

NN Group semi-annual pre-close note for 2H24

NN Group Investor Relations

14 January 2025

The note is primarily intended to assist the sell side analyst community covering NN Group, and may be useful for their analysis. NN Group will aggregate estimates received by sell side analysts and publish a consensus estimate. The document does not contain inside information or current trading comments. Unless stated otherwise, the guidance and outlook comments come from the 1H24 results on 15 August 2024, and as such should be considered a reiteration rather than a confirmation.

Capital

- NN Group's solvency ratio at the end of June 2024 was 192%.
- The operating capital generation (OCG) during 2H24 contributed to the ratio. Guidance on OCG is provided in a separate section of this document.
- Estimates based on observable market movements and our most recently disclosed solvency sensitivities (published as part of 1H24 results) indicate a negative impact on markets in the second half of 2024, driven mainly by widened government bond and mortgage spreads.
 - Our disclosed sensitivities ([link](#), page 21) are high-level point-in-time estimates based on specific shocks and, therefore, may not fully reflect our underlying portfolio movements.
 - NN Group's government bond and corporate bond portfolio composition are disclosed ([link](#), page 26 and 29).
 - NN Group's equity portfolio is a more concentrated midcap portfolio, making it challenging to model the equity portfolio based on an index. The portfolio is underweight to tech and financials.
 - To avoid double-counting when estimating market impacts for equity and real estate, the total return assumptions for equity and real estate should be deducted as this is included in OCG.
- Notable macroeconomic movements in 2H24 are:
 - Widened government bond spreads for both AAA-rated government bonds (c.33bps¹ widening) as well as AA and lower rated government bonds (c.29bps² widening).
 - Widened mortgage spreads (15-20bps widening from a level of 88bps as of 30 June 2024). Our through the cycle average mortgage spread expectation is around 100bps.
 - Lower interest rates (c.-41bps³).
 - The expected impact from interest rate steepening based on observed movements is limited.
 - Corporate spreads remained relatively stable.
 - Most European equity indices were slightly negative during the period.
 - Guidance provided during the 1H24 results indicated scope for small positive real estate revaluations in the second half of the year.
- Model and assumption changes are typically reflected in the second half of the year.
- A final dividend and share buyback programme are typically announced with the full-year results. The final dividend impacts the reported solvency ratio at year-end 2024, whilst the share buyback will impact the reported solvency ratio at the half-year results.

¹ Proxy based on the movements in spreads of Dutch and German government bonds (at the 10yr point).

² Proxy based on the weighted movements in spreads for the top 5 Euro denominated AA and lower rated government bonds (France, Belgium, Austria, Spain and Italy) during the period. Spreads are taken at the 10yr point, with the exception of French government bonds that are taken at the 20yr point.

³ 20yr EUR swap rate.

Operating capital generation

- The last guidance for the Group included a relatively flat trajectory for OCG from EUR 1.9bn in 2023 to 2024. This included the following guidance per segment:

Segment	Reported 1H24	Guidance
Netherlands Life	EUR 536m	2024 OCG was expected to show some growth from the reported 2023 level of EUR 1,025m, although achieving its target of EUR 1.15bn in 2025 seemed to be more challenging, largely due to financial market circumstances, related mainly to negative real estate revaluations since mid-2022 .
Netherlands Non-life	EUR 153m	With the full-year 2023 results we communicated a normalised run-rate level of EUR 370m with GDP level growth, which was still deemed feasible, also for 2024.
Insurance Europe	EUR 229m	Could hit its 2025 OCG target of EUR 450m one year early.
Japan	EUR 65m	On track to grow towards its OCG target of EUR 125m in 2025, barring further Japanese Yen depreciation versus the Euro.
Banking	EUR 79m	OCG for 1H24 was elevated driven by capital release and lower portfolio growth. For 2H24, we expected stronger balance sheet growth and continued net interest margin normalisation, both compressing OCG versus 1H24. Expected to outperform its OCG target of EUR 80m in 2025.
Other	EUR -103m	Can sustain a better run-rate than its targeted EUR ~-300m in 2025. In 1H24, the reinsurance business benefitted from favourable claims experience.

Free Cash Flow⁴

- NN Group has set a target for its Free Cash Flow of EUR 1.6bn in 2025.
- The following applies per segment:

Segment	Guidance
Netherlands Life	Priority is a strong balance sheet and predictable and stable remittances.
Netherlands Non-life	Remittances have been guided to be in line with the conversion ratio of NN Group.
International units	Most international units typically pay dividends in the first half of the year.
Banking	NN Bank has not proposed a dividend to be paid out from the 1H24 results, due to the (intended) redemption of subordinated debt, as disclosed in its 2024 interim report. NN Bank has EUR 25m subordinated debt with a call date in 2H24.

⁴ Free Cash Flow is defined as remittances from subsidiaries, capital injections into subsidiaries, and other movements including holding company expenses and interest on loans and debt and other holding company cash flows.

Cash capital position at the holding company

- NN Group's holding company cash capital at the end of June 2024 was EUR 1,359m.
- Apart from Free Cash Flow, capital flows to shareholders impacted the cash position by EUR 708m, during 2H24:
 - Deduction of the 2024 interim dividend (paid solely in cash) of approximately EUR 347m
 - Deduction for the repurchase of NN Group shares for a total amount of EUR 362m
- Other items that could impact the cash capital position include changes in debts and loans, divestment proceeds and acquisitions.

Closed period

Please note that the closed period commences on 21 January 2025.

Important legal information

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) operational and IT risks, such as system disruptions or failures, breaches of security, cyber-attacks, human error, changes in operational practices or inadequate controls including in respect of third parties with which we do business, (20) risks and challenges related to cybercrime including the effects of cyberattacks and changes in legislation and regulation related to cybersecurity and data privacy, (21) business, operational, regulatory, reputation and other risks and challenges in connection with ESG related matters and/or driven by ESG factors including climate change, (22) the inability to retain key personnel, (23) adverse developments in legal and other proceedings and (24) 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.