Y 2019 Earnings Call

Company Participants

- David Knibbe, Chief Executive Officer
- Delfin Rueda, Chief Financial Officer

Other Participants

- Albert Ploegh
- Andrew Baker
- Ashik Musaddi
- Benoit Petrarque
- Colm Kelly
- Cor Kluis
- Farooq Hanif
- Farquhar Murray
- Fulin Liang
- Johnny Vo
- Robin van den Broek
- William Hawkins

Presentation

Operator

Good morning, ladies and gentlemen. This is the operator speaking. Welcome to NN Group's Analyst Conference Call on its Fourth Quarter 2019 Results. The telephone lines will be in listen-only mode during the company's presentation. The lines will then be opened for a question-and-answer session.

Before handing this conference call over to Mr.David Knibbe, Chief Executive Officer of NN Group, let me first give the following statement on behalf of the company. Today's comments may include forward-looking statements such as statements regarding future developments in NN Group's business, expectations for its future financial performance and any statement not involving a historical fact.

Actual results may differ materially from those projected in any forward-looking statement. Any forward-looking statements 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. Furthermore, nothing in today's comments constitutes an offer to sell or solicitation of an offer to buy any securities.

Good morning, Mr.Knibbe. Over to you.

David Knibbe {BIO 17996037 <GO>}

Yes, thank you, Anita, and good morning, everyone, and welcome to our conference call to discuss NN Group's results for the fourth quarter of 2019. I am joined today by Delfin Rueda.

So let's get started with the highlights as shown on Slide 3. NN Group has reported a strong performance for the fourth quarter of 2019 with almost all segments posting a higher operating result compared with the same quarter in 2018. Let me call out a few highlights. We are making progress in improving the profitability of our Non-life business and this is reflected in the combined ratio of 93.6% in the fourth quarter.

The results of Japan Life were materially this quarter, reflecting better mortality and surrender results, despite lower sales following the tax revision in that country. And NN Bank, if you exclude the one-off benefits, reported a $6 million higher result and originated a record volume of mortgages in 2019. We have also made further efficiency gains across the organization bringing the total cost reduction of the units in scope of the integration to EUR360 million compared with the full year 2016 expense base. Delfin will discuss the financial results of each segment and the cost savings in more detail later in this presentation.

Our balance sheet remains strong, with a Solvency II ratio of 218% and cash capital at the holding company of almost EUR2 billion. This solid position allows us to propose a 2019 final dividend of EUR1.40 per ordinary share, which will be tabled at our AGM in May, and brings the full year 2019 dividend per ordinary share to EUR2.16, up 14% from 2018.

We are also announcing today a new share buyback of EUR250 million, which is anticipated to commence on the 2nd of March. We welcome the comments of EIOPA and D&B that the current capital requirements for insurers are adequate. We continue to believe that our robust capital position allows for strong shareholder returns.

There were many developments within NN during 2019, including the further integration of the Delta Lloyd businesses as well as various regulatory changes in Europe and Japan. Despite this, we never lost sight of our customers and our objective of helping them to secure their financial futures, which is reflected in a further increase in customer satisfaction during the year. Our employees are at the heart of servicing our customers, and therefore, I am pleased to see that our employee engagement also increased in 2019.

I will talk about the commercial performance on the following Slide. Value of new business in Europe was up 21% in 2019 compared with the previous year. Reflecting an improved business mix focusing more on protection products as well as higher sales. Total value of new business for the year, however, was down due to a sharp drop in sales in Japan in the second half of the year, following the revised tax rules for COLI products. We expect this to continue into near-term as SME customers await more clarity on how the market and products will develop.

On the other hand, we saw higher sales in the Netherlands in 2019 on the back of a larger volume of renewals of group pension contracts. As already mentioned, NN Bank originated a record volume of mortgages in 2019. There are attractive assets -- these are attractive assets in terms of yields and their low risk profile. Of the total origination of almost EUR8 billion, more than EUR5 billion was transferred to the Group's insurance companies for their investment portfolios as well as to NNIP's third-party mortgage fund.

I will now move on to Slide 5. The presentation of our fourth quarter results is also an opportunity to look at our performance over the longer-term. We set our current Group financial targets in 2017 and made good progress in all three metrics. We are well on our way to achieving the planned EUR400 million of cost savings, having already reduced the 2016 expense base by EUR360 million. Our operating result before tax has grown by an average of 6% per annum since 2017. And we generated EUR1.2 billion of free cash flow available for shareholders in 2019.

Let's now turn to the next Slide, where we talk about our updated dividend policy. NN Group has a track record of distributing excess capital to shareholders, having paid a total of EUR4.8 billion of ordinary dividends and share buybacks since IPO, including the final dividend and share buyback announced today.

Our approach to this has not changed. However, we now want to give clear guidance on what shareholders can expect in terms of capital returns on an annual basis. Going forward, we will pay a progressive ordinary dividend per share, which means that we aim to grow the dividend per share over time. We also intend to execute a recurring annual share buyback of at least EUR250 million. Additional excess capital will be returned to shareholders unless it can be used for value creating opportunities.

Today, we have announced a proposed final dividend of EUR448 million. This is the equivalent of a dividend per share of EUR1.40, bringing the total 2019 dividend per share to EUR2.16, which is a 14% increase on the 2018 dividend per share. The full year dividend comes to EUR698 million and represents a payout ratio of 50% of our 2019 net operating results. Looking back, we have increased the dividend per share by an average of 9% per annum since 2015.

We have also announced a share buyback of EUR250 million, which is anticipated to commence on the 2nd of March, and will be completed within 12 months. This decision takes into account the fact that in 2020, we will pay EUR566 million for the acquisition of Vivat Non-life, and we will also repay EUR300 million of maturing senior debt, which we intend not to refinance.

And with that, I will pass you over to Delfin.

Delfin Rueda {BIO 7032761 <GO>}

Thank you, David, and good morning, everyone. Let me start with NN Group's operating result in the left hand chart, which amounted to EUR428 million in the fourth quarter of 2019, up from EUR343 million a year earlier. Almost all segments contributed to this increase. And I will talk you through each segment on the following slides.

The fourth quarter net result shown in the right-hand chart, was EUR329 million. This compares with a loss of EUR533 million in the same quarter of 2018, which included a goodwill impairment of EUR852 million. If we look at the full year 2019 performance, the operating result increased 10% compared with 2018 to almost EUR1.8 billion. This result included EUR121 million of non-recurring benefits versus EUR38 million in 2018. Excluding these items, the higher operating result was mainly driven by better underwriting results at our Non-life business and higher results in Japan. And finally, on this slide, the increase in the full year net result mainly reflects the goodwill impairment taken in 2018.

Moving on to the next Slide, I will take you through the operating performance of the individual segments. Starting on the left, the operating result of Netherlands Life in the fourth quarter remained broadly stable at EUR193 million, reflecting lower expenses partly offset by a lower investment margin. The full year operating result was down on 2018, largely due to lower fees and premium based revenues as well as lower private equity and special dividends, partly offset by lower expenses.

As David already mentioned, the Non-life business posted another good result this quarter with our combined ratio of 93.6% and compared with 96.4% in the same quarter of 2018. The increase was driven by higher results in the Property & Casualty portfolio, which increased from EUR17 million in the fourth quarter of 2018 to EUR38 million on the back of favorable claims development and lower administrative expenses.

The results of the Disability & Accident portfolio were broadly stable at EUR19 million, as lower expenses were largely offset by unfavorable claims development in the individual disability portfolio, which was partly covered by reinsurance with NN Re.

The full year 2019 combined ratio for Netherlands Non-life was 95.4% versus 99.4% for 2018. The third chart shows the operating result of Insurance Europe. The fourth quarter 2019 result was impacted by various factors, including higher administrative expenses as well as lower pension fees in Romania, following the pension reforms in that country. This was partly offset by favorable, mortality and morbidity results in Belgium. On the other hand, the full-year result was up on 2018, mainly driven by higher performance fees and protection growth.

Finally on this Slide, the increase in the operating result of Japan life reflects a higher technical margin driven by favorable mortality and morbidity results as well as higher surrender results reflecting the increased persistency of the portfolio, following the revised tax regulations for certain COLI products. This in turn, resulted in lower DAC amortization and trade commissions. The full year operating result was up 23% on 2018, if you exclude currency effect.

The other segments are shown on Slide 10. The operating result of asset management increased to EUR41 million, compared with EUR30 million in the fourth quarter last year, driven by a decrease of administrative expenses as well as higher fees. Total assets under management decreased to EUR276 billion, compared with EUR287 billion at the end of the third quarter, reflecting negative market performance as well as net outflow of assets. The increase in the full year operating result was mainly driven by lower expenses, partly offset by lower fees.

The segment Banking reported an operating result of EUR54 million for the fourth quarter of 2019, driven by higher fees and other income. Including a EUR20 million non-recurring benefit relating to the valuation premium on mortgage sales as a result of lower mortgage rates. The interest result also increased, mainly reflecting penalty interest on a higher volume of mortgage redemptions as well as lower funding cost. The full-year operating result was higher than in 2018, mainly reflecting the non-recurrent income that I mentioned before.

Finally, the segment Other, reported a loss of EUR44 million in the fourth quarter versus a loss of EUR48 million in the same quarter of 2018. This includes an improved holding result, reflecting higher investment income and fees, partly offset by a lower result in the reinsurance business, while the comparative quarter included a EUR10 million non-recurring charge in the holding expenses. The improvement of the full year operating result in 2019 versus 2018 was influenced by non-recurring items.

Let's move on the cost savings on the Slide 11. As you are aware, we aim to reduce the expense base for the business units in the scope of the integration by EUR400 million by the end of 2020. We are making good progress towards reaching this target, with additional cost savings of EUR36 million in the fourth quarter of 2019, bringing total cost reductions to EUR360 million compared with the 2016 full year expense base. However, as we have guided in past quarters, expense reductions will not be linear, and some units will see expense increases to support their growth plans and make necessary investments.

I will now move on to the free cash flow on the Slide 12. The cash capital position at the holding company was almost EUR2 billion at the end of the fourth quarter of 2019. Free cash flow during the fourth quarter was EUR233 million, driven by EUR347 million of remittances from subsidiaries. This was offset by capital flows to shareholders of EUR186 million, representing shares repurchased in the fourth quarter under the share buyback programs.

The total free cash flow for 2019 was just under EUR1.2 billion, reflecting total remittances received from subsidiaries of almost EUR1.5 billion. This was partly offset by EUR200 million of interest, holding company and other expenses which includes a one-off tax benefit. Details of all the remittances upstream by segment this quarter can be found as usual in the appendix of this presentation.

Looking ahead, there are several large cash outflows that we expect in the first half of 2020. Firstly, we will pay an amount of EUR560 million for the acquisition of Vivat Non-life, which we expect to close in the first quarter of this year. And secondly, we intend not to refinance, the EUR300 million of senior notes when they mature in June.

On the Slide 13 and 14, the last slide in my section. I will take you through the developments in NN Group Solvency position. NN Group solvency ratio was 218% at the end of the fourth quarter, up from 217% at the end of the previous quarter. This ratio reflects the deduction of the proposed 2019 final dividend of EUR448 million that we announced today, and which will be paid in June. Before deducting this dividend, the solvency ratio was 224% at year-end 2019. The operating capital generation for the fourth quarter added 4 percentage points to the ratio. Market variance increased the ratio by 3 percentage points; mainly as a result of credit spread movements and changes in interest rates.

Let's turn to the next Slide for the full year movement. The Solvency II ratio was 230% at the start of 2019, an increase at the end of the year to 233% before the EUR1.2 billion of capital flows to shareholders. This increase was despite volatile financial markets, including a substantial decrease of interest rates, movement in credit spreads and a reduction of the vola from 24 to 7 basis points.

The total operating capital generation in 2019 was EUR1.3 billion, which added 20 percentage points to the ratio. Market variance had an adverse impact on the ratio of 14 percentage points, mainly reflecting the impact from movements in credit spreads and lower interest rates, partly offset by positive equity and real estate revaluations. Capital flows of EUR1.2 billion represents the 2019 interim and final dividends as well as the EUR500 million share buyback program announced in February last year.

And now I will pass you back to David, for the wrap up.

David Knibbe {BIO 17996037 <GO>}

Thank you, Delfin. Looking back at 2019, NN Group has delivered a solid financial performance both in the fourth quarter as well as for the full year. Most of the business units reported better results. In particular, we saw an encouraging improvement in the Non-life profitability, resilient results in Europe and Japan, despite the regulatory changes in those regions and continued growth at the bank.

We also improved efficiency throughout the organization with a total cost savings of EUR360 million achieved to date compared with the 2016 expense base. We have today announced an update to our dividend policy, consisting of progressive ordinary dividend per share, as well as a recurring share buyback of at least EUR250 million each year.

For 2019, we are proposing a final dividend of EUR448 million or EUR1.40 per share, bringing the total 2019 dividend to EUR2.16 per share. This is an increase of almost 14% compared with the 2018 dividend per share. We are also initiating a new share buyback program of EUR250 million, which is anticipated to commence on the 2nd of March and will be completed within 12 months.

As you are aware, we are currently in the process of refining our strategy with a focus on investing in growth and transformation of our businesses with the aim to create long-term value for our customers and other stakeholders. We look forward to presenting this strategy at our Capital Markets Day on June 24.

And with that, I will pass the call back to the operator to start the Q&A session.

Questions And Answers

Operator

(Question And Answer)

Thank you, Mr.Knibbe. Ladies and gentlemen, we will now start a question-and-answer session. (Operator Instructions). The first question is from Mr.Cor Kluis, ABN AMRO. Go ahead please, sir.

Q - Cor Kluis {BIO 3515446 <GO>}

Yes, good morning. Cor Kluis, ABN AMRO. I've gotten a couple of questions. First of all about the EIOPA review Dutch Central Bank sent out a note last week, which seems quite favorable. Could you elaborate a little bit on what you expect that the EIOPA review would bring? And there're some talks about -- in the market about the release of the risk margin, maybe as a compensating factor. So yes, could you elaborate on your view on that item?

My second question is about Japan. Japan result was -- I think was around EUR225 million higher than expected. Part of that was due to the lower lapses, basically, which seems to be quite recurring. Could you also elaborate a little bit on a higher level, of -- which part of the EUR25 million beat was due to the higher -- or the lower lapses. And could it be net times four for the future effect on the P&L, the Japanese IFRS profits. And then other question is about the storm that we had the last couple of days on the weekend. Initial figures in the Netherlands about total cost of the storm based on that, I would say around EUR40 million, EUR50 million cost, maybe for the storm? And could you elaborate on that? Do you have some reinsurance? From which level does reinsurance start to benefit for? And that's my questions.

A - David Knibbe {BIO 17996037 <GO>}

Okay. Thank you, Cor. Let me give the question on the EIOPA review in Japan to Delfin, and then I will talk about the storm.

A - Delfin Rueda {BIO 7032761 <GO>}

Good morning, and thank you, Cor for your questions. On -- well, on Solvency II, I mean, we could be talking for long. I think that this process has just started and it's very difficult to predict what changes will be finally being discussed and ultimately approved by the European parliament. Also we need to take into account that any amendments approved by the European parliament to the Solvency II directive will only start being effective the starting on 2023. So therefore, there is plenty of time to analyze and react to any potential change and impact.

Nevertheless, I think you're right. We take comfort and welcome the comments made by different important regulators that the current capital requirements for insurers is overall adequate and that they favor a balanced approach with a more or less neutral outcome. And I think on that sense, the remarks coming from EIOPA is that they clearly are open to look, again, at the risk margin despite EIOPA initially not proposing any change. It is very reassuring, especially due to the large amount of the risk margin. That as you know, with low interest rates, the risk margin that we have has increased from significantly this year. So any review on the risk margin is -- will be welcome.

For Japan, indeed, there is quite a few aspects interacting here. The sale of -- the sales has come down very significantly. So overall, for the full year period, has been a very good year. And as we indicated, the negatives from the lower sales are being offset by better persistency. But equally, the year has benefited and also in the quarter from favorable mortality and morbidity results and that last part, can be volatile. And you can see that in the press release, the contribution from the technical margin.

Looking forward, it is difficult to give guidance as, it is very uncertain of how the COLI market might evolve, but I think it is more than fair not to take the 2019 profits as a guidance. And probably it is better to work around, as you know, the 2018 results. But as I said, very uncertain of how this might evolve going forward.

A - David Knibbe {BIO 17996037 <GO>}

Yes. Thank you, Delfin. Then on the storm, well, first of all, it's too early. I mean, the storm was primarily happening Sunday, Monday and a bit on Tuesday. So the current focus is really on servicing our customers in the best way we can.

The industry did come out with an estimate of around EUR150 million for the full industry. But I think we also need to be careful with that number. Not everybody immediately claims. Sometimes it takes a bit longer for people actually to report it in. But that would be a first estimate. It is fair to say that the impressions are that this storm will nowhere be near to the big storm that we saw in January of 2018.

On reinsurance, yes, we do have a cat reinsurance. Currently, we don't expect that will -- we will hit that level.

Q - Cor Kluis {BIO 3515446 <GO>}

Thank you.

Operator

The next question is from. Mr.Farooq Hanif, Credit Suisse. Go ahead please, sir.

Q - Farooq Hanif {BIO 4780978 <GO>}

Hi, there. Thank you very, very much. I just wanted to talk about the annual buyback. So you previously had some kind of limits on cash. And you could have looked at your composition every year. Is there any situation, I mean, any likely situation, for example, holding company cash or M&A that might stop you from doing a buyback, that's question one. And sort of also relates to that, so you relax the idea of a payout ratio, would you be happy for that payout ratio to go up just to deliver a progressive dividend, to go up beyond 50%.

Second question is, given the uncertainty in what will happen with capital position. I mean, you've talked about levers that you do have, in any case, to support your position in the Netherlands especially. Could you talk about what you're actively looking at right now, for example, in terms of longevity reinsurance or hedging. Those are my questions. Thank you very much.

A - David Knibbe {BIO 17996037 <GO>}

Yes. Let me pass it on to Delfin. Thank you, Farooq.

A - Delfin Rueda {BIO 7032761 <GO>}

Thank you, Farooq. How to think about the share buyback going forward, I think just you look at it as a continuation of our existing policy of paying excess capital to shareholders over time. I think right now, we've seen already since the introduction of Solvency II in January 2016. I mean, we are comfortable of what we have seen in terms of operating capital generation and the risk. And with today's announcement, we wanted to give more comfort into the, basically, a continuation of the share buyback and setting a minimal level.

I think that you need to look at this as the intention under normal circumstances of continue with the share buyback with this minimum, of course. Any significant aspect in terms of affecting our Solvency are very significant opportunity that is value creation in terms of M&A will have to be taken into consideration at the right time in order to decide of the share buyback.

In terms of the ordinary dividend, what we have done is continue with the growth, the policy to grow our ordinary dividend over time. And we have eliminated if you like the constraint related on linking it to the IFRS profit. So from that sense, we have de-linked the two. But otherwise, the progressive dividend policies are growing the intention to grow the ordinary dividend over time.

In terms of levers to support capital, I think -- I mean, first, I mean, the more basic aspect is that we continue working on improving our excess return on our investment portfolio through the re-risking improving the contribution operating capital generation from the Non-life business, growing profitably in the different areas. And expanding the growth of the bank. But I think, you're referring to additional actions around the normal. We've been looking at the possibility of doing longevity reinsurance and that's a very clear possibility when we find the right terms, conditions and the right opportunity. And also, of course, depending on the final outcome of for the Solvency II, there is the possibility in order to look at our hedging and accommodate it accordingly.

Q - Farooq Hanif {BIO 4780978 <GO>}

Can I just ask on the final point about levers, are you actively looking for longevity deal at the moment?

A - Delfin Rueda {BIO 7032761 <GO>}

Yes, we have been looking at it already for a while. And as we have said in the past, we will act upon, when we think that the right terms and conditions are applicable. We have a very strong level of Solvency, and we have not rushed into it because of pressure on our solvency capital or our dividend policy as a consequence. But yes, we've been looking into that for a while.

Q - Farooq Hanif {BIO 4780978 <GO>}

Thank you very much.

Operator

The next question is from Mr.Ashik Musaddi, JP Morgan. Go ahead please, sir.

Q - Ashik Musaddi {BIO 15847584 <GO>}

Thank you and good morning, Delfin, good morning, David. Just a couple of questions. So sorry to put this question again on dividends. So when you say progressive dividend, I mean, if I look at your earnings guidance for medium-term, it's 5% to 7%. So is that a reasonable way to think about progressive dividend, like 5% to 7%. Or -- I know that earnings can be volatile, but like given progressive, just wanted to understand like are we talking about 3%, 5%, 7%? Any number or some color on that would be helpful.

Secondly, if I remember correctly -- I mean, you have always talked about buyback in past like when you don't do a deal, you will return the money to investors. But suddenly this morning, there is a bit of change in tone because you are now reassuring on the minimum EUR250 million buyback. Now what has changed in last two, three, six months that your -- this change in tone has come through? And does it mean that buyback will only be EUR250 million because, clearly, your -- if I look at your Solvency II capital generation, you are generating about $1.3 billion, $1.5 billion. If I look at your free cash flow, which is the money that goes to holdco net of dividend, net of debt cost an all, it's about 1.1 billion, $1.2 billion. But what you are paying at the moment, which is dividend plus buyback is still $950 million. So there is still more room to do more buybacks in future if there is no deal. So is that understanding correct? Or would you say that I'm missing something on this? So that would be the second question.

And the third one is going back to P&C combined ratio. Now that has improved quite a lot. I mean, 93.6%. I don't remember when I have seen that number with NN. So how much of that would you say is luck? And how much of that would you say is like structural changes? Should we start getting comfortable at around 95% combined ratio for the year? Or would you say, it's too early to bake that in and 97%, 98% is still the right number. I mean, the reason why it is important now is because, you are getting VIVAT as well, which will make your P&C contribution much bigger. So what sort of combined ratio should we start thinking about? Thank you.

A - David Knibbe {BIO 17996037 <GO>}

Thank you, Ashik. Delfin will take the first question and I will come back on the other two.

A - Delfin Rueda {BIO 7032761 <GO>}

Ashik, thank you. Progressive dividend, what guidance to give? I think, one always have to be careful on providing a very explicit guidance. I think that really nothing has changed in terms of the guidance that you have -- the guidance for the behavior we have done so far. I think, when you look at since the IPO, basically, we have a growth -- we have grown our ordinary dividend per share by 9%, as you know, per annum. So the last two years, 2018 and 2019 has been more elevated than that and one has to see that, that over time guidance the possibility to grow the ordinary dividend over time is there.

One thing that is important to realize, and I have made reference in the past is that there is certain elements particularly how the investment margin and the contribution of the excess return operate differently from IFRS and operating capital generation also play a role here. So that means that while in the previous years, we have seen more stable investment margin, we have been -- a gradual contribution in the excess returns come in there. So overall, I think we see the opportunity to grow the ordinary dividend going forward.

Q - Ashik Musaddi {BIO 15847584 <GO>}

Sorry, one just follow-up on this. I mean, one thing that also comes into the equation now is because you have this recurring buyback. I mean, 2% share count reduction means that your buyback has to grow up by 2% just if you assume the flat dividend cost. And on top of that some growth. Is that the right way to think about it?

A - Delfin Rueda {BIO 7032761 <GO>}

There are -- Ashik thanks for the question. There are many ways to look at it. I tend to look at in the simplest way possible. Ordinary dividend, you mentioned it yourself, is only part, a portion of our whatever way you look at it, operating capital generation or free cash flow. And therefore in itself, there is room in order to maintain that growth of the ordinary dividend. We have always favored a stable growth of the ordinary dividend and basically used the share buybacks with a bit more ability or flexibility in order to provide the additional return to shareholders based on the circumstances, including the possibility of doing acquisitions or in order to absorb the necessary shocks. So from that point of view, I don't see the ordinary dividend growth limited particularly by any factor.

Q - Ashik Musaddi {BIO 15847584 <GO>}

Okay. That's very clear. Thank you.

A - David Knibbe {BIO 17996037 <GO>}

Yes, then on the share buyback and the question around what has changed. Let me start what has not changed. So we have a strong track record of returning cash to shareholders. And this approach has not changed. However, we want to give a clear guidance on what shareholders can expect in terms of capital returns on an annual basis. So -- and maybe to take you bit through the thinking process. So obviously, in Q4, we need to announce our proposed final dividends. We have strong results and a strong balance sheet. So therefore, we announced a 14% increase in our a regular dividend.

Then also of course, this quarter the current share buyback of EUR500 million is ending and we felt it was important to give an update on that, which we have done by announcing the EUR250 million and we do this in the context of already a full year with the Vivat acquisition and the EUR300 million of senior debt that we intend not to refinance.

I think the third piece and that is new is that we've been on the road a lot. We spoke to a lot of shareholders. And I think the feedback was very clear. In general, people very much like the capital return. And at that point, we've given EUR 4.1 billion. By now if we include all of this, EUR4.8 billion back to shareholders. That is generally well appreciated. But people were looking for more guidance on how do we look at capital allocation on a -- on an annual basis. And therefore, we decided to give more guidance on this and this is indeed along the lines of the progressive dividend per share, which Delfin already talked about, a recurring annual minimum share buyback of at least EUR250 million. And then also that any additional excess capital. And I think that was what you were potentially also referring to, so any additional excess capital to be returned to shareholders, unless it can be used for value creating opportunities.

So based on that, we'll have to judge next year what the amount of share back buy will be. But of course, we have announced that our intention is that the minimum is EUR250 million.

Q - Ashik Musaddi {BIO 15847584 <GO>}

Okay. That's clear. Thank you.

A - David Knibbe {BIO 17996037 <GO>}

And then on the combined ratio for P&C. Indeed we're pleased to see the progress on P&C. I think, this is a long path we're on by repricing improving our underwriting, reducing our cost. The cost of the company in total has already been reduced with around EUR100 million. So we've been seeing a downward trend in combined ratio.

It is good to keep in mind that this was a very favorable quarter as well. I mean, we had very benign weather in Q4. And also in terms of large fires, it was a favorable segment. And good to note also that indeed we expect to on board the Vivat non-life business, which has a bit of a higher run rate so far in terms of combined ratio. So from that point of view, I'm happy to see the progress, but we're not changing our guidance of structurally below the 97%.

Q - Ashik Musaddi {BIO 15847584 <GO>}

And do you think that you are structurally below 97% at the moment? Or do you think there is still more room to go on that.

A - David Knibbe {BIO 17996037 <GO>}

Well, we'll have to take it as it comes. For now, our guidance is 97% or below. The reality is also we've done a, I believe a good due-diligence on the VIVAT portfolio. But of course, once you really own the book, you will always get more insight than we have today. So we first need to see how that -- once we own that book, and we start to repricing it and bringing it to NN standard. We first need to see that impact. So no change here.

Q - Ashik Musaddi {BIO 15847584 <GO>}

Thank you. Thanks a lot for the context.

Operator

The next question is from Mr.William Hawkins, KBW. Go ahead please, sir.

Q - William Hawkins {BIO 1822411 <GO>}

Hello. Thank you very much. Thank you again for the clarity about capital management on slide 6. That's really useful. I'd like to follow up and just ask what that implies for your capital generation and earnings growth prospects that you still have in place summarized on Page 5 because you could argue that if you're decoupling your dividend from operating earnings. It's a sign that your operating earnings and your free cash flow probably won't be linked as closely in the future as low interest rates and things like that lead to a divergence. And it might also beg the question about whether 5% to 7% growth in IFRS earnings is still sort of an achievable target. So can you just talk through whether your revised dividend policy implies any changes about capital generation or earnings growth.

And I suppose specific question that, that ends with is your current 5% to 7% is very much assuming that the growth is coming from the non-Dutch operations. And bluntly, insurance Europe and asset management and Japan life have been more of a disappointment than anything over the past few years. So is there a risk that those marginal growth entities, they're going to have to reduce their expectations, when you think about the future?

And then secondly, I think, you -- can you just be clear in terms of the process for deciding whether to top up the buyback, are you telling us that, that will clearly only happen now at the year-end review process? Or is it possible it could happen at the interim or at any other period of time, or whether to go above $250 million, is that now fixed as a year end decision? Thank you.

A - David Knibbe {BIO 17996037 <GO>}

Okay. Thank you, William. Let me give it to the Delfin for the first question. I'll take the second one.

A - Delfin Rueda {BIO 7032761 <GO>}

Yes. Thank you, William. Well, IFRS operating result grew by 6% in the period of 2017 to 2019. So that was within our guidance. But of course, as you know, we are disclosing always what are the non-recurrence and there are positives and negatives coming there. Currently, there is no change on the existing guidance of growing the IFRS operating result between 5% to 7% over time.

And you are right, there is some decoupling between what is the IFRS profit and what is the operating capital generation. I made reference already to the fact that while investment margin for example in Netherlands life has been under pressure because of the low interest rates and the lower-yielding assets have been entered into the investment portfolio versus higher-yielding assets with higher book -- sorry, I should say, lower-yielding assets, but with higher book yields being maturing, you don't see that pressure in the operating capital generation. As we move to mortgages, as we move into other assets, the excess return over the swap curve with volatility adjusted and the CRA has kept increasing. And therefore, that gives us confidence of that decoupling vis-a-vis the return to shareholders in terms of ordinary dividends or share buybacks. In terms of the second question on the share buyback, I think David.

A - David Knibbe {BIO 17996037 <GO>}

Yes. Yes. William. No, I think the answer is simple here. The -- no, it could also be at another moment in time. So we'll take this as it comes, but it doesn't have to be at the year end.

Q - William Hawkins {BIO 1822411 <GO>}

That's great. Thank you.

Operator

The next question is from Mr.Johnny Vo, Goldman Sachs. Go ahead please.

Q - Johnny Vo {BIO 5509843 <GO>}

Yes, thank you very much. Sorry, I know that you've probably answered this, but I'm going to start -- say it in a slightly different way. Can you just again, just talk about -- I know there's been a decoupling of the dividend from IFRS, which I applaud which is good. But should we think of the dividend and the interplay between the dividend and the buyback as if there's changes in the operational capital generation, it'll come through at the dividend level and any excess beyond that comes through in terms of the buyback. Is that the way that we really should think about that. That's the first question.

The second question is just in relation to -- I know you're going to redeem a senior debt. But are you looking to reset some of the capital structure of the group in terms of Tier 2 and Tier 1 and Tier 3. Thank you.

A - David Knibbe {BIO 17996037 <GO>}

Thank you, Johnny. I'll give this to Delfin.

A - Delfin Rueda {BIO 7032761 <GO>}

Yes. Thank you very much, Johnny. So I -- again, I think about this in the simplest way possible. I said that for the ordinary dividend, we have the capacity to grow it on a stable basis. And therefore, I would not link that to any particular other metric. When you look at the operating capital generation in the full year 2019, that has been EUR1.3 billion. And we have seen also in the previous year, good levels on that metric.

The payment of share buybacks and ordinary dividends depends very much on the level of surplus capital, excess capital or surplus that you've got. And that is not only measured by the flow in a particular year or period of time. It also depends on what is your stock of capital. What is the level of solvency. No doubt that if you have a level of capital, which is tight, your dependence of further repayment to shareholders will be more dependent on what is the flow in the year. You've got a more prudent position. You can absorb fluctuations when it -- when they come.

Q - Johnny Vo {BIO 5509843 <GO>}

Okay.

A - Delfin Rueda {BIO 7032761 <GO>}

In terms of the way we think about our debt, we will be always look at the market and what is the price at which our Tier 1 and Tier 2 are trading and see if there is an opportunity to look into lower yields or the rest. But at this point of time, we are not envisaging to do any restructuring of our leverage position, which if -- when you look at the including the reduction of EUR300 million of senior, we have a level of financial leverage of around 25%.

Q - Johnny Vo {BIO 5509843 <GO>}

Okay. Thank you.

Operator

Your next question is from Mr.Albert Ploegh, ING. Go ahead please, sir.

Q - Albert Ploegh {BIO 3151309 <GO>}

Yes. Good morning. Yes, basically questions on the capital generation, also a recurring topic. But can we maybe get at least the UFR drag that has been over 2019, reported and compared to the level of 2019 or at least the delta? And also when looking in Q4 in isolation, I think going into the quarter, there was some fear that had the theme surrounding of the billions could be EUR0.2 billion, but was still EUR0.3 billion. So can you shed somewhat light on the underlying generation there because it still feels quite good especially given in mind to what the curve ended, end of Q3, so that clearly was an elevated UFR drag here over the fourth quarter. That will be helpful. Thank you.

A - David Knibbe {BIO 17996037 <GO>}

Delfin?

A - Delfin Rueda {BIO 7032761 <GO>}

Good. Thank you, Albert. So the UFR drag really fluctuates from one quarter to another, depending on what is the starting position of the interest rates. We have seen that the UFR drag in Q4. This last quarter has been more pronounced because the level of interest rates in September were very low. For next quarter, as the interest rates went up in December, we will see less of an impact in terms of UFR drag.

So this -- that is because of this big volatility that mentioned in, specifically, the amounts don't think are that helpful. But compared to 2018, I can tell you that the change was significant, because of the level of interest rates. But I think that the most important element for me is that despite all these fluctuations from one quarter to another, we have seen that for the full year, we have got a solid evolution in terms of the growth of the operating capital generation,

market movements fluctuate from one period to another. So one can look at the full year '19 with minus 40 -- minus 14, one-four, percentage points decrease. Last year was plus 20%. If you look it from the moment of the acquisition of Delta Lloyd, actually market movements are zero. So we need to get used to this fluctuation for one period to another. But despite that we managed during the year to generate EUR1.4 billion of operating capital generation, and that is very clear. In terms of the operating capital generation in 2019, basically that was rounding down to EUR1.3 billion.

Q - Albert Ploegh {BIO 3151309 <GO>}

Yes. But -- I appreciate your remarks but, in the upcoming Investor Day, is it maybe something also scheduled to give a new starting point on capital generation to, let's say, what your excess spread has been over '19? What's direct has been in the risk margin release to have basically a kind of clean starting point for us to model things going forward? Is that something that's scheduled for the Investor Day? Or is that not really planned?

A - Delfin Rueda {BIO 7032761 <GO>}

Yes. I think, Albert, you're right, coming into more detailed description of how the operating capital generation. This is something that we are looking at for the Capital Markets Day. So that we can get more color into how this has evolved and expected to evolve going forward.

Q - Albert Ploegh {BIO 3151309 <GO>}

Thank you very much, sir.

Operator

The next question is from Mr.Andrew Baker, Citi. Go ahead please.

Q - Andrew Baker {BIO 3694545 <GO>}

Hi, thank you for taking my questions. So just two for me, please. First is on the holding company cash target. So historically, this has been EUR0.5 billion to EUR1.5 billion. But in reality, it has been managed in excess of this. So as we look forward and obviously with the announcement of the current buyback today, is this a commitment to managing the holding company cash within that range as opposed to in excess of that.

And then secondly, on the Solvency II ratio, I don't think the interest rate sensitivity reflected the actual impact of rate movements in the fourth quarter. So can you just provide a little bit of insight into what drove the disconnect please? Thank you.

A - David Knibbe {BIO 17996037 <GO>}

Yes. Delfin?

A - Delfin Rueda {BIO 7032761 <GO>}

Yes. The whole company cash target continues to be in between EUR0.5 billion and EUR1.5 billion and as we have said in the past, we can be temporarily outside of that range, but when that happens, the intention will be to come below that level. You will see as a matter of fact that in 2020, there's going to be significant outflows that we have referred to with the acquisition of VIVAT non-life, there is the EUR300 million of the senior debt that matures in June. It is the final dividend that we have announced of EUR448 million that is being paid in June.

Then in September, we will have the interim dividend calculated with 40% of the total dividend. So yes, you will see that things that will fluctuate within that range.

In terms of the evolution of interest rates. Indeed the impact was less pronounced than you would expect from an outside in perspective. And this is mainly due to non-parallel shift of the curve. At the end, moves in the short end and longer end have very different impacts. And that's right. Just looking at the sensitivities as published at the end of June, the actual positive impact has been lower.

Q - Andrew Baker {BIO 3694545 <GO>}

Thank you.

Operator

The next question is from Mr.Robin van den Broek. Go ahead please.

Q - Robin van den Broek {BIO 17002948 <GO>}

Yes. Good morning, guys. Thank you for taking my questions. I feel there's a bit of risk that I'm going to be repetitive in what I'm looking for, but I'm going to try anyway. So on 2018, I think if you look at your own funds movement, you had EUR1.2 billion in your operating bucket going to EUR1.3 billion this year. For SCR, I think your release was EUR0.3 billion in the SCR, going to EUR0.1 billion in 2019.

I was just wondering, '19 versus '18, your own funds is still showing an uptick despite rates going against you. So just wondering also considering the continued re-risking you're doing potentially more stable rate environment, the tax environment. I think is also beneficial for you. Could we see an acceleration of your own funds generation from that perspective. And I was also wondering, if you could talk a little bit about your SCR release going forward? Are there any more strain related elements in 2019?

I appreciate the Japan Closed Block VA is the largest driver for going from minus 0.3 to minus 0.1. But I was just wondering if other than that, this is a normal run rate for your SCR release given the runoff of your books? That's the first question.

The second question is as the questioning also shows, I mean, your free cash flow is still sizably below your own funds generation in the operating bucket. Why is that? And is there any good arguments to make what that gap could close going forward?

And lastly a bit in connection to the longevity deal. I was just wondering if you would do a deal, what would you do with the capital that will be released? Would that be -- I mean, yes, if there's no M&A on the table, would that just be additional shareholder return? Thank you.

A - David Knibbe {BIO 17996037 <GO>}

Delfin?

A - Delfin Rueda {BIO 7032761 <GO>}

Thank you very much, Robin for your questions. I'll try to remember everything that you asked for. First was on the movement on the own funds and the SCR, 2018 versus '19. Starting with your comment about the decreased interest rates, that had a negative impact in our operating capital generation in '19 no doubt, the UFR drag, as I mentioned before the increased. But we also see in the year that the expected excess return that I have also referred to before. So as you said, I also run the risk of being a bit repetitive myself, but the excess return has increased in 2019 versus 2018.

Also, we have much more contribution coming from the bank as well as Japan life and some of the other units as well. The reduction on the expenses also have some impacts on the holding expenses. So there are quite a few elements there. Also the contribution in '19 includes a better performance of our non-life entity. So that was also another positive.

One aspect, however that you need also to take into account is that, as from 2019, we have already started deducting from operating capital generation, the cost of our hybrid capital and that is EUR160 million a year. So that basically the evolution versus '18 should be looked at more favorable -- with more favorable eyes, taking into consideration that already reflects that deduction.

Going forward, again, it will be the re-risking and the different activities that we have performed. In terms of the own funds generation and the free cash flow, of course, the free cash flow is -- depends on the level of solvency and the level of surplus capital in the units is driven by the dividends that it comes from the subsidiary. And we have seen that in certain areas, the solvency position has also reduced versus what used to be in the past. We have seen free cash flows relatively elevated in non-life and some of the business units. And in other areas, we see that there is an increased contribution for profits. So there is not a one-on-one relationship between onw funds and free cash flow. Yes, I think that answers that question. And the third one was about the longevity, and I think David will answer that.

A - David Knibbe {BIO 17996037 <GO>}

I understand the question. Actually, we will have always during the year, we will potentially have pluses and minuses. This is also why we have now given a more clear guidance on how to -- how we look at this on an annual basis. And so again, we will start with a progressive dividend and recurring annual share buyback and then any additional excess capital also to return unless we can use it for other opportunities. So if we would have a capital release on this or any others, all of that we will put in the context of this guidance.

Q - Robin van den Broek {BIO 17002948 <GO>}

Okay, thank you guys. Well done.

Operator

The next question is from Mr.Colm Kelly, UBS. Go ahead please.

Q - Colm Kelly {BIO 19140684 <GO>}

Thanks a lot for taking my questions. And it's certainly the additional guidance around the minimum capital return is very welcome for time and so thanks for that. But one question is just obviously the dividend is no longer linked to the IFRS profit. So in some respect, it gives a little less clarity to investors in terms of the sustainability of that growth where we're trying to validate the growth of that. And equally it's difficult to assess the exact quantum of excess capital. I appreciate; you have an internal framework of assessing excess capital that could be distributed in addition to the guidance today.

But how externally should we be thinking about that framework? Should we be assuming excess capital is anything in terms of holding company cash above your targets? Is it a solvency ratio above a certain level. It's just there's a little lack of clarity on exactly what is the measure we should be looking at to determine that excess capital or indeed the dividend growth rate, if you could answer that, please? Thank you.

A - David Knibbe {BIO 17996037 <GO>}

Yes, Delfin.

A - Delfin Rueda {BIO 7032761 <GO>}

Thank you, Colm. Guidance for ordinary dividend, and we expect to grow that over time and we should not link it to any particular metric. In terms of how to look at excess capital, indeed one good reference is to look at the holding capital -- the cash capital at the holding and as you know to which extend, the cash capital is within the range outside of the range. But again, we do not want -- we do not like to have a mechanical link to any particular ratio, and we will -- we welcome the stability of the returns. So sometimes we might pay more of what it has been the increase of surplus capital in the period. Sometimes we can pay less. We do expect to have more regular payment going forward.

Q - Colm Kelly {BIO 19140684 <GO>}

Okay, thank you.

Operator

The next question from is Ms.Fulin Liang, Morgan Stanley. Go ahead please.

Q - Fulin Liang {BIO 21126177 <GO>}

Hi. Good morning. Thank you for taking the questions. Just two. So first one is by formalizing the buyback, did you actually ruling out the possibility of large scale M&A at all. So that's the first question.

And then secondly is on the EIOPA review on the volatility adjustment side, so basically, I think the current view is that they will allow for the VA for the -- based on the company's own asset mix, that means actually for Dutch insurers, mortgages could be taking into consideration. And I just want to have a very high-level explanation how this like mortgage be taken into account of VA will affect your VA benefit as well as the dynamic VA benefit. Thank you.

A - David Knibbe {BIO 17996037 <GO>}

Yes. Thank you, Fulin. The -- so our best case is still that we give back excess capital to shareholders. And I think -- and also since the IPO, we now have returned EUR4.8 billion including all the -- all of the recent announcements. I think also today, we make it clear that what shareholders can expect in terms of capital returns with a progressive ordinary dividend and a recurring annual share buyback of at least EUR250 million. Any additional capital that we then can return, unless it can be used for value creating opportunities.

It means that specifically, if you look at M&A, I think, we have always been very disciplined in terms of our financial and non-financial criteria, which we have applied to the Delta Lloyd acquisition and to the VIVAT acquisition. So in any case, we will always be very disciplined on this criteria, taking into account our capital policies. Then on EIOPA, let me get this to Delfin.

A - Delfin Rueda {BIO 7032761 <GO>}

Yes. Thank you Fulin for your question. I think it's far from clear of what any final recommendation is going to be first tested in June by EIOPA or recommended later to the European commission. And what the European commission will bring to the European parliament for both and what finally will be implemented in relationship to Vola. There are many talks about potentially having a specific VA, which I don't know, probably it is unlikely that it might happen, but who knows. Yes, there could be elements like allowing matching adjustments in a different form or incorporating in the Vola some elements that recognize the long-term -- the nature of the long-term liabilities of life insurers, very early to speculate about what that will look like or what possible benefit it will arise from it.

Q - Fulin Liang {BIO 21126177 <GO>}

Thank you. I think, can I have a follow-up question. What if the mortgage is -- the spread of mortgage it will be incorporated into volatility adjustment, what the impact will be to the own funds as well as to SCR.

A - Delfin Rueda {BIO 7032761 <GO>}

Yes, currently, the volatility adjuster is based on a reference portfolio, which is determined by EIOPA on a regular basis based on the average investment of the insurer. So if the volatility adjuster, where to incorporate somehow the spreads of mortgages, that will incorporate another factor. But that is the impact that this has on the calculation of own funds.

When you talk about the impact on the solvency capital requirement, that becomes more complicated, because that will depend in the case of large groups like ours that has an internal model, it will very much depend not so much on the Vola, but what is the internal model reflect the shocks and the movements of the spreads as you know over time. And we currently have an approach to model the credit spread shocks in which we reflect the liquidity of liabilities in the asset shock.

And as a consequence, I'm not sure what a change in the definition of the vola would have, as we will have to be looked into the perspective of the internal model that has been designed and approved by our regulator and which at this point of time, I don't see any reason in order to perform any rework. So in that sense, difficult to assess what impact that might have.

Q - Fulin Liang {BIO 21126177 <GO>}

Okay. Thank you very much.

Operator

The next question is from Mr.Benayoun, Kepler. Go ahead please.

Q - Benoit Petrarque {BIO 15997668 <GO>}

Yes, good morning. The first one is on the dividend capacity of NN bank. I think you were back to dividend last year. How much can we expect? Are you thinking about close to 100% payout ratio on the bank? Or will there be more kind of -- mid-range of I mean around 50%.

Then on Japan life, I was wondering if you could also update us on the new sales on the COLI products? What you have seen following the -- all the tax changes there?

And then the final one, relates on the share buyback again. The recurring nature of the share buyback is actually, it's quite unusual actually for insurance companies to put the wording recurring in the -- on the presentation. Can we assume that D&B has agreed on this recurring nature of the buyback. What was the kind of -- do you need an approval process when you kind of add on something -- a recurring buyback? Or at the end of the day, they're just approving every year again the buybacks and it will be up to them also to validate a general buyback program. Thank you.

A - David Knibbe {BIO 17996037 <GO>}

Yes. Thank you, Benayoun. Let me start, and then I'll hand it over to Delfin. So on question two on Japan. Yes indeed so we have seen sales going down in the market on the back of the tax reform. It's fair to say that the market is still absorbing this change and SME owners and brokers to be fair are still trying to find out exactly what these products mean and what the added value is. This is a market phenomena. So we haven't seen a real pick up yet of sales. We're confident that it will happen. At the end of the day, we introduced three new products. We're doing a lot to invest in relationship with the brokers and training, but the Japanese market takes a bit of time to get adjusted to the new situation.

Long-term we're convinced that we will be able to find ways in products and services to service the SME owners. Then on the share buyback, indeed it is important as I said that we wanted to give more guidance on our capital allocation on an annual basis. That is also why we talk about the recurring nature. In conversation with D&B, I mean, we have a constructive and professional relationship with D&B. They are obviously aware of the analysis and the policies that we do, but I'm not further going to discuss any details on these conversations. Then on dividend capacity of NN bank, Delfin?

A - Delfin Rueda {BIO 7032761 <GO>}

Yes. Thank you, Benayoun. So indeed the dividend capacity of NN Bank going forward, you should think about it in terms of the net profit of the bank. The dividend will be less than 100% payout as we need to retain some capital to fund the growth of the bank. But the bank is currently at a good level of solvency capital.

And of course the reference of 2019 is very special because in 2019, was the combination of one special dividend coming due to the upstream of Ex-Delta Lloyd mortgage originator that has been merged with the bank. So that was EUR20 million non-recurrent dividend. And in addition in 2019, we had the full year dividend of 2018 and the interim of '19. So going forward, you will always of course have this year, the interim of 2020 and the final of 2020 will be paid sometimes in 2021.

Q - Fulin Liang {BIO 21126177 <GO>}

Thank you.

Operator

The next question is from Mr.Farquhar Murray, Autonomous research. Go ahead please.

Q - Farquhar Murray {BIO 15345435 <GO>}

Good morning, gentlemen. Two questions, if I may. And I apologies, they're both actually on capital. Starting with the EIOPA. I mean, it's indicated there's going to be a holistic assessment in March. I just wondered how much line of sight do you have on that exercise so far? And what are the expected differences in that versus previous quiz exercises in the October paper?

And then secondly, just on, kind of, the matching adjustments and specifically mortgages, how much national discretion is there around that specific issue? Is it a matter of national discussion? Or is it an EU level topic. Thanks.

A - David Knibbe {BIO 17996037 <GO>}

Thank you, Farquhar. Delfin?

A - Delfin Rueda {BIO 7032761 <GO>}

Yes. Farquhar, I don't know. I don't know what EIOPA will put forward in the holistic assessment which we do expect probably in March. Certainly their first review or consultion paper that EIOPA did was indicating quite a lot of negative potential aspects on that. So I do expect or hope, I should say to have a more balanced approach from EIOPA. But I have no insight of what they're planning to do here. I mean, what, certainly as I've mentioned before, I think the comments that we have heard from EIOPA and other regulators, I think are supporting on our view that EIOPA review over time will be manageable.

In terms of the mortgages on matching adjustment, I mean, I think it's up to the regulator in order to take -- if the conditions for a proper matching adjustment is to be fit. I mean, different than the UK or the Spanish market that insurers have not traditionally do the same approach of liability management in terms of matching assets to particular portfolios. So there is some technical complexities around it, but it's a question of being dealt by each local regulator.

Q - Farquhar Murray {BIO 15345435 <GO>}

Okay, thanks.

Operator

There are no further questions. Mr.Knibbe?

A - David Knibbe {BIO 17996037 <GO>}

Okay. Thank you, Anita and thank you, everybody for listening in and for all the questions. Let me wrap up by saying that NN Group has today reported a strong set of results for the fourth quarter and the full year 2019 as well as a solid balance sheet and capital position. We have also provided clear guidance on our dividend policy, which consists of a progressive dividend per share and a recurring share buyback of at least EUR250 million each year. We announced today that we will initiate a new share buyback program for an amount of EUR250 million, which is anticipated to commence on the 2nd of March.

Thank you all for joining the call today and I look forward to seeing many of you at our Capital Market Day in June. Have a pleasant day.

Operator

Ladies and gentlemen, this concludes the NN Group Analysts Call. Thank you for attending. You may now disconnect your line. Have a nice day.