

## NN Group N.V.

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<b>Anchor</b>	<b>a+</b>	+	<b>Modifiers</b>	<b>0</b>	=	<b>SACP</b>	<b>a+</b>	
	▲		▲			+		
<b>Business Risk</b>	<b>Strong</b>					<b>Support</b>	<b>0</b>	<b>A+ / Stable / --</b>
Competitive position	Strong		Governance	Neutral				<b>Financial strength rating</b>
IICRA	Intermediate							
<b>Financial Risk</b>	<b>Excellent</b>							
Capital and earnings	Excellent		Liquidity	Exceptional		Group support	0	<b>A- / Stable / A-2</b>
Risk exposure	Moderately low							<b>Holding company ICR</b>
Funding structure	Neutral		Comparable ratings analysis	0		Government support	0	

IICRA--Insurance Industry And Country Risk Assessment.  
SACP--Stand-alone credit profile.

## Credit Highlights

Overview	
Key strengths	Key risks
Well-diversified business and earnings mix leading to improved capitalization.	Geopolitical tensions, interest rate volatility, and rising inflation could erode earnings.
Domestic market leader with a strong brand and reputation.	Limited organic growth opportunities in the highly penetrated Dutch insurance market.
Effective asset-liability management.	

**NN Group (NN) shows solid capital and earnings despite geopolitical tensions, higher interest rates, and inflation.** We believe the group's capital adequacy significantly strengthened, after implementing our revised capital model, and will remain excellent, due to solid earnings (€1.2 billion net income in 2023) despite higher interest rates and higher inflation. We consider the group's sustainable, excellent capital adequacy, as well as its profitability, which is in line with peers, support the rating.

**Business and earnings diversification differentiates NN in its home market but is somewhat weaker than higher rated peers'.** NN holds a leading position in the domestic market. It is also one of the top three life insurers in several Central and Eastern European (CEE) countries and is part of Japan's niche, corporate-owned life insurance market. Additionally, diversification stems from the group's profitable banking operations. We continue to view the group's earnings diversification, which leads to stable capital and earnings, as a strength in its home market. However, we view the group's earnings diversification as somewhat weaker than higher rated peers'.

**The group's active management of its key risks supports the rating.** NN will be exposed to interest rate and longevity risks for the next decade given its guaranteed back book. However, we acknowledge the group's close asset-liability

cash-flow matching and actions to reduce its longevity exposure, which mitigate the potential effects stemming from these risks.

## Outlook: Stable

The stable outlook reflects our belief that according to our risk-based model, NN can maintain an excellent level of capital during the next two years, alongside a diversified business mix and profitability in line with peers'.

### Downside scenario

Although unlikely at this stage, we could lower our rating during the next 24 months if, according to our risk-based model, the company's capitalization deteriorates from its excellent level over a prolonged period, or if the company takes excessive risk, for instance in the form of elevated dividends, share buybacks, or exposure to investments.

### Upside scenario

We see an upgrade as unlikely, but we could consider a positive rating action on NN and its core operating companies within the next 24 months if it achieves profitability and earnings diversification in line with 'AA-' rated peers, and does not increase earnings volatility or reduce its excellent capitalization.

## Key Assumptions

- GDP growth in the Netherlands of 0.4% in 2023, 0.9% in 2024, and 1.4% in 2025.
- GDP growth in Japan of 1.7% in 2023, 0.9 in 2024, and 1.0% in 2025.
- Long-term interest rates in the Netherlands rising to 2.87% in 2023, 3.2% in 2024, and 2.93% in 2025.
- Dutch unemployment rate to average 3.7% in 2023-2025.

## NN Group N.V.--Key metrics as per IFRS 17

	2025f	2024f	2023	2022	2021*
S&P Global Ratings capital adequacy	Excellent	Excellent	Excellent	Excellent	Very strong
Insurance Revenue	>10,800	>10,600	10,453	10,267	N.A.
Net income	~1500	~1200	1,184	540	3,298
Return on equity (%)	>5	>5	5.6	2.4	9.0
Net investment yield (%)	>2.5	>2.5	3.0	2.4	1.9
P/C: net combined ratio (%)	<95	<95	89.4	89.0	90.9
PC: return on revenue (%)	>9	>9	9.1	7.7	18.4
Financial leverage (%)	<25	<25	21.3	23.2	16.5
EBITDA fixed-charge coverage including realized and unrealized gains/(losses) (x)	>6	>6	6.7	3.6	18.3

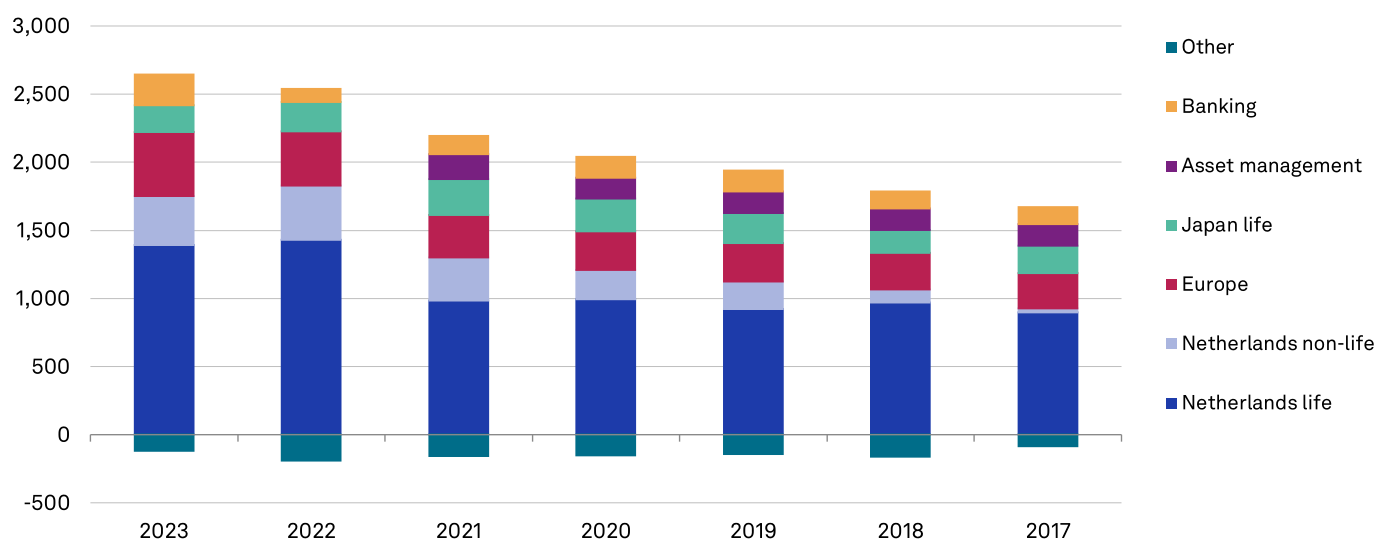
IFRS--International Financial Reporting Standards. f--Forecast. N.A.--Not available. \*based on IFRS4

## Business Risk Profile: Strong

From our perspective, NN benefits from wide earnings diversification across regions and business lines (see chart 1), which we regard as a key differentiator compared with other Dutch insurers like Achmea and ASR. We think this recently led to NN's improved capitalization, but we view the group's earnings diversification as somewhat weaker than higher rated peers'.

**Chart 1**

### Earning diversification based on operating profit



Year end 2023 are as per the IFRS-17 accounting standard. Year end 2022 are restated under IFRS-17. Source: S&P Global Ratings.

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NN has a leading position in the life and property/casualty markets in the Netherlands. Moreover, the group is a well-known brand and has a good reputation.

NN has an ample product portfolio and geographic diversification through its various insurance operations in Europe. It is one of the top three life insurers in several CEE countries, as well as Japan (in the niche, corporate-owned life insurance market).

The Netherlands-based defined contribution pension business experienced strong net inflows of €2.3 billion at the end of 2023, compared with €2.0 billion in the previous year.

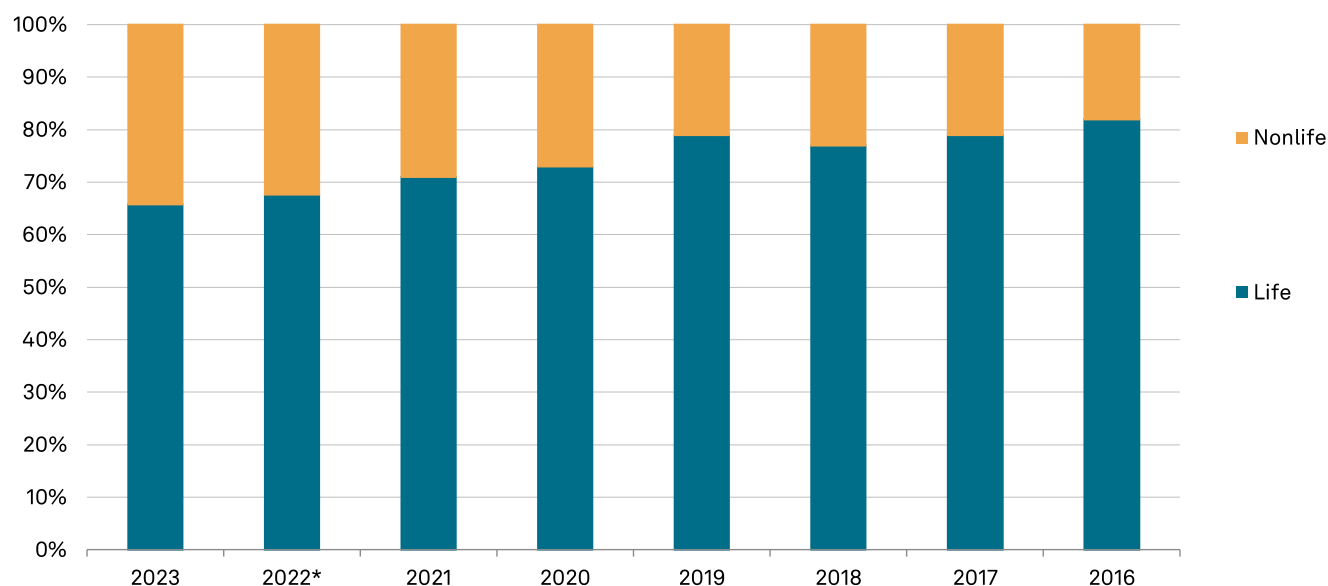
NN also benefits from its banking operations, which contributed about 9% to overall group earnings in 2023.

We anticipate only a slight premium increase if growth opportunities in the Dutch insurance market are hindered by

uncertainty due to geopolitical tensions, higher interest rates, and persistently high inflation, although lower compared with other markets in Europe, the Middle East, and Africa.

**Chart 2**

### Life and non-life split



\* Restated 2022 as per IFRS-17. Year 2023 and 2022 are reported as per IFRS-17. Source: S&P Global Ratings.  
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## Financial Risk Profile: Excellent

NN's capitalization, based on our risk-based capital model, improved recently and we believe it will remain excellent over the next two-to-three years thanks to solid profit generation, a prudent payout policy, and only moderate growth of capital requirements. NN's capital adequacy will further strengthen under International Financial Reporting Standard (IFRS) 17, which gives greater visibility of future profits for the insurance sector through the Contractual Service Management.

According to our revised risk-based capital model, NN's capitalization has significantly strengthened to the excellent level, and we believe the company can maintain this level of capital in 2023-2025. Moreover, the group recorded net income of €1.2 billion by the end of 2023 based on IFRS-9&17 accounting, which was somewhat lower than the previous year (IFRS17 comparative figure) although a higher operating result mostly due to a one-off gain in 2022 for the sale of NNIP.

We note the group's efficiency and sound underwriting profitability. For 2024-2025, we anticipate annual net income of

about €1.2 billion-€1.5 billion, supported by a non-life combined (loss and expense) ratio of below 95%. We estimate this will lead to a return on equity of about 5% over the next two-to-three years.

NN completed a share buyback of €235 million on Aug. 25, 2023, and €146 million on Oct. 6, 2023 through neutralization of stock dividends and €250 million on Oct. 9, 2023. The group started another share buyback for €300 million on April 2, 2024, which will be executed within nine months. Combined with moderate growth of risk-based capital--due to the projected increase in market risks and overall exposure growth despite a declining life back book--we believe the group's capitalization will stay at the 99.99% level.

NN's in-force book is dominated by life-long interest guarantees for its customers. As for most Dutch peers, this elevates its longevity and interest rate risk. Nonetheless, NN's stringent liability and asset cash flow management reduces these risks. The rising yield environment in Europe also eases the pressure from this risk.

Our perspective of NN's capitalization and risk management is supported by the group's solvency position, reflected in a solid Solvency II ratio of 197% as of Dec. 31, 2023. In our view, the group's asset allocation is rather prudent, with 80% of investments in fixed-income assets, of which 28% comprises mortgages (excluding NN Bank). Despite NN's investment in speculative-grade assets, we still regard its credit quality as high on average.

We consider that the group has a favorable funding structure and good access to capital markets, exemplified by frequent issuances. On March 12, 2024, the group issued €750 million of perpetual restricted tier 1 (RT1) temporary write-down securities. The proceeds from the RT1 notes will be used for general corporate purposes, which may include, without limitations, the refinancing of existing debt, including callable capital securities, for example, the RT1 notes with their next call date on June 13, 2024, of which €287 million were already repurchased, or the early redemption of outstanding subordinated notes on April 8, 2024.

## Other Key Credit Considerations

### Liquidity

We regard NN's liquidity as exceptional, mainly stemming from its steady premium income and highly liquid assets.

### Factors specific to the holding company

We rate NN Group N.V., the holding company, two notches below NN's core insurance companies. This reflects our view of structural subordination because the holding company does not generate any operative insurance cash flows.

### Environmental, social, and governance(ESG)

ESG factors have no material influence on our credit rating analysis of NN.

### Accounting considerations

We base our analysis primarily on audited financial data prepared in accordance with IFRS. We regard the group's financial communication and disclosures as sound and transparent.

## Related Criteria

- Criteria | Insurance | General: Insurer Risk-Based Capital Adequacy--Methodology And Assumptions, Nov. 15, 2023
- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Insurance | General: Insurers Rating Methodology, July 1, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

## Appendix

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NN Group N.V.--Credit metrics history					
	2023	2022	2021*	2020*	2019*
S&P Global Ratings capital adequacy	Excellent	Excellent	Very strong	Strong	Strong
Total invested assets	198,038	194,388	232,902	240,235	229,493
Total shareholder's equity	21,119	21,101	34,918	38,772	32,792
Insurance revenue	10,453	10,267	-	-	-
Reinsurance utilization (%)	2.3	0.5	10.66	9.66	3.18
EBIT	1,680	765	4,120	2,464	2,582
Net income	1,184	540	3,298	1,926	1,985
Return on revenue (%)	(0.2)	0.5	22.89	14.39	13.26
Return on assets (excluding investment gains/losses) (%)	(1.2)	3.4	1.61	0.97	1.10
Return on equity (%)	5.6	2.4	8.95	5.38	6.89
P/C: net combined ratio (%)	89.4	89.0	90.87	92.87	93.07
PC: return on revenue (%)	9.1	7.7	18.4	16.5	16.66
Life: Return on assets %	0.7	0.7	N/A	N/A	N/A
EBITDA fixed-charge coverage including realized and unrealized gains/(losses) (x)	6.7	3.6	18.32	11.39	11.67
EBIT fixed-charge coverage including realized and unrealized gains/(losses) (x)	6.7	3.6	17.84	10.67	11.18
Financial obligations / EBITDA (x)	3.2	7.6	1.54	2.28	2.34
Financial leverage adjusted including pension deficit as debt (%)	21.3	23.2	16.46	13.94	16.93
Net investment yield (%)	3.0	2.4	1.95	1.98	2.13
Net investment yield including investment gains/(losses) (%)	5.6	(1.9)	2.91	2.28	2.33

Note: Restated 2022 figures. \*Based on International Reporting Standard 4. N/A--Not applicable.

## Business And Financial Risk Matrix

Business risk profile	Financial risk profile							
	Excellent	Very Strong	Strong	Satisfactory	Fair	Marginal	Weak	Vulnerable
Excellent	aa+	aa	aa-	a+	a-	bbb	bb+	b+
Very Strong	aa	aa/aa-	aa-/a+	a+/a	a-/bbb+	bbb/bbb-	bb+/bb	b+
<b>Strong</b>	<b>aa-/a+</b>	a+/a	a/a-	a-/bbb+	bbb+/bbb	bbb-/bb+	bb/bb-	b+/b
Satisfactory	a	a/a-	a-/bbb+	bbb+/bbb	bbb/bbb-	bb+/bb	bb-/b+	b/b-
Fair	a-	a-/bbb+	bbb+/bbb	bbb/bbb-	bbb-/bb+	bb/bb-	b+/b	b-
Weak	bbb+/bbb	bbb/bbb-	bbb-/bb+	bb+/bb	bb/bb-	bb-/b+	b/b-	b-
Vulnerable	bbb-/bb+	bb+/bb	bb/bb-	bb-/b+	b+/b	b/b-	b-	b-

**Note:** Where table indicates two possible outcomes, we determine the anchor as follows: For financial risk profiles that we assess as satisfactory or stronger, we consider the relative strength of both the business risk and financial risk profiles within the cell. This is based on a holistic assessment of the relative strengths of the rating factors of the business risk profile and financial risk profile. For financial risk profiles that we assess as fair or weaker, we typically place more weight on the relative strength of the rating factors of the financial risk profile.

## Ratings Detail (As Of April 25, 2024)\*

### NN Group N.V.

Issuer Credit Rating	A-/Stable/A-2
Junior Subordinated	BBB
Senior Unsecured	A-
Subordinated	BBB
Subordinated	BBB-

### Related Entities

#### NN Bank N.V.

Issuer Credit Rating	A/Stable/A-1
Senior Secured	AAA/Stable
Senior Subordinated	A-
Senior Unsecured	A
Senior Unsecured	A-1

#### NN Life Insurance Co. Ltd.

Financial Strength Rating	
Local Currency	A/Stable/--
Issuer Credit Rating	
Local Currency	A/Stable/--

#### NN Re (Netherlands) N.V.

Financial Strength Rating	
Local Currency	A+/Stable/--
Issuer Credit Rating	
Local Currency	A+/Stable/--

### Domicile

Netherlands

\*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.



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