-2032	-15	0
Fair value change hedged items		-444,785	-480,941
Total		5,128,280	4,345,000

On 28 February 2023, NN Bank raised EUR 750 million in secured funding by issuing a four-and-a-quarter-year green Soft Bullet Covered Bond under the Soft Bullet Covered Bond Programme.

On 9 June 2023, NN Bank issued a EUR 1.25 billion, nine-year Soft Bullet Covered Bond under the Soft Bullet Covered Bond Programme. The outstanding notes are fully held (retained) by NN Bank. The balance position relates to amortised issuance expenses.

Notes to the Condensed consolidated interim accounts continued

Unsecured debt securities

	Maturity date	30 June 2023	31 December 2022
Debt Issuance Programme May 2019	31-5-2023	0	499,884
Debt Issuance Programme August 2019	3-9-2029	19,900	19,933
Debt Issuance Programme November 2019	26-2-2025	498,866	498,416
Debt Issuance Programme September 2021	21-9-2028	497,809	497,600
Other unsecured debt securities	n/a	347,159	347,136
Fair value change hedged items		-93,493	-107,342
Fixed rate unsecured debt securities		1,270,241	1,755,627
Floating Rate Note July 2019 - 2	10-7-2026	24,937	24,844
Floating rate unsecured debt securities		24,937	24,844

Green bonds issued

NN Bank issues green bonds under its Green Bond Framework in order to align the Bank's funding strategy with its ESG strategy. The framework enables NN Bank to finance or refinance green residential properties in the Netherlands, and allows the Bank to raise sustainable financing that meets regulatory criteria and market best practices with regard to sustainability. Under the framework, NN Bank is able to issue green unsecured debt under the Debt Issuance Programme, green covered bonds under the Soft Bullet Covered Bond Programme, as well as green (subordinated) loans. Since the publication of the Framework in 2021, the Bank has issued the following debt instruments under the framework (in notional amounts):

	Maturity date	30 June 2023	31 December 2022
Senior Non-Preferred Bond September 2021 issued under Debt Issuance Programme 2021	21-09-2028	500,000	500,000
Subordinated debt February 2022 (Note 10 'Subordinated debt')	27-2-2032	15,000	15,000
Soft Bullet Covered Bond May 2022	17-5-2032	500,000	500,000
Soft Bullet Covered Bond February 2023	28-5-2027	750,000	0
Total		1,765,000	1,015,000

10 Subordinated debt

Interest rate	Year of issue	Due date	First call date	Notional amount		Balance sheet value	
				30 June 2023	31 December 2022	30 June 2023	31 December 2022
2.55%	2022	27 February 2032	27 February 2027	15,000	15,000	15,000	15,000
1.29%	2020	26 February 2030	26 February 2025	30,000	30,000	30,000	30,000
1.38%	2019	26 September 2029	26 September 2024	25,000	25,000	25,000	25,000
1.83%	2019	26 June 2029	26 June 2024	15,000	15,000	15,000	15,000
Subordinated debt				85,000	85,000	85,000	85,000

11 Equity

Total equity

	30 June 2023	31 December 2022
Share capital	10,000	10,000
Share premium	481,000	481,000
Revaluation reserve	-22,917	-28,006
Retained earnings and unappropriated result	643,313	578,396
Shareholder's equity	1,111,396	1,041,390

Changes in equity (2023)

30 June 2023	Share capital	Share premium	Reserves	Total shareholders' equity
Equity – opening balance	10,000	481,000	550,390	1,041,390
Total amount recognised directly in equity (Other comprehensive income)	0	0	5,089	5,089
Net result for the period	0	0	64,845	64,845
Dividend paid	0	0	0	0
Change in employee share plans	0	0	72	72
Other	0	0	0	0
Equity – closing balance	10,000	481,000	620,396	1,111,396

Notes to the Condensed consolidated interim accounts continued

Changes in equity (2022)

31 December 2022	Share capital	Share premium	Reserves	Total shareholders' equity
Equity – opening balance	10,000	481,000	603,639	1,094,639
Total amount recognised directly in equity (Other comprehensive income)	0	0	-23,259	-23,259
Net result for the period	0	0	81,543	81,543
Dividend paid	0	0	-111,600	-111,600
Change in employee share plans	0	0	73	73
Other	0	0	-6	-6
Equity – closing balance	10,000	481,000	550,390	1,041,390

Appropriation of result 2022

On 6 June 2023, following the adoption of the 2022 Consolidated annual accounts by the general meeting of NN Bank (General Meeting), the 2022 net result of EUR 81.5 million was added to the retained earnings.

Interim dividend 2023

In the second half of 2023, NN Bank is proposing the payment of an interim dividend of EUR 20 million relating to the profit for the first half of 2023. The intended 2023 interim dividend is expected to be paid in cash and would be deducted from the retained earnings.

12 Interest result

Interest result

	1 January to 30 June 2023	1 January to 30 June 2022
Interest income on loans	276,524	252,307
Modifications	511	1,017
Interest income on non-trading derivatives	163,945	22,570
Negative interest on liabilities	8	717
Other interest income	35,468	0
Total interest income	476,456	276,611
Interest expenses on amounts due to banks	808	0
Interest expenses on customer deposits and other funds on deposit	93,480	61,155
Interest expenses on debt securities issued and other borrowed funds	34,515	21,242
Interest expenses on non-trading derivatives	131,653	69,316
Interest expenses on subordinated loans	689	700
Negative interest on assets	1,058	4,669
Other interest expenses	12,282	1,008
Total interest expenses	274,485	158,090
Interest result	201,971	118,521

13 Staff expenses

Staff expenses

	1 January to 30 June 2023	1 January to 30 June 2022
Salaries	40,745	35,318
Pension and other staff-related benefit costs	8,029	6,844
Social security costs	5,498	4,554
Share-based compensation arrangements	75	48
External staff costs	19,798	18,510
Education	685	394
Other staff costs	1,174	724
Staff expenses	76,004	66,392

14 Regulatory levies

Regulatory levies represent contributions to Deposit Guarantee Schemes (DGS) and the Single Resolution Fund (SRF). The contributions to DGS, relating to the first half of 2023, were EUR 7.8 million (first half 2022: EUR 8.1 million) and contributions to the SRF were EUR 6.3 million (first half 2022: EUR 9.6 million). The contribution to the SRF in the first half of 2023 comprises NN Bank's contribution for the full year 2023.

Notes to the Condensed consolidated interim accounts continued

15 Other operating expenses

Other operating expenses

	1 January to 30 June 2023	1 January to 30 June 2022
Computer costs	9,477	9,081
Office expenses	126	147
Travel and accommodation expenses	1,002	679
Advertising and public relations	1,297	655
Bank costs	109	112
Net release from (addition to) restructuring provisions	-499	-214
Amortisation of intangible assets	1,769	1,574
Other	4,705	2,498
Other operating expenses	17,986	14,532
Customer & Commerce	11,154	9,290
IT	5,907	4,104
Facility Management	2,443	2,901
General Management	3,150	4,859
Group HR	1,621	1,367
Finance Service Centre	623	552
Total Group Services	24,898	23,073
Total other operating expenses	42,884	37,605

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

16 Fair value of financial assets and liabilities

The following table presents the estimated fair value of NN Bank's financial assets and liabilities. Certain balance sheet items are not included in the table, as they do not meet the definition of a financial asset or liability. The aggregation of the fair value presented below does not represent, and should not be construed as representing, the underlying value of NN Bank.

Fair value of financial assets and liabilities

	Balance sheet value		Estimated fair value	
	30 June 2023	31 December 2022	30 June 2023	31 December 2022
Financial assets				
Cash and balances at central banks	2,207,184	2,182,806	2,207,184	2,182,806
Amounts due from banks	307,176	350,037	307,176	350,037
Financial assets at fair value through profit or loss:				
- non-trading derivatives	0	45,473	0	45,473
Investment securities	918,444	1,023,654	916,707	1,020,626
Loans	20,896,686	20,335,474	20,106,273	19,562,289
Financial assets	24,329,490	23,937,444	23,537,340	23,161,231
Financial liabilities				
Amounts due to banks	20,000	245,000	20,359	245,693
Customer deposits and other funds on deposit	16,303,543	16,227,542	15,840,544	15,751,336
Financial liabilities at fair value through profit or loss:				
- non-trading derivatives	11,636	0	11,636	0
Other borrowed funds	393,039	318,000	394,934	318,842
Debt securities issued	6,423,458	6,125,471	6,008,460	5,688,930
Subordinated debt	85,000	85,000	79,818	79,213
Financial liabilities	23,236,676	23,001,013	22,355,751	22,084,014

The estimated fair value represents the price at which an orderly transaction to sell the financial asset or to transfer the financial liability would take place between market participants at the balance sheet date (exit price). The fair value of financial assets and liabilities is based on unadjusted quoted market prices, where available. Such quoted market prices are primarily obtained from exchange prices for listed instruments. Where an exchange price is not available, market prices are obtained from independent market vendors, brokers or market-makers. Because substantial trading markets do not exist for all financial instruments, various techniques have been developed to estimate the approximate fair value of financial assets and liabilities that are not actively traded. The fair value presented may not be indicative of the net realisable value. In addition, the calculation of the estimated fair value is based on market conditions at a specific point in time and may not be indicative of the future fair value. Where exposures of a group of financial assets and financial liabilities are managed on a net basis, NN Bank measures the fair value of the group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position or settle a net short position.

Notes to the Condensed consolidated interim accounts continued

Financial assets and liabilities at fair value and amortised cost

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

Methods applied in determining the fair value of financial assets and liabilities (30 June 2023)

	Balance sheet value	Total fair value	Level 1	Level 2	Level 3
Financial assets measured at fair value					
Non-trading derivatives	0	0	0	0	0
Investment securities - FVOCI	849,820	849,861	200,447	649,414	0
Financial assets not measured at fair value					
Cash and balances at central banks ¹	2,207,184	2,207,184	2,207,184	0	0
Amounts due from banks ¹	307,176	307,176	307,176	0	0
Investment securities - AC	68,624	66,846	49,681	17,165	0
Loans - AC	20,901,960	20,106,273	0	0	20,106,273
Financial assets	24,334,764	23,537,340	2,764,488	666,579	20,106,273
Financial liabilities measured at fair value					
Non-trading derivatives	11,636	11,636	0	11,636	0
Financial liabilities not measured at fair value					
Amounts due to banks	20,000	20,359	0	20,359	0
Customer deposits and other funds on deposit ¹	16,303,543	15,840,544	10,146,204	5,667,390	26,950
Other borrowed funds	393,039	394,934	0	394,934	0
Debt securities issued	6,423,458	6,008,460	5,666,939	341,521	0
Subordinated debt	85,000	79,818	0	79,818	0
Financial liabilities	23,236,676	22,355,751	15,813,143	6,515,658	26,950

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

Methods applied in determining the fair value of financial assets and liabilities (31 December 2022)

	Balance sheet value	Total fair value	Level 1	Level 2	Level 3
Financial assets measured at fair value					
Non-trading derivatives	45,473	45,473	0	45,473	0
Investment securities - FVOCI	899,796	899,834	236,029	663,805	0
Financial assets not measured at fair value					
Cash and balances at central banks ¹	2,182,806	2,182,806	2,182,806	0	0
Amounts due from banks ¹	350,037	350,037	350,037	0	0
Investment securities - AC	123,858	120,792	69,766	51,026	0
Loans - AC	20,335,474	19,562,289	0	0	19,562,289
Financial assets	23,937,444	23,161,231	2,838,638	760,304	19,562,289
Financial liabilities measured at fair value					
Non-trading derivatives	0	0	0	0	0
Financial liabilities not measured at fair value					
Amounts due to banks	245,000	245,693	0	245,693	0
Customer deposits and other funds on deposit ¹	16,227,542	15,751,335	10,311,089	5,412,304	27,942
Other borrowed funds	318,000	318,842	0	318,842	0
Debt securities issued	6,125,471	5,688,931	5,345,673	343,258	0
Subordinated debt	85,000	79,213	0	79,213	0
Financial liabilities	23,001,013	22,084,014	15,656,762	6,399,310	27,942

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

Level 1 – (Unadjusted) Quoted prices in active markets

This category includes financial instruments whose fair value is determined directly by reference to published quotes in an active market that NN Bank can access. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions with sufficient frequency and volume to provide reliable pricing information on an ongoing basis.

Level 2 – Valuation technique supported by observable inputs

This category includes financial instruments whose fair value is determined using a valuation technique (e.g., a model), where inputs in the model are taken from an active market or are observable. If certain inputs in the model are unobservable, the instrument is still classified in this category, provided that the impact of those unobservable inputs elements on the overall valuation is insignificant. Included in this category are

Notes to the Condensed consolidated interim accounts continued

items whose value is derived from quoted prices of similar instruments, but for which the prices are modified based on other market observable external data and items whose value is derived from quoted prices, but for which there was insufficient evidence of an active market.

Level 3 – Valuation technique supported by unobservable inputs

This category includes financial instruments whose fair value is determined using a valuation technique (e.g., a model) for which more than an insignificant part of the inputs in terms of the overall valuation are not market-observable. This category also includes financial assets and liabilities whose fair value is determined by reference to price quotes, but for which the market is considered inactive. An instrument is classified in its entirety as Level 3 if a significant portion of the instrument's fair value is driven by unobservable inputs. Unobservable in this context means that there is little or no current market data available from which the price at which an orderly transaction would likely occur can be derived.

Changes in Level 3 Financial assets

	6-month period ended 30 June 2023	Year ended 31 December 2022
Level 3 Financial assets – opening balance	0	8,353
Amounts recognised in the statement of profit or loss during the year	0	-8,353
Level 3 Financial assets – closing balance	0	0

Changes in Level 3 Financial liabilities

	6-month period ended 30 June 2023	Year ended 31 December 2022
Level 3 Financial liabilities – opening balance	0	8,353
Amounts recognised in the statement of profit or loss during the year	0	-8,353
Level 3 Financial liabilities – closing balance	0	0

Level 3 – Amounts recognised in the statement of profit or loss during the year

	1 January to 30 June 2023	1 January to 30 June 2022
Financial assets		
Non-trading derivatives	0	-5,257
Financial assets	0	-5,257
Financial liabilities		
Non-trading derivatives	0	5,257
Financial liabilities	0	5,257

17 Contingent liabilities and commitments

The company is or may become involved in regulatory arbitration and legal proceedings and investigations and maybe subject to third party claims. While it is not feasible to predict or determine the ultimate outcome of all pending proceedings and investigations, some of them may potentially have an effect on the financial position, profitability or reputation of NN Bank. NN Bank is performing an investigation on our compliance with mortgage lending criteria. Pending this investigation, the likelihood and possible financial impact of possible non-compliance cannot be reliably assessed.

Compared with 31 December 2022, the outstanding mortgage offerings were broadly stable at EUR 514 million (31 December 2022: EUR 516 million). Construction depots decreased by EUR 125 million to EUR 381 million (31 December 2022: EUR 506 million).

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

For NN Bank's other contingent liabilities and commitments as at 31 December 2022, reference is made to Note 32 'Contingent liabilities and commitments' of the 2022 NN Bank Consolidated annual accounts.

18 Legal proceedings

There have been no noteworthy developments with respect to ongoing legal proceedings. Further reference is made to Note 33 'Legal proceedings' of the 2022 NN Bank Consolidated annual accounts.

19 Subsequent events

On 14 July 2023, the FORD dates of Hypenn RMBS I and Hypenn RMBS VII were shortened to 18 September 2023 and 17 October 2023, respectively. On 24 July 2023, both Hypenn RMBS I and Hypenn RMBS VII announced that the notes will be redeemed on their respective FORD date.

Notes to the Condensed consolidated interim accounts continued

20 Capital and liquidity management

Capital adequacy

Capital position

Amounts in millions of euros	30 June 2023	31 December 2022
Common Equity Tier 1 Capital	1,017	981
Total capital ¹	1,102	1,066
Risk Weighted Assets	6,428	6,408
Common Equity Tier 1 ratio ¹	15.8%	15.3%
Total capital ratio ¹	17.1%	16.6%

¹ 'Total capital' would be EUR 1,147 million, 'CET1 ratio' would be 16.5% and 'Total capital ratio' would be 17.8% after inclusion of the net result less the payment of the proposed interim dividend for the first half of 2023.

NN Bank has maintained a solid capital position with a Total capital ratio of 17.1% (31 December 2022: 16.6%) and a CET1 ratio of 15.8% as of 30 June 2023 (31 December 2022: 15.3%). Common Equity Tier 1 Capital amounts to EUR 1,017 million (31 December 2022: EUR 981 million) and has increased, mainly driven by capital generation in the form of retained profits.

Liquidity adequacy

	30 June 2023	31 December 2022
Liquidity Coverage Ratio (LCR)	159%	183%
Net Stable Funding Ratio (NSFR)	137%	139%
Loan-to-Deposit ratio (LtD)	136%	134%

The Liquidity Coverage Ratio (LCR) decreased from 183% at 31 December 2022 to 159% at 30 June 2023, and remains well above regulatory and internal minimum requirements. The decrease in LCR is mainly due to the redemption of wholesale funding.

In addition to the available liquidity as captured by the LCR, NN Bank has other sources of liquidity available. NN Bank has previously issued RMBSs and recently issued retained covered bonds, for which the notes are included in the Bank's liquidity buffer. These can be used as eligible collateral for ECB open market operations and standing facilities (excluding emergency facilities). Further, NN Bank has intra-group facilities in place for use when necessary.

In addition to its liquidity ratio, NN Bank uses two ratios to measure and monitor the Bank's funding position, the NSFR and the LtD. At 30 June 2023, NN Bank had a NSFR ratio of 137%, which is well above regulatory and internal minimum requirements. At 30 June 2023, NN Bank had a LtD ratio of 136%, which is well within the threshold.

Dividend policy

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

In the second half of 2023, NN Bank is proposing the payment of an interim dividend of EUR 20 million relating to the profit for the first half of 2023.

Authorisation of the Condensed consolidated interim accounts

The interim report of NN Bank for the period ended 30 June 2023 was authorised for issue in accordance with a resolution of the NN Bank Management Board on 29 August 2023.

The Hague, 29 August 2023

The Management Board

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

N.A.M. (Nadine) van der Meulen, CFO

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

The Supervisory Board

A.A.G. (André) Bergen, chair

T. (Tjeerd) Bosklopper

A.M. (Anne) Snel-Simmons

A.T.J. (Annemiek) van Melick

Independent auditor's review report

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

Our conclusion

We have reviewed the accompanying condensed consolidated interim accounts of Nationale-Nederlanden Bank N.V. (or hereafter: the "Company") based in The Hague. Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim accounts are not prepared, in all material respects, in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

The condensed consolidated interim accounts comprise:

- 1 the condensed consolidated statement of financial position as at 30 June 2023;
- 2 the following statements for six-month period ended 30 June 2023: the condensed consolidated statement of profit or loss, the condensed consolidated statements of comprehensive income, changes in equity and cash flows; and
- 3 the notes comprising of a summary of the significant accounting policies and other explanatory information.

Basis for our conclusion

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

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

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

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

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

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

Our responsibilities for the review of the condensed consolidated interim accounts

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

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

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

Independent auditor's review report continued

Our review included among others:

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

Amstelveen, 29 August 2023

KPMG Accountants N.V.

B.M. Hengreen RA

Contact and legal information

Contact us

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Commercial Register number 52605884

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

Disclaimer

NN Bank's Consolidated annual accounts are prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and with Part 9 of Book 2 of the Dutch Civil Code.

In preparing the financial information in this document, the same accounting principles are applied as in the 2022 NN Bank Consolidated annual accounts, except as indicated in Note 1 of the 30 June 2023 Condensed consolidated interim financial information.

All figures in this document are unaudited. Small differences are possible in the tables due to rounding. Certain of the statements contained herein are not historical facts, including, without limitation, certain statements made of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Actual results, performance or events may differ materially from those in such statements due to, without limitation: (1) changes in general economic conditions, in particular economic conditions in NN Bank's core markets, (2) the effects of the Covid-19 pandemic and related response measures, including lockdowns and travel restrictions, on economic conditions in countries in which NN Bank operates, on NN Bank's business and operations and on NN Bank's employees, customers and counterparties, (3) changes in performance of financial markets, including developing markets, (4) consequences of a potential (partial) break-up of the euro or European Union countries leaving the European Union, (5) changes in the availability of, and costs associated with, sources of liquidity as well as conditions in the credit and capital markets generally, (6) changes affecting interest rate levels, (7) changes affecting currency exchange rates, (8) changes in investor and customer behaviour, (9) changes in general competitive factors, (10) changes in laws and regulations and the interpretation and application thereof, (11) changes in the policies and actions of governments and/or regulatory authorities, (12) conclusions with regard to accounting assumptions and methodologies, (13) changes in ownership that could affect the future availability to NN Bank of net operating loss, net capital and built-in loss carry forwards, (14) changes in credit and financial strength ratings, (15) NN Bank's ability to achieve its strategy, including projected operational synergies, (16) operational and IT risks, such as system disruptions or failures, breaches of security, cyber-attacks, human error, changes in operational practices or inadequate controls including in respect of third parties with which we do business, (17) risks and challenges related to cybercrime including the effects of cyberattacks and changes in legislation and regulation related to cybersecurity and data privacy, (18) business, operational, regulatory, reputation and other risks and challenges in connection with ESG related matters and/or driven by ESG factors including climate change, (19) the inability to retain key personnel, (20) catastrophes and terrorist-related events, (21) adverse developments in legal and other proceedings and (22) the other risks and uncertainties contained in recent public disclosures made by NN Bank and/or related to NN Bank.

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

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