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NN Group N.V.

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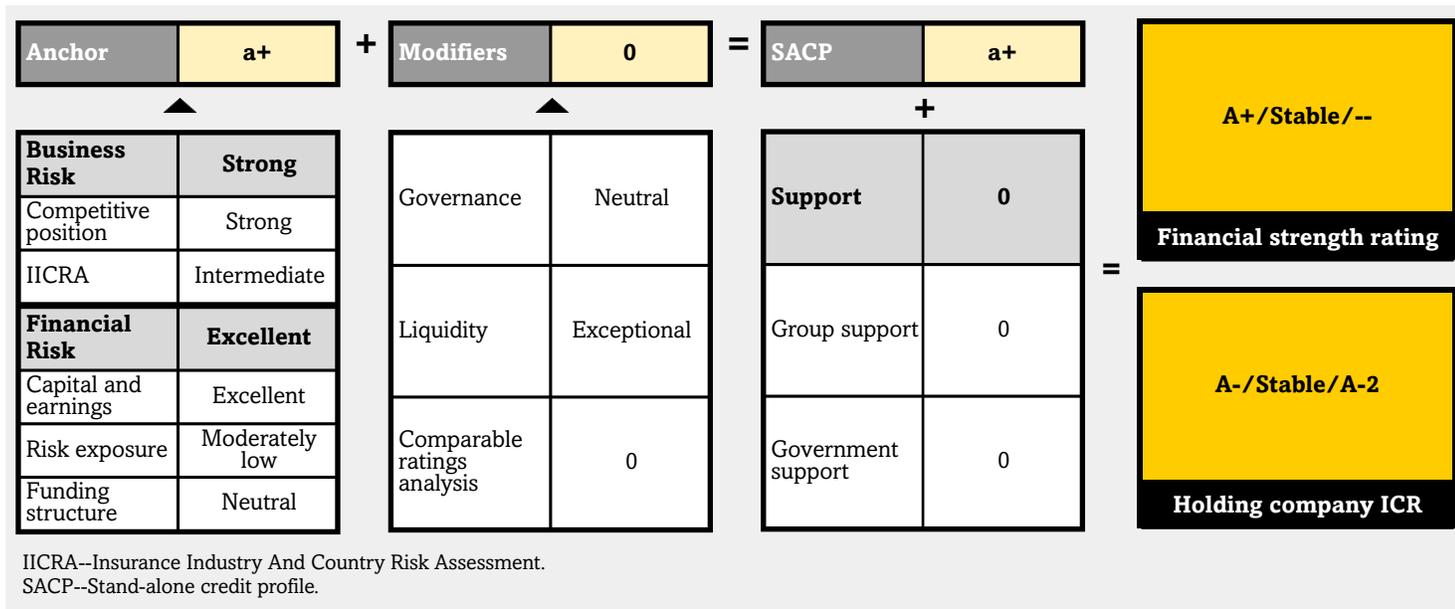
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NN Group N.V.



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, which 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.	

Outlook: Stable

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

Downside scenario

Although unlikely, we could lower our rating in 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 it 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 could consider a positive rating action on NN and its core operating companies within the next 24 months if the group achieves profitability and earnings diversification in line with that of 'AA-' rated peers and does not increase earnings volatility or reduce its excellent capitalization.

Key Assumptions

- GDP growth in the Netherlands of 0.6% in 2024, 1.5% in 2025, and 1.4% in 2026.
- GDP growth in Japan of 1.7% in 2023, 0% in 2024, and 1.3% in 2025.
- Long-term interest rates in the Netherlands at 2.66% in 2024, 2.53% in 2025, and 2.56% in 2025.
- Dutch unemployment to average 3.8% in 2024-2026.

NN Group N.V.--Key metrics

	2021* (IFRS4/IAS39)	2022 (IFRS17/9)§	2023 (IFRS17/9)§	2024f (IFRS17/9)§	2025f (IFRS17/9)§
Insurance revenue (mil. EUR)	N/A	10,267	10,453	>10,600	>10,800
EBITDA	4,120	795	1,680	>1,500	>1,500
Net income (attributable to shareholders)	3,298	540	1,184	~1,200	~1,500
S&P Global Ratings capital adequacy	Very strong	99.99	99.99	99.99	99.99
Return on shareholders' equity (%)	9.0	2.4	5.6	>5	>5
EBITDA fixed-charge coverage (x)	18.3	3.3	6.7	>6	>6
Financial leverage including pension deficit as debt (%)	16.5	23.2	21.3	<25	<25
Net combined ratio (%)	90.9	89.0	89.4	<95	<95
Net loss ratio (%)	63.2	N.A.	N.A.	N.A.	N.A.
Net expense ratio (%)	27.6	N.A.	N.A.	N.A.	N.A.
Return on revenue (%)	18.4	7.7	9.1	>9	>9

NN Group N.V.--Key metrics (cont.)

	2021* (IFRS4/IAS39)	2022 (IFRS17/9)§	2023 (IFRS17/9)§	2024f (IFRS17/9)§	2025f (IFRS17/9)§
Financial obligations/EBITDA (x)	1.5	7.3	3.2	>4	>4

*Based on IFRS4. §Capital adequacy for 2022 onward is as per new capital model. IFRS--International Financial Reporting Standards. f--Forecast. N.A.--Not available.

Rationale

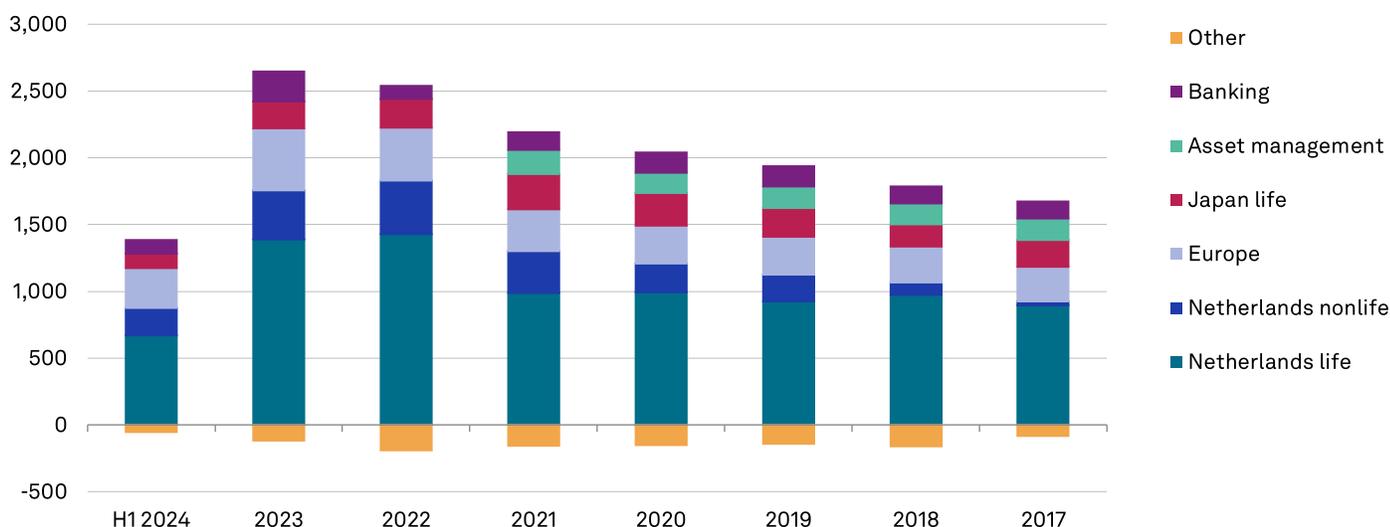
We base our 'A+' financial strength rating on NN Group on the group's position in its core markets in the Netherlands, and our expectation that it can continue to deliver strong results through the cycle to support an excellent capital position despite higher interest rates and inflation.

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. The company has ample product and geographic diversification through its insurance operations in Europe. It is one of the top 3 life insurers in several Central and Eastern Europe (CEE) countries, and operates in Japan (in the niche, corporate-owned life insurance market). 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.

In our view, NN benefits from wide earnings diversification across regions and business lines, 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 view the group's earnings diversification as somewhat weaker than that of higher-rated peers.

Chart 1

Earning diversification based on operating profit



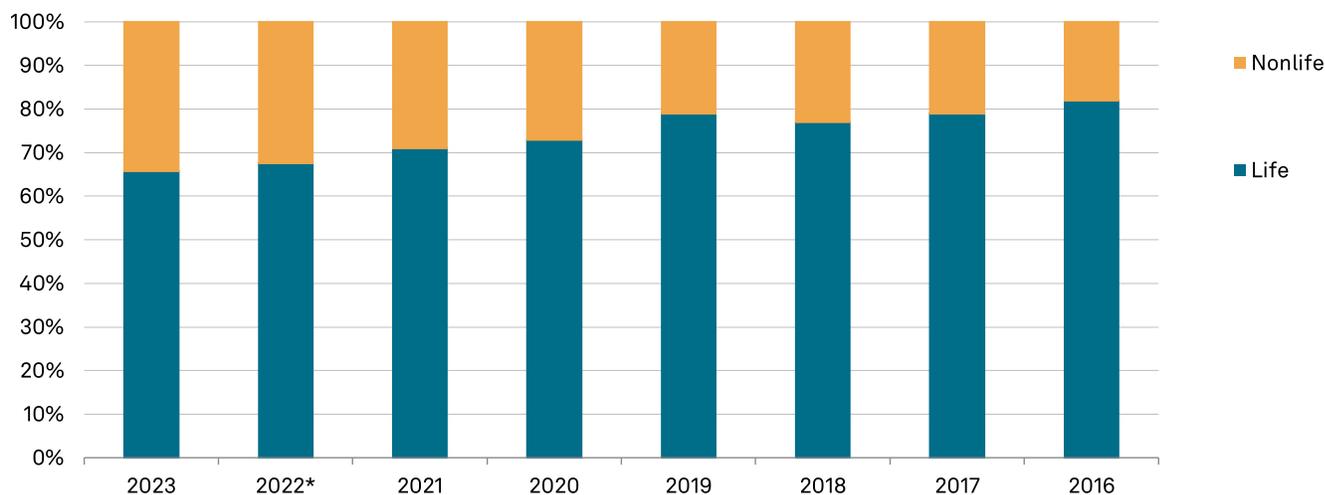
Note: Year-end 2023 reported as per the IFRS-17 accounting standard. Year-end 2022 are restated under IFRS-17. Source: S&P Global Ratings.

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The company's capitalization based on our risk-based capital model has improved and we anticipate that it will remain over our 99.99% confidence level over our forecast horizon thanks to solid profit, a prudent payout policy, and moderate growth. According to our revised risk-based capital model, NN's capitalization has significantly strengthened to the 99.99% level, and we think the company can maintain this level of capital in 2024-2026.

Chart 2

Life and nonlife split



Note: Year-2023 and 2022 are reported as per IFRS-17. *Restated as per IFRS-17. Source: S&P Global Ratings. Copyright © 2024 by Standard & Poor's Financial Services LLC. All rights reserved.

The group reported a net income of €1.2 billion by the end of 2023, which was somewhat lower than the previous year (IFRS-17 comparative figure) although a higher operating result mostly because of a one-off gain in 2022 for the sale of NN Investment Partners. The company for half-year 2024 reported a net income of €0.6 billion and for 2024-2025, we anticipate annual net income of about €1.2 billion-€1.5 billion, supported by a nonlife combined (loss and expense) ratio of below 95%. We forecast the company will report return on equity of about 5% over our forecast horizon.

NN completed a series of share buybacks in 2023 and started another share buyback for €300 million on April 2, 2024, which will be completed 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 think the group's capitalization will stay at the 99.99% level. NN's in-force book is dominated by lifelong interest guarantees for its customers. As for most Dutch peers, this elevates its longevity and interest rate risk. Nevertheless, NN's stringent liability and asset cash flow management reduces these risks. Rising yields in Europe also ease the pressure from this risk.

The group's solvency ratio remained strong, at 192% at half-year 2024 compared with 197% as of Dec. 31, 2023. In our view the group's asset allocation will remain prudent with the majority of its investments under fixed income assets, of which 28% constitutes mortgages (excluding NN Bank).

We consider 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 refinancing the RT1 notes with call date June 13, 2024, and the early redemption of subordinated notes on April 8, 2024.

Other Key Credit Considerations

Liquidity

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

Factors specific to the holding company

We rate NN Group, 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 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

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+
Strong	aa-/a+	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 November 7, 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	
<i>Local Currency</i>	A/Stable/--
Issuer Credit Rating	
<i>Local Currency</i>	A/Stable/--

NN Re (Netherlands) N.V.

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