

# NN Group

## Third quarter 2014 results

Lard Friese – CEO

Delfin Rueda – CFO

Amsterdam – 5 November 2014



# Highlights and financial targets

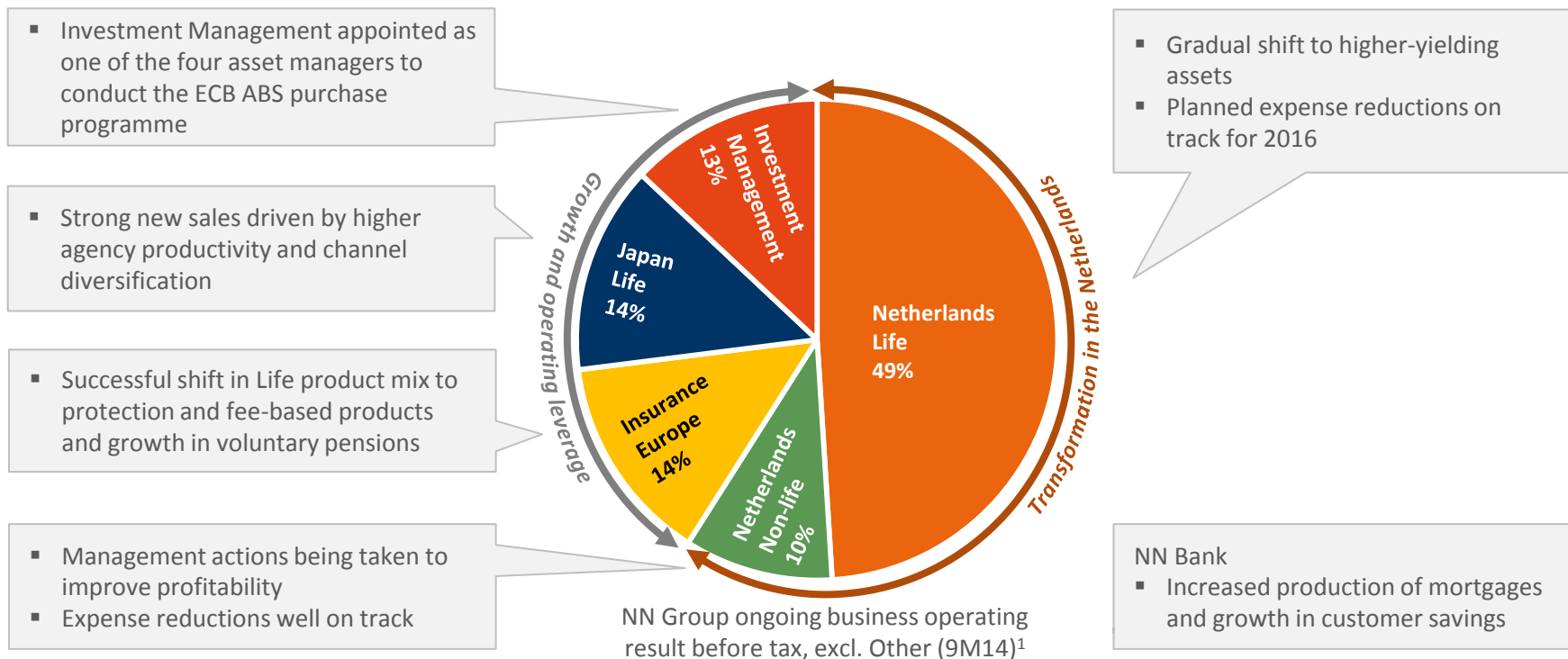
Lard Friese – CEO

# Highlights

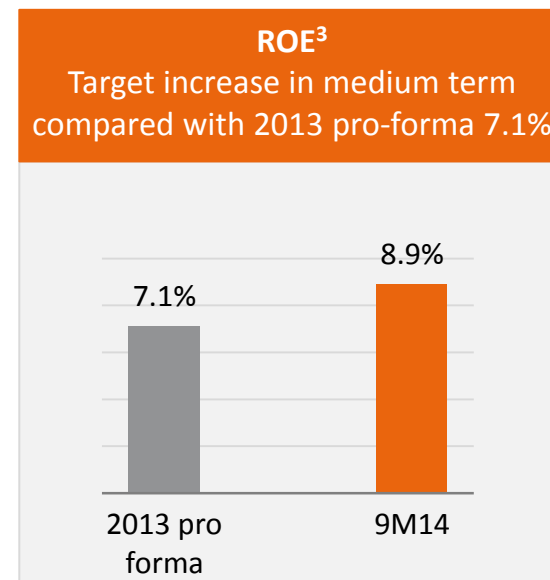
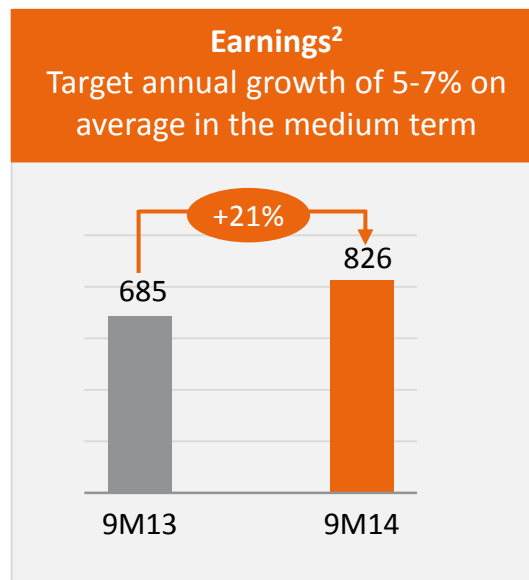
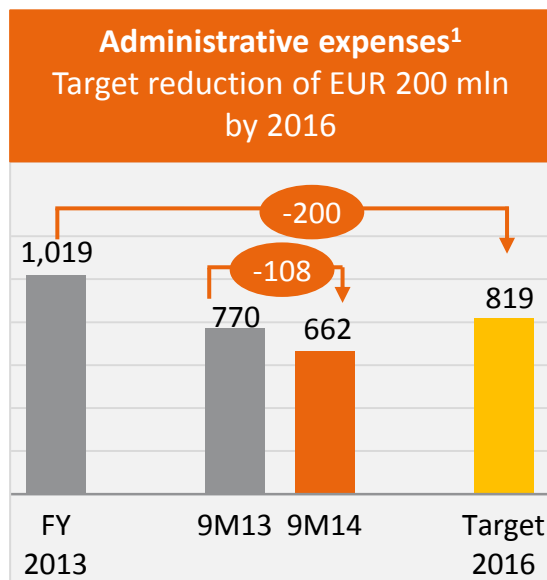
<b>Operating result ongoing business</b>	<b>Net result</b>	<b>Net operating ROE ongoing business</b>	<b>IGD</b>
<b>EUR 274 mln</b>	<b>EUR 354 mln</b>	<b>8.3%</b>	<b>283%</b>
EUR 235 mln in 3Q13	EUR -652 mln in 3Q13	8.3% in 3Q13 Pro forma 7.1% in 2013	272% in 2Q14

- Strong operating result ongoing business of EUR 274 mln
- Net result increased to EUR 354 mln
- YTD cost reductions of EUR 108 mln achieved in the Netherlands
- Robust capital levels and balance sheet; IGD ratio up at 283%
- Holding company cash capital stable at EUR 1.2 bln
- Successful issuance of EUR 1 bln undated subordinated notes in July 2014 used to repay ING Group hybrid debt

# Operating segments focused on strategy delivery



# Continuing progress towards achieving financial targets



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 business<sup>4</sup>

# Robust capital position and balance sheet

## Operating units

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

**NN Life solvency broadly stable at 252%**

## Cash capital at holding

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

**Cash capital at holding stable at EUR 1.2 bln**

## Financial leverage

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

**Last 12 months fixed-cost coverage ratio up from 6.5x to 8.4x**

**Financial leverage ratio improved from 24.0% to 23.7%**

**Gross debt position stable at EUR 3.7 bln**

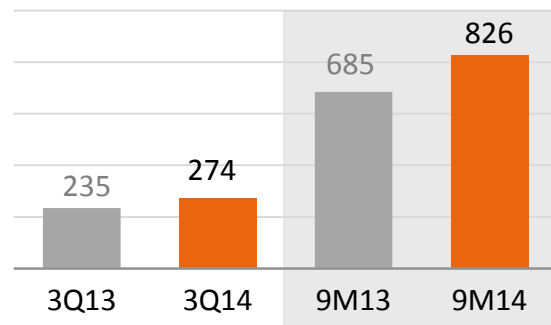
**IGD ratio increased from 272% to 283%**

# Discussion of 3Q14 results

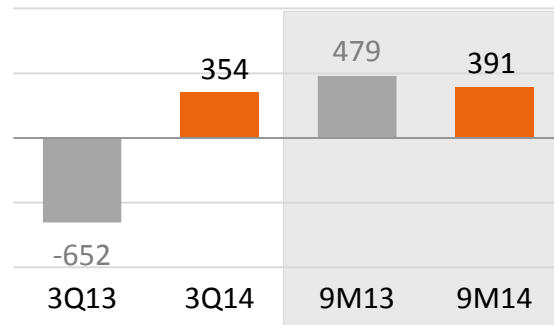
Delfin Rueda – CFO

# Operating result ongoing business of EUR 274 mln in 3Q14

Operating result ongoing business  
(EUR mln)



Net result  
(EUR mln)

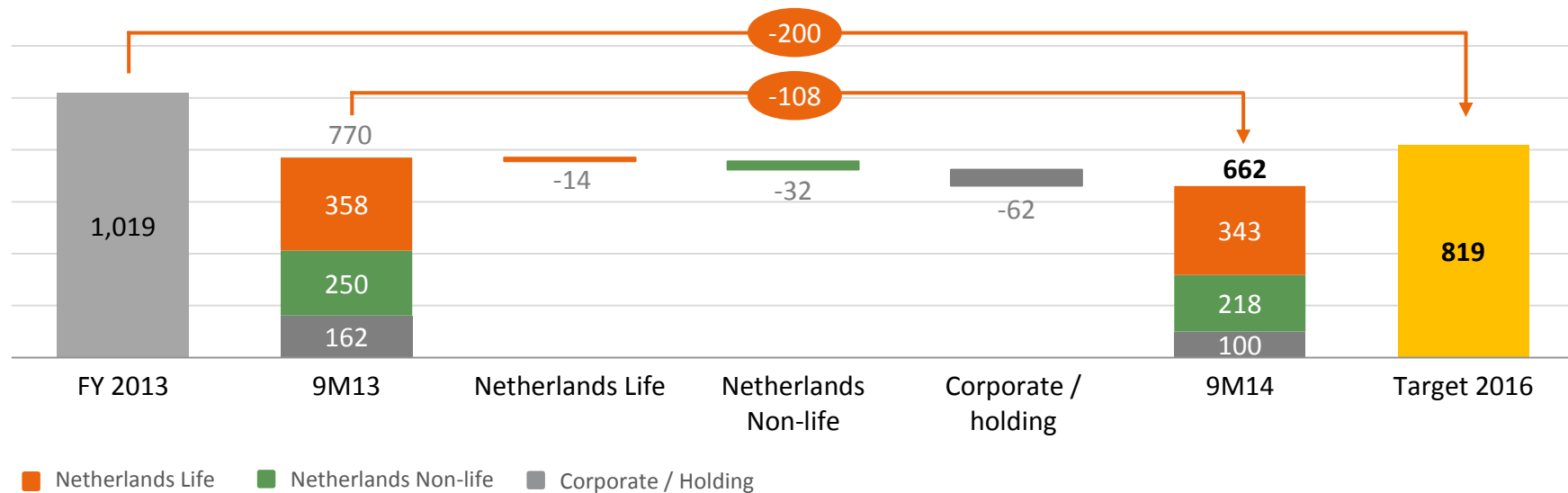


- Operating result ongoing business up 16.6% on 3Q13, driven by lower administrative expenses and lower funding costs as well as higher results at Investment Management and NN Bank
- Net result in 3Q14 positively impacted by EUR 52 mln (pre-tax) refund from the Polish guarantee fund and EUR 63 mln (pre-tax) benefit from higher lapse assumptions in Japan CBVA; net result 3Q13 includes loss on the divestment of ING Life Korea
- YTD net result down 18.4%, due to EUR -407 mln after-tax impact to make the Dutch pension plan financially independent in 1Q14



# Expense reductions of EUR 108 mln in the first 9 months of 2014

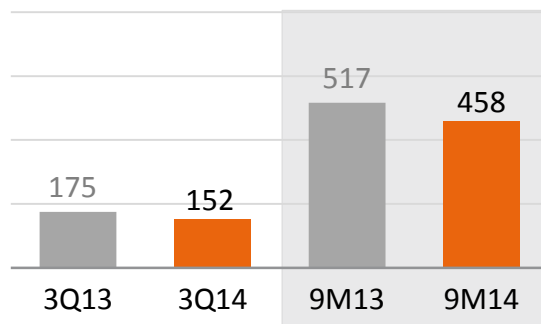
## Administrative expenses in the Netherlands<sup>1</sup> (EUR mln)



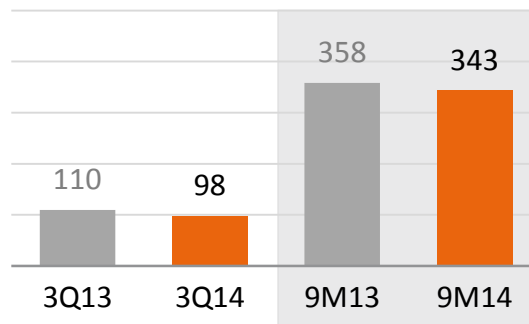
1. Netherlands Life, Netherlands Non-life and Corporate/Holding

# Netherlands Life

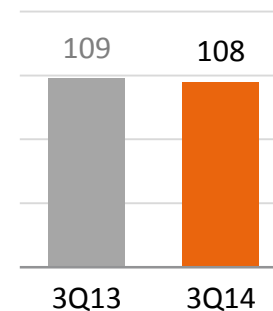
Operating result before tax  
(EUR mln)



Administrative expenses  
(EUR mln)



Investment spread<sup>1</sup>  
(bps)

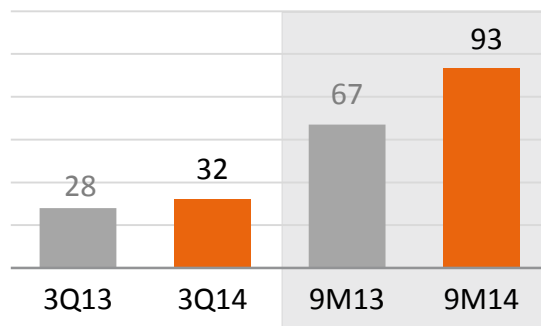


- Operating result impacted by lower fees and premium-based revenues and technical margin
- Lower administrative expenses following EUR 11 mln reallocation of expenses for retired personnel to segment 'Other'
- Investment spread stable, benefiting from dividends on private equity and shift to higher yielding assets, offset by interest costs on subordinated loans provided by NN Group

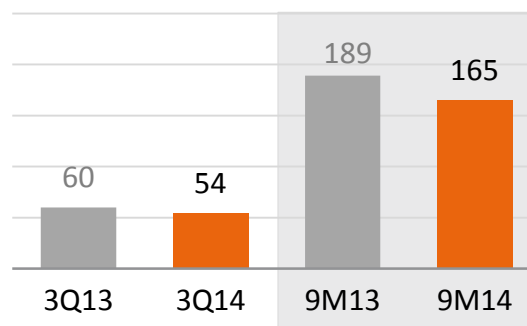
1. Four-quarter rolling average

# Netherlands Non-life

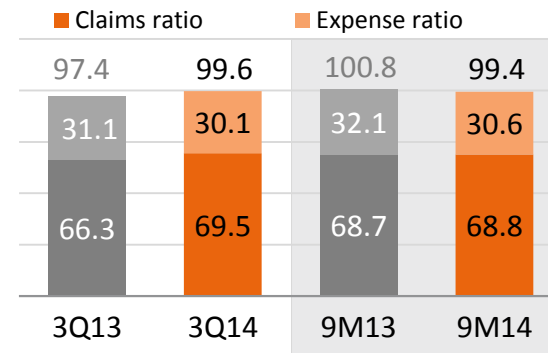
Operating result before tax  
(EUR mln)



Administrative expenses<sup>1</sup>  
(EUR mln)



Combined ratio<sup>1</sup>  
(%)

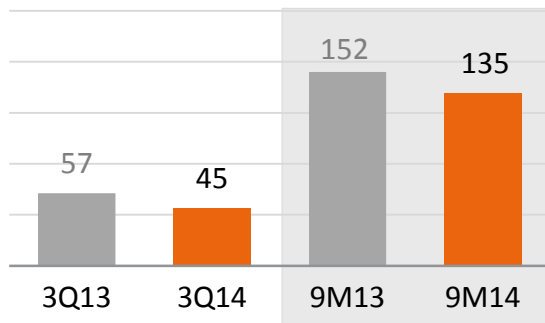


- D&A results improved further following favourable claims development on prior accident years; combined ratio down at 95.7%
- P&C results suffered from negative claims development in Motor and weather-related claims in Fire; combined ratio up at 102.6%
- Total combined ratio increased to 99.6%; 3Q13 positively impacted by a non-recurring release of provisions in P&C
- Administrative expenses decreased further reflecting successful cost reduction measures

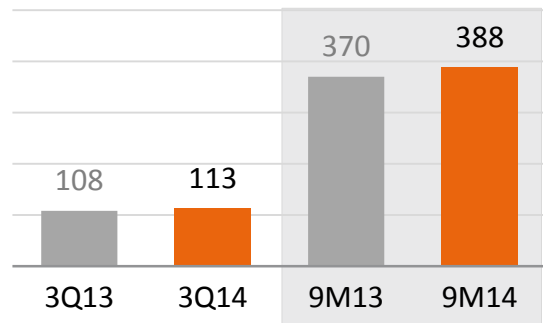
1. Excludes Mandema and Zicht broker businesses

# Insurance Europe

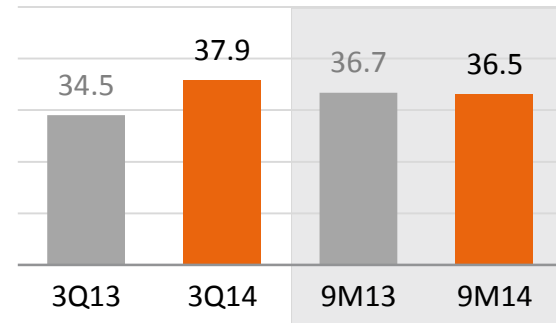
Operating result before tax  
(EUR mln)



New sales (APE)  
(EUR mln)



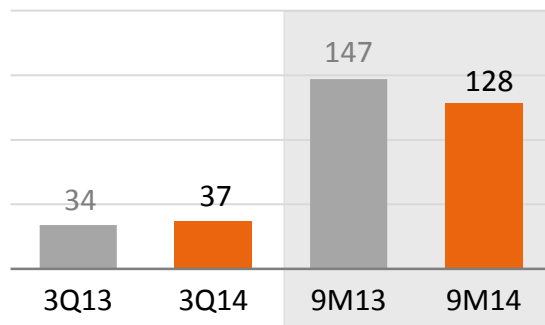
Cost-income ratio  
(%)



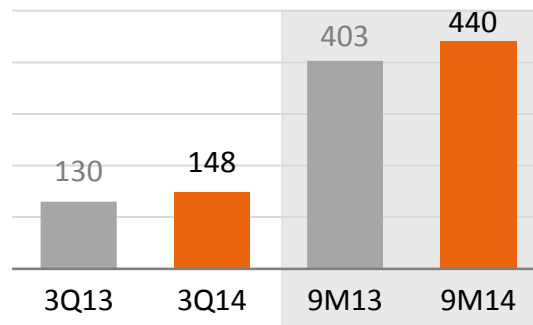
- Lower operating result reflects lower investment margin and higher DAC amortisation and trail commissions
- Fees and premium-based revenues grew especially in Spain, Belgium and Romania, offsetting negative impact of the pension reforms in Poland
- New sales (APE) in 3Q14 up 6.6% on 3Q13, excluding currency effects, driven by higher life sales across the region

# Japan Life

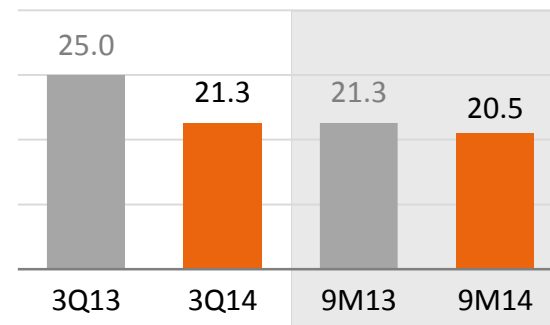
Operating result before tax  
(EUR mln)



New sales (APE)  
(EUR mln)



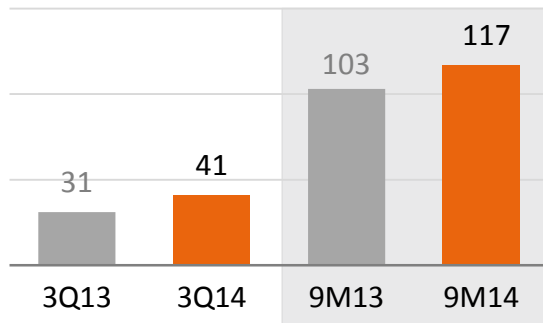
Cost-income ratio  
(%)



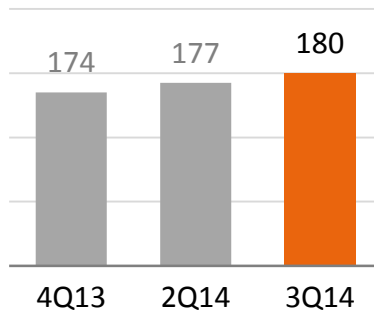
- Operating result 3Q14 up 15.6%, excluding currency effects, on higher fees and premium-based revenues, driven by higher sales and larger in-force volumes
- YTD operating result down 2.3%, excluding currency effects, impacted by lower investment margin and technical margin
- New sales (APE) up 20.3% on 3Q13, excluding currency effects, supported by increased productivity of Independent Agencies and further expansion of Bancassurance distribution channel

# Investment Management

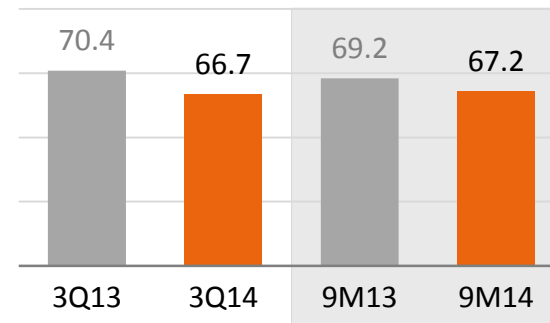
Operating result before tax  
(EUR mln)



Assets under Management  
(EUR bln)



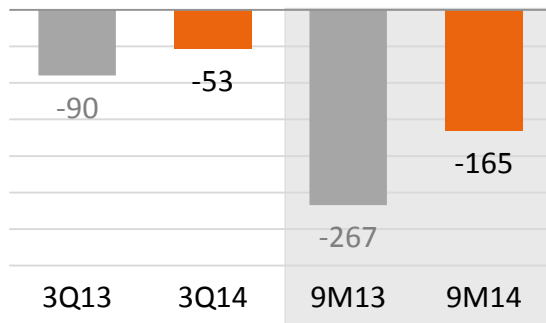
Cost-income ratio  
(%)



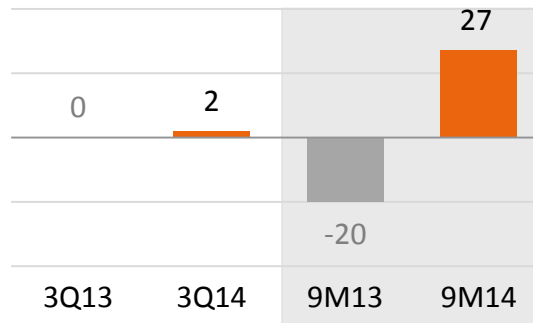
- Growth in Assets under Management to EUR 180 bln supported by strong market performance
- Fees in 3Q14 up 15.0% on higher AuM and more favourable asset mix, partly offset by higher administrative expenses; cost-income ratio improved
- Third party assets stable at 41% of AuM, but associated fees increased to 65% of operating income

# Other

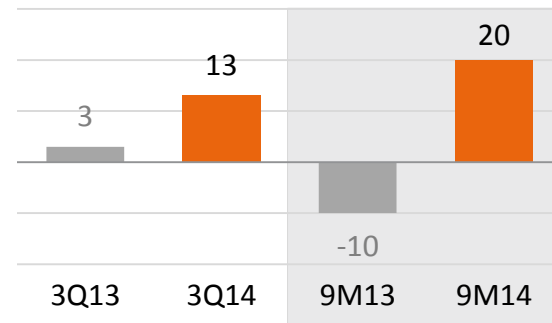
**Holding - Operating result before tax (EUR mln)**



**Reinsurance - Operating result before tax (EUR mln)**



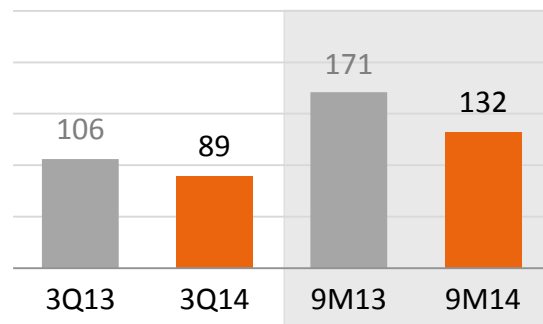
**NN Bank - Operating result before tax (EUR mln)**



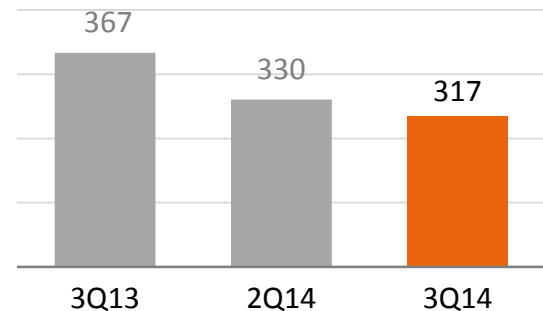
- Improved 3Q14 holding result driven by lower funding costs and higher interest income on subordinated loans provided to NN Life
- Lower holding expenses partly offset by EUR 11 mln reallocation of expenses for retired personnel in the Netherlands
- YTD reinsurance business result reflects better underwriting results and EUR 31 mln one-off loss on a reinsurance contract in 2013
- Higher net interest margin at NN Bank following increased production of mortgages and customer savings

# Japan Closed Block VA

Result before tax  
(EUR mln)



Number of policies  
(in thousands)



Account value, NAR and  
IFRS reserves

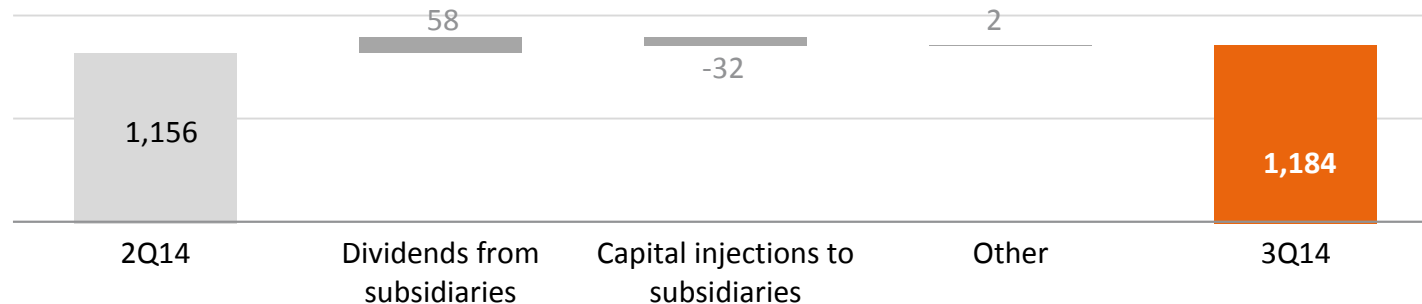
	3Q14	2Q14	3Q13
Account value (EUR bln)	14.3	14.4	15.8
NAR (EUR mln)	393	694	1,448
IFRS reserves (EUR mln)	792	1,068	1,808

- Result before tax driven by positive EUR 63 mln reserve decrease, due to higher lapse assumptions for out-of-the-money policies
- Market-related result net of hedging of EUR 7 mln as hedge assets largely offset a EUR 276 million movement in reserves
- Portfolio run-off reflected in decreasing number of policies and account value and lower fees and premium-based revenues
- Net Amount at Risk (NAR) decreased to EUR 393 mln primarily due to rising equity markets



# Holding company cash capital

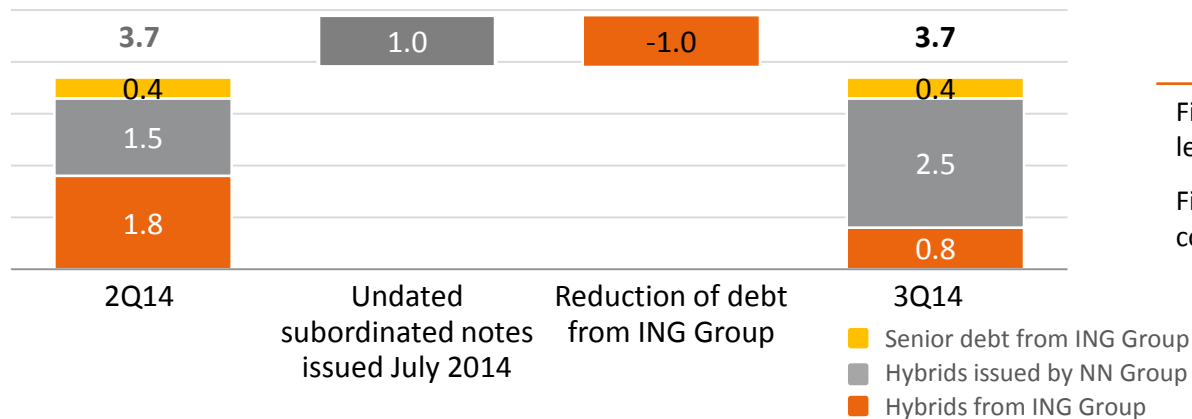
## Holding company cash capital (in EUR mln)



- Holding company cash capital position stable at EUR 1.2 bln
- Dividends received from subsidiaries of EUR 58 mln, offset by a subordinated loan to NN Bank of EUR 25 mln

# Financial leverage

## Gross debt (in EUR bln)



## Financial leverage ratio and fixed-cost coverage ratio

	3Q14	2Q14	4Q13
Financial leverage ratio	<b>23.7%</b>	24.0%	26.3%
Fixed-cost coverage ratio	<b>8.4x</b>	6.5x	4.9x

- EUR 1 bln undated subordinated notes issued in July 2014 were used to repay ING Group hybrid debt
- These notes are classified as equity under IFRS; as such coupon payments (EUR 45 mln per annum) are recognised through equity instead of through profit
- These notes are treated as debt for calculation of financial leverage; last twelve months fixed-cost coverage ratio up to 8.4x and financial leverage ratio improved to 23.7%

# Wrap-up

Lard Friese – CEO

## Wrap-up

- NN Group reports strong operating result of EUR 274 mln for 3Q14
- Cost reduction programme on track; administrative expenses down EUR 108 mln year-to-date
- Robust capital position; IGD ratio 283%
- Successful issuance of undated subordinated notes in July 2014
- Continued 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 recent public disclosures made by NN Group and/or related to NN Group (such as the most recent annual report of ING Groep N.V.)

Any forward-looking statements made by or on behalf of NN Group speak only as of the date they are made, and, NN Group assumes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information or for any other reason. This document does not constitute an offer to sell, or a solicitation of an offer to buy, any securities.



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