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NN Group N.V.

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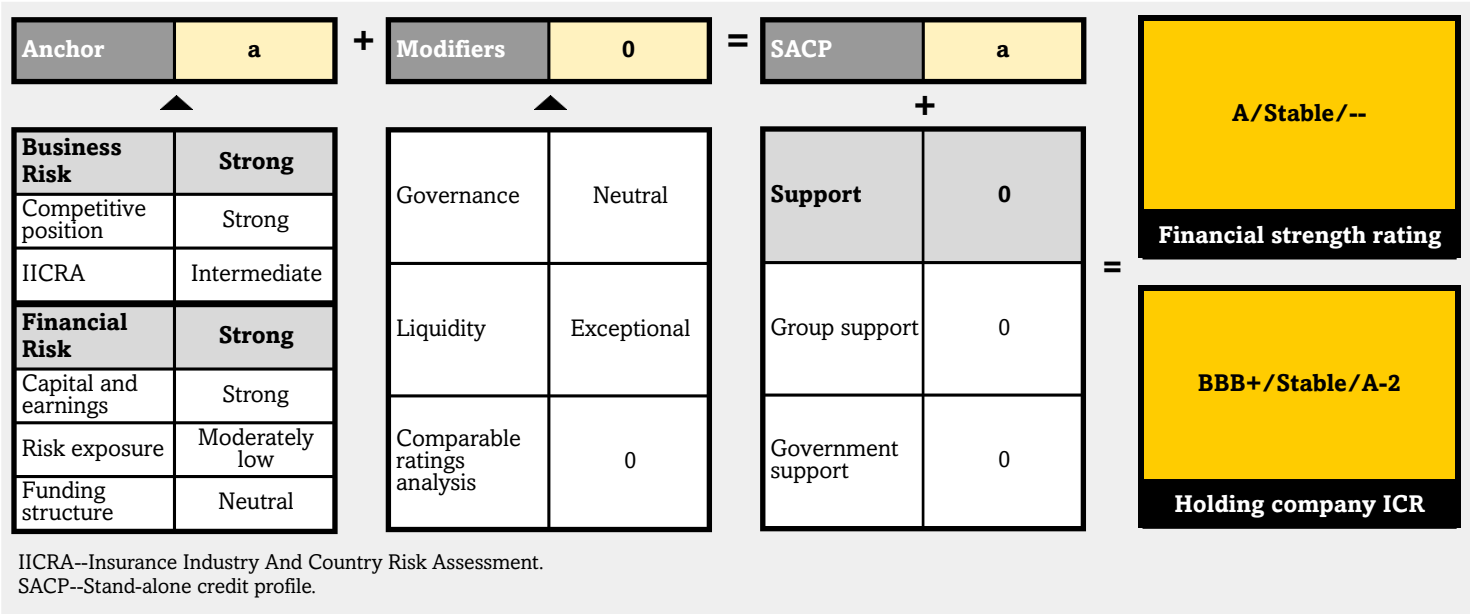
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NN Group N.V.



Credit Highlights

Overview	
Strengths	Risks
A well-diversified business and earnings mix.	Very low interest rates that continue to constrain earnings and margins for guaranteed life business, offset by close risk monitoring.
Domestic market leader with a strong brand and reputation.	Limited organic growth opportunities in the highly penetrated Dutch insurance market.
Effective asset-liability management mitigating key risks.	

Business and earnings diversification will remain a key differentiator for NN Group despite the divestment of its asset-management business. Apart from market leading positions in its domestic market, NN is one of the top three life insurers in a number of Central and Eastern European countries and in a niche business in Japan. Further diversification stems from the group's profitable banking operations. S&P Global Ratings continues to view the group's earnings diversification as a main strength compared with peers, which we reflect in our anchor choice.

NN demonstrates robust capitalization while economic conditions remain challenging. Amid the persisting ultra-low yield environment, we anticipate the group's capital adequacy will remain strong thanks to healthy earnings. We also expect that the recently announced acquisitions in Poland and Greece will only have a limited impact on the group's capitalization.

The group's active management of its key risk remains supportive of the ratings. NN will remain exposed to low interest rates and longevity risk for the next decade due to its guaranteed back book. However, we acknowledge the group's close asset-liability cash-flow matching and actions to reduce its longevity exposure, which mitigate the potential impact of these risks.

Outlook : Stable

The outlook is stable because we believe that NN's capitalization, according to our risk-based model, will remain in the 'A' range over the next 24 months, supported by diverse income streams.

Downside scenario

We might lower the ratings over the next two years if, contrary to our expectations, NN's capitalization falls below the 'A' range for a sustained period. This could occur, for example, due to large investment losses. We might also lower the ratings if NN starts a more aggressive dividend policy that weakens its capital and earnings position, which we do not anticipate.

Upside scenario

Although unlikely over the next 24 months, we could consider raising the ratings if NN's capitalization strengthens more than we expect, leading to sustainable capital adequacy in the 'AA' range. We would also expect NN to maintain a prudent dividend policy and risk taking. At the same time, an upgrade would hinge on no increased earnings or capital volatility, due to investment exposure or the guaranteed life book of business.

Key Assumptions

- GDP growth in the Netherlands of 3.6% in 2021, 3.3% in 2022, and 2.0% in 2023.
- GDP growth in Japan of 2.3% in 2021, 2.2% in 2022, and 1.2% in 2023.
- Long-term interest rates in the Netherlands remaining very low at negative 0.26% in 2021, positive 0.10% in 2022, and positive 0.38% in 2023.
- Dutch unemployment rate to average less than 4% in 2021-2023.

NN Group N.V.--Key Metrics

	2023f	2022f	2021f	2020	2019	2018	2017	2016
Gross premiums written (mil. €)	>15,000	>14,000	>14,000	13,822	14,508	13,272	12,060	9,424
Net premiums written (mil. €)	>13,000	>12,500	>12,500	12,487	14,046	12,793	11,723	9,246
Net income (mil. €)	~1,500	~1,500	>1,500	1,926	1,985	1,133	2,132	1,190
Return on shareholders' equity (%)	~4.0	~4.0	>4.0	5	7	5	9	5
Net combined ratio (%)	95-97	95-97	<95	93	93	99	102	100
S&P capital adequacy*	Strong	Strong	Strong	Strong	Strong	Satisfactory	Moderately strong	Very Strong
Fixed-charge coverage	>8.0	>8.0	>8.0	11	12	8	13	11

NN Group N.V.--Key Metrics (cont.)

	2023f	2022f	2021f	2020	2019	2018	2017	2016
Financial leverage (%)**	<25	<25	<25	14	17	21	22	15

f--S&P Global Ratings forecast. *Wording for capital adequacy scores for 2018 and earlier based on insurance criteria which was superseded in July 2019. **Based on new criteria and guidance "Insurers Rating Methodology" published on July 1, 2019, we calculate financial leverage as financial obligations/(reported equity + financial obligations) from 2018.

Business Risk Profile: Strong

NN has a leading position in the life and property and casualty (P/C) market in the Netherlands. Moreover, the group enjoys a well-known brand and sound reputation.

From our perspective, NN continues to benefit from wide diversification despite its recent announcement that it will divest the asset-management business, which will somewhat diminish the group's diversification. We regard the group's earnings diversification across regions and business lines (see chart 1) as a key differentiator compared with other Dutch insurers like Achmea and ASR (see chart 2)

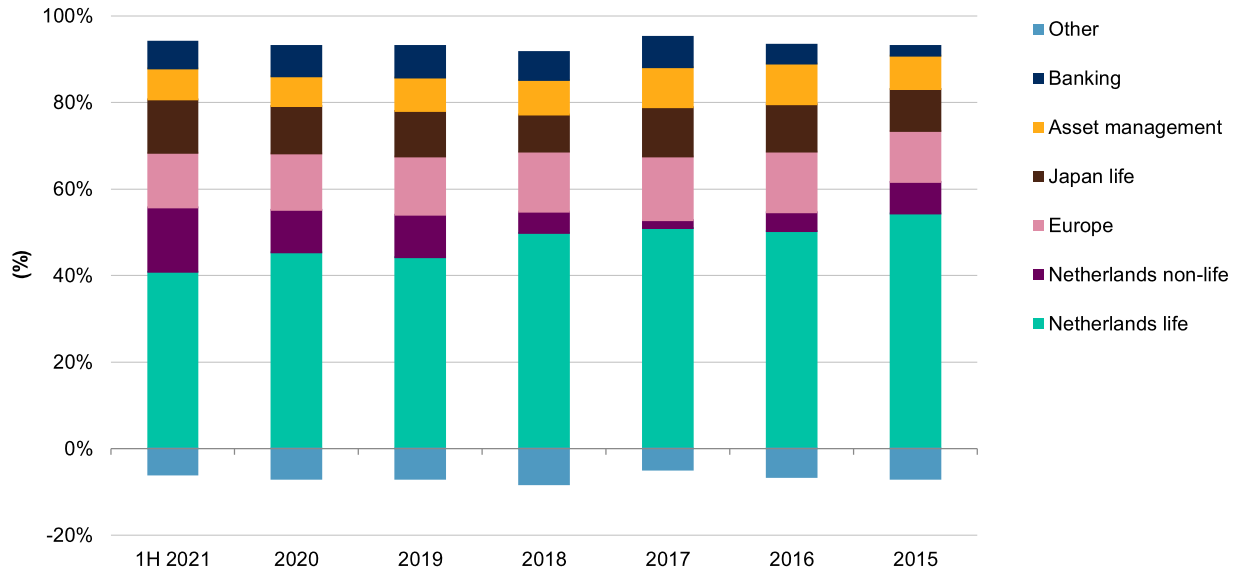
NN enjoys an ample product portfolio and geographic diversification through its various insurance operations in Europe as well as in Japan, in which the group maintains a sound and profitable position in the niche corporate-owned life insurance market.

Furthermore, the group has strengthened its position in Central and Eastern Europe through its acquisition of MetLife's businesses in Poland and Greece (see "NN Group Broadens Its Presence In Poland And Greece By Acquiring MetLife's Businesses," published July 5, 2021). NN also benefits from its banking operations, which contributed about 7% to overall group earnings in first-half 2021.

Chart 1

NN Benefits From Earnings Diversification Across Regions And Non-Insurance Operations

Based on operating profit

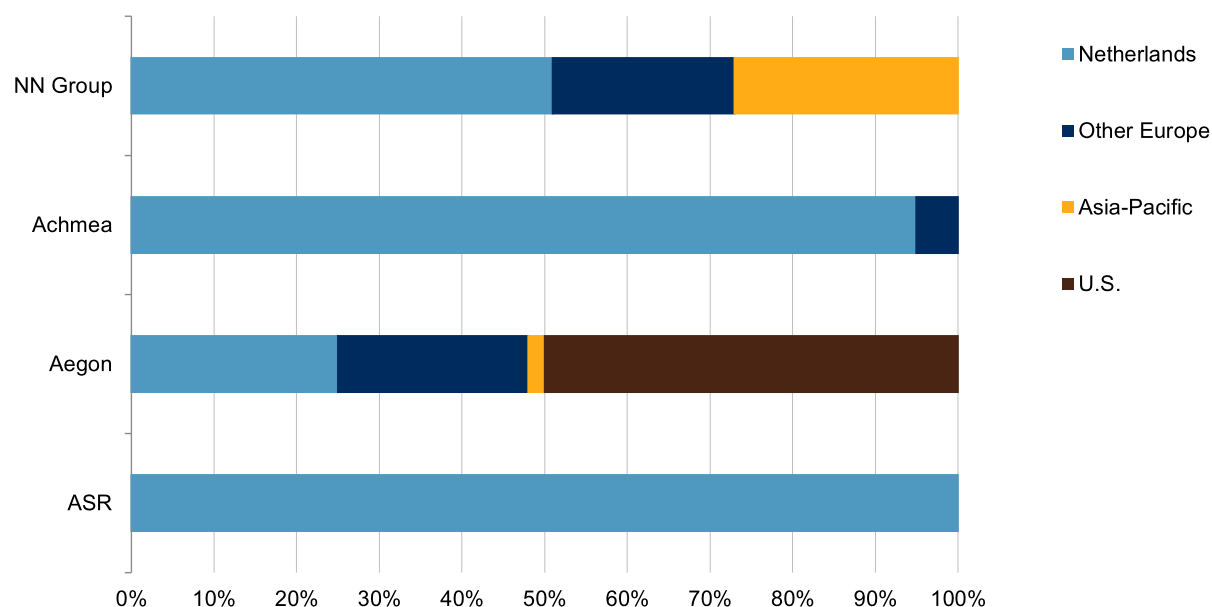


Source: S&P Global Ratings.

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Chart 2

NN Group Benefits From Wide Premiums Diversification



Source: S&P Global Ratings.
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We foresee only a slight premium increase due to limited organic growth opportunities in the Dutch insurance markets.

Financial Risk Profile: Strong

We expect NN's capital adequacy, based on our risk-based capital model, will remain strong over 2021-2023, supported by solid earnings and a high quality of capital.

For 2022 and 2023, we continue to anticipate net income of about €1.5 billion annually, supported by continued focus on efficiency and sound underwriting profitability in non-life, expressed by combined ratios of 95%-97%. For 2021, we anticipate net income clearly exceeding €1.5 billion following the half-year result of €1.4 billion as of June 30. Besides healthy operating earnings, the half-year results also benefitted materially from realized gains of almost €700 million.

NN's in-force book is dominated by life-long interest guarantees for its customers. As for most of its Dutch peers, this elevates longevity and interest rate risk, particularly in combination with the prevailing ultra-low yield environment. Nonetheless, in our view, NN follows stringent management of liability and asset cash flows, which reduces the risks.

Our perspective of NN's capitalization and risk management is supported by the group's solvency position, reflected in

a solid Solvency II ratio of 209% as of June 30, 2021. In our view, the group's asset allocation is rather prudent, with the majority of investments in fixed-income assets (82%), of which 20% are in mortgages (excluding NN Bank). Despite NN's investment in higher yielding assets, we still regard its credit quality as rather high on average.

We consider that the group has a favorable funding structure and good access to capital markets, exemplified by the issuance of senior unsecured notes on Nov. 16.

Other Credit Considerations

Liquidity

We regard NN's liquidity as exceptional, mainly stemming from steady premium income and highly liquid assets.

Factors specific to the holding company

We rate NN Group N.V., the holding company, two notches below NN's core insurance companies. This reflects our view of structural subordination, since the holding company does not generate any operative insurance cash flows.

Environmental, social, and governance

ESG factors have no material influence on our credit rating analysis of NN Group.

Accounting considerations

We base our analysis primarily on audited financial data prepared in accordance with International Financial Reporting Standards. We regard the group's financial communication and disclosures as sound and transparent.

Related Criteria

- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Hybrid Capital: Methodology And Assumptions, July 1, 2019
- Criteria | Insurance | General: Insurers Rating Methodology, July 1, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Principles Of Credit Ratings, Feb. 16, 2011
- Criteria | Insurance | General: Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model, June 7, 2010
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021

Related Research

- NN Group Broadens Its Presence In Poland And Greece By Acquiring MetLife's Businesses, July 5, 2021
- Insurance Industry And Country Risk Assessment: The Netherlands Life, Nov. 16, 2021
- Insurance Industry And Country Risk Assessment: The Netherlands Property/Casualty, Nov. 16, 2021
- Insurance Industry And Country Risk Assessment: Netherlands Health, Nov. 16, 2021

Appendix

NN Group N.V.--Credit Metrics History

Ratio/Metric	2020	2019	2018	2017
S&P Global Ratings capital adequacy	Strong	Strong	Satisfactory	Moderately strong
Total invested assets	240,235	229,493	210,444	211,882
Total shareholder equity**	38,772	32,792	24,848	24,799
Gross premiums written	13,822	14,508	13,272	12,060
Net premiums written	12,487	14,046	12,793	11,723
Net premiums earned	12,602	14,057	12,861	11,767
Reinsurance utilization (%)	10	3	4	3
EBIT	2,502	2,582	1,810	2,654
Net income (attributable to all shareholders)	1,926	1,985	1,133	2,132
Return on revenue (%)	14	13	10	16
Return on assets (including investment gains/losses) (%)	1	1	1	1
Return on shareholders' equity (reported) (%)	5	7	5	9
P/C: net combined ratio (%)	93	93	99	102
P/C: net expense ratio (%)	28	27	29	29
P/C: return on revenue (%)	17	17	11	12
Life: Net expense ratio (%)	7	7	6	6
EBITDA fixed-charge coverage (x)	11	12	8	13
EBIT fixed-charge coverage (x)	11	11	8	13
Financial obligations / EBITDA adjusted	2	2	3	2
Financial leverage adjusted including pension deficit as debt (%)	14	17	21	22
Net investment yield (%)	2	2	2	3
Net investment yield including investment gains/(losses) (%)	2	2	3	3

** including undated subordinated notes.

Business And Financial Risk Matrix

Business risk profile	Financial risk profile							
	Excellent	Very Strong	Strong	Satisfactory	Fair	Marginal	Weak	Vulnerable
Excellent	aa+	aa	aa-	a+	a-	bbb	bb+	b+
Very Strong	aa	aa/aa-	aa-/a+	a+/a	a-/bbb+	bbb/bbb-	bb+/bb	b+
Strong	aa-/a+	a+/a	a/a-	a-/bbb+	bbb+/bbb	bbb-/bb+	bb/bb-	b+/b
Satisfactory	a	a/a-	a-/bbb+	bbb+/bbb	bbb/bbb-	bb+/bb	bb-/b+	b/b-
Fair	a-	a-/bbb+	bbb+/bbb	bbb/bbb-	bbb-/bb+	bb/bb-	b+/b	b-
Weak	bbb+/bbb	bbb/bbb-	bbb-/bb+	bb+/bb	bb/bb-	bb-/b+	b/b-	b-
Vulnerable	bbb-/bb+	bb+/bb	bb/bb-	bb-/b+	b+/b	b/b-	b-	b-

Note: Where table indicates two possible outcomes, we determine the anchor as follows: For financial risk profiles that we assess as satisfactory or stronger, we consider the relative strength of both the business risk and financial risk profiles within the cell. This is based on a holistic assessment of the relative strengths of the rating factors of the business risk profile and financial risk profile. For financial risk profiles that we assess as fair or weaker, we typically place more weight on the relative strength of the rating factors of the financial risk profile.

Ratings Detail (As Of December 9, 2021)*

NN Group N.V.

Issuer Credit Rating	BBB+/Stable/A-2
Junior Subordinated	BBB-
Senior Unsecured	BBB+
Subordinated	BBB-

Related Entities

Nationale-Nederlanden Levensverzekering Maatschappij N.V.

Financial Strength Rating	
<i>Local Currency</i>	A/Stable/--
Issuer Credit Rating	
<i>Local Currency</i>	A/Stable/--
Junior Subordinated	BBB+

NN Bank N.V.

Issuer Credit Rating	A-/Stable/A-1
Senior Secured	AAA
Senior Secured	AAA/Stable
Senior Subordinated	BBB+
Senior Unsecured	A-
Senior Unsecured	A-1

NN Life Insurance Co. Ltd.

Financial Strength Rating	
<i>Local Currency</i>	A-/Stable/--
Issuer Credit Rating	
<i>Local Currency</i>	A-/Stable/--

NN Re (Netherlands) N.V.

Financial Strength Rating	
<i>Local Currency</i>	A/Stable/--
Issuer Credit Rating	
<i>Local Currency</i>	A/Stable/--

Domicile

Netherlands

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

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