



# Half-year 2020 results

6 August 2020

# 1H20 highlights

David Knibbe, CEO

# Highlights 1H20

<b>Robust capital position</b>	<b>Solvency II ratio</b>  <b>221%</b> FY19: 224% <sup>1</sup>	<b>Holdco cash capital</b>  <b>EUR 1.3bn</b> FY19: EUR 2.0bn	<b>Interim dividend and share buyback</b>  <b>EUR 2.26 per share</b> <b>share buyback resumed</b>
<b>Capital generation held up well; new business impacted by COVID-19</b>	<b>Operating capital generation</b>  <b>EUR 543m</b> 1H19: EUR 697m	<b>Value of new business</b>  <b>EUR 122m</b> 1H19: EUR 236m	
<b>Higher operating result</b>	<b>Operating result</b>  <b>EUR 926m</b> 1H19: EUR 914m	<b>Net result</b>  <b>EUR 587m</b> 1H19: EUR 1,118m	<b>Cost savings<sup>2</sup></b>  <b>EUR 381m</b> FY19: EUR 360m

1. FY19 Solvency II ratio has been adjusted to reverse the deduction of the proposed 2019 final dividend of EUR 1.40 per ordinary share following the decision to suspend dividend payments in light of the recommendations of EIOPA and DNB regarding dividend distributions
2. Expense savings of the business units in the scope of the cost reduction target, calculated on a last 12-month basis and compared with the full-year 2016 administrative expense base of EUR 1,970m, excluding acquisitions as from 2019

# Implementing strategic initiatives to create value



## Accelerating management actions to increase cash flow generation

- **VIVAT Non-life**
  - Acquisition closed on 1 April
  - Integration into NN Non-life already started
- **Longevity transactions**
  - Full longevity risk on EUR ~13.5bn of pension liabilities transferred through three transactions closed in May
  - Capital position further strengthened, adding ~17%-points to the NN Group Solvency II ratio
- **Investments in higher-yielding assets**
  - Over EUR 4bn invested in investment grade bonds, high-yield bonds, equities and emerging market debt in 1H20



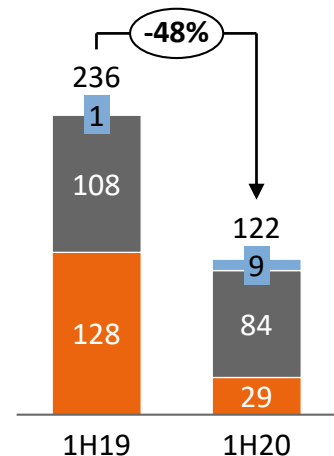
## Driving profitable growth in attractive markets

- **Excellent products and services**
  - New protection products launched, such as diabetes insurance in Poland and a long-term life product in Turkey
  - Adapted COLI products introduced in Japan complying with new tax rules
  - ESG-integrated China A-Share Equities strategy launched by NN IP
- **Strong distribution network**
  - Fully digital sales accelerated within all European business units
  - NN Czech to offer online pension solutions through Air Bank

# New business reflects COVID-19 restrictions, mortgage origination and asset inflows remain strong

## Value of new business<sup>1</sup>

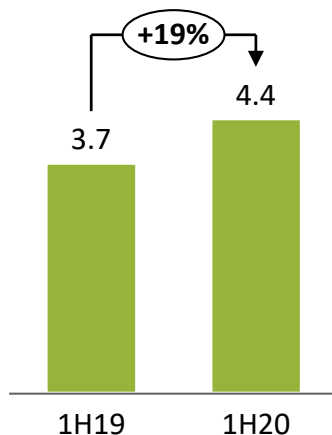
(EURm)



■ Netherlands Life  
■ Insurance Europe  
■ Japan Life

## Mortgage origination

(EURbn)



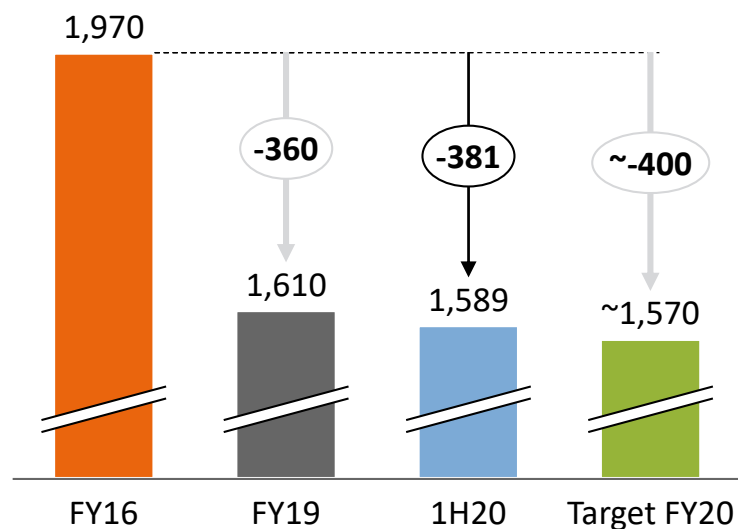
■ Banking

- Lower VNB in 1H20 reflects the impact of COVID-19 on sales in both Japan and Europe as well as decreased interest rates, while 1Q19 saw strong sales in Japan ahead of the implementation of the revised tax regulations of COLI products
- Total mortgage origination of EUR 4.4bn in 1H20, of which ~66% transferred to NN Group companies and NN IP's Dutch Residential Mortgage Fund
- Net third-party asset inflows of EUR 3.5bn in 1H20; assets under Management at NN IP increased to EUR 285bn from EUR 276bn at year-end 2019

1. Value of new business (VNB) figures based on historical currencies

# Cost reductions achieved to date of EUR 381m

## Administrative expense base<sup>1,2</sup> (EURm)

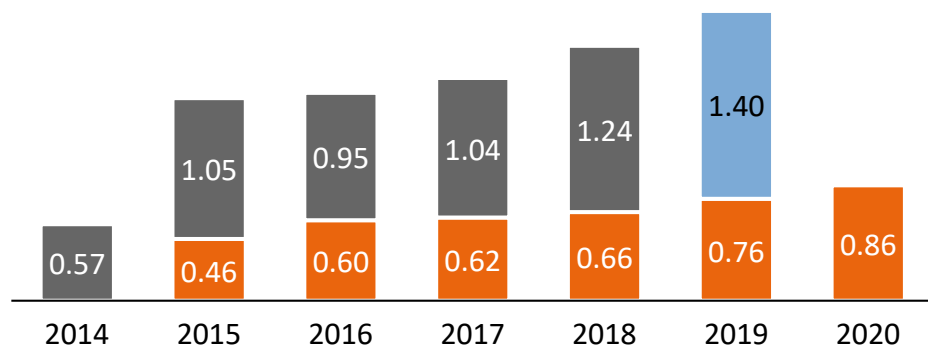


## Total administrative expense savings by segment<sup>1,2</sup> (EURm)

Segment	1H20 Savings (EURm)
Netherlands Life	139
Netherlands Non-life	109
Belgium	23
Asset Management	46
Banking	25
Corporate/holding	39
<b>Total</b>	<b>381</b>

# Capital returns to shareholders fully resumed

## Dividends (EUR)



## DPS<sup>1</sup> (EUR)

2014	2015	2016	2017	2018	2019	2020
0.57	1.51	1.55	1.66	1.90	2.16 <sup>2</sup>	0.86

- Interim dividend per share
- Final dividend per share
- Suspended dividend per share to be paid in 2H20

## Interim dividend of EUR 2.26 per share

- Total interim dividend of EUR 2.26 per share consisting of:
  - EUR 1.40 per share, equal to the amount of the suspended 2019 final dividend, plus
  - EUR 0.86 per share, equal to the amount of the 2020 interim dividend, calculated as 40% of prior year pro-forma full-year dividend per share<sup>2</sup>
- Payable on 2 September 2020

## Share buyback resumed

- Remaining EUR 67m of suspended EUR 250m share buyback programme to be resumed and completed before 2 March 2021

1. Dividend per share

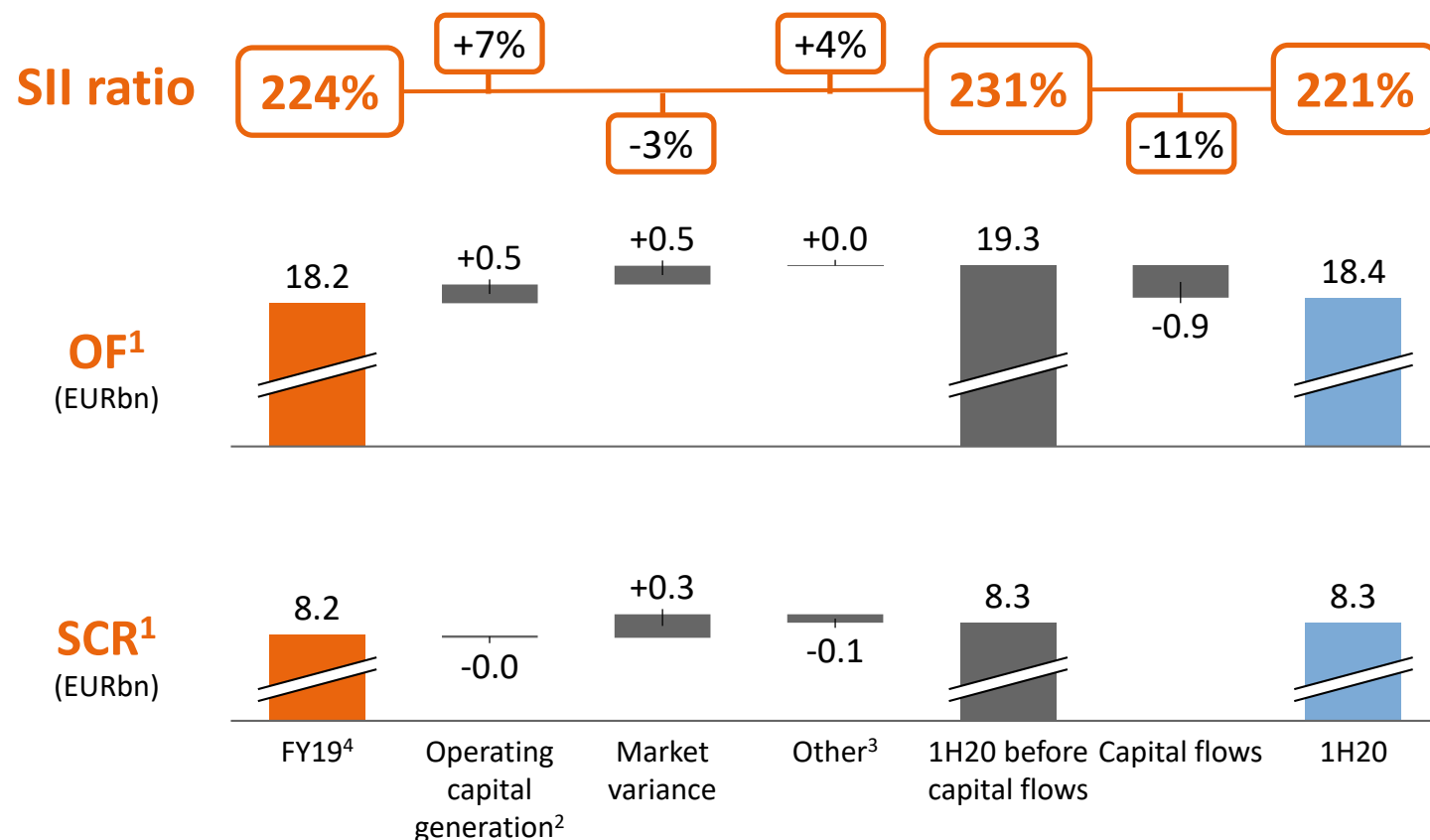
2. Pro-forma 2019 full-year dividend per share of EUR 2.16, comprising the interim dividend of EUR 0.76 plus the suspended final dividend of EUR 1.40

# 1H20 results

Delfin Rueda, CFO



# Robust Solvency II ratio in volatile markets



- Solvency II ratio of 221% mainly reflects operating capital generation, offset by capital flows to shareholders
- Market variance mainly reflects unfavourable movements in credit spreads
- Other includes the positive impact from the longevity reinsurance transactions, partly offset by UFR reduction and acquisition of VIVAT Non-life
- Capital flows reflect the 2020 interim dividend of EUR 705m to be paid in September and EUR 183m of own shares repurchased under the share buyback programme
- Estimated impact of new methodology for including NN Bank in Solvency II ratio is -10%-points

# 1H20 OCG impacted by lower rates and lower sales

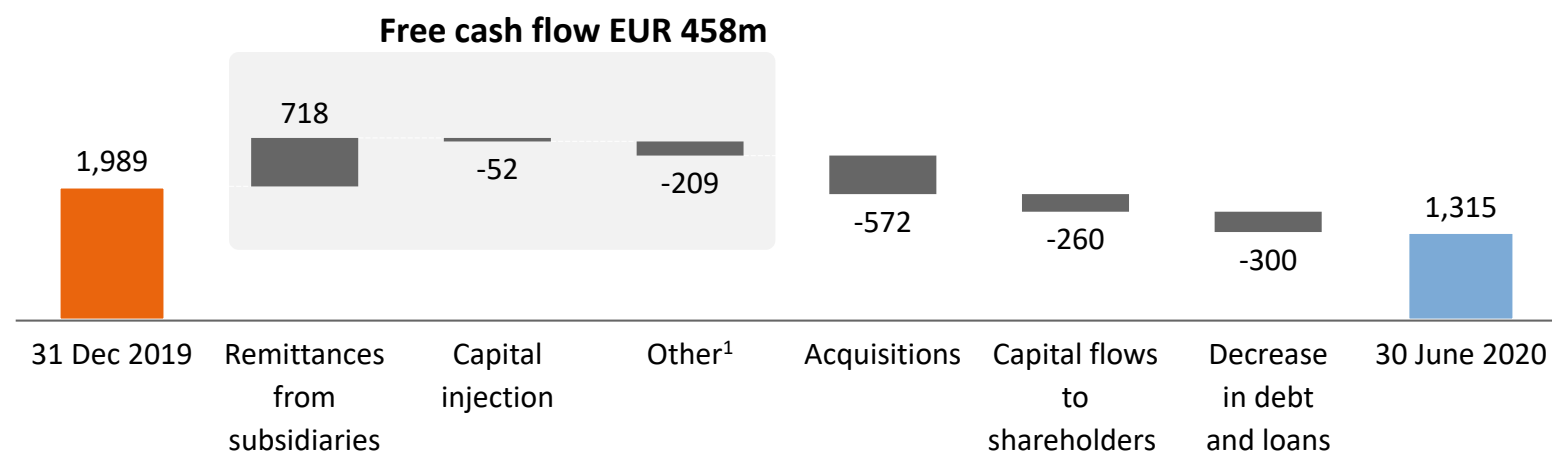
OCG <sup>1</sup> by segment (EURm)	1H20	1H19	Developments
Netherlands Life	376	441	• Reflects impact of lower interest rates and longevity reinsurance transactions, partly offset by shift to higher-yielding assets
Netherlands Non-life	61	49	• Driven by higher underwriting results in P&C and the acquisition of VIVAT Non-life, partly offset by lower results in D&A
Insurance Europe	119	130	• Reflects a lower contribution from new business as a result of lower sales due to COVID-19 restrictions
Japan Life	70	70	• OCG broadly stable
Asset Management	50	62	• Mainly reflecting the net result, while 1H19 included non-recurring items
Banking	0	56	• Suspension of dividend payments in 2020 in accordance with recommendation of the Dutch regulator
Other	-133	-111	• Reflects higher claims in NN Re related to Non-life's disability portfolio, while 1H19 benefited from a reinsurance transaction with Japan Life
<b>Operating capital generation</b>	<b>543</b>	<b>697</b>	

1. Operating Capital Generation (OCG) is the movement in the Solvency II surplus (Own Funds before eligibility over SCR at 100%) in the period due to operating items, including the impact of new business, expected investment returns in excess of the unwind of liabilities, release of the risk margin, operating variances, non-life underwriting result, contribution of non-Solvency II entities and holding expenses and debt costs and the change in the SCR. It excludes economic variances, economic assumption changes and non-operating expenses.

# Remittances supporting healthy free cash flow

## Movement in holding company cash capital

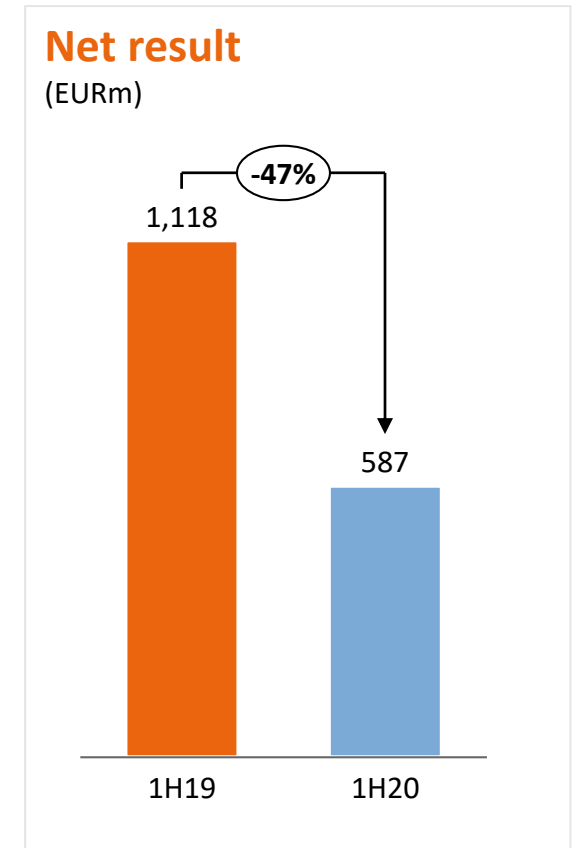
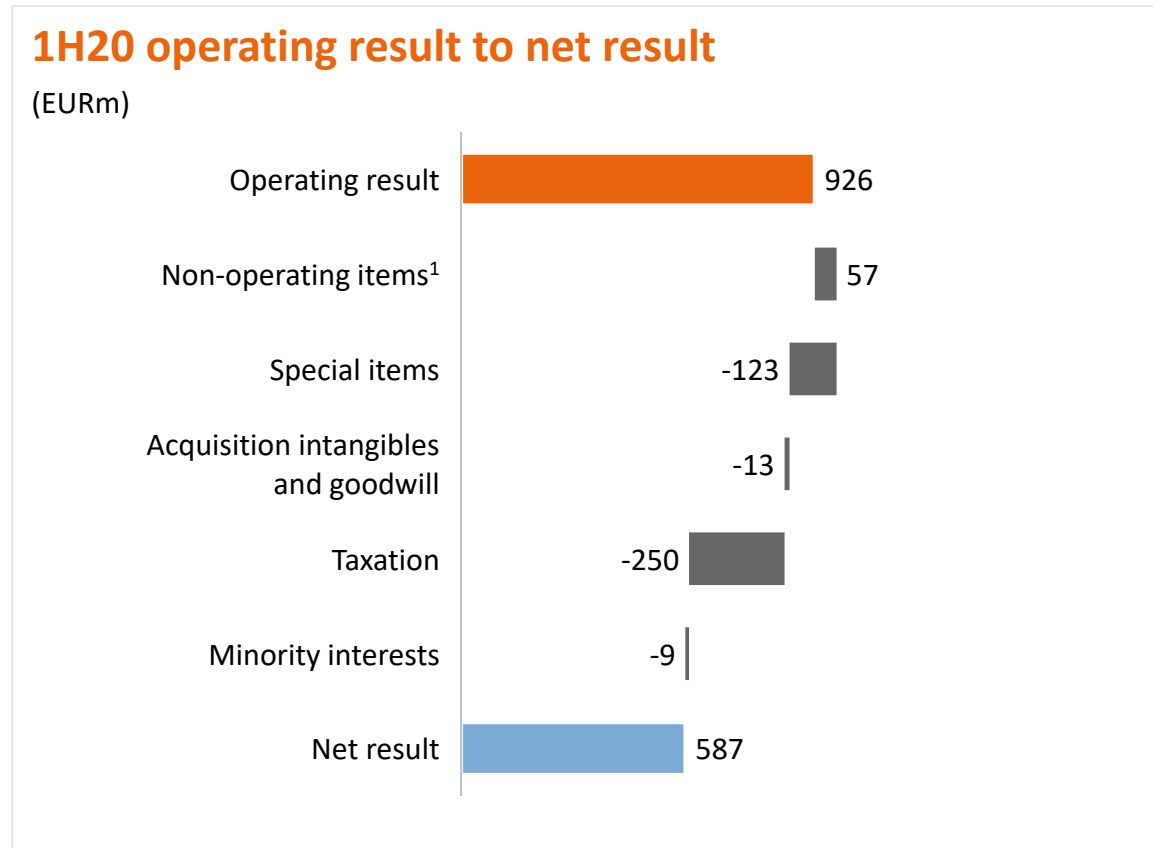
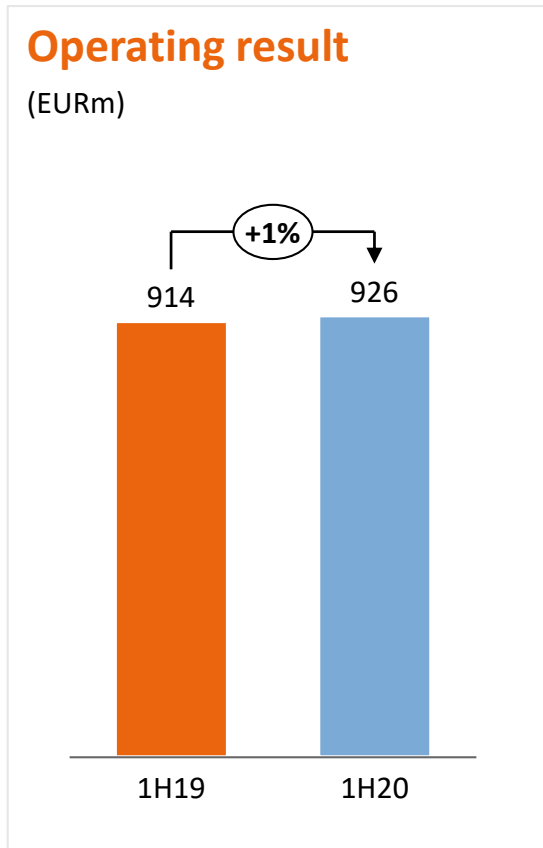
(EURm)



- Free cash flow to the holding of EUR 458m, mainly reflecting remittances received from subsidiaries
- Acquisitions relate to VIVAT Non-life
- Capital flows to shareholders relate to the repurchase of own shares under the share buyback programmes
- EUR 300m senior debt redeemed in June 2020

1. Other includes interest on subordinated loans and debt, holding company expenses and other cash flows

# Operating result holding up in turbulent environment



1. Includes realised capital gains/losses and impairments, revaluations and market & other impacts

# Operating result by segment

<b>Operating result</b> (EURm)	<b>1H20</b>	<b>1H19</b>	<b>Developments</b>
Netherlands Life	494	524	<ul style="list-style-type: none"> <li>Reflects lower private equity dividends partly offset by a higher technical margin and lower administrative expenses</li> </ul>
Netherlands Non-life	111	84	<ul style="list-style-type: none"> <li>Includes the results of VIVAT Non-life from 1 April and higher underwriting results in P&amp;C, partly offset by lower underwriting results in D&amp;A; combined ratio 94.9%</li> </ul>
Insurance Europe	133	140	<ul style="list-style-type: none"> <li>Reflects higher administrative expenses and DAC amortisation and trail commissions, partly offset by higher life protection fees and pension fees,</li> <li>while 1H19 included a EUR 6m non-recurring benefit</li> </ul>
Japan Life	138	118	<ul style="list-style-type: none"> <li>Reflects improved persistency and the negative impact of COVID-19</li> </ul>
Asset Management	74	76	<ul style="list-style-type: none"> <li>Operating result broadly stable; AuM of EUR 285bn</li> </ul>
Banking	80	60	<ul style="list-style-type: none"> <li>Driven by a higher interest result and higher investment and other income</li> </ul>
Other	-104	-88	<ul style="list-style-type: none"> <li>Lower operating result of the reinsurance business reflecting claims related to Non-life's Disability portfolio partly offset by a higher holding result</li> </ul>
<b>Operating result</b>	<b>926</b>	<b>914</b>	<ul style="list-style-type: none"> <li>Impact of COVID-19 of EUR ~30m</li> </ul>

## Key takeaways

David Knibbe, CEO

# Key takeaways

- ▶ Robust capital position: Solvency II ratio of 221%; holding company cash capital of EUR 1.3bn
- ▶ Capital returns to shareholders fully resumed; interim dividend of EUR 2.26 per ordinary share
- ▶ Strong 1H20 operating performance: OCG of EUR 543m; operating result of EUR 926m
- ▶ Limited impact of COVID-19 so far on operating results; lower new sales in Japan and Europe; VNB of EUR 122m

## Q&A

**David Knibbe, Delfin Rueda, Bernhard Kaufmann**



# Appendices

# Operating capital generation by source

<b>OCG<sup>1</sup> by source</b> (EURm)	<b>1H20</b>	<b>1H19</b>	<b>FY19</b>
Investment return	569	509	1,089
Life – UFR drag	-421	-243	-626
Life – Risk margin release	215	206	436
Life – Experience variance	37	-4	7
Life – New business	53	108	123
Non-life underwriting	43	22	90
<b>OF Generation – SII entities</b>	<b>496</b>	<b>598</b>	<b>1,117</b>
Asset Management, Japan, Bank, Other <sup>2</sup>	152	220	433
Holding expenses and debt costs	-141	-133	-279
<b>OF Generation – Total</b>	<b>507</b>	<b>685</b>	<b>1,272</b>
Change in SCR	35	12	78
<b>Operating capital generation</b>	<b>543</b>	<b>697</b>	<b>1,349</b>



1. Operating Capital Generation is the movement in the Solvency II surplus (Own Funds before eligibility over SCR at 100%) in the period due to operating items, including the impact of new business, expected investment returns in excess of the unwind of liabilities, release of the risk margin, operating variances, non-life underwriting result, contribution of non-Solvency II entities and holding expenses and debt costs and the change in the SCR. It excludes economic variances, economic assumption changes and non-operating expenses.
2. Other comprises Europe pension funds as well as broker and service companies

# Solvency II sensitivities

## Sensitivities to shocks at 1H20<sup>1</sup>

	$\Delta$ OF (EURbn)	$\Delta$ SCR (EURbn)	$\Delta$ SII ratio (%-points)
<b>Interest rate:</b> Parallel shock +50bps	-1.0	-0.6	+2%
<b>Interest rate:</b> Parallel shock -50bps	+1.4	+0.8	-3%
<b>Interest rate:</b> 10bps steepening between 20y–30y	-0.8	-0.0	-9%
<b>Credit spread:</b> Parallel shock for AAA-rated government bonds +50bps	-0.8	-0.0	-9%
<b>Credit spread:</b> Parallel shock for AA and lower-rated government bonds +50bps	-0.9	-0.1	-7%
<b>Credit spread:</b> Parallel shock corporate bonds +50bps	+1.0	-0.1	+15%
<b>Credit spread:</b> Parallel shock mortgages +50bps	-0.9	-0.0	-10%
<b>Equity:</b> Downward shock -25%	-1.6	-0.2	-14%
<b>Real estate:</b> Downward shock -10%	-0.7	-0.0	-8%
<b>UFR:</b> Downward adjustment by 15bps	-0.3	+0.0	-5%

1. Sensitivities are performed for Solvency II entities and NN Life Japan

# Remittances from subsidiaries

Remittances from subsidiaries (EURm)	1H20	1H19	2019	2018	2017
Netherlands Life <sup>1</sup>	450	410	814	837	1,035
Netherlands Non-life <sup>1</sup>	43	34	85	108	100
Insurance Europe <sup>1,2</sup>	63	128	148	299	230
NN Japan Life	119	79	79	-	57
Asset Management	42	88	195	177	96
Banking <sup>1</sup>	1	76	107	10	2
NN Re Netherlands	-	10	10	150	200
Other	-	2	21	12	98
<b>Total</b>	<b>718</b>	<b>827</b>	<b>1,459</b>	<b>1,593</b>	<b>1,818</b>

1. Includes interest on subordinated loans provided to subsidiaries by the holding company

2. Refers to Insurance Europe entities' consolidated totals excluding Czech Life insurance business (branch of NN Life)

# Important legal information

NN Group's Consolidated Annual Accounts are prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS-EU") and with Part 9 of Book 2 of the Dutch Civil Code. In preparing the financial information in this document, the same accounting principles are applied as in the NN Group N.V. Condensed consolidated interim financial information for the period ended 30 June 2020.

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