

NN Group N.V.

May 28, 2025

This report does not constitute a rating action.

Primary contact

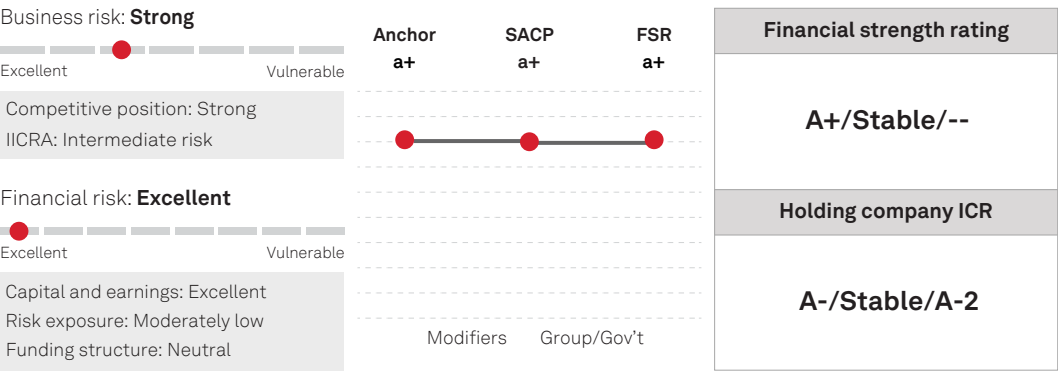
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FSR--Financial strength rating. ICR--Issuer credit rating. IICRA--Insurance industry and country risk assessment. SACP--Stand-alone credit profile.

Credit Highlights

Overview

Key strengths	Key risks
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Well-diversified business and earnings mix and improved capitalization.	Sensitivity to geopolitical tensions and capital market volatility, which could strain earnings.
Domestic market leader with a strong brand and reputation.	Constrained organic growth opportunities in the highly penetrated Dutch insurance market.
Effective asset-liability management.	

**The NN group will have solid capital and earnings despite geopolitical tensions, higher interest rates, and inflation.** NN Group’s capitalization based on our risk-based capital model has improved and we anticipate it will remain above our 99.99% confidence level over our forecast horizon. This is thanks to solid profitability despite high interest rates and inflation. The company also adopts a prudent payout policy and moderate growth strategy. The group’s sustainable and excellent capital adequacy, as well as profitability, support our rating.

**Business and earnings diversification differentiates NN in its home market but the diversification is somewhat weaker than that of 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 that of 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, the group’s close asset-liability cash-flow matching and actions to reduce its longevity exposure mitigate the potential effects of these risks.

## Outlook

The stable outlook reflects our view that NN can maintain a 99.99% confidence level in the next two years, according to our risk-based model, 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 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.

## Assumptions

- GDP growth in the Netherlands of 1.4% in 2025, 1.1% in 2026, and 1.5% in 2027.
- GDP growth in Japan of 0,9% in 2025, 0.6% in 2026, and 0.7% in 2027.

- Long-term interest rates in the Netherlands at 2.79% in 2025, 2.9% in 2026, and 2.9% in 2027.
- Dutch unemployment to average 3.9% in 2025-2027.

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

	2026F	2025F	2024	2023	2022
S&P Global Ratings capital adequacy	99.99%	99.99%	99.99%	99.99%	99.99%
Insurance Revenue	>11,000	>10,800	10,706	10,453	10,267
Net income	~1,500	~1,500	1,602	1,184	540
EBIT	~2,000	~2,000	2,082	1,680	795
Return on equity (%)	>5	>5	7.5	5.6	2.4
P/C: net combined ratio (%)	<93	<93	90.6	89.4	89.0
Net investment yield (%)	>2.5	>2.5	3.2	3.0	2.4
Financial leverage (%)	<25	<25	21.1	21.3	23.2
EBITDA fixed-charge coverage including realized and unrealized gains/(losses) (x)	>9	>9	9.4	6.7	3.3
Financial obligations / EBITDA (x)	<4	<4	2.6	3.2	7.3

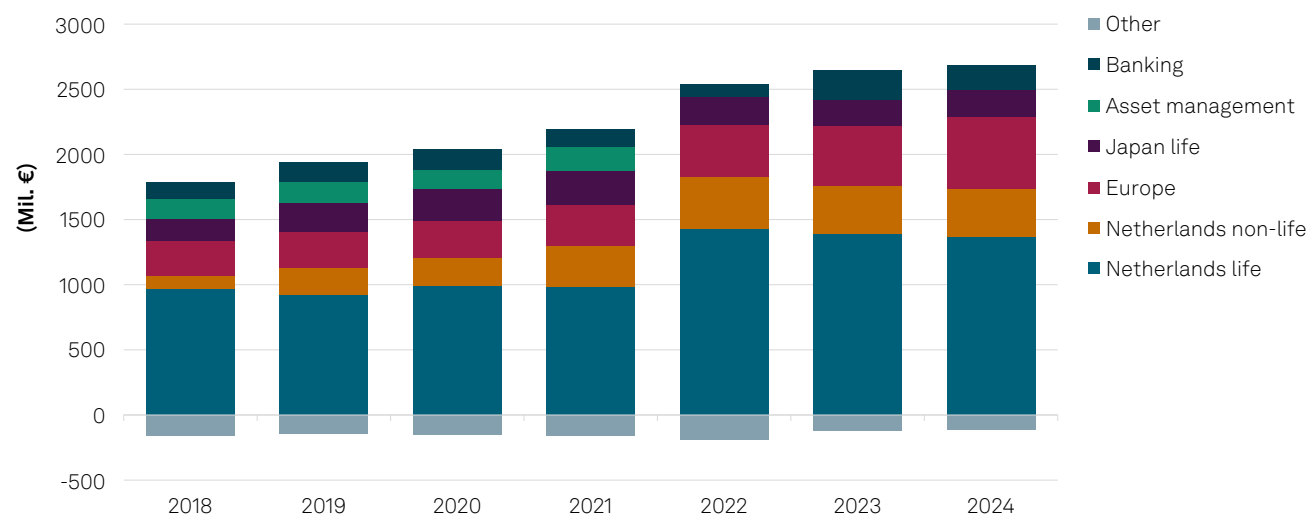
IFRS--International Financial Reporting Standards. f--Forecast. N.A.--Not available.

## Business Risk Profile

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

NN benefits from wide earnings diversification across regions and business lines (see chart 1) leading to diversified income streams. We regard this as a key differentiator compared with other Dutch insurers like Achmea and ASR with a narrower focus on the home market. We think the diversification recently led to NN's improved capitalization, but we view the group's earnings diversification as somewhat weaker than that of higher-rated peers.

Earning diversification based on operating profit



Source: S&P Global Ratings.

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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 and it is active in the sizable corporate-owned life insurance, a niche market in Japan. NN Group’s strategy builds on increased contribution from Dutch non-life and international business.

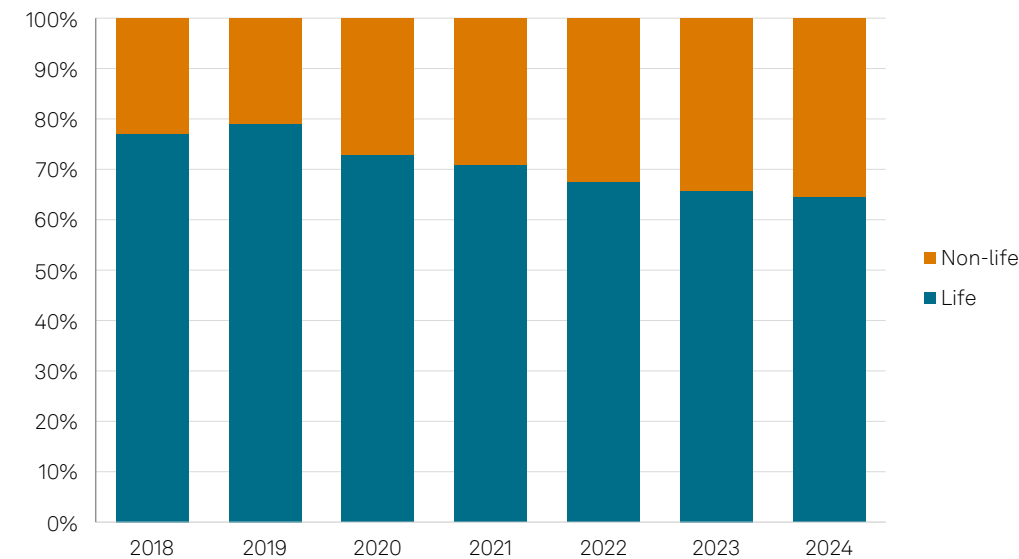
The Netherlands-based defined contribution pension business experienced strong net inflows of €2.3 billion as of end-2024, boosting assets under management above €39 billion.

NN also benefits from its banking operations, which contributed about 8% to group net results in 2024.

We anticipate only a slight premium increase if geopolitical tensions dampen growth opportunities in the Dutch insurance market, although the impact on the Dutch market should be less than on other markets in Europe, e.g. Germany.

Life and non-life split

(Net premiums)



Source: S&P Global Ratings.

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Financial Risk Profile

According to our revised risk-based capital model, NN's capitalization has remained comfortably above the highest confidence level of 99.99%. We believe the company can maintain this level of capital over 2025-2027, thanks to solid profit generation, a prudent payout policy, and only moderate growth of capital requirements.

Moreover, the group recorded net income of €1.6 billion at the end of 2024 based on International Financial Reporting Standards (IFRS) 9 and 17. The number was up by 35% when compared to net income of €1.2 billion for end-2023.

The group will maintain its efficiency and sound underwriting profitability. For 2025-2026, we anticipate annual net income of €1.5 billion-€1.7 billion, supported by a non-life combined (loss and expense) ratio of below 93%. We estimate this will lead to a return on equity of about 5% or more over the next two to three years.

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 the risks. A rising yield environment in Europe also eases the pressure from this risk.

Supporting our perspective on NN's capitalization and risk management is the group's solvency position, as reflected in a solid Solvency II ratio of 194% as of Dec. 31, 2024. In our view, the group's asset allocation is rather prudent, with 80% of investments in fixed-income assets. Of this amount, 28% comprises mortgages (excluding NN Bank). Despite NN's investment in speculative-grade assets, we regard its credit quality as high on average.

The group has a favorable funding structure and good access to capital markets, as exemplified by frequent issuances. On March 11, 2025, the group issued €1.0 billion of perpetual restricted tier 1 (RT1) temporary write-down securities and redeemed €763 million of grandfathered RT1 with a first call date in January 2026, with €237 million remaining. It will use the proceeds for general corporate purposes. The uses may include, without limitations, the refinancing of existing debt, including callable capital securities. The group started another share buyback program of €300 million on March 3, 2025, which it will execute within 10 months.

## Other 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

Environmental, social, and governance 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.

#### Rating Component Scores

<b>Business Risk Profile</b>	<b>Strong</b>
Competitive position	Strong
IICRA	Intermediate risk
<b>Financial Risk Profile</b>	<b>Excellent</b>
Capital and earnings	Excellent
Risk exposure	Moderately low
Funding structure	Neutral
<b>Anchor</b>	<b>a+</b>
<b>Modifiers</b>	
Governance	Neutral
Liquidity	Exceptional
Comparable rating analysis	0
<b>Current Credit Rating</b>	
Local currency financial strength rating	--
Foreign currency financial strength rating	--
Local currency issuer credit rating	A-/Stable/A-2
Foreign currency issuer credit rating	A-/Stable/A-2

## Related Criteria

- Criteria | Insurance | General: Insurer Risk-Based Capital Adequacy--Methodology And Assumptions, Nov. 15, 2023
- General Criteria: Hybrid Capital: Methodology And Assumptions, Feb.10, 2025
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Insurance | General: Insurers Rating Methodology, July 1, 2019
- General Criteria: Group 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

#### Ratings Detail (as of May 28, 2025)\*

<b>NN Group N.V.</b>	
Issuer Credit Rating	A-/Stable/A-2
Junior Subordinated	BBB
Senior Unsecured	A-
Subordinated	BBB
Subordinated	BBB-
<b>Related Entities</b>	
<b>NN Bank N.V.</b>	

Ratings Detail (as of May 28, 2025)\*

Issuer Credit Rating	A/Stable/A-1
Senior Secured	AAA/Stable
Senior Subordinated	A-
Senior Unsecured	A
Senior Unsecured	A-1
<b>NN Life Insurance Co. Ltd.</b>	
Financial Strength Rating	
Local Currency	A/Stable/--
Issuer Credit Rating	
Local Currency	A/Stable/--
<b>NN Re (Netherlands) N.V.</b>	
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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