



# NN Group 2H20 results

18 February 2021

# 2H20 highlights

David Knibbe, CEO

# Financial highlights 2H20

**Solid capital position;  
attractive and growing  
capital returns**

**Solvency ratio**

**210%**

30 June 2020: 221%

**Holdco cash capital**

**EUR 1.2bn**

30 June 2020: EUR 1.3bn

**Full-year dividend and share  
buyback**

**EUR 2.33 per share<sup>1</sup>**

+7.9% on 2019

**EUR 250m share buyback**

**OCG reflects impact of  
lower interest rates;  
new business growth**

**Operating capital  
generation**

**EUR 450m**

2H19: EUR 653m

**Value of new business**

**EUR 144m**

2H19: EUR 122m

**Strong financial  
performance; cost  
reduction target  
achieved**

**Operating result**

**EUR 963m**

2H19: EUR 881m

**Net result**

**EUR 1,317m**




2H19: EUR 844m

**Cost savings<sup>2</sup>**

**EUR 404m**

1H20: EUR 381m

# Our broader commitment to stakeholders

KPIs and targets		31-Dec-20	31-Dec-19
<b>Excellent customer experience</b> 	<b>Customer engagement</b> All insurance business units scoring above market average NPS <sup>1</sup> by 2023	<b>4 units</b>	4 units
	<b>Brand consideration<sup>2</sup></b> 28% by 2023	<b>21%</b>	25%
<b>Engaged employees</b> 	<b>Employee engagement</b> ≥ 7.8 by 2023	<b>7.9</b>	7.4
	<b>Women in senior management positions</b> 40% by 2023	<b>33%</b>	36%
<b>Positive contribution to society</b> 	<b>ESG-integrated AuM</b> 80% by 2023	<b>74%</b>	68%
	<b>Acceleration of the transition to a low-carbon economy</b> Net-zero carbon proprietary investment portfolio by 2050		
	<b>Contribution to society in charitable donations and volunteering hours</b> 1% of operating result <sup>4</sup> by 2023	<b>EUR 4.7m</b> <i>in charitable donations</i>	EUR 3.2m <i>in charitable donations</i>

1. Net Promoter Score measured for 11 of NN's business units
2. Measured by GBHM (Global Brand Health Monitor)
3. 3-year average

# Strategic progress generating value and growth

## Netherlands Life

- Around EUR 8bn invested in higher-yielding assets in 2020, mainly in mortgages, corporate bonds and real estate
- Ongoing actions to reduce expenses in line with portfolio run-off

## Insurance Europe

- Strong results and new business of acquired Slovak and Czech businesses
- New protection and living benefit products launched across the region

## Banking

- Fifth largest Dutch mortgage originator in 2020, with a market share of ~6%
- Successful launch of new Woonnu mortgage label in 2H20 which incentivises sustainable living

## Netherlands Non-life

- Integration of VIVAT Non-life on track: 1m policies migrated to NN systems, 380 VIVAT colleagues transferred to NN
- Actions taken to improve D&A profitability, including pricing and reintegration measures

## Japan Life

- Lower administrative expenses driven by strict cost control measures
- New products for SME owners launched in February 2021 to reflect best practices following the change of tax regulation

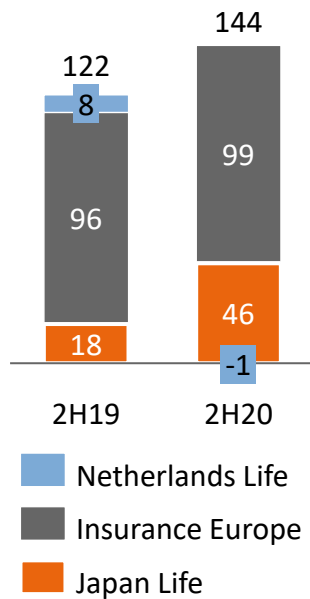
## Asset Management

- Strong performance across most strategies; Sustainable and impact investing outperformed benchmark by 18%<sup>1</sup>
- Global EMD proposition strengthened with transfer of team and around USD 4bn<sup>2</sup> of assets from MN

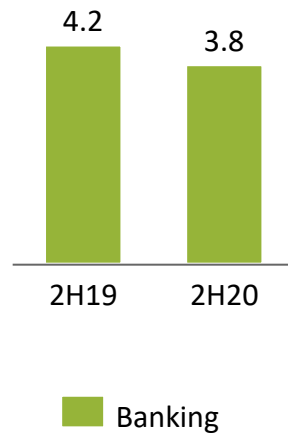
1. Relative 1Y performance versus benchmark  
2. At 28 August 2020

# Resilient commercial momentum

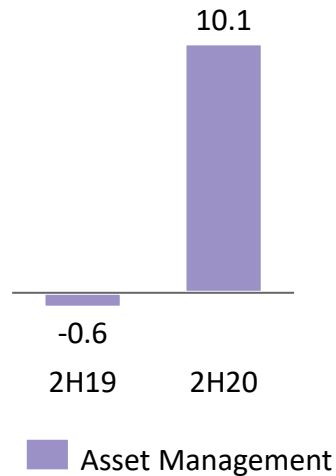
## Value of new business<sup>1</sup> (EURm)



## Mortgage origination (EURbn)



## AuM third-party flows (EURbn)



- Value of new business up 18% on 2H19
  - New sales in Insurance Europe up 6%<sup>2</sup> reflecting strong broker sales despite Covid-19 restrictions
  - Recovery of new sales in Japan Life following revised tax regulations
- Assets under management DC increased to EUR 25bn reflecting market leading position in Dutch pensions
- Record total mortgage origination in FY20 of EUR 8.2bn, of which 69% transferred to NN Group companies and NN IP's Dutch Residential Mortgage Fund
- Assets under Management at NN IP increased to EUR 300bn at end 2020, driven by positive market performance and net inflows
  - Net third-party asset inflows of EUR 10.1bn in 2H20 mainly in fixed income and EMD strategies

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

# Attractive and growing capital returns in line with our commitment to shareholders

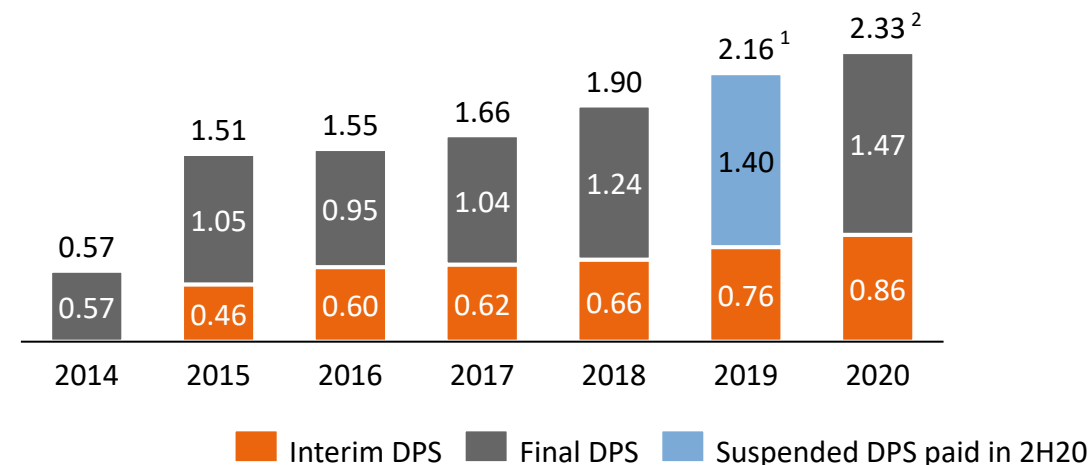
**Our commitment:** Resilient and growing long-term capital generation for shareholders

**Financial targets:** OCG: EUR 1.5bn in 2023  
FCF: over time, in a range around OCG

**Dividend policy:** Progressive dividend per share, annual share buyback of at least EUR 250m and additional excess capital to be returned to shareholders unless used for value-creating opportunities

## Proposed final dividend of EUR 1.47 per share

- Together with regular 2020 interim dividend of EUR 0.86 per share, total dividend for 2020 of EUR 2.33<sup>2</sup> per share
- Total 2020 DPS represents 7.9% growth on 2019



## New share buyback programme

- EUR 250m share buyback programme to be completed within 12 months

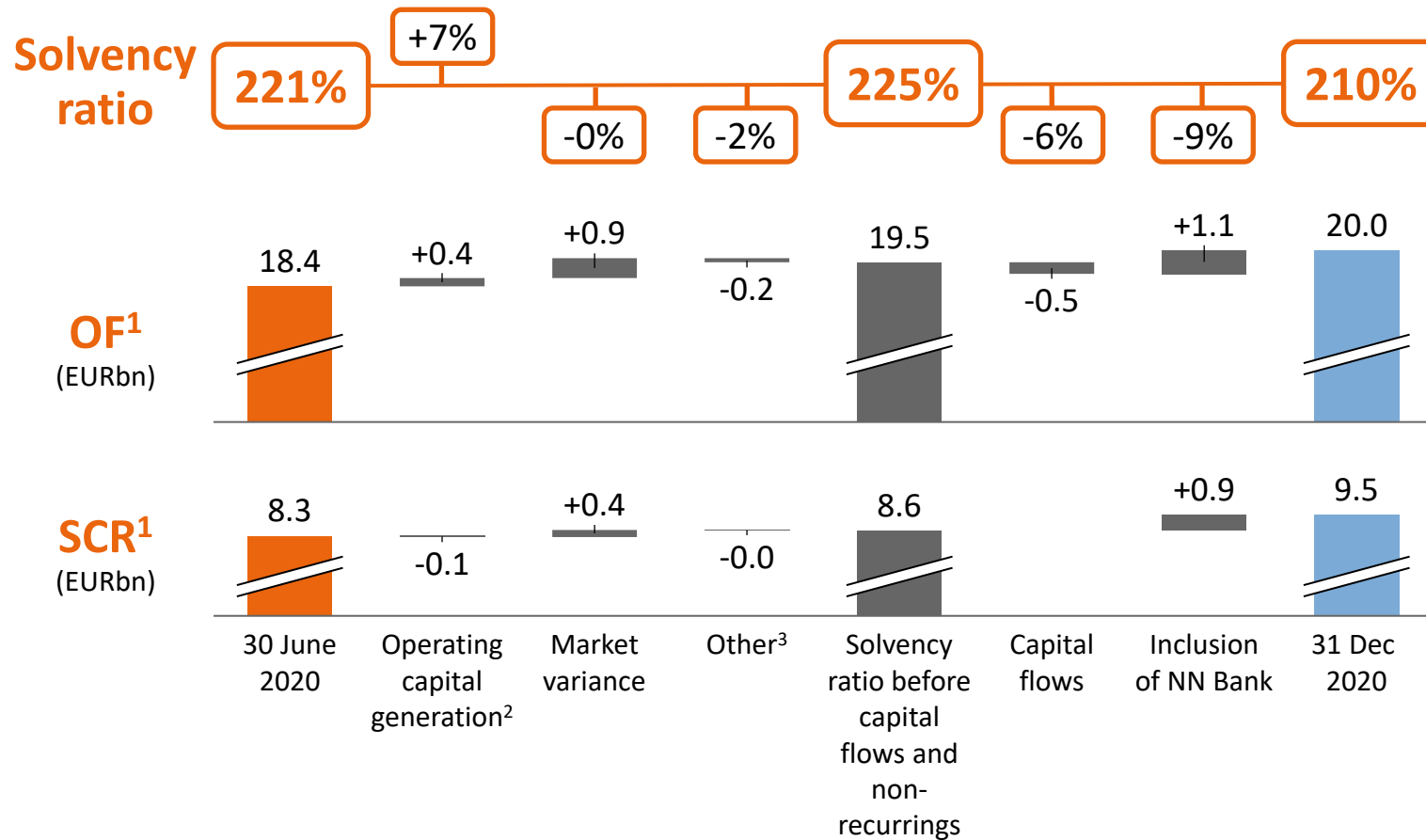
1. Pro-forma 2019 full-year dividend per share of EUR 2.16, comprising the interim dividend of EUR 0.76 plus the suspended final dividend of EUR 1.40  
2. Pro forma 2020 full-year dividend per share of EUR 2.33, comprising the regular 2020 interim dividend of EUR 0.86, excluding the suspended 2019 final dividend of EUR 1.40, plus the proposed 2020 final dividend of EUR 1.47

## 2H20 results

Delfin Rueda, CFO



# Strong solvency ratio at 210%

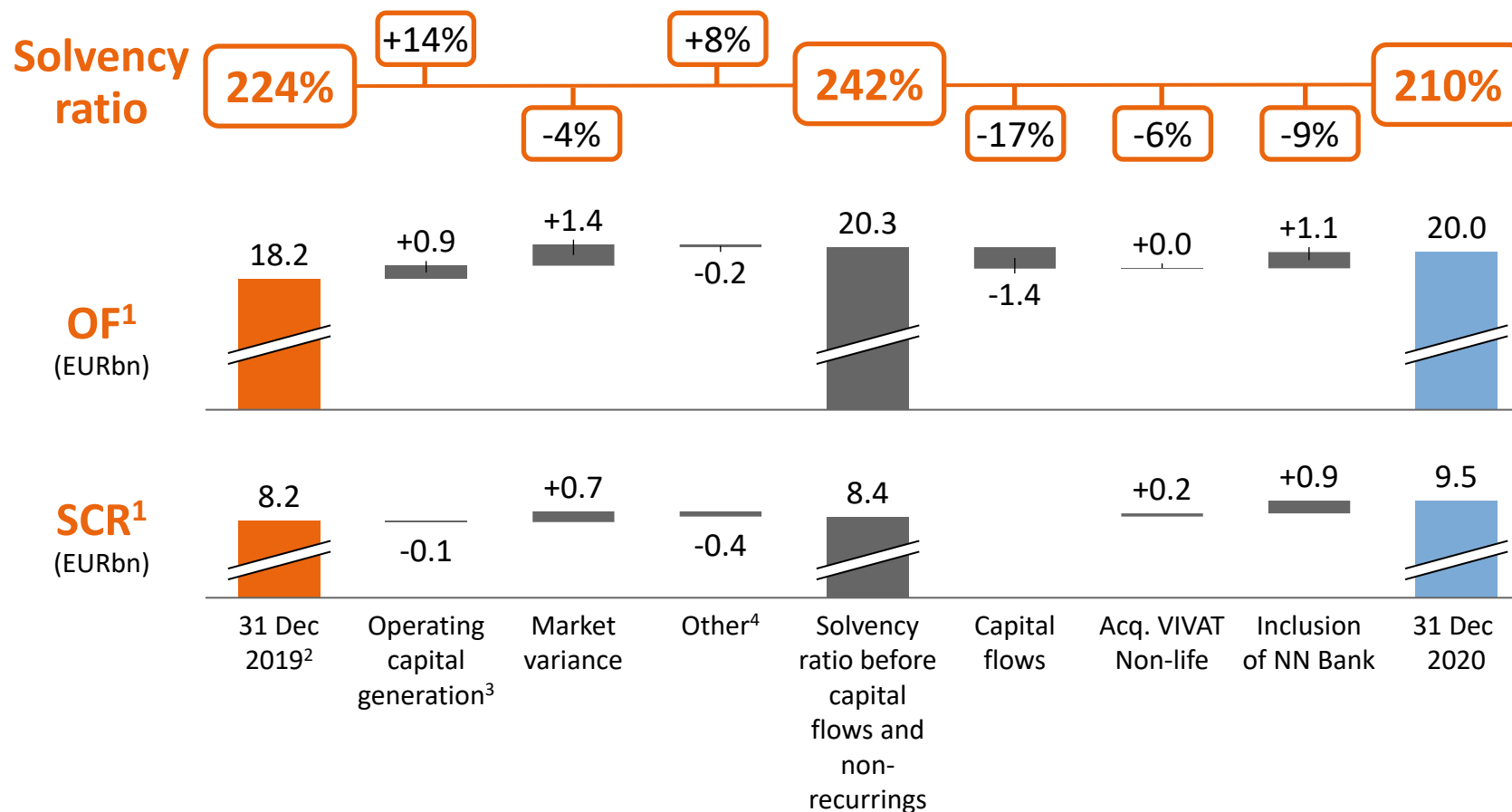


- Solvency ratio up to 225% before capital flows and the inclusion of NN Bank, driven by operating capital generation
- Capital flows reflect the proposed 2020 final dividend of EUR 456m to be paid in June and the remaining EUR 67m of the EUR 250m share buyback programme resumed in August



1. Eligible Own Funds and Solvency Capital Requirement; Available and required regulatory capital for Japan Life, Asset Management and pension funds  
 2. Operating capital generation (OCG) includes Solvency II entities, Japan Life, Asset Management and pension funds, as well as the accruals of the qualifying debt and holding expenses  
 3. Includes model and assumption changes, the change of non-available Own Funds and non-eligible Own Funds and special items related to non-Solvency II regulated entities and the holding company, as well as the increase of the SCR due to the shift to higher-yielding assets

# Resilient capital position in turbulent year



- Solvency ratio of 210% versus 224% at the end of 2019, mainly reflecting the acquisition of VIVAT Non-life and the inclusion of NN Bank
- Operating capital generation impacted by the decrease of interest rates and impact of the pandemic
- Capital flows in 2020 consist of EUR 1,161m of dividends and the EUR 250m share buyback programme
- Limited market variance in a very turbulent year supported by a defensive balance sheet
- Other includes the longevity reinsurance transactions completed in May 2020

# FY20 OCG reflects market impact; well on track to reach EUR 1.5bn target by 2023

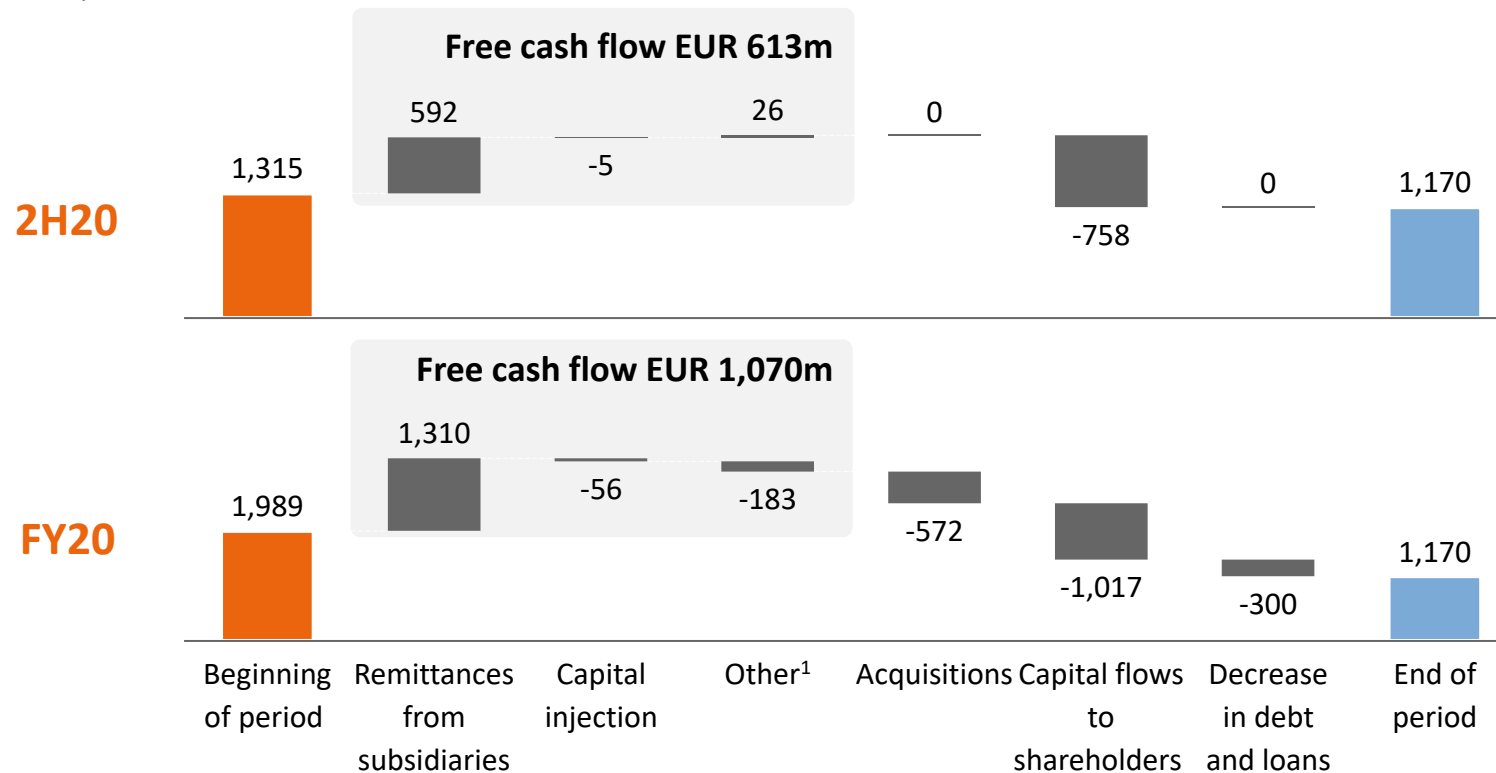
<b>OCG<sup>1</sup> by segment</b> (EURm)	<b>2H20</b>	<b>2H19</b>	<b>FY20</b>	<b>FY19</b>	<b>Developments 2H20 versus 2H19</b>
Netherlands Life	266	330	642	770	• Reflects the impact of lower interest rates, partly compensated by the shift to higher-yielding assets
Netherlands Non-life	14	83	76	132	• Mainly reflects unfavourable developments in the D&A portfolio
Insurance Europe	135	121	253	251	• Mainly reflects a higher new business contribution
Japan Life	63	103	133	173	• Driven by the recovery in sales of COLI products
Asset Management	53	60	103	122	• Mainly reflecting the net result
Banking	0	26	0	82	• Suspension of dividend payments in 2020 in accordance with recommendation of the Dutch regulator
Other	-81	-70	-214	-180	• 2H19 benefited from a reinsurance transaction with Japan Life
<b>Operating capital generation</b>	<b>450</b>	<b>653</b>	<b>993</b>	<b>1,349</b>	

1. 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.

# Free cash flow reflects prudence in remittances from subsidiaries

## Movement in holding company cash capital

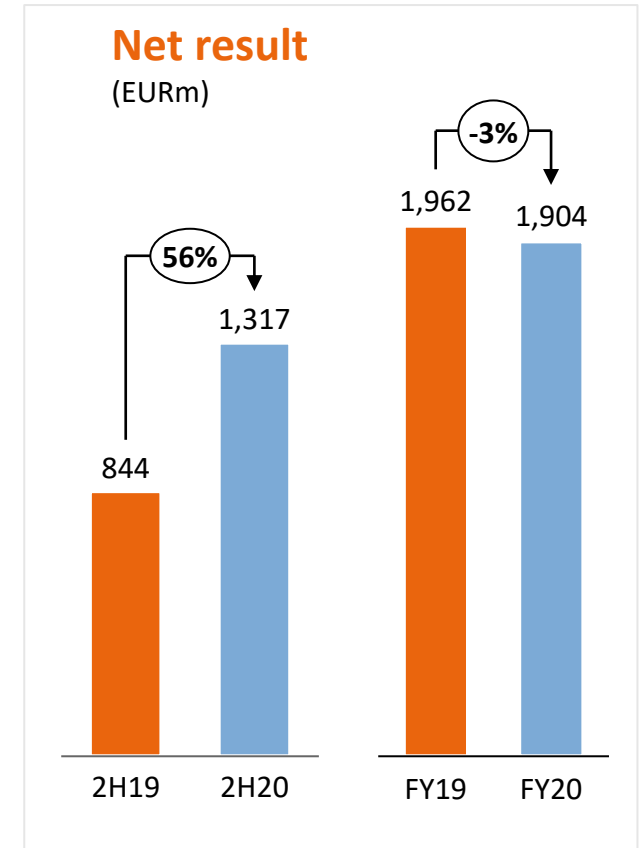
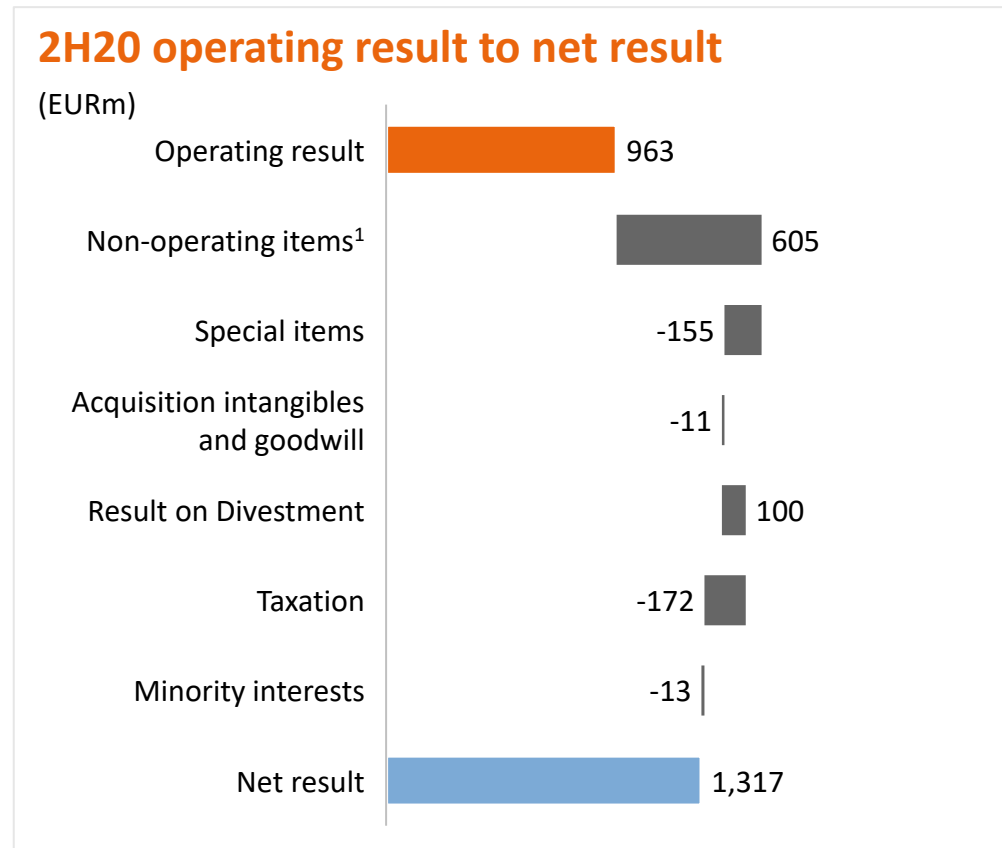
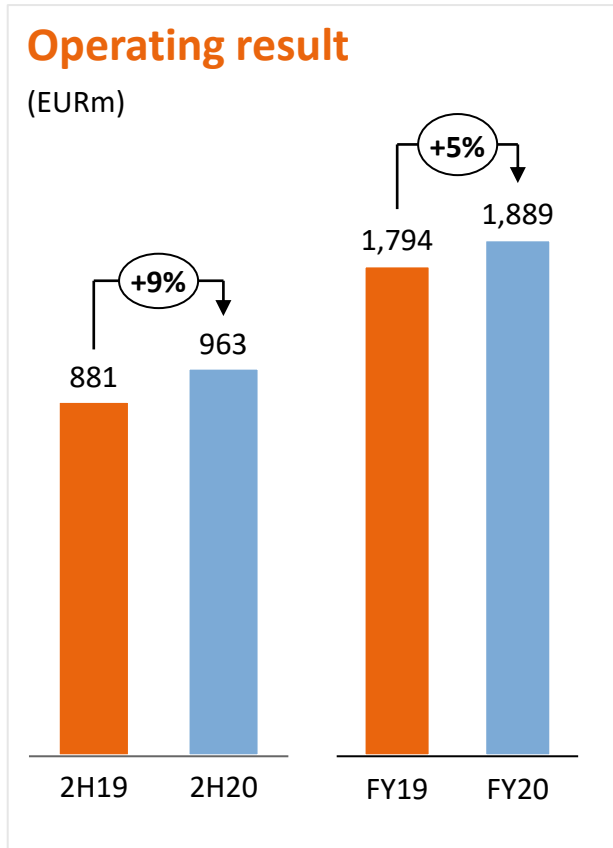
(EURm)



- Full-year 2020 free cash flow of EUR 1.1bn
- Remittances from subsidiaries reflect regulatory request for prudence in dividend payments due to Covid-19
- EUR 1.0bn of capital flows to shareholders in 2020 representing 2020 interim cash dividend and own shares repurchased

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

# Strong financial performance, limited impact of Covid-19



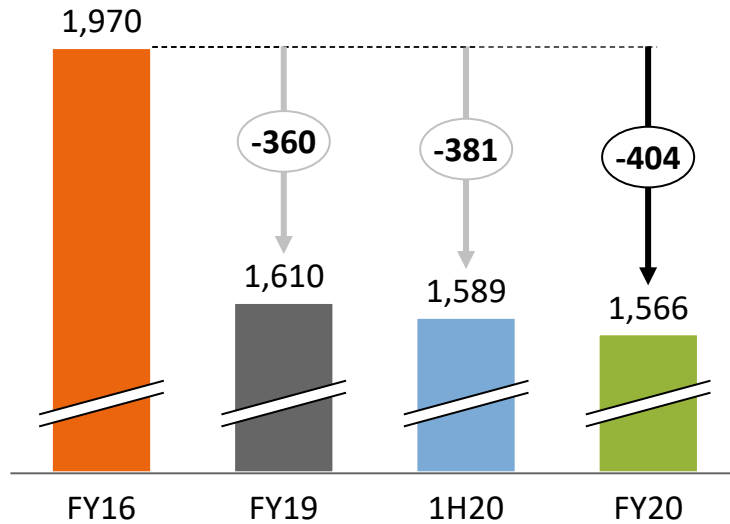
1. Includes realised capital gains/losses and impairments, revaluations and market & other impacts

# Operating result by segment

<b>Operating result</b> (EURm)	<b>2H20</b>	<b>2H19</b>	<b>FY20</b>	<b>FY19</b>	<b>Developments 2H20 versus 2H19</b>
Netherlands Life	500	397	994	922	• Reflects higher investment margin and lower administrative expenses
Netherlands Non-life	103	119	215	203	• Lower underwriting results in D&A, partly compensated by lower claims in P&C and the inclusion of VIVAT Non-life results; combined ratio 95.7%
Insurance Europe	152	143	285	283	• Mainly driven by higher investment margin in Belgium and higher pension fees in Romania, partly offset by lower Non-life results
Japan Life	102	100	240	218	• Excluding currency effects, reflects lower DAC amortisation and trail commissions and lower administrative expenses
Asset Management	78	85	152	161	• Reflects lower fees and higher administrative expenses; AuM increased to EUR 300bn driven by net inflows and positive market performance
Banking	74	92	154	152	• Reflects higher interest result, while 2H19 included EUR 26m of non-recurring benefits
Other	-47	-56	-151	-144	• Mainly reflects higher result of reinsurance business partly offset by lower other results
<b>Operating result</b>	<b>963</b>	<b>881</b>	<b>1,889</b>	<b>1,794</b>	• Impact of Covid-19 in 2H20 of EUR -23m

# Total cost reductions achieved of EUR 404m

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



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

Segment	FY20
Netherlands Life	151
Netherlands Non-life	113
Belgium	30
Asset Management	46
Banking	22
Corporate/holding	43
<b>Total<sup>3</sup></b>	<b>404</b>

## Cost reduction target of EUR 400m achieved

- Target to reduce the 2016 administrative expense base of the business units in the scope of the integration by EUR 400m by the end of 2020 has been achieved
- Ongoing focus on efficiency is reflected in the segment targets

## Key takeaways

David Knibbe, CEO



# Key takeaways

- ▶ Resilient balance sheet, with solid solvency and cash capital position
- ▶ Attractive and growing capital returns: proposed 2020 final dividend per share up ~8% on 2019; new EUR 250m share buyback programme announced
- ▶ Solid financial performance, limited impact of Covid-19
- ▶ Commercial momentum: sales and new business up in Japan and Europe despite Covid-19 restrictions; new product launches across the region
- ▶ Creating value for all stakeholders: stable customer satisfaction, improved employee engagement and increased ESG-integrated assets under management

## Q&A

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

# Appendices

# Operating capital generation by source

<b>OCG<sup>1</sup> by source</b> (EURm)	<b>2H20</b>	<b>2H19</b>	<b>FY20</b>	<b>FY19</b>
Investment return	654	580	1,223	1,089
Life – UFR drag	-557	-383	-978	-626
Life – Risk margin release	225	230	440	436
Life – Experience variance	-42	10	-5	7
Life – New business	39	14	92	123
Non-life underwriting	49	67	92	90
<b>OF Generation – SII entities</b>	<b>367</b>	<b>518</b>	<b>864</b>	<b>1,117</b>
Asset Management, Japan, Bank, Other <sup>2</sup>	146	213	298	433
Holding expenses and debt costs	-136	-145	-277	-279
<b>OF Generation – Total</b>	<b>377</b>	<b>586</b>	<b>885</b>	<b>1,272</b>
Change in SCR	73	66	108	78
<b>Operating capital generation</b>	<b>450</b>	<b>653</b>	<b>993</b>	<b>1,349</b>



1. 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.
2. Other comprises Europe pension funds as well as broker and service companies

# Solvency sensitivities

<b>Sensitivities to shocks at 31 December 2020<sup>1</sup></b>	<b>Δ OF (EURbn)</b>	<b>Δ SCR (EURbn)</b>	<b>Δ Solvency ratio (%-points)</b>
<b>Interest rate:</b> Parallel shock +50bps	-0.9	-0.6	+3%
<b>Interest rate:</b> Parallel shock -50bps	+1.2	+0.7	-3%
<b>Interest rate:</b> 10bps steepening between 20y–30y	-0.7	-0.0	-8%
<b>Credit spread:</b> Parallel shock for AAA-rated government bonds +50bps	-0.7	+0.0	-7%
<b>Credit spread:</b> Parallel shock for AA and lower-rated government bonds +50bps	-1.0	-0.1	-8%
<b>Credit spread:</b> Parallel shock corporate bonds +50bps	+1.0	-0.2	+14%
<b>Credit spread:</b> Parallel shock mortgages +50bps	-0.9	-0.0	-9%
<b>Equity:</b> Downward shock -25%	-1.9	-0.3	-13%
<b>Real estate:</b> Downward shock -10%	-0.8	-0.0	-8%
<b>UFR:</b> Downward adjustment by 15bps	-0.3	+0.0	-4%

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

# Remittances from subsidiaries

Remittances from subsidiaries (EURm)	2H20	1H20	FY20	FY19	FY18	FY17
Netherlands Life <sup>1</sup>	480	450	930	814	837	1,035
Netherlands Non-life <sup>1</sup>	19	43	62	85	108	100
Insurance Europe <sup>1,2</sup>	14	63	77	148	299	230
NN Japan Life	-	119	119	79	-	57
Asset Management	39	42	81	195	177	96
Banking <sup>1</sup>	1	1	1	107	10	2
NN Re Netherlands	30	-	30	10	150	200
Other	9	-	9	21	12	98
<b>Total</b>	<b>592</b>	<b>718</b>	<b>1,310</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 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.

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