



# Fourth quarter 2015 results

25 February 2016



**Lard Friese, CEO**

# Financial highlights 4Q15

Operating result

**EUR 250m**

(4Q14: EUR 260m)

Net result

**EUR 360m**

(4Q14: EUR 197m)

Net Operating ROE

**7.5%**

(4Q14: 7.6%)

Holdco cash capital

**EUR 2.0bn**

(3Q15: EUR 1.6bn)

Solvency II ratio<sup>1</sup>

**239%**

(3Q15: 247%)

Dividend per share

**EUR 1.05**

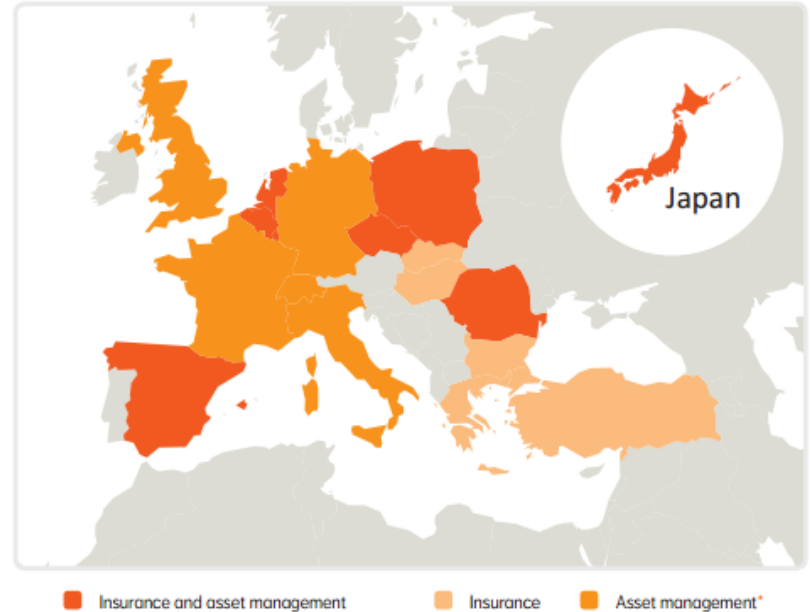
(Final 2014: EUR 0.57)

- Operating result ongoing business down 3.6% to EUR 250m reflecting lower result at Asset Management, partly compensated by a higher result at Japan Life
- Holding company cash capital higher at EUR 2.0bn; free cash flow at holding company for FY15 of EUR 1.4bn
- Final 2015 dividend proposal: EUR 1.05 per ordinary share, or EUR 341m in total, bringing the total FY15 dividend to EUR 1.51 per share
- Solvency II ratio of 239% based on the Partial Internal Model, after deducting the final 2015 dividend of EUR 341m

1. Based on the Partial Internal Model; 4Q15 reflecting proposed 2015 final dividend of EUR 341m

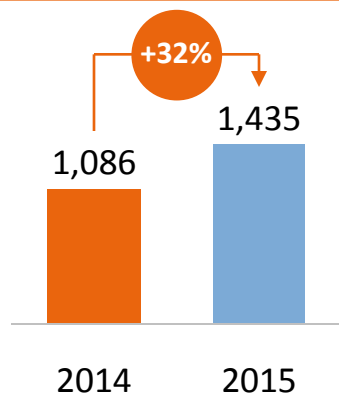
# Business highlights 2015

- **Netherlands Life:** Ongoing shift to higher-yielding assets and further cost reductions achieved; continued focus on efficiencies and capital generation
- **Netherlands Non-life:** Management actions successful in improving D&A performance; more work needed in P&C
- **Insurance Europe:** Continuing shift in the business mix towards capital light products with focus on value
- **Japan Life:** Further product innovation and expansion of distribution network, ~20% APE growth in bancassurance
- **Asset Management:** Net outflows of assets under management amid challenging market conditions; Launched strategy enhancement programme
- **NN Bank:** Further growth in mortgage portfolio to EUR 10.5bn and customer savings to EUR 8.0bn; top 5 mortgage originator in the Netherlands

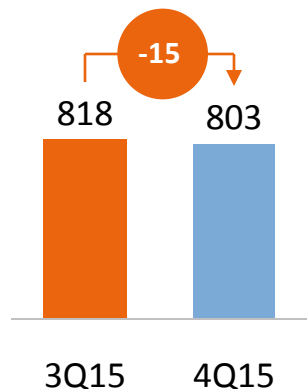


# Delivering on the financial targets

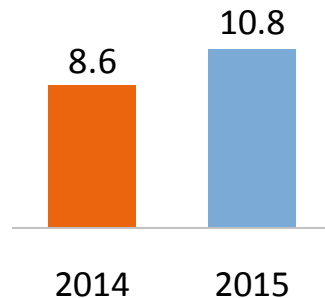
Annual earnings<sup>1</sup>  
growth of 5-7% on  
average in the medium  
term (EURm)



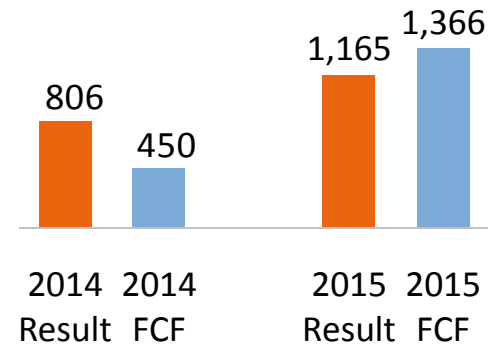
Target administrative  
expense base in the  
Netherlands<sup>2</sup> of  
EUR 700m by 2018  
(EURm)



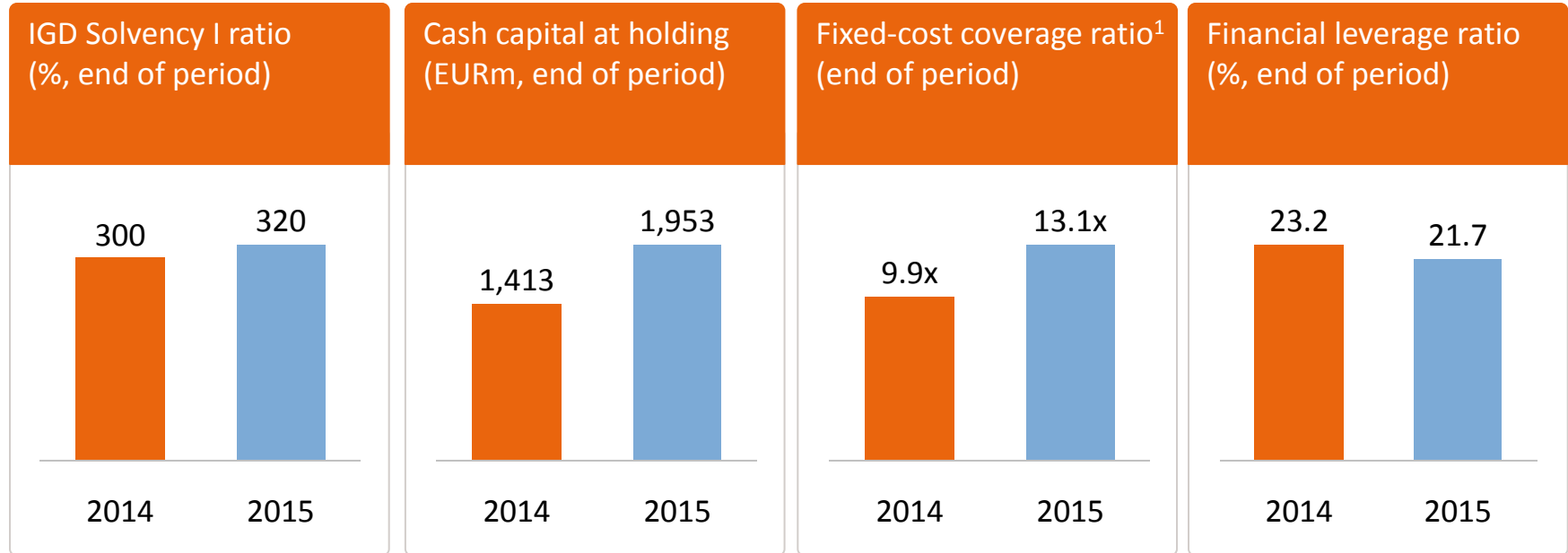
Increase in ROE<sup>3</sup> in  
medium term (%)



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

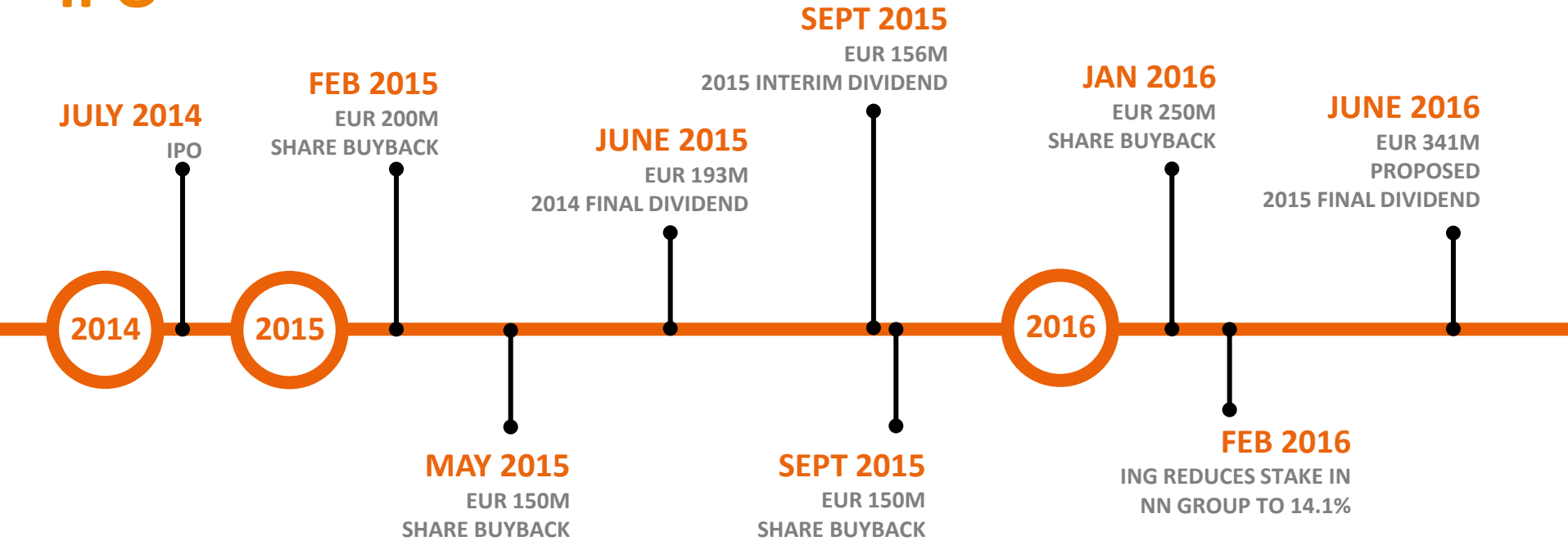


# Robust balance sheet



- 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



# Strategic priorities for 2016

## CONTINUE TO DRIVE BUSINESS PERFORMANCE



- Execute on announced cost savings to achieve target expense base in the Netherlands of EUR 700m by the end of 2018
- Improve combined ratio of Netherlands Non-life
- Invest in Netherlands retail strategy – ‘Digital, Personal and Relevant’
- Invest in product innovation and expand distribution at international units
- Execute ‘Focus, Simplify and Optimise’ programme at asset manager to rationalise and create scale in product range and build on areas of expertise

## CONTINUE TO DEPLOY CAPITAL IN VALUE CREATING OPPORTUNITIES



- Manage the business for value with focus on VNB
- Continue to allocate and reallocate capital to higher RoE businesses
- Continue to look for opportunities to deploy capital in value creating ways

## MAINTAIN CAPITAL DISCIPLINE

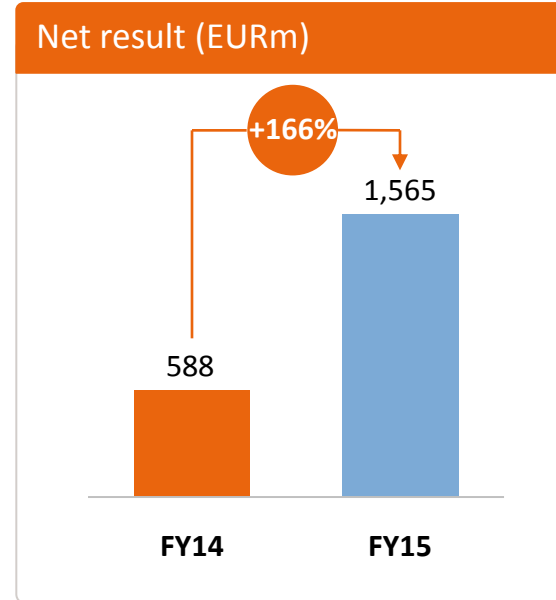
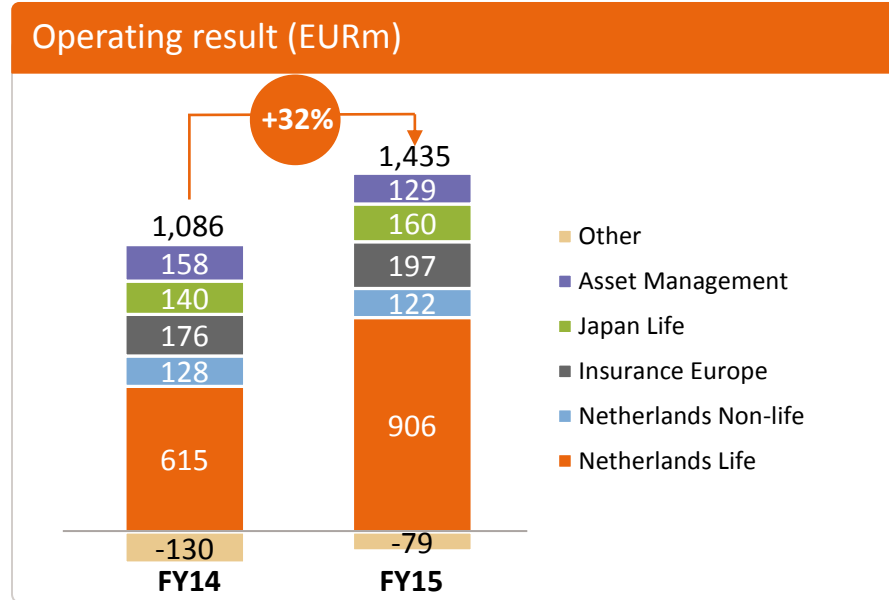


- Strong balance sheet; well placed to deal with remaining uncertainties in Solvency II
- Committed to dividend policy
- Cash capital at holding target range of EUR 0.5 – 1.5bn



**Delfin Rueda, CFO**

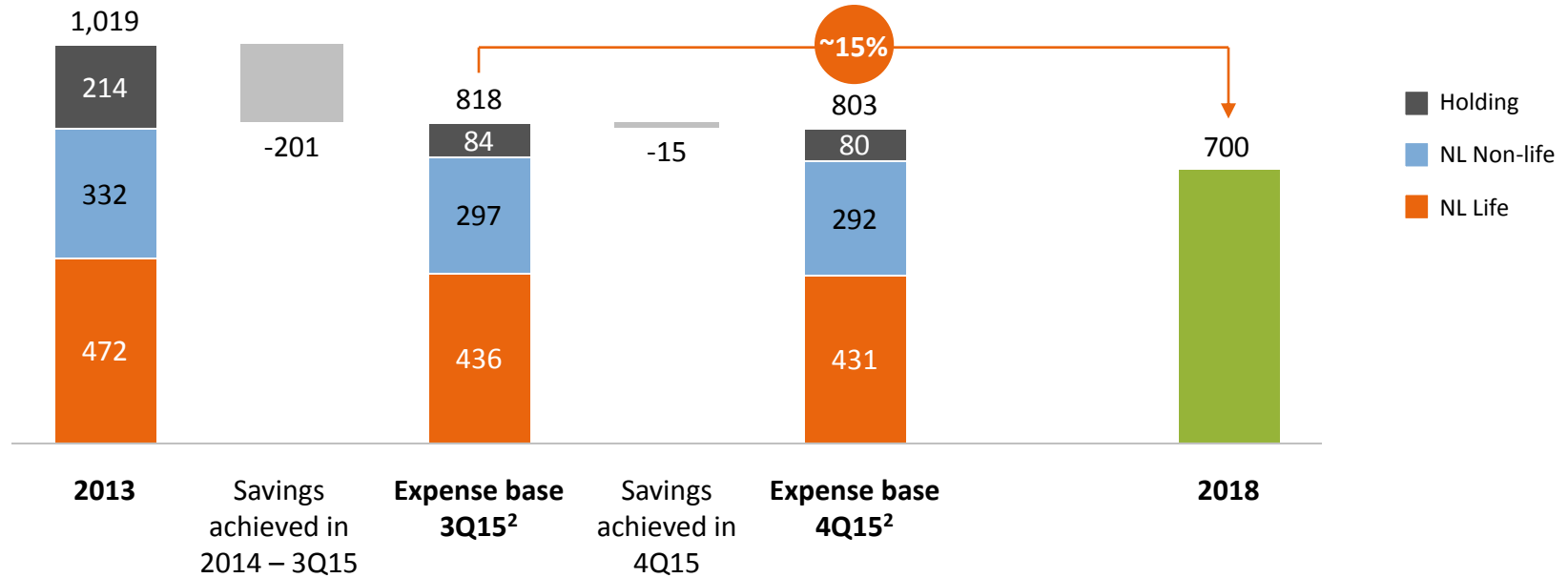
# Full-year results



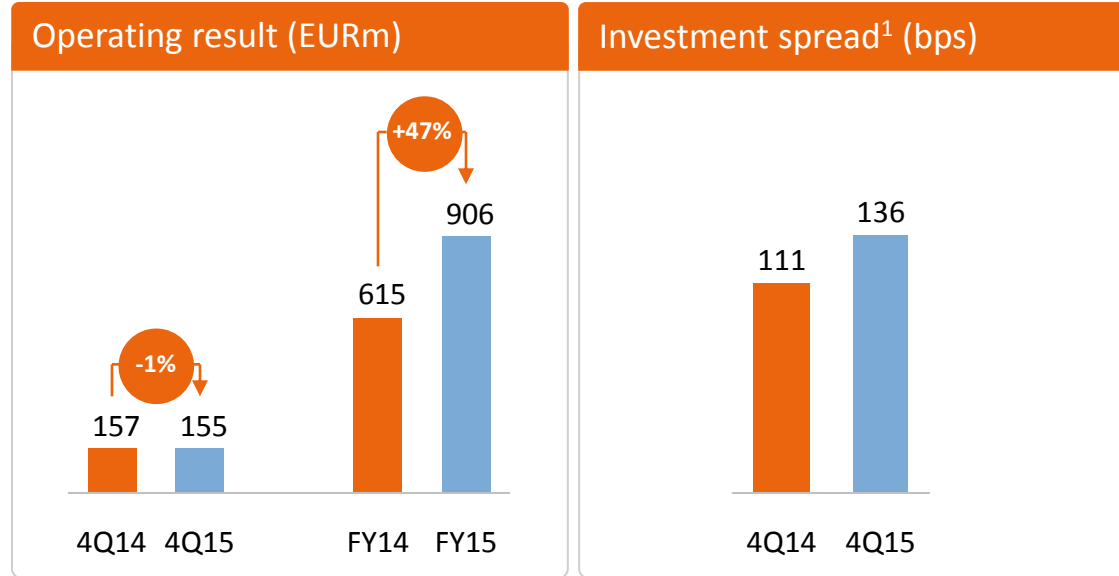
- FY15 operating result ongoing business up 32.2%, reflecting higher private equity dividends and lower administrative expenses in the Netherlands as well as higher technical margin at Netherlands Life
- Special items (pre-tax) included in 2015 net result comprise rebranding of EUR 87m and restructuring expenses of EUR 13m taken in 4Q15; 2014 included a EUR -541m special item for the Dutch employee pension plan

# Expense base reduced to EUR 803m

Target administrative expense base in the Netherlands<sup>1</sup> of EUR 700m by 2018 (EURm)



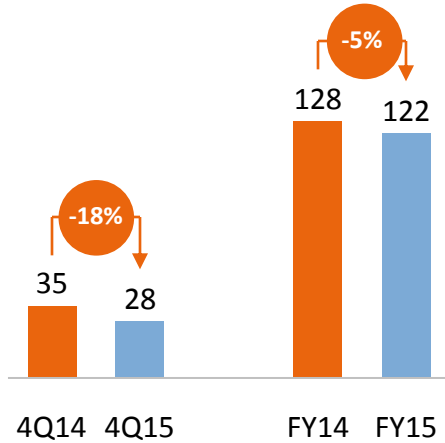
# Netherlands Life



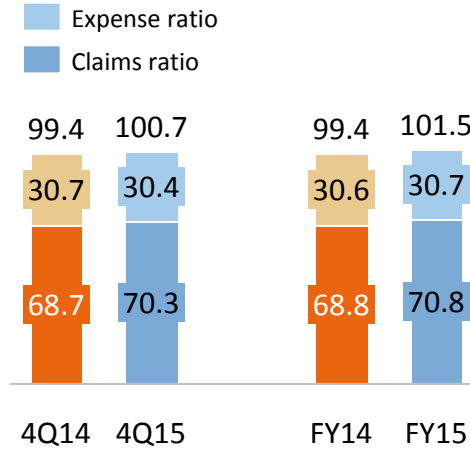
- Operating result 4Q15 broadly stable, driven by a higher technical margin offset by lower private equity dividends and lower fees and premium-based revenues
- Investment spread increased benefiting from private equity dividends in 2015

# Netherlands Non-life

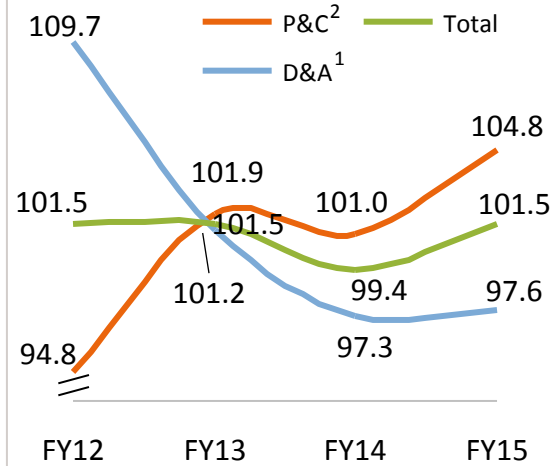
## Operating result (EURm)



## Combined ratio (%)

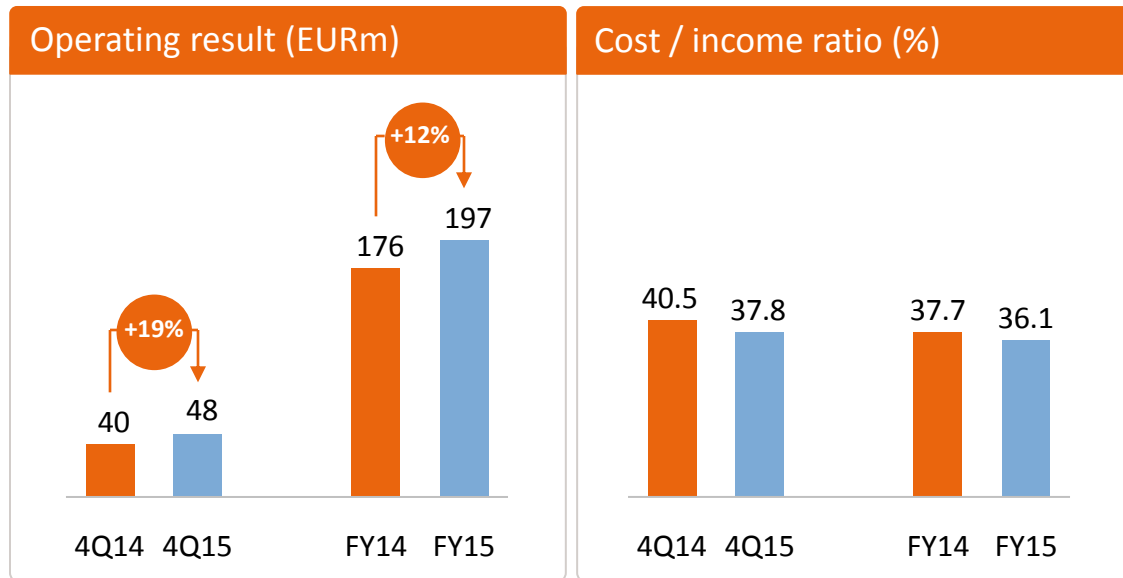


## Combined ratio business lines (%)



- Operating result 4Q15 down at EUR 28m due to less favourable claims experience in P&C; combined ratio 100.7%
- D&A – 4Q15 operating result stable; combined ratio 100.8%
- P&C – lower 4Q15 results in the Motor and Miscellaneous portfolios partly offset by higher results in Fire; combined ratio 100.7%

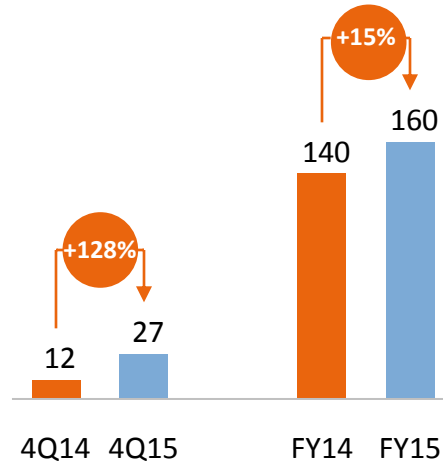
# Insurance Europe



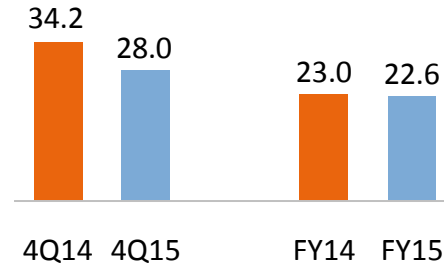
- Operating result 4Q15 increased to EUR 48m, mainly reflecting higher fees and premium-based revenues and lower administrative expenses
- Cost / income ratio improved on higher income and lower expenses

# Japan Life

Operating result (EURm)

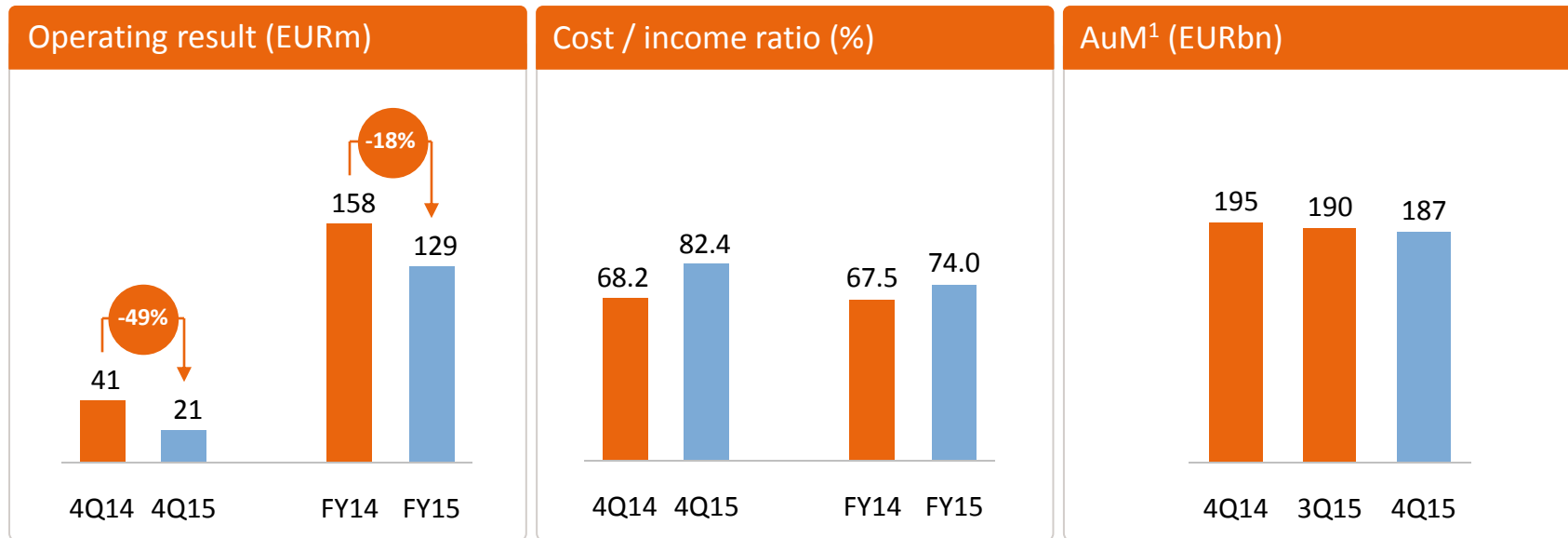


Cost / income ratio (%)



- Operating result 4Q15 up at EUR 27m, driven by higher fees and premium-based revenues and technical margin, partly offset by lower investment margin
- Cost / income ratio improved on higher income and flat expenses

# Asset Management

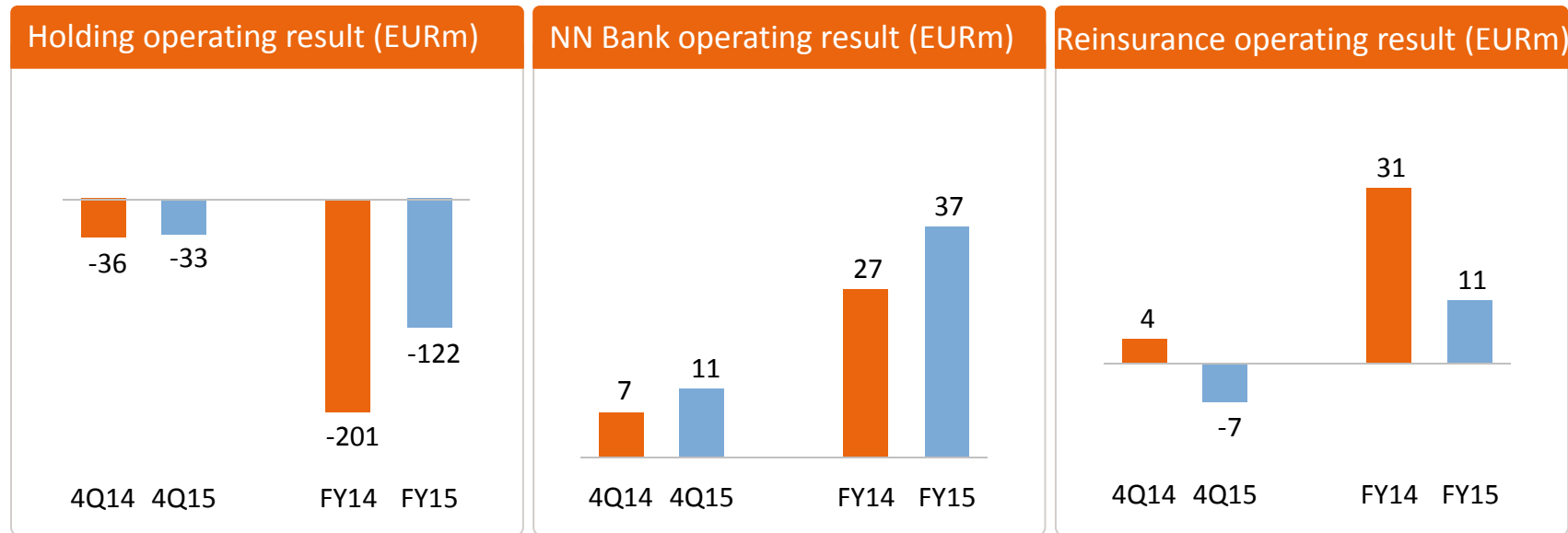


- Operating result 4Q15 decreased to EUR 21m due to lower fees and higher expenses
- Expenses in 4Q15 reflect EUR 13m restructuring provision related to strategy enhancement
- Total Assets under Management (AuM) at 4Q15 down at EUR 187bn due to net outflows of third-party assets (EUR 4.1bn), partly offset by positive market performance (EUR 1.6bn)

1. AuM include the mortgage portfolio managed on behalf of NN Life and NN Non-life since 2Q14. The comparative figures have been restated accordingly.

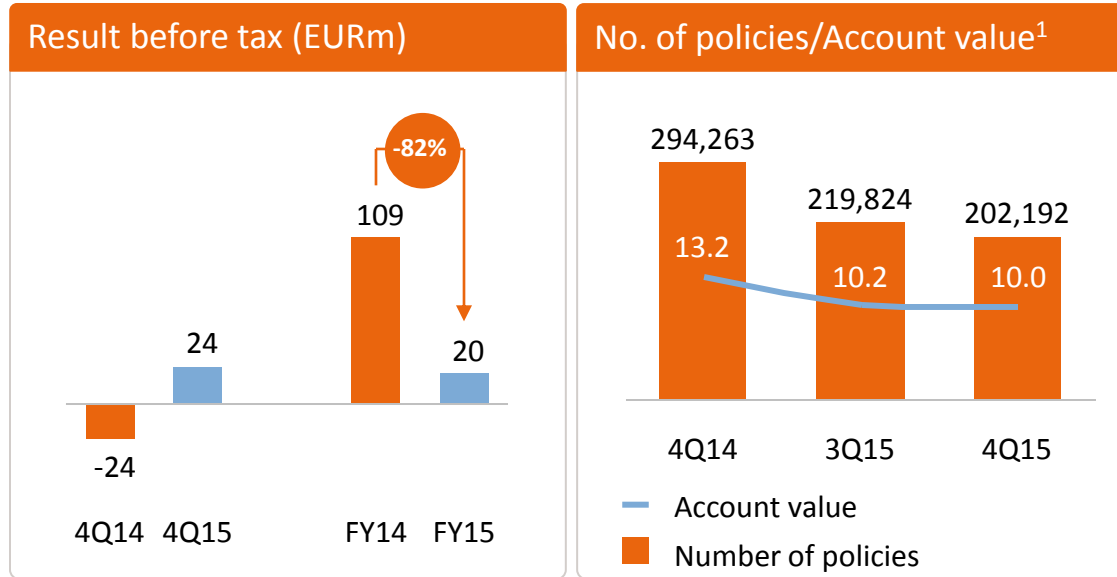


# Other



- Operating result 4Q15 of segment 'Other' decreased to EUR -29m from EUR -24m in 4Q14
- Holding result improved driven by lower holding expenses
- Higher result at NN Bank reflects a higher interest margin, partly offset by higher administrative expenses
- Reinsurance result down as 4Q14 benefited from assumption updates and due to lower underwriting results




# Japan Closed Block VA



- Result before tax 4Q15 improved to EUR 24m reflecting positive hedge results
- Portfolio run-off resulted in 8.0% decrease in the number of policies compared with 3Q15 and 31.3% decrease compared with 4Q14
- Net Amount at Risk (NAR) decreased to EUR 203m versus 3Q15, primarily due to equity markets appreciation

# Value of new business

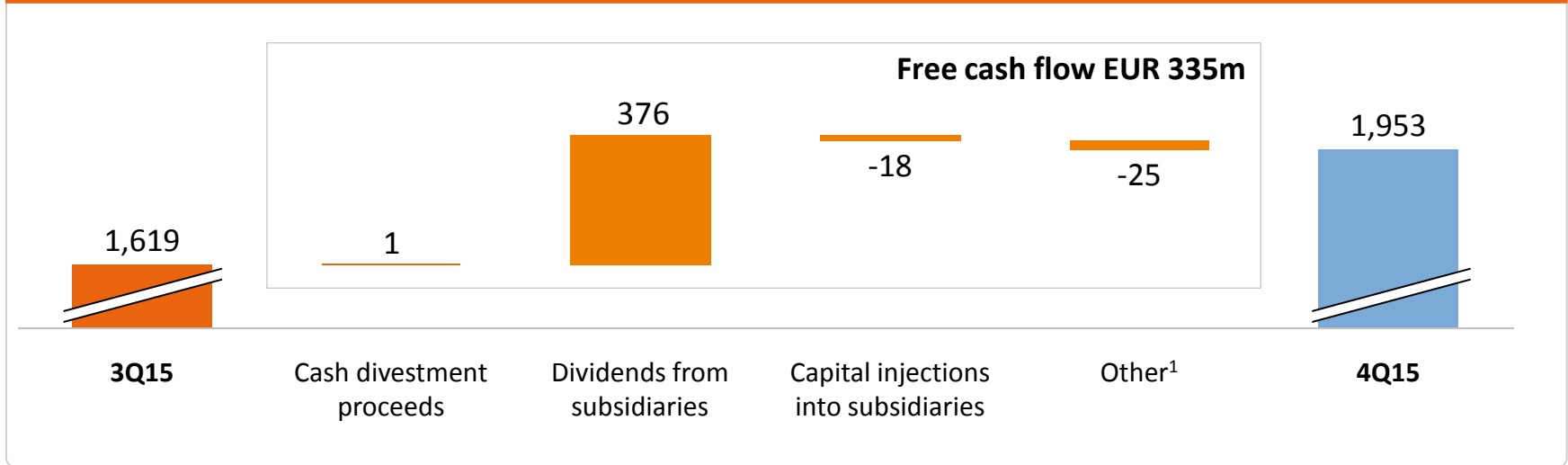
## VNB<sup>1</sup> FY15 and FY14 (EURm)

		VNB	IRR	Payback period	
<b>Netherlands Life</b>	<b>FY15</b>	<b>6</b>	<b>8.5%</b>	<b>12</b>	 <ul style="list-style-type: none"> <li>Decrease in VNB and IRR largely due to renewal of a few large group pension contracts on more favourable terms in 2014 and an overall decline in interest rates</li> </ul>
	<i>FY14</i>	<i>14</i>	<i>11.2%</i>	<i>10</i>	
<b>Insurance Europe</b>	<b>FY15</b>	<b>96</b>	<b>10.5%</b>	<b>8</b>	 <ul style="list-style-type: none"> <li>Increase in VNB and IRR largely reflecting a shift in business mix toward higher margin products partially offset by the impact of lower interest rates</li> </ul>
	<i>FY14</i>	<i>74</i>	<i>9.6%</i>	<i>9</i>	
<b>Japan Life</b>	<b>FY15</b>	<b>100</b>	<b>13.3%</b>	<b>7</b>	 <ul style="list-style-type: none"> <li>Increase in VNB driven by a shift to more profitable products, which more than compensated the impact of lower interest rates</li> </ul>
	<i>FY14</i>	<i>89</i>	<i>13.9%</i>	<i>7</i>	

1. 2015 new business metrics have been calculated in line with NN Group's pricing methodology. The 2014 new business metrics have been restated for comparability

# Free cash flow 4Q15

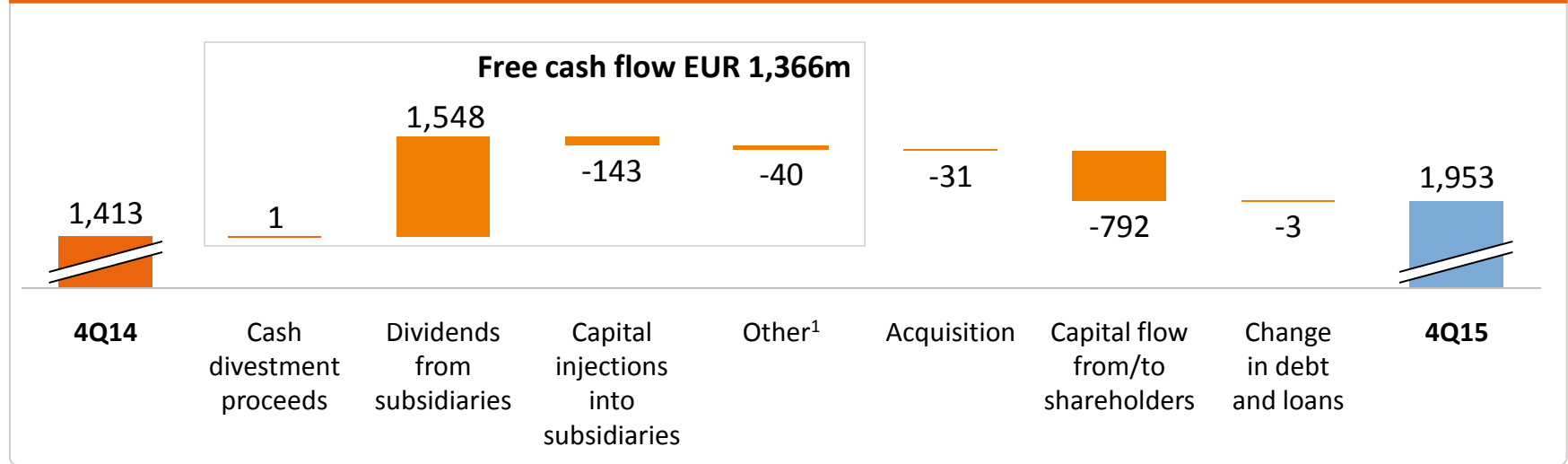
## Movement in holding company cash capital (EURm)



- Cash capital position at the holding company increased to EUR 1,953m at the end of 4Q15
- Free cash flow of EUR 335m driven by dividends received from subsidiaries of EUR 376m

# Free cash flow 2015

## Movement in holding company cash capital (EURm)

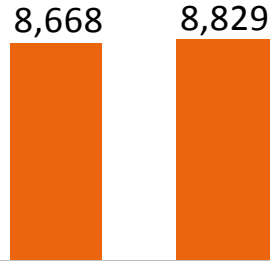


- Increase in cash capital position in 2015 driven by free cash flow to the holding, partly offset by capital flows to shareholders primarily comprising ordinary dividends (EUR 349m) and share buy-backs (EUR 500m)
- Free cash flow of EUR 1,366m driven by EUR 1,548m of dividends received from all business segments

# Capital generation based on Solvency I

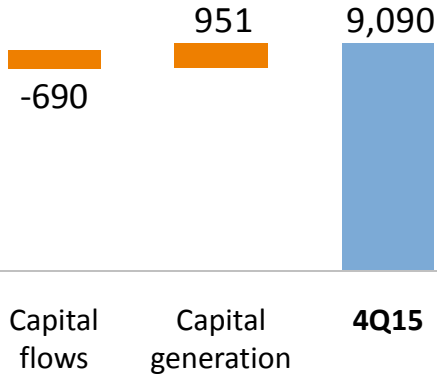
Available over minimum required capital (EURm)

Total subsidiaries



IGD ratio NN Group

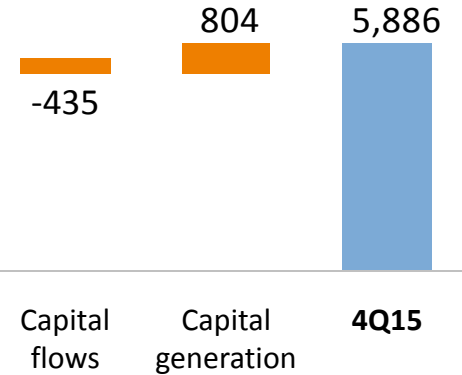
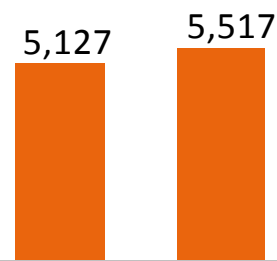
320%



NN Life

Solvency I ratio

299%



- Capital generated by subsidiaries of EUR 951m in second half of 2015 and EUR 1,798m for full-year 2015
- Capital predominantly generated in NN Life reflecting decreasing interest rates and tightening of credit spreads in combination with positive operating performance, offset by investments in new business

# All units strongly capitalised based on Solvency II

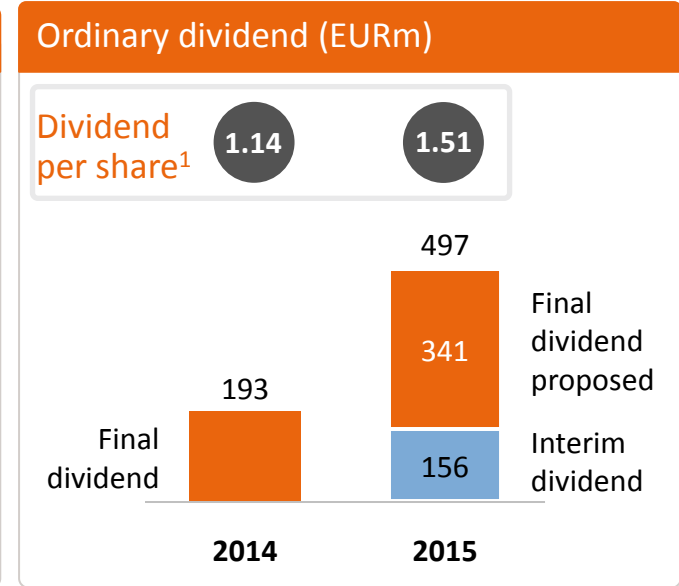
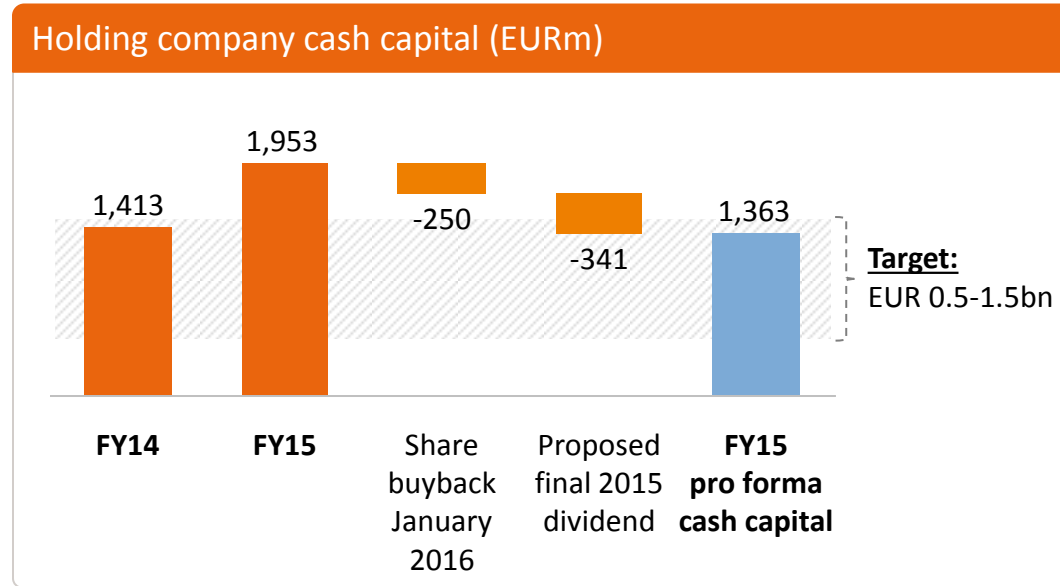
Legal entity at 4Q15	Solvency II Own Funds <sup>1</sup> (in EURbn)	Solvency II SCR (PIM) <sup>2</sup> (in EURbn)	Solvency II ratio (PIM)
<b>NN Group</b>	<b>13.3</b>	<b>5.6</b>	<b>239%</b>
NN Life	7.7	3.5	220%
NN Non-life	0.6	0.4	159%
NN Re	1.1	0.6	189%

# Sensitivities of the NN Group Solvency II ratio to specified shocks

Sensitivities to shocks <sup>1</sup> at 4Q15	Δ OF (in EURbn)	Δ SCR (PIM) (in EURbn)	Δ Solvency II ratio <sup>2</sup> (in %-points)
<b>Interest rate:</b> Parallel shock +50bps	0.0	-0.2	+7%
<b>Interest rate:</b> 25bps steepening between 20y-30y	-0.7	0.0	-13%
<b>Credit spread:</b> Parallel shock for all bonds +50bps	-0.7	-0.1	-10%
<b>Credit spread:</b> Parallel shock for government bonds +50bps	-1.7	0.1	-32%
<b>Credit spread:</b> Parallel shock corporate bonds +50bps	0.7	-0.1	+17%
<b>Equity:</b> Downward shock -25%	-1.1	-0.2	-10%
<b>Real estate:</b> Downward shock -15%	-0.7	0.0	-12%
<b>UFR:</b> Downward adjustment to 3.2%	-1.0	0.2	-25%



# Cash capital target and dividend



- Over time we aim for a holding company cash capital position within a target range of EUR 0.5 – 1.5bn
- Total cash distributed to shareholders since IPO of EUR 1.4bn<sup>2</sup>
- Total dividend for 2015 of EUR 497m representing a payout ratio of 41% of net operating result of the ongoing business

**Lard Friese, CEO**

# Key takeaways

- 1 Strong FY15 performance; 4Q15 operating result ongoing business of EUR 250m and net result of EUR 360m
- 2 Cost savings in the Netherlands of EUR 15m in 4Q15 bringing the expense base down to EUR 803m
- 3 Solvency II ratio of 239% at 4Q15 based on the Partial Internal Model
- 4 Holding company cash capital higher at EUR 2.0bn; free cash flow at holding company for FY15 of EUR 1.4bn
- 5 Final 2015 dividend proposal: EUR 1.05 per ordinary share, or EUR 341m in total

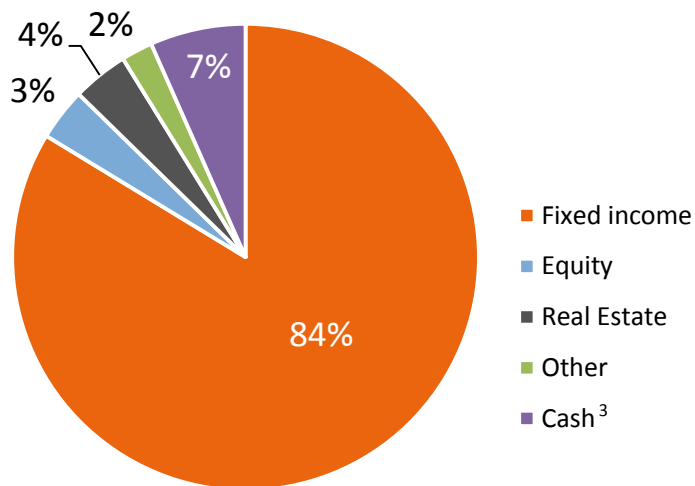
# Q&A

Lard Friese, Delfin Rueda, Doug Caldwell

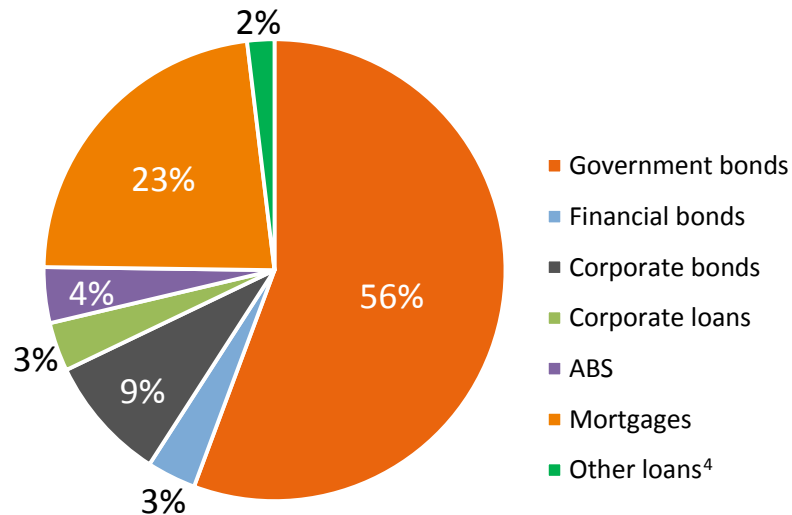
# Appendices

# Breakdown NN Group asset portfolio (1)

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

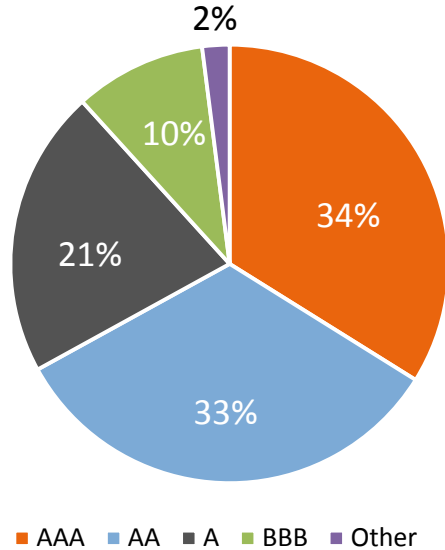


Fixed income portfolio at 4Q15  
(total EUR 98bn)<sup>2</sup>

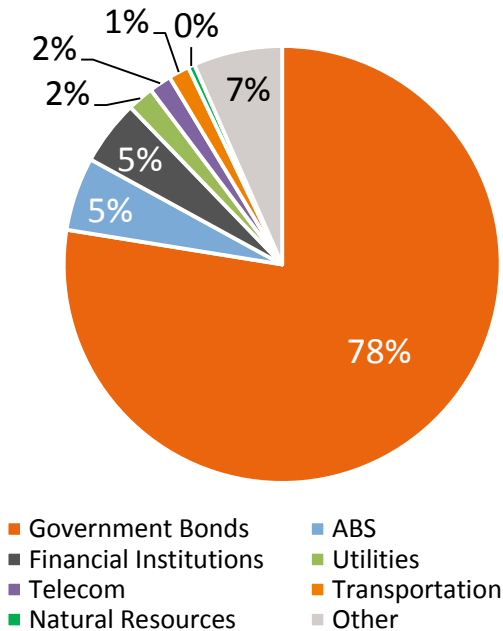


# Breakdown NN Group asset portfolio (2)

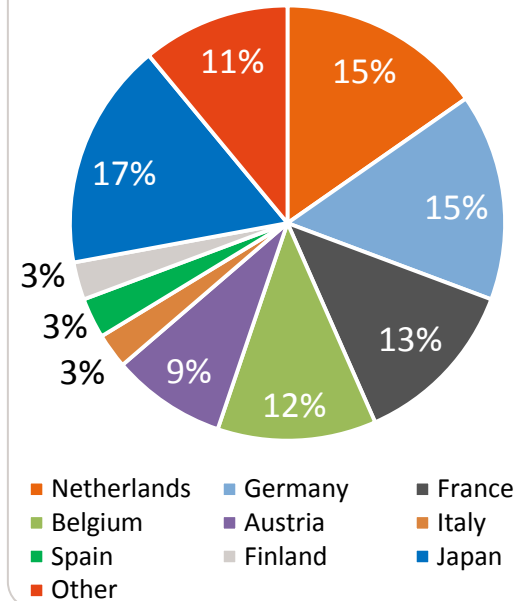
Fixed income bonds<sup>1</sup> by rating at 4Q15 (total EUR 70bn)



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



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



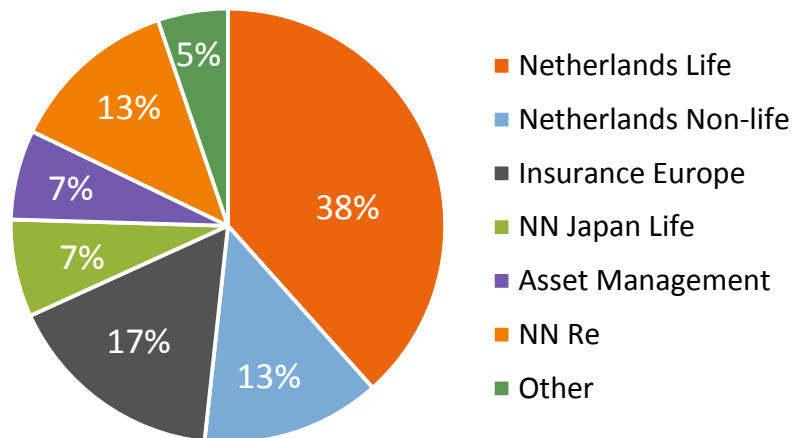
1. Comprises government bonds, financial bonds, corporate bonds and ABS

# 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



# 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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