



# **NN Group 2016 Annual Report 'Securing Financial Futures'**

**Lard Friese, CEO NN Group**

**Annual General Meeting - The Hague, 1 June 2017**

# Welcome on behalf of the Management Board



**Lard Friese \***  
Chief Executive Officer (CEO)



**Jan-Hendrik Erasmus**  
Chief Risk Officer and global IT



**Delfin Rueda \***  
Chief Financial Officer (CFO)



**Robin Spencer**  
CEO International Insurance



**David Knibbe**  
CEO Netherlands Insurance



**Satish Bapat**  
CEO NN Investment Partners



**Dorothee van Vredenburg**  
Chief Change and Organisation

\* Members of the Executive Board

# The 2016 Annual Report provides an integrated review of the performance of our company

- In accordance with applicable Dutch law and IFRS, as well as with Global Reporting Initiative's G4 guidelines (GRI) and the guidelines of the International Integrated Reporting Council (IIRC)
- Aligns relevant information about our strategy, governance systems, performance and future prospects in a way that reflects the economic, environmental and social contexts in which we operate
- Theme: 'Securing financial futures'



# Our key figures: financial highlights 2016

Operating result

**EUR 1,227m**

(2015: EUR 1,435m)

Net operating ROE

**8.1%**

(2015: 10.8%)

New sales life insurance

**EUR 1,386m**

(2015: EUR 1,295m)

Net result

**EUR 1,189m**

(2015: EUR 1,565m)

Solvency ratio

**241%**

(2015: 239%)

NN IP Assets under Management

**EUR 195bn**

(2015: EUR 187bn)

# Our key figures: non-financial highlights 2016

Net promoter score

**+2 points**

(2015: +6 points)

Assets under Management in SRI funds/mandates

**EUR 5bn**

(2015: EUR 4.5bn)

Employee engagement

**71%**

(2015: 73%)

Donations to charitable organisations

**EUR 1.5m**

(2015: EUR 1.5m)

Young people reached via Future Matters

**27,529**

(2015: 9,069)

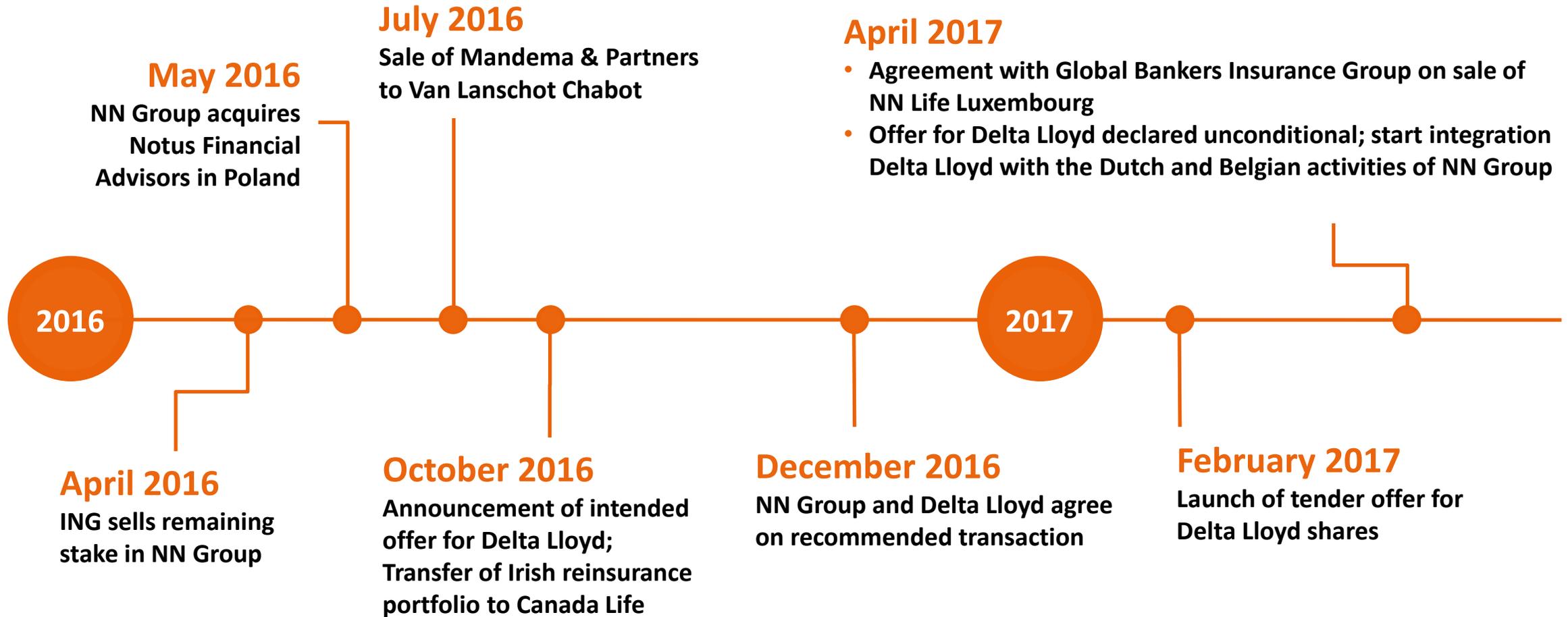
NN Group was CO<sub>2</sub> neutral throughout 2016

**100% neutral**

(2015: 100% neutral)

# Strategy and value creation

# Executing on opportunities to create value



# The combination with Delta Lloyd is strategically and financially compelling

An improved **customer proposition** within the **Dutch pension market** and increased **scale**

**Doubling** the presence in **Belgium**

Better placed to capture opportunities that **technological innovation** brings

**Doubling the size** of the **Non-life** insurance business

Increased **size and scale** of the **banking business**

Increased possibilities for **knowledge sharing, strengthening capabilities, and talent management**

**Acceleration** of the **asset management** strategy

Strengthening **distribution** capabilities



Prospects for **growth**, and **opportunities** for the employees of both companies

- Expected pre-tax cost synergies of EUR 150m by 2020 across the businesses
- Expected increase of free cash flow available to shareholders of EUR 100–150m initially, rising to EUR 250–300m per annum by 2020
- Double digit increase in dividend per share anticipated for 2018

# Continued focus on delivering an excellent customer experience



## Transparent products and services

- NN Life launched roll-over pension product and service providing insight in your pension
- NN Romania launched private health insurance
- NNIP expanded client options in low-yield environment



## Effective and efficient operations

- NN Bank improved mortgage interest rate renewal process
- NN Life closed book partly transferred to new IT system



## Multi-access distribution

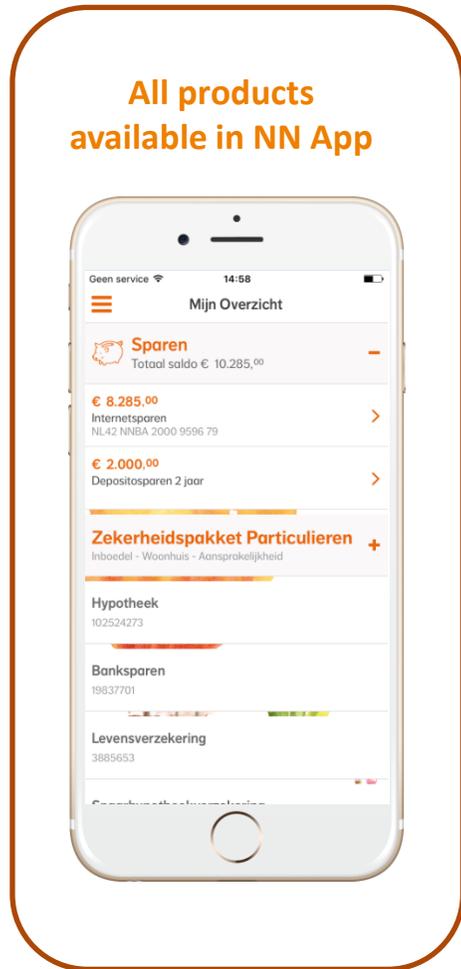
- More products available in NN app and My NN portal
- NN Life Japan's distribution agreement with Sumitomo
- Nationale Algemeen Pensioen Fonds (by AZL/NN IP)



## Innovation

- Our drive for innovation is about improving customer experience, intuitive interaction, and efficiency
- Innovation allows us to make the company stronger and to optimally prepare our business for the future

# Some examples in the Dutch market



## Price

Besparen op uw autoverzekering?

Vanaf € 12,50 verzekerd

nationale nederlanden Bereken uw premie >

## Brand

Betrouwbare autoverzekering?

1,5 miljoen klanten gingen u voor

nationale nederlanden Overtuig uzelf >

## Quality

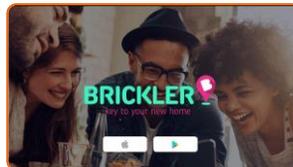
Ervaringen met onze autoverzekering

“Correct en efficiënt en vlot.”

★★★★☆ 9

nationale nederlanden Overtuig uzelf >

Prospects browsing on Nationale-Nederlanden website: customer segmentation - based on analytics



# Examples from our international business and NN IP



Nationale-Nederlanden Spain's concept of a paperless sales process was introduced in Poland, Czech Republic and Slovakia



To further support our agents in Japan, we launched an intuitive service platform aimed at improving the quality of service



During the severe storm in Belgium in 2016, an NN Mobile Office was set up to help customers settle their claims



'FitVermogen.nl' won the CASH innovation award and the CashCow Award for best online asset manager



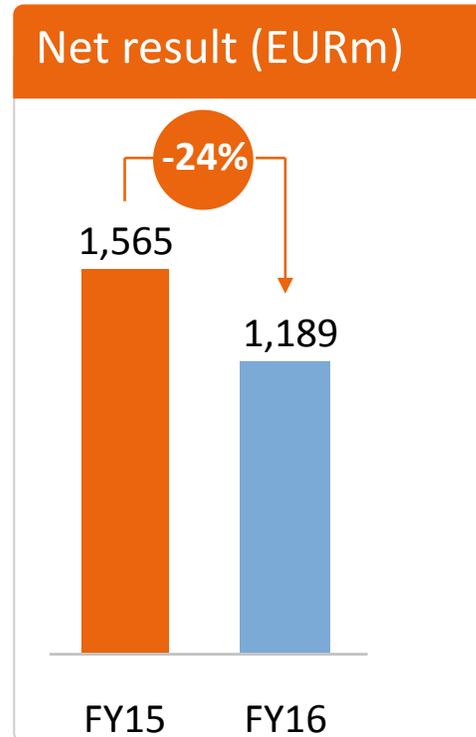
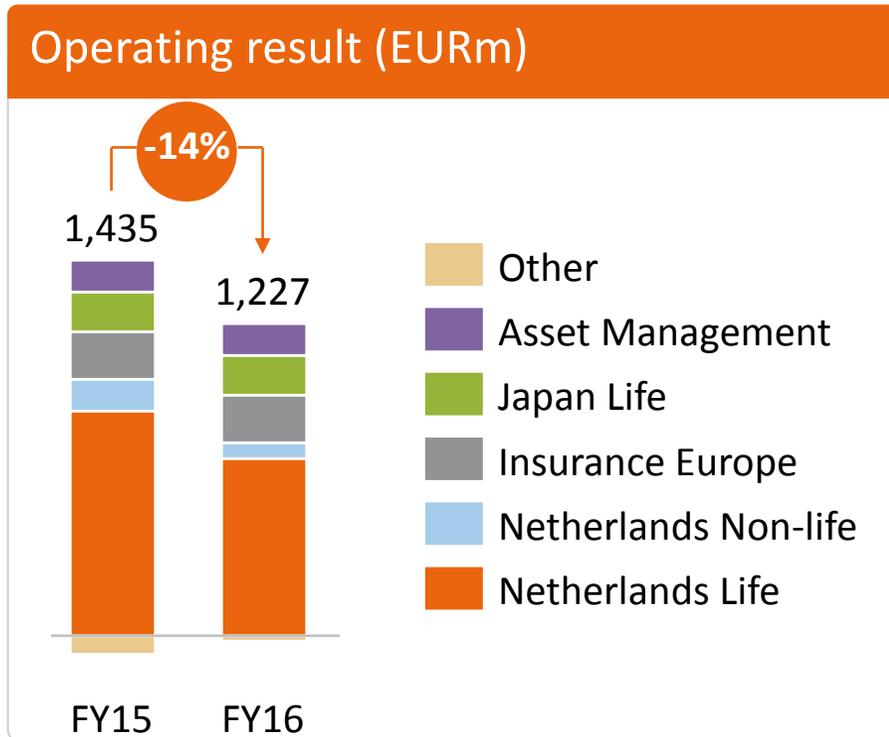
NN IP is exploring digital solutions, such as roboadvice



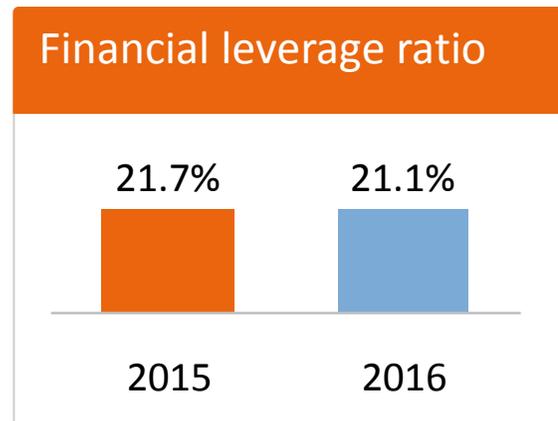
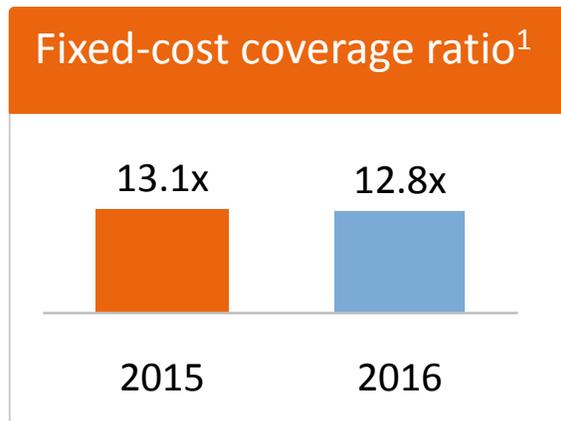
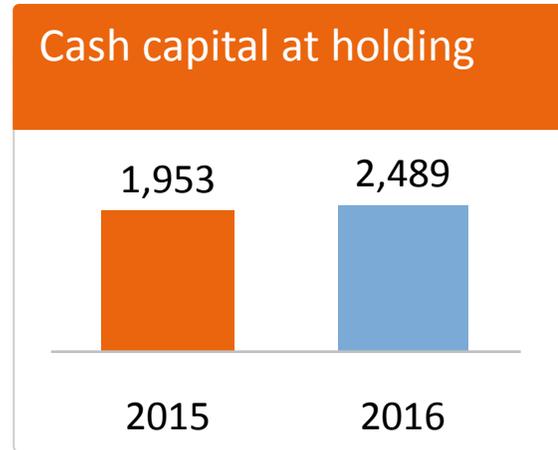
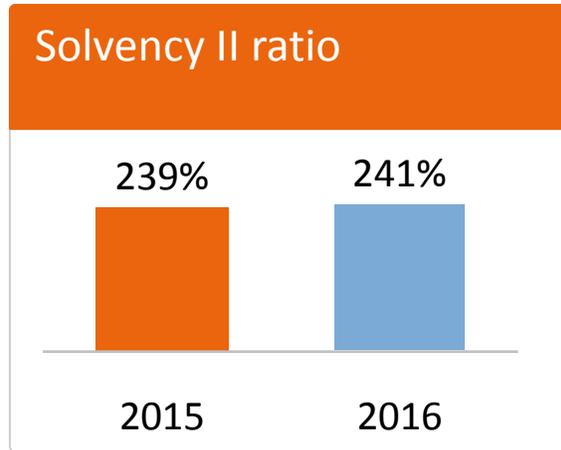
NN IP also expanded the sustainable solutions range through the launch of innovative impact funds, both in equity and fixed income, as well as a sustainable multi-asset fund

# Financial overview

# 2016 full-year results



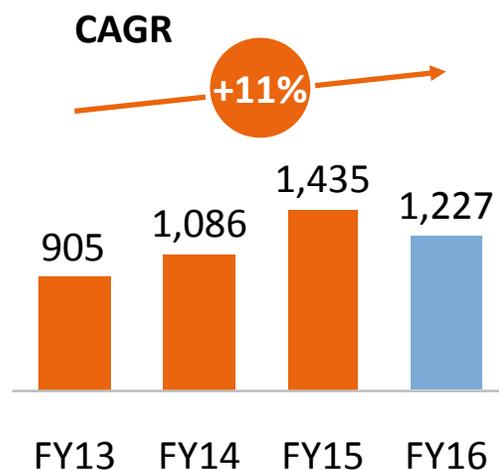
# Disciplined capital management



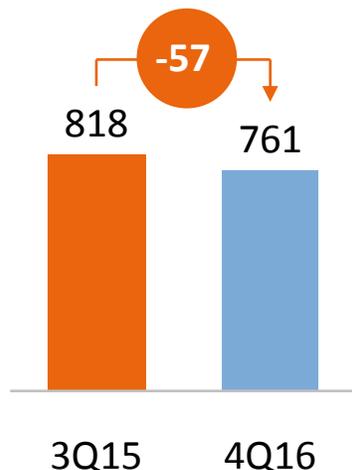
- Successful issue of EUR 500m of senior unsecured debt and EUR 850m of subordinated debt in January 2017
- Proceeds used to repay existing debt
- Dual-tranche senior notes for a total amount of EUR 900m issued in May 2017
- Proceeds to be used to repay bridge loan used to finance acquisition of Delta Lloyd

# Delivering on our financial targets

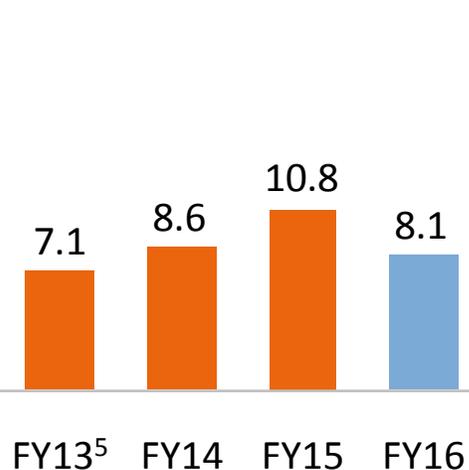
Annual earnings<sup>1</sup> growth of 5-7% on average in the medium term (EURm)



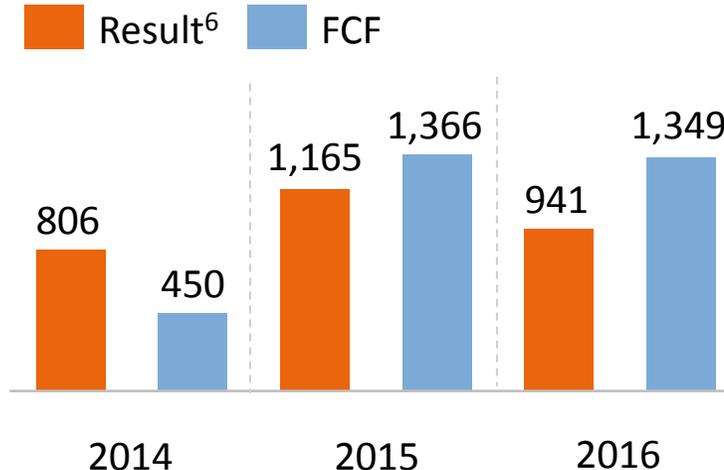
Target administrative expense base in the Netherlands<sup>2</sup> of EUR 685m by 2018 (EURm)



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



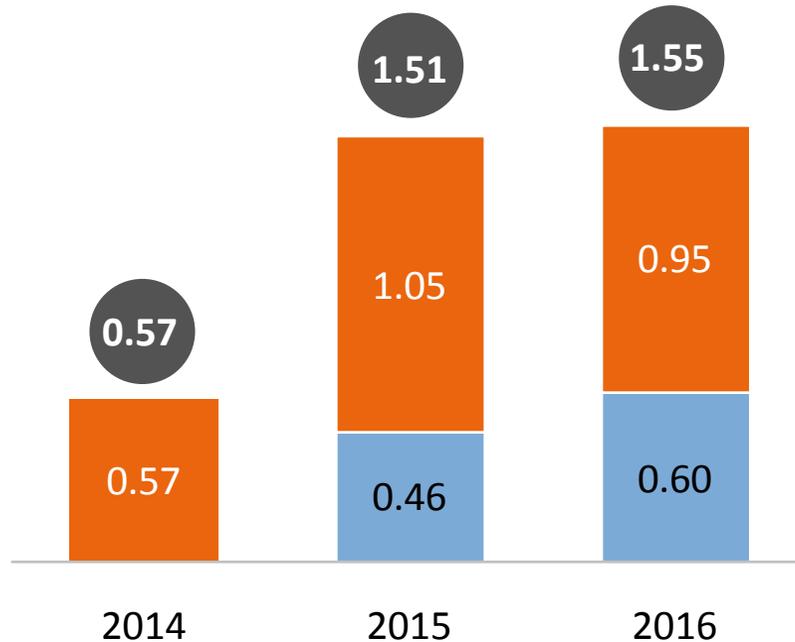
Generate free cash available to shareholders in a range around the net operating result of the ongoing business<sup>4</sup> (EURm)



# Delivering on our dividend policy

## Sustainable and predictable dividends in line with dividend policy

- Interim dividend per share (EUR)
- Final dividend per share (EUR)
- Total dividend per share (EUR)



## Excess capital returned to shareholders, unless it can be used for value creating corporate opportunities

- Capital generated in excess of NN Group's capital ambition (which may change over time), is expected to be returned to shareholders unless it can be used for any other appropriate corporate purposes, including investments in value creating corporate opportunities
- Proposed 2016 final dividend of EUR 0.95 per share, bringing total FY16 dividend to EUR 1.55 per share, equivalent to a pay-out ratio of ~51% of FY16 net operating result of ongoing business
- Since IPO, EUR 2.1bn of capital returned to shareholders, including share buyback programme and proposed 2016 final dividend

# Development of the NN Group share price in 2016



## Total Shareholder Return

- 2016 4.0%
- IPO – 31 December 2016: 74.4%

# Going forward

# Highlights 1Q17

Operating result

**EUR 406m**

(1Q16: EUR 305m)

Net result

**EUR 435m**

(1Q16: EUR 270m)

Net Operating ROE

**9.9%**

(1Q16: 8.6%)

Holdco cash capital

**EUR 3.0bn**

(4Q16: EUR 2.5bn)

Solvency II ratio

**238%**

(4Q16: 241%)

Pro-forma 'combined'  
Solvency II ratio

**~180%<sup>1</sup>**

- Operating result up 33%, driven by higher results in all segments
- Further cost savings of EUR 14m in the Netherlands bringing expense base down to EUR 748m
- Strong commercial momentum: APE up 28% from 1Q16 on a constant currency basis; net third party inflows of EUR 2.1bn at Asset Management; EUR 1.1bn of mortgage production at NN Bank
- Strong capital position: NN Group Solvency II ratio at 238%; holding company cash capital at EUR 3.0bn

# Revised Dutch Corporate Governance Code

- On 8 December 2016, the revised Dutch Corporate Governance Code (Code) was published and presented to the Minister of Economic Affairs
- Provided that the Code is embedded in the law in 2017, Dutch listed companies are obliged to report about their compliance with the principles and best practice provisions laid down in the Code with respect to the financial year 2017
- NN Group already complies with most principles and best practice provisions laid down in the revised Code. To the extent required, NN Group is taking necessary steps to fully comply with the revised Code in 2017

# Wrap up

# Executing on opportunities to create value

- 2016 was an important year for NN Group; major steps taken to build a sustainable business for the future
- Combination with Delta Lloyd is strategically and financially compelling
- Priorities going forward:
  - Successfully integrate Delta Lloyd into the NN organisation
  - Continue to actively manage the balance sheet
- NN Group aims to be a company that truly matters in the lives of our stakeholders: customers, shareholders, employees, business partners and society at large

# Disclaimer

NN Group's Consolidated Annual Accounts are prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS-EU") and with Part 9 of Book 2 on the Dutch Civil Code. In preparing the financial information in this document, the same accounting principles are applied as in the 2015 NN Group Consolidated Annual Accounts.

All figures in this document are unaudited. Small differences are possible in the tables due to rounding. Certain of the statements contained herein are not historical facts, including, without limitation, certain statements made of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Actual results, performance or events may differ materially from those in such statements due to, without limitation: (1) changes in general economic conditions, in particular economic conditions in NN Group's core markets, (2) changes in performance of financial markets, including developing markets, (3) consequences of a potential (partial) break-up of the euro, (4) changes in the availability of, and costs associated with, sources of liquidity as well as conditions in the credit markets generally, (5) the frequency and severity of insured loss events, (6) changes affecting mortality and morbidity levels and trends, (7) changes affecting persistency levels, (8) changes affecting interest rate levels, (9) changes affecting currency exchange rates, (10) changes in investor, customer and policyholder behaviour, (11) changes in general competitive factors, (12) changes in laws and regulations, (13) changes in the policies of governments and/or regulatory authorities, (14) conclusions with regard to accounting assumptions and methodologies, (15) changes in ownership that could affect the future availability to us of net operating loss, net capital and built-in loss carry forwards, (16) changes in credit and financial strength ratings, (17) NN Group's ability to achieve projected operational synergies and (18) the other risks and uncertainties detailed in the Risk Factors section contained in recent public disclosures made by NN Group.

Any forward-looking statements made by or on behalf of NN Group speak only as of the date they are made, and, NN Group assumes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information or for any other reason.

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