

NN Group reports 3Q19 results

- Operating result of EUR 453 million versus EUR 463 million in 3Q18, mainly due to lower private equity and special dividends at Netherlands Life and a lower result at the reinsurance business, largely offset by higher results at Netherlands Non-life, Insurance Europe, Japan Life and Banking
- Net result of EUR 515 million compared with EUR 788 million in 3Q18, mainly reflecting lower non-operating items
- Further cost reductions of EUR 17 million in 3Q19, bringing total cost reductions achieved to date to EUR 323 million versus the full-year 2016 administrative expense base
- Solvency II ratio of 217% up from 210% at the end of 2Q19, reflecting the positive impact of operating capital generation
- Holding company cash capital of EUR 1,943 million, including EUR 285 million of dividends received from subsidiaries

Statement of David Knibbe, CEO

‘We are pleased to present NN Group’s strong results for the third quarter of 2019, reflecting a continued focus on providing our customers with value-added products and services and an excellent experience.

Looking back at the financial performance of the past quarter, most segments have reported improved results compared with the same quarter last year. Netherlands Non-life showed a good result, with a combined ratio of 94.2%. Insurance Europe, Banking and Japan Life also contributed to the result, while private equity and special dividends at Netherlands Life were lower than a year ago. We have reduced the expense base of the units in scope of the integration by a further EUR 17 million in the third quarter, bringing total cost savings to date to EUR 323 million. We have seen commercial momentum in the Netherlands, including an increased mortgage origination of EUR 2 billion at Banking and strong sales at Insurance Europe. NN IP, our asset manager, achieved inflows of new assets which contributed to bringing the total assets under management to EUR 287 billion. Total new sales of the insurance businesses were down on the third quarter of 2018, due to lower sales at Japan Life following the introduction of the new tax rules for certain COLI products.

NN Group has a strong capital position, as evidenced by a Solvency II ratio of 217% and cash capital at the holding of EUR 1.9 billion.

Customer satisfaction scores remained stable or increased to date this year. NN in the Netherlands has the highest brand consideration and preference score for pensions in the market. We aim to become even more relevant in the lives of our customers and to further improve their experience with our company, by offering them the right products and services that meet their needs and by connecting data analytics across distribution channels and sales points.

We want to play our part in enabling sustainable progress in society. We are proud that NN Group has been included in the Dow Jones Sustainability Indices for the third year in a row, in recognition of our performance on set economic, environmental and social indicators.

Looking ahead, we have decided to move from quarterly to semi-annual reporting from 2020, as this better suits the long-term nature of our businesses. We are pleased to confirm the date of our Capital Markets Day on 24 June 2020, at which we will provide an update on the strategic and financial developments of NN Group.’

NN Group key figures

In EUR million	3Q19	3Q18	Change	9M19	9M18	Change
Operating result ¹⁾	453	463	-2.2%	1,366	1,283	6.5%
Net result	515	788	-34.6%	1,633	1,650	-1.1%
	3Q19	2Q19	3Q18			
Solvency II ratio ²⁾	217%	210%	239%			

Note: All footnotes are included on page 25

Business update

Customers

NN's ambition is to offer our customers personal and relevant products and services. In July, NN Bank introduced a new risk-based pricing system for NN mortgages, under which mortgage rates charged to customers are automatically lowered during the fixed rate period if the loan is eligible for a lower risk premium as a result of repayments. In case of an increase of real estate value, customers can request for a decrease of interest rate, if applicable to their situation. Furthermore, Nationale-Nederlanden launched a simplified term life insurance product, available via www.nn.nl. The offering is aimed at customers who wish to take out a policy to provide financial protection for their relatives, without seeking (financial) advice. This product is available alongside the existing, more extensive term life insurance, offered through insurance and mortgage brokers. BeFrank now offers customers the option of a sustainable pension scheme, whereby companies can choose to make their invested pension capital completely CO2-neutral through a tree planting scheme. The online pension provider works closely with Land Life Company, a company that plants trees on exhausted land.

NN in Slovakia launched an awareness PR initiative that prompts single parents to prepare financially for unexpected events. To support these customers, 'NN Smart' offers extensive healthcare coverage for parents and their children. The premium also covers part of the loss of income in situations such as long-term sickness and hospitalisation.

Partnerships

Supporting the responsible investing needs of our clients, NN Investment Partners (NN IP) partnered with Irish Life Investment Managers in September to expand its Enhanced Index Sustainable Equity range with three new funds with a more sustainable profile.

Sustainability

NN IP was again awarded the top score (A+) for its excellent strategy and governance approach to responsible investing and environmental, social and governance (ESG) integration by the UN Principles for Responsible Investment (UN PRI). In August, NN IP announced that it integrates the three ESG factors demonstrably and consistently throughout the investment process for two-thirds of its strategies. Early September, NN IP launched an ESG index fund investing in Polish blue-chip stocks included in the WIG-ESG index (index comprising WIG20 and WIG40 stocks (blue chips) listed on the Warsaw Stock Exchange. NN Group also contributed to the practical guide for insurers on managing climate-related risks and opportunities that was published in September by Shareaction/AODP (Asset Owners Disclosure Project).

Brand, sponsorships, events and awards

On 12 October 2019, NN Running Team athlete Eliud Kipchoge became the first person to finish a marathon in under two hours at the INEOS 1:59 Challenge. Nationale-Nederlanden Spain launched a partnership with Runnea, a leading running community. The collaboration provides customised training systems for runners via a dedicated website.

For the third consecutive year, NN IP won the Cashcow award in the Netherlands for being the best provider in Impact Investing. NN Bank was also awarded by Cashcow for being the best online asset manager. And, in September, NN IP was included in the annual incentive scheme by the Financial Services Commission for its contribution to Taiwan's local fund industry. This allows NN IP to benefit from the introduction of new types of funds into Taiwan and to increase the ratio of Taiwanese investors for each fund.

Management changes

On 26 September 2019, the Supervisory Board of NN Group N.V. notified the Extraordinary General Meeting about the intended appointment of David Knibbe as member of the Executive Board and CEO of NN Group. The Supervisory Board subsequently appointed David Knibbe as from 1 October 2019 for a term of four years. It was also announced that Tjeerd Bosklopper will succeed him as CEO Netherlands on an ad interim basis. This appointment is subject to regulatory approval.

On 6 November 2019, it was announced that Jan-Hendrik Erasmus decided to step down as member of the Management Board and CRO of NN Group as of 31 December 2019. Delfin Rueda, CFO, will assume the responsibilities of the CRO portfolio until a suitable successor is found.

Consolidated results

Consolidated profit and loss account and key figures NN Group

In EUR million	3Q19	3Q18	Change	9M19	9M18	Change
Analysis of results¹⁾						
Netherlands Life	204	236	-13.6%	728	780	-6.7%
Netherlands Non-life	55	46	19.9%	140	54	158.0%
Insurance Europe	74	65	13.1%	214	200	7.0%
Japan Life	50	45	12.2%	168	138	21.7%
Asset Management	43	43	1.8%	119	125	-4.2%
Banking	38	34	12.5%	98	102	-4.6%
Other	-12	-6		-100	-116	
Operating result	453	463	-2.2%	1,366	1,283	6.5%
Non-operating items	281	525	-46.4%	874	1,019	-14.3%
of which gains/losses and impairments	51	457	-88.9%	145	828	-82.5%
of which revaluations	387	12		960	216	343.9%
of which market & other impacts	-157	55		-232	-25	
Special items	-59	-57		-166	-222	
Acquisition intangibles and goodwill	-8	-33		9	-99	
Result on divestments	0	56		8	60	-86.0%
Result before tax	667	953	-30.0%	2,091	2,041	2.4%
Taxation	142	160	-11.1%	439	382	14.7%
Minority interests	10	5	88.2%	20	9	129.9%
Net result	515	788	-34.6%	1,633	1,650	-1.1%
Basic earnings per ordinary share in EUR ³⁾	1.51	2.29		4.78	4.79	
Key figures¹⁾						
Gross premium income	3,765	2,949	27.7%	11,584	10,392	11.5%
New sales life insurance (APE)	290	328	-11.8%	1,478	1,233	19.9%
Total administrative expenses	504	510	-1.2%	1,534	1,547	-0.8%
Cost/income ratio (Administrative expenses/Operating income)	28.3%	28.5%		28.0%	28.7%	
Combined ratio (Netherlands Non-life) ⁵⁾	94.2%	97.1%		96.0%	100.5%	
Investment margin/Life general account invested assets (bps) ⁷⁾	67	72				
Net operating result ⁸⁾	331	339	-2.5%	1,015	962	5.6%
Net operating ROE ⁹⁾	8.8%	9.9%		9.2%	9.7%	
In EUR billion						
Key figures						
Asset Management Assets under Management	287	268	7.3%	287	238	20.5%
Life general account invested assets	148	142	4.1%	148	137	8.2%
Total provisions for insurance & investment contracts	171	167	2.1%	171	162	5.2%
of which for risk policyholder	34	33	2.7%	34	32	5.8%
Solvency II ratio ²⁾	217%	210%		217%	239%	
NN Life Solvency II ratio ²⁾	211%	212%		211%	253%	
CET1 ratio ⁴⁾	16.3%	16.0%		16.3%	16.4%	
Total assets	263	246	6.7%	263	225	16.8%
Shareholders' equity ⁶⁾	34,987	30,385	15.1%	34,987	23,014	52.0%
Employees (internal FTEs, end of period)	14,333	14,227	0.7%	14,333	14,200	0.9%

- Operating result of EUR 453 million versus EUR 463 million in the third quarter of 2018, reflecting lower private equity and special dividends at Netherlands Life and a lower operating result of the reinsurance business, largely offset by improved results at Netherlands Non-life, Insurance Europe, Japan Life and Banking
- Result before tax decreased to EUR 667 million from EUR 953 million in the third quarter of 2018 reflecting lower gains/losses and impairments and market and other impacts, partly offset by higher revaluations
- Administrative expense base of the business units in scope of the cost reduction target reduced by EUR 17 million in the third quarter of 2019; total cost reductions achieved to date of EUR 323 million
- New sales (APE) of EUR 290 million, down 15.8% from the third quarter of 2018 on a constant currency basis, due to lower sales at Japan Life, partly offset by higher sales at Netherlands Life and Insurance Europe

Operating result

NN Group's operating result was EUR 453 million, compared with EUR 463 million in the third quarter of 2018. The decrease reflects lower private equity and special dividends at Netherlands Life and a lower operating result of the reinsurance business. This was largely offset by improved operating results at Netherlands Non-life, Insurance Europe, Japan Life and Banking.

The administrative expenses of the business units in the scope of the cost reduction target decreased by EUR 17 million, bringing the administrative expense base down to EUR 1,646 million at the end of the third quarter of 2019, on a last 12-months basis. Total cost reductions achieved to date amount to EUR 323 million compared with the full-year 2016 administrative expense base of EUR 1,970 million.

The operating result of Netherlands Life decreased to EUR 204 million from EUR 236 million in the third quarter of 2018, reflecting a lower investment margin as the third quarter of 2018 benefited from private equity and special dividends for a total amount of EUR 48 million whereas the current quarter includes a special dividend of EUR 16 million.

The operating result of Netherlands Non-life increased to EUR 55 million from EUR 46 million in the third quarter of 2018, driven by a higher underwriting result in Disability & Accident and lower administrative expenses, partly offset by lower investment income as the third quarter of 2018 benefited from a EUR 5 million private equity dividend. The combined ratio improved to 94.2% from 97.1% in the third quarter of 2018.

The operating result of Insurance Europe increased to EUR 74 million from EUR 65 million in the third quarter of 2018, mainly due to an improved investment margin, growth of the protection portfolio across the region and higher performance fees in Slovakia. This was partly offset by lower pension fees in Romania.

The operating result of Japan Life was EUR 50 million, up 2.1% from the third quarter of 2018, excluding currency effects, reflecting a higher technical margin and lower DAC amortisation and trail commissions, partly offset by lower fees and premium-based revenues.

The operating result of Asset Management was stable at EUR 43 million in the third quarter of 2019 as lower fees were offset by a decrease of administrative expenses. Total Assets under Management (AuM) increased to EUR 287 billion compared with EUR 268 billion at the end of the second quarter of 2019, driven by positive market performance and net inflows of assets.

The operating result of Banking increased to EUR 38 million from EUR 34 million in the third quarter of 2018 mainly driven by higher fees and other income which includes a non-recurring benefit of EUR 6 million, partly offset by higher operating expenses.

The operating result of the segment Other decreased to EUR -12 million from EUR -6 million in the third quarter of 2018, reflecting a lower operating result of the reinsurance business, partly compensated by lower holding expenses. The current quarter includes EUR 12 million of non-recurring benefits in the other results versus EUR 14 million in the third quarter last year.

In the first nine months of 2019, the operating result was EUR 1,366 million versus EUR 1,283 million in the same period last year. The first nine months of 2019 benefited from a total of EUR 101 million of private equity and special dividends and non-recurring items, versus a total of EUR 48 million in the first nine months of 2018. Excluding these items the increase reflects improved results at Netherlands Non-life, Japan Life and Insurance Europe, partly offset by lower results at the segments Other and Netherlands Life.

Result before tax

The result before tax for the third quarter of 2019 decreased to EUR 667 million from EUR 953 million in the third quarter of 2018 reflecting lower gains/losses and impairments and market and other impacts, partly offset by higher revaluations.

Gains/losses and impairments were EUR 51 million compared with EUR 457 million in the third quarter of 2018, which included EUR 432 million of gains on the sale of government bonds.

Revaluations were EUR 387 million compared with EUR 12 million in the third quarter of 2018. The current quarter reflects positive revaluations of EUR 267 million driven by the impact of lower interest rates on derivatives used for hedging purposes reflecting accounting asymmetries, EUR 102 million positive revaluations on real estate and EUR 28 million positive revaluations on private equity.

Market and other impacts were EUR -157 million versus EUR 55 million in the third quarter of 2018, mainly reflecting the movement in the provisions for guarantees on unit-linked, separate account pension contracts and inflation-linked liabilities (all net of hedging) at Netherlands Life.

Special items amounted to EUR -59 million compared with EUR -57 million in the third quarter of 2018. Special items in the current quarter relate to EUR -34 million of restructuring expenses incurred in respect of the cost reduction target and EUR -25 million of other project related expenses, such as the implementation of IFRS 17.

Acquisition intangibles and goodwill amounted to EUR -8 million versus EUR -33 million in the third quarter of 2018, reflecting lower amortisation of acquisition intangibles.

In the first nine months of 2019, the result before tax increased to EUR 2,091 million from EUR 2,041 million in the same period last year. The increase reflects higher revaluations, a positive contribution from acquisition intangibles and goodwill, the higher operating result and lower special items, partly offset by lower gains/losses and impairments and a lower result on divestments.

Net result

The third-quarter net result decreased to EUR 515 million from EUR 788 million in the same period of 2018. The effective tax rate in the third quarter of 2019 was 21.3%, reflecting tax-exempt dividends and capital gains in the Netherlands related to shareholdings of 5% or more.

In the first nine months of 2019, the net result decreased to EUR 1,633 million from EUR 1,650 million in the same period last year.

Sales

Total new sales (APE) at NN Group were EUR 290 million, down 15.8% from the third quarter of 2018 on a constant currency basis. At Japan Life, new sales were EUR 35 million, down from EUR 164 million in the same quarter last year, due to lower sales of COLI products following the revised tax regulations. New sales at Netherlands Life were EUR 122 million, up from EUR 36 million in the third quarter of 2018, driven by a higher volume of group pension contracts. New sales at Insurance Europe were up 3.1% on a constant currency basis, largely driven by higher protection and pension sales and the contribution from the acquired Czech and Slovak businesses.

In the first nine months of 2019, total new sales were EUR 1,478 million, up 18.2% on a constant currency basis, largely driven by higher sales at Netherlands Life reflecting a higher volume of group pension contracts up for renewal as well as new business, and at Insurance Europe driven by higher protection and pension sales and the contribution of the aforementioned acquisition.

Net operating Return On Equity (ROE)

The net operating ROE of NN Group decreased to 8.8% compared with 9.9% in the third quarter of 2018, mainly due to higher equity.

For the same reason, the net operating ROE in the first nine months of 2019 decreased to 9.2% from 9.7% in the same period of 2018.

Netherlands Life

- Operating result decreased to EUR 204 million from EUR 236 million in the third quarter of 2018, reflecting lower private equity and special dividends
- Result before tax decreased to EUR 486 million from EUR 772 million in the third quarter of 2018 due to lower non-operating items and a lower result on divestments

In EUR million	3Q19	3Q18	Change	9M19	9M18	Change
Analysis of results						
Investment margin	187	215	-13.0%	669	688	-2.8%
Fees and premium-based revenues	98	102	-4.1%	307	338	-9.2%
Technical margin	39	44	-12.3%	119	144	-17.0%
Operating income non-modelled business	0	0		0	0	
Operating income	324	361	-10.4%	1,096	1,171	-6.4%
Administrative expenses	112	117	-3.9%	342	361	-5.2%
DAC amortisation and trail commissions	8	9	-11.5%	25	29	-14.5%
Expenses	120	125	-4.4%	367	390	-5.9%
Operating result	204	236	-13.6%	728	780	-6.7%
Non-operating items	296	499	-40.7%	860	986	-12.8%
of which gains/losses and impairments	43	453	-90.4%	58	799	-92.8%
of which revaluations	395	-3		1,009	206	388.7%
of which market & other impacts	-142	49		-206	-19	
Special items	-14	-19		-35	-46	
Result on divestments	0	56		5	56	-91.4%
Result before tax	486	772	-37.1%	1,559	1,776	-12.3%
Taxation	106	116	-8.3%	331	323	2.4%
Minority interests	2	2	38.6%	7	5	31.7%
Net result	377	654	-42.4%	1,221	1,449	-15.7%
New business						
Single premiums	932	117		1,162	342	240.0%
Regular premiums	28	24	16.3%	333	193	72.7%
New sales life insurance (APE)	122	36	236.3%	450	227	97.9%
Key figures						
Gross premium income	1,519	724	109.8%	3,640	2,842	28.1%
Total administrative expenses	112	117	-3.9%	342	361	-5.2%
Cost/income ratio (Administrative expenses/Operating income)	34.6%	32.3%		31.2%	30.8%	
Investment margin/Life general account invested assets (bps) ⁷⁾	80	88				
Net operating ROE ¹⁰⁾	5.8%	7.4%		7.4%	8.7%	

In EUR billion	3Q19	2Q19	Change	9M19	9M18	Change
Key figures						
Life general account invested assets	112	107	4.4%	112	103	8.7%
Total provisions for insurance & investment contracts	118	115	2.1%	118	113	3.9%
of which for risk policyholder	24	23	3.2%	24	22	8.8%
Allocated equity (end of period) ⁶⁾¹⁰⁾	28,039	23,538	19.1%	28,039	16,322	71.8%
NN Life Solvency II ratio ²⁾	211%	212%		211%	253%	
Employees (internal FTEs, end of period)	2,356	2,375	-0.8%	2,356	2,498	-5.7%

The operating result of Netherlands Life decreased to EUR 204 million from EUR 236 million in the third quarter of 2018, reflecting a lower investment margin as the third quarter of 2018 benefited from private equity and special dividends for a total amount of EUR 48 million whereas the current quarter includes a special dividend of EUR 16 million.

The investment margin decreased to EUR 187 million compared with EUR 215 million in the third quarter of 2018 which benefited from private equity and special dividends for a total amount of EUR 48 million whereas the current quarter includes a special dividend of EUR 16 million. The investment spread, calculated on a four quarter rolling average, decreased to 80 basis points from 88 basis points in the third quarter of 2018.

Fees and premium-based revenues decreased to EUR 98 million from EUR 102 million in the third quarter of 2018, due to the run-off of the individual life closed book as well as lower margins in the pension business.

The technical margin decreased to EUR 39 million from EUR 44 million in the third quarter of 2018.

Administrative expenses were EUR 112 million versus EUR 117 million in the third quarter of 2018 as a result of lower staff expenses.

DAC amortisation and trail commissions decreased to EUR 8 million compared with EUR 9 million in the third quarter of 2018.

The result before tax decreased to EUR 486 million from EUR 772 million in the third quarter of 2018 due to lower non-operating items, a lower result on divestments as well as the lower operating result. Gains/losses and impairments decreased to EUR 43 million from EUR 453 million in the same period last year which benefited from gains on the sale of government bonds. Revaluations increased to EUR 395 million compared with EUR -3 million in the third quarter of 2018. The current quarter reflects positive revaluations driven by the impact of lower interest rates on derivatives used for hedging purposes reflecting accounting asymmetries, as well as positive revaluations of real estate and private equity. Market and other impacts were EUR -142 million versus EUR 49 million in the third quarter of last year, mainly reflecting movements in the provisions for guarantees on unit-linked, separate account pension contracts and inflation-linked liabilities (all net of hedging).

New sales (APE) increased to EUR 122 million compared with EUR 36 million in the third quarter of 2018. The current quarter includes a higher volume of group pension contracts.

In the first nine months of 2019, Netherlands Life's operating result decreased to EUR 728 million from EUR 780 million in the same period last year. The decrease is largely due to lower fees and premium-based revenues, lower private equity and special dividends and a lower technical margin, partly offset by lower administrative expenses.

The result before tax was EUR 1,559 million in the first nine months of 2019 compared with EUR 1,776 million in the same period last year, mainly reflecting lower non-operating items and a lower operating result.

New sales (APE) increased to EUR 450 million in the first nine months of 2019 from EUR 227 million in the same period last year, reflecting a higher volume of group pension contracts up for renewal as well as new business.

Netherlands Non-life

- Operating result increased to EUR 55 million from EUR 46 million in the third quarter of 2018 driven by a higher underwriting result in Disability & Accident
- Combined ratio improved to 94.2% from 97.1% in the third quarter of 2018

In EUR million	3Q19	3Q18	Change	9M19	9M18	Change
Analysis of results						
Earned premiums	741	741	0.0%	2,218	2,168	2.3%
Investment income	24	31	-23.0%	79	93	-14.8%
Other income	-3	3		-4	0	
Operating income	762	775	-1.7%	2,293	2,261	1.4%
Claims incurred, net of reinsurance	513	525	-2.3%	1,558	1,608	-3.1%
Acquisition costs	129	136	-4.9%	391	387	1.1%
Administrative expenses	72	75	-4.9%	226	233	-3.3%
Acquisition costs and administrative expenses	201	211	-4.9%	617	620	-0.6%
Expenditure	714	736	-3.1%	2,175	2,228	-2.4%
Operating result insurance businesses	48	39	24.8%	118	33	257.5%
Operating result health business and broker business	7	7	-6.1%	21	21	1.4%
Total operating result	55	46	19.9%	140	54	158.0%
Non-operating items	-3	5		9	17	-48.1%
of which gains/losses and impairments	-6	1		2	11	-83.7%
of which revaluations	3	4	-38.1%	6	6	0.6%
of which market & other impacts	0	0		0	-1	
Special items	-13	-8		-39	-60	
Result on divestments	0	0		0	0	
Result before tax	39	43	-9.4%	109	11	
Taxation	12	9	32.4%	27	-1	
Minority interests	4	3	18.5%	9	3	198.6%
Net result	23	30	-24.8%	73	9	
Key figures						
Gross premium income	595	590	0.9%	2,551	2,530	0.8%
Total administrative expenses ¹¹⁾	93	94	-0.5%	285	290	-1.7%
Combined ratio ⁵⁾	94.2%	97.1%		96.0%	100.5%	
of which Claims ratio ⁵⁾	67.1%	68.7%		68.2%	71.9%	
of which Expense ratio ⁵⁾	27.1%	28.5%		27.8%	28.6%	
Net operating ROE ¹⁰⁾	24.7%	19.9%		20.9%	8.1%	

In EUR billion	3Q19	2Q19	Change	9M19	9M18	Change
Key figures						
Total insurance provisions	6	6	-2.3%	6	6	2.1%
Allocated equity (end of period) ⁶⁾¹⁰⁾	1,082	1,005	7.7%	1,082	915	18.2%
Employees (internal FTEs, end of period)	2,720	2,718	0.1%	2,720	2,802	-2.9%

The operating result of Netherlands Non-life increased to EUR 55 million from EUR 46 million in the third quarter of 2018, driven by a higher underwriting result in Disability & Accident (D&A) and lower administrative expenses, partly offset by lower investment income as the third quarter of 2018 benefited from a EUR 5 million private equity dividend. The combined ratio improved to 94.2% from 97.1% in the third quarter of 2018.

The operating result in D&A increased to EUR 34 million from EUR 21 million in the third quarter of 2018 driven by a favourable claims development in the Group Income portfolio, partly offset by lower investment income. Unfavourable claims experience in the Individual Disability portfolio was covered by reinsurance with NN Re. The D&A combined ratio was 87.9% versus 94.3% in the third quarter of 2018.

The operating result in Property & Casualty (P&C) decreased to EUR 15 million from EUR 18 million in the third quarter of 2018 reflecting lower other income, partly compensated by an improved underwriting result. The P&C combined ratio improved to 97.7% from 98.6% in the third quarter of 2018.

Administrative expenses decreased to EUR 72 million from EUR 75 million in the third quarter of 2018.

The operating result of the health business and broker business was stable at EUR 7 million.

The result before tax of Netherlands Non-life decreased to EUR 39 million from EUR 43 million in the third quarter of 2018, reflecting lower non-operating items and higher special items, partly compensated by the higher operating result. Special items include restructuring expenses and costs related to the migration of the legal aid service provider.

In the first nine months of 2019, the operating result of Netherlands Non-life increased to EUR 140 million from EUR 54 million in the same period last year, which included the impact of the January 2018 storm for an amount of EUR 56 million net of reinsurance. Excluding this impact, the increase was mainly attributable to an improved underwriting performance in both D&A and P&C and lower administrative expenses, partly offset by lower investment income due to lower private equity dividends.

The result before tax for the first nine months of 2019 increased to EUR 109 million from EUR 11 million in the same period of 2018, reflecting the higher operating result and lower special items, partly offset by lower non-operating items. Special items in the first nine months of 2018 included a charge related to the agreement with Van Ameyde to insource claims handling activities.

The combined ratio for the first nine months of 2019 was 96.0% compared with 100.5% in the same period of 2018, or 97.9% excluding the impact of the January 2018 storm.

Insurance Europe

- Operating result increased to EUR 74 million from EUR 65 million in the third quarter of 2018 driven by an improved investment margin, growth of the protection portfolio across the region and higher performance fees in Slovakia
- New sales (APE) were EUR 133 million, up 3.1% from the third quarter of 2018 at constant currencies, largely driven by higher protection and pension sales and the contribution from the acquired Czech and Slovak businesses

In EUR million	3Q19	3Q18	Change	9M19	9M18	Change
Analysis of results						
Investment margin	26	17	53.3%	75	63	18.4%
Fees and premium-based revenues	184	171	7.4%	544	526	3.5%
Technical margin	58	59	-1.3%	178	160	11.2%
Operating income non-modelled business	0	0		1	1	-44.2%
Operating income Life Insurance	268	247	8.3%	798	750	6.3%
Administrative expenses	101	101	-0.9%	307	299	2.5%
DAC amortisation and trail commissions	93	80	16.9%	283	247	14.4%
Expenses Life Insurance	194	181	6.9%	589	546	7.9%
Operating result Life Insurance	74	66	12.0%	208	204	2.2%
Operating result Non-life	0	-1		5	-4	
Operating result	74	65	13.1%	214	200	7.0%
Non-operating items	19	19	-0.3%	55	30	87.1%
of which gains/losses and impairments	14	3	349.4%	79	14	480.7%
of which revaluations	9	16	-41.1%	-19	21	
of which market & other impacts	-4	0		-5	-5	
Special items	-6	-6		-24	-19	
Acquisition intangibles and goodwill	0	0		33	0	
Result on divestments	0	0		0	0	
Result before tax	87	78	10.6%	278	210	32.2%
Taxation	18	20	-8.0%	54	49	9.4%
Minority interests	0	0		0	0	
Net result	69	59	16.8%	224	161	39.1%
New business						
Single premiums	209	213	-2.3%	900	806	11.7%
Regular premiums	112	107	4.6%	392	381	2.9%
New sales life insurance (APE)	133	129	3.4%	482	461	4.4%
Key figures						
Gross premium income	695	673	3.2%	2,228	2,169	2.7%
Total administrative expenses (Life & Non-life)	104	105	-1.1%	317	312	1.5%
Cost/income ratio (Administrative expenses/Operating income)	37.6%	41.2%		38.3%	40.4%	
Investment margin/Life general account invested assets (bps) ⁷⁾	57	49				
Net operating ROE ¹⁰⁾	10.8%	10.6%		10.4%	10.6%	

In EUR billion	3Q19	2Q19	Change	9M19	9M18	Change
Key figures						
Life general account invested assets	18	18	0.7%	18	18	-0.8%
Total provisions for insurance & investment contracts	27	27	1.6%	27	25	6.7%
of which for risk policyholder	8	8	1.9%	8	7	11.8%
Assets under management pensions ¹²⁾	20	21	-0.7%	20	19	9.7%
Allocated equity (end of period) ⁶⁾¹⁰⁾	2,790	2,647	5.4%	2,790	2,273	22.7%
Employees (internal FTEs, end of period)	4,934	4,834	2.1%	4,934	4,558	8.3%

Note: For data in constant currencies, refer to the 'NN Group Financial Supplement: 2.4.1 Analysis of results: Insurance Europe – Excluding currency effects'

The operating result of Insurance Europe increased to EUR 74 million from EUR 65 million in the third quarter of 2018, mainly due to an improved investment margin, growth of the protection portfolio across the region and higher performance fees in Slovakia. This was partly offset by lower pension fees in Romania.

The investment margin increased to EUR 26 million from EUR 17 million in the third quarter of 2018, mainly driven by higher investment income in Belgium.

Fees and premium-based revenues increased to EUR 184 million from EUR 171 million in the third quarter of 2018, mainly driven by the increase of the portfolio following the inclusion of the acquired Czech and Slovak businesses, growth of the protection portfolio across the region and higher performance fees in Slovakia. This was partly offset by lower pension fees mainly in Romania.

The technical margin was broadly stable at EUR 58 million, as the inclusion of the aforementioned acquisition was offset by lower disability results in Belgium.

Administrative expenses were stable at EUR 101 million as the increase due to the aforementioned acquisition was offset by expense savings in Belgium.

DAC amortisation and trail commissions increased to EUR 93 million from EUR 80 million in the third quarter of 2018, mainly due to the contribution of the aforementioned acquisition and growth of the protection portfolio across the region.

The result before tax increased to EUR 87 million from EUR 78 million in the third quarter of 2018 reflecting the higher operating result.

New sales (APE) increased to EUR 133 million from EUR 129 million in the third quarter of 2018, mainly driven by the contribution of the aforementioned acquisition, partly offset by lower sales of traditional savings products.

In the first nine months of 2019, the operating result increased to EUR 214 million from EUR 200 million in the same period of 2018, mainly driven by higher life results in Romania and Belgium, higher performance fees in Slovakia, a EUR 6 million non-recurring benefit in the Non-life result as well as a positive contribution from the acquired Czech and Slovak businesses. This was partly offset by lower pension fees in Romania.

The result before tax in the first nine months of 2019 increased to EUR 278 million from EUR 210 million in the same period of 2018, reflecting the negative goodwill arising from the aforementioned acquisition, gains on the sale of government bonds as well as the higher operating result, partly offset by lower revaluations in Belgium.

New sales (APE) in the first nine months of 2019 increased to EUR 482 million from EUR 461 million in the same period of 2018. The increase was mainly driven by higher protection and pension sales and the contribution of the aforementioned acquisition, partly offset by negative currency impacts in Turkey.

Japan Life

- Operating result was EUR 50 million, up 2.1% from the third quarter of 2018, excluding currency effects, reflecting a higher technical margin and lower DAC amortisation and trail commissions, partly offset by lower fees and premium-based revenues
- New sales (APE) were EUR 35 million and decreased from EUR 164 million in the third quarter of 2018, due to lower sales following the new tax regulations

In EUR million	3Q19	3Q18	Change	9M19	9M18	Change
Analysis of results						
Investment margin	-5	-1		-12	-7	
Fees and premium-based revenues	158	157	0.3%	523	475	10.2%
Technical margin	8	0		15	-2	
Operating income non-modelled business	0	0		0	0	
Operating income	161	156	3.6%	526	466	12.9%
Administrative expenses	41	35	18.9%	110	100	10.0%
DAC amortisation and trail commissions	70	76	-8.3%	249	229	8.8%
Expenses	111	111	0.2%	359	328	9.2%
Operating result	50	45	12.2%	168	138	21.7%
Non-operating items	-10	-3		-28	-16	
of which gains/losses and impairments	-2	0		-6	-3	
of which revaluations	-8	-3		-21	-14	
of which market & other impacts	0	0		0	0	
Special items	-1	-1		-3	-2	
Result on divestments	0	0		0	0	
Result before tax	39	40	-3.0%	137	119	14.6%
Taxation	11	14	-27.2%	38	34	13.2%
Minority interests	0	0		0	0	
Net result	28	26	10.7%	99	86	15.2%
New business						
Single premiums	0	0		0	0	
Regular premiums	35	164	-78.6%	547	544	0.5%
New sales life insurance (APE)	35	164	-78.6%	547	544	0.5%
Key figures						
Gross premium income	950	956	-0.6%	3,146	2,831	11.1%
Total administrative expenses	41	35	18.9%	110	100	10.0%
Cost/income ratio (Administrative expenses/Operating income)	25.6%	22.3%		20.9%	21.4%	
Net operating ROE ⁽¹⁰⁾⁽²³⁾	7.8%	7.9%		8.0%	7.6%	

In EUR billion	3Q19	2Q19	Change	9M19	9M18	Change
Key figures						
Life general account invested assets	18	17	6.2%	18	16	14.9%
Total provisions for insurance & investment contracts	17	16	5.7%	17	14	22.2%
of which for risk policyholder	0	0		0	0	
Allocated equity (end of period) ⁽⁶⁾⁽¹⁰⁾	2,836	2,673	6.1%	2,836	2,124	33.5%
Employees (internal FTEs, end of period)	834	847	-1.5%	834	830	0.5%

Note: For data in constant currencies, refer to the 'NN Group Financial Supplement: 2.5.1 Analysis of results: Japan Life – Excluding currency effects'

The operating result of Japan Life was EUR 50 million, up 2.1% from the third quarter of 2018, excluding currency effects, reflecting a higher technical margin and lower DAC amortisation and trail commissions, partly offset by lower fees and premium-based revenues.

Fees and premium-based revenues were EUR 158 million, down 8.3% from the third quarter of 2018, excluding currency effects, due to lower new business premiums following the revised regulations for the tax deductibility of COLI products which were introduced in July 2019, partially offset by an increased persistency of the in-force portfolio.

The technical margin was EUR 8 million, up from EUR 0 million in the third quarter of 2018, reflecting favourable mortality results.

Administrative expenses were EUR 41 million, up 9.0%, excluding currency effects, from the third quarter of 2018, reflecting higher project and marketing expenses in the current quarter.

DAC amortisation and trail commissions were EUR 70 million, down 16.1% from the third quarter of 2018, excluding currency effects, due to lower new business premiums and lower surrenders reflecting increased persistency after the aforementioned tax rule change.

The result before tax was EUR 39 million, down from EUR 40 million in the third quarter of 2018, reflecting lower non-operating items, partly offset by the higher operating result.

New sales (APE) were EUR 35 million, down 80.4% from the third quarter of 2018, excluding currency effects, due to lower sales of COLI products following the revised tax regulations.

In the first nine months of 2019, the operating result of Japan Life was EUR 168 million, up 14.5% compared with the same period last year, excluding currency effects. The increase was primarily driven by the strong sales in the first quarter of 2019 and a higher technical margin on favourable mortality results.

The result before tax for the first nine months of 2019 was EUR 137 million, up 8.1% compared with the same period last year, at constant currencies, reflecting the higher operating result, partly offset by lower non-operating items.

New sales (APE) in the first nine months of 2019 were EUR 547 million, up from EUR 544 million in the same period last year, reflecting the higher sales in the first quarter of 2019 driven by strong sales efforts and customer expectations of a revision of tax rules for COLI products.

Asset Management

- Total Assets under Management increased to EUR 287 billion compared with EUR 268 billion at the end of the second quarter of 2019, driven by positive market performance and net inflows of assets
- Operating result was stable at EUR 43 million, as lower fees were offset by a decrease of administrative expenses

In EUR million	3Q19	3Q18	Change	9M19	9M18	Change
Analysis of results						
Investment income	-1	0		0	-1	
Fees	114	115	-1.2%	329	344	-4.3%
Operating income	113	115	-1.9%	330	343	-4.0%
Administrative expenses	70	73	-4.0%	210	219	-3.8%
Operating result	43	43	1.8%	119	125	-4.2%
Non-operating items	0	0		0	0	
of which gains/losses and impairments	0	0		0	0	
of which revaluations	0	0		0	0	
of which market & other impacts	0	0		0	0	
Special items	-4	-1		-11	-17	
Result on divestments	0	0		0	0	
Result before tax	39	42	-7.4%	108	108	0.4%
Taxation	10	10	-4.0%	26	25	2.4%
Minority interests	3	0		3	0	
Net result	26	32	-18.5%	79	83	-4.0%
Key figures						
Total administrative expenses	70	73	-4.0%	210	219	-3.8%
Cost/income ratio (Administrative expenses/Operating income)	61.6%	63.0%		63.8%	63.7%	
Fees/average Assets under Management (bps)	16	19		17	19	
Net Operating ROE ¹⁰⁾	36.2%	30.9%		33.6%	29.0%	

In EUR billion	3Q19	2Q19	Change	9M19	9M18	Change
Key figures						
Assets under Management	287	268	7.3%	287	238	20.5%
Allocated equity (end of period) ⁶⁾¹⁰⁾	355	340	4.6%	355	409	-13.2%
Employees (internal FTEs, end of period)	943	942	0.1%	943	1,030	-8.4%
AuM roll-forward						
Beginning of period	268	260	2.8%	246	246	-0.1%
Net inflow	6	-2		5	-6	
Acquisition / Divestments / Transfers	0	0		0	-3	
Market performance (incl. FX impact) and other	13	10		36	1	
End of period	287	268	7.3%	287	238	20.5%

Total Assets under Management (AuM) at Asset Management increased to EUR 287 billion at the end of the third quarter of 2019 compared with EUR 268 billion at the end of the second quarter of 2019. The increase reflects positive market performance across all segments and asset classes of EUR 13.0 billion as well as net inflows of EUR 6.5 billion, of which EUR 5.5 billion in Affiliates and EUR 1.0 billion in Third Party.

The operating result was stable at EUR 43 million in the third quarter of 2019 as lower fees were offset by a decrease of administrative expenses.

Fees were EUR 114 million, down from EUR 115 million in the third quarter of 2018, reflecting a less favourable asset mix and fee pressure, partly offset by higher average AuM.

Administrative expenses decreased to EUR 70 million from EUR 73 million in the third quarter of 2018, mainly driven by lower staff costs.

The result before tax decreased to EUR 39 million from EUR 42 million in the third quarter of 2018 primarily due to higher special items.

In the first nine months of 2019, the operating result decreased to EUR 119 million from EUR 125 million in the same period of 2018, due to lower fees partly offset by lower administrative expenses.

The result before tax for the first nine months of 2019 was stable at EUR 108 million, reflecting lower special items, offset by the lower operating result.

Banking

- Operating result increased to EUR 38 million from EUR 34 million in the third quarter of 2018 mainly driven by higher fees and other income which includes a EUR 6 million non-recurring benefit, partly offset by higher operating expenses
- Common equity Tier 1 ratio of 16.3% at the end of the third quarter of 2019 versus 16.0% at the end of the second quarter of 2019

In EUR million	3Q19	3Q18	Change	9M19	9M18	Change
Analysis of results						
Interest result	64	65	-1.2%	191	197	-3.0%
Commission income	9	8	3.8%	26	25	1.7%
Total investment and other income	17	6	165.5%	37	26	39.0%
Operating income	90	80	12.6%	254	249	1.9%
Operating expenses	48	44	10.5%	141	136	3.4%
Regulatory levies	4	3	29.9%	14	13	2.6%
Addition to loan loss provision	0	-1		2	-3	
Total expenses	52	46	12.3%	156	146	6.4%
Operating result	38	34	12.5%	98	102	-4.6%
Non-operating items	-19	-4		-22	-14	
of which gains/losses and impairments	3	0		7	1	
of which revaluations	0	-1		0	-3	
of which market & other impacts	-22	-3		-29	-12	
Special items	-3	-6		-11	-14	
Result before tax	16	23	-31.2%	64	74	-13.1%
Taxation	4	6	-27.4%	18	19	-5.3%
Minority interests	0	0		0	0	
Net result	12	17	-32.5%	47	56	-15.7%
Key figures						
Total administrative expenses ¹³⁾	52	47	11.7%	154	149	3.3%
Cost/income ratio ¹⁵⁾	53.7%	54.8%		55.4%	54.7%	
Net Interest Margin (NIM) ⁷⁾	1.1%	1.3%				
Net operating ROE ¹⁰⁾	15.4%	13.2%		12.8%	13.6%	

In EUR billion	3Q19	2Q19	Change	9M19	9M18	Change
Key figures						
CET1 ratio ⁴⁾	16.3%	16.0%		16.3%	16.4%	
Total capital ratio ⁴⁾	17.7%	17.5%		17.7%	18.0%	
Risk Weighted Assets (RWA) ⁴⁾	6	6	1.3%	6	6	4.2%
Savings & deposits	15	15	0.6%	15	15	2.4%
Mortgages	19	19	2.1%	19	18	5.9%
Total assets	25	23	7.2%	25	22	15.8%
Allocated equity (end of period) ⁶⁾¹⁰⁾	742	757	-1.9%	742	776	-4.3%
Employees (internal FTEs, end of period)	847	842	0.6%	847	821	3.2%

The operating result of Banking increased to EUR 38 million from EUR 34 million in the third quarter of 2018, mainly driven by higher fees and other income which includes a non-recurring benefit of EUR 6 million, partly offset by higher operating expenses.

The interest result decreased to EUR 64 million from EUR 65 million in the third quarter of 2018. The net interest margin (NIM), calculated on a four quarter rolling average, decreased to 1.1% compared with 1.3% in the third quarter of 2018, reflecting the continued decline of mortgage rates partly offset by lower funding costs.

Commission income increased to EUR 9 million from EUR 8 million in the third quarter of 2018. Total investment and other income increased to EUR 17 million from EUR 6 million in the third quarter of 2018 mainly driven by origination fees and premiums on a higher volume of mortgage sales to the NN IP Dutch Residential Mortgage Fund. The current quarter includes a non-recurring benefit of EUR 6 million relating to premiums on mortgage sales as a result of the lower interest rates.

Operating expenses increased to EUR 48 million from EUR 44 million in the third quarter of 2018, due to expenses supporting an increase in mortgage origination, as well as project expenses.

Additions to the loan loss provisions decreased to EUR 0 million compared with a release of EUR 1 million in the third quarter of 2018.

The result before tax decreased to EUR 16 million from EUR 23 million in the third quarter of 2018, mainly due to lower non-operating items reflecting the premium paid on the repurchase of Hypenn I RMBS notes in July 2019. This was partly offset by the higher operating result and lower special items.

In the first nine months of 2019, the operating result decreased to EUR 98 million from EUR 102 million in the same period of 2018, mainly due to a lower interest result reflecting continued pressure on the mortgage rates, higher operating expenses supporting the increased mortgage production and higher additions to the loan loss provision, partly offset by higher investment and other income.

The result before tax for the first nine months of 2019 decreased to EUR 64 million from EUR 74 million for the same period of 2018, mainly due to lower non-operating items and the lower operating result.

Other

- Operating result decreased to EUR -12 million from EUR -6 million in the third quarter of 2018, due to the lower operating result of the reinsurance business, partly compensated by lower holding expenses
- Operating result of the reinsurance business decreased to EUR 2 million from EUR 19 million in the third quarter of 2018, which included EUR 8 million of positive hedge-related results on the VA Europe portfolio, while the current quarter reflects unfavourable claims experience

In EUR million	3Q19	3Q18	Change	9M19	9M18	Change
Analysis of results						
Interest on hybrids and debt ¹⁴⁾	-27	-27		-81	-81	
Investment income and fees	25	25	2.5%	77	72	7.1%
Holding expenses	-24	-37		-105	-108	
Amortisation of intangible assets	0	0		0	-1	
Holding result	-26	-40		-109	-118	
Operating result reinsurance business	2	19	-91.2%	-4	-14	
Other results	12	15	-18.9%	12	16	-24.8%
Operating result	-12	-6		-100	-116	
Non-operating items	-2	9		-1	17	
of which gains/losses and impairments	-1	1		5	6	-12.2%
of which revaluations	-12	0		-14	-1	
of which market & other impacts	11	8	28.0%	8	12	-33.4%
Special items	-16	-15		-43	-65	
Acquisition intangibles and goodwill	-8	-33		-24	-99	
Result on divestments	0	0		4	4	-8.4%
Result before tax	-38	-45		-164	-258	
Taxation	-18	-14		-54	-65	
Minority interests	0	0		0	0	
Net result	-20	-30		-110	-193	
Key figures						
Total administrative expenses	31	40	-22.4%	115	116	-0.7%
of which reinsurance business	2	2	-7.7%	5	6	-22.8%
of which corporate/holding	29	38	-23.1%	110	110	0.6%
Employees (internal FTEs, end of period)	1,698	1,661	2.2%	1,698	1,661	2.2%

In EUR million	3Q19	2Q19	Change	9M19	9M18	Change
Key figures Japan Closed Block VA						
Account value	1,874	1,885	-0.6%	1,874	2,853	-34.3%
Net Amount at Risk	81	92	-12.4%	81	38	115.2%
Number of policies	20,635	22,721	-9.2%	20,635	41,224	-49.9%

The operating result of the segment Other decreased to EUR -12 million from EUR -6 million in the third quarter of 2018, reflecting a lower operating result of the reinsurance business, partly compensated by lower holding expenses. The current quarter includes EUR 12 million of non-recurring benefits in the other results versus EUR 14 million in the third quarter last year.

The holding result improved to EUR -26 million from EUR -40 million in the third quarter of 2018, driven by lower holding expenses reflecting a revised method for allocating certain personnel provisions to the segments.

The operating result of the reinsurance business decreased to EUR 2 million from EUR 19 million in the third quarter of 2018, which included EUR 8 million of positive hedge-related results on the VA Europe portfolio, while the current quarter reflects unfavourable claims experience.

Other results decreased to EUR 12 million from EUR 15 million in the third quarter of 2018, which included a provision release of EUR 14 million, while the current quarter includes a net release of provisions of EUR 12 million both related to a legacy entity.

The result before tax of the segment Other improved to EUR -38 million from EUR -45 million in the third quarter of 2018. This reflects lower amortisation of acquisition intangibles, partly offset by lower non-operating items and the lower operating result. The non-operating items include the result before tax of Japan Closed Block VA of EUR -5 million compared with EUR 8 million in the third quarter of 2018.

In the first nine months of 2019, the operating result of the segment Other was EUR -100 million compared with EUR -116 million in the same period of 2018, reflecting improved results of the reinsurance business and an improved holding result, partly offset by lower other results.

The holding result improved to EUR -109 million in the first nine months of 2019 from EUR -118 million in the same period of 2018, driven by higher investment income and fees and lower holding expenses.

The operating result of the reinsurance business improved to EUR -4 million in the first nine months of 2019 from EUR -14 million in the same period of 2018, which included EUR 33 million of claims relating to the storm in January, a EUR 8 million claim from a legacy reinsurance portfolio as well as positive hedge-related results on the VA Europe portfolio. The first nine months of 2019 reflects claims related to Non-life's Disability portfolio, as well as a large claim from a legacy reinsurance portfolio.

Other results decreased to EUR 12 million in the first nine months of 2019, from EUR 16 million in the same period of 2018, which included a provision release of EUR 14 million, while the current period includes a net release of provisions of EUR 12 million, both related to a legacy entity.

The result before tax of the segment Other was EUR -164 million versus EUR -258 million in the first nine months of 2018, mainly reflecting the lower amortisation of acquisition intangibles, lower special items and the improved operating result, partly offset by lower non-operating items.

Consolidated Balance Sheet

- Total assets of NN Group increased by EUR 16.5 billion compared with the end of the second quarter of 2019 to EUR 262.6 billion, reflecting the impact of lower interest rates
- Shareholders' equity increased by EUR 4.6 billion to EUR 35.0 billion, reflecting increased revaluation reserves as a result of lower interest rates and the third-quarter net result

In EUR million	30 Sep 19	30 Jun 19	31 Dec 18		30 Sep 19	30 Jun 19	31 Dec 18
Assets				Equity and liabilities			
Cash and cash equivalents	10,524	11,131	8,886	Shareholders' equity (parent)	34,987	30,385	22,850
Financial assets at fair value through profit or loss				Minority interests	274	255	234
- investments for risk of policyholders	33,808	32,934	30,230	Undated subordinated notes	1,764	1,764	1,764
- non-trading derivatives	15,299	10,026	5,096	Total equity	37,025	32,404	24,848
- designated as at fair value through profit or loss	1,120	1,206	722	Subordinated debt	2,415	2,433	2,445
Available-for-sale investments	122,390	112,580	104,329	Debt securities issued	1,991	1,991	1,990
Loans	61,693	60,898	58,903	Other borrowed funds	7,080	6,605	5,717
Reinsurance contracts	1,002	1,024	1,010	Insurance and investment contracts	170,616	167,032	161,118
Associates and joint ventures	5,228	5,227	5,000	Customer deposits and other funds on deposit	15,129	15,047	14,729
Real estate investments	2,523	2,482	2,374	Financial liabilities at fair value through profit or loss			
Property and equipment	405	399	151	- non-trading derivatives	5,319	3,809	2,163
Intangible assets	1,003	1,016	863	Deferred tax liabilities	5,046	3,794	1,809
Deferred acquisition costs	1,963	1,960	1,843	Other liabilities	17,987	13,017	9,427
Deferred tax assets	95	100	131	Total liabilities	225,583	213,728	199,398
Other assets	5,555	5,149	4,708	Total equity and liabilities	262,608	246,132	224,246
Total assets	262,608	246,132	224,246				

Assets

Investments for risk of policyholders

Investments for risk of policyholders increased by EUR 0.9 billion to EUR 33.8 billion, reflecting the lower interest rates.

Non-trading derivatives

Non-trading derivatives increased by EUR 5.3 billion in the third quarter to EUR 15.3 billion, reflecting positive revaluations on derivatives used for hedging purposes due to the lower interest rates in the quarter.

Available-for-sale investments

The increase of Available-for-sale investments of EUR 9.8 billion in the third quarter of 2019 mainly reflects the investments of cash collateral and lower interest rates.

Liabilities

Insurance and investment contracts

Insurance and investment contracts increased to EUR 170.6 billion, reflecting the impact of the aforementioned lower interest rates, leading to higher profit sharing for policyholders due to positive revaluations on Debt securities as well as an increase of Investments for the risk of policyholders.

Other liabilities

The increase of Other liabilities of EUR 5.0 billion in the third quarter of 2019 reflects the cash collateral due to increased market values.

Equity

Shareholders' equity increased by EUR 4.6 billion to EUR 35.0 billion in the third quarter of 2019. The increase reflects net positive revaluations due to lower interest rates as well as the third-quarter net result, partly offset by the cash payment of the 2019 interim dividend and shares repurchased in the third quarter of 2019.

Changes in Shareholders' equity for the current quarter, the first nine months of 2019 and the previous full year were as follows:

In EUR million	3Q19	9M19	FY18
Shareholders' equity beginning of period	30,385	22,850	22,718
Net result for the period	515	1,633	1,117
Unrealised revaluations available-for-sale investments and other	2,239	7,065	-316
Realised gains/losses transferred to the profit and loss account	-50	-134	-823
Change in cash flow hedge reserve	3,361	7,220	793
Deferred interest credited to policyholders	-1,044	-2,751	-38
Share of other comprehensive income of associates and joint ventures	1	-4	1
Exchange rate differences	64	100	93
Remeasurement of the net defined benefit asset/liability	-21	-58	0
Dividend	-144	-387	-332
Purchase/sale treasury shares	-352	-520	-231
Employee stock option & share plans	1	0	2
Coupon on undated subordinated notes	0	-59	-58
Other	32	32	-76
Total changes	4,602	12,137	132
Shareholders' equity end of period	34,987	34,987	22,850

The composition of Total equity at the end of the current quarter, at the end of the previous quarter and at the end of the previous year was as follows:

In EUR million	30 Sep 19	30 Jun 19	31 Dec 18
Share capital	41	41	41
Share premium	12,572	12,572	12,572
Revaluation reserve available-for-sale investments and other	7,849	6,704	3,684
Cash flow hedge reserve	11,734	8,373	4,514
Currency translation reserve	67	4	-34
Net defined benefit asset/liability remeasurement reserve	-164	-143	-106
Retained earnings and other reserves	2,888	2,834	2,179
Shareholders' equity (parent)	34,987	30,385	22,850
Minority interests	274	255	234
Undated subordinated notes	1,764	1,764	1,764
Total equity	37,025	32,404	24,848

Capital Management

- Solvency II ratio of 217% reflects positive impact of operating capital generation
- Cash capital position at the holding decreased to EUR 1,943 million, reflecting the capital flows to shareholders of EUR 487 million, partly offset by free cash flow to the holding
- Free cash flow to the holding in the third quarter of 2019 was EUR 224 million, mainly driven by EUR 285 million of dividends from subsidiaries

Solvency II

In EUR million	30 Sep 19	30 Jun 19	30 Sep 18
Basic Own Funds	19,967	18,409	18,965
Non-available Own Funds	1,256	1,164	1,482
Non-eligible Own Funds	0	0	0
Eligible Own Funds (a)	18,711	17,245	17,483
of which Tier 1 Unrestricted	12,543	10,984	11,228
of which Tier 1 Restricted	1,935	1,946	1,854
of which Tier 2	2,479	2,470	2,377
of which Tier 3	502	701	933
of which non-solvency II regulated entities	1,252	1,144	1,091
Solvency Capital Requirements (b)	8,639	8,203	7,304
of which non-solvency II regulated entities	556	551	495
NN Group Solvency II ratio (a/b)²⁾	217%	210%	239%
NN Life Solvency II ratio²⁾	211%	212%	253%

The NN Group Solvency II ratio increased to 217% at the end of the third quarter of 2019 from 210% at the end of the second quarter of 2019, reflecting the positive impact of operating capital generation.

The NN Life Solvency II ratio decreased to 211% at the end of the third quarter of 2019 from 212% at the end of the second quarter of 2019, reflecting a EUR 185 million dividend payment to the holding.

Cash capital position at the holding company

In EUR million	3Q19	9M19
Beginning of period	2,220	2,005
Cash divestment proceeds	0	4
Dividends from subsidiaries ¹⁶⁾	285	1,112
Capital injections into subsidiaries ¹⁷⁾	-29	-38
Other ¹⁸⁾	-32	-124
Free cash flow to the holding¹⁹⁾	224	953
Acquisitions	-15	-117
Capital flow from / (to) shareholders	-487	-899
Increase / (decrease) in debt and loans	0	0
End of period	1,943	1,943

Note: cash capital is defined as net current assets available at the holding company

The cash capital position at the holding company decreased to EUR 1,943 million at the end of the third quarter of 2019 from EUR 2,220 million at the end of the second quarter of 2019. The decrease was mainly due to capital flows to shareholders of EUR 487 million, partly offset by EUR 285 million of dividends from subsidiaries. Capital flows to shareholders represent the cash part of the 2019 interim dividend of EUR 144 million and shares repurchased in the third quarter of 2019 for an amount of EUR 343 million. Other movements include holding company expenses, interest on loans and debt, and other holding company cash flows.

Financial leverage

In EUR million	30 Sep 19	30 Jun 19	30 Sep 18
Shareholders' equity	34,987	30,385	23,014
Adjustment for revaluation reserves ²⁰⁾	-17,992	-13,475	-6,067
Minority interests	274	255	269
Capital base for financial leverage (a)	17,269	17,165	17,217
Undated subordinated notes ²²⁾	1,764	1,764	1,764
Subordinated debt	2,415	2,433	2,451
Total subordinated debt	4,178	4,197	4,215
Debt securities issued	1,991	1,991	1,989
Financial leverage (b)	6,170	6,187	6,204
Financial leverage ratio (b/(a+b))	26.3%	26.5%	26.5%
Fixed-cost coverage ratio ²¹⁾²²⁾	11.4x	13.0x	14.7x

The financial leverage ratio of NN Group improved to 26.3% at the end of the third quarter of 2019 compared with 26.5% at the end of the second quarter of 2019. This reflects an increase of the capital base for financial leverage driven by the third-quarter net result of EUR 515 million, partly offset by capital flows to shareholders of EUR 487 million.

The fixed-cost coverage ratio was 11.4x at the end of the third quarter of 2019 versus 13.0x at the end of the second quarter of 2019 (on a last 12-months basis).

Interim dividend

On 11 September 2019, NN Group paid an interim dividend of EUR 0.76 per ordinary share. Approximately 42.7% of shareholders elected to receive the dividend in ordinary shares. Consequently, 3,539,191 new ordinary shares were issued for the settlement of the stock dividend. The dilutive effect of the stock dividend will be neutralised through repurchase of shares for an amount of EUR 106 million, equivalent to the value of the stock dividend. For more information: www.nn-group.com/dividend.

Share buyback

On 14 February 2019, NN Group announced an open market share buyback programme for an amount of up to EUR 500 million over 12 months, commencing 1 March 2019.

Following payment of the 2019 interim dividend, NN Group announced that it would repurchase ordinary shares for a total amount of EUR 106 million, equivalent to the value of the stock dividends. This share buyback programme is expected to end no later than 31 December 2019.

Following payment of the 2018 final dividend, NN Group announced that it would repurchase ordinary shares for a total amount of EUR 169 million, equivalent to the value of the stock dividends. This share buyback programme was completed on 26 August 2019.

Up to 8 November 2019, shares for a total amount of EUR 586 million were repurchased, representing 75.6% of the total share buyback amount under the programmes. NN Group reports on the progress of the share buyback programmes on its corporate website (www.nn-group.com/investors) on a weekly basis.

Share capital

The total number of NN Group shares outstanding (net of 18,258,994 treasury shares) on 8 November 2019 was 325,297,127.

Credit ratings

On 18 September 2019, Standard & Poor's published a report affirming NN Group's 'A' financial strength rating and 'BBB+' credit rating with a stable outlook.

Credit ratings of NN Group on 13 November 2019

	Financial Strength Rating	NN Group N.V. Counterparty Credit Rating
Standard & Poor's	A Stable	BBB+ Stable
Fitch	A+ Stable	A Stable

Footnotes reference page

- 1) Operating result and Adjusted allocated equity (as used in the calculation of Net operating ROE) are Alternative Performance Measures. These measures are derived from figures according to IFRS-EU. The operating result is derived by adjusting the reported result before tax to exclude the impact of result on divestments, the amortisation of acquisition intangibles, discontinued operations and special items, gains/losses and impairments, revaluations and market & other impacts. The adjusted allocated equity is derived by adjusting the reported total equity to exclude revaluation reserves, the undated subordinated notes classified as equity as well as the goodwill and intangible assets recognised as a result of the Delta Lloyd acquisition. Alternative Performance Measures are non-IFRS-EU measures that have a relevant IFRS-EU equivalent. For definitions and explanations of the Alternative Performance Measures reference is made to the section 'Alternative Performance measures (Non-GAAP measures)' in the NN Group N.V. 2018 Consolidated Annual Accounts.
- 2) The solvency ratios are not final until filed with the regulators. The Solvency II ratios for NN Group and NN Life are based on the partial internal model.
- 3) Basic earnings per ordinary share is calculated as the net result, adjusted to reflect the deduction of the accrued coupon on undated subordinated notes classified in equity, divided by the weighted average number of ordinary shares outstanding (net of treasury shares).
- 4) The Common Equity Tier 1 (CET1) ratio, Total capital ratio and Risk Weighted Assets (RWA) are not final until filed with the regulators.
- 5) Excluding health business and broker business.
- 6) In EUR million.
- 7) Four-quarter rolling average.
- 8) Net operating result, adjusted to reflect the deduction of the accrued coupon on undated subordinated notes classified in equity.
- 9) Net operating ROE is calculated as the (annualised) net operating result, adjusted to reflect the deduction of the accrued coupon on undated subordinated notes classified in equity, divided by (average) adjusted allocated equity. Adjusted allocated equity is an Alternative Performance Measure. It is derived from IFRS equity by excluding revaluation reserves, the undated subordinated notes classified as equity as well as the goodwill and intangible assets recognised as a result of the Delta Lloyd acquisition. Reference is made to the section 'Alternative Performance measures (Non-GAAP measures)' in the NN Group N.V. 2018 Consolidated Annual Accounts.
- 10) Net operating ROE is calculated as the (annualised) net operating result of the segment, divided by (average) adjusted allocated equity. Adjusted allocated equity is an Alternative Performance Measure. It is derived from IFRS equity by excluding revaluation reserves. Reference is made to the section 'Alternative Performance measures (Non-GAAP measures)' in the NN Group N.V. 2018 Consolidated Annual Accounts.
- 11) Including health business and broker business.
- 12) The numbers shown under AuM are client balances which exclude IFRS shareholders' equity related to the respective pension businesses and include the assets under administration.
- 13) Operating expenses plus regulatory levies.
- 14) Does not include interest costs on subordinated debt treated as equity.
- 15) Cost/income ratio is calculated as Operating expenses divided by Operating income.
- 16) Includes interest on subordinated loans provided to subsidiaries by the holding company.
- 17) Includes the change of subordinated loans provided to subsidiaries by the holding company.
- 18) Includes interest on subordinated loans and debt, holding company expenses and other cash flows.
- 19) Free cash flow to the holding company is defined as the change in cash capital position of the holding company over the period, excluding acquisitions, capital transactions with shareholders and debtholders.
- 20) Includes revaluations on debt securities, on the cash flow hedge reserve and on the reserves crediting to life policyholders.
- 21) Measures the ability of Earnings Before Interest and Tax (EBIT) to cover funding costs on financial leverage; calculated on a last 12-months basis.
- 22) The undated subordinated notes classified as equity are considered financial leverage in the calculation of the financial leverage ratio. The related interest is included on an accrual basis in the calculation of the fixed-cost coverage ratio.
- 23) The net operating result and adjusted allocated equity used to calculate the Net operating ROE of Japan Life are adjusted for the impact of internal reinsurance ceded to NN Group's reinsurance business.

NN Group profile

NN Group is an international financial services company, active in 18 countries, with a strong presence in a number of European countries and Japan. With all its employees, the Group provides retirement services, pensions, insurance, investments and banking to approximately 17 million customers. NN Group includes Nationale - Nederlanden, NN, NN Investment Partners, ABN AMRO Insurance, Movir, AZL, BeFrank and OHRA. NN Group is listed on Euronext Amsterdam (NN).

Analyst and investor call

David Knibbe (CEO) and Delfin Rueda (CFO) will host an analyst and investor conference call to discuss the 3Q19 results at 10:30 am CET on Thursday 14 November 2019. Members of the investment community can join the conference call at +31 20 531 5865 (NL), +44 203 365 3210 (UK), +1 866 349 6093 (US) or follow the webcast on www.nn-group.com/investors.

Press call

David Knibbe (CEO) and Delfin Rueda (CFO) will host a press call to discuss the 3Q19 results at 07:45 am CET on Thursday 14 November 2019. Journalists can join the press call at +31 20 531 5863 (NL).

Financial calendar

- Publication 4Q19 results: 13 February 2020
- Capital Markets Day: 24 June 2020
- AGM: 28 May 2020
- Publication 1H20 results: 6 August 2020

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Additional information on www.nn-group.com

- NN Group 3Q19 Financial Supplement, NN Group 3Q19 Analyst Presentation
- NN Group 30 September 2019 Condensed consolidated interim accounts
- Photos of NN Group executives, buildings and events are available for download at [Flickr](#)

Important legal information

Elements of this press release contain or may contain information about NN Group N.V. within the meaning of Article 7(1) to (4) of EU Regulation No 596/ 2014 (*Market Abuse Regulation*). 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 accounts for the period ended 30 September 2019.

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.

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.
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