# NN Group
# 2015 Annual Report
## Accelerating change

**Lard Friese, CEO NN Group**

**Annual general meeting - The Hague, 2 June 2016**

# Welcome on behalf of the Management Board

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

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

**David Knibbe**
CEO Netherlands Insurance and global IT

**Dorothee van Vredenburch**
Chief Change and Organisation

**Doug Caldwell**
Chief Risk Officer

**Robin Spencer**
CEO International Insurance

**Stan Beckers**
CEO NN Investment Partners

* Members of the Executive Board

# The 2015 Annual Report provides an integrated review of the performance of our company

- A combined reporting strategy
- In accordance with applicable Dutch law and IFRS, as well as with Global Reporting Initiative's G4 guidelines (GRI)
- 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

# Highlights 2015

Employees (in FTE)

**11,500**

Market capitalisation

**EUR 10.9bn**

Customer policies

**15m**

Full-year 2015 dividend per ordinary share

**EUR 1.51**

Countries in which we operate

**18+**

Shareholders' equity

**EUR 20.5bn**

# Non-financial highlights 2015

**Net promoter score**

**+6 points**

**Employee engagement**

**73%**

(2014: 66%)

**Sustainable Assets under Management**

**EUR 4.5bn**

(2014: EUR 4.1bn)

**Donations to charitable organisations**

**EUR 1.5m**

(2014: EUR 1.1m)

**Employee volunteering hours**

**7,433**

(2014: 4,018)

**NN Group was $CO_2$ neutral throughout 2015**

**Neutral**

# In 2015, our businesses rebranded to NN, Nationale-Nederlanden or NN Investment Partners

2015

**350**
portals rebranded

**February 2015**
Start of international rebranding programme – Turkey was the first country in which our new brand was visible

**500+**
colleagues worked on the international rebranding programme

**7,500**
letters updated in terms of design,fonts and branding

**March – April 2015**
Rebranding of most of our businesses in Europe and Japan

**April 2015**
Rebranding of NN Investment Partners

**1,000+**
IT applications rebranded

**2.5m+**
views on Facebook and YouTube of name change campaign with Ewan McGregor (in six countries)

**July 2015**
Our business in Poland finalised the rebranding process

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# Strategy and value creation

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# Deliver an excellent customer experience, based on great service, and long-term relationships

**Our purpose**
We help people secure their financial futures

**Our values**
We care. We are clear. We commit

**Our strategy**
We deliver an excellent customer experience

**Transparent products and services**
To serve our customers' lifetime needs

**Multi-access distribution**
We are there, where our customers want us to be

**Efficient and effective operations**
To deliver excellent customer service

**Maintain a strong balance sheet**
To keep our customers' money safe

**Our brand**

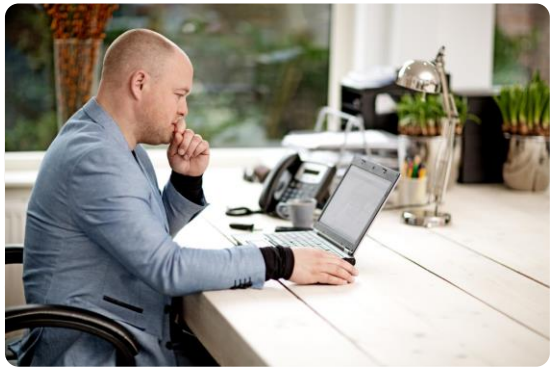
- New DC pension and information service
- De Nationale Algemeen Pensioenfonds
- Usage-based car insurance in the Netherlands
- Client portal and app for transactions in Turkey
- Smart term insurance for SME in Japan
- Paperless sales process in Spain
- Upgraded support from NN Investment Partners

# We need to remain responsive, be more agile and accelerate change

Navigate through an ever-changing world

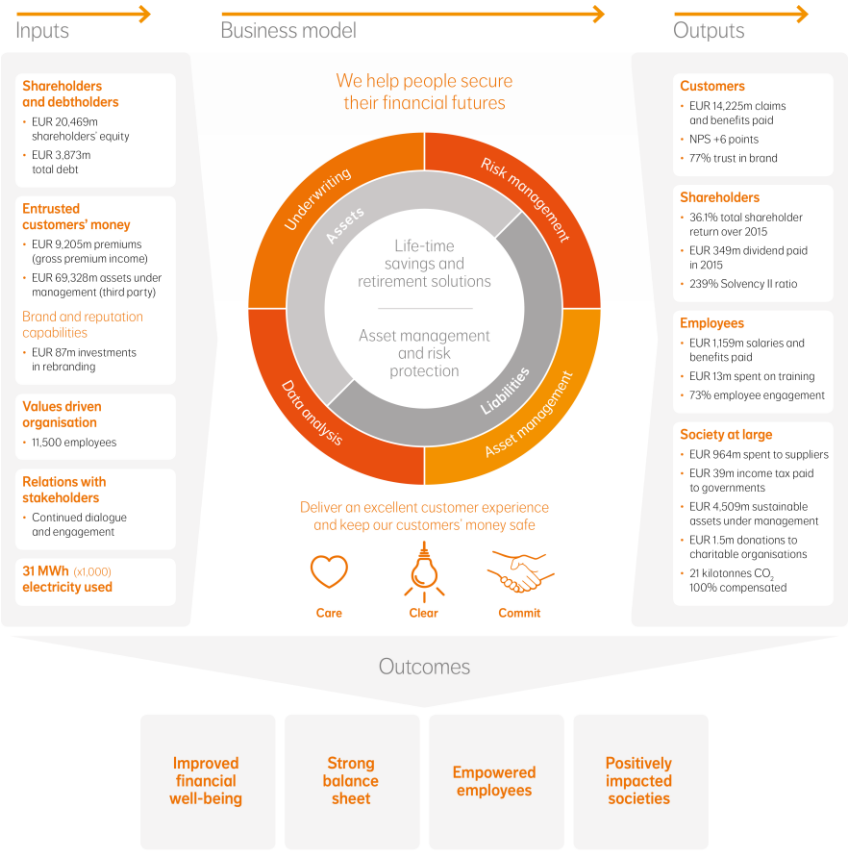
Capture opportunities of changing world

Develop products to anticipate new demands



Invest in innovation

# NN Group aims to be a company that truly matters in the lives of our stakeholders




This is a simplified visualisation of our business model. In developing this model we used the framework

## We create value as:

- An insurer and asset manager
- An investor
- A listed company
- An employer
- A corporate citizen

## To realise:

- Improved financial well-being
- A strong balance sheet
- Empowered employees
- Positively impacted societies

# Financial overview

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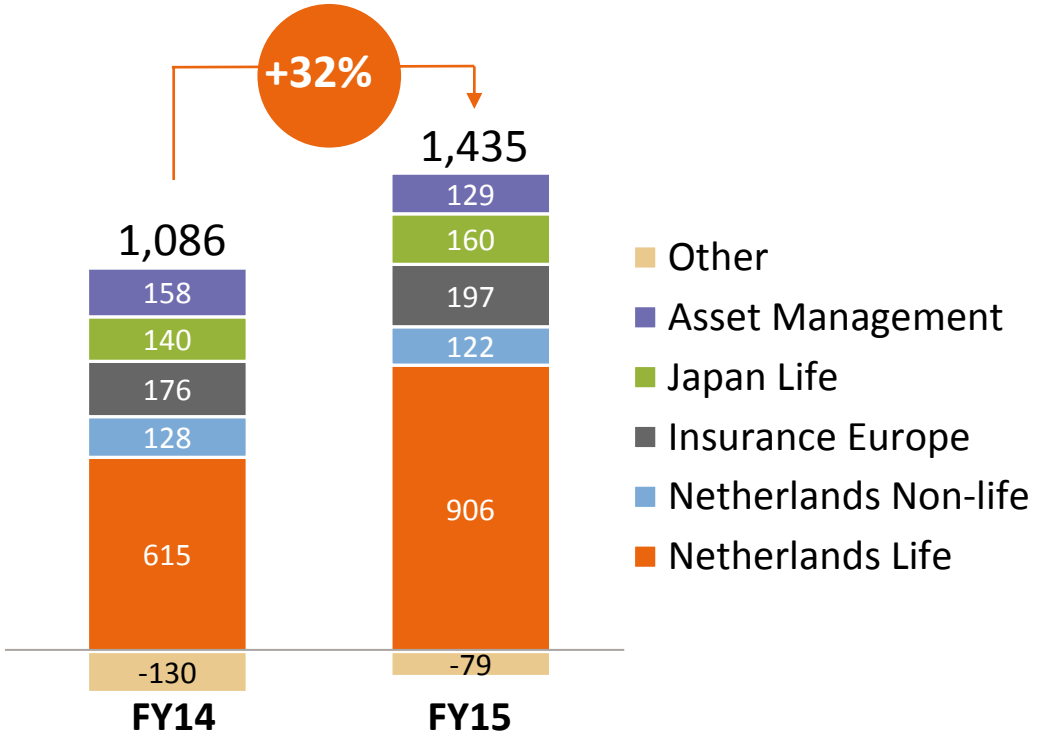
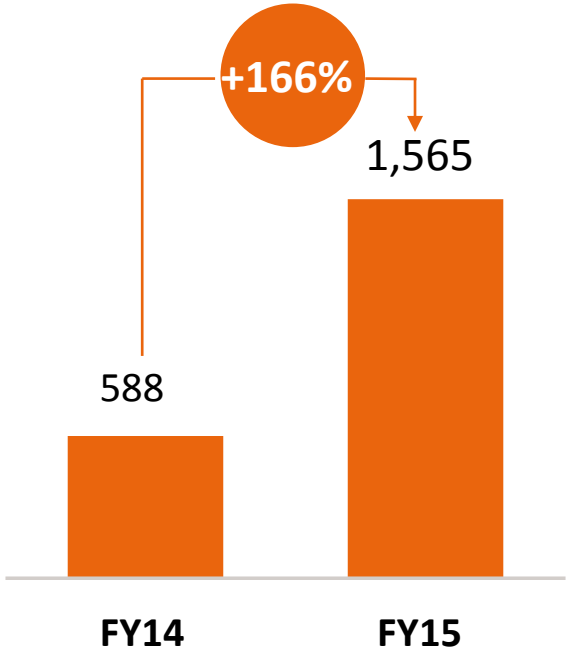
# 2015 full-year results

## Operating result (EURm)

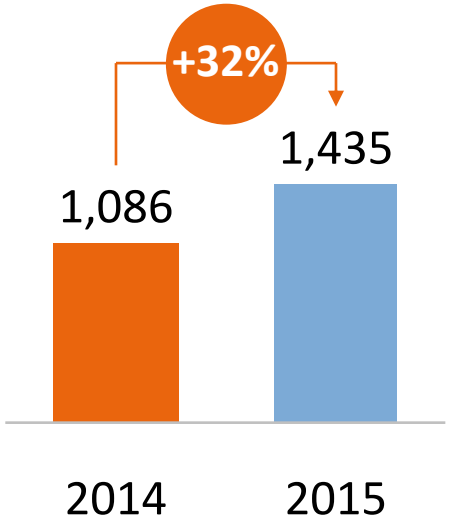



## Net result (EURm)

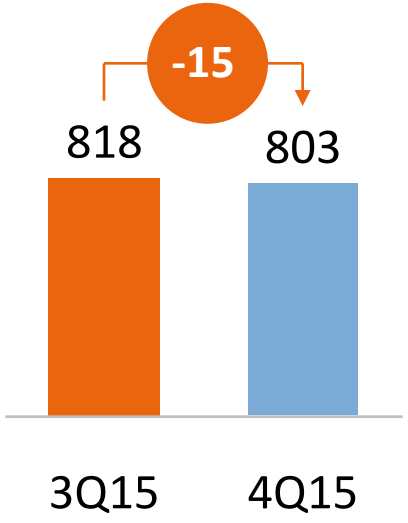


# Delivering on the financial targets

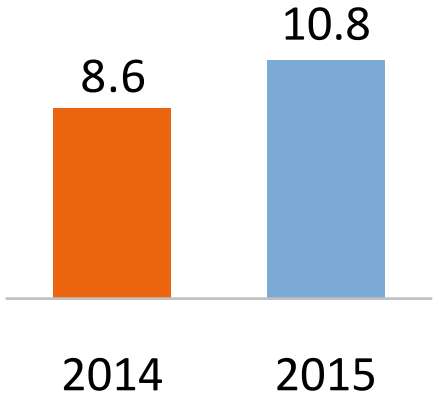
Annual earnings growth of 5-7% on average in the medium term (EURm)



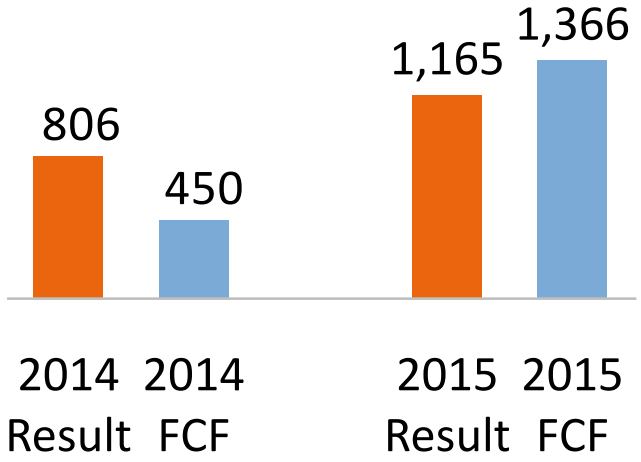

Target administrative expense base in the Netherlands of EUR 700m by 2018 (EURm)




Increase in ROE in medium term (%)




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

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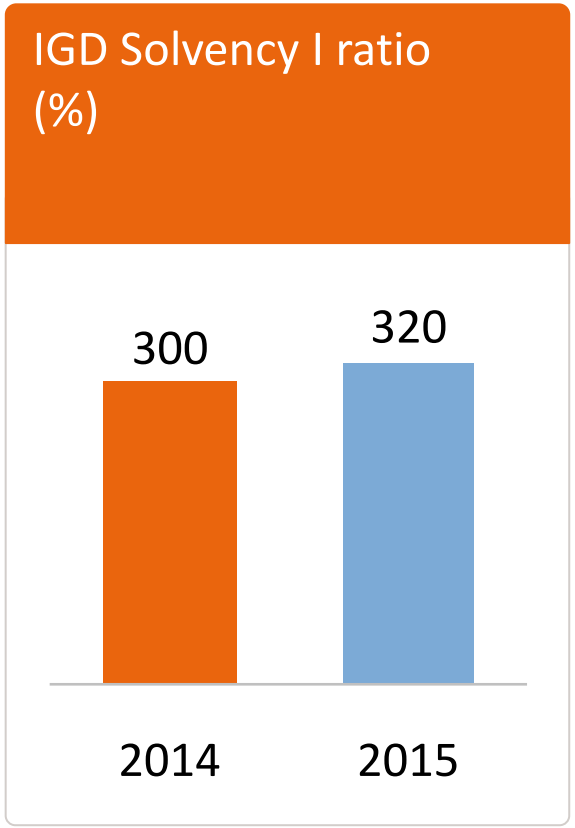
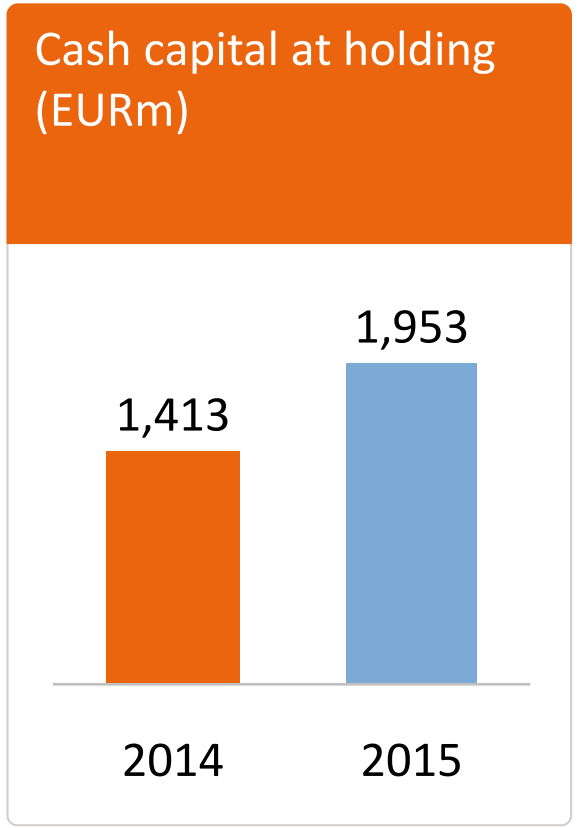
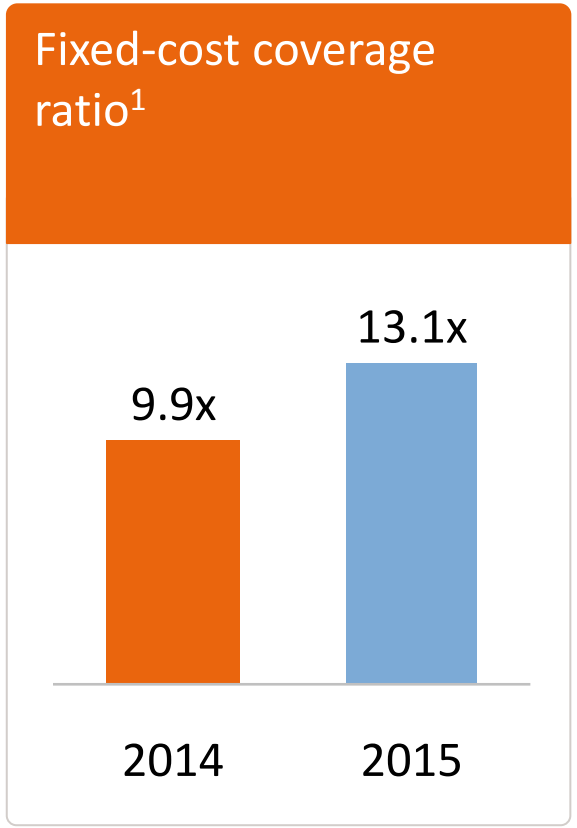
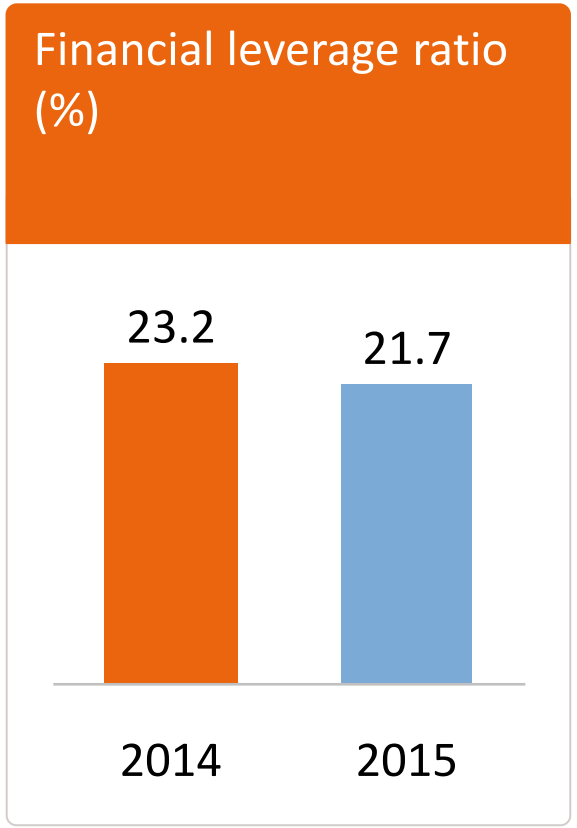
# Robust balance sheet




- Dutch regulator approved the use of the Solvency II Partial Internal Model in December 2015
- Solvency II ratio of 239% at 31 December 2015 after deducting the final 2015 dividend of EUR 341m

All numbers at end of period

1. Calculated on a last 12-months basis

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# Remittances under Solvency II in line with Solvency I

| Segment | Drivers remittances Solvency II | | | |
|---|---|---|---|---|
| | Own Funds expected return[1] | SCR development[1] impact run-off ( ✓) new business growth ( ✗) | Reduction surplus capital | Remittances vs Net operating result |
| Netherlands Life | ✓ | ✓ | ✓ | > |
| Netherlands Non-life | ✓ | | | = |
| Insurance Europe | ✓ | ✗ | ✓ | < |
| Japan Life | ✓ | ✗ | | < |
| Asset Management | ✓ | | | = |
| Japan Closed Block VA | ✓ | ✓ | ✓ | > |
| Other | (-) Holding interest expenses, (-) holding expenses, (+/-) FX movements, (+/-) other holding flows<br>(-) NN Bank (investment in growth of NN Bank) | | | |

Over time and assuming normal markets and no material special items, NN Group expects to generate free cash available to shareholders in a range around the Group's net operating result of the ongoing business

1. Available and required regulatory capital for Japan Life and Asset Management

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# Committed to our dividend policy

## Ordinary dividend

- In line with medium term financial performance
- Dividend pay-out ratio of 40-50% of IFRS net operating result ongoing business

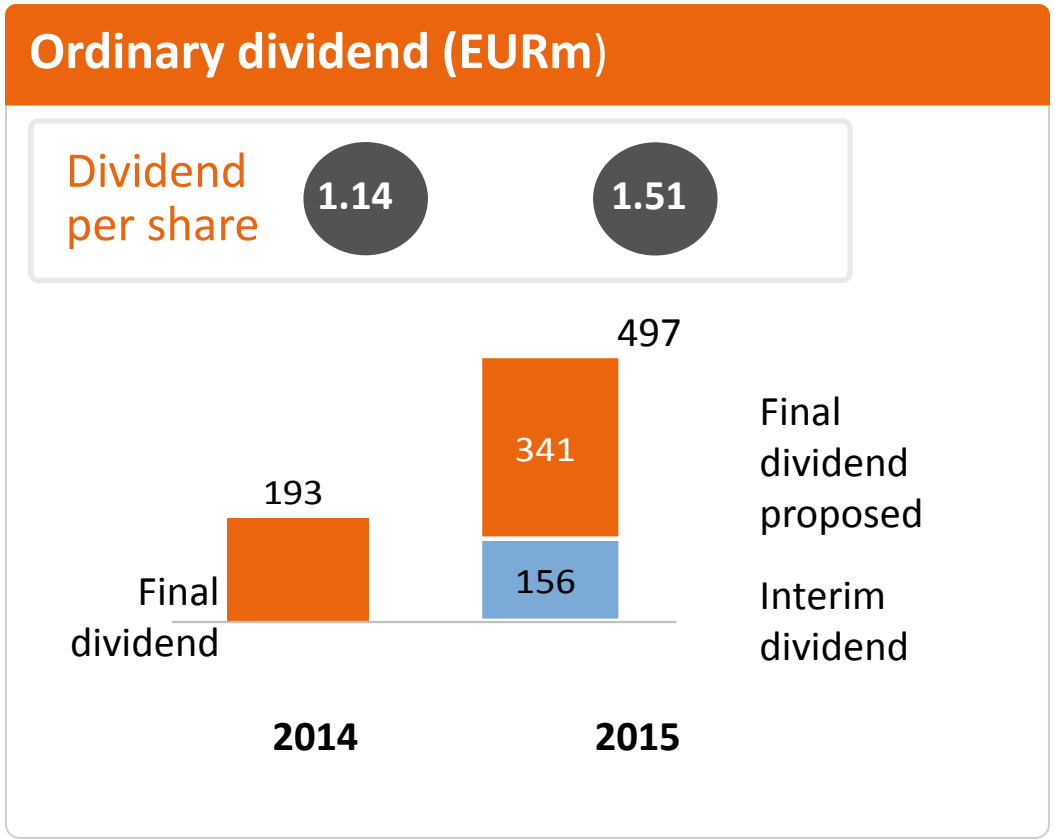
## Excess capital

- Excess capital expected to be returned to shareholders unless it can be used for any other appropriate corporate purposes, including investments in value creating corporate opportunities

## Considerations

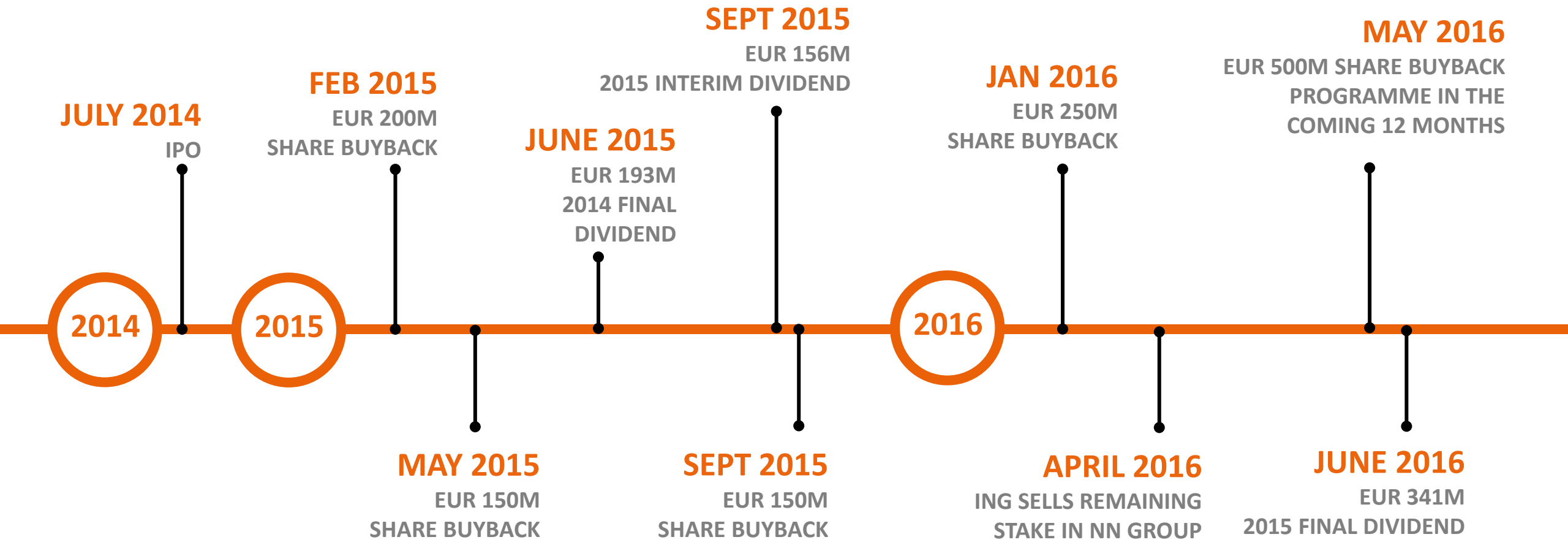
- When proposing a dividend, we will consider our capital position, leverage and liquidity position, regulatory requirements and strategic considerations as well as the expected developments thereof
- Interim dividend at 40% of prior year's full year dividend to achieve predictability and stable evolution of ordinary dividends

# 2015 interim and final dividend proposed




- Proposed 2015 final dividend of EUR 1.05 per ordinary share
- 2015 interim dividend of EUR 0.46 per ordinary share
- Total dividend for 2015 of EUR 1.51 per ordinary share
- Dividend pay-out ratio of around 41% of NN Group's full-year 2015 net operating result of the ongoing business

# Significant capital returned to shareholders since IPO

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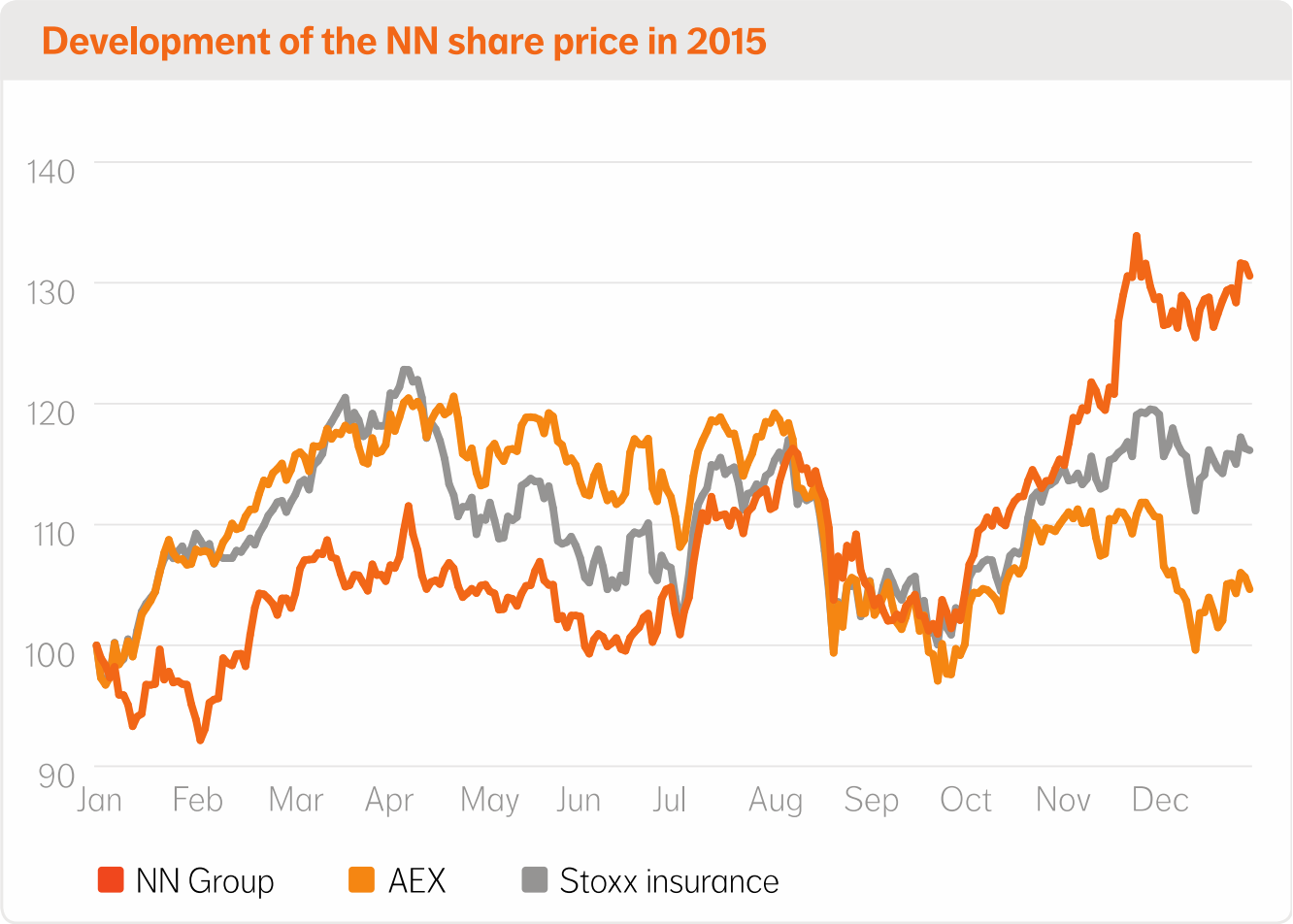
# Development of the NN Group share price in 2015




**Total Shareholder Return**

- 2015 36%
- IPO – 31 December 2015: 69%

# Going forward

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# Highlights 1Q16

Operating result
**EUR 305m**
(1Q15: EUR 304m)

Net result
**EUR 270m**
(1Q15: EUR 485m)

Net Operating ROE
**8.6%**
(1Q15: 8.7%)

Holdco cash capital
**EUR 2.1bn**
(4Q15: EUR 2.0bn)

Solvency II ratio[1]
**241%**
(4Q15: 239%)

Share buyback programme
**EUR 500m**

- Operating result ongoing business stable
- Holding company cash capital at EUR 2.1bn; free cash flow at holding company of EUR 403m
- Solvency II ratio at 241%; increase due to NN Group's designation as Financial Conglomerate partly offset by impact of EUR 250m share buyback in January 2016
- ING Group's remaining stake in NN Group sold on 14 April 2016
- EUR 500m share buyback programme during the coming 12 months

1. Based on the Partial Internal Model; 1Q16 reflects the EUR 250m share buyback in January 2016 and NN Group's designation as Financial Conglomerate effective from 1 January 2016; 4Q15 reflects the proposed 2015 final dividend

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# Our focus areas

**NN Group strategy going forward**

- Focusing on lifetime savings and risk protection via retirement services and asset management
- Creating a new world of customer experience through innovation
- Enhancing efficiency and agility in all businesses

**Business strategy going forward**

- Netherlands Insurance: digital, personal and relevant
- International Insurance: strategic focus on profitable growth
- NN Investment Partners: focus, simplify and optimise

**We continue to measure our performance in a disciplined way with clear objectives**

# Wrap up

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# Our journey as a stand-alone company has just begun

- NN Group has grown into an established company
- We continue to deliver on the targets we set at the time of our IPO to improve earnings and generate capital, as well as deliver an excellent customer experience
- Our results were strong, but our work is not complete
- Going forward, we need to remain responsive, become more agile and accelerate change
- We will steadily continue our journey as an independent 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.

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