Capital Markets Day

Company Participants

- Bernhard Kaufmann, Chief Risk Officer
- David Knibbe, Chief Executive Officer
- Delfin Rueda, Chief Financial Officer
- Fabian Rupprecht, Chief Executive Officer, Insurance International
- Jelmer Lantinga, Head of Investor Relations
- Leon van Riet, Chief Executive Officer, Life & Pensions
- Satish Bapat, Chief Executive Officer
- Tjeerd Bosklopper, CEO, Netherlands Non-life, Banking & Technology

Other Participants

- Albert Ploegh, Analyst
- Ashik Musaddi, Analyst
- Farooq Hanif, Analyst
- Farquhar Charles Murray, Analyst
- Fulin Liang, Analyst
- Geraldine Bakker-Grier, Investor Relations Officer
- Jason Kalamboussis, Analyst
- Michael Huttner, Analyst
- William Hawkins, Analyst

Presentation

Operator

Good morning, ladies and gentlemen, welcome to NN Group's Capital Markets Day.

Before starting the presentation, 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 statements. 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 a solicitation of an offer to buy any securities.

I will now hand over to the moderator for today, NN Group's Head of Investor Relations, Jelmer Lantinga.

Jelmer Lantinga {BIO 20384884 <GO>}

Well, good morning everybody, and welcome to NN Group's Capital Market Day. We are pleased to see so many of you following this event through the live webcast. My name is Jelmer Lantinga, I'm Head of Investor Relations, and I will be your moderator for today.

First of all, let me say that I hope that you and your families are okay. Because of COVID-19, we had to decide to make this our first fully virtual Capital Markets Day.

And before we start the program, let me touch upon a couple of personal note from my end. Firstly, I would like to stress that I'm very proud of what we are presenting to you today. As I believe the story is an interesting one. We really listen carefully to all your views and inputs over the last couple of months. We read the statements that were put out recently and, today, we address your queries in a detailed way.

Secondly, also an important point to me, is that, it has really been a team effort. It has not only been the Management Board or the IR team, but many people around us, so thank you all.

Then about today. Our key objective is to give you an update on the strategy and the financial targets of the group going forward. It's going to be a full day, seven presentations of our Management Board members and two Q&A session. The first one starting at 10:30, following the presentations on strategy, finance and risk. You can find the details for conference call in your confirmation e-mail as well as on the website.

This leads me to inviting David Knibbe, CEO of NN Group, on to the stage to kick off today with his presentation on the Strategy of the group. David, the floor is yours.

David Knibbe {BIO 17996037 <GO>}

Thank you, Jelmer; and good morning, everybody, and a very warm welcome to all of you. First of all, I hope you're doing well and that also the people around you are in good health.

Today, we are holding a virtual Capital Markets Day. And as you probably know, I always really enjoy conversations and discussions with analysts and investors and we really value your feedback. So a bit more difficult in this virtual setting, but don't worry we will make this work. So during the many investor meetings that I had since becoming CEO, I received a lot of diverse input. Many investors felt that we should clarify our capital return policy, which we did at the Q4 disclosure in February this year.

Others feel that we should focus on the long term, creating long-term value for shareholders and other stakeholders and be a more positive for us in society, for example, through our investments. And a few feel that in the short term we should focus on cutting expenses and commit to extracting as much capital out of the business as possible. And of course there were many more views. Thank you for all that input. And, to be honest, it wasn't always easy for me to respond in detail, because we hadn't launch our own plans yet. Today, I am very happy that finally we can present our plans to you.

So in the past period, I often got the question, what will change? Now, this morning, you have seen our press release and our key commitments to you: Resilient and growing long-term capital generation for shareholders; growing to EUR1.5 billion by 2023; and a guidance to grow Operating Capital Generation or OCG by mid-single digit annually over time. That is message one - we are not a run-off business, because we will grow our long-term capital generation and cash flow organically.

Now, you've also seen that we came out with a clear ambition to other stakeholders, such as our customers and society. And that is message number two - we will grow for the benefit of all stakeholders.

So, what's today about? Today is all about the how, so together with my colleagues on the Management Board, we will talk you through on how we will deliver on our ambition and our targets. So that by the end of the day, you will not only know our targets but also how we will achieve them. And, of course, the real ambition for today is that you will share our conviction that we can deliver these ambitious targets.

So let's get to it. So today's key messages, why are we confident that we can deliver these ambitious targets? These are the key reasons and we will come back to all of that in later in the presentation. Number one, we have a proven track record on delivering on group targets. Two, our balance sheet is very strong, has limited interest rate sensitivity and is very resilient in times of stress, our group Solvency II ratio stood at approximately 227% at the end of May. And, of course, it's a real benefit not to be forced to de-risk in times of crisis.

We see a limited business impact of COVID-19 and the overall financial hit is manageable. The impact on our 2020 operating result and Operating Capital Generation is estimated to be around EUR100 million.

Four, with our full Management Board, we have designed a business strategy that focuses on generating long-term sustainable capital generation and cash flows. We have developed the strategy ourselves, so we fully own it.

And then five and final, we commit to being very disciplined in our capital deployment and in our portfolio management.

So let's look at the first topic, our track record.

Looking back, we have delivered on all group medium targets set in 2017. However, it was a mixed performance at the segment levels the Dutch segments are performing very well.

Our asset manager is clearly operating in a challenging environment and the international segments have shown a strong progress, but also face headwinds from pension reforms in Europe and tax reforms in Japan. So clearly more work to do to keep improving the results.

Now, of course, the impact of COVID-19 will be on all of your minds. The key message on COVID-19 is that overall the impact on claims is expected to be broadly neutral and the estimated EUR100 million impact on operating result and Operating Capital Generation is very manageable. Now, of course, the COVID-19 pandemic is felt by our business. On balance, we see a limited impact on the Non-life business so far with higher disability claims being offset by lower claims in motor and fire, and we have little or no exposure to business interruption, travel and health insurance.

Sales, in Europe and Japan in particular, will be hit by the lockdown in economic outlook, leading to lower fees and premium and higher surrenders at the international units. The impact on financial markets is reflecting lower investment income, but for the Dutch Life business we are mitigating this by seizing the investment opportunities of the current market turmoil.

On the other hand, lower markets and client de-risking mean lower fees at the asset manager. And the hit to the economy is expected to lead to higher loan losses at the bank.

At the same time, we are taking decisive action. We are accelerating the shift to higher-yielding assets and we have invested over EUR4 billion since the start of the crisis. We have done a very attractive longevity deal at a mid-single digit cost of capital and we closed the VIVAT transaction to strengthen our Non-life business. On balance, we therefore estimated the impact on the operating result and OCG in 2020 to be around EUR100 million. We have based our forecast on the economic scenario, shown on the right-hand side of the slide. And our capital position remains very strong, despite the volatile financial markets.

Now there is another lesson to be learned from the previous financial crisis. In that period, financial institutions were primarily focused on their own survival and it took many years to regain customer and public trust. Reforms that we've seen, for example, around pension and in the housing market back then were hindered by this lack of trust that financial companies are truly a reliable partner to solve challenges in society.

This is also why we take active care of our customers, business partners and society in the markets we operate in. We have taken many initiatives to provide extra support for our stakeholders, such as providing extra cover, for example for restaurants, travel support for stranded customers, we support our business partners to work remotely supporting communities such as fair laptops to help children with home education. Tjeerd and Fabian will talk later today about these initiatives.

So both financially and by helping stakeholders, we are managing well through this crisis. Of course, our focus is not only on getting through these difficult times, but very much on the longer term future of NN. As a Management Board, we have designed future plans for NN, but before we dive into those plans, let me introduce you to my colleagues of the Management Board.

The Management Board is now at full strength, we were recently joined by Bernhard Kaufmann, our Chief Risk Officer, who has joined us from Munich Re and I'm very happy Bernhard that you have joined our team. Leon van Riet was appointed to the Board after having previously run the Delta Lloyd Life business and the successful turnaround of the NN Non-life business, and both Leon and Bernhard will be presenting later today.

We have a strong experienced diverse team to lead NN into the next phase of its journey. And this team will lead the new direction of NN Group from the top.

Now, of course, we first did a thorough analysis of NN; strengths, opportunities, underperformance, and levers for capital generation; and we concluded that we needed to redefine our strategy. Our purpose, why do we exist? Our ambition, what do we want to achieve? And our strategic commitments, how will we achieve this.

So let's take a look. First of all, did you know that this year we're celebrating our 175th anniversary. Our company started in 1845 by offering Fire insurance only then to quickly discover that they also needed a Fire brigade to support customers and manage claims. Over the past 175 years, we have continued to adapt to client needs.

Our goal is to add many more successful years of entrepreneurship and doing business with all stakeholders in mind. Our purpose, we help people care for what matters most to them. Our ambition, to be an industry leader known for customer engagement, talented people and contribution to society. This ambition is then translated into five strategic commitments and one of them being attractive long-term returns for our shareholders. Now, I can imagine you're thinking this is still very broad. So let me give you some more insight into what is changing.

This slide gives you more insight into our underlying business strategy. Our overall plan is to become a customer-centric, data-driven company. Today, like most insurance company we are mostly a manufacturer at the back of the value chain behind brokers, banks and emerging platforms. Going forward, we will also be more and more at the front end of customer engagements, via our agent and distribution channels and by being active participants in platforms such as around carefree retirement. Tjeerd and Leon will further elaborate on this later today.

By building on our data and customer analytics, we will go from low customer engagement to high frequency contact with our customers. And while we have more customer contact, we will not just be selling what we make, we will also be selling third party products via our platforms.

In terms of pricing, we will go from more technical pricing to customer specific pricing and culturally it means we will shift to a more entrepreneurial mindset.

We believe that this will drive long-term value creation: customer engagement, a leading brand and strong distribution creates trust, relevance. It also attracts customers, improves retention and thereby increases margins and cross-sell, while investments in data and digital capabilities lead to efficiencies and better pricing and underwriting.

Our company will look different in three years' time. Via our data and customer analytics, we are building a unique combination of digital and personal servicing of our customers. Now, this gives insight into our business strategy. The question, of course, is how does this strategy translate into targets. So let's start with the broader stakeholder targets.

As I stated in the beginning, we are a stakeholder-driven company and this is also reflected in our targets. For our customers, for example, we aim to score a higher Net Promoter Score than our competitors, in line with our ambition to be a market leader known for customer engagement. We target increased engagement and diversity of staff and we want to make a positive contribution to society, for example, through our ESG investments.

Of course, you are also a very important stakeholder. So the next point is, how does this strategy translate into an investor proposition?

Our commitment to you is to generate resilient and growing long-term capital generation for shareholders with a target for OCG of EUR1.5 billion in 2023 and that the Free Cash Flow will grow in a range around OCG over time.

Returns to shareholders will be in line with our capital return policy as announced in February this year, so: a progressive dividend per share and an annual buyback of at least EUR250 million, and additional capital to be returned to shareholders unless there are value creating opportunities.

Now, let me say a few words on what we mean with progressive dividend. It means a growing dividend per share. De-linking it from IFRS results gives predictability. Now, obviously, we will decide on the amount of dividend each year depending on the circumstances at that time. However, it is logical to assume that the long-term growth pattern of annual dividends is ultimately linked to the growth of capital generation.

This ambition to grow Operating Capital Generation is based on three pillars; resilient balance sheet, strong cash flows in the Netherlands and profitable growth in the International markets. So let's start with the resilient balance sheet.

We have always prioritized a strong balance sheet and this will not change going forward. We combine a very strong solvency position versus European peers, together with a very conservative asset exposure and low economic interest rate exposure.

We have an estimated Solvency II of 227% at the end of May. Our conservative asset mix is heavily geared towards high quality government bonds.

On credit exposure, we are significantly underweight to corporate bonds in general and to non-investment grade rating in particular and you can see on the slide that our relative exposure to these assets is less than half of that of European peers.

And low sensitivity to interest rates as shown in the top right-hand graph, a parallel 50 basis point shift in interest rate would have a net economic impact of just EUR0.7 billion on a total Eligible Own Funds of EUR18 billion. Bernhard will cover this extensively in his presentation to provide the market with a better understanding of how limited our economic rate exposure is.

Our balance sheet creates opportunities for further investments in higher-yielding assets as we did since the beginning of the COVID-19 crisis, as well as the longevity transactions. All in all, the solidity and stability of our balance sheet, also in volatile market conditions as well as the optionality that that gives us underlines NN's robust and resilient profile.

Now the second pillar underpinning the growth of our Operating Capital Generation is strong cash flow in the Netherlands.

In the Netherlands, we have leading market positions reinforced by the recent acquisitions of Delta Lloyd and VIVAT Non-life. The life business has a strong track record of cash remittance also during crisis and has proven its ability to manage costs, bringing expenses down in line with peers.

At Non-life, our recovery is on track to achieve our targets and we are focusing now on the integration of VIVAT and further upgrading our data capabilities. The bank originates a large volume of mortgages, the majority of which are transferred to the investment portfolios of the insurance companies or to the third party Dutch residential mortgage fund run by our asset manager. These are very attractive assets from a risk-return perspective.

Our asset manager, NNIP, manages the proprietary assets of the group's insurance companies, as well as third party assets. It is a leader in responsible investing.

Now the combination of this already leads to a strong cash flow in the Netherlands, but we are taking more actions to further increase cash generation. We will do that by driving management actions that will allow the businesses to increase the operating capital that they generate. So speeding up the shift to higher-yielding assets, reducing longevity risk and increasing efficiency in the in-force book. Leon will talk about the opportunities we see in our largest segment.

For Non-life, we continue to build on our track record of sustainably improving profitability. We have proven our ability to turn around this and make a solid combined ratio. Now, we believe we can make further improvements by successfully integrating VIVAT Non-life and extracting cost synergies as well as enhancing our digital underwriting capabilities and this is reflected in our updated target for the combined ratio.

Tjeerd will also talk about the exciting opportunities that we see in the way we engage with customers, which is constantly evolving. We will continue to develop platforms and solutions to meet customer expectations.

Finally, Satish will talk about how we further strengthen our asset manager for our proprietary portfolio and third party business.

Now, all these plans translate into ambitious targets for these segments. Netherlands life will grow OCG to EUR900 million in 2023. The Non-life business will improve the combined ratio between 94% and 96%. The bank targets a return on equity of at least 12% and the asset manager aims for an OCG of EUR125 million in 2023.

Now these segment targets underpin our overall OCG target of EUR1.5 billion in 2023. Now, of course, in order to achieve a EUR1.5 billion capital generation, efficiency remains important. In the past years we've made strong progress by reducing our expenses, taking out over EUR600 million out of our cost base since 2013 and we have brought our expenses in line with peers. Also, we will deliver on the EUR400 million cost reduction target we set for 2020, but we won't stop there. We have set clear guidance for expenses to support our growth of OCG, such as reducing the expense ratio of the Non-life company to below 10% including EUR40 million on the back of the VIVAT integration and reducing the Life cost in line with the run-off of the portfolio.

At the same time, we will allow for profitable growth, for example, in the DC business or in the bancassurance business, which will increase these expenses somewhat, but it will support the overall growth of Operating Capital Generation. Tjeerd, Leon and Satish will talk more about our expense plans later today.

Then the third and last pillar: profitable growth in Europe and Japan.

Now, all of our insurance operations in the 11 countries outside the Netherlands, apart from Turkey, are not ING legacy but were started by NN from scratch and built into the leading players in their local markets.

Our European platform is very much focused on protection where we are in a healthy IRR of around 13% and a payback period of around 6%, also our 9% growth in the protection market is much faster than the market rate of 6%. We have seen strong growth of 20% of value new business in Europe since 2017 despite pension reforms.

In Japan, we operate in the large Corporate Life market, COLI. This market by itself is more than two times the size of the Belgium market and we are the market leader. We set up this business ourselves more than 30 years ago and we know this market very well. Japan is the biggest growth engine of the group in terms of new business.

For NN Group, this is an extremely attractive way to invest capital in organic growth with the return of 14% and a payback period of six years. So in the international businesses too we see opportunities to create more value.

Overall, our goal is to shift even more to protection sales building on our leadership position in these markets. Key elements of our plan are to digitalize our distribution, increased third party business and further drive bancassurance.

For the European businesses, we targeted Operating Capital Generation of EUR325 million in 2023. In Japan, we aim to restore the value of this franchise by reactivating COLI sales. Despite the recent tax changes in that country, demand for these financial solution products will remain as evidenced by the first uptick in sales right before COVID-19 hit. Our target is to achieve EUR150 million in value new business in 2023. Later today, Fabian will talk about the opportunities we see in these markets.

Now the business alliance by themselves are profitable with an above average Return on Own Funds and contribute to OCG and VNB growth and are cash generative. Now, apart from their individual contribution, they also have another positive impact on NN Group.

As a group, we are active in 18 countries with approximately 18 million customers. This international footprint has diversification benefits, firstly, in terms of cash generators versus growth generators. Just over half of the remittance in the past three years came from the Dutch Life unit, but that means that close to half came from the other markets where we see potential growth.

Secondly, in terms of sources of income, almost half of our income is coming from predominantly technical margin or fee-based units. Thereby diversifying the spread risk of Dutch Life.

Now also in terms of growth of value new business, the international units generate virtually all the new business with a-third to a half coming from Japan to get into European and Japanese businesses provide an uplift on top of the Dutch Life book. Now of course this only shows the added value of the business lines. But when we were doing our thorough analysis of NN Group, we took a much more granular approach when looking into the performance of our individual business units.

We have assessed our business units based on the many criteria which you see here. Such as market potential, market position, country risk as well as financial criteria like Return on Own Funds and new business profitability.

With regard to the financial criteria, the target is for a country to make a higher return than the cost of capital over the cycle. Now you might then wonder what is the cost of capital? To give you an indication, we use different cost of capital for each country. But, for example, for the Netherlands, we would use around 8%; in a country like Romania, it would be double digit.

If units are not meeting these criteria, we will evaluate all options, including whether we can substantially improve the profile of the business and whether we are the right owners.

On the right-hand side, you see how our units compare on VNB profit margin and Return on Own Funds. Currently, Belgium and Turkey stick out as not meeting the financial criteria. We will actively manage our portfolio and we will be disciplined. Today, our portfolio review has led to three groups: Units with strong capital generation, which we will manage to maximize value; units that have a healthy new business margin and a Return on Own Funds above cost of capital, which we can grow in a profitable way; and units that need to be reshaped.

Today, this is Turkey, where we are still subscale and Belgium, which will require separate attention since this unit does not meet the current Return on Own Funds criteria and we are therefore committing to a target of at least double digit return. Fabian will elaborate on how we plan to do that in particularly by optimizing the different in-force portfolios.

Now the other obvious question is around M&A. Our plans are based on organic growth, that is our base case. The hurdle for M&A is high, it needs to meet strategic criteria and financial criteria. This is illustrated by the recent deals we've done, which provided a double digit return. We will remain very disciplined around M&A.

So the next point is, how do all these management actions come together in our OCG growth path? Now, this is a crucial slide, because it gives more insight into the development of Operating Capital Generation in the longer term.

The slide shows the Dutch Life OCG is growing as the run-off of the portfolio is more than offset by the UFR unwind, new business and our actions to shifting to higher-yielding assets. The improvements in other segments, including Non-life, the growth of international as well as asset management and banking will lead to a growth of OCG. All in all, we expect a mid-single digit annual growth of OCG over time and Free Cash Flow to grow in a range around OCG. Delfin will talk more about the drivers of OCG in his presentation.

Given the attractive development of the OCG, let's talk about the final topic. Which is how will we use the capital and cash that we generate. We will be disciplined when it comes to capital allocation. Our first priorities are: invest in organic growth, applying strict hurdle rates to ensure long-term cash flow; a progressive dividend policy giving clarity on the annual capital return to shareholders can expect; a share buyback of at least EUR250 million, and we will take decisive actions to safeguard this minimum level.

If we have excess capital on top of this, it will be given back to shareholders unless we find value-creating opportunities such as inorganic growth, but there is a high bar for inorganic transactions, as I already mentioned.

Finally, let me recap our updated financial targets. We have set ambitious targets supporting long-term value creation. We will focus on growing Operating Capital Generation to EUR1.5 billion in 2023, Free Cash Flow will develop in a range around OCG over time. This will allow us to deliver healthy returns to shareholders in line with our capital return policy.

Now that conclusion brings me to the conclusion and key takeaways. Our balance sheet is strong and resilient with a low sensitivity to interest rates. Even in times of stress and volatile markets, we have a comfortable position which gives stability and also opportunities. We are well positioned to weather the COVID pandemic. Our business mix means that the impact on results is manageable. We have launched a business strategy that will create value for our stakeholders. To you, our shareholders, we are committing to a resilient and long-term capital generation of EUR1.5 billion in 2023 and that cash flow will grow in a range around this over time. And we will be very disciplined around our portfolio, M&A and capital allocation to shareholders.

To sum up today's key message in one sentence, we are committed to sustainable value creation for our shareholders and other stakeholders.

In the following presentation, my colleagues from the Management Board will take you through the details of our strategic priorities. Finally, on a personal note, it is for me an honor and a privilege to be able to lead a company with such a long history as NN and I am really looking forward to delivering on all the commitments we have made to you, our shareholders and to all other stakeholders.

And with that, I will hand it over to you Jelmer and I look forward to all of your questions and feedback.

Jelmer Lantinga {BIO 20384884 <GO>}

Thank you, David. Inspiring to hear that we commit to long-term capital generation growth. We have scheduled a Q&A session at 10:30. So, please save your questions until then. I now would like to invite our CFO, Delfin Rueda onto the stage to present the dynamics on the OCG in more detail and also talk about the financial targets of the group going forward. Delfin, the floor is yours.

Delfin Rueda {BIO 7032761 <GO>}

Thank you, Jelmer and good morning ladies and gentlemen. I very much miss the personal interaction with all of you. Nevertheless, I'm convinced we will have a fruitful digital session today and that we will be able to clarify any questions you might have. Before you, stands a proud member of the Management Board of NN Group, a company that has delivered on its group targets.

Although the focus of my presentation is on the financials, there are a number of other important considerations that we take into account given our focus on the long-term interest of all our stakeholders. Customers can rely on NN Group to protect them when they need us and shareholders can count on us for solid long-term returns. My mission this morning is to remind you that NN is an income stock with a moderate risk profile and predictable cash flows, with room to grow and optimize the business.

I hope that we will have convinced you of these by the time we finish with this Capital Markets Day. With this in mind, I have split my presentation into 3 sections. In the first section, financial performance, our new targets, I will show you that NN has managed to reach very well through volatile markets and change in regulatory requirements and created a substantial return to its shareholders.

I will also give an overview of how we have performed since the introduction of Solvency II. Then I will briefly look back at our past and present financial targets. And finally, I will comment on the new targets.

In the second section, capital generation and Free Cash Flow, I will take you through our new key financial performance indicator, Operating Capital Generation or OCG in short. I will also spend some time explaining how this translates into Free Cash Flow. And in the third and last part of my presentation, I will cover our capital framework and our capital distribution policy.

First, let me start with a short recap of how well we've performed since we separated from ING group. I am proud to say that over the years, we have not only built a values-based company focused on delivering value for all stakeholders, but also generated more than EUR6.5 billion of financial wealth to shareholders. Almost as much as the whole market capitalization at the IPO. This represents a total annualized return over the last 6 years of 13%. Most importantly, this has been achieved, thanks to a strong risk management culture and moderate risk profile and during a period of low interest rates, significant changes in the regulatory framework and extreme volatility of the financial markets.

Let me now turn to the capital we generated since the introduction of Solvency II. The format of this slide should look familiar to you by now. I think this is an interesting slide for several reasons. Firstly, it shows that as of the introduction of Solvency II, our Eligible Own Funds increase with roughly EUR5 billion. Secondly, you can see that in this period, our Solvency ratio evolved very positively. Which allowed us to make a large value creating acquisition. Despite the EUR2.5 billion cash paid to acquire Delta Lloyd in 2017, NN Group's solvency stayed very strong at 224% at year-end 2019.

Please note that this ratio does not reflect the postponed payment of our 2019 dividend nor the positive impact of the longevity reinsurance transactions we closed last month. A simple way to explain it, is that over the last 4 years, we have generated 85% points of regular operating capital, which we have partially reinvested in our core business, with the acquisition of Delta Lloyd while also distributing 44% points to our shareholders in dividends and share buybacks.

And lastly, you can see that although markets were quite volatile during the period, the typical short-term volatility disappears when you take a longer-term view. In short, I can say that since we have split from ING, our financial performance has been better than we targeted for and that we've invested in growing the business while providing a significant income yield to our shareholders.

I fundamentally believe that in life and in business, it's not what people say, but what they do that matters. With that, let me move to financial targets.

Looking back, we have delivered on the group target set at both the IPO and our last Capital Markets Day in November 2017. Focusing on our most recent financial targets let me take you through them one by one. First, our target was to achieve cost reductions of EUR400 million by the end of this year. By the end of last year we realized 90% of the target and I'm confident that we will achieve the remaining 10%. Second, on the earnings side, we grew the IFRS operating result by 6% per annum over the period 2017 to 2019, versus our 5% to 7% target. This was mainly due to strong results in Netherlands Life and Non-life while we suffered some headwinds in Europe and, since the tax reform last year, also in Japan.

We are also experiencing a challenging environment for our asset management company. Lastly, in the period 2017 to 2019 our Free Cash Flow has been in range around the net operating result, in line with our over time Free Cash Flow guidance. From the slide, it is clear that in both periods NN delivered on its group targets.

With this in mind, I would like to shift to our updated set of group targets. Our new group financial targets are simple and ambitious. As we now shift from IFRS operating result to our Solvency II Operating Capital Generation, the link with value creation and Free Cash Flow is more intuitive. First, we aim to grow our Operating Capital Generation to EUR1.5 billion in 2023. I will explain later which are the value drivers we have to achieve this. Second, we expect our Free Cash Flow to be in a range around Operating Capital Generation. Similar to our previous guidance on Free Cash Flow, this will not be precisely the same each year, but over time we expect these to accumulate to a similar amount.

Thirdly, we are committed to providing a growing income return to shareholders. We aim to grow dividends per share over time in combination with a recurring annual share buyback of at least EUR250 million. And we maintain our commitment to return any additional excess capital to shareholders unless we can use it for value-creating opportunities.

Let me now briefly touch on the updated targets for the segments. We introduced an Operating Capital Generation target for Netherlands Life, Europe and Asset Management. While targets for Netherlands Non-life, Japan and Banking are based on the key value drivers in those segments. We expect Netherlands Life to contribute EUR900 million to the Group OCG in 2023. For our Non-life business, we updated the combined ratio target to 94% to 96%. This shows our ambition to further improve the results of this business based on an improved market position following the acquisition of Delta Lloyd and VIVAT Non-life.

The key performance indicator for Insurance Europe and Asset Management is also Operating Capital Generation. Europe targets EUR325 million; and Asset Management, EUR125 million in 2023. For Japan, we set a target on Value of New Business of at least EUR150 million in 2023. Value of New Business provides a more direct link to value creation as opposed to Operating Capital Generation because of the way the local accounting and regulatory frameworks in Japan work.

To finalize, for our Banking business, we have increased the previous return on equity target of 10% or above to at least 12%. Note that the bank is not part of our Solvency II figures and only contributes to the Operating Capital Generation of the Group when it distributes dividends.

Let me now move to the second part of my presentation covering capital generation and Free Cash Flows. As this is the first time we are disclosing OCG in some detail, I want to highlight some of its dynamics in the following two slides. First of all, to make sure we all use the same language, when we talk about Operating Capital Generation, we mean the Own Funds generated in excess of 100% of the Solvency Capital Requirement. This is a figure that includes our holding and interest costs and excludes the impact of market movements and one-off elements such as model and assumption changes.

You can interpret it as 'normalized capital generation'. We choose Solvency II Operating Capital Generation over operating result under IFRS for two good reasons. First, it help us to steer the company on a more economic basis. And second, it better illustrates our capacity to generate surplus capital and pay dividends.

There are several elements driving the OCG. Let me first start with the own fund generation from our Solvency II regulated business. This covers the first six rows in the chart. A very large contributor to Own Funds OCG is the investment return, which essentially represents what we expect to earn from credit spreads, equity and real estate net of the unwind of our insurance liabilities.

Then there is the impact of the UFR drag, which reflects the amortization of the UFR benefit on our balance sheet. You can see that this is to a large extent offset by the next item, the release of the risk margin. To complete the picture, we've also got the deviation from our actuarial assumptions, new business written mainly in Europe and the underwriting result from our Non-life entities.

All these six elements contribute to their Own Funds Operating Capital Generation. In addition, our non-Solvency II business contribute to the group capital generation as well. These are asset management, NN Life Japan and the bank. In the next slide, you can see the holding expenses and debt cost, those reduce OCG and with that, we've come to the total Own Funds Operating Capital Generation.

And finally, adding the release of the Solvency Capital Requirement results in the total Operating Capital Generation of the group, which in 2019 was EUR1.3 billion. This was the breakdown of OCG by source. Let me now show you how each segment contributes to OCG on the next slide.

The largest contributing segment is Netherlands Life. We generate OCG mainly via the investment return and therefore optimizing the asset portfolio is a key value driver. For our Non-life business improving the combined ratio and the addition of VIVAT Non-life provide clear opportunities to increase OCG.

In Europe, the main drivers of OCG growth is writing profitable new business. Our Japanese Life business is included in OCG on a local GAAP basis. As there is a large new business strain under Japanese GAAP, higher sales lead to lower OCG and lower sales to higher OCG. You can see this inverse relationship in our 2019 results where low sales resulted in a large OCG contribution. We expect profitable sales to pick up again, which will lead to a lower OCG contribution from Japan.

As already mentioned, because of these anomaly, we picked value of new business as the key performance indicator for Japan. For our asset manager, the IFRS net result is more or less equal to OCG and improving fee income relative to expenses, is the key value driver. As I mentioned earlier, our Banking business contributes to OCG only when they pay a dividend to the holding. And finally, the segment Other includes the contribution from NN Re, holding cost and the interest on our external debt, as well as other miscellaneous items.

For illustrative purposes, we have included a chart in the next slide that shows the expected evolution of OCG from our operating entities over the coming 11 years, showing NN Group's capital generation growth potential. After a dip in 2020, we expect to quickly recover and reach a sustainable mid-single digit growth of OCG over time. The short-term decrease in OCG is explained by two main factors. The first one is the COVID-19 pandemic, which will increase claims and surrenders and reduce new business. The second one is the negative impact from the recent moves in interest rates and credit spreads, which increases our solvency ratio, but will reduce OCG. I will explain this later.

The mid-single digit growth of OCG is supported by the stable contribution from Netherlands Life. Over the next 10 years, assuming no further decreases in market rates, the UFR is expected to run off relatively fast, also helped by the 15 basis points annual step-downs. This results in a lower UFR drag which, over this period, more than compensates the reduction in the other OCG components.

Please do note that the OCG shown in this graph for the Dutch in-force book includes renewals of Group pension contracts and new business. The investments in higher-yielding assets are also expected to contribute significantly to the growth of OCG. Finally, we expect the other operating segments to become increasingly important in growing capital generation.

Let me now take you to our 2023 OCG target and the main drivers we have in hand to grow OCG from EUR1.3 billion in 2019 to EUR1.5 billion in 2023.

First of all, we need to take into account the impact of current interest rates and spreads, which in the short term adversely impact the OCG compared to 2019 levels. We have also included the impact of the longevity reinsurance transactions, which we executed last month. These transactions freed up capital while reducing capital generation going forward. An element that will automatically increase OCG is the reduction of the UFR with 15 basis points per annum up until 2022. This reduces the Solvency II ratio, but also reduces the UFR drag on OCG.

From our side, the actions we will take to increase the OCG over time are the following. First, there is the move to higher-yielding assets, which I will cover more thoroughly in the next slides; then there is the improvement of our Non-life results, including the acquisition of VIVAT Non-life in April. Additionally, in Europe, more profitable new business will further increase OCG. We currently expect that the contribution from Japan and the bank to the Group OCG will be somewhat lower in 2023 compared to their high levels in 2019. In line with their target, we expect the OCG of our asset manager to be broadly stable.

In the next slide, I will elaborate on how we plan to increase our investment return. As Bernhard will explain later, we have a defensive asset mix, which allows us to increase OCG by moving to higher-yielding assets. In the past, we have done this mainly by moving out of government bonds into mortgages. Going forward, we want to further increase our investments in mortgages, loans, equity and real estate, while reducing exposure to sovereign bonds. This is expected to gradually increase our OCG by around EUR200 million in 2023.

Continuing with investment return, let me now explain the impact from markets on Own Funds and Own Funds Operating Capital Generation. As you know well, movements in financial markets affect the solvency ratio. In an appendix to my presentation, you can see the impact of market movements on our Own Funds. Here, I want to repeat the stock and flow concept that I often refer to, as it is useful to understand some of the short-term market volatility we observe from one reporting period to another.

Market volatility have an impact on the stock, but market movements impact immediately also the change in the Own Funds capital generation in the subsequent periods. For some market movements, the combined net effect tends to be neutral over time, and therefore, these movements are not that relevant from a value point of view.

Let me take interest rates as an example. If rates decrease, our Own Funds increase, mainly reflecting an increase of the UFR benefit on our solvency balance sheet. However, at the same time, our capital generation will decrease because of a higher UFR drag. Of course, the opposite will happen if rates increase. But in both cases, the capital generation over time will compensate for the immediate impact on the solvency balance sheet, except for the part that our interest rate position is open. Nevertheless, our open interest position is relatively small, as Bernhard will elaborate later in his presentation. The stock and flow concept also applies to movement in credit spreads.

Let me now move to the Free Cash Flow guidance. The main message here is that we expect Free Cash Flow over time to be in a range around OCG. As you know, we define Free Cash Flow available to shareholders as the net remittances from operating units minus holding cost. In the short term, we expect Free Cash Flow to be adversely impacted by dividend restrictions from local regulators following the recommendation of EIOPA to suspend dividends. This affects our banking business as well as several countries within Europe.

In the medium term, Free Cash Flow will develop in a range around the OCG. We expect remittances from Netherlands Life to increase following the longevity transactions completed last month and a further shift to higher-yielding assets. Remittances from Netherlands Non-life will also increase following the improvement of the combined ratio and the integration of VIVAT Non-life.

In Europe, improvements in sales and managing the in-force business in Belgium will contribute to higher remittances. This will be partially offset by lower dividends from Japan as we expect sales will grow, which will negatively impact dividends in the short term. Dividends from asset management in 2019 were high, reflecting the release of excess capital. Also, the dividends from the bank were elevated in 2019.

With this, I will now move to the third and last section of my presentation. Here, I want to cover the quality of our solvency capital, our financial leverage and our capital management approach. I will also say a few words about our capital distribution policy.

On this slide, I want to highlight the quality of our Solvency II capital by clarifying the impact of the risk margin, the so-called UFR benefit, the volatility adjustment and the credit risk adjustment, all these items that are part of the Solvency II framework add complexity. On the left-hand side, we show that our EUR18 billion of Eligible Own Funds at year-end 2019 would stay around the same level if we were to exclude all these elements. This highlights the strength of our solvency balance sheet. On the right, we show the tiering of our Own Funds. Our overall level of hybrid debt is at a comfortable level. And at year-end 2019, we had around EUR1.3 billion of unused debt tiering capacity.

The non-Solvency II regulated entities included in Own Funds mainly reflect Japan and Asset Management. Please note that the regulatory capital of our Banking business of EUR1 billion is excluded from Own Funds.

Moving on to our leverage position. The main takeaway from this slide is that we are comfortable with our leverage position because we have a strong fixed cost coverage ratio. We did not refinance a EUR300 million senior bond, which matured earlier this month. This reduced our financial debt to EUR5.8 billion.

As you can see in the chart, the fixed cost coverage ratio has been above 10 times during the last five years, and our financial leverage has reduced from near 31% following the acquisition of Delta Lloyd three years ago to around 25% now. Also, given our strong Free Cash Flow, our ability to pay the debt cost with dividends received from the units is at a comfortable level.

Let me now say a few words on our updated dividend policy. We have shown a strong commitment to creating shareholder value and distributing surplus capital to our shareholders. We have returned EUR4.8 billion of capital in dividends and share buybacks since our IPO six years ago. This includes the suspended final dividend for 2019 and the remaining amount of the suspended EUR250 million share buyback. We consider this to be a postponement, and it is our intention to distribute the amount of the original proposed final dividend and to complete the suspended share buyback in the second half of this year.

Going forward and as announced with our 2019 year-end results, we moved to a progressive dividend per share policy. Predictable and growing dividends is very important to us. The interim dividend per share will continue to be calculated based on 40% of the previous year total dividend per share. Ordinary dividends need, of course, to be decided based on the financial conditions and circumstances at the time of that decision. Nevertheless, the long-term growth pattern of annual dividends is ultimately linked to the growth of capital generation. The main benefit of our progressive dividend policy is that you can expect a gradual growth of the dividend per share irrespective of the natural volatility from one period to another of OCG and Free Cash Flow.

On top of the ordinary dividend, we aim to return additional capital to shareholders via an annual recurring share buyback of at least EUR250 million. And further, when we have excess capital, we will either invest it in value-creating opportunities or return it to shareholders in the most efficient way. These three elements of our dividend policy provide a clear and attractive capital return and for shareholders. On the next slide, you can see that our capital framework based on three pillars remain unchanged. We feel that this approach which has been in place since the IPO has worked well and still provides a simple and useful framework. Just to remind you, the first pillar is the capitalization of our operating units, which we keep at a sufficient level, so that the units can compete in the local markets. Any surplus capital is upstreamed over time to the holding company, where it becomes part of this second pillar, the cash capital.

This cash capital is kept at the holding company to cover stress events and holding company costs. Our target range for cash capital remains unchanged between EUR0.5 billion and EUR1.5 billion. The third pillar deals with financial leverage, which we aim to maintain at a level consistent with our single A financial strength rating. As you know, we manage our capital in a holistic way, which means we look at each of these three parts in conjunction, as they are closely linked. For example, if we keep more capital in the operating units, our cash capital requirement at the holding company will be lower and vice versa. On this slide, we have also provided updated numbers for all the 3 pillars, at the end of June and the solvency ratios at the end of May.

Let me finish here and summarize my four key takeaways. First, looking back, we created significant value while showing a stability and good financial performance despite financial market volatility. Second, we've changed targets from IFRS operating result to Operating Capital Generation with a target of EUR1.5 billion in 2023. Third, we aim to achieve this while delivering long-term value to stakeholders and keeping a strong balance sheet and moderate risk profile. And finally, we are committed to our progressive dividend policy and to return surplus capital to our shareholders over time, unless used for value-creating opportunities. I started my presentation by saying that NN is an income stock with a moderate risk profile and predictable cash flows.

And it is exactly these features that make NN an attractive investment opportunity in turbulent times. Thank you very much for your attention. I will now hand it back to Jelmer.

Jelmer Lantinga {BIO 20384884 <GO>}

Thank you, Delfin and now I would like to invite our Chief Risk Officer, Bernhard Kaufmann onto the stage. Bernhard very recently joined NN, only three weeks ago. And Bernhard you have a long career in the financial industry and risk management. Please share your views on the balance sheet of NN, especially in these turbulent times, and how NN manages risk and return.

And a reminder, after this presentation, we will have a Q&A session at which you can ask all your questions to David, Delfin and Bernhard. But now over to you, Bernhard.

Bernhard Kaufmann {BIO 18347993 <GO>}

Thank you, Jelmer, and good morning. Indeed, I'm very happy to give you some insight into how NN Group manages risk and return. So how can I do this after having joined NN Group just three weeks ago? Well, first of all, risk management at NN is very mature. There are clear-defined risk appetite statements for all relevant risks, and adequate limit systems are in place. That means NN manages business and the risk-return profile within these respective limits, and risk management best practices are in place. And we have excellent colleagues in the risk management function that brought me up to speed very quickly, so big thank you to you to the team.

In addition, Solvency II helps risk management frameworks, and processes are very standardized across the industry in Europe, and this is especially true for internal model companies. And that I learned a little bit about risk management in my last 20 years also helped to get going. So in my presentation, I will put a spotlight on the resilience of our balance sheet, give you examples how we manage our risk-return profile, illustrate our relative low exposure to COVID-19 pandemic and argue that the impact of possible changes in the Solvency II framework will be manageable for us.

Let's start with our risk-bearing capacity. Our capital position is at a very comfortable level. End of May, our solvency ratio was 227%, slightly above the year-end number of 224%. What explains this slight increase? We have a large positive impact from the longevity reinsurance transaction of about 17 percentage points increase and from earnings of the first five months of the year, and that outweighs the negative impacts that result from investment in VIVAT and also the UFR step-down. Only a moderate negative impact from capital market movements were observed in this time period. So this emphasizes the stability of our Solvency II ratio also in such an environment.

A view on our major risk categories echoes this, insurance and business risk makes up about 60 percentage points, and SCR and market credit risk only 40 percentage points. An additional point on balance sheet strength, we have a risk margin of EUR7.6 billion on top of the best estimate liabilities that is adding to our risk-bearing capacity under Solvency II. NN Bank is not part of the Solvency II balance sheet, but it also is well capitalized using the standard approach. So NN Group's capital position is very strong also in this current environment.

The risk profile in a little bit more detail. So what are the underlying risks that we are running that can impact our balance sheet? First, a view on insurance and business risks on Page 5. This is the largest risk category with capital requirements of EUR6.7 billion. Clearly, our Life and Pension business is dominating our risk profile. Therefore, longevity risk is the most relevant insurance risk factor. I will address longevity risk a little bit later in more detail.

The contribution from morbidity and mortality risk or lapse risks or expense risk is relatively low and related to some and very specific product lines. The other risk categories are also very diversified, and we are actively using reinsurance to mitigate these risks.

Now moving on to market risk with capital requirements of EUR4.6 billion. Also, the market risk profile is driven by our Life and Pension business and the necessity to invest and to match the long-term nature of our liabilities. To manage interest rate risk, we follow a cash flow matching approach that is most appropriate because of the stable nature of the liabilities. Remaining interest rate risk mainly relates to Solvency II-specific issues.

Given that we are mainly invested in fixed income securities with long maturities, we are also exposed to credit spread risk like everyone in the industry, but also, please bear in mind that only default risk is relevant from a cash flow generating point of view.

Now our investments in illiquid assets consist of a high percentage of real estate and mortgages. This is reflected in the capital allocated for this risk category. And together with our investments in equities, we have a good diversification among the main four risk drivers. What is remarkable for me after three weeks with a little bit more internal insight is a misperception about our interest rate risk in the market. So therefore, now a deep dive into this topic.

The short summary is interest rate risk is really not a problem for NN Group. Why? Life and Pension business, especially in the Netherlands, delivers a very stable and predictable liability cash flow because, for the largest part of the business, the cash flows are fixed. There are no profit sharing mechanisms. There are no dependency on policyholder behavior. So that means for most of the liabilities of the Life and Pension business, there is no dependency on capital market movements.

The payments are susceptible to mainly one risk driver, and that is longevity risk. The next relevant risk category then is expense risk. So this stable liability cash flows are now matched up to year 30 by investments in fixed interest rate securities, and you can see this in the chart of the upper left side of the slide. So there's hardly any interest rate risk at all resulting from the net cash flow up to year 30. After year 30, because of illiquidity of markets and risk-return considerations, we do not physically match, but hedge the remaining interest rate risk with derivatives with some tactical leeway for active management.

You see in the graph that the assets supporting the liabilities peak after year 2050, and we roll them over to longer maturities, also physically, if assets with appropriate maturity and returns become available. That means the interest rate hedge is near to perfect on an economic base. Only a tactical position is open. So that's good. But there's a difference between the economic matching that is based on swap interest rates and the resulting interest rate risk according to Solvency II metrics. So there's a remaining interest rate risk and sensitivity, and that is also influencing the Solvency II ratio, but it's moderate.

What you see on the graph on the lower side of the slide is the impact of interest rate movements on our Solvency II ratio over the last quarters. So this was rather low given the amplitude of interest rate movements in these periods, and there is no impact on real cash flows.

To illustrate this further, we have split on Page 8 the impact of the interest rate change of 50 basis points downward shift on Own Funds into three buckets: year one to 30; year 30-plus; and there is a third bucket with all the impact from switching from swap valuation to the Solvency II interest rate curve and taking risk margin impacts into account.

End of year 2019, based on the 1 basis point interest rate sensitivity, 95% of our liability cash flows are interest rate hedged and a duration short position results. That means that the contribution to Own Funds is slightly negatively impacted if interest rates fall. There is a net position for the first 2 buckets. Switching now to the Solvency II metric, related Own Funds stock and flow items result. These are summarized in the third bucket. Now taking all buckets and impact into account, we shift from a duration short position into a larger duration long position and that means in total, our Own Funds are now impacted positively if interest rates fall and have a higher sensitivity. And this is driving our Solvency II sensitivity, but has no impact on real cash flows. I hope this helped to give you color to my point that interest rate risk is really not an issue for us.

Now, to the other market risk categories. I move to page 9. We have a defensive asset mix out of our EUR171 billion investments, 90% investments are in fixed income securities or cash. Our fixed income portfolio of EUR143 billion is a very high credit quality and dominated by government bonds and mortgages. There is room to increase asset risk from an allocation point of view. This is also illustrated by the percentage of other risky assets as a percentage of total investments that is shown on page 10. Especially investments and equities with around 3% and our investments in illiquid assets, mainly focused on mortgage and real estate are summing up to around 5%.

Now, looking on the resulting sensitivities for all market risk categories and the tolerances that are in place and summarized on page 11. We also have room to increase asset risk in our investment portfolio given our current risk tolerances. To wrap up, the first section, given our strong balance sheet and risk profile, there is enough flexibility to support the strategy and the growth ambitions laid out by David and this includes also leeway to increase asset risk while we are continuing to manage our interest rate risk very tightly.

In the next section, I want to give you examples on how we manage our risk-return profile. The first example is on page 13. We closed in May this year three reinsurance transactions that had a focus on reducing our longevity risk for part of our pension liabilities. Overall, this resulted in the 17 point positive impact on our solvency ratio that I mentioned before. The capital relief we got out of this transaction is about EUR500 million of Solvency

Capital Requirement on group level and in addition, there is a net positive impact on Own Funds.

So, this results from a positive effect from a reduction in risk margin, and that outweighs the negative contribution of the reinsurance premium we have to pay.

Not to forget, the transaction will lower the expected OCG from the pension business in the next year. But because half of the freed up SCR capital we have allocated for investing in higher-yielding assets, we see a potential for yield pickup that is already reflected in the OCG targets Delfin presented.

Also the capital position on NN Life was strengthened by this transaction and gives now room for additional upstreaming of dividends. So we see an increase from EUR195 million in the last quarter to EUR225 million going forward.

From a risk-return perspective, a very good deal. And going forward, we will manage our longevity risk in a more strategic context. And what has to be considered is that Leon will explain in his plan for future pension business buyouts that have to be taken into account. There are other channels beside reinsurance that we want to explore further, especially also because the risk appetite of some reinsurers for pension business in the accumulation phase is restricted. To bring transactions for specific portfolios to the market takes time and can easily take a year, and this is ae very typical time frame in the industry. And also, this transaction size has to be digestible for the reinsurance market in a given year, without having to pay elevated prices. So there's great potential ahead. But it will take some time and consideration to realize it properly.

We already started to increase the risk in our investment portfolio. On Slide 14, there is some illustration to this. So first, long term, we see attractiveness of illiquid asset classes on a risk-adjusted basis, and we want to move away from government bonds into illiquid assets. Second, opportunistically, we acted already and we acted on corporate bonds as the spread widened and also equities because market prices were going down in the last months. We already have invested in the last months over EUR4 billion in risky assets, and this includes EUR2.1 billion investments in investment-grade bonds, EUR800 million in high-yield bonds, EUR500 million in emerging market debts and around EUR700 million in equities.

So you will see both more opportunistically investments into liquid assets, like we did in the last month, but also a gradual shift step-by-step to attractive asset classes like especially in the liquid space and especially in the mortgage space.

The additional SCR buffer that we allocated for investments for the time being leaves some more room for additional investments. One of the asset classes I just mentioned and that we are strategically growing and where we also have already a good track record, are mortgages in the Netherlands. Our mortgage exposure is about EUR47 billion. So most of the mortgages are originated by NN Bank. What is important, NN Bank offers long tenures, e.g. 20 years or even longer. So, we can offer in a low interest rate environment, long-term mortgages that are on the one side, giving our customers reliability on mortgage payments for many years and on the other side, give us a decent return over swap following maturities that we try to match in our insurance business. One of the few so called win-win situations that are really win-win situations.

Profitability of this asset class is good. The chart on the lower side of the slide shows the spread of our NN Bank mortgages with 20 year tenor over swap still about 200 basis points. The risk-return profile asset class is rather low, we stick to a very disciplined underwriting approach, there are specific institutional framework related positive impacts, especially in the Netherlands, 30% of our business is part of a mortgage guarantee scheme backed by the Dutch government, the NHG and there is potential to grow which is great because we have the unique sourcing situation with NN Bank and the total origination in 2019 was about EUR7.9 billion.

So, how does the historical performance look like, well the loss experience is very low. Also here, the reason is that this asset class is embedded into the strong institutional framework in the Netherlands. And there are strong social security and unemployment benefits, tax incentives and also restrictions like on loan to value. The chart on slide 16 shows that historical losses in our portfolio and the NHC supported schemes have been below 10 basis points. And also after the 2008-2009 financial market crisis, it stayed below 10 basis points. So, that makes our mortgage business, a very attractive asset class that we want to grow further, but, within our disciplined approach to protect profitability.

The third section is on our exposure to COVID-19 pandemic. A pandemic of this size and nature is for all of us new and has many different aspects and there is still high uncertainty on future development like new waves or local outbreaks and the future development is not really foreseeable to full extent. Therefore also going forward, this is a relevant risk scenario to consider and to monitor. David laid out the impact for the different stakeholder groups and that we expect moderate financial impact for this year. Now what is the outlook, if the impact of the pandemic will be more severe than currently expected.

In the property and casualty business, we are not writing the most affected lines of business for event insurance we have reinsurance in place, some lines of businesses like Disability & Accident are negatively impacted but other lines of business like Motor show a very benign loss experience and in our Life business, our exposure to mortality and morbidity risk is very low compared to longevity.

Impact from market risk on our Solvency II ratio can be easily assessed from the sensitivities. In a long-lasting recession additional higher default or migration may result mid-term and credit risk may become an issue. I will provide you with more details on this in a second and just to finish the possible areas of impact recession scenarios of course also impact the financial situation of our customers.

And reduction of new business has been the main driver of the impact on OCG for us, for our result in 2020 so far. And also the lay of premium payments has to be considered in this context. For now, back to some flavor on our credit risk exposure on the investment side. Slide 19, you see on the left hand side the high credit quality of our portfolio and you see that half of our portfolio are government bonds, 82% of our portfolio is rated A or better. Bonds rated below investment grade are just about 2.5% of our fixed income portfolio and our corporate bond investments are about EUR34 billion.

So, the exposure to sectors most impacted in the last months in our overall investment portfolio is minor and consists mainly of investments in large names that are representing the leading benchmarks eg, in the oil and gas sector. Now, what could be the impact of a severe recession. We use the Great Depression and financial market crisis 2008 to calibrate and analyze the possible impact on migration and default risk for our corporate bond portfolio. You see on slide 20 that the impact in such a scenario on the Solvency II ratio would be in the order of a few percentage points and a few hundred million impact on Own Funds or IFRS equity.

A good additional illustration how defensive our asset allocation currently is and that even in a very severe recession this would be manageable from a balance sheet perspective. Last but not least, some remarks on the Solvency II 2020 review. You will be aware of the process to review Solvency II this is laid out in an overview on the left hand side of the slide 22. There is a commitment from EIOPA and major stakeholders that for the industry, the impact on capital requirements should be neutral. So, therefore we assume that there will be a balanced approach with limited impact on capital requirements.

As we already use negative interest rates in our internal model, no impact is to be expected from this discussion on NN Group. We listed that discussed adjustments that have the highest potential impact on page 23. There are adjustments with neutral and also positive impact for us. For the possible changes with negative impact there are ways to mitigate the impact, so that is the reason why we see that the possible changes are manageable for us.

So, to summarize, we have a resilient balance sheet that gives room for our strategic ambition and also allows re-risking of our investment portfolio. We will further improve our risk-return profile, and Solvency II review related changes we assess to be manageable for us.

Thank you very much and back to you, Jelmer.

Jelmer Lantinga {BIO 20384884 <GO>}

Thank you, Bernhard. Good to hear from you that firstly, the balance sheet is strong especially in these turbulent times and secondly, the interest rate risk and credit spread risk are actively managed, resulting in resilience expected future cash flows. So, let us now move to our first Q&A session of approximately 30 minutes for which we will open up the conference call. Again, you will find details for the conference call in your registration email as well as on the website. I think it is also shown on the screen right now.

I'm sure you have lots of burning questions for David, Delfin and Bernhard and the Q&A session will be hosted by my colleague from Investor Relations, Geraldine Bakker. Geraldine, I now would like to invite you to the stage to take off this first Q&A session from me. Thank you.

Questions And Answers

Q - Geraldine Bakker-Grier

Good morning everyone and welcome to the Q&A session and welcome back David, Delfin and Bernhard who are on stage to answer all your questions. We have approximately 30 minutes for this part of the program. We'll try to fit in as many questions as possible in that time. (Operator instructions). I already see there are quite a few analyst called in. So, let's get started. The first question is from Mr. Ashik Musaddi of JP Morgan. Good morning Ashik go ahead.

Q - Ashik Musaddi {BIO 15847584 <GO>}

Yeah, hi, good morning. I have, there is a lot of echo on this but. Good morning everyone, sorry. I just have few questions, I mean first of all, I want to get some color on, if I look at your cash flow profile, you are trying to say that you will be getting about EUR1.5 billion cash for next few years, I mean every year. But, then if I look at your capital return, I mean we get about EUR950 million to EUR1 billion. So, what are your plans for about that extra EUR500 million - EUR600 million. And more importantly, what I'm trying to understand is, will DNB allow you to return that extra capital if there is no M&A opportunity. So, that's the first one.

Secondly is on the BPS growth. You mentioned that it will be in line with the Free Cash Flow generation that you're planning, but how should we think about buyback because it will lower the share count, as well. So, are we talking about 5% mid-single digit organic growth, plus the buyback growth as well, on the DPS and lastly, how should we think about M&A and what sort of return hurdles are you trying to achieve? Thank you.

Q - Geraldine Bakker-Grier

Thank you Ashik. Delfin I think these questions are for you and maybe the last question on M&A for David.

A - Delfin Rueda {BIO 7032761 <GO>}

Thank you. Thank you very much Ashik, for your questions. In terms of the cash distribution to shareholders, clearly, we've been indicating again and again that we value this ability of the payment of dividends and the share buyback to our shareholders. So, we do value more the stability, the stable growth of the dividend per share. And that give us some financial flexibility with the element of share buyback that we will execute over time. Clearly, our commitment is to return surplus capital to shareholders over time. So, that means that, with the progressive dividend policy, we expect dividends per share to grow every year irrespective of what is the OCG or the Free Cash Flow in that year. In addition, we have the EUR250 million share buyback, and I think you need to look at these two components as predictable and then you have the additional share buybacks that will depend you know, on our decisions over the next years. But the commitment is, over time if it is not spent in value created opportunities, this will be returned to shareholders as we have done since the IPO with a total of EUR4.8 billion distributed to shareholders.

Dividend per share growth year-by-year, we'll make that decision, but clearly over the long term that is very much related to the growth of OCG and of course they're more share buybacks that take place, the growth of the dividend per share will be higher than the absolute amount of the dividends.

So, I think there are 3 pillars, two of them quite reasonable to assume 250 plus our growing dividend per share and one that will depend on the opportunities to invest, but over time all surplus capital will go to shareholders. Maybe on the M&A.

A - David Knibbe {BIO 17996037 <GO>}

Yeah, thanks Ashik on M&A. So, we've made clear in this plan that the base case is organic growth. In terms of hurdles, there is obviously strategic hurdles. It really needs to fit our business and there are financial hurdles and I think you're probably talking about the financial hurdles. The best indication that we can give so far is that the deals that we've done have provided a double-digit return and so I think that's the best guidance we can give, of course it does depend on the complexity of the deal. What is very important is that the plan we talk about today is based on an organic path to grow our OCG.

Q - Geraldine Bakker-Grier

Thank you, David. Our next question is from Fulin Liang from Morgan Stanley. Good morning, Fulin.

Q - Fulin Liang {BIO 21126177 <GO>}

Good morning. Hi, it's in the questions (technical difficulty) the first one is, I'm just wondering, how are you thinking about the yield on review on the given there are actually of uncertainties that do you think that there is not in for target cope with anything from that the first one and then.

Q - Geraldine Bakker-Grier

Fulin, can I interrupt you, I think we're not hearing you very well, perhaps you can reduce the volume on your computer that might solve the echo, could you try that maybe repeat your first question.

Q - Fulin Liang {BIO 21126177 <GO>}

Yeah sure that we comparatively, is this better?

Q - Geraldine Bakker-Grier

It sounds a little bit better, yes.

Q - Fulin Liang {BIO 21126177 <GO>}

Okay. Thank you do I need to repeat the first question? So, my first question is about the ongoing yields on the view on the long-term guarantee, which are uncertain in terms of the potential impact to your Solvency position, is that enough actually way in your new target to cope with any potential surprise from there. So, that's the first one and then the second one is, obviously you disclose your sensitivities and everything at the end of full year '19. I just wonder also your risk, what would the sensitivity actually looks like.

That's the second one. And thirdly is, if I look at, so your new targets represent about EUR150 million to EUR200 million OCG increase, but if I look the unit breakdown, you are expecting about EUR130 million from the Netherlands Life and then you are expecting, roughly EUR70 million from the Insurance Europe, this add together is already 200 million, are you saying that you're not actually expecting OCG increase, it will be on the business units, or is that any other kind of investments actually you are thinking, thank you.

Q - Geraldine Bakker-Grier

Thank you. Thank you Fulin, again I think Delfin would you like to take these questions.

A - Delfin Rueda {BIO 7032761 <GO>}

Okay. So, I think that the first question was about the review, the Solvency II 2020 review, we have seen that as mentioned by Bernhard the intention by the regulators is to overall not have a big impact. I have also explained in my presentation as clearly as I could, the importance of looking at the stock and flow in combination. So, there could be changes that might affect somewhat the stock but might have a benefit in the flow.

We have a very strong level of solvency at 227% at the end of May. And there are management actions that we can do and we will take, for example, changing our hedging approach to interest rate risk if that is necessary. We can do longevity transactions and of course the implementation of the Solvency II review is far away, might be in 2024 and meanwhile, we are going to continue generating capital. So in short, we feel very comfortable that the introduction of Solvency 2020, when it comes in place is very manageable for NN.

In terms of the sensitivities, don't know if you want to add something later Bernhard. But maybe I will just cover the targets and of course when you add the different targets, I think the one bit that you're missing is not to forget the segment other, which is very relevant. So, in segment other, we have approximately EUR280 million a year which is the combination of fixed cost and the cost of our external debt (approximately EUR160 million per annum) and the fixed cost one at the level of the holding (of around EUR120 million). So, you will see some decrease on that over time, but that's an element. Once you include this number I think you are going to come with the different guidance to the EUR1.5 billion. Maybe on the sensitivities Bernhard.

A - Bernhard Kaufmann {BIO 18347993 <GO>}

So, the sensitivities of course will change and also I think a good point in time to take a look into this will be end of the year because it's not a program that we executed now in the last 2 months. And that's it, but it's a gradual shift. It's a step-wise approach and to give you all of magnitude, the capital that we allocated for this increase is around EUR250 million. So, that's the SCR or Solvency Capital Requirement behind this and that will then be translating into higher sensitivities. But, I think it's nothing to really look at, at a given point in time or trying to track this on a high frequency basis, as this is part of the strategic asset allocation that is managed dynamically.

Q - Geraldine Bakker-Grier

Thank you. Thank you, Bernhard. Thank you for those questions Fulin. The next person on the line is Mr. Albert Ploegh over. Good morning Albert, do you want to go ahead with your questions?

Q - Albert Ploegh {BIO 3151309 <GO>}

Yes, Good morning. Yes, a few questions from my side. And first of all, on the EUR1.5 billion OCC target in 2023, it seems that looking at the slide, B12 or 35 in the deck, that the guidance implicitly for 2020 is more sort of like EUR1.1 billion. So the progression from 2020 onwards to 2023, how should we see that? It is back-end loaded or do you actually expect a gradual kind of improvement over that timeframe?

The second question I had is on the Netherlands Life, where basically the guidance is now for EUR900 million organic capital generation from EUR717 million. I think the bulk of the EUR200 million, let's say the re-risking and you see it's probably in that unit. Of course, there probably some modern building blocks as well, including you are including cost savings to scribe the bridge because it seems actually quite a positive guidance on the EUR900 million. So I'd like to understand a little bit better, what are the moving parts there?

And the final question, if I may, is a little bit on the footprint on the focus of the group. I see the strong statement on the assessment of all the business units and the hurdles home they have to comply with. It seems like you're seeing Belgium and Turkey business that need to be reshaped? And how should I look at the rest of the composition of the group? So are you basically satisfied with the current return levels or do you see areas where also performance and then if you like calculation can step up? And then how does that square with the EUR1.5 billion? So is that already assuming some business to be reshaped as well or can that come on top of that EUR1.5 billion if you are actually successful to see how that squares to EUR1.5 billion? Thank you.

Q - Geraldine Bakker-Grier

Thank you, Albert. And if we may, let's start with maybe the last question on the footprint. David, would you like to take?

A - David Knibbe {BIO 17996037 <GO>}

Yeah. Very good. Thanks, Albert, for your question. Indeed, we've done a very thorough and assessment of our portfolio based on market criteria, strategic criteria and financial criteria and indeed we group them on financial criteria. We're also making very clear that units need to meet over time these criteria, both the strategic, let's say, and the financial criteria.

Yeah, we are singling out Turkey and Belgium and of course we talked about this there, because of course it raises questions at the same time we also want to be transparent on where we stand in our portfolio review and it is clear that Turkey is not meeting the mark and they need to build scale. The good news is already that this year they are breakeven, and of course Turkish market is growing. So that is an action we're taking.

For Belgium, it's also clear that they are not meeting the Return on Own Funds requirement. So we've committed to a double-digit return there and Fabian will talk later about how we plan to really increase to returns in Belgium also to your question, yes, that's true for all units. I mean for all units we have of course plans how to further improve the returns, their market position and all of that is captured in the OCG growth targets that you've seen and we've also given a graph over the 10-year outlook that gives you some indication where you see that basically all units are expected to show a positive development of OCG. It's not a one-time thing. So, we'll continue to evaluate our portfolio, take actions, and continue to manage actively our portfolio over time.

Q - Geraldine Bakker-Grier

Thank you, David. And I think we had 2 questions on OCG targets and those are for Delfin.

A - Delfin Rueda {BIO 7032761 <GO>}

Thanks, Albert. So, on the movement from the EUR1.3 billion in 2019 to EUR1.5 billion in 2023. First, that we need to look at, as you know, what is the first impact and David has mentioned that COVID will have approximately an impact of EUR100 million negative on both operating result as well as on Operating Capital Generation. Also, the markets have moved adversely in relationship to the Operating Capital Generation interest rates, but also the credit spreads through the impact in the VOLA. We had a benefit in our Solvency ratio but that comes with a decrease in the investment returns.

So, it's going to be a relatively sharp change in 2020. Also when you look at 2019, the Operating Capital Generation was elevated by I can think of two items, one, the dividends coming from the bank, I think was EUR84 million or something like that and basically this year, we have to see, you know the possibility of paying a dividend from the bank later this year. In addition, in the reinsurance business, we've seen very good results both in 2018 and 2019 because of some extraordinaries, however, in 2020 there is no extraordinary positives in addition to that is going to be negatively impacted by the results of disability, the individual disability portfolio.

So, 2020 probably will be closer to the EUR1 billion, than the EUR1.3 billion of 2019. But then, recovering fast. And recover fast because of the de-risking the movement to higher-yielding assets. Also, because the UFR drag also reduces over this period of time, because of the improvements in the Non-life business, because of the contribution from new business as well. So it is sharp decrease in 2020, but then a very sharp improvement towards 2023.

Specifically on your question for Netherlands Life, very important here of course is to understand the dynamics of the run-off of the portfolio, which is running quite slowly actually. The individual portfolio runs off faster, but the group pension is going much slower. So overall we see approximately a 4% decrease in the contribution and the technical provisions from this -- the back book in the Netherlands.

But there is of course the contribution coming from the re-risking, but very importantly also the new business in relationship of the renewals of the group pension business that are included in that segment. So you can see that not only it stays more or less stable, but it is expected to recover in the future and a very significant element there is also the UFR drag that runs off very fast. And, in addition, we have the 15 basis points step downs until 2022. So that's going to reduce very much the UFR drag over this period of time. And that is the explanation why there is an increase instead of, let's say, decrease due to the run-off of the closed book.

Q - Geraldine Bakker-Grier

Yeah. Thank you, Delfin. Thank you for your questions, Albert. Next, the following questions come from Farq Murray of Autonomous. Good morning, Farquhar.

Q - Farquhar Charles Murray {BIO 15345435 <GO>}

Good morning, gentlemen. Can you hear us reasonably well?

A - David Knibbe {BIO 17996037 <GO>}

Yes.

Q - Geraldine Bakker-Grier

I can hear you -- yeah, we can hear you fine.

Q - Farquhar Charles Murray {BIO 15345435 <GO>}

Okay. And three quick questions. And first is really just a follow-up on the Dutch Life capital generation trajectory, that upward drift you have later in the Orange component at Slide 19. The largest part of the upward drift coming from the 15 basis points or is that mainly the USR drag fading away essentially? And then the two other points are, you reiterated the statement that you made before about dividends and buybacks being postponed and that your intention is to ideally revisit those in the second half. Can I just ask what gives you confidence around saying that particularly given we've got various comments from regulators, including the ESRB more recently. In broad terms, where is the regulatory conversation?

And then, thirdly, obviously your base case is organic -- organically based, but over the next three years do you think NN is more likely to be a net acquirer or net disposer of assets? And to broaden that out, I would ask you probably include risk transfer as a form of disposal, so, perhaps, you might want to address three of -- those three components in isolation? Thanks.

Q - Geraldine Bakker-Grier

Thank you, Farquhar. I think the first two questions will be for Delfin and maybe, David, you want to take the last question on organic growth.

A - David Knibbe {BIO 17996037 <GO>}

Yeah.

A - Delfin Rueda {BIO 7032761 <GO>}

Yes. The UFR drag runs off very fast, runs much faster than the release of the risk margin and therefore this is the most important element supporting these growth of OCG, but of course also the 15 basis points that are expected for 2021 and 2022 help further, as you know, to this decrease on the UFR drag, obviously, but the main element is the run-off of the UFR drag.

The second question was about, what give us confidence on -- well, we are mentioning our intention to pay dividends as soon as the situation comes with further clarity. We do provide an updated solvency. We have also indicated what is the impact of COVID. We are confident on the capital generation for the group and therefore we have -- there is no internal restriction for us to proceed with our intention to pay the suspended 2019 final dividend and to finish I think is close to or around EUR70 million of share buyback that was not completed already.

Q - Geraldine Bakker-Grier

Thank you.

A - David Knibbe {BIO 17996037 <GO>}

Yeah. Indeed, let me add to that. I think we are in a very strong position. We are still in active discussions with our regulator on this, but it's very clear where we stand, that we are comfortable paying all of this out. Yeah.

Then on -- the question on organic growth disposing assets. Yeah, there are separate items. I think we talked about that the base case is indeed organic growth. Then M&A, there is a high bar on strategic fit and the financial fit. And then in terms of disposing assets, I have given an indication also when we do the portfolio review that there is strategic criteria and financial criteria more specifically around new business margin and making at least cost of capital that is applicable in a country and if not then we will evaluate whether we will see an opportunity to really credibly increase this or evaluate whether we are the right owner. So a potential disposal is then certainly on the table.

Today, we've given an insight on where we stand. But, again, this will be an ongoing portfolio review that we will be doing. Risk transfers also -- Bernhard talked about the longevity transaction there is, we've indicated that even though it takes time we see possibility to do more risk transfers also potentially in-force transactions are not off the table. So if they are value creating, we will certainly pursue that.

Q - Geraldine Bakker-Grier

Thank you, David. Thank you, Farquhar, for your questions. The next person on the line is William Hawkins from KBW. Good morning, William. Go ahead.

Q - William Hawkins {BIO 1822411 <GO>}

Hey, Geraldine, thank you. Can you hear me?

Q - Geraldine Bakker-Grier

Yes. You might want to turn down the volume on your computer a little bit, there was an echo, but let's give it go.

A - David Knibbe {BIO 17996037 <GO>}

Hopefully this works.

Q - William Hawkins {BIO 1822411 <GO>}

Can you talk a bit about the SCR outlook in your Operating Capital Generation target, please? I think in the past you've kind of talked, but that should be a building drag as the Dutch portfolio runs off and the other business grow. You seem to be implying now that it's going to be pretty limited for quite a long time, so I wonder if you could sort of talk about the SCR dynamic?

And I suppose particularly given the capital generation is your focus, why in your calculation you already subtracting it at one-time rather than a multiple because you clearly running on a much higher cushioning level against the SCR?

And, secondly, pleased with reference to slide C11, you were very clear about the differences between economic sensitivity, the interest rates and the distortions in the Solvency II regime, could you try and be similarly clear with regards to credit spreads, please, because you've shown the 50 percentage point positive impact in these corporate spreads widening, which I think we all know economically wrong because of the big distortion from Ebola, so could you sort of talk a bit about your economic exposure as you see it rather than just a Solvency II figure and I guess within that I'm also interested in how you assume new share risk to the policyholders?

And then, lastly, I hope, very briefly, the dividends, what are your intentions with regards to the interim dividend given I think the ongoing regulatory interference. I mean are you just going to announce that. And then we sort of put into the case you something that suspended or is it going be something different going on for the interim dividend? Thank you.

Q - Geraldine Bakker-Grier

Thank you, William. I think in a minute maybe Bernhard you can take the one on the slide C11 and Delfin could you maybe talk about the SCR outlook?

A - Delfin Rueda {BIO 7032761 <GO>}

Yes, you have in the slide what is the amount of the SCR release in 2019. There's going to be and in our for example in the graph that we cover the 11 years. We do include a gradual release of the solvency capital requirement coming through it. Of course, it will depend on the amount of new business, so more or less, I would say that the Solvency Capital Requirement reduces at the same path that the run-off of the Dutch portfolio and a bit in Belgium and Spain comes. And as I said, that decrease is around 4% per annum.

In terms of the second question is, why do we show the -- if I understood currently, our Operating Capital Generation above 100%. Is that question of methodology some companies use a threshold of target level of solvency and to be fair, if we were to do that, our release of solvency capital requirement will result into a much higher capital generation because of applying the multiple on that front. We believe it is more simple just to see what is the excess over the 100. And if people wants to calculate it at a different percentage it can be that -- it can be done that way.

The third question is about the interim dividends. Of course, our intention currently is to announce an interim dividends and be based on the 40% of the pro forma in July, if I may speak like that, 2019 total dividend including the suspended dividends. But as David has mentioned, we have to wait for that time to see how the different regulators treat this theme, but there is no reason for us to not to delay that interim dividend.

Q - Geraldine Bakker-Grier

Thank you, Delfin. Bernhard, would you like to take the other question?

A - Bernhard Kaufmann {BIO 18347993 <GO>}

Yes, happy to do so. Hi, Will. So the story on credit spreads and moving from economic view to Solvency II view is even more complex and the one I discussed on the interest rate risk. So what is important? First of all, given our -- the credit quality of our portfolio, given also our investment structure, we feel quite happy with also the, let's say, economic volatility around credit spreads, which is naturally coming with this kind of long-term investments in life and pension business. As there are not much share or policyholder participation arrangements or products. Most of this is, so to say, in the general shareholders fear if volatility is, so to say, realizing or materializing. The Solvency II framework allows for volatility adjustment that it's exactly should dampen these credit spread movements over time, because, in essence, it's about default risks, that's the one that is important for the cash generating capabilities that we have and the problem is now that within the Solvency II framework the way the volatility adjustment is designed is leading to some noise to some movements up or down, which are not really related to the economics behind our portfolio.

For example, this reference portfolio and how we are invested is different. So this difference leads to behavior where, for example, if you saw our press release in the context of longevity transactions you saw in times of credit spreads widening of our solvency ratio going up. So there are impacts or effects, which are also perhaps not intuitive, but in generally what the volatility adjustment should do is dampening this spread movements that is achieved and then it's very difficult to go back and explain so what is really model driven, how we are positioned against the reference portfolio and what is really the underlying economics.

Q - Geraldine Bakker-Grier

Thank you, Bernard. Thank you. Our next caller is Michael Huttner from Berenberg. Good morning, Michael.

Q - Michael Huttner {BIO 21454754 <GO>}

This is only -- this is the first time I'm probably asking something which you've already said, but it was a logic presentation and the way I see you -- but you're likely only answer the last well. Anyway, I had -- the main question I had, because the other has been so well covered. And on the re-risking and can you give or can you remind, because you've probably given them in the presentation. How much capital are you allocating to this? Effectively the market is going to improve, I think you had a figure EUR4.6 billion and the also in terms of the total fixed income portfolio, so I'm saying it is EUR1 billion, how much of that is going to be shifted into these higher-yielding assets? That would be the first question.

And the second is that, I understood from your answer to Hawkins question that there is going to be a -- the solvency ratio is likely to come down a little bit, not very fast because then you will be releasing 100% year to organic capital generation. But I just wondered if you could give us your (inaudible) for that. (inaudible). Thank you very much.

Q - Geraldine Bakker-Grier

Michael, apologies. Could you repeat your second question? It was a little bit difficult to understand.

Q - Michael Huttner {BIO 21454754 <GO>}

Yes. Of course. The feeling I have and then I may be wrong, but my question is, how much will the solvency ratio decline as you release capital into the OCG?

Q - Geraldine Bakker-Grier

Okay. Maybe the first question on re-risking, Bernhard would you like to take that one?

A - Bernhard Kaufmann {BIO 18347993 <GO>}

Yes. So, Michael, the capital allocation is around EUR250 million of SCR and the spread increase we are expecting out of this is around 15 basis points, so that translates into the EUR200 million OCG generation that Delfin mentioned and what is the volume behind this. So we already shifted around EUR4 billion from government bonds into risky assets in the last month and we are not yet through. So that means there is some more room to go, but in the order of magnitude I think that's a good estimate.

Q - Geraldine Bakker-Grier

Thank you. And Delfin on the second question.

A - Delfin Rueda {BIO 7032761 <GO>}

Yes. I only got the question in terms of how much the increase or decrease in the solvency ratio translate into the OCG. Of course, it depends very much on the source of that movement. And in order to give my answer short, in the slide, in the presentation there is in the sensitivities is in the appendix of my presentation that shows for certain movements interest rates on the split, what happen with Own Funds. Of course, that does not include their movement on the solvency capital requirement, but that gives you an order of magnitude with the movement in Own Funds for the interest rates, for the credit spreads, but also on the movements of government bonds, what is the impact on the OCG per annum, so that is probably easier to follow each of them separately.

Q - Geraldine Bakker-Grier

Okay. Go ahead.

A - Bernhard Kaufmann {BIO 18347993 <GO>}

And one thing to add, Michael. If you look at C26, I think, so it's the appendix slide of the risk deck, there is a chart on the run-off of the pension business and the set free of SCR over time, so you get a good overview on that.

Q - Geraldine Bakker-Grier

Great. Thank you for that. Thank you, Michael. Let's move on to the next caller, that's Jason Kalamboussis from KBC. Good morning, Jason.

Q - Jason Kalamboussis {BIO 4811408 <GO>}

Yes, good morning. Hi. I hope you hear me well? I -- my first set of question is around the longevity market and the deal. What are your thoughts on the appetite to absorb a lot more such deals? So, Bernhard, you mentioned an annual capacity of reinsurers. Could you give us an indication of what that would be for the Dutch market for the next year? And do you see also the pricing staying stable or margin deteriorating as you do more deals there? The -- and also when I looked at the deal you have already done, did you include deferred? And if you give us an indication of the duration of the EUR13.5 billion you did?

And relating again to the same subject, there were EUR3 billion you did with kind of re -- some years ago. I don't know, part of which book that was? And if I may, the EUR30 billion that you mentioned as being the in-benefit Dutch pension liabilities, does it mean that for the moment you will target those, but if that's the case then what would be next. That means how big do you see the potential within your book and in which areas?

The second part is, on the M&A and the disposals. You said clearly that you make the case that there are no disposals, but should we understand there are not going to be any disposals within the horizon you gave us to 2023 or it's something that you could see reviews or opportunistic moves that make that we could see disposal during the period?

And if I may ask the final thing, it's on Belgium, the back book was mentioned in 2017 as an area to work on, but nothing was done. So if you could elaborate why? And if you see a large back book transaction there or if you just see it as a more smaller things on which you will be working going forward? Thank you very much.

Q - Geraldine Bakker-Grier

Thank you, Jason. Maybe you can start with the last two points on M&A and on Belgium, I think David you could answer this?

A - David Knibbe {BIO 17996037 <GO>}

Yes, sure. Thanks, Jason, for these questions. Well, in that case, I wasn't that clear, because I certainly didn't want to indicate that there would be no disposals in -- up to 2023. What we're saying is that we have clear criteria, both strategic and financial criteria, and we've also explained where we stand today on this, but that picture we will continue to evaluate and can change over time. So it is very well possible that at some point we feel that we are not the right owner, because either strategically or for financial criteria we conclude that we are, first of all, not meeting the criteria, but we also feel that maybe somebody else would be a better owner, would have a better chance to create value than we can. Now, if that would be the case, then we would look of course at the -- at disposals. That's not on the table today given the indication that I've given on where we stand with the portfolio.

Now specifically on Belgium that is a fair question. I think Belgium has been in the past -- the unit has been disentangling from ING becoming independent insurance company, it has been integrating with Delta Lloyd, they've made good progress, but the reality is also that we feel that they need to do more. So we see opportunities on optimizing the investment mix. We see in-force initiatives, we see expense efficiencies, the IT complexity is still too high and then it offers room for further rationalization. We have a very strong partnership with ING. ING of course, is a very strong bank in Belgium and very capable of selling protection products. We have around 19% market share in the Belgium market with the arrival of Delta Lloyd. We also have a broker channel, so the view we've taken is that we see -- on all these levers we see an opportunity to really get to an attractive return again in Belgium. And -- but given that we realize that it's easy to say it, we also added a real target to it and therefore we're committing to a double-digit target also for Belgium to make sure that we're very clear on our intentions.

On your question of optimizing back books, yes, we are reviewing options also in that context for Belgium. Fabian will talk more about the Belgium plan after this Q&A when he's covering the European portfolio.

Q - Geraldine Bakker-Grier

Okay, thank you. And there were some questions on the longevity deal, Bernhard.

A - Bernhard Kaufmann {BIO 18347993 <GO>}

Yeah. Jason, very good questions and exactly relating to our way of thinking. So, first of all, as it -- this is -- longevity is one of the peak risks that we have in our portfolio, we are trying to manage it actively and reinsurance is of course one way to mitigate, but there are limitations in the reinsurance market, main focus of the reinsurance market of where this is really active is UK and now Netherlands is coming to this. So already there is not a very broad global scope, where you can diversify from a view of reinsurance player and that means before you end up that your limits are taken by one or two deals you of course try to diversify over time and that is what we also see in the market. But important also that, it's a difference if you want to place in-benefit pension schemes or if you want to place pension schemes that are still in the accumulation phase. So that's also a different risk appetite for these kind of pension books and also depending then on the underlying product details. So you and also we have to be selective, we have to see what is also rather easy to place in the reinsurance market, what is may be difficult, maybe there are also other ways to mitigate perhaps even to the capital market directly.

So this is what we are looking into, to also get a good understanding on what are the channels, what is possible going forward and what we can achieve. On pricing, if you come with a very large transaction, yes, of course, you are under price pressure more than if you have smaller digestible pieces that you bring to the market. And so, but also on this, there's a lot to exploit and to consider, but this is exactly what we are now doing.

Q - Geraldine Bakker-Grier

Thank you. Thank you, Bernard. Now, we have time for just one last question before we break. And I think that's coming from Farooq Hanif of Credit Suisse. Good morning, Farooq.

Q - Farooq Hanif {BIO 4780978 <GO>}

Good morning, everybody. Thanks very much. Firstly on Japan, I don't understand your approach there. I can see fundamentally it's a diversifying business, but it doesn't give you cash, and if you grow it, it's going to give you less cash. So I can only conclude that you can't find a buyer for it, but don't understand why you're growing it. So if you could explain sort of financial benefits for you as a Group on the timeline?

Secondly under your sort of previous strategy, you talked quite a lot about the consolidation opportunity in the Netherlands, given your surplus capital generation, which looks like it's going to be quite attractive. What are your thoughts? Is the opportunity not there? Or do you think the hurdles are too low? And last quick question. Can you confirm again what your economic assumptions are, for example for equities, real estate, credit in your OCG? Thank you.

Q - Geraldine Bakker-Grier

Thank you, Farooq. I think the first two questions on Japan and on consolidation in the Dutch market, are for David.

A - David Knibbe {BIO 17996037 <GO>}

Yes. So, hi, Farooq. Yes, on Japan -- and Delfin can add also a bit to the mechanics. By the way we will also come back in the presentation of Fabian. But indeed, so Japan is a market that has been impacted by the tax reform. There is a lot of effort being put in by getting the sales back up as some of it is protection products that is much less impacted than the other piece is more the savings part that is more impacted. We've seen very encouraging signs in -- actually in March the sales were if you correct for seasonal effects 70% higher than what we saw in Q3. So we see actually the sales going backup. And that's good news. And then I'll come back. And then of course then COVID hits, which is of course not a Japanese impact we've seen at more markets, and so we'll have to deal with that. Now the goal to your point, is to grow the revenue business and to grow new business. It is for us a very attractive way to deploy capital, I mean, we can deploy easily EUR100 million of capital with an IRR of 14%, a payback period of let's say six years. So for us a very apart from the diversification effects you're talking about, a very attractive way to deploy capital.

Now, indeed, because Japan is under JCAP and is not on the Solvency II, the technicalities work different and the two-third was a bit counterintuitive at higher sales in the short-term potentially first leads to lower OCG because the acquisition expenses are immediately taken in the P&L. But that cash, that value is still there and then over time, this will come out. Also this year, we've actually seen a bit of the opposite, we saw lower sales and therefore, we saw an increased remittance also of EUR120 million coming out of Japan. So there is that interaction, on the short term. Longer term is very accretive for us to invest capital into Japan given the high IRR the payback period and then also the remittances over time will come out. I don't know if you want to add anything to that?

A - Delfin Rueda {BIO 7032761 <GO>}

No, I think, I mean, just to reinforce that message. Japan has performed extremely well over the last years in terms of our value of new business, that is situation now with the tax reform that is reduced, but also in terms of the targets, we do expect Japan, despite the growth of sales to contribute with around EUR100 million to OCG and we have seen in 2019 that if you want to get the cash out, you just have to stop selling. And also in 2019, we are expecting significant dividend out, actually, we are not expecting it is going to happen or has already happened of EUR125 million of dividend just because the sales are down. So, I think is a question of timing, but the returns are attractive there.

A - David Knibbe {BIO 17996037 <GO>}

Yeah. Maybe on the Netherlands and the question. Yeah, so, I mean it's clear both on the Life side, and now with the acquisition of VIVAT, we are a market leader in both markets. So from a market share perspective that limits, let's say, the position that we have given that for example, in DC we have a 40% market share in Non-life. We have a market share close to let's say close to 30%. So we have very substantial market shares. Now there might always be something coming on the market. So, of course, we will take a look at it. But given our market position and also the integrations that we're doing, really our base case is just to now leverage on the scale that we've built with Delta Lloyd and leverage on the scale that we've built with VIVAT and maximize the value based on -- actually the very strong platform that we have -- that we have today in the Netherlands.

Q - Geraldine Bakker-Grier

I think there was one last question on the economic assumptions. Delfin?

A - Delfin Rueda {BIO 7032761 <GO>}

Yes, in terms of the economic assumptions for calculating the OCG for equities, we use 5.7%, for real estate 3.6%, for fixed income securities, of course, being the largest part of the portfolio, we have to use a mark-to-market spreads. And as a consequence, for every reporting period, that assumption is based to whatever are the level of the market credit spreads at that point of time at the beginning of the period. So mark-to-market for fixed income securities, 5.7% for equities, 3.6% for real estate.

Q - Geraldine Bakker-Grier

Thank you. Thank you, Delfin. Now that brings us to the end of this Q&A session for this morning. Thank you all very much for your questions. If there is anybody who didn't to get a go, then please feel free to reach out to the IR team sometime today, and we'll be happy to answer your questions. Thank you also gentlemen for answering them. We will now take a short break for 30 minutes. We'll be back at 11.45 sharp and then Tjeerd Bosklopper is going to be giving us a presentation on the Dutch Insurance units. So, see you shortly.

(Break)

So welcome back, everybody. I hope you enjoyed your break. I now would like to invite Tjeerd Bosklopper on to the stage, CEO of Netherlands Non-life and Banking to tell us all about and its leading position in the Dutch market and give more color on the Non-life and banking business dynamics.

Tjeerd, the floor is yours.

A - Tjeerd Bosklopper {BIO 20235210 <GO>}

Well, thank you. Good morning, and good to meet you all. My name is Tjeerd Bosklopper. I am heading Non-life, Banking and Technology in the Netherlands, and in my career I've mostly been involved in leading large change programs, such as recently the Delta Lloyd integration. What you may not know is I also have a huge passion for cycling. And to be successful in cycling at the end of the race, it takes a couple of things, it takes hard work and fitness, working as a team, but more and more also technology and data. And when it comes to things like aerodynamics and nutrition, and that is also the spirit that I see at an end and I see a lot of parallels between the passion for cycling and what I will be sharing today.

What I will be talking about today is three topics. So, first, I will briefly talk on our overall position in the Netherlands for all entities, including Netherlands Life, and then I will dive specifically into how we transform the Non-life company and how NN bank contributes to the NN group's strategy. And after me, Leon will be on the stage to talk specifically about the Netherlands Life company.

Looking back at last CMD, this slide demonstrates that we have a solid track record in delivering all medium targets for the Netherlands and that was not just done for operating result life, combined ratio and ROE for bank, but notably also for expenses mostly related of course to achieving the Delta Lloyd acquisition synergies.

Looking at our position, after the acquisition of VIVAT, we can be proud to say that we are now the leading insurer not just in Life that we already were, but also in Non-life and not -- let's not forget we are also the number five retail bank in the Netherlands. We have a highly trusted and recognized brand and this is very important as we're moving into the digital world.

A large customer base with strong satisfaction, we have 6.7 million customers in the Netherlands, so we're practically able to touch every household in Netherlands.

Last, but not least, strong distribution footprint. We are the number one in brokers and mandated agents in the Dutch market.

But it's not just the NN and brands in the Netherlands, we have five exclusive partnerships. Sorry, we have four exclusive partnerships out of the five largest banks in the Netherlands, specifically ING, ABN, SNS and, of course, NN itself with the number five retail bank. With OHRA, we have a strong direct brand in Non-life. We have specialized labels such as Movir, BeFrank, AZL and HCS. We're a very large employer in the Netherlands with 9,000 employees, strong engagement of 7.5 and even going up during the last months of COVID, which is very good to see that our people are so proudly working for us and working so hard to get through these difficult times.

In society, you see on the page longstanding partnerships on both culture, but also helping the less privileged in the Netherlands, demonstrating that we have a unique combination of propositions to multiple stakeholders and Dutch society.

The strategy going forward is clearly to further benefit from scale from our leading position. Now for Life, this means optimizing the balance sheet and efficiency, on which Leon will elaborate further. For Non-life, now that we have built a scale, we can further benefit from integrating VIVAT officially, but also the upgrade, which means investing in digital and data to drive improvements in both underwriting and efficiency. For bank, it is to continue the origination of high-quality mortgages and across business lines, the final piece of our strategy is to create more value from the customer engagement with our 6.7 million customers and our strong distribution footprint.

And this translates to be increased targets of a combined ratio of 94% to 96% for Non-life and the bank ROE to be above 12%.

Moving to the COVID impact. Now the impact of COVID-19 and the crisis throughout society has been enormous. I am proud to say that we've been resilient in this crisis and we're able to take our responsibility to help customers and society during this period. This means things like repatriation of customers that were stranded abroad, extended cover for restaurants that move to home delivery, webcam consults for SMEs as we're trying to navigate the various financial options, webinars for our distribution partners and obviously payment holidays for customers that are in trouble.

The financial impact on the operating result of 2020 for both Non-life and banking business is limited. On the Non-life side, we see an increase in D&A which is offset by better results in P&C. So things like the inflows in D&A travel and event insurance, which were clearly negatives are offset by better results in fire, motor and reinsurance. For bank, we expect an increase in loan loss provisions as was earlier in the deck of David as a result of higher expenses for special serving related to the rising unemployment. Beyond 2020, it is very hard to predict what COVID will bring. This is very much dependent on the economic scenario. The key message is that we are financially resilient and in a position to help customers and society.

Let me move on to the Non-life business. Looking back, the Non-life company has a really good track record in the turn around. The combined ratio for the Non-life business was at 102% and in 2019 we ended up at 95.4%. Now obviously 2019 result was helped by favorable claims experience with the absence of a large storm and fire but it's also clear that the improvement program that we introduced has clearly delivered and that the improvement of profitability of the Non-life company is structural. And this included management actions such as selectively increasing premiums, rationalizing loss making portfolios, lowering expenses and commissions and numerous migrations. And if I can go back to the cycling metaphor, in this case, it's the hard work as a team to improve the fitness of the Non-life company that has worked out.

After the acquisition of VIVAT and Delta Lloyd, NN Non-life is now the clear market leader in the Dutch Non-life market, not just in size, but also in distribution footprint. We have about EUR3.8 billion in gross written premium and an healthy combined ratio of 95.4% in 2019. Now this is not only attractive from a return perspective, but obviously also diversifieds very well with the other NN Group entities.

Looking at future profitability, there is further value to come from four sources. The first one obviously being expenses with two components; the VIVAT integration, and, secondly, further expense reductions in the rest of the business coming from digitalisation and technology simplification; the second one underwriting improvements through investments in data and AI; the third one, moving to higher-yielding assets, so less in govies and more allocation into mortgages and corporate bonds; and, lastly, selective growth, mostly in fee business in the non-insurance entities.

Now Non-life is by nature volatile. So if I look at the minuses that we see that you can also see in the chart, there is also a minus on the D&A reserving side and this has to do with the lower interest rates that are reflected in a lower discount rate for the individual disability cases. Also, we see elevated inflows in the disability book for individual. Obviously, COVID could put pressure on the economic effects in 2021 and 2022, where a top line reduction in the market would have to be compensated by an offset in expense reductions. And the last minus for the short-term period comes from strategic investments into integration, digital and data for the coming years. Overall, the targets that we announced today for the Non-life company is to be between 94% and 96% and OCG to move to EUR225 million in 2023.

Now, let me deep dive the first driver. So the first driver is to benefit from the VIVAT Non-life integration. Now with the Delta Lloyd integration behind us, we have proven that integrating is a capability that we possess. In this case, we were able to meet expense targets, decommission hundreds of applications, and migrate 1.6 million policies. But not just that, during that period, where we are increasing prices, lowering commissions and cutting expenses, we were able to maintain market share and distribution and customer scores remained stable during this period and that gives us the conviction that for the VIVAT integration we are well prepared for delivery by end of 2022.

What we have announced, you are very well aware of, is a EUR40 million in cost synergies and a EUR50 million of Free Cash Flow by 2022. So we're off to a good start. We were able to welcome our VIVAT colleagues virtually at the beginning of Q2, obviously because of COVID we could not meet them physically, but we're very impressed with their energy and with their talent.

Major milestones, legal merger, the major model change approval and various commercial migrations are well on track.

Second key driver, as always for a Non-life company is to focus on further underwriting improvement. Being the largest Non-life company now in the Netherlands with an annual claims amount of EUR2.5 billion, there has to be a lot of potential to improve this result. So after all the integration, we will focus on solidifying the fundamental in having all the data consistently in one place and upgrading organization capabilities.

And just like with AI, also advanced pricing models are not very impactful if it's not fueled by high quality big data. When we have that in place to the degree that we wanted, it will allow us to automatically monitor premium and claims data and reach it with external resources, develop true risk models into one single pricing engine and apply these advanced techniques to be more and more differentiated than we are even already today. And when we respond to market quickly, we get this real underwriting spending a lot more quickly and that will over time, of course, help us to consequently reduce claims.

Thirdly, expense reduction beyond the already mentioned VIVAT integration of EUR40 million is to be achieved in the rest of the business. We believe that we can further reduce the number of platforms, further digitize our customer processes and also outsource some non-core business processes that we currently have. Now this will lead to temporary increase in admin expense ratio, because these investments come before the ultimate benefits in OCG and combined ratio that we steer on. However, the clear 2023 guidance is to have an admin expense ratio of below 10% and we want to be structurally and comfortably below 10% over the longer term.

Lastly, we also see selective growth opportunities. There is a clear rise of digital platforms even further accelerated by COVID and this presents a big opportunity for NN, where NN can play different roles. So first of all we can be an orchestrator, where we are the logical player to be the platform towards the customer. To give you an example, we recently acquired HCS, Human Capital Services. This is a fee business company that offer services around absenteeism, wellbeing, navigating social regulation and workforce to SMEs.

And we see an increasing demand from SMEs and it's fairly strongly linked to our D&A business, where it's actually moving more and more from insurance solutions to surface solutions and we like to be the player that orchestrates this, but there are also places where it's less logical for us to be the platform and there we like to participate in the platforms of others and to offer insurance protection with examples, such as e-bikes, pet insurance, mobile phone insurance, not just for digital platforms, but also for banks.

The investments we will do here, as always, will be disciplined and rational. So in the case here. It has to address a clear customer need that is validated, that has to link to our core, and then needs to have a clear right to play like for SMEs, we have 30% to 40% of all the SMEs already as a customer, so we have a right to play to offer also these additional services. And when we offer this, it is not just doing it ourselves, but also has a lot to do with partnering and, of course, we only scale things once we've proven it.

Let me continue to bank. And in bank, you all know well is a straightforward market in savings bank, it has no branches and distribution takes place through intermediaries and online. We are now the number five retail bank with 1 million customers, EUR19 billion in mortgages on the bank balance sheet and EUR15 billion in savings.

Now the importance to NN Group is threefold. Firstly, it's a healthy standalone profitable entity with a profit of EUR152 million in 2019 and an ROE of 15%. Secondly, it is a mortgages originator for and in life, but also for institutional investors. So, currently, there is a book of about EUR50 billion in mortgages that has surfaced by NN Bank and about two-thirds is allocated to other entities within NN Group. The last element where NN Bank is very relevant to NN is that it offers an engagement platform with all the customers in the Netherlands, and I will talk about that a bit later.

The bank is very strong with the CET1 ratio of 15.7% under CRD4 on a standardized approach and the target is to be consistently above 12% and we increased the target from 10% previously.

Looking at the mortgages. Here, the first element is that we see the growth to EUR7.9 billion in 2019 and this is almost doubling the annual origination of new mortgages and we're very happy that we are in that position. The core value to NN Group is of course in a hybrid business model. So the other NN entities where about two-thirds is allocated, it offers an important source of a liquid investments with very attractive spreads for both NN Life, also other NN entities, but also the NNIP mortgage front.

For NN Bank itself, the mortgages that are being surfaced there support fee income for NN Bank. So currently about EUR75 million or more than 20% of the total income of the bank comes from servicing the other mortgages within the group. These mortgages has already iterated by Bernhard are of very high quality. We have an average LTV of about 70% and 34% is backed by a guarantee called the NHG scheme. And this translates into a solid through the cycle track record of low losses for Dutch mortgages, while still having a very attractive spread. Next to mortgages, NN Bank also has a second very important role to play, and this is about driving customer interactions of all the retail clients that we have in the Netherlands. Now currently, the 1 million clients that we have there already have a high NPS of 17.5 and also a satisfaction score of brokers of 7.8. And the interaction that we see with these clients at the bank is much higher, much more frequent and far more digital than the other propositions that we have. So the first and foremost opportunity is to further expand and to offer data driven products and services. Obviously that means cross-sell so to offer the bank products to the other NN retail clients and vice versa, offer the Non-life, Life and Health products to the bank customers.

But it's also about investing into PSD2 solutions. This could allow us things like instant mortgage applications, budget coaching, very relevant in this COVID time by the way, but also need identification on insurance. And these new services are not just about financial products. So to give you an example around retirement, when we survey customers, we find that it's much more about do I have enough for my retirement, maybe extending your career to stay relevant in society beyond the age of 65, addressing loneliness, living longer in your house. There are lots of services where we could partner to extend our retirement benefits beyond the financial products that we have.

Related to mortgages, upgrading your house sustainably, a very hot theme, but also the peer to peer selling of your house online. So the key message here is that a strong brand, distribution and high customer engagement is a very long-term value driver and end strategy. So this offers for the bank, a strong operating result and attractive ROE. So the plan offers this increased target which translates to about EUR70 million in OCG for NN Group in 2023 through dividends. The cost income ratio to be below 55%. Of course it depends on the economic circumstances what the COVID scenario will bring and also for the bank, just like for Non-life the strategic investments will come at a temporary increase of the cost-income ratio, but the overall key message for bank is it is strong and profitable and self-funded. It's very important to the Group because it's an efficient generator of high-quality mortgages and thirdly the further potential to drive customer engagement for the rest of the Group in the Netherlands.

Now, let me wrap up. We have a very strong leading position now in the Netherlands. And we are very well positioned to benefit from this further scale, in efficiency, data and leveraging our customer base, and this will further increase profitability as I have laid out. And this is evidenced by the increased targets that we've set out for ourselves today. So for Non-life to be between a combined ratio of 94% to 96% and for bank to be above 12%. And forward-looking, I'm sure there will be more headwinds. There is always uncertainty in the future, but we have something that is unique and that is a solid track record in delivery on how we have achieved scale and how we have consistently driven the execution to deliver those targets. And with the cycling spirit of hard work as a team and to help of technology and data, we believe that we can have confidence in delivering this plan for you. Thank you very much.

A - Jelmer Lantinga {BIO 20384884 <GO>}

Thank you. Tjeerd. Good to hear you talk about further steps in improving the Non-life company and the focus on data analytics. I now would like to invite Leon van Riet, CEO of Netherlands Life and Pensions onto stage. Leon, previously you were the CEO of our Non-life business for three years, which you successfully transformed and now you're heading the Life and Pension business. Can you share your views on the business and opportunities in the Dutch Life market? Leon, please go ahead.

A - Leon van Riet {BIO 19683159 <GO>}

Thank you, Jelmer. Good afternoon, everyone. As Jelmer mentioned, in the past few years, I was responsible for the Non-life activities. And prior to that, I worked in Life Insurance for seven years where we successfully introduced the DC and BeFrank business. And although I really like my time at Non-life, I'm happy to be back in Life & Pension business.

I will start my presentation by illustrating the strong starting position of NN Life & Pension business in the Netherlands. And subsequently, I will explain how this will contribute to a further improvement of our Operating Capital Generation. Let me start with our current position. NN Life is market leader in a Dutch Life & Pension market with a 40% market share. With more than 3 million customers, we have the largest in-force customer base as well as the broadest distribution capacity in the Netherlands. We aim to optimize the cash generation from the run-off of our in-force book by optimizing the investment return of assets and at the same time, manage the expenses of the in-force book down in line with the development of our portfolio.

We are well placed to capture opportunities in a changing Dutch pension market that is shifting from defined benefit pensions to defined contribution pensions due to the low interest environment. Our broker and customer satisfaction is high and above market average. This gives us a strong position to further grow our defined contribution business and to build new engagement platforms to secure long-term engagements with customers and pension participants. As NN in the Netherlands, we have a very large customer base of more than 1.5 million pension participants. Client research clearly shows that retirement is much more than only financial solutions. To fulfil these needs, we intend to offer services around a broader concept of carefree retirement, such as extending your career, living longer in your house or addressing loneliness. With this, we aim to increase relevance in society and customer engagement which will drive long-term value and fee income but also links well to the core of our insurance business. So our position as market leader offers a strong position to further unlock failure. Netherlands Life is the largest contributor of remittances to NN Group.

In the past five years, Netherlands Life has remitted over EUR4 billion to NN Group whilst maintaining a strong balance sheet with a solvency ratio well above 200%. This was achieved through a combination of the investments result on our asset portfolio, the run-off of the in-force portfolio as well as by several management actions. Examples of these management actions are the successful integration of Delta Lloyd Life and more recently the third longevity transaction that captures around EUR13.5 billion of liabilities. And as a result of these recent longevity transaction, we now reinsured around EUR17 billion of liabilities over the past few years.

Going forward, we expect the dividend to grow further. As Delfin mentioned this morning, following the closing of the longevity transaction last month, we have increased the dividend from Netherlands Life to EUR225 million per quarter. At the same time, we are working on new initiatives to increase further capital generation. First and foremost, we will continue optimizing our asset portfolio. I will clarify this in the next slides. We aim to play an active role in accumulating new pension buyouts and by winning the competition in the fast growing defined contribution market, we will build over time a solid portfolio like insurers in the past did with defined benefit books. We expect the level of assets under management within defined contribution to increase to around EUR32 billion by 2025, and will add more diversified earnings and capital generation to our book.

So all these developments and opportunities will result in a growth of our Operating Capital Generation. We expect the NN level of Operating Capital Generation to grow from currently around EUR750 million of last year to around EUR900 million by 2023. This will primarily come from optimizing the return on our asset portfolio. And this will also compensate for the reduction of the Operating Capital Generation, resulting from the recently executed longevity transaction, which improves the risk profile of our balance sheet, but also leads to EUR90 million lower capital generation going forward.

We also ensure that the level of expenses is reducing in line with the run-off of our portfolio and the run-off of our portfolio is slightly below 4% per annum.

Additionally, we expect our growing defined contribution portfolio will add additional capital generation, which I will explain later on in my presentation. On top of that, there is a potential to grow our service book volumes by means of group pension buyouts. I would like to emphasize that the EUR900 million is based on current market conditions and may deviate in changing market conditions.

So the primary driver for the growth of our Operating Capital Generation is further optimizing our asset portfolio. Since the IPO in 2014, NN Life has invested more than EUR11 billion in illiquid assets such as mortgages and loans, as well as almost EUR2.5 billion in real estate. This was funded by transferring separate account of our clients into general accounts of our company, the inflow from new premiums as well as the sale of government bonds.

With our improved strategic asset allocation, we aim to further improve Operating Capital Generation, whilst maintaining a robust balance sheet. As part of the improved strategic asset allocation. We will continue further increasing our allocation to mortgages, loans, real estate and equities, and this will be funded by a further reduction of our exposure to government bonds.

The recent dislocation of markets following the COVID-19 crisis also offers opportunities to increase our exposure to equities, high yield debt, emerging market debt as well as corporate bonds. Although the distortion of markets offers potential, we will remain prudent to keep our balance sheet strong. The improvement of our asset allocation will increase the Operating Capital Generation of Netherlands Life by around EUR200 million. Although this is beneficial from economical and Solvency II perspective, the shift in asset allocation may have a negative impact on the IFRS investment margin that is based on book yields.

Now, I would like to move to the next topic, our progress in cost reductions. Since 2016, the expense base of Netherlands Life has been reduced by 22% and for the insurance expenses, our expenses have been reduced by even 26%. And the result of that, our expense level is now in line with our peers.

Let me explain how we realized this. The expense reduction was achieved through a combination of efficiency increases as well as the removal of the overlap from the Delta Lloyd integration. On this slide we show a comparison of our expense level compared with our peers. The chart is based on regulatory reporting, which we have corrected for two elements to make a true comparison to our peers. The first correction is related to expenses that we incurred for our non-insurance operations, such as the pension fund administration AZL, and the defined contribution business of BeFrank. Peers do not have material non-insurance businesses as a subsidiary of their life units. So therefore we have corrected it.

And the second correction is related to the substantial investments we have done to achieve the synergies from the Delta Lloyd acquisition. These restructuring costs amounted to EUR63 million in 2018, and we expect these costs to come down materially, following the completion of the integration of the Delta Lloyd acquisition. If you then compare the expense level with the total technical reserves, we had an expense level of 38 basis points in 2018, which is broadly in line with our peers as you can see on the bottom left of this slide. Based on the further reductions we achieved in 2019, as well as the increase of our liability base, our expense level has further improved to a level of 29 basis points. Going forward, we will further reduce our insurance expenses by EUR50 million which is in line with the development of our insurance portfolio.

And believe me, this is not an easy task to achieve. We need to reduce expenses whilst at the same time, we have to absorb all kinds of increasing cost related to inflation, increasing investments in IT and IT security, regulatory changes, such as the recently announced reforms of the pension regulation in Netherlands. But based on my personal experience, substantial potential is present. And we have several levers to achieve the cost reductions, such as increasing the level of digitalization, implementing more straight-through processing, continuing rationalizing our product offering and migrating close book portfolios and also further outsourcing parts of our business process to variabilize the expense base. And as a result of this, we will decommission legacy systems and our target over there is to reduce from currently 66 core systems to 28 core systems by 2023. For now, we do not expect this will lead to lower unit cost assumptions because we have already reflected this in our best estimate liabilities. This means, the expense reduction will not be visible in our Operating Capital Generation nor do we expect additional capital release in that perspective. And to facilitate profitable growth of our pension administration AZL, and our BeFrank business, we expect a moderate increase of the total non-insurance expenses but we expect also a decrease of course per unit for these businesses.

Now let's move on to the next topic, the defined contribution opportunity. This is an attractive area of Group pension business in the Netherlands. Let me first explain the Dutch market. Around 1.3 million employees, which is around 20% of the total number of employees in the Netherlands are accumulating pensions via insurers and the remaining 80% accumulate pensions via industry or corporate pension funds. The Dutch markets for insurers used to be dominated by defined benefit pensions but this has been greatly changed in the past 10 years. Since 2009, the working population that accumulates the insured pensions in a defined contribution pension scheme has almost doubled. In recent years, this trend accelerated due to the continuing low interest environment. Today, roughly two-third of the working population accumulates in defined contribution pension scheme and this growth will continue. And then has an excellent position in these markets. We have a market share of 40% in Dutch Group pension market with our two strong labels, Nationale-Nederlanden and BeFrank and we have an excellent relationship with both intermediaries and actuarial advisors which is even further boosted by our above broker satisfaction -- market broker satisfaction.

Our internal asset manager NNIP supports our offering, as Satish later on will explain. And this will add additional revenue stream to our defined contribution proposition. We have a high retention rate of around 70% to 80% in the roll over from the accumulation into the decumulation phase where pension participants at the retirement age, currently 66 years and four months in Netherlands, have the opportunity to buy a guaranteed pension annuity.

So to conclude, with our strong position in the growing defined contribution market we are building a solid portfolio over time. Based on the solid and growing defined contribution portfolio and also combined with further efficiencies, we will create future profitability. A 40% market share in a growing market, we are building up scale. Scale contributes to lower cost units, unit costs, which is particularly important in a highly priced sensitive markets such as defined contribution in Netherlands with very thin margins.

As assets under management increase, our fee income will also increase. We expect an asset base -- we expect our asset base to grow from the current EUR21 billion to around EUR32 billion in 2025. And because most of the pension participants are in the early stage of accumulating their defined contribution schemes, we will continue building upscale after 2025.

The business model of defined contribution is different than defined benefits and contains two phases. The first phase of defined contribution, is the accumulation phase where pension participants build up until the age of 66 years and 4 months. This accumulation phase is mainly fee-based and capital-light, which provides more diversified earnings and add additional capital generation to our book. The second phase is the decumulation phase where pension participants after the age of 66 years purchase a pension annuity. The decumulation phase is more similar to the defined benefit markets although with a much shorter duration. In this phase, the most important source of earnings is spread-based.

The volume of decumulation will increase when the defined contribution market further matures as the number of people retiring with a defined contribution pension will increase. We expect to achieve an operating margin of around 15 to 20 basis points of the assets under management by 2025 for the combined accumulation and decumulation portfolio. From a return on capital perspective, this is very attractive capital-light business.

Now, I would like to explain the second large opportunity in the pension market, which is the market of pension buyouts. I will explain how we managed to benefit from this opportunity and at the same time keep such transactions relatively capital-light. But let me first start explaining market dynamics.

Small and medium sized corporate pension funds in the Netherlands are under regulatory pressure to find a sustainable solution for the governance and face also pressure on the expenses. As a result of this in the past 10 years, the number of pension funds decreased by 70%, whilst at the same time the total assets under management of these corporate venture funds increased in total by more than 75%. We expect this process over the next five years will continue and a large number of small and medium sized pension funds will seek an alternative solution to their future.

Some sources expect around EUR25 billion of pension assets to become available to the markets. These pension funds have in general the option to merge with another pension fund or to choose for a buyout of the liabilities by insurance company. NN Life is well positioned to capture these opportunities. And we will continue our disciplined approach to capital management in our pricing. Our payback period criteria target on IRR of at least high single digits. A good example of a successful buyout is the Chemours pension buyout that we have completed last year. Although it was a relatively large transaction covering more than EUR800 million of liabilities, this transaction remains relatively capital-light because we externally reinsured the longevity risk that arose from the additional liabilities of this transaction.

Now to wrap up my presentation. First, we expect to increase the Operating Capital Generation of Netherlands Life business to a level of around EUR900 million by 2023. This is mainly driven by the shift to higher-yielding assets, whilst maintaining a robust balance sheet. Secondly, Netherlands Life has been a strong and consistent cash generator in the past. Going forward, we expect this to continue and we expect a growing level of remittances to NN Group. Thirdly, we will continue to further reduce expenses of the in-force book. This will be reduced in line with the run-off of our portfolio, whilst at the same time, we will continue to improve our customer experience, which is already above market efforts.

And finally, based on our strong market position, we will win the competition in defined contribution, which will drive the capital-light, capital duration in the longer term. Thank you for your attention.

A - Jelmer Lantinga {BIO 20384884 <GO>}

Thank you, Leon. Very clear story on the actions you are taking and the progress you expect to make. I now would like to invite Fabian Rupprecht, CEO, Insurance International onto the stage. This morning David discussed the importance of growth pillars from a long-term sustainable cash flows of the Group. Fabian, can you explain how we focus on profitable growth in Europe and Japan? The floor is yours.

A - Fabian Rupprecht {BIO 18064442 <GO>}

Thank you, Jelmer. It is a pleasure to present to you the International Insurance business of NN Group today. When I joined NN Group two years ago, I have been attracted by the quality of the International Insurance businesses of NN. Nearly all of them have been built organically, they are firmly rooted in the local market and they have a strong brand consideration. And I'm impressed by the strong commitment and passion of our employees and agents. We run insurance businesses in 11 markets outside the Netherlands with 12 million customers and solid Net Promoter Scores. We are in these markets, a leading protection player with a strong tied agent channel and a good bank distribution. We have reacted quickly on the outbreak of COVID-19. We first made sure that all of our employees can work from home, then we have focused on two priorities taking care and managing our existing customers and implementing the fully digital sales processes. Thanks to these actions. We will be able to partly mitigate the impact on operating results. The impact comes mainly from lower fee income and eventual surrenders in line with what was mentioned by David earlier. Now, new sales are one of the main drivers of OCG in Europe. Sales have slowed down, so that there is some impact on OCG in Europe that will depend on the speed of the economic recovery in our market.

Let me now start with the Europe segment. Our operating result has grown with 10% and VNB even with 22.5% per annum since IPO. In the period, 2017 to 2019, operating results growth has been 4.3% which is a good performance as 2017 included already EUR15 million non-recurring benefits. VNB grew since 2017 with 20.3%, thanks to our focus on protection products. The growth has been mainly self-funded with dividends in line with net operating results. Our objective is to grow OCG to EUR325 million by 2023, which is equivalent to a 7% annual growth rate. And this even includes the negative expected COVID-19 impacts of this year. We are convinced to achieve this goal. Thanks to our focused strategy. We can build on three unique assets: our protection know-how, the strong agency network and a good bank assurance partnership that sets us apart from competition.

In addition, we have built our in-force management capabilities recently. A significant part of our future OCG growth will come from the new business contribution both new sales of profitable and capital-light products and the conversion of in-force business into those products will be the driver behind this growth. The SCR from running off capital heavy portfolios will balance the additional SCR usage from the growing new business. So overall the change in SCR is rather small.

Our non-Solvency II entities are Turkey and the pension funds in Europe. As explained earlier, Turkey will profit from the mentioned new sales initiative and gained further scale. We expect to break-even this year and then subsequently improve further over time. For our pension funds, the contribution to OCG equals the local GAAP profits, and that can be volatile as they depend on the assets under management and performance fee levels. This growing new business, we expect remittances to be slightly below OCG while over the long term, we expect remittances to be in a range around OCG. Since IPO, we have shifted our business to protection but we have already significant market share, to give you some examples, Hungary 22%, Belgium 20%. We have extensive knowledge in running protection business. And with a 9% premium growth rate, we have outgrown competition and enabled to achieve attractive margins. We believe in further growth as the population in our markets is mainly underinsured.

Let me now go to our agency channel. Our agency channel is considered among the best in our markets and has shown stable growth of 10% per annum. And it has shown to be resilient in difficult times as well. We see this now during the COVID-19 crisis where our agent sales actually hold relatively strongly up. You see that VNB growth is above APE growth and that is just a consequence of our shift to protection. We are convinced that this stable growth can even be enhanced further, with investments into lead management, digitalization and data. We think that the combination of digital and face to face channel can improve customer satisfaction over time and increase interaction and engagement. We will track this through our Net Promoter Scores. And now if you apply that to our existing customer base of 12 million customers, you see that there is really a large opportunity. Furthermore, we have seen that the sale of third party products including banking in a Non-life is highly attractive for our customers and us. And all of this is in line with our strong belief that the margins are in the front of the value chain as David explained this morning to you already.

And we are already on our journey with the digital transformation of our agency channel, and we were seeing encouraging results some of which I show on this slide. So I think it's just great to see that lead management and data analytics for example have enabled us to increase VNB per agent by 26% in Hungary.

We have experienced strong VNB growth of above 30% in bancassurance even though there is more volatility depending on the local partnership. Similar to the agency channel, VNB growth is above APE growth as a consequence of our change in product mix. We have been able to strengthen our relationships by selling to our own customers, products of our partners. An example for this are the mortgages of ING sold through our agency channel in Spain. This can give us a big advantage over our peers which do not own a similarly strong proprietary sales force.

And we have a lot to win in in-force management. We are currently doing a scan of all portfolios with experts to identify market per market optimization opportunities. We are targeting capital efficiency, earnings potential and cross-sell opportunities. We use a methodology which we have developed over the last year and that can be applied in a consistent way across the markets. We expect this to help us grow our Return on Own Funds and to contribute to OCG growth in a magnitude of at least 2 percentage points.

Now, Belgium is a focus point for in-force management because of the size of the portfolio and the insufficient return on owned funds. We have just started to implement a comprehensive in-force program and we're committed to improve the return on owned funds from 7% to double-digit. We do that with the following actions. We have already stopped the sale of traditional guaranteed products in the employee benefit and the retail segment because of its low profitability. We will respond to the rising demand for unit linked solutions with a conversion program in the employee benefit segment. We will allow further asset mix improvements and we can actually do that without a significant increase in the SCR. We will optimize the policyholder payout and increase fee income through a stronger offer of NNIP products. We will invest into further clean-up of legacy IT systems allowing cost savings. And for the part of the book this underperforming return on owned funds, we are ready to optimize shareholder value considering all strategic options.

I am now presenting the Japan segment. Please let me remind you that in Japan we are market leader in the COLI segment which by itself is a multiple in size compared to most European markets we are active in. Being the specialist in this segment we have built over the years, unique capabilities that set us apart from the rest of the market. And thanks to these capabilities, our operating results have been growing close to 10% per annum and we were able to increase the VNB at 10% per annum, as well. This has allowed us to build EUR900 million of VNB since IPO. And this is a clear indication of the shareholder value that has been created. It will be partly paid back in the form of dividends and partly increase the VIF, which then translates into further dividends over time.

The value of our Japanese business will therefore continue to depend on our capacity to grow sales further. And we are confident to demonstrate this in the years to come. I will go into details later in this presentation. Let me now explain to you the level of dividends that are upstreamed to the Group. We have experienced growing in-force profits over the last years as a result of the accumulation of profitable new business. So we use these proceeds to finance the investment into the new business which is the new business strain, which you see on the slide. And with an IRR of 14%, well above the local cost of capital. And a six-year payback period, we consider there is a highly attractive investment opportunity for our shareholders.

And of course, these investments will translate into a higher dividend base over time. Then any remaining profits are upstreamed as dividends. The examples shown on the slide explains the dividend for the fiscal year 2018. In the fiscal year 2019, we saw lower sales and that will translate into a higher dividend payment of EUR120 million that will still be paid in June of this year. And then NN Life Japan is included in the Group's solvency on a local Japanese GAAP basis which doesn't allow to defer acquisition costs. So in the way, I showed on the previous slide, the new business strain reduces the OCG in the year of sale and then contributes to higher OCG through the in-force profits over time.

So in a period in which our sales grow, OCG will go down, but then increase over time. And this is different from the dynamics within the Europe segment, where higher profitable sales immediately lead to a higher OCG. So to create most value for the Group and drive up dividend capacity over time, we clearly aim to maximize new business in Japan. And having an investment policy possibility of EUR100 million year per year that yields 14% return, is a high certainty. It's just a great opportunity. David has already mentioned it. In addition to the attractive of the business by itself, there are some diversification benefit. So we are confident to reach at least a VNB of EUR150 million in 2023. Assuming a similar market share, this would mean that the market by then has reached back the size it had in 2016 and 2017 and as a guidance the VNB level of EUR150 million implies an OCG around EUR100 million. And if we achieve faster growth after COVID-19, VNB will go up and OCG in the term will go down. But given the attractivity of -- and the dynamics I explained earlier, this is actually something we would be happy about.

I will now explain why we are confident to get to these levels. So we run within the COLI space two business lines. The protection business that is not touched by the tax reform and which we have increased as a means to diversify our business. And the financial solution line that has been impacted by the tax reform in the short term. In the protection business, we have been able to achieve a CAGR of 35% both in APE and VNB. This business corresponds to a growing need of our customers who are currently underinsured in these benefits. A typical example for the need of our customers is the inheritance tax. It is often a high amount that can threaten the continuation of a business, in case of the death of the owner if there is not enough cash outside of the company. And we can perfectly solve this need. In addition we expanded into the living benefit space, only last year with critical illness covers in cooperation with reinsurers.

Let me now focus on the financial solution business. As you can see from the chart, the tax reform has changed the tax rules, but maintained attractive tax advantages expressed by the orange bubbles staying in the right upper corner. Nevertheless, compared to before, the system has become more complex with more differentiated rules. So you see two basically grey bubbles before and you see many more opportunities afterwards and that drives, of course, the complexity. This has required time for the agents to address and explains the recently experienced slowdown in sales. So let me repeat again, the COLI market continues to profit from tax advantages. And this is why we are seeing an upward trend in sales quarter-by-quarter, even corrected for seasonality and sales have grown by 70% between Q3, 2019 in Q1, 2020. This gives us confidence that we are on the right track. Now COVID-19 and the economic slowdown will impact SMEs in Japan and delay that upward trend we have seen so far.

Nevertheless, with the economic recovery after that, we expect the market to get to levels of 2016 and 2017. And we are specialist in the market. We are leading in training and supporting the independent advisors during these difficult times more than others. So we are convinced that this will give us an advantage and strengthen our leadership position going forward.

I would now like to wrap up. In international, we have delivered continuous growth. We have been able to compensate for all types of headwinds we faced in the past. We are committed to maximize shareholder value with the international business in the future. We do this by focusing on optimizing return on owned funds, and new business margin. With the new framework, we steer our portfolio based on these and strategic market criteria. And we take consequent actions where the criteria are not met or where we expect that we cannot meet them in the future. By 2023, we will grow OCG to EUR325 million in Europe and we have set a VNB target for Japan of EUR150 million. The growth remain self-funded and will build up our dividend capacity over time. Thank you for your attention.

A - Jelmer Lantinga {BIO 20384884 <GO>}

So, thank you, Fabian. Already moving onto our last presentation of the day on NN Investment Partners. I now invite Satish Bapat, CEO of NN IP onto the stage to talk about the actions that we take to create value, meet the challenging environment. Over to you, Satish.

A - Satish Bapat {BIO 17559577 <GO>}

Thank you, Jelmer and good afternoon everybody. I realize, this is the seventh presentation for the day and I'll do my best to keep you all engaged. My name is Satish

Bapat and I have led NN Investment Partners since April 2017. And it's my pleasure to walk you through our business in the next 20 minutes. Now we as NNIP are the asset management arm of NN Group. Our third party assets generate over 60% of our fee income. Women represent 33% of our Board and Senior Leadership and with almost 50 nationalities in a thousand people organization, we bring a rich diversity of thought to our business.

We have steadily increased our return on equity from the mid-20s to almost mid-30s and we have remitted over EUR0.5 billion to the Group in the past 4 years. Now, the last time I was here presenting our business was back in November of 2017. Back then, we were in the middle of Integrating Delta Lloyd Asset Management. And I give you all a 4-point guidance on what we would do and here's what we did.

First, is we completed the integration of Delta Lloyd with NN prior to the planned mid-2018 timeline. Second, on expense reduction, we exceeded the top end of our guidance, we in fact reduced expenses over 13% from our 2016 baseline and we did this a year ahead of plan. And we did this while absorbing EUR13 million in MiFID II related research expenses. From 2017 to 2019, our operating earnings were flat at EUR161 million. On one specific Delta Lloyd fund, we received performance fees that in our view, we're not structured in our client's best interest.

So, at the end of 2017, we made a call to eliminate these fees, even though it hit our earnings going forward. For our clients, this was the right thing to do. So, adjusting for this, our underlying earnings grew 5% CAGR from EUR145 million in 2017 to EUR161 million in 2019. And the fourth, is we aimed for remittances in line with the net operating result. In 2018 and 2019, we were able to remit substantially more. Now looking ahead, I believe the secular trends for asset management are positive. People need to save more, or living longer, defined contribution is replacing defined benefit plans, governments are reducing retirement benefits, and there is a growing wealth across the world. However our industry also faces headwinds, consistent low interest rates, ongoing fee pressures and most recently, the uncertainty brought about by COVID-19. Now, after we completed the integration with Delta Lloyd which shows four areas to focus on, to position our business for a stronger future.

One, responsible investing. Two, to deliver consistent investment performance. Three, a digital and personal client experience. And four, efficiency. Now with COVID-19, it's been even more clear that these are the four areas, which are right ones and in fact we should accelerate our efforts. For example, the demand for responsible investing is increasing, driven both by performance holding up well but also by societal changes. Technology to connect with clients we recently launched a podcast, a series of podcast for our clients and potential clients that they can listen to on Spotify or stepping up our efforts to grow our private debt capabilities. Now with these four areas, we are, and will continue to be a strong contributor to the Group.

Let me walk you through each of these four focus areas. And let me start with responsible investing. We want to be a leader here. We want to be a leader in responsible investing because we believe this is the right thing to do and that markets are moving more and more towards responsible investments. Our first sustainable fund was launched back in

1999, but from 2017, we made responsible investing core to who we are. ESG integration, this does not mean green products but it's how our portfolio managers assess a company's business model, its future competitiveness, by reviewing its environmental, social and governance aspects with a belief that companies that incorporate these perform better. And it is an effective way to ascertain risks of stranded assets or impact due to climate change. Now we use these ESG indicators along with our fundamental research to make investment decisions. Our relative resilience in the past three months of market turbulence has demonstrated the strength of what we do here. We see strength in the inclusion over exclusion. We do have a select list of industries, we exclude, i.e., we do not invest in such as controversial weapons, cluster bombs and more recently tobacco and thermal coal. However, we believe inclusion is a better way to bring about change than walking away.

We enter into dialogues and vote at shareholder meetings mainly on three topics; governance, climate change and living wages. Now we chose these three because we believe we can make a difference here and our clients want us to address these areas. Investments. This is the heart of what we do. Now going from left to right on the slide, the largest part of the assets we manage are benchmark neutral. These are our fixed income solutions and private label capabilities together over EUR160 billion in assets. These assets we manage based on client mandates and we have delivered consistently and reliably. These assets are sticky as our clients invest in them for the longer duration typically between six to eight years or longer.

Now first of those two, we manage EUR117 billion in fixed income solutions for NN Insurance but also for other insurance companies and pension funds. These are assets and hedge overlays to match the duration and risk profile of their liabilities. We are really good at this. It's an important capability that gives us access to clients and enables us to bring other yield generating assets to them. And this is an area we will continue to grow. Private debt is a big and a growing part of our portfolio and it now represents over 15% of our entire asset base. Our clients need these asset classes, and we are only limited by our ability to get access to originate such loans as we do not originate these ourselves. Now NN Bank has provided access to the Dutch mortgage market.

Elsewhere in Europe, we have partnered with a number of institutions to get access to mortgages, commercial real estate, infrastructure loans, corporate loans and that's working well. At the end of 2019, we also took a stake in Venn Hypotheken to get further access to the Dutch mortgage market. A couple of years ago, we launched a Dutch mortgage fund that is now approaching EUR3 billion in assets. And we are currently working on launching a trade finance fund. Private debt is an important area for us to grow and we will continue to look at ways to strengthen this proposition and to get access to origination. It does require a different operating model and it is more labor intensive than our liquid capabilities. Now on the far right of the slide, you see we have over EUR110 billion in assets we manage, where we were consistently to beat the benchmark, of course, risk-adjusted.

Now, approximately two-thirds of our assets deliver consistent benchmark beating performance. We have strong fixed income, equity and multi-asset capabilities here. Within fixed income, our flagship capabilities are emerging market debt, high-yield, green bonds, convertibles and investment grade. In equities, we focus on European and sustainable equities. Through the recent market turmoil, our capabilities have generally been resilient. Our Green Bond Funds, and sustainable Equities have performed extremely well and are approaching top decile performance versus peers.

Now, as you can imagine, I'm happy that we deliver consistent performance, but we also continue to assess whether we have been and where we have been less consistent. In 2018 and 2019, we appointed sub advisors in areas where we felt we can bring a stronger client proposition by leveraging on the ground strengths. So, we appointed American Century for US equities, Nomura for Asian equities and China AMC for Chinese equities to sub advisors. We also lacked a structured access to passive products. In 2018, we signed an agreement with Irish Life. We use their products as building blocks for our multi-asset range and in our enhanced Sustainable Equity products. We launched these products at the end of 2019. With that launch, we were able to plug an important gap in our product offering. We recently onboarded VIVAT's P&C assets. Now, we have a state-of-the-art platform in BlackRock Aladdin and because of that, we could do this on-boarding within a day, one day after the transaction closed. Man and machine as a combination is an important driver for us to look at ways to generate more alpha, more investment returns for our clients. Here we are focused on two themes. Use of big data and behavior analysis. In addition to ESG, we have used these two themes on a select range of products and we are seeing encouraging results. We are working on performance attribution to assess and hopefully demonstrate that we can generate alpha consistently over time. We serve a broad range of clients. NN Insurance is our largest client. I can tell you it's a very demanding client, they keep us sharp. We have been working with BeFrank to bring a range of lifecycle solutions to defined contribution clients in the Netherlands.

We directly access a large number of pension funds, insurance companies and sovereigns. Our institutional book of business is over EUR45 billion. Our knowledge of the insurance business, our understanding of Solvency II puts us in a strong position here. We have also hired additional talent and taken steps to engage with consultants to improve our consultant ratings. Now while we have made progress, I would like us to be moving higher on consultant ratings. And I want to see a stronger insurance and pension bench in our people. In the Netherlands, we also have a very unique and a very important fiduciary solutions proposition. This is where pension funds outsource their Chief Investment Officer capabilities and related oversight role to us.

We administer over EUR50 billion in assets that we classify as assets under administration and hence not part of our AUM. Now besides just being a good business proposition, it gives us an important access to the Dutch pension market. It's one of the most well-developed pension markets in Europe. We access retail and private banking clients mainly through our distribution partners. We have a number of existing and very strong relationships. For example, ING, in Europe, Voya in the US. Now with the Voya, we also sell Voya's US capabilities in Europe and in Asia. And with Nomura in Taiwan. In 2019, ING Bank Poland took a 45% stake in our Polish business. This helps further align our interest in that market along with ING and our combined ability to reach the Polish market.

The recent COVID prices has demonstrated the value and the strength of these partnerships. For instance, we have been able to sell Voya's US investment-grade capabilities across Europe and in Asia.

While our emerging market debt, our multi-asset and our high yield capabilities, continue to see inflows in Taiwan through our partner Nomura. Now asset management is a scalable business and with a Luxembourg fund range capability of over EUR50 billion, we are able to sell our products globally. While we continue to take steps to deepen our existing relationships, it's also important that we plant seeds for the future, plant seeds for new relationships. To that effect, we have signed a number of such partnerships with Rakuten in Japan, with Finaccess in Mexico, we signed a memorandum of understanding with China AMC to distribute in China.

Now these are long-term plays and we will work on building out these partnerships, some will thrive, some may not work. But it's only over time that these partnerships will contribute meaningfully to our financials. But it's important that we plant these seeds. Efficiency is an area we have tackled extensively. We made conscious decisions to till the organization more towards investments, products and focus on our core asset management capabilities. We outsourced or as we say, smart sourced activities that are commoditized, for example, fund accounting. As you see on the two charts on the left, we have done really well in this area. We spent 10 basis points in absolute terms for the assets that we manage. This is at the low end as compared to our peers and for an active manager this is damn good.

We also benchmark ourselves to other insurance captive asset managers and with the cost-income ratio in the mid-60s, we compare very well there as well in spite of our peers being much larger. Now going forward, I would like us to remain in the mid-60s. This is based on our current mix of assets. We will continue to look at ways to structurally improve the way we perform. But it's important that we continue to invest in technology and our people to stay competitive into the future. We will continue to be a stable and reliable contributor to the Group. As you can see on the slide, we have got two targets, one, financial, one non-financial. On the financial side, we are targeting to get to EUR125 million in Operating Capital Generation by 2023 and 80% of our assets, integrating ES&G factors by then.

On the first one, for asset management, net operating result is a good proxy for OCG. Now, while I expect our 2020 OCG to drop from 2019 levels, I'm confident we are able to build out our OCG back to EUR125 million by 2023. It's an ambitious, but a realistic target. Net flows and product mix change, driven by our successful, sustainable range multi-asset train solutions private debt capabilities will help offset the ongoing fee pressures and specific to NN, run off of our affiliate Dutch and Japan VA book.

We will continue to invest in data and technology and we will look at ways to offset the spend by driving efficiencies elsewhere in the business. As you are all aware, markets have a big impact on our fee income. And we assume over time. Again over time, that the market recover.

The second one is our target of 80% of our total assets that we would, that we manage to integrate ES&G factors. While I call this our non-financial target, I believe and we believe that this will provide better mid to long-term returns for our clients. Now, let me summarize. We will integrate ES&G factors into 80% of our assets that we manage, a key driver for mid to long-term returns to our clients. We will leverage our insurance heritage to grow our multi-asset solutions and our private debt capabilities. We will continue to digitize our research platform to enable consistent investment performance. We will step up our digital and personal client interactions to continue to engage with clients in a post-COVID-19 world. All the while delivering an attractive return on equity and earnings diversification for the group as a whole.

Thank you. Let me pass the floor back to Jelmer.

A - Jelmer Lantinga {BIO 20384884 <GO>}

Thank you, Satish. Well, great to hear from you that we continue to focus on responsible investing and target to further increase ESG integrated assets under management. That actually concludes the presentations of all our business units today. So, I would now propose to move to our second and last Q&A session of another 30 minutes approximately for which we will open up the conference call. I would now like to ask Tjeerd, Leon, Fabian and Satish to join me on stage to answer your questions. And also the second session, will again be hosted by Geraldine Bakker. So, please Geraldine, take it over from here.

Q - Geraldine Bakker-Grier

Good afternoon, everyone and welcome back to the second Q&A session of today. As Jelmer said, we've got another 30 minutes for your questions. (Operator Instructions) In these 30 minutes, we'll try and get through as many of your questions as possible, and I see that there is already some people on the line. So let's kick off with the first question. Fulin Liang from Morgan Stanley. Good afternoon, Fulin. Do you want to go ahead with your questions.

Q - Fulin Liang {BIO 21126177 <GO>}

Yes, good afternoon. I just -- is that okay? Is the voice okay?

Q - Geraldine Bakker-Grier

Yes, we can here you Fulin. Yes.

Q - Fulin Liang {BIO 21126177 <GO>}

Okay, thank you. I just have one question on Japan. Could you -- so could you tell us, firstly, is the -- what's the VNB margin difference between COLI protection and then COLI financial solution? That's the first one. And then second one is, I just think you might have actually explored other optionalities regarding Japan, before you come to the conclusion that you were just kind of restart selling COLI protection. I just actually wanted what the optionalities or alternatively -- alternatives have you considered but decided not to pursue. For example, have you considered actually expanding your product lines wider to non-COLI market stuff like that? I'm not asking about the option to sell, but the -- to sell the unit, but just generally how to improve the operation results of Japan. Thank you.

Q - Geraldine Bakker-Grier

Thank you, Fulin. I think these questions are for you, Fabian.

A - Fabian Rupprecht {BIO 18064442 <GO>}

Yes. Now, thank you for the questions. So, on VNB margin in general, of course it depends always on products, but in general the protection business is more profitable than the financial solution business. So we have higher VNB margins and higher IRRs, so we're talking about IRRs, 16% rather than 40% for financial solutions. And, it's a very fair question. So, of course, when the tax rules changed, we looked to what are the options. And if you look into other products that can serve the segments of SMEs and you see that most of them don't have the same attractivity neither for the customer nor for us as a company. So that is the reason why we came back to that segment. That doesn't mean that we didn't innovate a lot because over the last year we had of course to adjust our product portfolio and to what the new tax changes. And we did that quite fast and are confident now that we have a good basis.

Q - Geraldine Bakker-Grier

Thank you, Fabian. Thank you, Fulin. The next question is from Ashik Musaddi of JPMorgan. Good afternoon, Ashik.

Q - Ashik Musaddi {BIO 15847584 <GO>}

Yeah, hi, good afternoon, Geraldine and thank you for this opportunity. Just a couple of questions, first on European OCG. Now, I think with S7 Slide where you showed the movement of European OCG from where you were in 2019 and where you want to go in 2023. And there is something called non-Solvency II entities. So what is that? I mean it's a big jump coming from there. And just related to that as well, how much cash upstreaming shall we expect from Europe because in past it was almost around 80% of OCG. So that's the first question.

Secondly, if I look at that roll forward of OCG in Europe, Belgium isn't part of that has been the improvement that you're expecting to do in Belgium doesn't look like it is within that. So what are we missing? Is it part of that non-Solvency II entity or is it part of the contribution from new business? So, where will Belgium fit in that going forward? And thirdly is around Non-life underwriting. I mean, it's clear that you have done lot of the heavy lifting already coming from 100% combined ratio to 95%. But I think 95% was there are the -- still some one-off there. How should I think about the improvement going forward? So one point it's coming from better underwriting -- sorry, better cost. But how -- why do you feel comfortable that on an underwriting basis as well, you can keep on improving the profits of Non-life? Thank you.

Q - Geraldine Bakker-Grier

Thank you, Ashik. I think in a minute, Tjeerd will take your question on the combined ratio. First of all, Fabian, we've got some questions on OCG in Europe. Would you like to take those?

A - Fabian Rupprecht {BIO 18064442 <GO>}

Yeah. Yeah, of course. So the first question was about Solvency II units. And so here we talk about Turkey and the pension funds. They both contribute -- the pension funds and Turkey all contribute to the OCG growth over the years to come, because our pension base increases on one side, so and Turkey as well and -- will go further. And your other question was where does Belgium fit in there? So first of all, we show with the -- with in-force management activity where that in-force management activity contributes to. And that is on the investment return that is -- and that is on new business as well. Why is it on new business? It was basically when you convert capital heavy business into capital-light business and you reduce on one side of course the SCR and then on the other side you contribute to new Own Funds. So that is how Belgium fits into the OCG and you saw our objectives for Belgium and they have a significant contribution in that.

In terms of cash upstreaming. So in the past, we have always compared to operating results. Now in the future, we will of course compare to OCG because we think that OCG is the right measure going forward as an indicator for dividends. And of course the idea is that over the long term, OCG and dividends should get very close. In the short term there might -- there is a difference, so we assume in the short term the difference will be around 20%, that is just by the fact that you have seen the new business contribution there and you see as well that OCG per year is much higher than operating results because of that new business contribution.

Q - Geraldine Bakker-Grier

Thank you, Fabian. Tjeerd, do you want to take the last question?

A - Tjeerd Bosklopper {BIO 20235210 <GO>}

Yeah. So thanks, Ashik for the question. So we are indeed very happy to have returned to healthy profitability for the Non-life companies are coming from 102% ending up in 95.4%. We're very pleased to have seen that. Obviously a lot of improvement that we did on expenses coming from the Delta Lloyd integration and going forward, more scope for expense reductions coming from the VIVAT integration and in the rest of the business. So that's clearly a focus to further improve the combined ratio going forward to the levels of 94% and 96%. The Dutch market has always been very competitive. So hundreds of Non-life operators in the Dutch market. So to further improve what we believe now we said we've not just achieved scale and can benefit in efficiency, but also in terms of data.

So bringing all the data together from the recent VIVAT acquisition on motor comparing that over time, hiring data scientists, bringing in external market data and advanced pricing techniques, we believe that we will able with those techniques to further improve underwriting year-by-year for the coming years in order to fully benefit from the number one leading position that we have now in Non-life in the Netherlands.

Q - Geraldine Bakker-Grier

Thank you, Tjeerd. Thank you Ashik for your questions. The next caller is Farooq Hanif from Credit Suisse. Good afternoon Farooq.

Q - Farooq Hanif {BIO 4780978 <GO>}

Hi there. Thank you very much. Just firstly, going to the Operating Capital Generation in the Netherlands and the EUR900 million target. What commitment can you give that you would at least be able to keep that flat beyond 2023? Because when I look at the DC business, the operating margin of 20 basis points on your AUM, it's not going to be a lot of earnings. You would of course cut expenses that you always have very successfully to manage the run off, but at some point that EUR900 million is going to decline. I'm just wondering what's the longevity of that and to what extent are you depending on other business areas? Sorry for that long question.

Second point very similar, on Japan. So in 2023, if you get to EUR100 million OCG, it seems like with the VNB build up that you were expecting that to rapidly grow. So what -- so how should we think about that? And lastly, quick one for Asset Management. So what are you baking in for growth? Obviously OCG is going to be flat over the period, because there are some headwinds, but what are you baking in for sort of net flow growth in those assumptions? Thank you.

Q - Geraldine Bakker-Grier

Thank you, Farooq. So we got three questions. Maybe, Leon, would you like to take the first one on the Dutch Life business?

A - Leon van Riet {BIO 19683159 <GO>}

Yes. Thank you. Thank you, Farooq. Question is related to whether we can keep to EUR900 million Operating Capital Generation after 2023 flat? Yes. And we can, because we have firstly the UFR drag, which is being reduced in an couple of steps, and that will add to additional capital generation. Secondly, we have a slow run-off of our defined benefit book and we have roughly 2% run-off of our defined benefit book, 7% to 8% run-off of our individual life book in general it's slightly below 4%. So that means that we have for a long period huge number of years, a continuous release of our risk margin. And therefore we are able to keep the Operating Capital Generation flat after 2023, and on top of that we will add some profitable additional new business from defined contribution. Hopefully this answers your question, Farooq.

Q - Geraldine Bakker-Grier

Yes. Thank you. And then there's a question on Japan. Fabian, would you like to take that one?

A - Fabian Rupprecht {BIO 18064442 <GO>}

So, the EUR150 million objective for 2023, would mean that we go back to levels we had just before the market heated up, so between '16 and '17. And what it means of course is that that we are back to the opportunity to invest strongly into the new business with a new business strain. You saw illustrative on one of the charts that is new business strain can be EUR100 million or EUR120 million in a very strong year. So you have to think that OCG is basically the results from the in-force earnings, minus the investment you do and then that then becomes OCG in that way and that explains why OCG then in a year where you do heavy investments of course is lower. It is clear then at the same time that of course, a new business then increases the -- the earnings from the in-force over time. And then over the long term increases your dividend capacity as it did, by the way over the last years.

Q - Geraldine Bakker-Grier

Okay. Thank you, Fabian. And I think Farooq's last question was on the asset managers. Satish, over to you.

A - Satish Bapat {BIO 17559577 <GO>}

So, thank you, Farooq. So I think if you see on Slide G12, there is a waterfall slide that shows and reflects how we will look at the OCG growing into 2023. The driver for the growth is coming from two things, one is the net flows and second is the composition of the net flows. So if you look at the product mix where we look at ways to be able to bring in our private debt capabilities, our sustainable capabilities, our multi-asset capabilities. So a shift in the product mix, combined with actual net flows is the driver for OCG growth.

Q - Geraldine Bakker-Grier

Thank you. Thank you, Satish. (Operator Instructions). And our next caller is Michael Huttner from Berenberg. Good afternoon, Michael.

Q - Michael Huttner {BIO 21454754 <GO>}

Thank you very much. I had three questions. One is on the slide, I think it was E4 in the Netherlands, which was the longevity compared to the rerisking. So the numbers I kind of guessed, but they're very rough, it doesn't -- rerisking benefits EUR250 million, longevity cost EUR300 million. Now maybe one question would be, are these numbers right? I'm just reading of the graph. And then if I remember the SCR numbers, longevity released EUR500 million and rerisking cost, EUR250 million. So just checking that the return on SCR, if you will, of longevity is 60% and of rerisking is 100%. That would be my first question.

The second is on the deals you've done to date, so Delta Lloyd and VIVAT. One could interpret, I think, it's wrong. It's overstated. But it's allowed you to cut costs, first in Life and then in Non-life. And then obviously, the question is, well, why don't you do with the other asset management to further cut costs in asset management? So I wondered if it's something you are looking at. And then, finally, you've alluded several times to Turkey and lack of scale, and I'm just wondering what we could expect there. Thank you.

Q - Geraldine Bakker-Grier

Okay. Thank you, Michael. Leon, would you like to take the questions on the longevity?

A - Leon van Riet {BIO 19683159 <GO>}

Yeah, of course. Thank you, Michael. So what I have presented on Slide E4 that's the development of the Operating Capital Generation. So as a result of the longevity transaction, our Operating Capital Generation is reduced by EUR90 million because we pay premiums to the reinsurers for transferring the risk but at the same time transferring that risk reduces our SCR. And this morning Bernhard and Delfin explained that the SCR relief is around EUR400 million to EUR500 million. So two related different numbers, SCR and Operating Capital Generation.

Q - Geraldine Bakker-Grier

Thank you, Leon. The second question was on the asset manager and whether you will be interested in acquisitions to gain scale and cut costs?

A - Satish Bapat {BIO 17559577 <GO>}

I think I thought the question was slightly different. But let me confirm that Michael, my understanding is, the question was will there be a way where we can reduce our expenses to be able to have also the investment yield pickup on the insurance side, is that correct?

Q - Michael Huttner {BIO 21454754 <GO>}

I was more interested in deals. I'm a broker. I like deals.

Q - Geraldine Bakker-Grier

Like deals, yes.

A - Satish Bapat {BIO 17559577 <GO>}

Sorry, I couldn't follow that

Q - Michael Huttner {BIO 21454754 <GO>}

Yes. No, I'm more interested in deals and whether you would be looking at deals, sorry.

A - Satish Bapat {BIO 17559577 <GO>}

We are always going to keep our eyes and ears open to see if there are options out there, but again as you heard from David this morning we will always be looking at very strict non-financials or strategic and financial criteria to do any M&A activity.

Q - Geraldine Bakker-Grier

Yeah. Thank you. And there was a question on Turkey. Fabian, that's your area.

A - Fabian Rupprecht {BIO 18064442 <GO>}

Good to take that. And so what can you expect from Turkey in terms of growth? We aren't Turkey because we believe that this is a market with a significant growth opportunity. This is driven mainly by the demographics and the sheer size of Turkey compared to the other markets. And as you might know, we have in Turkey, a very strong and very well-running relationship with ING, which is very much basis for our business the year and we have been quite innovative. We have recently entered into the complementary health space together with the reinsurer. And so we see quite a lot of opportunities to expand the business on an organic basis. So, as I said, we expect this year to have a break-even. And we, of course, and that's why we are there and that's as well how we would match Turkey against our criterias, we expect that this growth continues further and become further into positive territory in that market.

Q - Geraldine Bakker-Grier

Great. Thanks, Fabian. Thank you for your questions, Michael. The next caller is William Hawkins from KBW. Go ahead, William.

Q - William Hawkins {BIO 1822411 <GO>}

Hi, thank you very much. First to Leon, again. You talked about the ceiling that you're hitting in terms of market share and how that can impact some of your consolidation opportunities and you've been very clear about growth in the SME and pension buyouts. I guess I wanted to just check with you in terms of insurance defined benefit back both transactions. Do you also clearly think that you hit the ceiling there in terms of market share? Because you could be arguing, whilst that is -- whilst you've already got a very large market share, given that that is a market that is in structural decline from a regulator's point of view, it's more important to have stability of management rather than really diversified market.

So I just wondered if you could sort of comment a little bit more about on whether you've hit the ceiling in terms of insurance run-off transactions or if you could do more of the funds. And then secondly, Fabian, apologies if I missed this, because I'm jumping between lots of different screens. I've taken the message very clearly that when you're judging the performance of all the different parts of the international operations, it will be an ROE versus cost of equity assessments.

And I think we're talking just to be clear return on owned funds, so the Solvency II assessment. What I've kind of missed?

Is anything specific about where we are at the moment. We'd be ROE versus the cost of equity and I'm -- so I wondered, this is more of a comment than a question. But in particular, the question is three years ago, Robin Spencer said very clearly that Belgium is sucking up a lot of capital and not generating much return. It seems like you're effectively saying the same thing. But you are also saying the progress has been made. So could you kind of we particularly for Belgium, apologize if I've missed it. What was the return on owned funds three years ago.? What is it today and what does it need to be? Thank you.

Q - Geraldine Bakker-Grier

Thank you, William. Leon, do you want to kick off with the first question on the back book?

A - Leon van Riet {BIO 19683159 <GO>}

Yeah, thank you for your question relating to the back book buyouts opportunities. So the Netherlands although back book buyout opportunities and products are quite similar to defined benefit products, it's a separate market, so we have a declining defined benefit markets. And we have a buyout markets where a couple of buyouts come to the market every year or every couple of years. So it's basically a separate market. So the fact that we have 40% market share for the defined benefit market, it is not impacting the buyout market. And next to that, we see a buyout as a means of organic business growth. So it's not a takeover over of a company, we just acquire liabilities price at a certain assets number. So it's also not relevant when you acquire other companies. So basically we can transact those buyouts whether we have 40% market share or not.

Q - William Hawkins {BIO 1822411 <GO>}

Thank you, (inaudible). My question probably wasn't clear. I understood that the pension that point was more, do you think that the 40% for the defined benefit is a ceiling or given that that is still a fragmented contracting market, might you find that there is regulatory support for further transactions over time because the priorities stability of management, rather than market competition because this is a contracting market.

A - Leon van Riet {BIO 19683159 <GO>}

Yes. So you mean closed books and not buyout transactions?

Q - William Hawkins {BIO 1822411 <GO>}

Yes.

A - Leon van Riet {BIO 19683159 <GO>}

Yes. Okay. Yes, that might be the case. So what you have seen for individual Life were the run-off already started 10 years ago, quite recently, a number of small individual Life books came to the markets and that might also occur for defined benefit books indeed. Yes, our 40% market share, might be a ceiling indeed for acquiring those books. So that's correct.

Q - Geraldine Bakker-Grier

Thank you. Thank you Leon. The second question was on Belgium or how you look at return on owned funds metrics and in particular for the Belgium business. Fabian?

A - Fabian Rupprecht {BIO 18064442 <GO>}

Yes, and William, I'm very thankful that you asked that. So we spoke about the Return on Own Funds of 7% as of 2019. The comparable figure in 2017, would have been 5%. So you see an increase. I think there was a lot of progress made in Belgium over the last two years, we should not forget that there was the Delta Lloyd integration, there was a 20% cost savings which the Belgium team achieved, which clearly contributed to that. I think that we -- when we look at IFRS results as well, there was an increase from EUR46 million to EUR64 million. So these things were happening. And -- but it's a journey and we are now, I think very clearly committed to go that journey further. And I am convinced of the program, which I presented to you here a paper that is happening and that is really detailed and fundamental. So I am very convinced that we can get that journey and that's why we commit to a double-digit return on funds.

Q - Geraldine Bakker-Grier

Thank you. Thank you, Fabian. Thank you William for your questions. We've now come to the end of this question and answer session. Thank you very much for all your questions. Thank you Tjeerd, Leon, Fabian, and Satish for answering them. I'd like now like to invite David back on the stage. He is going to give a wrap-up for the day and recap on the most important topics. David, please go ahead.

A - David Knibbe {BIO 17996037 <GO>}

Yes. So good to see you all again. It's been an intense day. I actually read that 6 hours behind the screen is more like a working day than a full 8-hour day. So I guess you already can claim that you have already worked a full day. But I'm very happy that you are still here with us. So thank you for following the presentations. Thank you for all the questions during the Q&A session. And let me just share some final observations as I wrap up. So as I said at the start, the aim for today was after I hearing our plans that you share our conviction that the priorities that we've set and the actions that we are taking support long-term and sustainable value creation for you as our shareholders and for all stakeholders. So what are the key messages that we would like you to take away from today.

Number one, and then is not a run-off business, because we will grow our long-term capital generation and cash flow organically. We will build on our strong track record and aim to optimize all our businesses to achieve attractive returns. Our ambitious targets to grow Operating Capital Generation and cash flow will enable us to provide healthy returns to shareholders in line with our capital return policy and we will also grow for the benefit of our customers, employees and society as reflected in the targets that we've set for other stakeholders.

Two, our balance sheet is very strong and resilient, even in times of stress and volatile markets. We have a comfortable position, which gives the ability and also opportunities. Three, we are well positioned to weather the COVID pandemic. Our business mix means that the impact on results is manageable. We hope that, of course, that the current restrictions and health risk will soon behind us. But in the meantime, we'll continue to support our customers, our partners, employees and society to cope as best as possible with a difficult situation.

Four. We plan to become a customer-centric data driven company. As I said earlier, that the customer engagement and strong distribution with a more personal and relevant offering for customers are necessary elements for remaining a leading player. Also in the future. So will need to develop new skills in an enterprise Oriel mindset. Five and finally, we will be disciplined in deploying capital and managing our portfolio. We'll continue to assess our business unit performance and take actions where needed. We will grow our ordinary dividends unless we see value-creating opportunities and we will return any excess capital to shareholders, like we've done in the past.

I would like to thank my colleagues for presenting today, but I would especially like to thank you for taking the time, our investors and our analysts for joining this event and I look very much forward to meeting many of you in the coming days, weeks and months. Keep well, and goodbye.