



**NN**  
**north sea Jazz**  
**ROTTERDAM**

# Second quarter 2018 results

16 August 2018



# Highlights

Lard Friese, CEO

# Highlights 2Q18

Operating result

**EUR 508m**

(2Q17: EUR 404m)

Net result

**EUR 463m**

(2Q17: EUR 240m)

Solvency II ratio

**226%**

(1Q18: 213%)

Holdco cash capital

**EUR 1.8bn**

(1Q18: EUR 1.6bn)

Interim dividend

**EUR 0.66**

(FY17: EUR 1.66)

- Operating result of the ongoing business up 26% from 2Q17 reflecting an improved underwriting performance at Netherlands Non-life, private equity dividends at Netherlands Life and lower expenses
- Net result reflects the higher operating result and higher capital gains
- Cost reductions at business units in scope of the integration of EUR 62m in 2Q18; total cost reductions to date of EUR 236m<sup>1</sup>
- Solvency II ratio at 226%; holding company cash capital at EUR 1,799m

1. Cost reductions calculated on a last 12-month basis and are compared with the full-year 2016 administrative expense base of EUR 2,024m

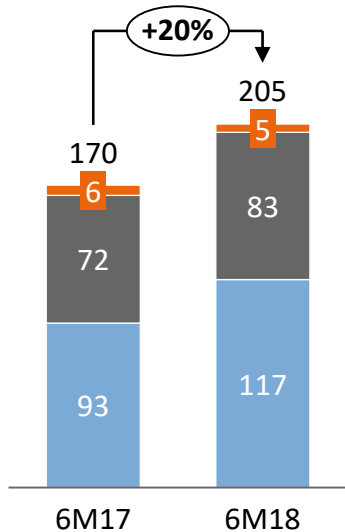
# Integration is progressing well



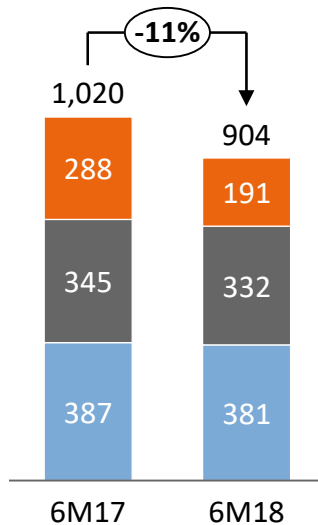
- Nationale-Nederlanden PPI merged into BeFrank
- Integration of asset management and head office completed
- All P&C products, including Health, have been rebranded to Nationale-Nederlanden
- Delta Lloyd and OHRA internet savings accounts migrated into NN Bank
- Application for including Delta Lloyd entities in the Partial Internal Model submitted
- Systems decommissioned at head office and asset management
- Integration of NNIP and DLAM Dutch funds completed

# Continuing to enhance the customer experience

Value of new business  
(EURm)



New sales (APE)  
(EURm)



■ Netherlands Life ■ Insurance Europe ■ Japan Life



## Focus on value over volume

- VNB up 20% on 6M17 mainly driven by a more profitable business mix at Japan Life and Insurance Europe
- APE down 11% mainly due to a lower volume of group pension renewals at Netherlands Life
- APE up 6% at constant currencies at Japan Life, driven by sales through the Sumitomo partnership and the bancassurance channel

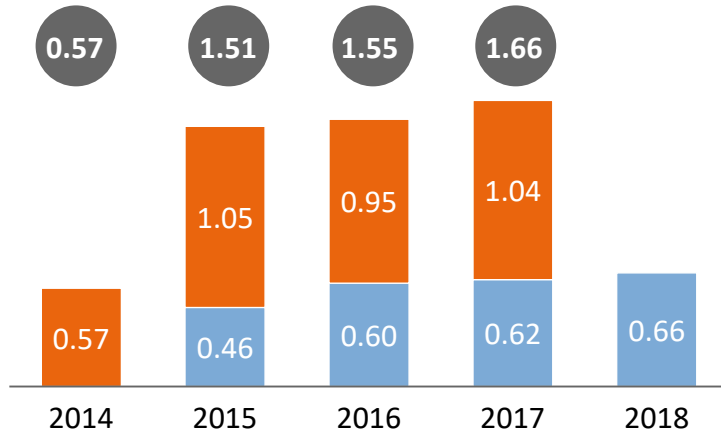


## Innovative products and services

- NN Romania's Sparklab launched NN Bike, the country's first bike insurance for urban riders
- NN in Hungary launched protect.me, a pay-as-you-go life and accident insurance

# 2018 interim dividend in line with dividend policy

- Interim dividend per share (EUR)
- Final dividend per share (EUR)
- Total dividend per share (EUR)



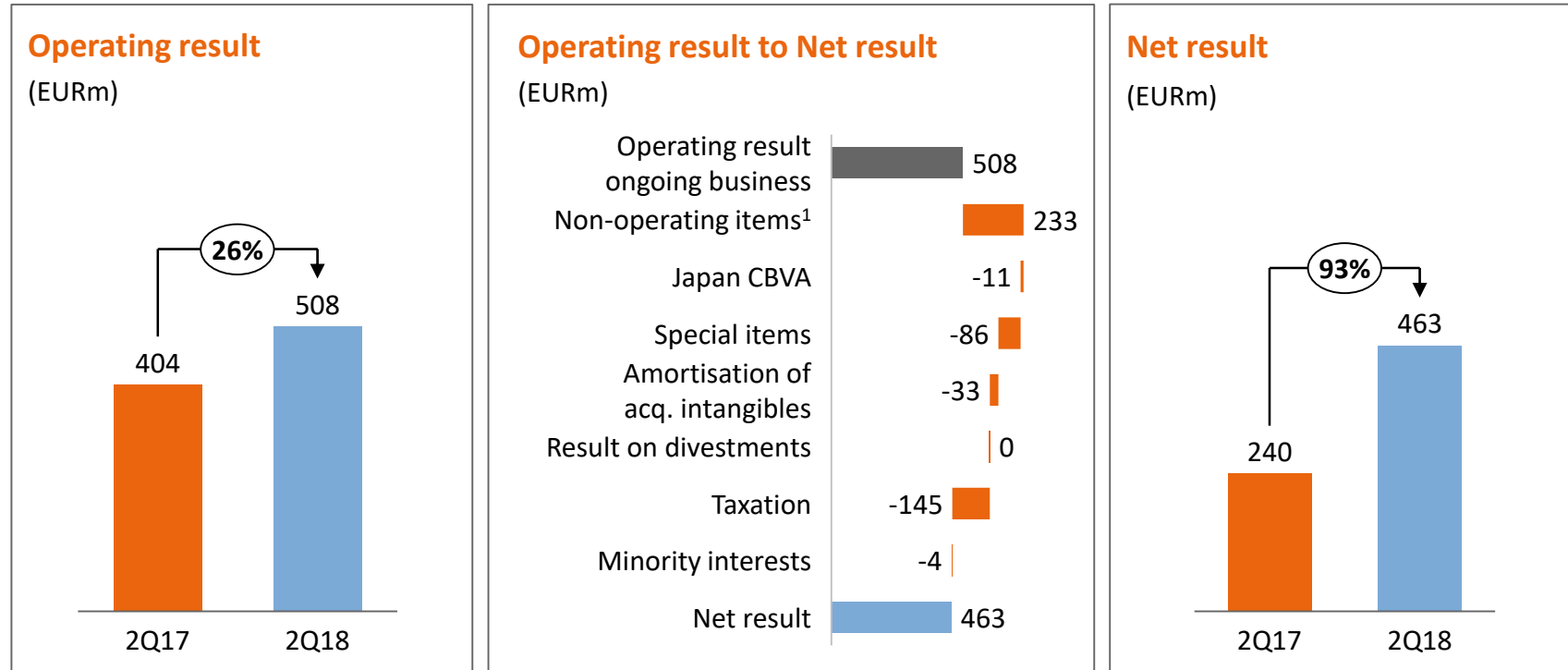
Payout ratio	<b>41%</b>	<b>52%</b>	<b>45%</b>
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- Priority is a sustainable ordinary dividend per share
- Interim dividend of EUR 0.66 calculated as 40% of prior year full-year dividend per share
- Double-digit increase in full-year dividend per share anticipated for 2018 versus 2017
- Excess capital to be returned to shareholders unless it can be used for value creating opportunities

# 2Q18 results

Delfin Rueda, CFO

# 2Q18 operating result and net result



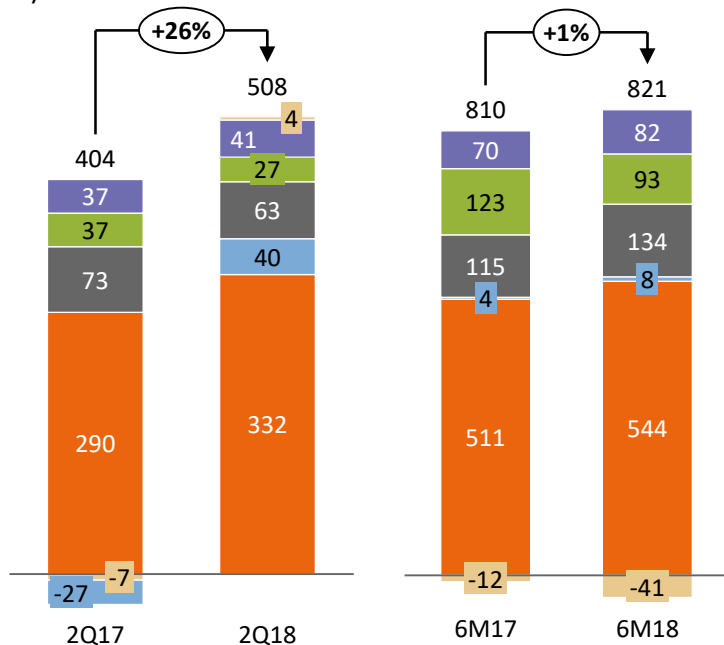
1. Includes realised capital gains/losses and impairments, revaluations and market & other impacts



# Operating result ongoing business by segment

## Operating result of the ongoing business

(EURm)



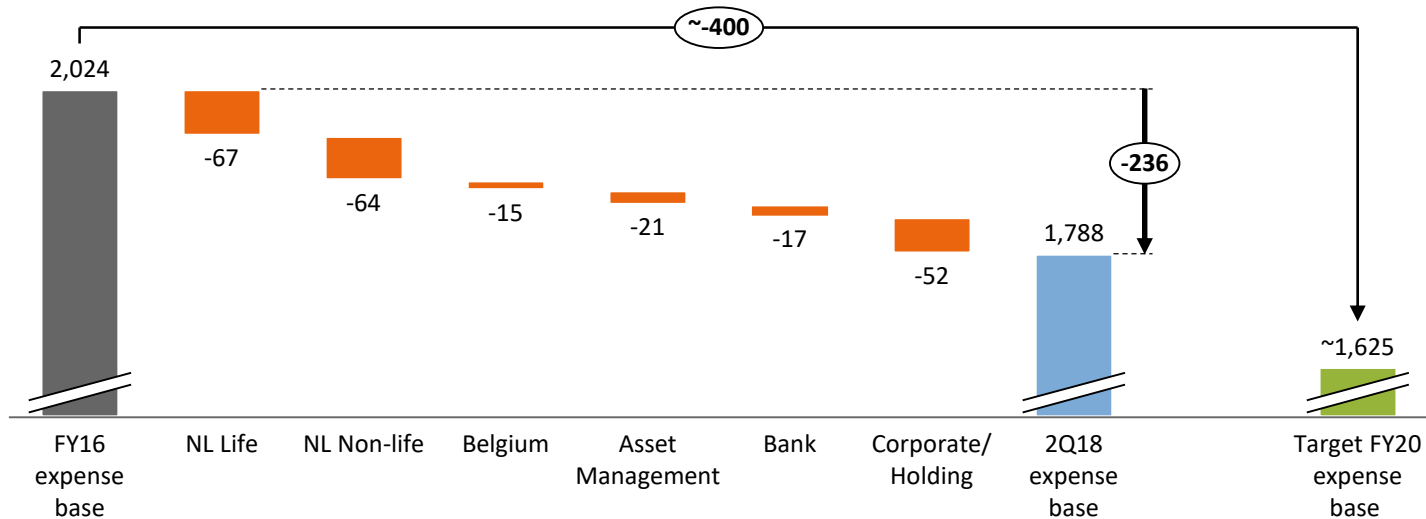
- **Netherlands Life:** Operating result up from 2Q17 mainly driven by private equity dividends and lower administrative expenses
- **Netherlands Non-life:** Operating result up largely driven by lower administrative expenses and an improved claims experience in P&C, while 2Q17 was impacted by a EUR 40m strengthening of insurance liabilities in P&C; Combined ratio of 97.9%
- **Insurance Europe:** Operating result down from 2Q17 which benefited from EUR 7m non-recurring items versus EUR -5m in 2Q18
- **Japan Life:** Operating result down 24% excluding currency effects, reflecting higher DAC amortisation and lower technical margin, partially offset by higher fees and premium-based revenues
- **Asset Management:** Operating result up driven by expense reductions, partly offset by lower fees
- **Other:** Operating result up supported by an improved holding result, driven by lower interest on hybrids and debt; operating result of banking business and reinsurance business broadly stable



# Further cost reductions of EUR 62m in 2Q18, bringing total cost reductions to EUR 236m

## Administrative expense base<sup>1,2</sup>

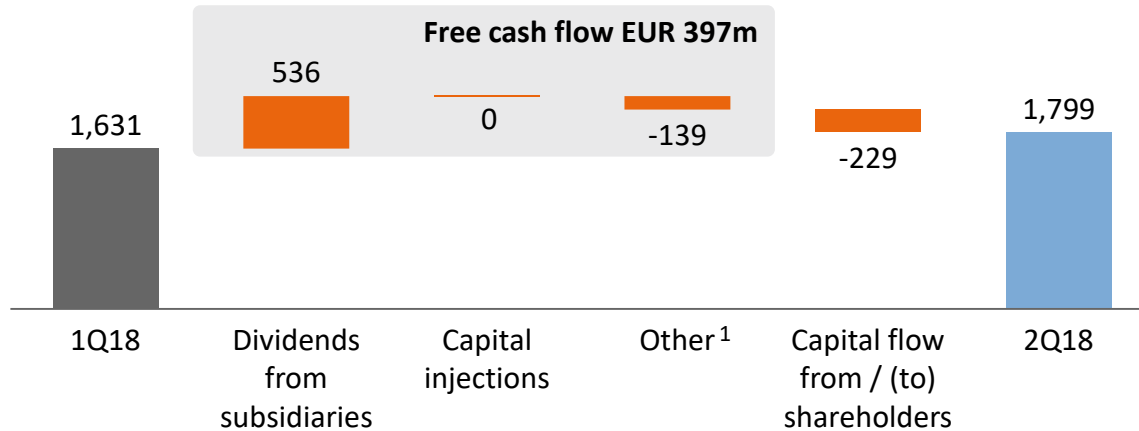
(EURm)



# Free cash flow 2Q18

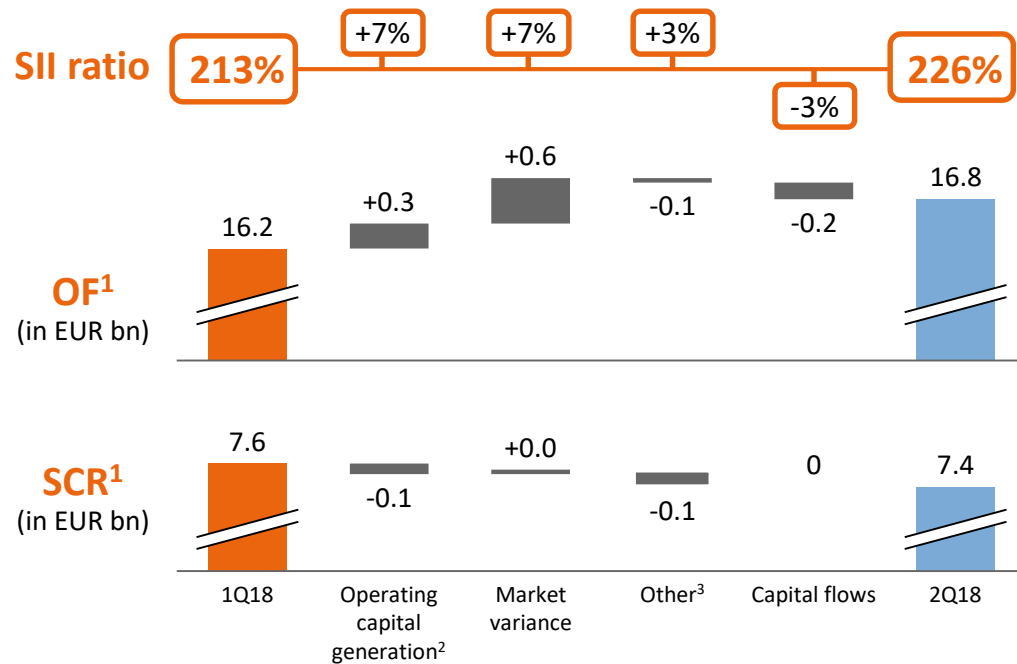
## Movement in holding company cash capital

(EURm)



- Free cash flow to the holding in 2Q18 of EUR 397m, driven by EUR 536m of dividends from subsidiaries; Other includes annual coupon on undated subordinated notes of EUR 58m
- Capital flow to shareholders reflects EUR 205m cash part of 2017 final dividend and EUR 24m share buybacks to neutralise dilutive effect of stock dividend

# Solvency II movement 2Q18



- Solvency II ratio increased to 226% driven by operating capital generation and market variance
- Market variance reflects the favourable impact from movements in credit spreads and positive equity revaluations, partly offset by interest rate changes
- Capital flows reflect the 2018 interim dividend

# Wrap up

Lard Friese, CEO

# Key takeaways

1 2Q18 operating result of the ongoing business up 26% on 2Q17

2 Cost reductions of EUR 62m in 2Q18; total cost reductions achieved to date of EUR 236m

3 Solvency II ratio of 226% after deduction of 2018 interim dividend of EUR 0.66 per share; holding company cash capital of EUR 1.8bn

# Q&A

Lard Friese, Delfin Rueda, Jan-Hendrik Erasmus

# Appendix



# Dividends upstreamed

## Dividends upstreamed by segments/subsidiaries

(EURm)

	2Q18	1Q18	2017	2016
Netherlands Life <sup>1</sup>	233	190	1,035	642
Netherlands Non-life <sup>1</sup>	20	1	100	154
Insurance Europe <sup>1,2</sup>	180	2	230	251
NN Japan Life <sup>3</sup>	-	-	57	80
Asset Management	52	22	96	93
NN Re Netherlands	40	40	200	250
Other <sup>1,4</sup>	11	1	100	142
<b>Total</b>	<b>536</b>	<b>256</b>	<b>1,818</b>	<b>1,611</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)
3. Cash flow from NN Japan Life was zero in 2Q18 following a JGAAP reserve revision
4. Includes dividend from NN Bank in 2Q18

# Sensitivities of the NN Group Solvency II ratio to specified shocks

## Sensitivities to shocks<sup>1</sup> at 2Q18

	$\Delta$ OF (in EURbn)	$\Delta$ SCR (in EURbn)	$\Delta$ Solvency II ratio (in %-points)
<b>Interest rate:</b> Parallel shock +50bps	-0.5	-0.4	+5%
<b>Interest rate:</b> Parallel shock -50bps	+0.6	+0.5	-7%
<b>Interest rate:</b> 10bps steepening between 20y–30y	-0.6	+0.0	-8%
<b>Credit spread:</b> Parallel shock for AAA-rated government bonds +50bps	-1.0	-0.0	-13%
<b>Credit spread:</b> Parallel shock for AA and lower-rated government bonds +50bps	-0.8	-0.1	-9%
<b>Credit spread:</b> Parallel shock corporates +50bps	+0.3	-0.1	+8%
<b>Equity:</b> Downward shock -25%	-1.2	-0.2	-9%
<b>Real estate:</b> Downward shock -10%	-0.8	-0.1	-9%
<b>UFR:</b> Downward adjustment to 3.90%	-0.3	+0.0	-5%

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

# 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 financial information for the period ended 30 June 2018.

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 or European Union countries leaving the European Union, (4) changes in the availability of, and costs associated with, sources of liquidity as well as conditions in the credit markets generally, (5) the frequency and severity of insured loss events, (6) changes affecting mortality and morbidity levels and trends, (7) changes affecting persistency levels, (8) changes affecting interest rate levels, (9) changes affecting currency exchange rates, (10) changes in investor, customer and policyholder behaviour, (11) changes in general competitive factors, (12) changes in laws and regulations and the interpretation and application thereof, (13) changes in the policies and actions of governments and/or regulatory authorities, (14) conclusions with regard to accounting assumptions and methodologies, (15) changes in ownership that could affect the future availability to NN Group of net operating loss, net capital and built-in loss carry forwards, (16) changes in credit and financial strength ratings, (17) NN Group's ability to achieve projected operational synergies, (18) catastrophes and terrorist-related events, (19) adverse developments in legal and other proceedings and (20) the other risks and uncertainties contained in recent public disclosures made by NN Group.

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