

NN Group

Second quarter 2014 results

Lard Friese – CEO

Delfin Rueda – CFO

Amsterdam – 6 August 2014



Highlights, strategy and targets

Lard Friese – CEO

Highlights 2Q14

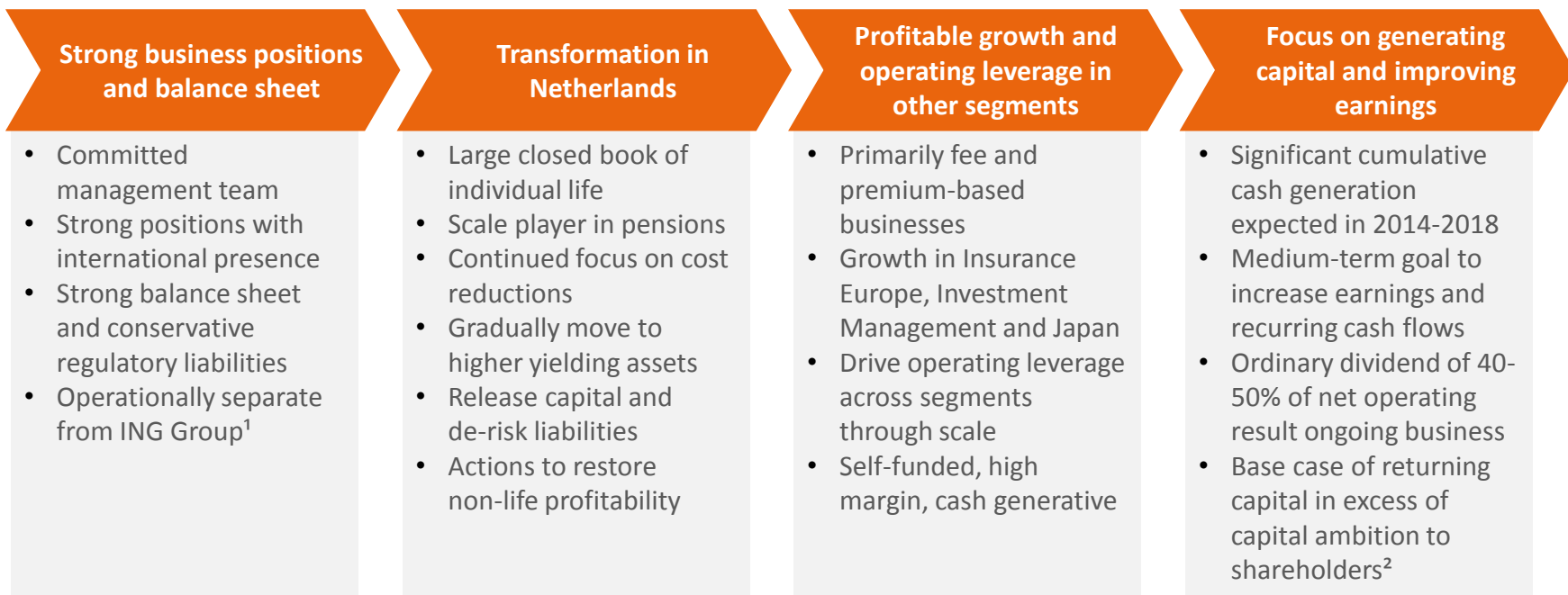
Operating result ongoing business	Net result	Net operating ROE ongoing business	IGD
EUR 257 mln	EUR 252 mln	8.7%	272%
EUR 274 mln in 2Q13	EUR 39 mln in 2Q13	10.7% in 2Q13 Pro forma 7.1% in 2013	245% in 1Q14

- Successful IPO and issuance of hybrid capital
- Solid operating result ongoing business of EUR 257 mln
- Net result improved significantly to EUR 252 mln
- Cost reduction programme reflected in lower administrative expenses
- Robust capital levels and balance sheet with IGD ratio of 272%
 - Holding company cash capital of EUR 1,156 mln, supported by EUR 373 mln dividends from subsidiaries
 - Capital generation of EUR 507 mln (excluding non-recurring items) in the first half of 2014

Successful IPO and issuance of hybrid capital

- NN Group shares listed on Euronext Amsterdam
 - ING sold 88.6 mln NN Group ordinary shares including over-allotment
 - Anchor investors exchanged EUR 450 mln subordinated notes into NN Group shares
 - ING's ownership of NN Group reduced to 68.1%
 - Offering price of EUR 20.00 per share, implying an initial market capitalisation of EUR 7 bln
- Total of EUR 2 bln of subordinated debt issued in April and July 2014
 - Used to repay debt from ING Group

Investment proposition focused on cash generation



1. Belgium is the last business unit of NN to disentangle from ING Bank (full operations disentanglement to be completed by 2017)

2. To be returned in the most efficient form. Capital generated in excess of the Company's capital ambition (which may change over time), is expected to be returned to Shareholders unless it can be used for any other appropriate corporate purpose, including investments in value creating corporate opportunities

Strategic priorities have been set to reduce expenses, improve earnings and increase ROE

Administrative expenses

- Reduce administrative expenses in Netherlands Life, Netherlands Non-life and Corporate/Holding by 2016 vs. 2013

EUR 200 mln

Earnings improvement

- Achieve annual growth rate of operating result before tax of the ongoing business in the medium term

5-7% on average

Increase in ROE

- Increase the Net Operating Return On Equity of the ongoing business in the medium term

From pro-forma 7.1% in 2013

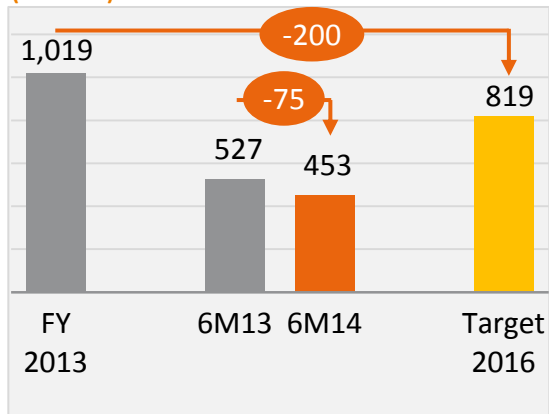
Over time NN Group expects to generate free cash available to shareholders in a range around the Group's net operating result of the ongoing business¹

¹ Assuming normal markets, current regulatory framework and no material special items

Encouraging progress YTD on delivering on targets

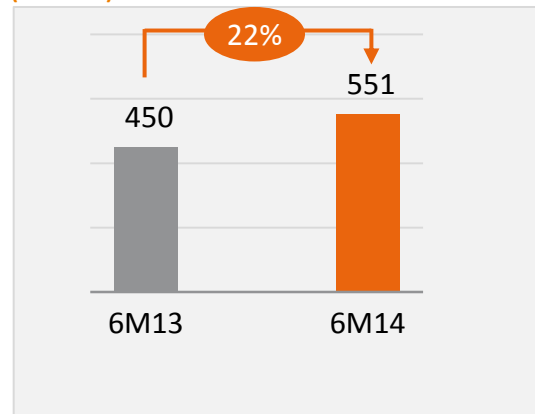
Administrative expenses¹

(EUR mln)

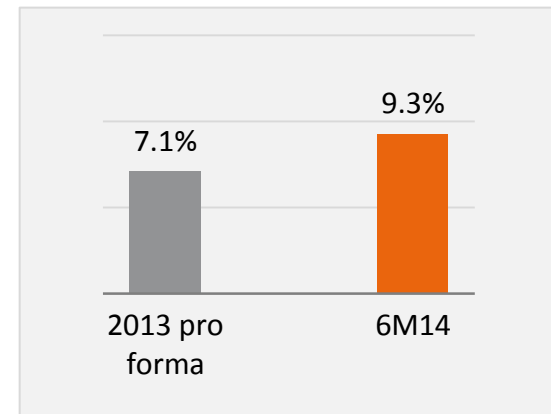


Earnings improvement²

(EUR mln)



Increase in ROE³



Capital generation of EUR 507 mln (excluding non-recurring impacts) mainly driven by operating performance and favourable markets; holding company cash capital at EUR 1,156 mln supported by EUR 446 mln dividends from operating units

1 Administrative expenses of Netherlands Life, Netherlands Non-life and Corporate/Holding

2 Operating result before tax ongoing business

3 Net operating ROE ongoing business

Solid capital levels and balance sheet

Commercial capital at operating units

- Manage operating units to commercial capital levels
- Surplus capital above commercial levels to be returned to holding

NN Life solvency up from 235% to 250%

Cash capital at holding

- Hold cash capital in holding to cover stress events and to fund holding costs

Cash capital at holding increased to EUR 1,156 mln

Leverage

- Maintain leverage and fixed-cost cover ratios consistent with single 'A' financial strength rating

Last 12 months fixed-cost coverage ratio up from 5.6x to 6.5x

Leverage ratio improved from 27% to 24%

Gross debt position down from EUR 3.9 bln to EUR 3.7 bln

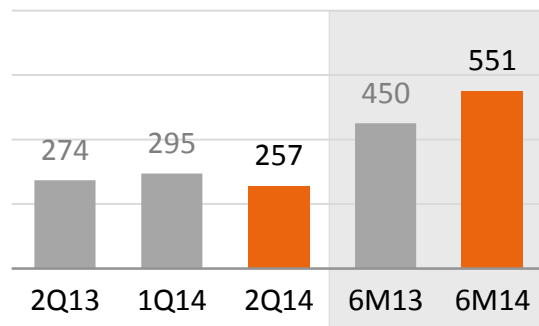
IGD ratio increased from 245% to 272%

Discussion of 2Q14 results

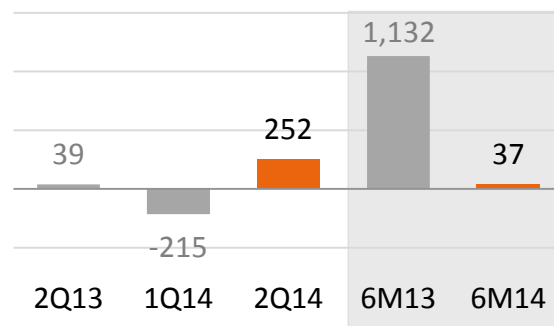
Delfin Rueda – CFO

Operating result of ongoing business of EUR 257 mln

Operating result ongoing business
(EUR mln)



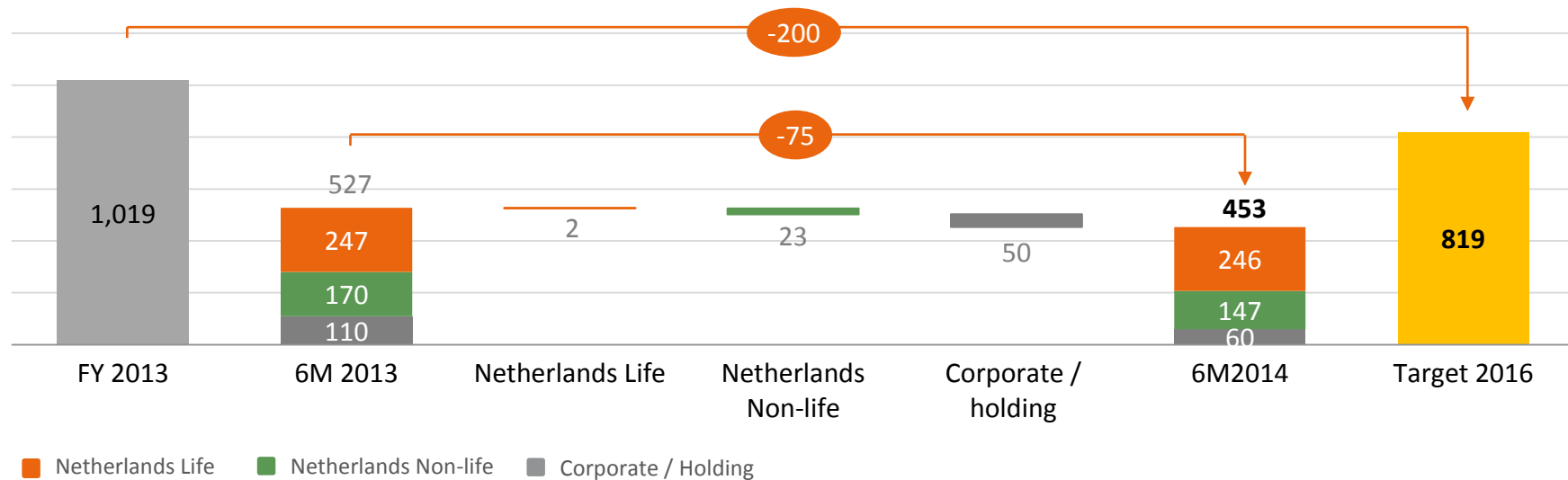
Net result
(EUR mln)



- Decrease in operating result y-o-y due to Netherlands Life, partly offset by reduction of holding expenses and funding costs
- 2Q14 net result benefited from favourable hedge results at Japan Closed Block VA and higher revaluations, while 1Q14 net result was negatively impacted by the agreement to make ING's closed defined benefit pension plan in the Netherlands financially independent
- Net result 6M13 includes results on divestment of insurance businesses in Hong Kong and Thailand

Expense reductions of EUR 75 mln in the first half of 2014

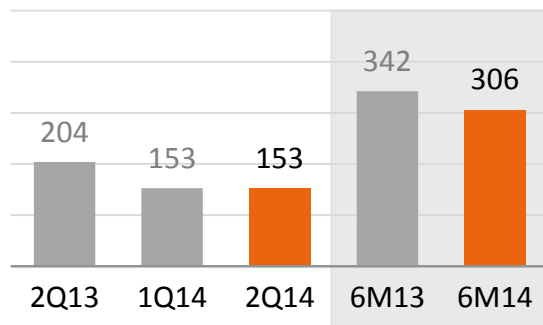
Administrative expenses in the Netherlands¹ (EUR mln)



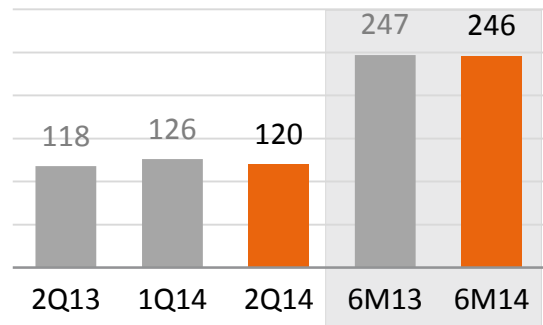
¹ Netherlands Life, Netherlands Non-life and Corporate/Holding

Netherlands Life – Operating result impacted by lower operating income

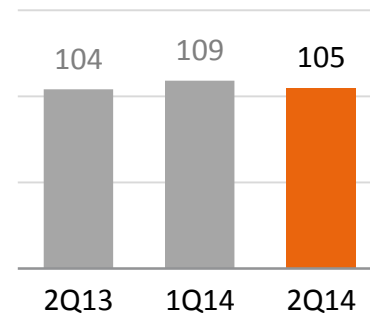
Operating result before tax
(EUR mln)



Administrative expenses
(EUR mln)



Investment spread¹
(bps)

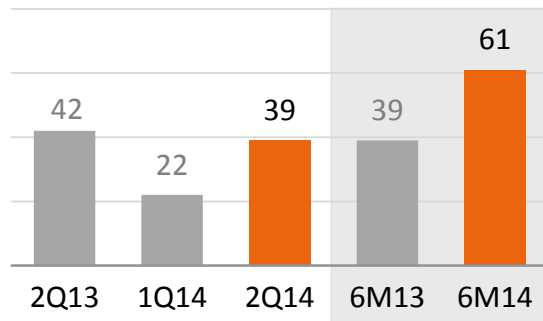


- Operating income down due to lower technical margin and fees and premium-based revenues
- Administrative expenses up slightly y-o-y as cost savings are offset by higher personnel provisions due to lower interest rates
- Investment spread reflects lower dividends and the interest cost on subordinated loans issued to NN Group, but benefited from shift to higher-yielding assets

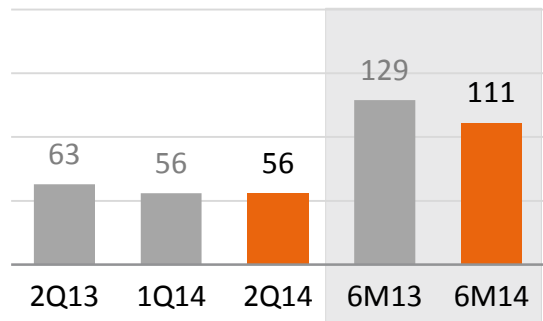
¹ Four-quarter rolling average

Netherlands Non-life – Continued improvement in D&A results

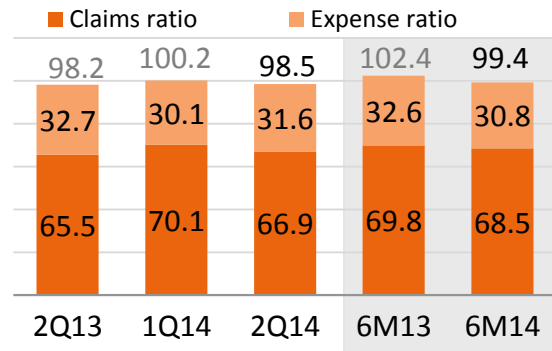
Operating result before tax
(EUR mln)



Administrative expenses¹
(EUR mln)



Combined ratio¹
(%)

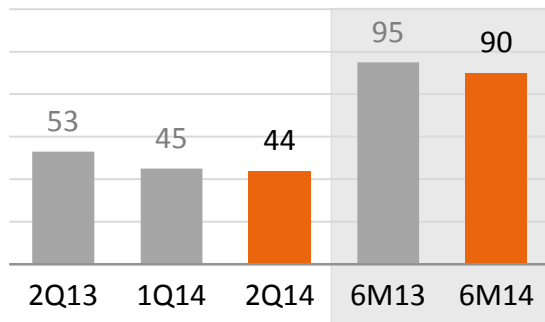


- Lower P&C results due to several large claim events in Fire in the Netherlands and in Belgian Motor portfolio
- Combined ratio of 98.5%; deterioration in ratio at P&C largely mitigated by improved ratio at D&A
- Significant reduction of administrative expenses

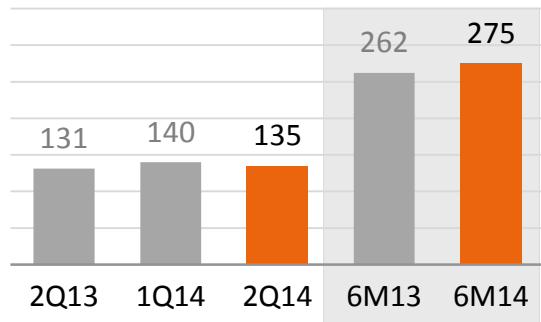
¹ Excludes Mandema and Zicht broker businesses

Insurance Europe – Operating result impacted by pension reforms

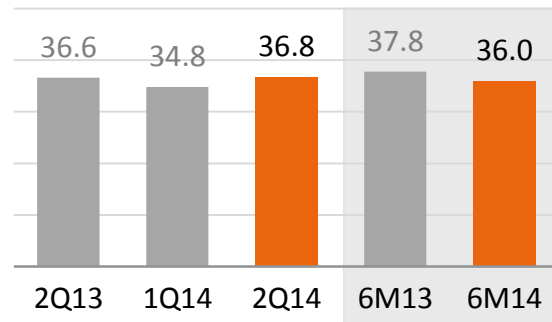
Operating result before tax
(EUR mln)



New sales (APE)
(EUR mln)



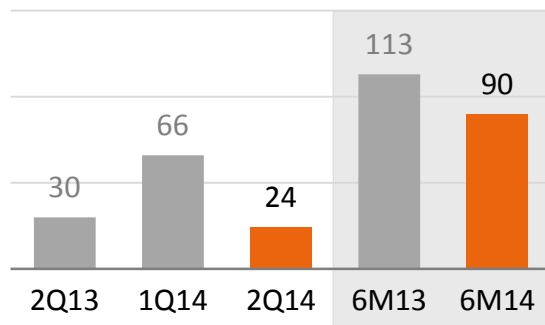
Cost-income ratio
(%)



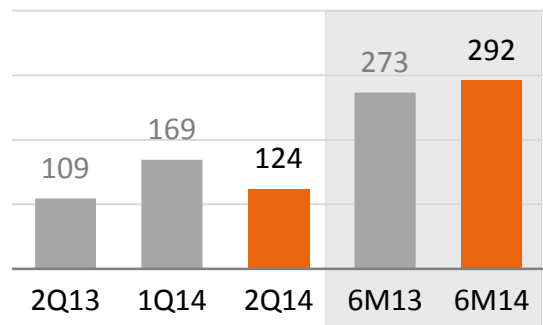
- Lower operating result impacted by pension reforms in Poland, partly offset by lower expenses; cost-income ratio essentially flat
- Investment margin down due to low-yield environment and lower invested volumes following dividend payments to holding company
- Increase in new sales (APE) driven by higher life sales across the region, partly offset by lower pension sales

Japan Life – Strong new sales

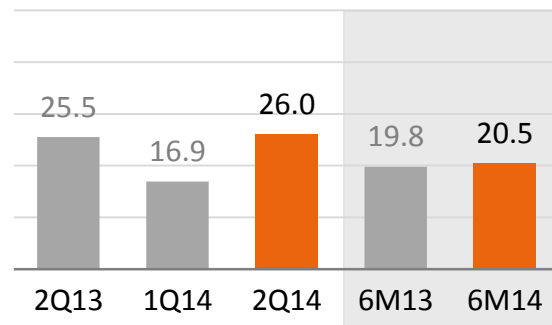
Operating result before tax
(EUR mln)



New sales (APE)
(EUR mln)



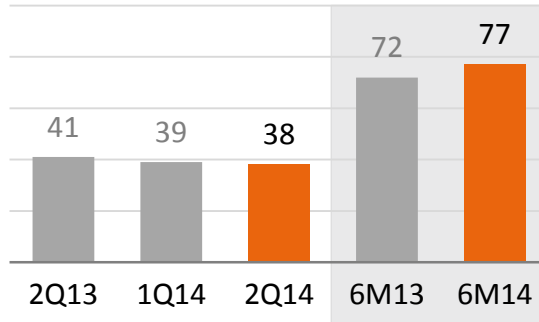
Cost-income ratio
(%)



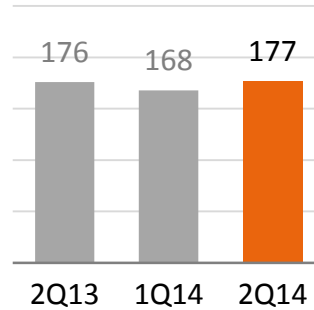
- Operating result decreased 14.3% y-o-y, excluding currency effects, on lower investment margin and technical margin; cost-income ratio stable
- Fees and premium-based revenues up 12.2% y-o-y, excluding currency effects, driven by higher sales and larger in-force volumes
- New sales driven by economic recovery in Japan, higher agency productivity and distribution channel diversification

Investment Management – Good inflows Assets under Management

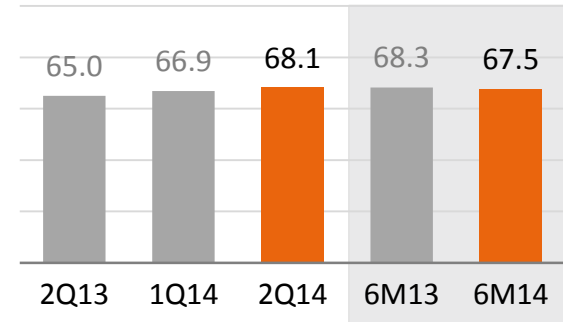
Operating result before tax
(EUR mln)



Assets under Management
(EUR bln)



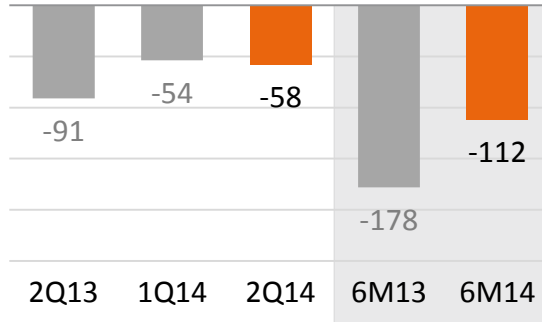
Cost-income ratio
(%)



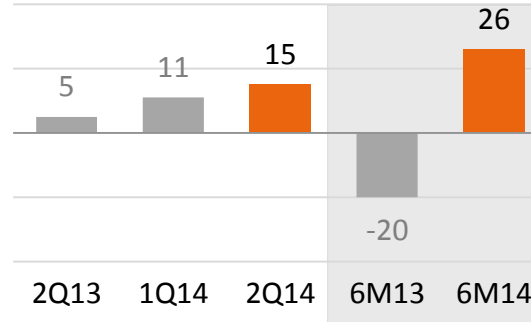
- AuM up at EUR 177 bln driven by market appreciation and net inflows in third-party and proprietary businesses
- Fees in the current quarter benefited from higher AuM
- Higher administrative expenses y-o-y lead to increase in cost-income ratio

Other – Better results at Holding, Reinsurance business and NN Bank

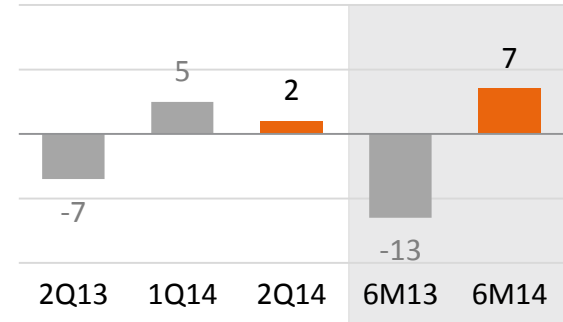
Holding - Operating result before tax (EUR mln)



Reinsurance - Operating result before tax (EUR mln)



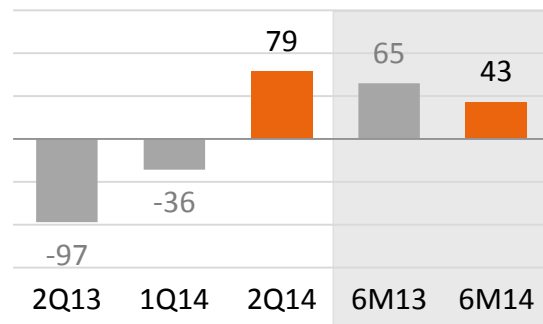
NN Bank - Operating result before tax (EUR mln)



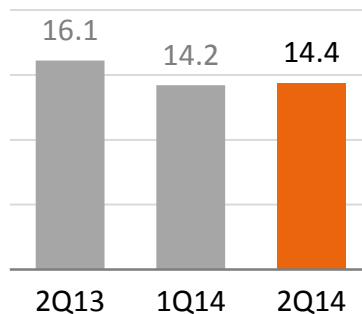
- Holding result improved y-o-y due to reduced expenses as well as lower interest costs following refinancing transactions and debt-to-equity conversion in December 2013
- Higher reinsurance result supported by better underwriting results
- NN Bank's result improved y-o-y following partial transfer of assets and liabilities from WUB to NN Bank on 1 July 2013

Japan Closed Block VA – Positive hedge results

Result before tax
(EUR mln)



Account value
(EUR bln)



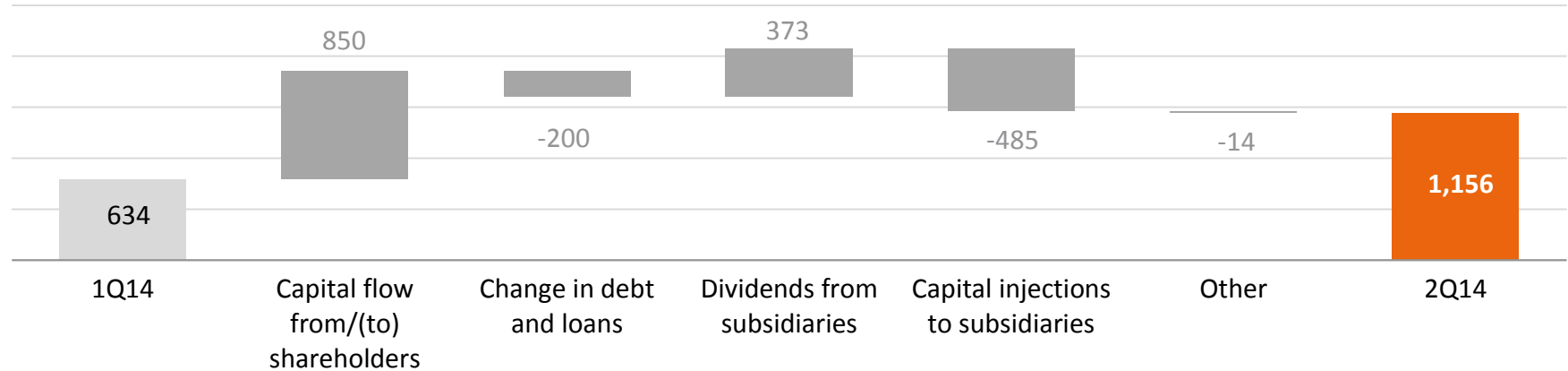
Net Amount at Risk
(EUR mln)

	2Q14	1Q14	2Q13
NAR	694	870	1,908
IFRS reserves	1,068	1,267	2,161

- Result before tax driven by positive hedge results
- Hedge programme has proven effective over time
- Portfolio run-off reflected in lower fees and premium-based revenues and account value, excluding currency effects
- Net Amount at Risk (NAR) decreased to EUR 694 mln primarily due to rising equity markets

Holding company cash capital increased EUR 522 mln to EUR 1,156 mln

Holding company cash capital (in EUR mln)

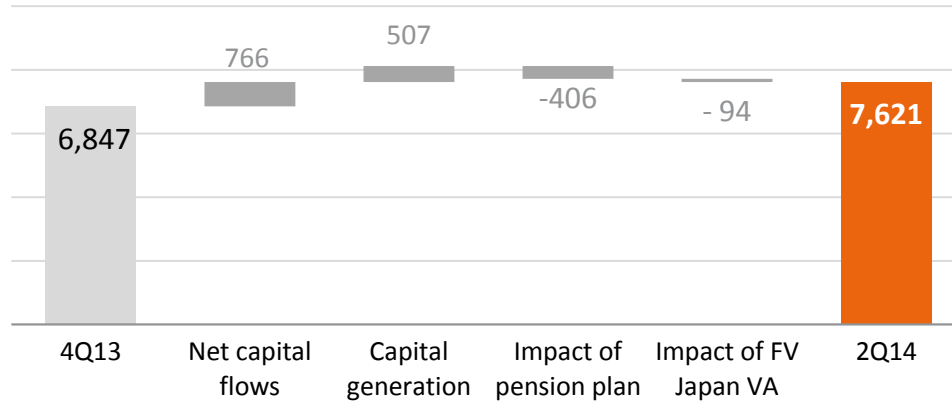


- Increase in cash capital position of EUR 522 mln
- Dividends received from subsidiaries of EUR 373 mln
- Net increase from pre-IPO capital transactions of EUR 200 mln

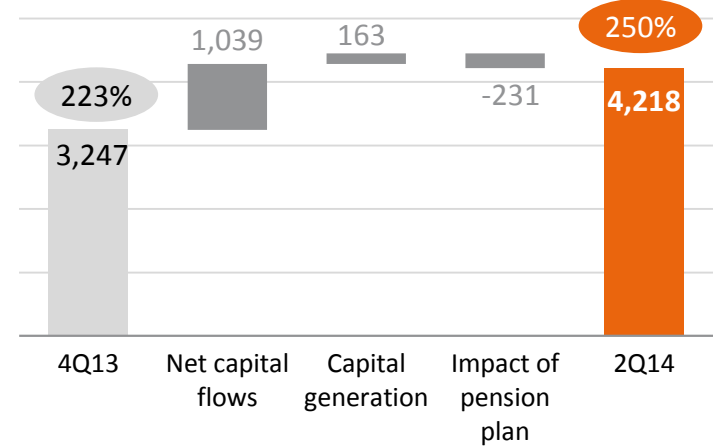
Strong capital generation excluding non-recurring impacts

Available over minimum required Solvency I capital (EUR mln)

Total subsidiaries (excl. discontinued operations)



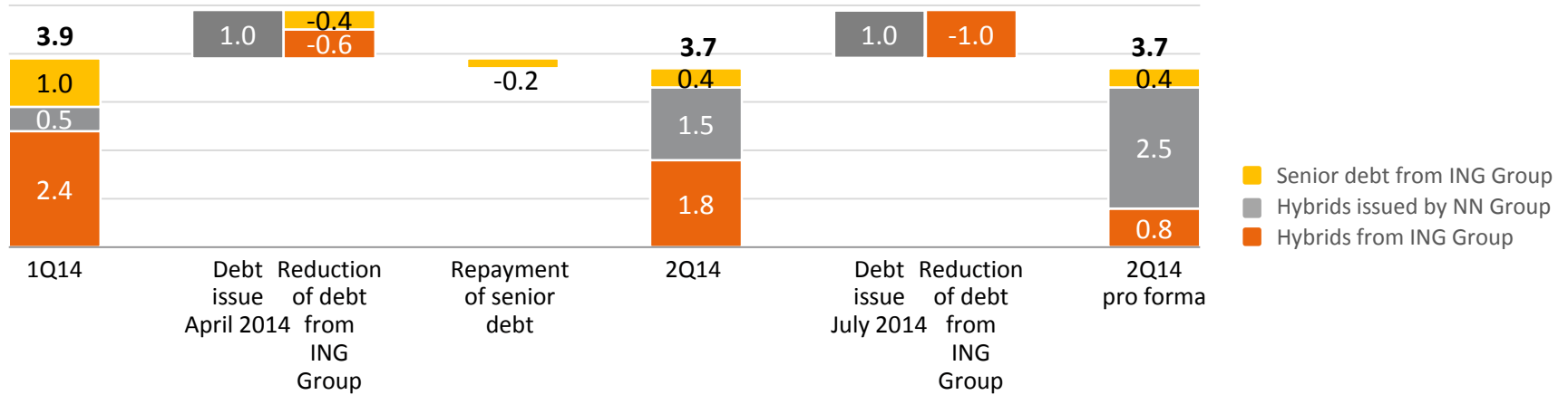
NN Life



- Strong capital generation of EUR 507 mln (excluding non-recurring impacts) mainly driven by operating performance and favourable markets
- Year-to-date movement includes EUR -406 mln impact of agreement to make pension plan in the Netherlands financially independent and EUR -94 mln from move towards fair value accounting on GMDB reserves of Japan Closed Block VA
- NN Life Solvency I ratio improved to 250%

Successful issuance of subordinated debt used to replace ING Group debt

Gross debt (in EUR bln)



- Last twelve months fixed-cost coverage ratio up from 5.6x to 6.5x
- Leverage ratio improved from 27% to 24%

Wrap-up

Lard Friese – CEO

Wrap-up

- NN Group reports solid 2Q14 results
- Subordinated debt issuances strengthen financial flexibility
- Robust cash capital position improved by upstreaming dividends from operating units and pre-IPO capital transactions
- IPO successfully executed
- Overall encouraging progress on delivering on strategic priorities

Q&A

Lard Friese – CEO

Delfin Rueda – CFO

Doug Caldwell - CRO



Important legal information

NN Group's Annual Accounts are prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS-EU").

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 2014. 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) changes in performance of financial markets, including developing markets, (3) consequences of a potential (partial) break-up of the euro, (4) the implementation of the EC Restructuring Plan, (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, (14) changes in the policies 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 us 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 and (19) the other risks and uncertainties detailed in the Risk Factors section contained in the most recent annual report of ING Groep N.V.

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