

NN Group Netherlands

David Knibbe, CEO Netherlands Insurance

Capital Markets Day

19 November 2015



1

NN Group is well placed in its home market to drive value

2

Netherlands Life is well positioned to grow in the pension market, individual life closed book managed to release capital

3

Netherlands Non-life to improve underwriting performance, expense reductions achieved ahead of plan

4

NN Bank can continue to grow while margins remain attractive

At the time of the IPO we set targets...

On
track

Netherlands Life: broadly stable operating result vs 2013 over the medium-term

More
to do

Netherlands Life to drive capital generation by a shift to higher yielding assets and expense reductions of ~15% by 2016

More
to do

Netherlands Non-life: combined ratio of 97% or lower in 2018

Done

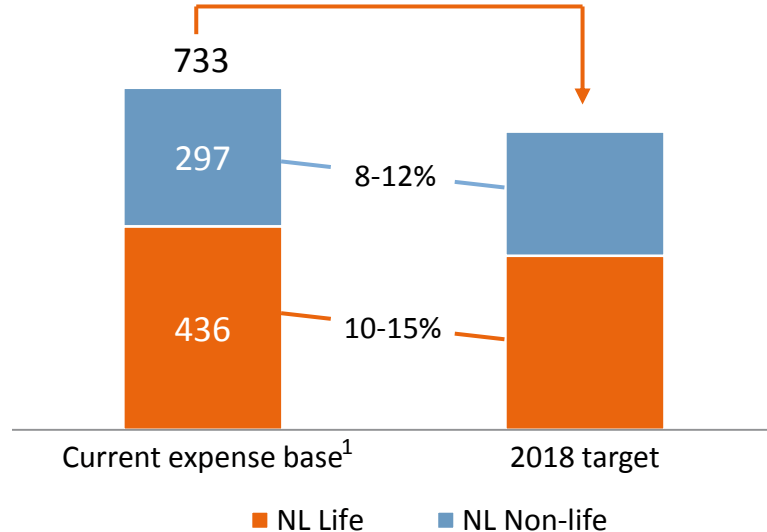
Netherlands Non-life to cut costs by 10-15% by 2016

On
track

NN Bank: RoE of 7% or higher in 2018

New expense target announced

Administrative expenses Netherlands Life and Netherlands Non-life¹

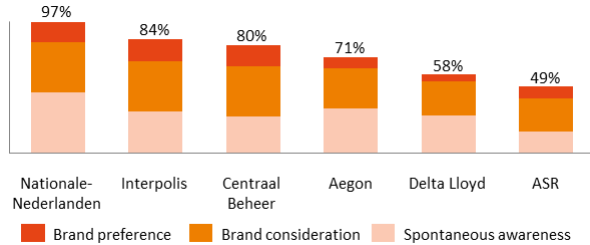


Drivers expense reduction

- Further simplification of operational processes and increase of efficiency
- Conversion to lower-cost platforms and straight-through-processing, implementation of new IT platforms on track
- Investments required to maintain leadership position and improve customer experience
- Continue to see upward pressure on expenses (e.g. regulatory changes, unit-linked reach out programme)

NN Group well placed in its home market with leading positions in Life and Non-life

NN has a strong brand in the Dutch market^{1..}



#1 position Dutch Life market²

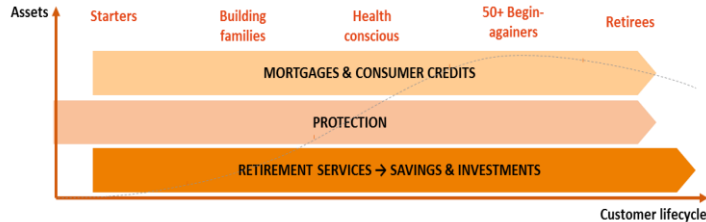
...a large customer Base...

Total Dutch Household : 30% NN Clients



3.4 mln retail customers and pension participants⁴

...a product portfolio with presence throughout customer lifecycle..



#3 position Dutch Non-life market³

...and a wide range of distribution channels

Channels with NN labeled products and white label



Nationale-Nederlanden

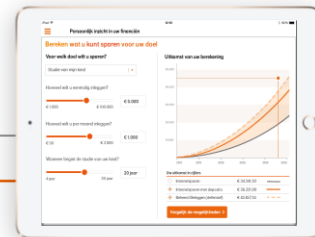
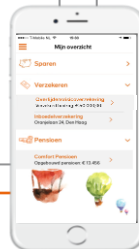


1. Source: Mindtrack brandtracker, 3Q15
2. Source DNB – Market figures 2014 (Technical reserves)
3. Source DNB – Market figures 2014 (GWP)
4. Excludes ~800,000 mandated broker customers

Customer behaviour is changing, society is individualising

Customers expect relevant product offerings and service anytime, anywhere

- Withdrawing government leads to a more individual approach in securing people's financial future
 - Shift in pension market from DB to DC (pillar 2)
 - More individual pensions and savings (pillar 3)
- Due to technological developments customers are used to and expect digitalised, personal and relevant interactions



Investing to meet customers demand for digitalised personal and relevant servicing

- One on-line portal for customers' insurance, investments and banking needs
- Strengthen our intermediary and direct distribution channels by improving digital servicing
- More relevant offerings based on data and analytics
- Further reduce costs by decreasing complexity

From product push to customer demand

Ambition to be more personal and relevant

Invest to create the personal and relevant experience in a digital way



Relevant customer contact

Increased interaction, personal and relevant service approach

- We make a broad range of products available
- And make the most relevant offer according to the needs of the specific customer
- Offerings can be service suggestions and/or commercial suggestions



Data and analytics

Tailored underwriting based on data and analytics



Digital and omnichannel

All products in one easy-to-use personal digital environment



Optimising distribution/partnerships

Improve customer relationships together with our partners

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Netherlands Life is well positioned to grow in the pension market, individual life closed book managed to release capital

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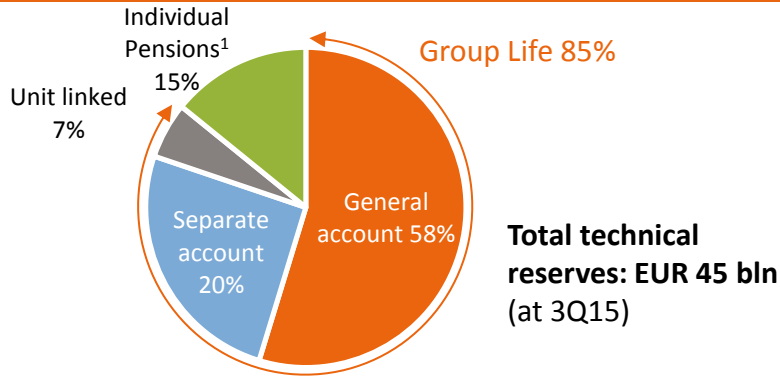
Netherlands Non-life to improve underwriting performance, expense reductions achieved ahead of plan

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NN Bank can continue to grow while margins remain attractive

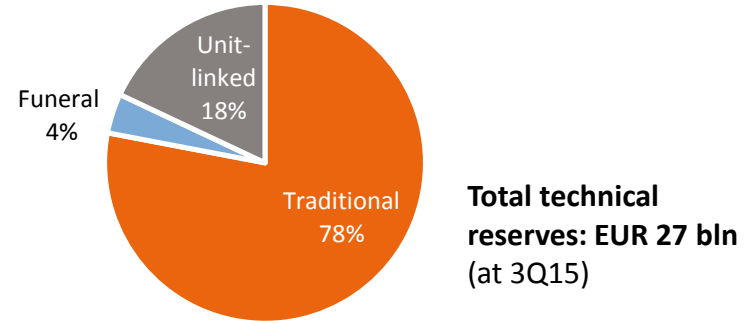
Netherlands Life – leading Life and Pensions company in Dutch market

Pensions



- 39,000 SME group pension contracts (DB and DC); 80 large corporate guaranteed separate account contracts; 170,000 Individual Pensions contracts
- Total of ~1.9 mln policies with EUR 1.9 bln GWP²

Individual Life Closed Block



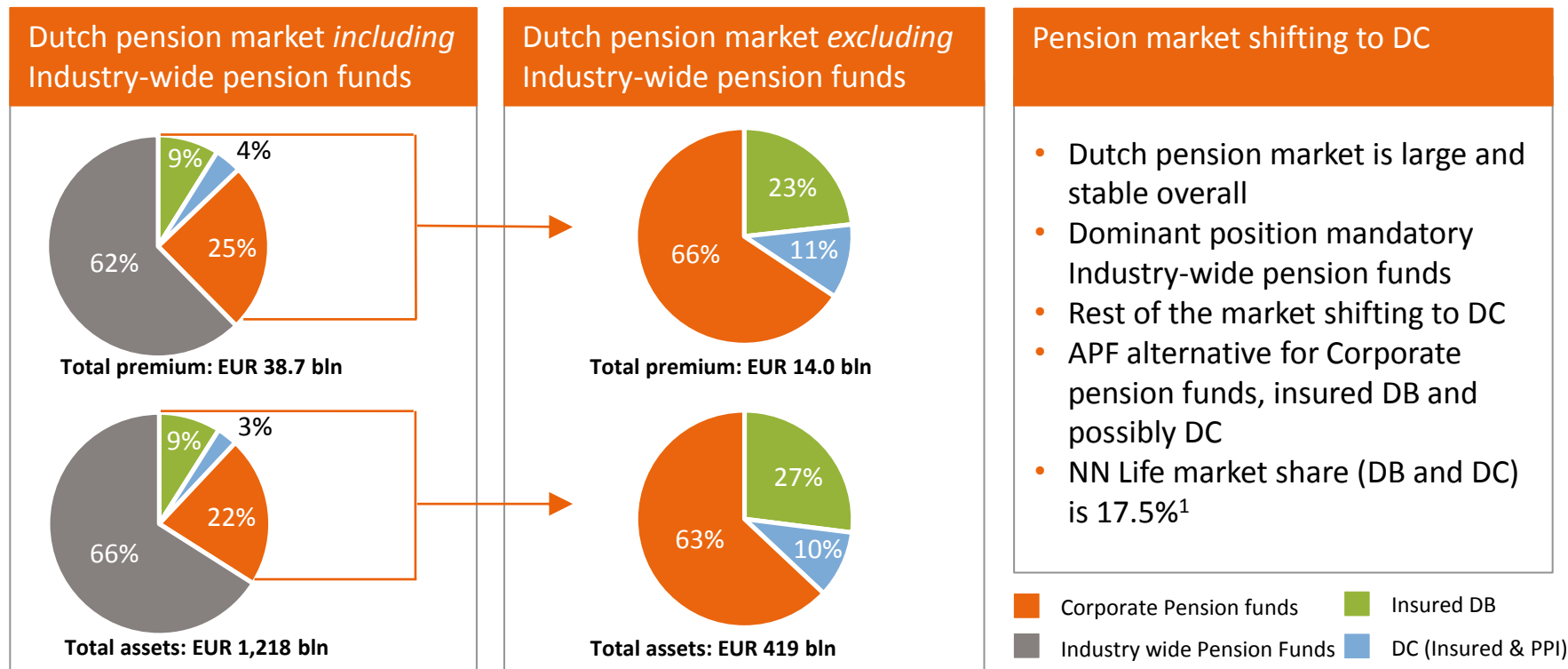
- Limited new business in retail life market: term life and immediate annuities
- ~3.0 mln individual life contracts with EUR 0.9 bln GWP²

Target to maintain operating result before tax broadly stable at 2013 levels over the medium term



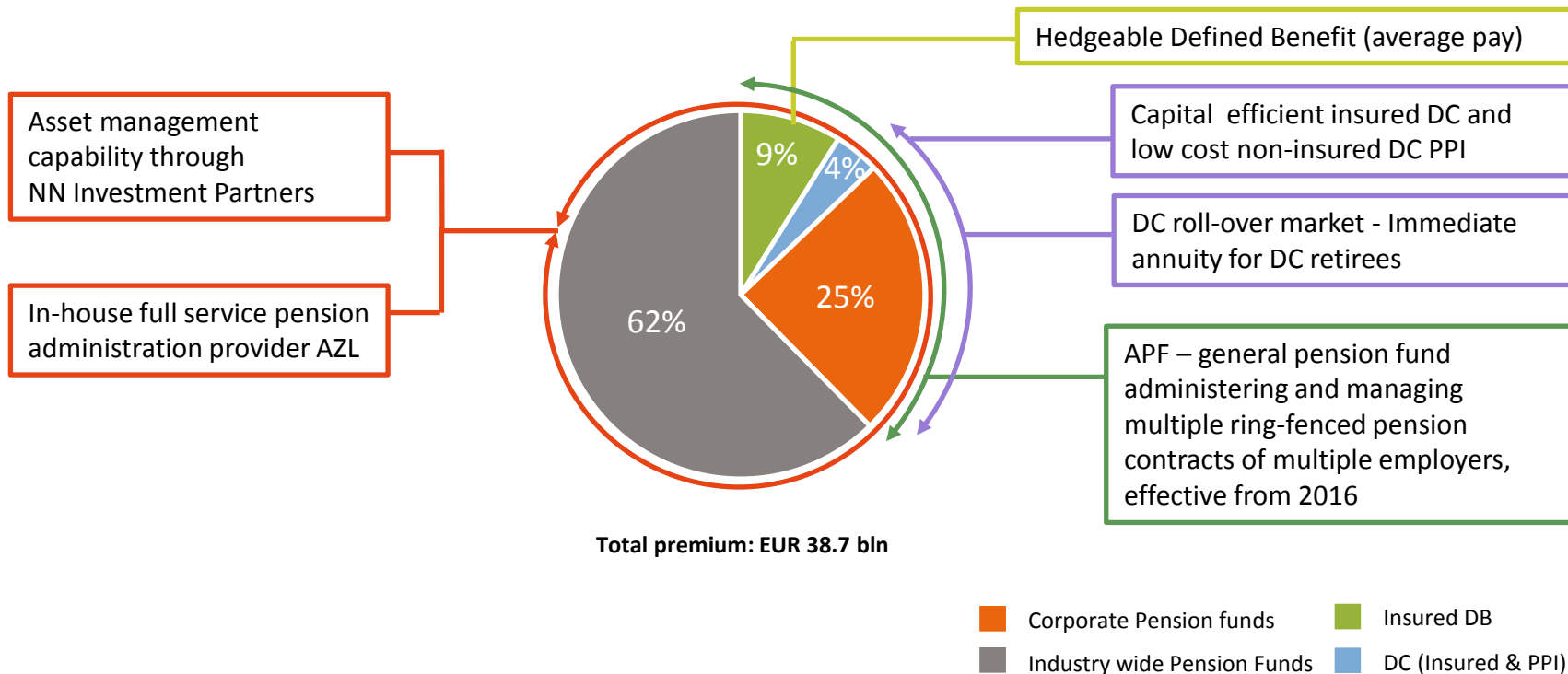
1. Individual Pensions is also part of the general account
2. GWP on a last 12-months basis, at 30 September 2015

Well positioned in large Dutch pension market...



1. Source DNB – Market figures 2014 (GWP)

... with a product offering targeting all market segments



NN Group well positioned to capture growth in changing Pension market

Strong base..

- Strong brand and capitalisation
- Large inforce client base
- New product suite with web based DB and DC solutions
- New future proof platform scalable base for pension product suite
- Combined strength NN Life, NN Investment Partners and AZL

..with focus and execution power..

- One single DB and DC platform delivers high level of efficiency and real time communication
- Short time to market for future product innovation
- Successful conversion of existing client base to new product suite
- New web based roll-over product to be launched in 2016
- Innovative communication with clear focus on pension awareness

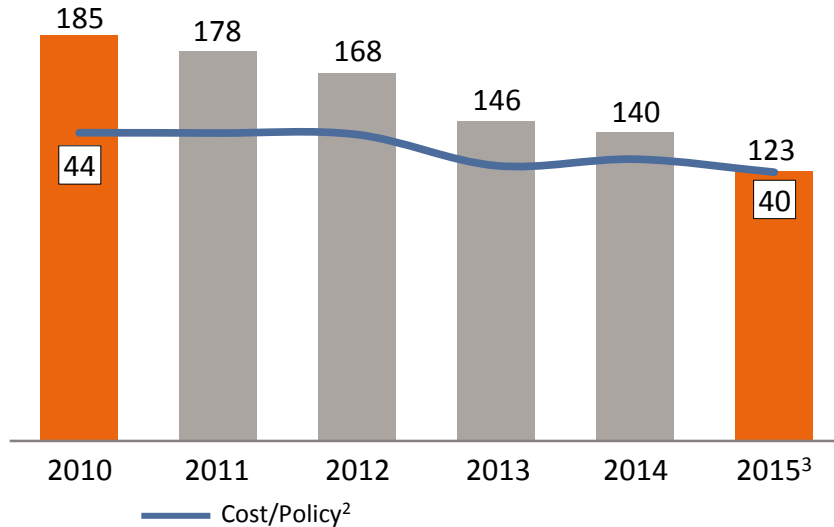
..to respond to future developments

- Shift to DC and PPI leads to increased demand for roll-over products
- Introduction of roll-over product investing after retirement
- Adjustment of maximum pensionable salary
- Shift of risk & responsibilities to individual
- Redesign of Dutch pension system
- Growth opportunities for DC, APF and buy-outs

As the Individual Life Closed Block portfolio runs off, we expect costs to come down proportionately

Individual Life has delivered unit cost improvement

Maintenance costs¹ Individual Life Closed Block (EUR mln)



How do we expect costs to come down

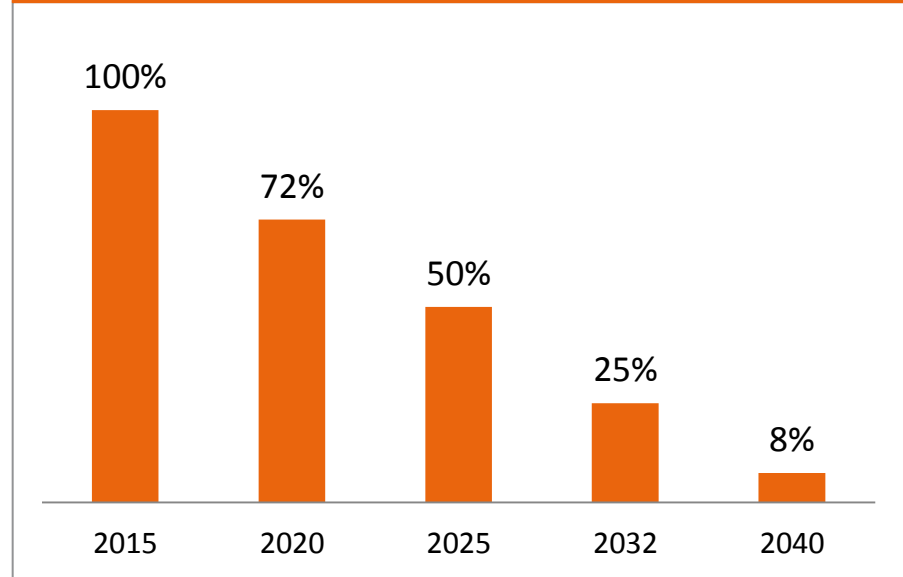
- Reduce costs in line with declining portfolio
- Most of cost base considered to be variable
- Reduce and make (fixed) cost variable by moving to new IT platforms (Straight Through Processing) and rationalising legacy IT systems
- Labour intensive savings policies running off more rapidly than funeral insurance – by 2025 ~70% of policies will be funeral
- Continuous process improvements

Individual Life Closed Block is less capital intensive than Pensions business

How do we expect capital to be released

- Under Solvency I, minimum required capital was EUR ~1.1 bln (100% basis)
- Under Solvency II, the SCR is EUR ~1.0 bln¹, net of allocated diversification, of a total SCR of EUR 4.3 bln²
- Remaining SCR of EUR 3.3 bln related to more capital intensive Pensions business
- The SCR² Individual Life is expected to run off ~50% by 2025
- The capital backing the SCR of Individual Life will approximately be released in line with the run-off

Expected run-off of Solvency Capital Requirement (SF)¹



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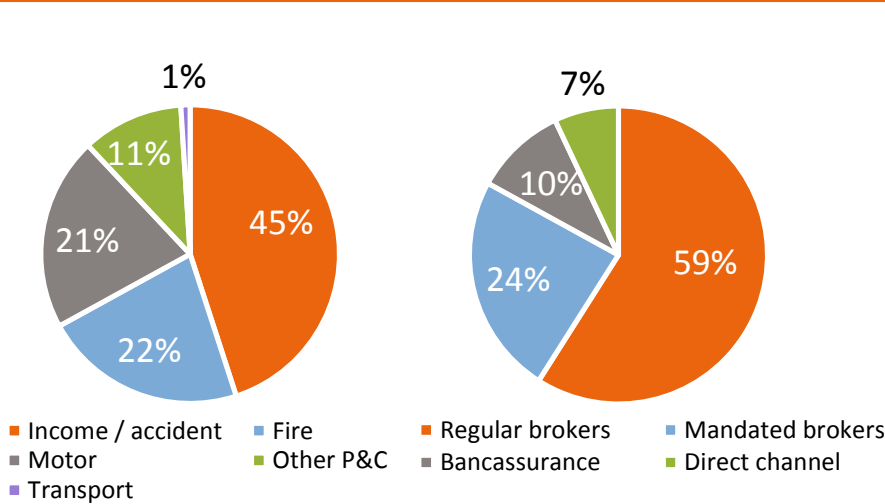
Netherlands Non-life to improve underwriting performance, expense reductions achieved ahead of plan

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NN Bank can continue to grow while margins remain attractive

Netherlands Non-life – focus on underwriting improvement and cost reductions

Diversified portfolio and distribution mix¹



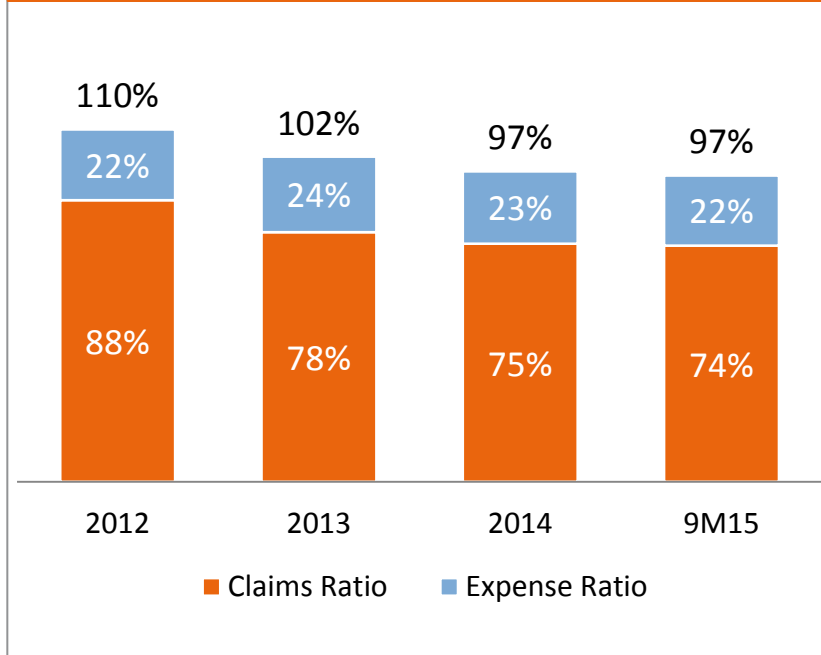
Management actions taken to improve profitability

- Strategy to improve motor, disability and accident combined ratios
 - Premium rates increases
 - Rationalising claims handling processes
 - Stricter underwriting criteria
- Product rationalisation
- Combined ratio of 99.4% in 2014, 101.8% in 9M15, reflecting improved underwriting results in D&A offset by unfavourable claims experience in P&C
- Net operating ROE of 23.3% in 2014, 25.2% in 9M15

Target: Combined ratio of 97% or below by 2018

D&A – improvements coming through

Development combined ratio



Actions taken, more to do

Measures taken

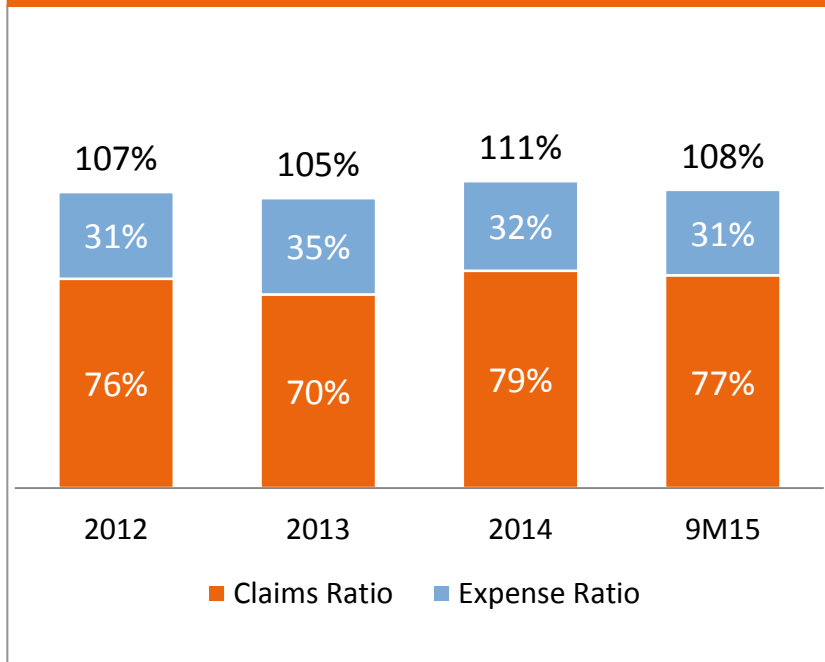
- Claims handling processes further rationalised
- Applying more stringent underwriting criteria
- Differentiated premium adjustments Group income protection
- Premium increases Individual disability ~15% in 2012-2015
- Individual disability portfolio transfer to Movir

Next steps

- Group income protection
 - Annual experience rating and premium adjustment
 - Campaign to increase renewals/new business

Motor – needs further improvement

Development combined ratio



Actions taken, more to do

Measures taken

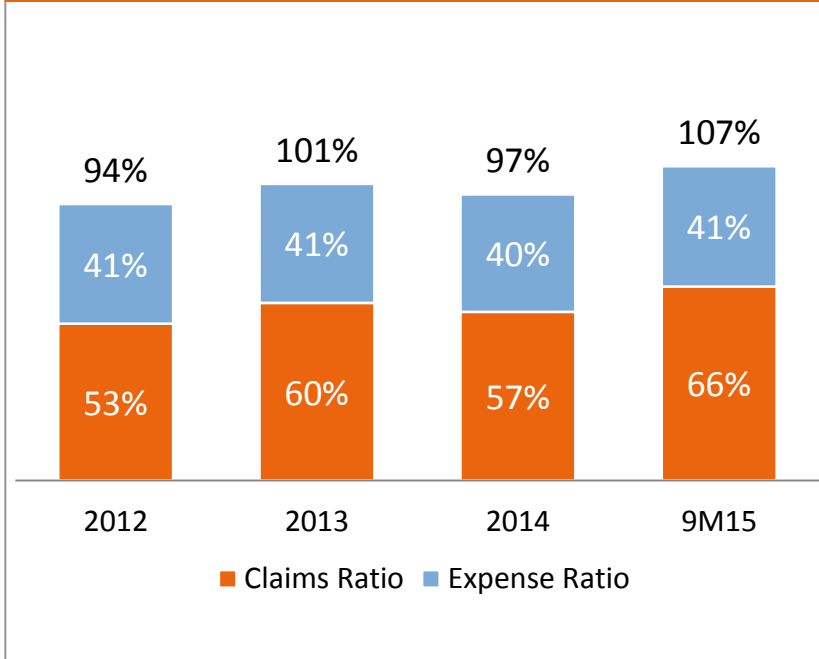
- Focused portfolio management, e.g. individual approach frequent claimers, termination large car fleets, introduction usage-based car insurance
- Premium rate increases retail ~6% (2015), small car fleets ~10% to ~20% (2015)

Next steps

- Retail
 - Premium adjustments based on risk review, discontinuation of discounts on specific policies
- SME
 - Price increases Liability cover
 - Ongoing measures on loss making pools, mandated broker portfolios and car fleets

Fire – more to be done

Development combined ratio



Actions taken, more to do

Measures taken

- Daily business monitoring by risk committee
- Use of experts for underwriting, workshops, renewal and an increasing number of inspections to prevent fraud
- Stricter requirements on mandated brokers for SME
- Premium rate increases
SME ~4% (2015), Retail more diverse (2012-2015)

Measures to be taken

- Active communication and adjustments of contract terms to improve fire prevention

Investing in our underwriting capabilities and customer satisfaction

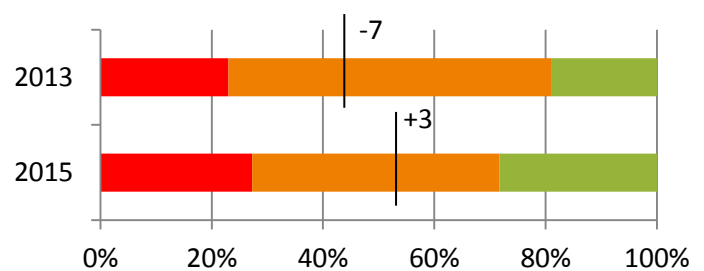
Market potential

- Changes in D&A market (e.g. new flex market) offers opportunity to grow
- Capture selective growth opportunities in Belgium
- Dedicated workforce to increase sales via brokers

Initiatives deployed: usage-based car insurance

- Introduction usage-based car insurance, “Pay as you drive”
- Individual approach to set premium
- Award winning initiative, increase customer satisfaction

Net Promotor Score¹ from -7 to +3



Strong AFM score²



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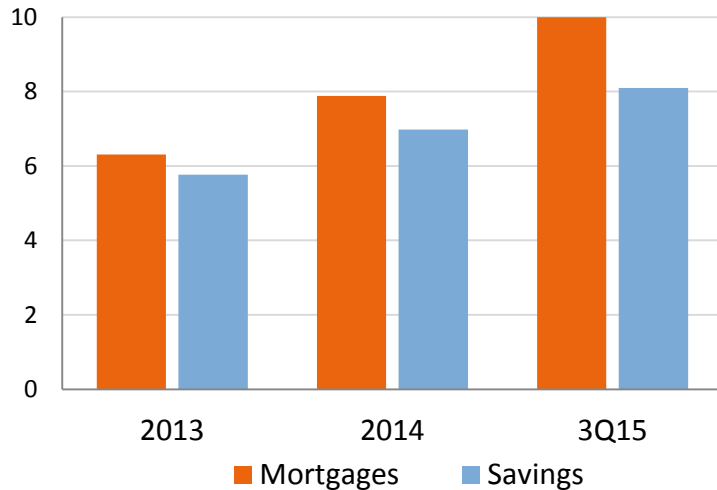
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NN Bank can continue to grow while margins remain attractive

NN Bank - focus on building scale and improving profitability

Steady growth in mortgages and savings (EUR bln)



Complementary products to NN's insurance offering

- NN Bank facilitates the long-term savings need in the Netherlands
- Offers frequent points of contact with our customers and cross-selling opportunities
- Strong new production bank annuity products
- Flexibility to grow in mortgages based on attractive yields and appetite, market share new production 9M15: 6.4%
- Continued investments in people and processes to support future growth
- Operating result before tax EUR 27 mln in 2014 vs EUR 26 mln in 9M15; ROE 5.3% in 9M14 vs 6.6% in 9M15

Target: Return on Equity of 7% by 2018

NN Bank has multiple outlets for its mortgage production

- 1 Retain mortgages on own balance sheet:**
CET1 phase-in ratio of 14.2%, a leverage ratio of 3.9% and a diversified funding base including bank annuities and securitisations allows for more on-balance loans
- 2 Transfer to NN Life and Non-life**
NN Life remains relatively underweight mortgages with ~15% of total invested assets
- 3 Mortgage fund NN Investment Partners**
NN Investment Partners and NN Bank launched a mortgage fund in 2015

Key takeaways

- 1 NN Group is well placed in its home market to drive value and further innovate the business
- 2 The Dutch units remain committed to delivering on their targets
- 3 Netherlands Life is well positioned to grow in the pension market, individual life closed book managed to release capital
- 4 Netherlands Non-life to improve
- 5 NN Bank can continue to grow while margins remain attractive

1

Appendix: Netherlands Life committed to medium term target

2

Appendix: Netherlands Life shift to higher yielding assets

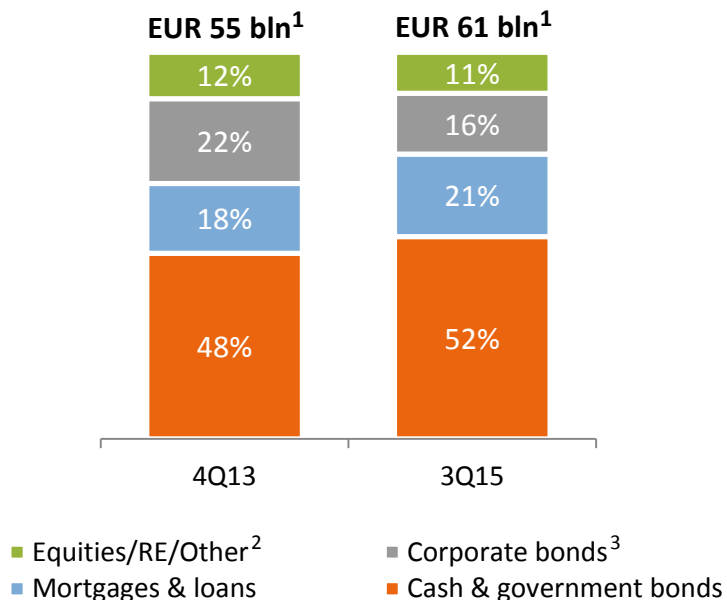
1 Netherlands Life committed to medium term target

	2013	2014	9M14	9M15	Outlook
Investment margin (Investment spread ¹)	557 (104 bps)	630 (111 bps)	455 (108 bps)	681 (143 bps)	<ul style="list-style-type: none"> • 2015 relatively high driven by private and public equity dividends • Investment spread volatile, however expected to be broadly stable at 2013 levels over the medium term • Impact of low rates partially offset by shift to higher yielding assets
Fees and premium based revenues	461	404	309	279	<ul style="list-style-type: none"> • Expected to trend lower due to the run-off of the individual closed book and the shift of pension contracts from SA to GA
Technical margin	237	102	87	150	<ul style="list-style-type: none"> • Volatile due to one-off items • Run rate of approximately EUR 30 mln – EUR 35 mln per quarter more indicative of normal trend • Expected to trend lower due to the run-off of the individual closed block and pressure on the mortality margin
Expenses	(547)	(521)	(393)	(359)	<ul style="list-style-type: none"> • Administrative expenses decreased since the IPO, expected to decrease further in line with new expense reduction target • DAC amortisation and commissions declining due to legal ban on commission
- Admin	(472)	(457)	(343)	(322)	
- DAC amortisation & trail commissions	(75)	(64)	(50)	(37)	
Operating result	709		458	751	

Target to maintain operating result before tax broadly stable at 2013 levels over the medium term

2 Netherlands Life shift to higher yielding assets

Asset mix Netherlands Life



Steps taken

- Shift to higher yielding assets to maintain investment spread broadly stable
- Investments in
 - Mortgages and Loans which still offer relatively high spreads
 - Corporate bonds, offset by redemptions of (floating) ABS
 - Equity and Real estate
 - Private equity relatively stable, as successful exits were replaced by new investments
- Strong revaluation of long-term governments bonds driven by low interest rates

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 on 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 2015.

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 contained in recent public disclosures made by NN Group and/or related to NN Group.

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