

20 September 2023

Sector review

# Dutch insurance sector

## Woekerpolis – September unveiling

### Dutch Insurers: ING coverage

	Rating	Target price (€)		Share price (€)	Market Cap (€m)
		Old	New		
NN	BUY	41	41	36.58	10,425
ASR	BUY	49	48	41.54	8,779
AEGON	BUY	5.6	5.6	4.78	9,760

Prices as at 19 September;  
All recommendations remain unchanged  
Source: ING

The Woekerpolis (or unit linked mis-selling) issue that has dragged on for many years could reach its turning point on Tuesday, 26 September, if the Court's decision is not further postponed. A decision against NN Group is likely to be the reference for the cases against other Dutch insurers, and the other current class actions (Consumentenbond and Wakkerpolis), thereby triggering a cascading impact. We calculate a provision requirement of €390m for NN Group, and €488m for ASR (cum AEGON NL), placing ASR's provision risk at c.5.6% of market cap. For NN Group, our valuation remains unchanged, having already included this litigation provision, while for ASR we lower our target price from €49.0 to €48.0 to include AEGON NL. ASR remains in our ING Benelux Favourites list.

- **A September resolution.** Several rounds of hearings have been made in District courts, the Court of Appeal and the Supreme court following the collective proceedings led by woekerpolis.nl. The final verdict has been postponed twice this year (February and May) but is now expected on Tuesday, 26 September 2023.
- **Cascading impact of the decision.** An unfavourable ruling on NN would have a cascading impact on ASR (with AEGON NL), which has ongoing litigations with other collective proceedings (Consumentenbond, Wakkerpolis).
- **Calculating the impact.** We calculate the total provision potential, distinguishing between Active and Inactive policies. Assumptions used in our calculations include the percentage of inactive policies entitled to compensation and the per policy provision cost for Active (€1,000) versus Inactive entitled (€350).
- **Exposure by company.** Our analysis suggests that ASR post the AEGON NL acquisition, has the highest provision risk estimate of c.€488m. On a standalone basis, ASR has the lowest proportion of 'active' unit linked policies among the three Dutch insurers with only 13%, but following the AEGON NL deal the ratio increases to 19%, according to our estimates. We estimate NN's exposure at 14% with an estimated potential provision requirement of c.€390m.
- **Valuations:** The potential provision for litigation was already included in our valuation for NN Group, but we marginally reduce it from €400m to €390m. Our valuation for ASR, however, included only a standalone provision. We now factor in the acquisition of AEGON NL, which lowers our ASR target price from €49.0 to €48.0. ASR remains in our ING Benelux Favourites list.

### Woekerpolis legal provision estimates (€m)

	Market Cap	Provision	Provision per share (€)	Provision as a percentage of MC (%)
NN	10,425	389	1.40	3.7
ASR	8,779	488	2.31	5.6
ASR standalone	8,779	184	0.87	2.1
AEGON NL	8,779	304	1.44	3.5

Source: ING estimates

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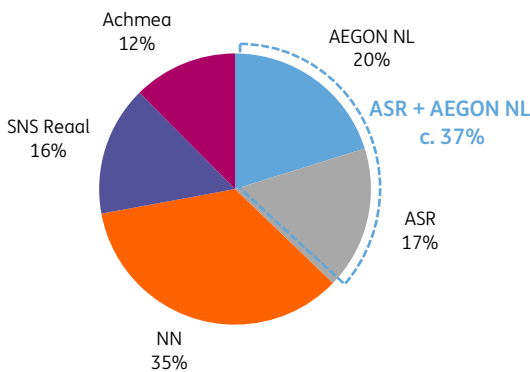
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# Unit linked product mis-selling

## Background to the ‘Woerkerpolis’ litigation

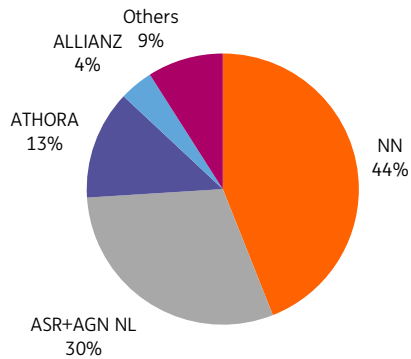
Since 2006, unit linked products have been attracting negative attention from the Dutch media, various authorities and consumer protection organisations. In general, Dutch insurers were accused of being less transparent in their unit linked products and the prices were considered too high. In 2013, Woerkerpolis.nl and, in 2017, Consumentenbond and Wakkerpolis, each initiated so-called ‘collective proceedings’ against NN Group. Several rounds of hearings have been made in district courts, the Court of Appeal and the Supreme Court. The final verdict on the Woerkerpolis litigation has been postponed twice this year (February and May) but is now anticipated next week, on Tuesday, 26 September.

Fig 1 Dutch unit linked market shares (c.6,500 policies)



Source: Company data, ING estimates

Fig 2 Dutch Life market share (2022)



Source: Company data, ING estimates

In Figure 3 we show the timelines of the court hearings for Dutch insurers with regards to the unit linked miss-selling legal proceedings.

Fig 3 Legal timeline of Woerkerpolis collective proceedings

	NN	AEGON	ASR
District Court	July 2017 Won	June 2017 Won	February 2019 Won
Court of Appeal	February 2021		
Supreme Court	February 2022 Lost		
Court of Appeal in the Hague	September 2023	Awaiting NN verdict	Awaiting NN verdict

Source: Company data

NN and ASR have been subject to the collective proceedings from Wokerpolis.nl, Wakkerpolis and Consumentenbond while AEGON is only under the scrutiny of the Woerkerpolis.nl proceedings.

Fig 4 Collective proceedings

	NN	AEGON	ASR
Woerkerpolis.nl	Yes	Yes	Yes
Wakkerpolis	Yes	No	Yes
Consumentenbond	Yes	No	Yes

Source: Company data

In Figure 5 we summarise the timelines for each insurer and each class action, while also highlighting where some cases are linked to the currently expected decision by the Court of Appeal in The Hague.

Fig 5 Overview of collective litigation cases on unit linked products and their progress through the courts

	Date	Who	What	Where	Outcome
NN Group					
Court case 1	2013	Woekerpolis.nl	Initiation of Court Case	District Court in Rotterdam	Woekerpolis.nl requested the District Court in Rotterdam to declare that NN Group sold products which are defective in various respects. Woekerpolis.nl alleges that NN Group failed to meet the required level of transparency regarding, cost charges and other product characteristics, failed to warn policyholders of certain product related risks, such as considerable stock depreciations, the inability to realise the projected final policy value, unrealistic capital projections due to differences in geometric versus arithmetic returns and that certain general terms and conditions regarding costs were unfair
	19-Jul-17		Decision	District Court in Rotterdam	Rotterdam Court rendered a final ruling in first instance. The Court ruled in favour of NN Group, rejecting all of Woekerpolis.nl's claims, confirming that NN has generally provided sufficient information on costs and premiums
			Appeal	Court of appeal in The Hague	Woekerpolis.nl has lodged an appeal with the Court of Appeal in The Hague against the judgment of the District Court in Rotterdam
	23-Feb-21		Statement of appeal, response deferred by the Court	Court of appeal in The Hague	The Court of Appeal in The Hague rendered an interim judgment submitting preliminary questions to the Dutch Supreme Court to obtain clarity on the interpretation of certain principal questions of law that are relevant in disputes concerning unit linked policies
	11-Feb-22			Supreme Court	The Supreme Court answered the questions of law submitted to it by the Court of Appeal in The Hague. The Supreme Court primarily considers that Dutch civil law is applicable to the legal relationship between insurer and policyholder. It is up to lower courts to decide whether Dutch civil law entails obligations to provide information in addition to the obligations arising from specific regulations.
Planned	26-Sep-23		Decision	Court of appeal in The Hague	A judgment in appeal is expected
Court case 2	2017	Consumentenbond	Initiation of Court Case	District Court in Rotterdam	Consumentenbond alleges that NN Group failed to adequately inform policyholders on cost charges, deductions for life insurance cover and the leverage and capital consumption effect and that NN Group provided misleading capital projections. Consumentenbond requested the District Court in Rotterdam to order a recalculation of certain types of unit linked insurance products and to declare that NN Group is liable for any damage caused by a lack of information and misleading capital projections.
	29-Jul-20		Decision	District Court in Rotterdam	The District Court in Rotterdam rendered a final judgment in first instance, rejecting all claims of Consumentenbond.
			Appeal	Court of appeal in The Hague	Consumentenbond has lodged an appeal with the Court of Appeal in The Hague against the judgment of the District Court.
Planned	Expected to resume in due course			Court of appeal in The Hague	Appeal proceedings commenced on 29 June 2021 and are expected to resume in due course after a deferral in anticipation of the judgment in the preliminary proceedings before the Supreme Court mentioned above
Court case 3	2017	Wakkerpolis	Initiation of Court Case	District Court in Rotterdam	Wakkerpolis' and several individual policyholders' claims primarily concentrate on the recovery of initial costs for policyholders, claiming that there is no contractual basis for settling these initial costs
	22-Apr-20		Decision	District Court in Rotterdam	In an interim judgment rendered on 22 April 2020, the District Court in Rotterdam in principle dismissed Wakkerpolis' most important claim to recalculate unit linked insurance policies without initial costs for policies taken out after 1 July 1994.
	20-Jul-22		Decision	District Court in Rotterdam	In its final judgment (in first instance) of 20 July 2022, the District Court in Rotterdam considered that for policies taken out after 1 July 1994, NN Group has generally complied with its information obligations towards its policyholders, leading to consensus between parties on initial costs. Only with respect to policies taken out before 1 July 1994, the District Court in Rotterdam concluded that NN Group did not (fully) comply with its information obligations.
			Appeal	Court of appeal in The Hague	Wakkerpolis lodged an appeal against the judgment of 20 July 2022. Although the judgment is largely in line with NN Group's views, NN Group disagrees with the District Court in Rotterdam on a number of points and will lodge a cross appeal. In the context of the ongoing proceedings against NN Group.
Planned	1Q24			Court of appeal in The Hague	Proceedings expected to continue

Fig 5 Overview of collective litigation cases on unit linked products and their progress through the courts

	Date	Who	What	Where	Outcome
<b>ASR</b>					
<b>Court case 1</b>	June 2016	<b>Woekerpolis.nl</b>	Initiation of Court Case	District Court Midden Nederland	
	6-Feb-19		Decision	District Court Midden Nederland	Rejection of all claims of transparency on cost and risk except for specific administrative costs ABC spaarplan in case of high premiums
	16-Apr-19		Notice of appeal		
	3-Mar-20		Statement of appeal, response deferred by the Court	Court of appeal Arnhem-Leeuwarden	Deferral because of preliminary questions of Court of Appeal in The Hague towards Supreme Court related to collective action between woekerpolis.nl and NN Group
	11-Apr-22			Court of appeal Arnhem-Leeuwarden	Supreme Court answered preliminary questions from Court of appeal in The Hague.
<b>Planned</b>	<b>26-Sep-23</b>		<b>Expected statement of defence by ASR</b>	<b>Court of appeal Arnhem-Leeuwarden</b>	<b>n/a</b>
<b>Court case 2</b>	March 2019	<b>Consumentenbond</b>	Initiation of Court Case	District Court 's-Hertogenbosch	
	11-Mar-20		Decision	District Court 's-Hertogenbosch	Dismissed all claims
	8-Jun-20		Appeal	Court of appeal	Deferred awaiting preliminary questions from Court of Appeal in the Hague related to collective action between woekerpolis.nl and NN. Despite Supreme Court answer. No new date has been set.
<b>Court case 3</b>	Dec-19	<b>Wakkerpolis</b>	Initiation of Court Case	District Court Midden Nederland	
	1-Sep-22		Hearing	District Court Midden Nederland	
	23-Nov-22		Decision Appeal	District Court Midden Nederland Court of appeal Arnhem Leeuwarden	Rejection of all claims
<b>Planned</b>	<b>28-Nov-23</b>		<b>Decision on date for statement of claims to be submitted by Wakkerpolis</b>	<b>Court of appeal Arnhem Leeuwarden</b>	<b>n/a</b>
<b>AEGON</b>					
	Sep-14	<b>Woekerpolis.nl</b>	Initiation of Court case	District Court of The Hague	The court upheld the principle that disclosures must be evaluated according to standards at the time when the relevant products were placed in-force. Most of the claims of Vereniging Woekerpolis.nl were dismissed under this standard, although the court found that Aegon did not adequately disclose the level of certain charges on a limited set of policies. According to the court these cost levels should be reasonable. The court did not give a judgement about the reasonableness of the cost levels and whether the previous compensation arrangements provide sufficient compensation. Both Vereniging Woekerpolis and Aegon have filed an appeal against the ruling of the District Court in The Hague.
	28-Jun-17		Final ruling Appeal	District Court of The Hague Court of appeal in The Hague	
	8-May-18		Appeal filing by Woekerpolis.nl	Court of appeal in The Hague	
	27-Nov-18		Appeal filing by Aegon	Court of appeal in The Hague	
	May-19		Response by Woekerpolis and request for hearing	Court of appeal in The Hague	Proceedings deferred. Due to NN Group court case
	11-Feb-22			Court of appeal in The Hague	The Supreme Court ruled in these preliminary proceedings (NN/woekerpolis.nl)
	14-Apr-22		Oral hearing	Court of appeal in The Hague	
<b>Planned</b>	<b>26-Sep-23</b>		<b>Ruling scheduled</b>	<b>Court of appeal in The Hague</b>	<b>n/a. Same date as action Woekerpolis against NN Group</b>

Source: Company data

## Previous settlements

Prior to the Woekerpolis legal case, along with consumer organisations, Dutch insurers had already paid compensation relating to unit linked mis-selling between 2008 and 2015. In 2008, the Dutch securities regulator AFM (Autoriteit Financiële Markten) performed an extensive evaluation of the unit linked insurance market in the Netherlands between 1995 and 2005. During that period, Dutch insurers sold more than 6.5m unit linked policies and the value of the outstanding policies grew from €5.1bn to €49.2bn. In 2007, buyers of woekerpolissen united into two main special foundations to negotiate a potential general settlement to compensate for losses and excess costs incurred, namely:

- Stichting Woekerpolis
- Verliespolis

These settlements were designed to deal with the excessive charging issue. Settlements were based on recommendations by the Dutch Financial Ombudsman, stating that annual management fees should not exceed 2.5% of policy value. The Ombudsman suggested that the life insurance premium should not exceed the premium for a comparable separate life insurance policy. The Dutch Financial Ombudsman and the Dutch Treasury Department at the time supported the settlements that were reached. In 2015, the Dutch Ministry of Finance published an Order in Council where insurance companies can be sanctioned if compulsory targets are not met while encouraging companies to review existing policies.

### NN

In 2008, while still under ING, NN Group reached a direct settlement with “woekerpolissen” amounting to a total compensation of c.€365m (with an additional €70m reserved for additional cases), related to c.700,000 unit linked policies. In addition, Delta Lloyd (which was separate from NN at that time) made a provision of €350m in 2008.

### AEGON

AEGON made provisions at several times that totalled €900m. The first two settlements were voluntary cost reduction following discussions with the ombudsman in 2005 and 2008 and then a direct settlement with ‘woekerpolissen’ in 2009, and post an unfavourable ruling with regards to ‘Koersplan’ products in 2013.

### ASR

ASR reached a full agreement on implementation of the compensation scheme in 2012. The total financial impact of the compensation scheme up to 31 December 2015 was €1,046m, which included direct compensation and amortisation of surrender penalties. ASR implemented additional measures as formulated by the Netherlands Minister of Finance.

In Figure 6 we show the previous settlements Dutch insurers had to make with regards to mis-selling unit linked policies, and the average provision per policy.

**Fig 6 Previous settlements**

	NN	AEGON	ASR
Year	2008	2005, 2008, 2013	2015
Settlement (€m)	365	900	1,046
No. policies (000)	700	1,300	1,100
Average cost per policy (€)	521	692	951

Source: Company data, ING estimates

## Companies

## Woekerpolis update

**Buy** (maintained)

Price (19/09/23)

**€41.54**

Target price (12-mth)

**€48.00** (previously €49.00)

Forecast total return

**22.3%**

Insurance

Netherlands

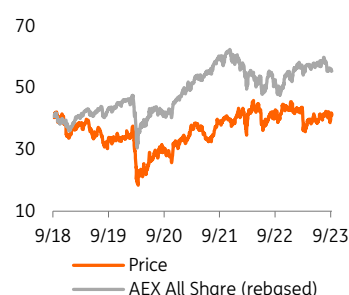
Bloomberg: ASRNL NA

Reuters: ASRNL.AS

**Share data**

Avg daily volume (3-mth)	705,646
Free float (%)	100.0
Market cap (€m)	8,767.6
Net debt (1F, €m)	
Enterprise value (1F, €m)	
Dividend yield (1F, %)	6.7

Source: Company data, ING estimates

**Share price performance**

Source: SIX

# ASR

## Potential legal provision €488m (cum AGN NL)

ASR has received little attention in relation to Woekerpolis, notably due to its low number of active policies (only 144,000). This, however, changes dramatically with the AEGON NL deal, since AEGON NL has a very high number of active policies from what we understand (c.300,000). Also, the AEGON NL legal proceedings are more clearly tied to the outcome of the NN Group decision due on 26 September. ASR's CEO argues that given multiple products were sold under many different Terms & Conditions, if the decision were to go against NN Group, this may not result automatically in high provisions. Our calculations indicate a potential present value provision of possibly €488m.

**Background of the Woekerpolis.nl case for ASR:** In June 2016, Woekerpolis initiated a collective action against ASR that was followed by Consumentenbond and Wakkerpolis, making a total of three cases against ASR, all of which are at Court of Appeal level. For AEGON NL, the case is clearly linked and awaiting the NN decision outcome on Tuesday, 26 September: for more detail please consult our Figure 5 (see page 4).

**Legal provision estimate at c.€488m:** ASR on a 'standalone' basis has c.1,100 unit linked policies, of which only a relatively minor number are 'active', equating to 13% of the total. However, following the AEGON NL acquisition, this increases to c.19%. This leads us to increase our provision estimate from €200m to a combined present value (PV) of €488m.

**Investment case:** (1) Net OCG is expected to double in size vs FY22 to c.€1.3bn post the AEGON NL acquisition; (2) we expect PIM (Partial Internal Model) implementation to increase the Solvency 2 ratio by c.15% (INGF) taking it to above 210% by 2024-25F; (3) Share buybacks of €200m pa are set to return in 2024F if the sale of KNAB Bank is announced as we expect in November.

**Valuation:** Our target price is revised slightly down from €49.0 to €48.0 to reflect our inclusion of the potential AEGON NL litigation impact. Trading at a 2024F PER of 6.2x vs the sector median at 9.7x and offering a dividend yield of 7.1% vs the sector at 6.4%, we believe that the shares remain attractive and should continue to perform well as ASR unveils progress in the AEGON NL integration in 4Q23. **Next catalysts** are the employer entity merger in October and CMD on 30 November.

**Fig 7 ASR possible legal provisions (including AEGON NL)**

Number of unit linked policies (000)	2,400
ASR standalone (000)	1,100
AGN NL (000)	1,300
Active (000)	444
Active (%)	19
Inactive (000)	1,956
Inactive entitled (%)	30
Inactive entitled (000)	587
Total number of policies entitled for provision (000)	1,031
Weighted provision per policy (€)	630
<b>Total provision (€m)</b>	<b>649</b>
<b>Total provision (present value) (€m)</b>	<b>488</b>

Source: ING estimates

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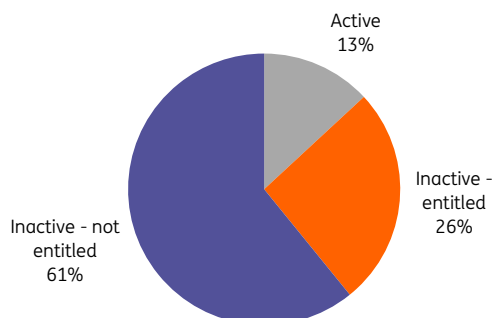
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## ASR: Potential legal provision €488m (cum AEGON NL)

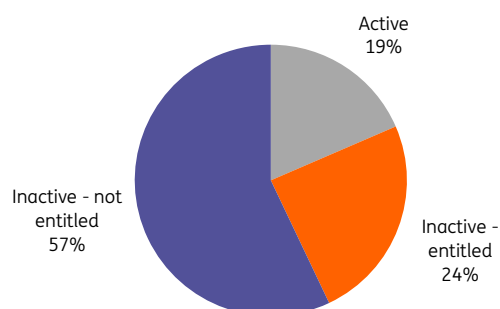
ASR has a relatively low active exposure to unit linked policies. ASR has c.1,100 unit linked policies, the active percentage of which is 13%, lower than that of AEGON NL and NN. However, following the AEGON NL acquisition, this increases to c.19%.

**Fig 8 ASR pre AEGON NL deal unit linked policies mix**



Source: Company data, ING estimates

**Fig 9 ASR post AEGON NL deal unit linked policies mix**



Source: Company data, ING estimates

As for NN Group, we assume 30% of ASR's inactive policies will make a compensation claim, hence we calculate the number of policies entitled to compensation at c.431. Similarly, for AEGON NL, we apply 30% compensation for inactive contracts and arrive at 600 policies entitled to compensation. Hence, as a combined entity, the total number of unit linked policies subject to compensation is estimated at 1,031.

Based on previous settlements, we estimate compensation of €1,000 per active policy and €350 per inactive entitled policy. Our calculations are shown in Figure 10 and we arrive at combined present value (PV) of €488m.

**Fig 10 ASR standalone: Possible legal provision**

Number of unit linked policies (000)	1,100
Active (000)	144
Active (%)	13
Inactive (000)	956
Inactive entitled (%)	30
Inactive entitled (000)	287
Total number of policies entitled for provision (000)	431
Provision per policy - Active (€)	1,000
Provision per policy - Inactive (€)	350
Provision per policy (€)	567
Total provision (€m)	244
<b>Total provision (present value) (€m)</b>	<b>184</b>

Source: ING estimates

**Fig 11 AEGON NL: Possible legal provision**

Number of unit linked policies (000)	1,300
Active (000)	300
Active (%)	23
Inactive (000)	1,000
Inactive entitled (%)	30
Inactive entitled (000)	300
Total number of policies entitled for provision (000)	600
Provision per policy - Active (€)	1,000
Provision per policy - Inactive (€)	350
Provision per policy (€)	675
Total provision (€m)	405
<b>Total provision (present value) (€m)</b>	<b>304</b>

Source: ING estimates

**Fig 12 ASR and AGN NL combined: Possible legal provision**

Number of unit linked policies (000)	2,400
ASR stand-alone (000)	1,100
AGN NL (000)	1,300
Active (000)	444
Active (%)	19
Inactive (000)	1,956
Inactive entitled (%)	30
Inactive entitled (000)	587
Total number of policies entitled for provision (000)	1,031
Provision per policy (€)	630
Total provision (€m)	649
<b>Total provision (present value) (€m)</b>	<b>488</b>

Source: ING estimates

## Management meeting notes

### Highlights

**Capital generation - OCG: c.€1.2 to €1.3bn FY24.**

**FY23: €900-925m**

- ASR OCG = €700m for FY23.
- AEGON 2H €300-325m.
- Tier 2 cost -€26 in 1H23, so -€26m in 2H23, -€52m total.
- Other negatives: -€50m to come due to 1. Loss of some AM to AEGON 2. Smaller SCR release since S2 ratio applied on it is lower vs AGN NL.

**FY24: €1,310m**

- ASR OCG FY23 €700m.
- Adjust for 1H23 one offs +€20m: one off Disability charge (-€30m pre-tax, so c.-€20m post tax, to add back to OCG), No Nat Cats in 1H (so from €36m Nat Cat budget, benefit of +€18m taxed, so €12m to deduct from OCG), and some small P&C releases (-€8m post tax) to deduct from OCG, so around +€20m net in total to add back to €700m to normalise the ASR contribution.
- AGN NL contribution of c.€650m (2x €325m). This therefore included the higher OCG due to int rates etc vs what AGN was reporting (so c.€200m uplift).
- Minus -€75-100m for KNAB excess OCG due to higher NII (from c.€125m back to €25m to €45m original ASR normalised range expectation back in November 2022 plans).
- Minus €100m mentioned above (T2 etc).
- Synergies of c.€70m that are not capitalised (NL & fees etc).
- OCG of €1,270m assuming KNAB at -€70m offsetting synergies.
- Growth impact of c.€40m.

**ING view:** If KNAB is sold then OCG will be c.€25+(€100-70m) lower, so -€60m so OCG = c.€1,250m for 2024. We relayed our view that ASR should provide a segmental OCG, so as to have a better ability to forecast it by doing it both from the Group level and segments up. Notably with segments ex Life, like Non-Life etc, OCG should be very close to the op. result (taxed) hence this allows to have more accurate estimates, in our view.

**Fig 13 OCG guidance FY23 and FY24**

€m	2023F	2024F
<b>OCG - Guidance</b>	<b>923</b>	<b>1,310</b>
Potential OCG loss of KNAB sale		-60
OCG - Guidance (if KNAB sold)		1,250
<b>AGN NL deal OCG</b>	<b>223</b>	<b>590</b>
Hybrid int. expense to pre-finance	(52)	(50)
Transaction related cost	(50)	(50)
AGN NL OCG	325	650
KNAB bank NII normalisation		(70)
Synergies		70
Organic growth		40
<b>ASR Stand alone</b>	<b>700</b>	<b>720</b>
UFR impact	60	
Disability one-off	0	20
Other	(12)	
Previous year ASR OCG	652	700

Source: ING estimates, Company data

- **Changes since October 2022 when deal was announced:** Developments are positive, and this influences the speed of execution. For example, outsourcing contract with IBM. Assumed 6m to 1Y to renegotiate since usually it takes time. Given though that both AEGON and ASR are large customers, in the end it was done in four weeks.

**ING view:** We expect this trend to accelerate to 30 November Capital Markets Day update.
- **PIM (Partial Internal Model):** The plan remains to see this in 2 to 2.5 years, so 2025-26. On the liabilities side cannot go faster with the longevity likely to take time. The only way to go faster is to apply the PIM in two stages. In the November CMD there will be more details on PIM plans.

**ING view:** There is a window for partial PIM to come earlier, but this is likely to be a sub +10% benefit to Solvency 2 but could still help to trigger earlier the recurring SBB (for us this implies February 2025 when FY24 results are announced).
- **KNAB – AEGON Online Bank:** No communication on potential to sell or not. On a practical basis in any case this cannot come before the end of October change of contracts where all employees are moved under ASR HoldCo and ACM (anti-trust/competition) is supervising that.

**ING view:** We remain of the opinion that KNAB will be sold at some point, and better to do so at this point in the interest rate cycle. ING valuation: €770m.
- **Share Buyback:** While all capital distribution plans are for June 2024, management is not being drawn into specifically excluding one before that date. Overall CEO emphasis is on also building up capital to participate if AEGON wants to reduce its stake and be active on that front. CEO admits there is a chicken and egg situation, where shareholders are likely to push the stock higher if there is a SBB, when ASR wants to keep some capital away from SBB to accommodate and participate (not in full) to an AEGON stake reduction.

**ING view:** There is no reason to change our SBB expectation in February FY24 (INGF: €200m): it is based only on the sale of KNAB, since such a sale could allow for capital to flow both ways to investors but also AEGON should it decide to start reducing its stake. For some, expectations in the market of an early February 2024 SBB are based on an early PIM implementation though, this looks more unlikely for now.
- **Non-Life - Disability one off hit in 1H23:** This was due to change in methodology, not a trend. In 2022 ASR changed its method for “Intermediaries portfolio”, on how it calculated the liabilities which resulted in higher technical provisions. In 1H23, it applied the same on its smaller “Authorised agents’ portfolio”.

**ING view:** Unconvinced about why it was not done in 2022, maybe managing news, maybe IFRS17, maybe influence of deal (but not related to). Unpleasant though it may be, it is done though, and expect no changes going forward.
- **Non-Life - P&C pricing:** Increased prices by 4.8% in July in Retail. There is a lower frequency, which has come up to be now c.90% of pre Covid levels, but that may not come back to 100%, so if there is a systemic change and it settles at 95%, ASR wants to be ahead on this and not wait for margin erosion to come through. Speeds of cars continue to be lower. In 2023, however, average claims were up and the purpose here is to maintain the good Combined Ratios (with possibly prospects of seeing it lower diminishing if this trend is to stay). In SME/Corp, planning to increase prices in Jan 2024 by over +10%.

**ING view:** reassuring that CEO thinks the Dutch market is not yet as profitable as the Nordics, at least over the next two years, but is taking that direction with now two-thirds of the market between three players.

- **Non-Life - Health:** ASR priced health to be the No.5 player this year and attracted young families notably with pregnancy cover in its additional cover. Maybe will need to reprice this better, since 99.5% Combined Ratio has to come down to 98.5%. Leader Achmea is at 101%. From 01 Jan 2023 as a reminder, it is no longer possible to have a discount for group health insurance as a collective health insurance organised by employers so many saw their premiums go sharply up and chose to change health insurance policy.
- **Non-Life - Reinsurance pricing:** Reinsurance prices are up 33% for ASR, and even if its programme/cost is not huge, it still hurts. Total went up €8m to €32m.

**ING view:** This is why Ageas for example is redeploying capital in reinsurance, since the cycle remains at high attractive levels given climate change issues.
- **Life - Pension growth in Dutch market with reform – Buyout market.** Sharing positive view with NN Group on the €20-30bn potential. Given that the pension reform came into force this summer, it will take 12-18m for employers to figure out plans, but pressure is on them. ASR plans to continue to use the AEGON Pensions brand for 2Y to benefit from its traction, but this will be under management team. ASR aims at a 12% IRR, when NN is high single digits (c.9%), but this is largely due to PIM: so this could change as ASR implements PIM. Buyouts of smaller pension schemes are important for CSM growth for CEO, so keen to be in that market which has NN Group and VIVAT as competitors, with some uncertainty though on VIVAT's appetite and potential problems to administer such pensions when ASR will have TKP for this, and NN has again its own. For the regulator DNB buyouts with reinsurance backing it, will be acceptable if the longevity risk is indeed transferred, and if the jurisdiction is acceptable to DNB. Timing is to January 2028, so the last 2Y are likely to be busy on this front.

**ING view:** The pension opportunity is likely to provide growth that Dutch insurers much need given declining closed books and with only a few takers, this could be an attractive opportunity as we have highlighted in the past.
- **CSM margin under IFRS17:** The guidance ONLY for ASR is that the CRM change is c-4 to -5% with a -7% CSM release, while new business adds c.3%. There is, however, around 1% that is an inflation driven one-off in the funeral business.

**ING view:** While ASR is not guiding yet on AGN NL, it is fair to assume a 7% release possibly more, so do expect this 4% to potentially go higher at 6% or just above that. So, within the raft of positive news there may be some setbacks along the way.
- **Re-risking plans on AGN NL portfolio:** AEGON NL investment portfolio is too overweight in mortgages and ASR is planning to shift this more towards Equities, even more so given what is currently happening in the Real Estate.

**ING view:** This could be a boost to the ASR AM Equities arm.
- **Leverage & plans:** Before AGN NL deal, the leverage ratio was 32%. Post the deal taking onboard AGN NL Balance Sheet and depending on PPP (Purchase Price Process), this is likely to fall to low 20s%. Then need to think about the €175m bridge loan. Leverage is likely to move overall up to c.25%, so a benchmark Senior is likely. Adoption on PIM in time could increase Sol2 but reduce T2 capacity, so may replace T2 with senior notes.
- **Dividend 2023:** With a dividend amount above €600m on a Capital Generation (OCG) or c.€900m, the 65% payout is still very attractive according to CEO.
- **Woekerpolis:** CEO does not seem to be worried over the issue, thinks the NN Group issue has some “specifics” ASR doesn't have, so cannot be a full read-across, since also ASR has many different products, and even current other class actions often are won by ASR. The full AEGON risk on this was taken over by ASR.

**ING view:** Our Woekerpolis related legal provision estimate is €175m.

## Valuation: Taking AEGON NL's additional potential legal provision into account

Having shown detailed calculations on the potential legal provision, we now incorporate it into our valuation.

For NN Group's valuation we already include the full cost in the 'Litigation' line for the Woekerpolis.nl issue and the unit linked mis-selling issues more broadly, and this remains largely unchanged after our more detailed calculations on the issue. For ASR, we previously included a smaller 'standalone' amount only. With the acquisition of AEGON NL, ASR now carries a much larger risk, and we therefore include an estimate for the full potential impact of this case in our valuation.

Taking the full €488m provision estimate as litigation risk, leads us to reduce our current target price from €49.0 to €48.0.

We will more fully reassess our position if the court case goes against NN Group on Tuesday, 26 September, and look for the differentiating factors that companies may advocate to potentially revise these figures. Our Discounted Free Cash Flow (DFCF) model returns a value of €48.0 per share as shown below.

**Fig 14 ASR: Discounted Free Cash Flow (DFCF) model**

	2021	2022	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	....	2036F
Gross OCG	734	817	1,103	1,442	1,471	1,503	1,527	1,557	1,588	1,620	1,653		1,653
Growth (%)	14.9	11.4	35.1	30.7	2.0	2.2	1.6	2.0	2.0	2.0	2.0		0.0
Holding cost/other	(140)	(165)	(160)	(162)	(162)	(162)	(162)	(165)	(169)	(172)	(175)		(194)
Net OCG	594	652	943	1,280	1,309	1,341	1,365	1,392	1,420	1,448	1,477		1,459
Growth (%)	18.6	9.8	44.7	35.7	2.2	2.5	1.7	2.0	2.0	2.0	2.0		-0.3
Remittances	700	720	971	1,269	1,295	1,323	1,344	1,370	1,398	1,426	1,454		1,454
Remittance ratio (%)	95.4	88.1	88.0	88.0	88.0	88.0	88.0	88.0	88.0	88.0	88.0		88.0
HoldCo expenses	(242)	(256)	(214)	(216)	(216)	(216)	(216)	(220)	(225)	(229)	(234)		(258)
FCF	458	464	758	1,053	1,079	1,107	1,128	1,150	1,173	1,197	1,221		1,196
PV FCF				970	915	865	811	762	716	673	632		410
Sum of PV FCF				<b>8,739</b>									
TV													<b>13,949</b>
PV TV				<b>4,787</b>									
<b>DFCF</b>				<b>13,589</b>									
+ Excess Cash				274									
- Debt				(3,184)									
- Litigation (UL mis-selling/Woekerpolis)				(488)									
Equity Value				10,190									
Shares – FY24 (m)				206									
<b>Equity Value per share – FY24F (€)</b>				<b>49.5</b>									
<b>Equity Value 12m (€)</b>				<b>47.9</b>									
<b>Inputs:</b>													
OCG growth mid-term (%)				2.0									
OCG growth long term (%)				0.0									
Remittances ratio (%)				88.0									
Inflation (%)				2.0									
TV multiple (x)				11.7									
CoE (%)				12.3									
CoD (%)				4.5									
Debt to Cap (%)				42.3									
Tax (%)				22.0									
<b>WACC (%)</b>				<b>8.6</b>									

Source: ING estimates, Company data

## Valuation

Our Discounted Free Cash Flow (DFCF) valuation method returns a value of €48.0 per share.

## Company profile

ASR is the third-largest composite Dutch insurer, with a c.17% market share based on premiums (GWP). It operates almost exclusively in the Netherlands, with multi-label distribution. Life represents c.70% of the group's operating earnings, includes Close life books, pensions and funeral businesses and ranks second in the Dutch market. In Non-Life ASR is third, operating in P&C lines, Disability and Health. In Disability it has a leading position (c.30% market share). ASR also has smaller Asset Management and Distribution & Services segments that together account for c.7% of the group. To make up for a largely declining Life book, ASR has a solid track record of both large and small M&A transactions, but only within the Dutch market. In October 2022, it announced a transformational deal with the acquisition of AEGON NL operations for €4.9bn. Its top ESG ratings within the global insurance industry merit attention. ASR was formed as a result of the breakup of the Fortis Group, followed by its nationalisation in 2008 and then its successful IPO in 2016. The ASR Foundation ("Stichting") protects the group from any unfriendly takeover bids.

## Risks

- Integration risk of the intended acquisition of AEGON NL and not being able to make desired synergies, despite solid track record of successful bolt-on M&A deals in the past.
- Continued macro fallout from the war in Ukraine, even if there is no direct exposure.
- Solvency 2 sensitivity: A +50bp widening of sovereign bond spreads impacts its S2 ratio by -10%. In Real estate it results in a -6% impact for a 10% drop and mortgage spreads -8% for +50bp.
- High OCG sensitivity to UFR and interest rates (a 50bp fall in interest rates has an impact of c.-€10m OCG).
- Life segment has limited growth prospects since a large part is in run-off.
- ASR's concentration risk is high with operations only in the Netherlands and no international exposure, with less strategic flexibility vs its Benelux peers.
- Unexpected adverse claim developments in P&C business from large Nat Cats.
- Litigation on Woekerpolis.nl (unit linked policies mis-selling) could cost more than our estimate.
- IFRS 17 could bring more volatility until fully digested (medium term risk).
- Longevity risk: ASR does not reinsure much unlike peers: NN c.25%, and AEGON c.40%.

## Financials

Year end Dec (€m)	2020	2021	2022	2023F	2024F	2025F
<b>Income statement</b>						
Gross written premiums	5,477	6,033	6,432	7,264	7,285	7,478
Property & casualty	3,667	4,140	4,272	5,105	5,258	5,416
Life	1,810	1,893	2,160	2,159	2,027	2,063
<b>Segmental operating profits</b>						
Life	730	763	590	657	717	720
Property & casualty	241	325	259	357	415	424
Asset management	31	36	40	44	46	48
Other businesses	(118)	(103)	(84)	(165)	(199)	(197)
Net interest	0	0	0	0	0	0
Corporate expenses/consd	0	0	0	0	0	0
<b>Operating profit</b>	<b>884</b>	<b>1,021</b>	<b>805</b>	<b>893</b>	<b>979</b>	<b>994</b>
Net capital gains (losses)	0	0	0	0	0	0
Non-op income (expense)	(55)	189	(3,183)	0.4	10	10
<b>Pre-tax profit</b>	<b>829</b>	<b>1,210</b>	<b>(2,378)</b>	<b>894</b>	<b>989</b>	<b>1,004</b>
Tax	(172)	(270)	620	(209)	(213)	(217)
Minorities	1	3	8	5	0.0	0.0
Other post-tax items	(50)	(48)	(48)	(49)	(49)	(48)
<b>Net profit</b>	<b>609</b>	<b>895</b>	<b>(1,798)</b>	<b>641</b>	<b>727</b>	<b>740</b>
<b>IFRS net operating profit</b>	<b>626</b>	<b>720</b>	<b>578</b>	<b>638</b>	<b>735</b>	<b>710</b>
<b>EEV income statement</b>						
Life new business value	0	0	0	0	0	0
EEV operating profit	0	0	0	0	0	0
Tax	0	0	0	0	0	0
EEV net profit	0	0	0	0	0	0
Opening embedded value	0	0	0	0	0	0
Closing embedded value	0	0	0	0	0	0
<b>Balance sheet</b>						
Opening shareholders' funds	5,089	5,309	6,363	5,105	7,643	7,582
Closing shareholders' funds	5,309	6,363	5,105	7,643	7,582	7,507
Ordinary equity	5,309	6,363	5,105	7,643	7,582	7,507
Hybrid capital	1,004	1,004	1,004	1,004	1,004	1,004
Preferred equity	0	0	0	0	0	0
Equity	6,313	7,366	6,109	8,647	8,586	8,511
Minorities	0	18	27	17	17	17
Total equity	6,313	7,384	6,136	8,664	8,603	8,528
Total debt	1,096	1,097	2,055	2,181	2,181	2,181
Total capital	7,408	8,481	8,191	10,845	10,784	10,708
<b>Performance &amp; returns</b>						
APE (new business) mgn (%)	n/a	n/a	n/a	n/a	n/a	n/a
PVNB margin (%)	n/a	n/a	n/a	n/a	n/a	n/a
P&C combined ratio (%)	99.7	96.8	100.7	97.9	96.6	96.5
IFRS net op profit growth (%)	3.1	15.0	-19.7	10.4	15.1	-3.4
BV growth (%)	4.3	19.9	-19.8	49.7	-0.79	-1.00
Embedded value growth (%)	n/a	n/a	n/a	n/a	n/a	n/a
Life ROEV (%)	n/a	n/a	n/a	n/a	n/a	n/a
Reported ROE (%)	9.8	13.1	-26.7	8.7	8.4	8.7
Solvency ratio (%)	198.9	195.7	223.3	188.4	195.3	215.3
Gearing (%)	14.8	12.9	25.1	20.1	20.2	20.4
<b>Valuation</b>						
Price/embedded value (x)	n/a	n/a	n/a	n/a	n/a	n/a
Price/book (x)	1.1	0.89	1.2	1.1	1.1	1.1
Price/tangible book (x)	1.2	0.95	1.3	1.2	1.2	1.2
PER (IFRS net op EPS) (x)	9.2	7.8	9.8	13.7	11.7	11.8
Dividend yield (%)	4.9	5.8	6.5	6.7	7.1	7.5
<b>Per share data</b>						
IFRS net operating EPS (€)	4.51	5.30	4.22	3.02	3.56	3.52
IFRS net op EPS growth (%)	4.7	17.7	-20.4	-28.3	17.6	-0.96
Dividend per share (€)	2.04	2.42	2.70	2.78	2.95	3.13
EEV per share (€)	0.00	0.00	0.00	0.00	0.00	0.00
BV/share (€)	38.50	46.89	34.51	36.21	36.82	37.38
Tangible BV/share (€)	35.99	43.73	32.33	34.69	35.26	35.78

Source: Company data, ING estimates



## Woekerpolis update

**Buy** (maintained)

Price (19/09/23)

**€36.58**

Target price (12-mth)

**€41.00** (maintained)

Forecast total return

**20.4%**

Insurance

Netherlands

Bloomberg: NN NA

Reuters: NN.AS

**Share data**

Avg daily volume (3-mth) 1,030,543

Free float (%) 85.0

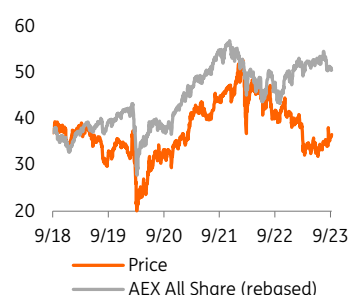
Market cap (€m) 10,838.6

Net debt (1F, €m)

Enterprise value (1F, €m)

Dividend yield (1F, %) 8.3

Source: Company data, ING estimates

**Share price performance**

Source: SIX

# NN Group

## Woekerpolis: potential provision of €390m

**NN's position as leader in the Dutch Life market underlines the reason behind Woekerpolis's focus on testing the company's unit linked policies for mis-selling. The final Court decision in the long running saga is expected on Tuesday, 26 September, and is likely to be the reference for other insurers, thereby having a cascading impact. Earlier decisions have broadly gone NN's way. Should NN lose this case, we estimate the cost to be c.€390m to set up a provision (already included in our valuation for NN as litigation cost). We show our calculations and assumptions behind our estimate. Our target price remains unchanged.**

**Background of the Woekerpolis.nl case:** In 2013, Woekerpolis.nl and, in 2017, Consumentenbond and Wakkerpolis, each initiated so-called 'collective proceedings' against NN Group. Several rounds of hearings have since been made in District courts, Court of Appeal and the Supreme court (*please consult Figure 5 on page 4*). The final verdict has been postponed twice this year (February and May) and is now expected for Tuesday, 26 September. In 2008, while still under ING, NN Group reached a direct settlement with 'woekerpolissen' to pay out a compensation of c.€365m.

**Legal provision estimate of €390m:** NN has not set up any provision for this case. If the Court decision goes against it, our detailed calculations indicate a €390m litigation provision would be required. We include this amount in our SOTP valuation. NN has a high number of policies but active policies account for only 14% of the total. ASR and AEGON NL combined have a higher exposure.

**Investment case:** (1) Strong cash accumulation. We believe NN has sufficient cash to create a positive surprise with the resumption of share buybacks in the future. It has a resilient Solvency but achieving below 200% remains a constraint for now; (2) Dutch pension reform now a law could instil some growth in the market, notably fuelled by buyouts of smaller pension schemes (2025); (3) Dutch Non-Life concentration of the market could finally allow for more profitable repricing; (4) High dividend yield above 10% cum share buyback remains very attractive in the sector.

**Valuation:** Our target price remains €41.0. NN currently trades at a 2024F PER of 7.3x vs the sector median at 9.7x and offers a dividend yield of 8.5% (+2.4%=10.9% including share buyback) vs the sector on 6.5%.

**Fig 15 NN possible legal provision calculation, ING estimates (€m)**

Number of unit linked policies (000)	2,250
NN (000)	1,000
ABN AMRO Leven (000)	700
Delta Lloyd (000)	550
Active (000)	315
Active (%)	14
Inactive (000)	1,935
Inactive entitled (%)	30
Number of inactive entitled (000)	581
Total number of policies entitled for provision (000)	896
Provision per policy - Active (€)	1,000
Provision per policy - Inactive (€)	350
Weighted provision per policy (€)	579
<b>Total provision</b>	<b>518</b>
<b>Total provision (present value) (€m)</b>	<b>389</b>

Source: ING estimates

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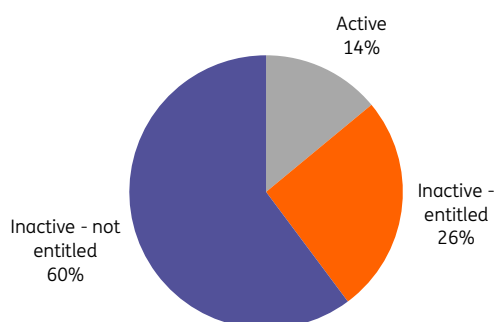
## NN: Potential legal provision €390m

While not easy to estimate a possible legal provision that NN may have to set up due to the Woekerpolis case, our methodology, calculations and underlying assumptions to arrive at a number are provided below.

We earmark €390m as 'litigation' in our SOTP valuation of NN shares (marginally reduced from €400m previously).

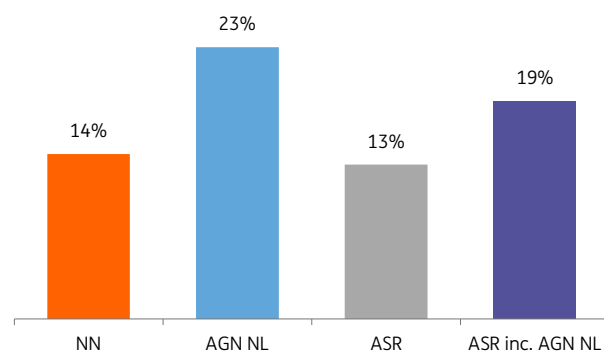
NN has around 2,250 unit linked policies. This is a combination of NN standalone policies of c.1,000, Delta Lloyd's c.550 and recently acquired ABN AMRO Leven's c.700 policies. The active percentage of NN unit linked policies of 14% is lower than that of AEGON NL but only marginally higher than ASR (ASR and AEGON NL combined is 19%).

**Fig 16 NN unit linked policies: Active vs Inactive**



Source: Company data, ING estimates

**Fig 17 NN's 'active' lower than ASR/AEGON NL**



Source: Company data, ING estimates

Of NN's inactive policies, we assume 30% will make a compensation claim, hence we calculate the total policies entitled for compensation at c.896. Based on previous settlements, we estimate a compensation of €1,000 per active policy and €350 per inactive entitled policy. Our calculations shown in Figure 18 arrive at a present value (PV) of €389m, hence the €390m number in our SOTP valuation.

**Fig 18 NN possible legal provision calculation, ING estimates (€m)**

Number of unit linked policies (000)	2,250
NN (000)	1,000
ABN AMRO Leven (000)	700
Delta Lloyd (000)	550
Active (000)	315
Active (%)	14
Inactive (000)	1,935
Inactive entitled (%)	30
Number of inactive entitled (000)	581
Total number of policies entitled for provision (000)	896
Provision per policy - Active (€)	1,000
Provision per policy - Inactive (€)	350
Weighted provision per policy (€)	579
<b>Total provision</b>	<b>518</b>
<b>Total provision (present value) (€m)</b>	<b>389</b>

Source: ING estimates

## Valuation

Our Discounted Free Cash Flow (DFCF) valuation returns a value of €41.0 per share.

## Company profile

NN is a Dutch predominantly Life company with operations also in CEE, Southern Europe and Japan. It has a leading position in Dutch Life with a c.40% market share in group pensions and 23% market share in Individual Life, while in Dutch Non-Life it is the leading Disability & Accident insurer and No.2 P&C insurer, notably after the acquisitions of Delta Lloyd in 2017 and Vivat Non-Life ops in 2020. NN Group was established on divestment from ING and was listed on 2 July 2014 with ING completing its exit in April 2016. Mid-2021 NN announced the sale of its Asset Manager NN IP, and the acquisition of MetLife CEE operations, indicating NN is active in how it manages its assets. The outlook is for flat capital generation (OCG) to 2025 and for a share buyback minimum of €250m per annum, while meeting a 200% Solvency 2 ratio.

## Risks

- High inflation could bring down the disposable income and could impact new sales growth as well as the operating expenses due to wage hike.
- Escalation of the Russian/Ukraine conflict could have negative implications from a macro perspective, rate perspective and markets volatility perspective, even if there is no direct exposure.
- A widening of sovereign bond spreads could weigh on Solvency 2 ratio, given NN's large exposure.
- Unexpected adverse claim developments in P&C business from large Nat Cats: assumption within Combined Ratio is for Nat Cats to be c.2% pa.
- Longevity risk: NN's reinsured exposure is relatively low c.25% vs peers VIVAT's c.36% and AEGON's c.40%.
- Litigation on Woekerpolis.nl (unit linked policies mis-selling) could cost more than our estimate.
- Regulatory changes (like the recent Solvency 2 review) can impact solvency and capital generation.
- IFRS 17 could bring more volatility until fully digested (medium term risk).

## Financials

Year end Dec (€m)	2020	2021	2022	2023F	2024F	2025F
<b>Income statement</b>						
Gross written premiums	9,055	9,020	8,986	8,954	8,923	8,894
Property & casualty	7,210	7,138	7,067	6,996	6,926	6,857
Life	1,845	1,882	1,919	1,958	1,997	2,037
<b>Segmental operating profits</b>						
Life	1,519	1,564	1,527	1,489	1,505	1,531
Property & casualty	214	314	254	312	336	350
Asset management	152	182	38	0	0	0
Other businesses	3	(23)	(76)	(20)	(8)	(7)
Net interest	0	0	0	0	0	0
Corporate expenses/consd	0	0	0	0	0	0
<b>Operating profit</b>	<b>1,888</b>	<b>2,037</b>	<b>1,743</b>	<b>1,781</b>	<b>1,834</b>	<b>1,874</b>
Net capital gains (losses)	662	2,051	(994)	(200)	0	0
Non-op income (expense)	(202)	(78)	910	(14)	(14)	(14)
<b>Pre-tax profit</b>	<b>2,348</b>	<b>4,010</b>	<b>1,659</b>	<b>1,567</b>	<b>1,820</b>	<b>1,860</b>
Tax	(422)	(712)	(95)	(345)	(400)	(409)
Minorities	(22)	(20)	(4)	(20)	(20)	(20)
Other post-tax items	0	0	0	0	0	0
<b>Net profit</b>	<b>1,904</b>	<b>3,278</b>	<b>1,560</b>	<b>1,202</b>	<b>1,399</b>	<b>1,431</b>
<b>IFRS net operating profit</b>						
<b>EEV income statement</b>						
Life new business value	0	0	0	0	0	0
EEV operating profit	0	0	0	0	0	0
Tax	0	0	0	0	0	0
EEV net profit	0	0	0	0	0	0
Opening embedded value	0	0	0	0	0	0
Closing embedded value	0	0	0	0	0	0
<b>Balance sheet</b>						
Opening shareholders' funds	30,768	36,731	32,888	16,005	16,005	16,208
Closing shareholders' funds	36,731	32,888	16,005	16,005	16,208	16,367
Ordinary equity	36,731	32,888	16,005	16,005	16,208	16,367
Hybrid capital	0	0	0	0	0	0
Preferred equity	0	0	0	0	0	0
Equity	36,731	32,888	16,005	16,005	16,208	16,367
Minorities	0	0	0	0	0	0
Total equity	36,731	32,888	16,005	16,005	16,208	16,367
Total debt	4,077	4,648	4,028	4,028	4,028	4,028
Total capital	40,808	37,536	20,033	20,033	20,236	20,395
<b>Performance &amp; returns</b>						
APE (new business) mgn (%)	0.0	0.0	0.0	0.0	0.0	0.0
PVNB margin (%)	n/a	n/a	n/a	n/a	n/a	n/a
P&C combined ratio (%)	97.1	95.1	97.3	96.1	95.7	95.6
IFRS net op profit growth (%)	n/a	n/a	n/a	n/a	n/a	n/a
BV growth (%)	19.4	-10.5	-51.3	-0	1.3	0.98
Embedded value growth (%)	n/a	n/a	n/a	n/a	n/a	n/a
Life ROEV (%)	n/a	n/a	n/a	n/a	n/a	n/a
Reported ROE (%)	5.6	9.4	6.4	7.5	8.7	8.8
Solvency ratio (%)	210.0	213.0	197.0	201.0	204.6	204.3
Gearing (%)	10.0	12.4	20.1	20.1	19.9	19.8
<b>Valuation</b>						
Price/embedded value (x)	n/a	n/a	n/a	n/a	n/a	n/a
Price/book (x)	0.31	0.34	0.64	0.63	0.60	0.58
Price/tangible book (x)	0.32	0.35	0.71	0.70	0.67	0.65
PER (IFRS net op EPS) (x)	n/a	n/a	n/a	n/a	n/a	n/a
Dividend yield (%)	10.2	6.8	7.6	8.3	8.8	9.4
<b>Per share data</b>						
IFRS net operating EPS (€)	n/a	n/a	n/a	n/a	n/a	n/a
IFRS net op EPS growth (%)	n/a	n/a	n/a	n/a	n/a	n/a
Dividend per share (€)	3.73	2.49	2.79	3.03	3.23	3.45
EEV per share (€)	0.00	0.00	0.00	0.00	0.00	0.00
BV/share (€)	118.5	107.5	56.96	58.48	60.57	62.88
Tangible BV/share (€)	115.1	103.8	51.18	52.49	54.38	56.45

Source: Company data, ING estimates

# Addendum

## Excerpts from NN Annual Report FY22, pages 247-249

### ***Unit linked products in the Netherlands***

Since the end of 2006, unit linked products (commonly referred to in Dutch as 'beleggingsverzekeringen') have received negative attention in the Dutch media, from the Dutch Parliament, the Netherlands Authority for the Financial Markets (Autoriteit Financiële Markten) and consumer protection organisations. Costs of unit linked products sold in the past are perceived as too high and Dutch insurers are in general being accused of being less transparent in their offering of such unit linked products. On 29 April 2015, the European Court of Justice issued its judgment on preliminary questions submitted by the District Court in Rotterdam, upon request of parties, including Nationale- Nederlanden, to obtain clarity on principal legal questions with respect to cost transparency in relation to unit linked products. The main preliminary question considered by the European Court of Justice was whether European law permits the application of information requirements based on general principles of Dutch law that extend beyond information requirements as explicitly prescribed by laws and regulations in force at the time the policy was written. The European Court of Justice ruled that the information requirements prescribed by the applicable European directive may be extended by additional information requirements included in national law, provided that these requirements are necessary for a policyholder to understand the essential characteristics of the commitment and are clear, accurate and foreseeable. Dutch courts will need to take the interpretation of the European Court of Justice into account in relevant proceedings.

In 2013, Woekerpolis.nl and in 2017 Consumentenbond and Wakkerpolis, all associations representing the interests of policyholders of Nationale-Nederlanden, individually initiated so-called 'collective proceedings' against Nationale-Nederlanden. These claims are all based on similar grounds and have been rejected by Nationale-Nederlanden and Nationale-Nederlanden defends itself in these legal proceedings.

Woekerpolis.nl requested the District Court in Rotterdam to declare that Nationale-Nederlanden sold products which are defective in various respects. Woekerpolis.nl alleges that Nationale-Nederlanden failed to meet the required level of transparency regarding, cost charges and other product characteristics, failed to warn policyholders of certain product related risks, such as considerable stock depreciations, the inability to realise the projected final policy value, unrealistic capital projections due to differences in geometric versus arithmetic returns and that certain general terms and conditions regarding costs were unfair. On 19 July 2017, the District Court in Rotterdam rejected all claims of Woekerpolis.nl and ruled that Nationale-Nederlanden has generally provided sufficient information on costs and deductions. Woekerpolis.nl has lodged an appeal with the Court of Appeal in The Hague against the judgment of the District Court in Rotterdam. On 23 February 2021, the Court of Appeal in The Hague rendered an interim judgment submitting preliminary questions to the Dutch Supreme Court to obtain clarity on the interpretation of certain principal questions of law that are relevant in disputes concerning unit linked policies. The questions concern the relationship between the specific Dutch regulations applicable to insurers regarding the provision of (pre)contractual information, and Dutch civil law and the impact thereon by European law. On 11 February 2022, the Supreme Court answered the questions of law submitted to it by the Court of Appeal in The Hague. The Supreme Court primarily considers that Dutch civil law is applicable to the legal relationship between insurer and policyholder.

It is up to lower courts to decide whether Dutch civil law entails obligations to provide information in addition to the obligations arising from specific regulations and, if so,

which obligations. The Supreme Court holds that if the lower courts were to decide that additional information obligations apply, such obligations must satisfy the criteria formulated by the European Court of Justice in the abovementioned judgment of 2015. This means that the courts have to judge whether these information obligations: (1) pertain to information that is clear and accurate, (2) are necessary for a proper understanding of the essential characteristics of the unit linked policy, and (3) enable the insurer to identify with sufficient foreseeability the additional information that must be provided and that the policyholder may expect. (Only) in case any potential obligation to provide additional information satisfies the aforementioned criteria, the policyholder can claim legal protection before the court. The judgment has no direct consequences for customers with a unit linked policy. The Court of Appeal in The Hague resumed the collective proceedings between Woekerpolis.nl and Nationale-Nederlanden. Under Dutch law, judgments rendered by lower (including appellate) courts have no legal status as precedent and only bind parties in the respective legal proceedings. The Court of Appeal in The Hague is to independently assess all facts, circumstances, arguments, claims and counter arguments brought forward in the collective proceedings between Woekerpolis.nl and Nationale-Nederlanden. A judgment in appeal is expected in the first half of 2023. Any final judgment by the Court of Appeal is subject to cassation proceedings at the Dutch Supreme Court.

Consumentenbond alleges that Nationale-Nederlanden failed to adequately inform policyholders on cost charges, deductions for life insurance cover and the leverage and capital consumption effect and that Nationale-Nederlanden provided misleading capital projections. Consumentenbond requested the District Court in Rotterdam to order a recalculation of certain types of unit linked insurance products and to declare that Nationale-Nederlanden is liable for any damage caused by a lack of information and misleading capital projections. On 29 July 2020, the District Court in Rotterdam rejected all claims of Consumentenbond. The court ruled that Nationale-Nederlanden has provided sufficient information on the effect of costs and deductions for life insurance cover included in the gross premium, leading to consensus between parties ('wilsovereenstemming') on these costs and deductions and on the manner in which these costs components are set off during the term of the insurance. Consumentenbond has lodged an appeal with the Court of Appeal in The Hague against the judgment of the District Court. The appeal proceedings commenced on 29 June 2021 and are expected to resume in due course after a deferral in anticipation of the judgment in the preliminary proceedings before the Supreme Court mentioned above.

Wakkerpolis' and several individual policyholders' claims primarily concentrate on the recovery of initial costs for policyholders, claiming that there is no contractual basis for settling these initial costs. In an interim judgment rendered on 22 April 2020, the District Court in Rotterdam in principle dismissed Wakkerpolis' most important claim to recalculate unit linked insurance policies without initial costs for policies taken out after 1 July 1994. In its final judgment (in first instance) of 20 July 2022, the District Court in Rotterdam considered that for policies taken out after 1 July 1994, Nationale-Nederlanden has generally complied with its information obligations towards its policyholders, leading to consensus between parties on initial costs. Only with respect to policies taken out before 1 July 1994, the District Court in Rotterdam concluded that Nationale-Nederlanden did not (fully) comply with its information obligations and, therefore, a contractual basis for settling initial costs is absent. Nationale-Nederlanden has to recalculate these policies, as if the initial costs were never incurred, unless consensus between parties on initial costs can otherwise be established. For premium policies taken out between 1 July 1994 and 1 August 1999 that were surrendered early or converted into a paid-up policy, the District Court in Rotterdam ruled that settlement of initial costs upon surrender or conversion was allowed, but that Nationale-

Nederlanden should apply a settlement period of five years instead of a settlement period of five to ten years, if that is more favourable for the policyholder.

For policies taken out in the period 1 August 1999 onwards, the District Court in Rotterdam found that Nationale-Nederlanden sufficiently informed policyholders of the consequences of early surrender or conversion into a paid-up policy for the value of the policy. Wakkerpolis lodged an appeal against the judgment of 20 July 2022. Although the judgment is largely in line with Nationale-Nederlanden's views, Nationale-Nederlanden disagrees with the District Court in Rotterdam on a number of points and will lodge a cross appeal. In the context of the ongoing proceedings against Nationale-Nederlanden, Nationale-Nederlanden does not disclose further details on the (potential) financial impact of this judgment.

### Excerpts from ASR Annual Report FY22, pages 224-225

#### ***Unit linked products in the Netherlands***

Since the end of 2006, individual unit linked life insurance products (beleggingsverzekeringen) have received negative attention in the Dutch media, from the Dutch Parliament, the AFM, consumers and consumer protection organisations. Elements of unit linked policies are being challenged or may be challenged on multiple legal grounds. The criticism and scrutiny on unit linked life insurance products led to the introduction of compensation schemes by Dutch insurance companies that have offered unit linked products. In 2008, a.s.r. reached an outline agreement with two main consumer protection organisations to offer compensation to unit linked policyholders in case the cost charge and/or risk premium charge exceeds a defined maximum. A full agreement on implementation of the compensation scheme was reached in 2012. The total recognised cumulative financial costs relating to the compensation scheme for Individual life in a.s.r.'s income statement until 2022 was € 1,026 million. This includes, amongst other things, compensation paid, amortisation of surrender penalties and costs relating to improved product offerings. The remaining provision in the balance sheet at 31 December 2022 is solely available to cover potential additional compensation (schrijnende gevallen) and costs relating to the compensation scheme. On the basis of this agreement, a.s.r. offered consumers additional measures such as alternative products and less costly investment funds. In addition to the compensation scheme, a.s.r. has implemented additional measures (flankerend beleid), including the ten best in class principles as formulated by the Dutch Minister of Finance. On 17 July 2015, the Dutch Ministry of Finance published an Order in Council (Algemene Maatregel van Bestuur), pursuant to which insurance companies can be sanctioned if they do not meet the compulsory targets set for approaching policyholders of unit linked life insurances and prompting them to review their existing policies.

The agreement with the two consumer protection organisations and additional measures are not binding for policyholders. Consequently, neither the implementation of the compensation schemes nor the additional measures offered by a.s.r. prevent individual policyholders from initiating legal proceedings against a.s.r. and making claims for damages.

#### ***Legal proceedings***

a.s.r. is subject to a limited number of legal proceedings initiated by individual unit linked policyholders, in most cases represented by claims organisations. While to date fewer than 10 cases are pending before Dutch courts and courts of appeal and fewer than 100 cases are pending before the Financial Services Complaints Board ("FSCB") (the Dispute Committee as well as the Committee of Appeal of the FSCB), there is no assurance that further proceedings will not be brought against a.s.r. in the future. Future legal proceedings regarding unit linked life insurance policies might be brought upon a.s.r. by consumers individually, by consumer organisations acting on their behalf or in the form

of a collective action. Furthermore, there is an ongoing lobby by consumer protection organisations, such as the Consumentenbond and Stichting Geldbelangen, to continuously gain media attention for unit linked life insurance policies. These organisations argue, amongst other things, that consumers did not receive sufficient compensation based on the compensation scheme.

a.s.r. is currently subject to three collective actions. The claims are all based on similar grounds and have been rejected by a.s.r. and a.s.r. defends itself in these legal proceedings. The timing and outcome of these collective actions is currently uncertain.

In June 2016, Woekerpolis.nl initiated a collective action, requesting the Midden-Nederland District Court to declare that a.s.r. has sold products in the market which were defective in various respects (e.g. lack of transparency regarding cost charges and other product characteristics, and risks against which the insurer had failed to warn, such as substantial stock depreciations, inability to realise the projected final policy value, unrealistic capital projections due to the difference between geometric and arithmetic returns, and general terms and conditions governing costs which Woekerpolis.nl considered unfair). In its judgement of 6 February 2019, the court rejected all claims regarding transparency of costs and risks. Only with regard to the claim relating to administrative costs ("administratiekosten") that are calculated in ABC Spaarplan in case of high premiums, the court decided that this is unlawful. On 16 April 2019 a.s.r. received a notice of appeal from the Vereniging Woekerpolis.nl. Subsequently, the Vereniging Woekerpolis.nl has submitted its statement of appeal at the High Court of Arnhem Leeuwarden on 3 March 2020. The statement of response by a.s.r. has been deferred by the Court of Appeal. Main reason for this deferral lies with the developments regarding the preliminary questions from the High Court of the Hague towards the Supreme Court in the proceedings (Collective Action) between Woekerpolis.nl and another Dutch insurer.

In March 2017, the Consumentenbond also initiated a collective action against a.s.r. based on similar grounds to that initiated by Woekerpolis.nl. In its judgement dated 11 March 2020 the Court dismissed all claims of ConsumentenBond against a.s.r. On 8 June 2020 a.s.r. received a notice of appeal from the Consumentenbond.

In December 2019, claim organisation Wakkerpolis initiated a collective action against a.s.r. Although the claim from Wakkerpolis is largely based on similar grounds as the other two collective actions, it primarily concentrates on the lack of transparency of cost charges. In a decision on 23 November 2022 the Court rejected all claims regarding transparency of costs and risks and concluded that the products sold by a.s.r. cannot be considered as defective. Based on the contractual information provided by a.s.r., the Court is of the opinion that a.s.r. has complied with its information obligations.

#### ***Risk profile and contingent liability unit linked life insurance products***

The prolonged political, regulatory and public attention focused on unit linked life insurance policies continues. Elements of unit linked life insurance policies of a.s.r. are being challenged on multiple legal grounds in current, and may be challenged in future, legal proceedings. There is a risk that one or more of the current and/or future claims and/or allegations will succeed. To date, a number of rulings regarding unit linked life insurance products in specific cases have been issued by the FSCB and courts (of appeal) in the Netherlands against a.s.r. and other insurers. In these proceedings, different (legal) approaches have been taken to come to a ruling. The outcomes of these rulings are diverse. Because the book of policies of a.s.r. dates back many years, contains of a variety of products with different features and conditions and because of the fact that rulings are diverse, no reliable estimation can be made regarding the timing and the outcome of the current and future legal proceedings brought against a.s.r. and other insurance companies.

The total costs related to compensation for unit linked insurance contracts as described above, have been fully recognised in the financial statements based on management's best knowledge of current facts, actions, claims, complaints and events. Provisions are recognised in the liabilities arising from insurance contracts (see chapter 6.5.15). Although the financial consequences of the legal developments could be substantial, a.s.r.'s exposures cannot be reliably estimated or quantified at this point. If one or more of these legal proceedings should succeed, there is a risk a ruling, although legally only binding for the parties that are involved in the procedure, could be applied to or be relevant for other unit linked life insurance policies sold by a.s.r. Consequently, the financial consequences of any of the current and/or future legal proceedings brought upon a.s.r. can be substantial for a.s.r.'s Life insurance business and may have a material adverse effect on a.s.r.'s financial position, business, reputation, revenues, results of operations, solvency, financial condition and prospects.

#### **Excerpts from ASR Annual Report FY22 (Audit Report), pages 285-286**

Description Holders of unit linked products sold in the Netherlands, or consumer protection organizations on their behalf, have filed claims or initiated legal proceedings against ASR Nederland N.V. and may continue to do so. A negative outcome of such claims and proceedings, settlements, or any other actions to the benefit of the customers by other insurers or sector-wide measures, may affect the (legal) position of ASR Nederland N.V. and could result in substantial financial losses for the Group relating to the compensation. Management assessed the financial consequences of these legal proceedings under both the EU-IFRS and the Solvency II reporting framework and concluded that these cannot be reliably measured, estimated and/or quantified at this point.

Due to the potential significance and management judgement that is required to assess the developments relevant to these claims and proceedings, we considered this a key audit matter.

#### **ASR response**

Audit procedures primarily consisted of the following:

- Assessment of ASR Nederland N.V.'s governance, processes and design and implementation of internal controls with respect to the unit linked exposure.
- Inspection of the legal and complaints documentation and inquiries about the unit linked exposures with management and head of legal. These procedures took into account ASR Nederland N.V.'s specific developments as well as broader market developments, including verdicts issued in 2022 and up to the date of this audit opinion.
- Obtaining a legal letter of the external lawyer that is engaged by ASR Nederland N.V. in relation to the defence in the so-called collective cases (Woekerpolis.nl, Consumentenbond and Wakkerpolis). We assessed the professional competency, capability and objectivity of this external lawyer. We used the lawyer's letter to obtain external confirmation of management's judgements regarding the related (collective) exposures.
- Assessment of the recognition and measurement requirements to establish provisions under ASR Nederland N.V.'s EU-IFRS accounting principles and the Solvency II framework, for the calculation of the Solvency II ratio.
- Evaluation of the unit linked disclosure in note 6.7.7.2 Unit Linked Products (beleggingsverzekeringen) of the financial statements, where we focused on adequacy of the disclosure of the related risks and management's judgements.

**ASR observation**

Overall, we found management's assessment that the financial consequences of unit linked exposure cannot be reliably measured and therefore no provision is recognised in the 31 December 2022 balance sheet (for both EU-IFRS and Solvency II), to be sufficiently substantiated.

We considered the disclosure of the exposure in note 6.7.7.2, which describes the related risks and management judgements in compliance with the relevant accounting requirements, to be adequate.

**Excerpts from ASR prospectus (AEGON NL acquisition), pages 100-102*****Dutch unit linked products***

Since the end of 2006, individual unit linked Life insurance products (beleggingsverzekeringen) have received negative attention in the Dutch media, from the Dutch Parliament, the AFM, consumers and consumer protection organisations. Elements of unit linked policies are being challenged or may be challenged on multiple legal grounds. The criticism and scrutiny on unit linked Life insurance products led to the introduction of compensation schemes by Dutch insurance companies that have offered unit linked products. In 2008, the Company reached an outline agreement with two main consumer protection organisations to offer compensation to unit linked policyholders in case the cost charge and/or risk premium charge exceeds a defined maximum. A full agreement on implementation of the compensation scheme was reached in 2012. The total recognised cumulative financial costs relating to the compensation scheme for Individual Life in the Company's income statement until 2022 was €1,026 million. This includes, amongst other things, compensation paid, amortisation of surrender penalties and costs relating to improved product offerings. The remaining provision in the balance sheet as at 31 December 2022 is solely available to cover potential additional compensation (schrijnende gevallen) and costs relating to the compensation scheme. On the basis of this agreement, the Company offered consumers additional measures such as alternative products and less costly investment funds. In addition to the compensation scheme, the Company has implemented additional measures (flankerend beleid), including the ten best in class principles as formulated by the Dutch Minister of Finance.<sup>66</sup> On 17 July 2015, the Dutch Ministry of Finance published an Order in Council (Algemene Maatregel van Bestuur), pursuant to which insurance companies can be sanctioned if they do not meet the compulsory targets set for approaching policyholders of unit linked Life insurances and prompting them to review their existing policies.

The agreement with the two consumer protection organisations and additional measures are not binding for policyholders. Consequently, neither the implementation of the compensation schemes nor the additional measures offered by the Company prevent individual policyholders from initiating legal proceedings against the Company and making claims for damages.

The Company is subject to a limited number of legal proceedings initiated by individual unit linked policyholders, in most cases represented by claims organisations. While to date fewer than ten cases are pending before Dutch courts and courts of appeal and fewer than 100 cases are pending before the FSCB (the Dispute Committee as well as the Committee of Appeal of the FSCB), there is no assurance that further proceedings will not be brought against the Company in the future. Future legal proceedings regarding unit linked Life insurance policies might be brought upon the Company by consumers individually, by consumer organisations acting on their behalf or in the form of a collective action. Furthermore, there is an ongoing lobby by consumer protection organisations, to continuously gain media attention for unit linked Life insurance



policies. These organisations argue, amongst other things, that consumers did not receive sufficient compensation based on the compensation scheme.

The Company is currently subject to three collective actions. The claims are all based on similar grounds and have been rejected by the Company and the Company defends itself in these legal proceedings. The timing and outcome of these collective actions is currently uncertain.

In June 2016, Vereniging Woekerpolis.nl initiated a collective action, requesting the Midden-Nederland District Court to declare that the Company has sold products in the market which are defective in various respects (e.g., lack of transparency regarding cost charges and other product characteristics, and risks against which the insurer failed to warn, such as considerable stock depreciations, inability to realise the projected final policy value, unrealistic capital projections due to difference between geometric and arithmetic returns and general terms and conditions regarding costs which Woekerpolis.nl considered unfair). In its judgement of 6 February 2019, the court rejected all claims regarding transparency of costs and risks. Only with regard to the claim relating to administrative costs (administratiekosten) that are calculated in ABC Spaarplan in case of high premiums, the court decided that this was unlawful. On 16 April 2019 the Company was served a notice of appeal from the Vereniging Woekerpolis.nl. Subsequently, the Vereniging Woekerpolis.nl has submitted its statement of appeal at the Court of Appeal Arnhem-Leeuwarden on 3 March 2020. The statement of response by the Company has been deferred by the Court of Appeal. The main reason for this deferral lies with developments regarding the preliminary questions from the Court of Appeal The Hague towards the Supreme Court in the proceedings (collective action) between Woekerpolis.nl and another Dutch insurer, Nationale Nederlanden. On 11 February 2022, the Supreme Court answered the preliminary questions from the Court of Appeal The Hague on information obligations for unit linked policies from another Dutch insurer. The Supreme Court primarily considers that Dutch civil law is applicable to the legal relationship between insurer and insured. It is up to lower courts to decide whether Dutch civil law entails obligations to provide information in addition to the obligations arising from specific regulations and, if so, which obligations. The Supreme Court holds that potential additional information obligations must satisfy the criteria formulated by the Court of Justice of the EU in 2015 (Nationale Nederlanden/Van Leeuwen). The Court of Appeal has requested the Company to submit its statement of defence on 25 July 2023. After the submission of the statement of defence a date for an oral hearing will be scheduled.

In March 2017, the Consumentenbond also initiated a collective action against the Company. This collective action is based on similar grounds to that initiated by Woekerpolis.nl. In its judgement dated 11 March 2020 the Court dismissed all claims of Consumentenbond against the Company. On 8 June 2020 the Company was served a notice of appeal from the Consumentenbond. These proceedings have been deferred by Court of Appeal awaiting the developments regarding the preliminary questions from the Court of Appeal the Hague towards the Supreme Court in the proceedings (collective action) between Woekerpolis.nl and another Dutch insurer. Despite the fact that the Supreme Court has answered the preliminary questions, no new date had been given so far.

In December 2019, claims organisation 'Wakkerpolis' initiated a collective action against the Company. The collective action is pending before the Midden-Nederland District Court. Although the claim from Wakkerpolis is largely based on similar grounds as the other two collective actions, it primarily concentrates on the lack of transparency of cost charges. On 1 September 2022, there was a hearing about the case at the Midden-Nederland District Court. The District Court rendered its decision on 23 November 2022

and rejected all claims of Wakkerpolis. Wakkerpolis has submitted its writ of summons of appeal at the Court of Appeal of Arnhem-Leeuwarden. On 28 November 2023 the Court of Appeal will decide at what term Wakkerpolis has to submit its statement of claims.

Currently, individual and collective legal proceedings regarding unit linked Life insurance products are pending before Dutch Courts, Dutch Courts of Appeal and the FSCB against the Group and the Aegon Nederland Group, most of them initiated by consumer protection organisations acting on behalf of individual policy holders (such as the Vereniging Woekerpolis.nl). In general, customers and claims organizations have claimed, amongst others, that,

- The investment risk, costs charged or the risk premium was not, or not sufficiently, made clear to the customer at the time of the offering of the product;
- The products sold to the customer contained specific risks that were not, or not sufficiently, made clear to the customer (such as the leverage capital consumption risk, the risk that the customer might not be able to achieve the projected final policy value and the risk of unrealistic capital projections due to differences between geometric versus arithmetic returns) or these specific risks were not suitable to the customer's personal circumstances;
- The insurer had a duty of care towards individual policy holders which the insurer has breached;
- The general terms and conditions regarding costs were unfair;
- The insurer has not correctly executed the compensation scheme; and/or
- There was insufficient transparency regarding product costs and the product costs charged at the time of the initial sale and on an ongoing basis were so high that the marketed expected return on investment was not realistically achievable.

These claims may be based on general standards of contract or securities law, such as reasonableness and fairness, error, duty of care, or standards for proper customer treatment or due diligence and may be made by customers, or on behalf of customers, holding active policies or whose policies have lapsed, matured or been surrendered.

The prolonged political, regulatory and public attention focused on unit linked Life insurance policies continues. Elements of unit linked Life insurance policies of the Company are being challenged on multiple legal grounds in current, and may be challenged in future, legal proceedings. There is a risk that one or more of the current and/or future claims and/or allegations will succeed. To date, a number of rulings regarding unit linked Life insurance products in specific cases have been issued by the FSCB and courts (of appeal) in the Netherlands against the Company and other insurers. In these proceedings, different (legal) approaches have been taken to come to a ruling. The outcomes of these rulings are diverse. Because the book of policies of the Company dates back many years, contains a variety of products with different features and conditions and because of the fact that rulings are diverse, no reliable estimation can be made regarding the timing and the outcome of the current and future legal proceedings brought against the Company and other insurance companies.

The total costs related to compensation for unit linked insurance contracts as described above, have been fully recognised in the financial statements based on management's best knowledge of current facts, actions, claims, complaints and events. Provisions are recognised in the liabilities arising from insurance contracts and legal provisions. Although the financial consequences of the legal developments could be substantial, the Company's exposures cannot be reliably estimated or quantified at this point. If one or more of these legal proceedings should succeed, there is a risk a ruling, although legally

only binding for the parties that are involved in the procedure, could be applied to or be relevant for other unit linked Life insurance policies sold by the Company. Consequently, the financial consequences of any of the current and/or future legal proceedings brought upon the Company can be substantial for its Life insurance business and may have a material adverse effect on its financial position, business, reputation, revenues, results of operations, solvency, financial condition and prospects.

#### Excerpts from AEGON Annual Report FY22, page 286

##### **Unit linked products in the Netherlands**

In the Netherlands, unit linked products (beleggingsverzekeringen) have been controversial and the target of litigation since at least 2005. Allegations include excessive cost, unfair terms, inadequate disclosure, and failure to perform as illustrated. Consumer groups have formed to address these issues and initiate mass claims against insurers. Regulators as well as the Dutch Parliament have been involved ever since, with the principal goal of achieving an equitable resolution. Aegon has made improvements across its product lines, including after settlements reached in 2009 with Stichting Woekerpolis and Stichting Verliespolis. Aegon also decided to reduce future policy costs for the large majority of its unit linked portfolio.

Some of the unit linked products are still involved in ongoing litigation. In September 2014, consumer interest group Vereniging Woekerpolis.nl filed a claim against Aegon in court. The claim related to a range of unit linked products that Aegon sold in the past, including Aegon products involved in the earlier litigation. The claim challenges a variety of elements of these products, on multiple legal grounds, including allegations made previously. In June 2017 (and revised in December 2017), the court issued a verdict which upheld the principle that disclosures must be evaluated according to the standards at the time when the relevant products were placed in-force. Most of the claims of Vereniging Woekerpolis.nl were dismissed under this standard, although the court found that Aegon did not adequately disclose certain charges on a limited set of policies. The district court did not decide on the reasonableness of the cost levels and whether the previous compensation arrangements provide sufficient compensation. This court decision has been appealed by both parties. The Court of Appeal has stayed the proceedings during the preliminary proceedings at the Supreme Court in another class action of Vereniging Woekerpolis.nl against another insurance company. On 11 February 2022 the Supreme Court ruled in these preliminary proceedings. The answers to the preliminary questions of the court regarding transparency and consent about costs and cost levels are a (re)confirmation of the EU Court ruling in a previous case against another insurance company. The legal debate will now continue at the level of the Court of Appeal. Aegon expects the uncertainty about the possible impact to continue for the foreseeable future. Developments in similar cases against other Dutch insurers currently before regulators and courts may also affect Aegon. At this time, Aegon is unable to estimate the range or potential maximum liability. There can be no assurances that these matters, in the aggregate, will not ultimately result in a material adverse effect on Aegon's business, results of operations and financial position.

#### Excerpts from woekerpolis.nl website

##### **NN Group**

Proceedings against Nationale-Nederlanden (NN) started at the end of 2013. On 23 April 2014, the District Court of Rotterdam delivered a positive interim judgment. NN had demanded that the proceedings be suspended. The court made short work of this delaying tactic. In the judgment, NN was unsuccessful on all counts and ordered to pay the costs. At the beginning of 2015, a directing hearing took place at the court and the plea took place on 11 April 2017. On July 19, 2017, the court ruled and the claims of Vereniging Woekerpolis.nl were rejected. The association is very surprised and finds the judge's judgment incomprehensible. The verdict is at odds with rulings made in recent

months by the Court of Appeal in Den Bosch, the District Court of The Hague and the Financial Services Complaints Institute. The association immediately decided to appeal. On 20 January 2020, the final hearing was held at the Court of Appeal in The Hague and an interim ruling was issued on 31 March 2020. The court sent a number of questions to the Supreme Court on 23 February 2021. These questions will make it clear whether NN (and other insurers) has sufficiently informed customers, for example about the high costs that were deducted from the unit linked insurance policies. On 11 February 2022, the Supreme Court issued a positive ruling for usury policy claimants. NN's defence that it was only required to provide minimal information to customers is rejected. According to the Supreme Court, it is up to the court to assess what additional information should have been provided to customers. The case will now be heard further by the Court of Appeal in The Hague. The court has indicated that it will rule in September 2023.

#### **ASR**

A week before the announced IPO (June 2016), the association sued ASR for its role in the usury policy affair. ASR sold approximately 1.1 million usury policies under various brand names such as the City of Rotterdam, Woudsend and AMEV. The procedure focuses on ASR's two best-selling products: the ABC Savings Plan and the Waerdye policy. A ruling could have implications for ASR's entire portfolio. These products have deducted costs that have not been agreed with customers. In addition, misleading calculation examples were used in the quotations. The calculated final amounts could never be achieved and were structurally about 10% too high. The hearing in the collective proceedings of the Association Woekerpolis.nl took place in August 2018. On 6 February 2019, the Central Netherlands District Court issued a disappointing ruling. According to the judge, the insurer did not violate its duty to provide information, but the insurer acted unlawfully in usury policies with a high-low construction by charging too many administration costs. The association disagrees with the judge's ruling and has appealed. On 11 February 2022, the Supreme Court issued a positive ruling for usury policy claimants, this concerned a case against NN. NN's defence that it was only required to provide minimal information to customers is rejected. According to the Supreme Court, it is up to the court to assess what additional information should have been provided to customers. The case will now be heard further by the Court of Appeal in The Hague. This ruling of the Supreme Court will also be taken into account in the ongoing proceedings against ASR.

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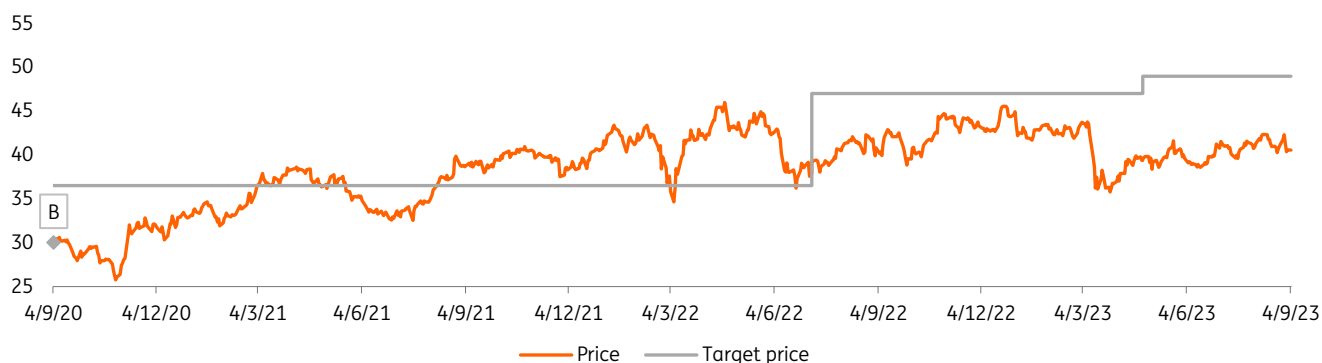
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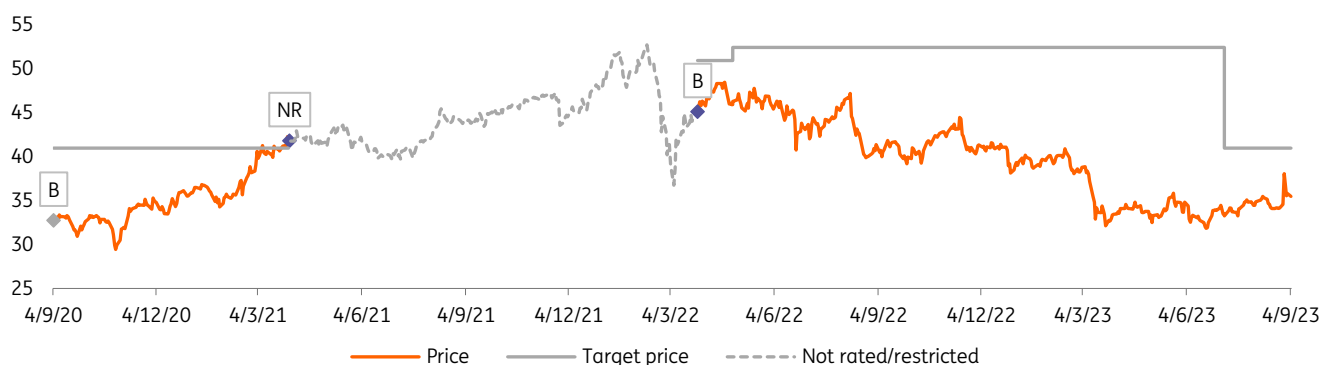
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