



# NN Group

**Lard Friese, CEO**

Morgan Stanley European Financials Conference  
15 March 2016





# We are continually enhancing customer experience supported by an increased focus on innovation

## Netherlands

- Withdrawing government leads to a more individual approach in securing people's financial future
- Investing to meet customers demand for digitalised, personal and relevant servicing

## Insurance Europe

- Developing innovative propositions and tailoring them for local markets
- Achieving synergies across Europe

## Japan

- Driving high quality distribution by expanding bancassurance channel
- Delivering innovative COLI financial solutions and protection products



MCPPI in  
Spain and Greece

Életút: New modular  
protection product in  
Hungary



# Our investment proposition

## Strong business positions and balance sheet

- Committed management team focused on shareholder value
- Strong business positions
- Robust balance sheet and cash flow

## Transformation in the Netherlands

- Large closed book of individual life
- Scale player with growth in pensions
- Continued focus on cost reductions
- Actions to restore non-life profitability

## Profitable growth and operating leverage in other segments

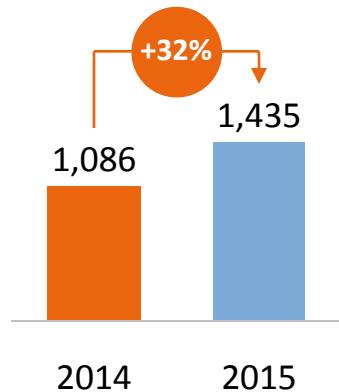
- Primarily fee and premium-based businesses
- Growth in Insurance Europe, Asset Management and Japan Life
- Drive operating leverage across segments

## Focus on generating capital and improving earnings

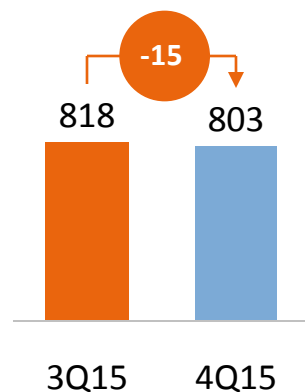
- Significant cumulative cash generation
- Ordinary dividend of 40-50% of net operating result ongoing business
- Base case of returning capital in excess of capital ambition to shareholders<sup>1</sup>
- M&A where NN will be the right owner and creates value

# Delivering on the financial targets

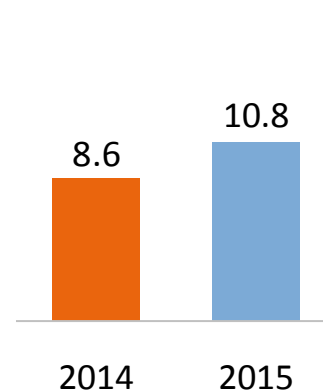
Annual earnings<sup>1</sup>  
growth of 5-7% on  
average in the medium  
term (EURm)



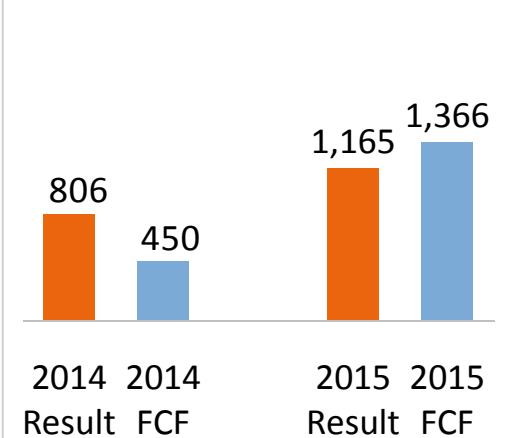
Target administrative  
expense base in the  
Netherlands<sup>2</sup> of  
EUR 700m by 2018  
(EURm)



Increase in ROE<sup>3</sup> in  
medium term (%)

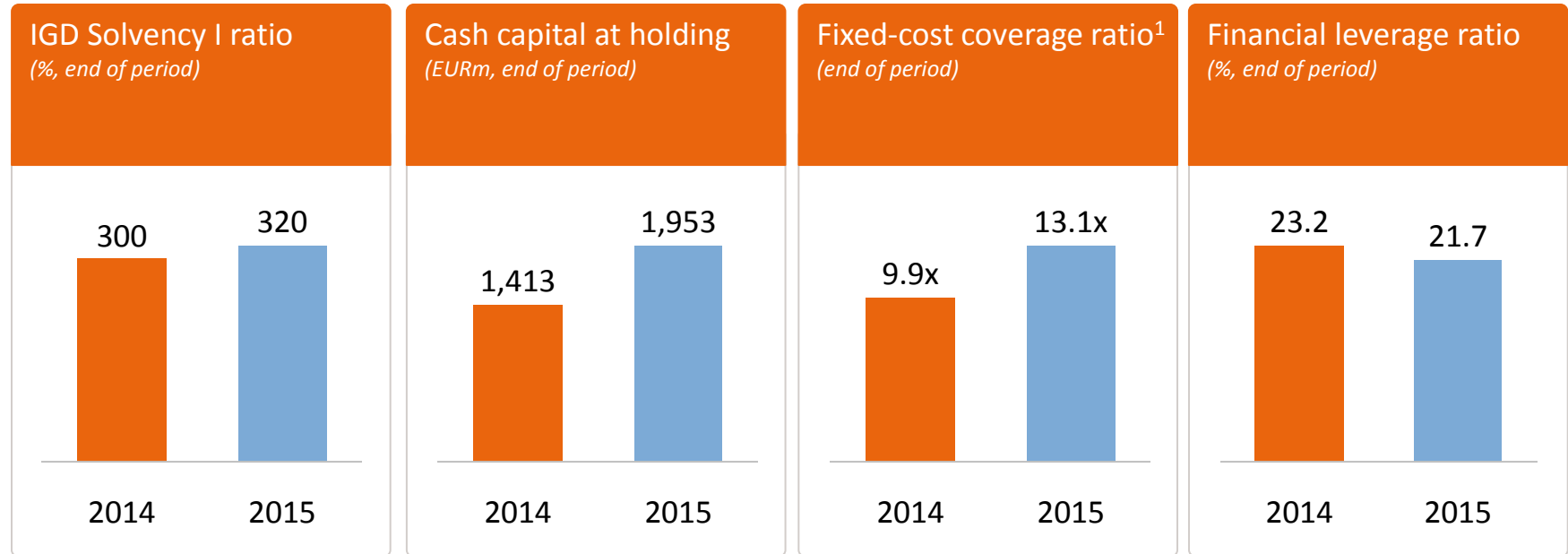


Generate free cash available to  
shareholders in a range around  
the net operating result of the  
ongoing business<sup>4</sup>  
(EURm)



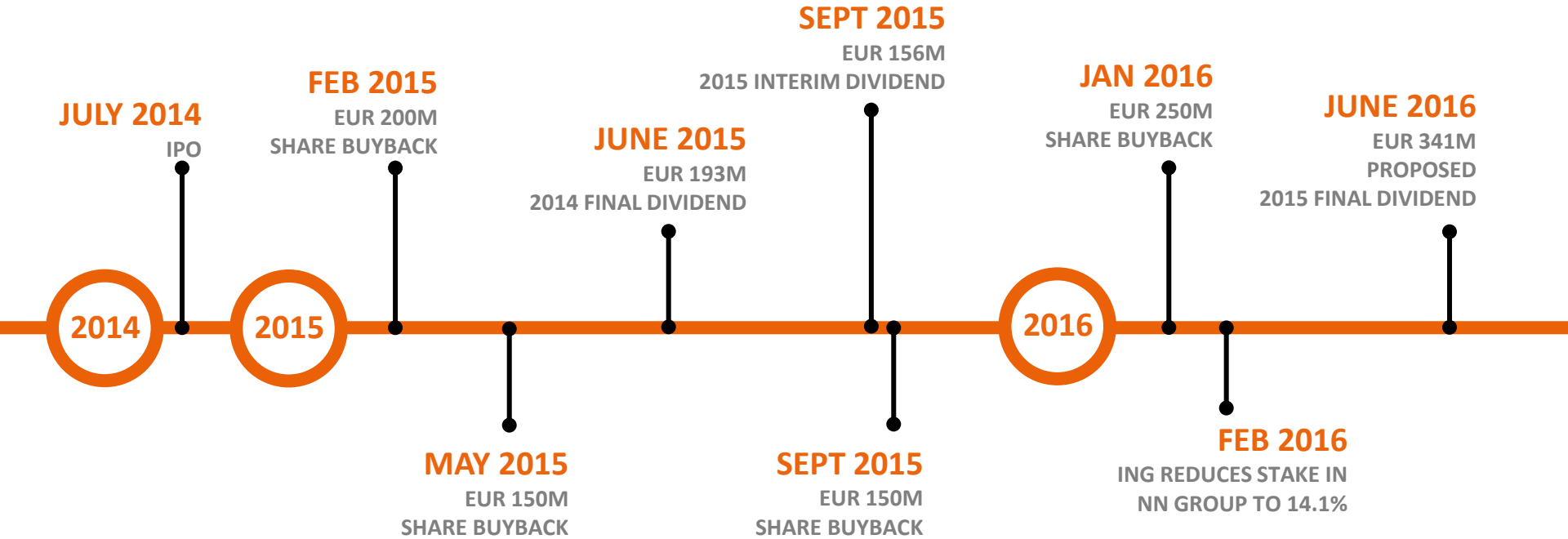
1. Operating result before tax ongoing business
2. Administrative expenses of Netherlands Life, Netherlands Non-life and corporate/Holding; Expense base calculated on a last 12-months basis
3. Net operating ROE ongoing business
4. Assuming normal markets and no material special items; Free cash flow 2014 excluding EUR 874m IPO-related capital adjustments regarding capital strengthening of NN Life (EUR 1,050m) and cash proceeds received from divestment of SulAmérica (EUR 176m) upstreamed to ING Group

# Robust balance sheet

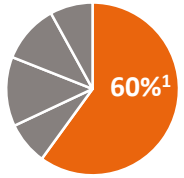


- Dutch regulator approved the use of the Solvency II Partial Internal Model in December 2015
- **Solvency II ratio of 239% at 31 December 2015 after deducting the final 2015 dividend of EUR 341m**

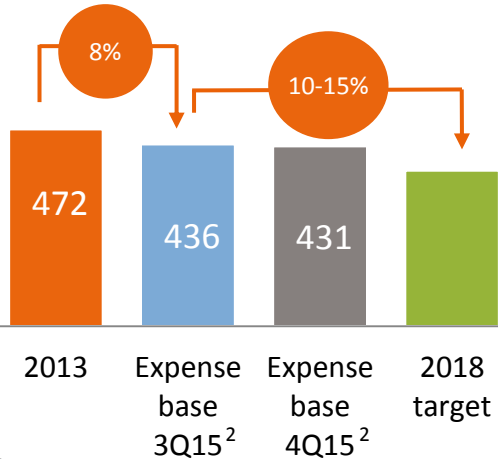
# Significant capital returned to shareholders since IPO



# Netherlands Life: Focus on reducing expenses, shift to higher yielding assets and de-risking liabilities



Further reduce administrative expenses by 10-15% (EURm)



Manage our investment margin

- Prudent investment mix
- Ongoing opportunities to raise mortgage allocation while spreads are attractive
- Since the IPO, we have increased our exposure to higher-yielding assets
- Investment spread<sup>3</sup> of 136 bps in 2015 vs 104 bps in 2013

Generate and upstream capital

- NN Life has paid dividends of EUR 765m<sup>4</sup> since the IPO
- NN Life to generate cash and pay dividends to the holding
- Run-off of individual life closed block continues with approx. 50% of technical reserves expected to run off by 2025
- Growth opportunities in pensions

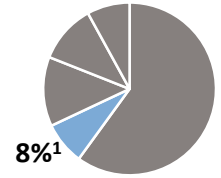
**Target: Maintain operating result before tax broadly stable at 2013 levels over the medium term**



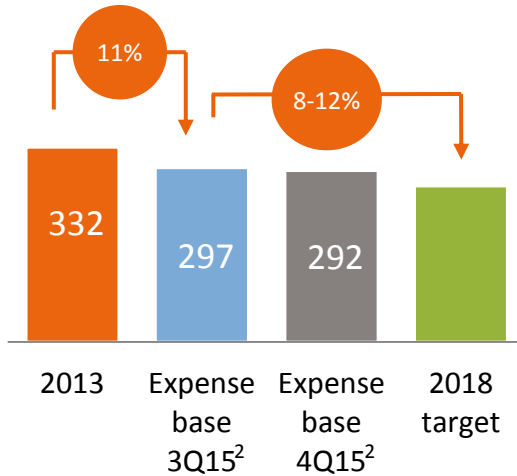
1. Percentage based on operating result of EUR 1,514m [total operating result ongoing business (FY15) of EUR 1,435m, excluding segment Other EUR -79m]
2. Expense base on a last 12-months basis
3. Four-quarter rolling average; 2015 reflects 33 bps relating to large private equity dividends
4. The dividends paid by NN Life include dividends from NN Services which was merged into NN Life in 2015



# Netherlands Non-life: Focus on underwriting performance and cost reductions



Further reduce administrative expenses by 8-12% (EURm)



More needed to reach COR target <97% by 2018

	2015	2014	2013
D&A <sup>3</sup>	98%	97%	102%
Fire	102%	98%	101%
Motor	109%	111%	105%
Total	102%	99%	101%

Growth ambitions secondary to profitability

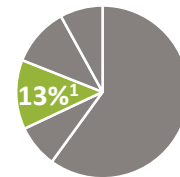
- Priority is to drive combined ratio to target level:
  - Premium rate increases
  - Improve underwriting performance
  - Rationalisation of Motor portfolio

**Target: Combined ratio of 97% or below by 2018**

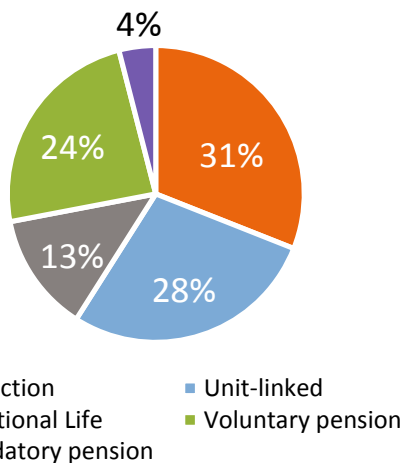


1. Percentage based on operating result of EUR 1,514m [total operating result ongoing business (FY15) of EUR 1,435m, excluding segment Other EUR -79m]  
 2. Expense base on a last 12-months basis  
 3. D&A = Disability & Accident

# Insurance Europe: Self-funded growth with operating leverage



## Product mix focused on life and voluntary pensions (APE 2015)



## Leveraging distribution platform

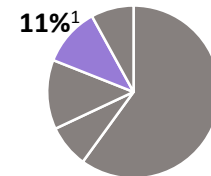
- Distribution further diversified, mainly through bancassurance channel
- Driving efficiency through digitalisation and Tied Agency transformation
- Limited direct distribution across markets

## Operational improvement

- Customer satisfaction better than main competitors in majority of markets
- Focus on profitable business improving VNB<sup>2</sup> to EUR 96m in 2015
- Operating result improved 11%<sup>3</sup> in 2015 vs 2014
- Benefiting from operating leverage through disciplined cost management
- Self-funded growth and cash generative

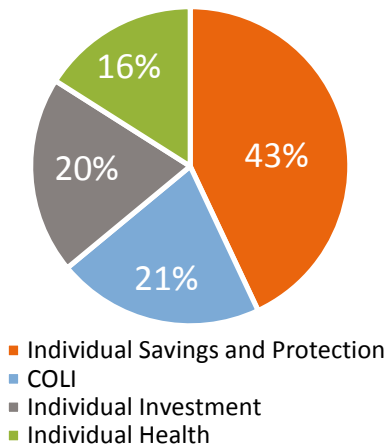
**Target: Mid-single digit operating result before tax annual growth rate on average, over 2013-18**

# Japan Life: Strong profitability and cash generation



COLI segment is 21%<sup>2</sup> of Japanese Life market by APE

Total market EUR 21bn



## Product development

- Broad range of products with track record of innovation
- Leading player in the COLI market<sup>3</sup>
- Focus on niche COLI market allows shorter time to market
- Shifting mix to protection products
- Strong new sales level; APE of EUR 549m in 2015

## Operational improvement

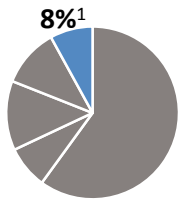
- Operating result for 2015 increased by 9%<sup>4</sup> vs 2014
- Operating leverage reflected in low cost-income ratio
- VNB improved to EUR 100m in 2015 driven by shift to higher margin products compensating the impact of low interest rates
- Self-funded growth and cash generative

**Target: Low to mid-single digit operating result before tax annual growth rate on average, over 2013-18**

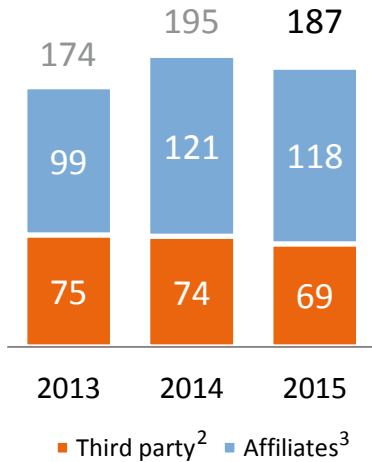


1. Percentage based on operating result of EUR 1,514m [total operating result ongoing business (FY15) of EUR 1,435m, excluding segment Other EUR -79m]
2. Internal estimate; JPY/EUR FX rate = 135.41; for the fiscal year 1 April 2014 – 31 March 2015
3. By APE (2013/14), source: internal estimate NN Group
4. At constant currencies

# Asset Management: Strategy to grow third party business and benefit from operating leverage



## Assets under Management (EURbn)



## Third-party strategy

### Focus

- Pure play asset management
- Effective distribution

### Simplify

- Rationalise product range
- Create scale in product offering

### Optimise

- Build on fixed income franchise and prioritise flagship spread products
- Leverage multi-asset capabilities and strengthen niche equity strategies

## Operating leverage

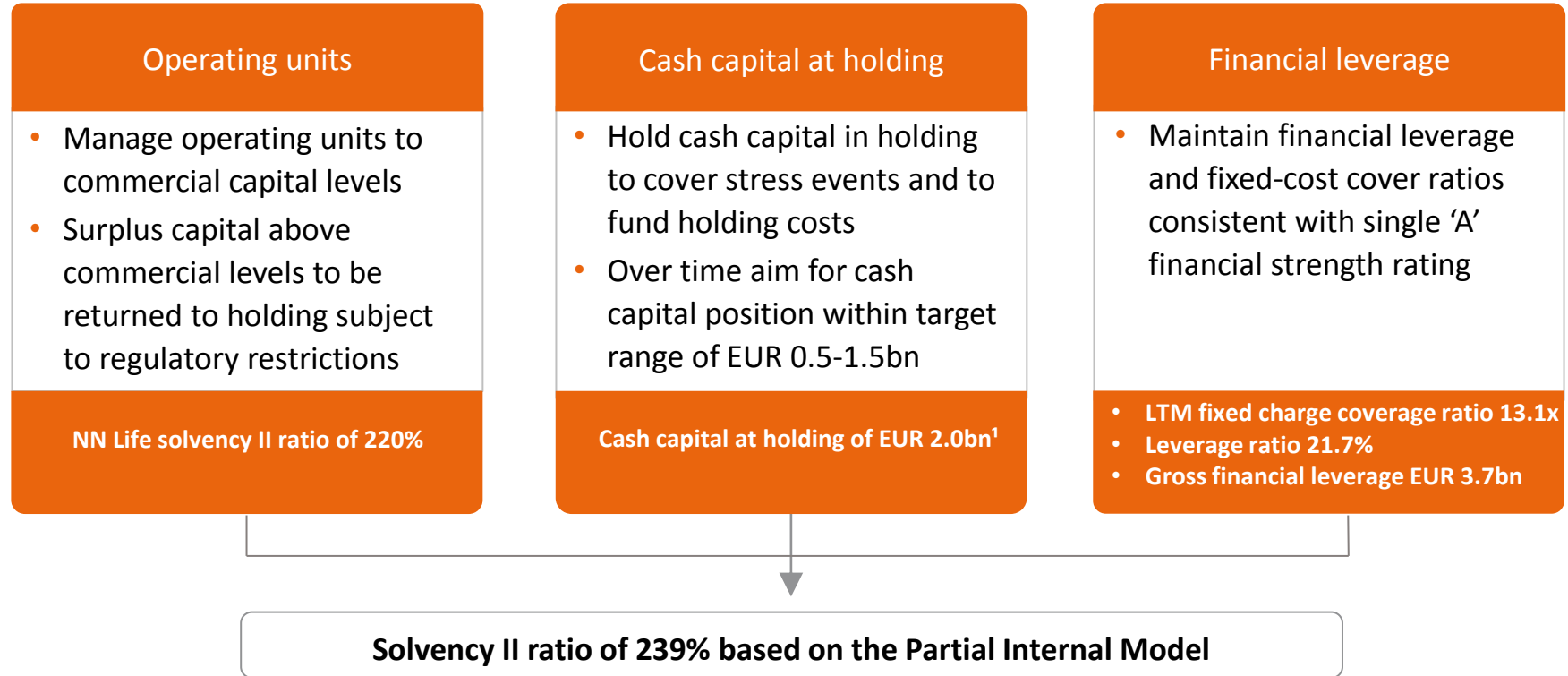
- Investments made in people, processes and products, e.g.:
  - Repositioning flagship equity strategies
  - Onboarding convertible bond capabilities
  - Focus on sustainability solutions
- State-of-the-art platform highly scalable

**Target: Mid-single digit operating result before tax annual growth rate on average, over 2013-18**



1. Percentage based on operating result of EUR 1,514m [total operating result ongoing business (FY15) of EUR 1,435m, excluding segment Other EUR -79m]
2. Third party retail and institutional customers
3. NN's general account and NN's other affiliated business

# Strong solvency and disciplined capital framework



# Remittances under Solvency II in line with Solvency I

Segment	Drivers remittances Solvency II			Remittances vs Net operating result
	Own Funds expected return <sup>1</sup>	SCR development <sup>1</sup> impact run-off ( ✓ ) new business growth ( ✕ )	Reduction surplus capital	
Netherlands Life	✓	✓	✓	>
Netherlands Non-life	✓			=
Insurance Europe	✓	✕	✓	<
Japan Life	✓	✕		<
Asset Management	✓			=
Japan Closed Block VA	✓	✓	✓	>
Other	(-) Holding interest expenses, (-) holding expenses, (+/-) FX movements, (+/-) other holding flows (-) NN Bank (investment in growth of NN Bank)			

Over time and assuming normal markets and no material special items, NN Group expects to generate free cash available to shareholders in a range around the Group's net operating result of the ongoing business

1. Available and required regulatory capital for Japan Life and Asset Management

# Committed to our dividend policy

## Ordinary dividend

- In line with medium term financial performance
- Dividend pay-out ratio of 40-50% of IFRS net operating result ongoing business
- Proposed final 2015 dividend of EUR 1.05 per share, bringing full-year 2015 dividend to EUR 1.51 per share

## Excess capital

- Distributing excess capital to shareholders, unless it can be used for other value-creating opportunities

## Considerations

- When proposing a dividend, we will consider our capital position, leverage and liquidity position and strategic considerations as well as the expected developments thereof
- Interim dividend at 40% of prior year's full-year dividend to achieve predictability and stable evolution of ordinary dividends

# Generating value through deployment of capital

## Options

## Considerations

### Return to shareholders

- Priority is to deliver on our equity story:
  - improve the businesses
  - improve RoE
  - generate cash and return it to shareholders

### Organic business growth

- All business segments self-funded
- Opportunities assessed based on strict financial criteria

### M&A

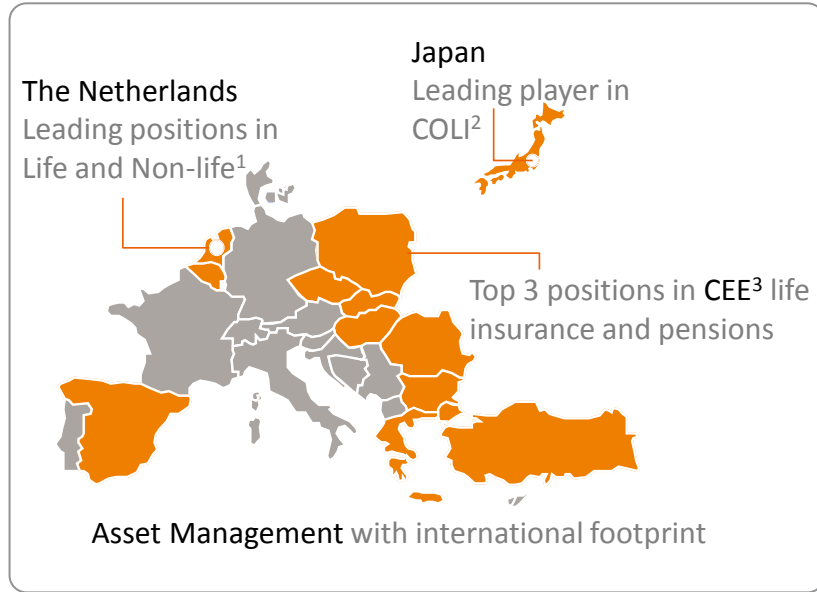
- Opportunities assessed based on strict financial and non-financial criteria
- Better return for shareholders than cost of capital
- Also on the basis of whether we are the right owner of the business

### Reduce leverage

- Balance sheet composition already consistent with single A rating
- Low leverage provides financial flexibility



# We continue to assess our portfolio



- **Netherlands:** market leader with capacity to play a role in potential industry consolidation
- **Europe:** strongly positioned in most markets
- **Japan:** strong niche position, performing well
- **Asset Management:** looking to build additional scale
- **New markets:** no tangible plans as of today

**Capital deployment** always compared to alternative of returning cash to shareholders

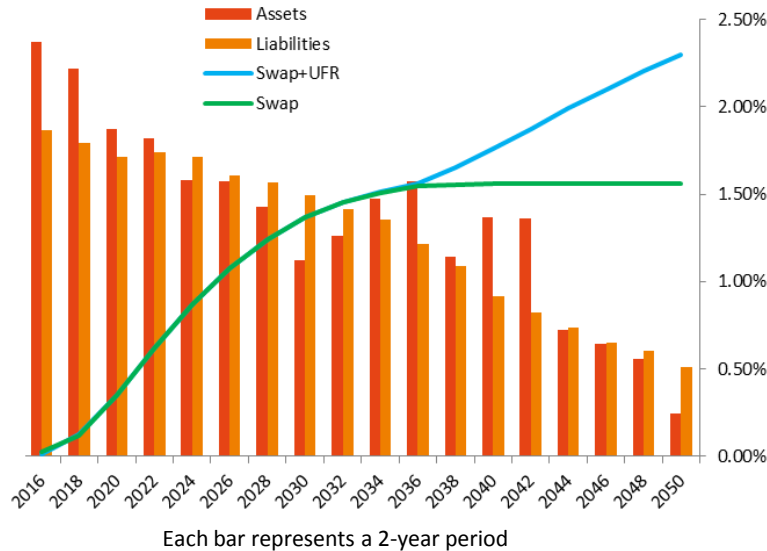
# Key takeaways

- 1 We have made good progress since the IPO
- 2 We will further improve performance across all businesses
- 3 Our capital position is strong and we aim to maintain a strong balance sheet and solvency position
- 4 We will return excess capital to shareholders unless it can be used for other value creating opportunities

# Appendices

# Interest rate risk management focuses on closely matching liability cash flows

## NN Life asset and liability cash flows<sup>1</sup>



## Managing versus expected liability cash flows

- NN Group manages interest rate risk by matching assets and best estimate liability cash flows
- We do not specifically hedge the UFR nor the risk margin
- Therefore if interest rates rise, our Solvency II Own Funds will decrease but our economic position will be largely unchanged
- However, the impact of interest rate changes on our Solvency ratio from the UFR is more than offset by the change in the SCR and risk margin
- A +50 basis point parallel move of the swap curve would increase the NN Group Solvency II ratio by 7%-points

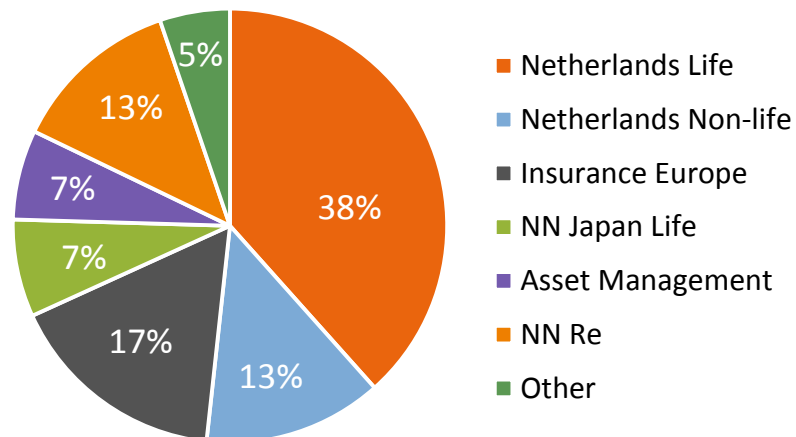
1. Source: NN Group, DNB and Bloomberg at 30 September 2015

# All segments upstream dividends

Dividends upstreamed by segments/subsidiaries (EURm)

	2015	2014
Netherlands Life <sup>1</sup>	807	60
Netherlands Non-life	93	208
Insurance Europe <sup>2</sup>	227	145
NN Japan Life	74	90
Asset Management	90	61
NN Re	185	100
Other	73	45
<b>Total</b>	<b>1,548</b>	<b>710</b>

Dividends by segment/subsidiary based on total of 2014 and 2015 remittances



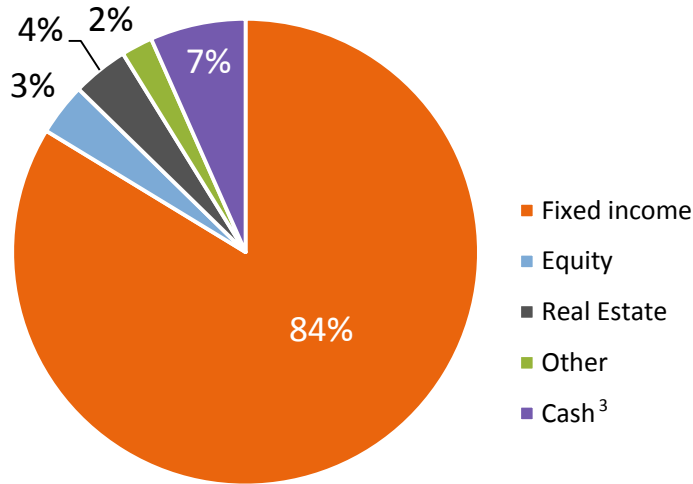
Strong dividends from subsidiaries in 2014 and 2015, broadly spread across the segments



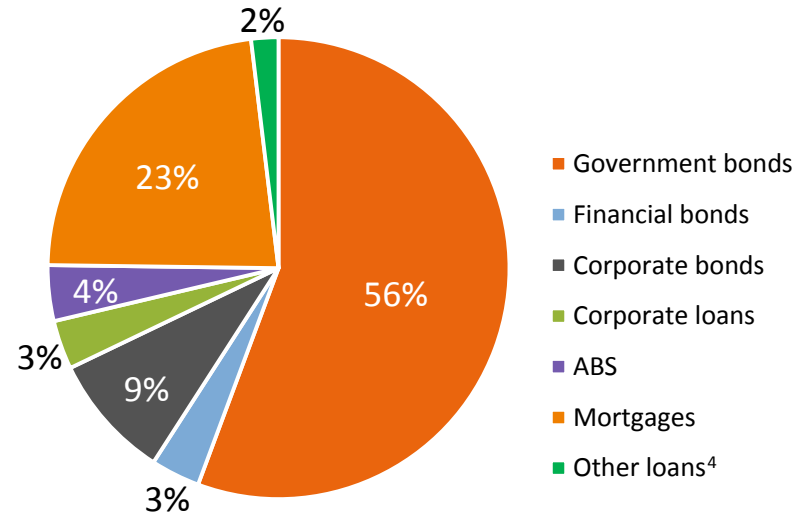
1. Includes interest on subordinated loans provided to subsidiaries by the holding company
2. Refers to Insurance Europe entities' consolidated totals excluding Czech Life insurance business (branch of NN Life)

# Breakdown NN Group asset portfolio (1)

General account assets at 4Q15  
(total EUR 117bn)<sup>1</sup>

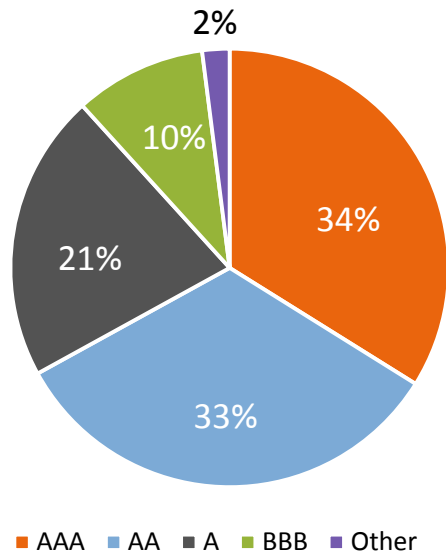


Fixed income portfolio at 4Q15  
(total EUR 98bn)<sup>2</sup>

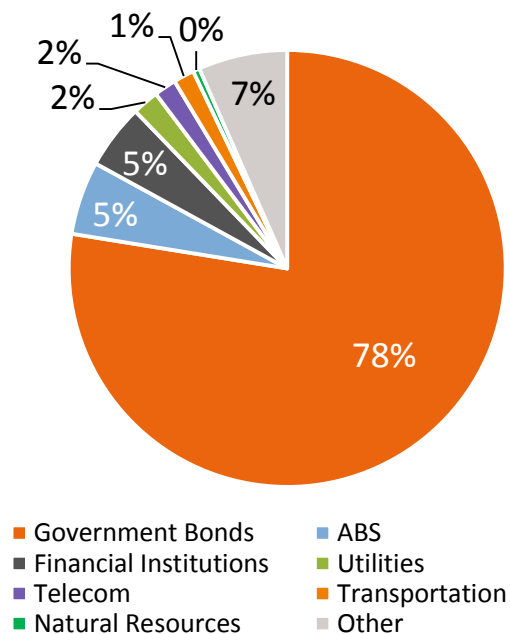


# Breakdown NN Group asset portfolio (2)

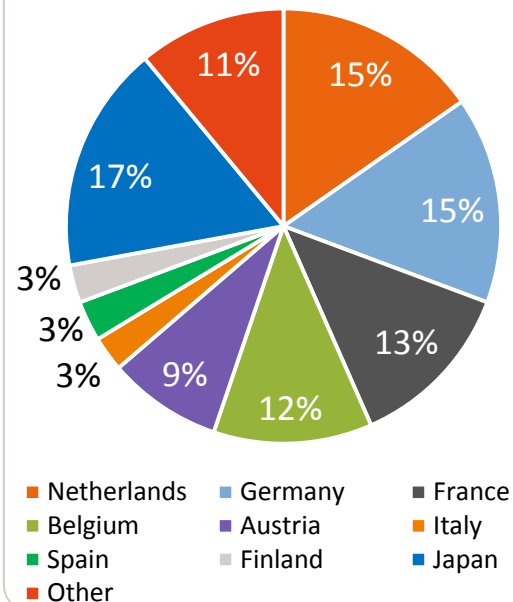
Fixed income bonds<sup>1</sup> by rating at 4Q15 (total EUR 70bn)



Fixed income bonds<sup>1</sup> by type of issuer at 4Q15 (total EUR 70bn)



Government bonds by country at 4Q15 (total EUR 54bn)



1. Comprises government bonds, financial bonds, corporate bonds and ABS

# 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. The Annual Accounts for 2015 are in progress and may be subject to adjustments from subsequent events.

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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