



# Our performance



# NN Group's strategic priorities

**NN wants to contribute to a stable, inclusive and sustainable economy and society. We do business with the future in mind, supported by our values: care, clear, commit.**

Our ambition is to be a company that truly matters in the lives of our stakeholders. Therefore, we aim to:

- Offer value-added products and services to our customers
- As an employer, attract and retain talent by offering an interesting work environment
- Offer attractive long-term returns for our investors
- Invest our own assets and those entrusted to us in a responsible way
- Use our resources, expertise and reach to help society achieve long-term prosperity

Several of these stakeholder commitments, and the strategic priorities below, are reflected in the financial and non-financial performance objectives set for our Executive Board. Read more in the Remuneration report included in the Financial Report, pages 32-37.

## Medium-term strategic priorities

Four medium-term strategic priorities underpin our strategy and drive our business plans. The first concerns disciplined capital allocation. Through disciplined capital management and a focus on generating capital, we ensure our cash capital position and Solvency II ratio remain strong. NN Group aims to further reduce capital volatility to increase predictability

of cash flows and dividends, by investing the assets in order to match liability cash flows, and using hedging and reinsurance to the extent that it can be managed at a reasonable cost. NN has a track record of returning excess capital to shareholders. As announced on 13 February 2020, NN intends to pay a progressive ordinary dividend per share and execute a recurring annual share buyback of at least EUR 250 million. Additional excess capital is to be returned to shareholders unless it can be used for value-creating opportunities.

Second, we focus on innovating our business. We seek innovative ways to meet our customers' needs and keep up with changing market dynamics. We identify new customer segments and develop a customer experience that is as personalised and relevant as possible. Within NN, our Strategic Transformation Office aims to explore new value propositions and build internal innovation capabilities. In 2019, we launched our NN Innovation Method, a framework that provides simple tools and methods inspired by Design Thinking and the Lean Start-up Methodology. Innovation starts with the right mindset, and through this framework we can help colleagues work in a more innovative way.

Third, we strive for an agile and cost-efficient operating model, which is important to ensure long-term growth. This involves simplifying our processes to deliver better value for money; stimulating a cost-conscious culture; exploring different ways of working, like agile, in order to deepen our understanding of the customer journey; sharpening our customer intelligence skills; and developing an omnichannel approach. Business units are at different stages of our agile journey. Across our businesses, operational manual activities are increasingly being automated with robotic process automation.

Fourth, we aim to offer value-added products and services. We also develop solutions for very specific segments. For example, by tailoring a product to particular customer life stages or circumstances. Our asset manager offers a range of sustainable and impact investing strategies to its clients. Furthermore, we incorporate environmental, social and governance (ESG) factors in the investment process. We believe that this optimises the risk/return profile of the investment portfolios, helps to reflect NN's values and aligns our business with the broader objectives and expectations of society.

## Our performance – NN Group's strategic priorities continued

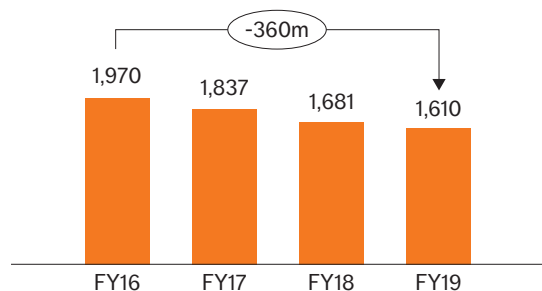
### Financial medium-term targets

The strategic priorities of NN Group translate into the following medium-term financial targets:

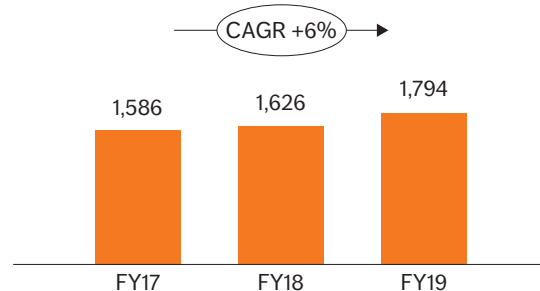
1. Achieving EUR 400 million in cost reductions by 2020. This applies to those business units that fall within the scope of the integration following the acquisition of Delta Lloyd in 2017.
2. Achieving an annual growth rate of operating result before tax of 5-7% on average in the medium term (based on the 2017 operating result).
3. Over time, generating free cash available to shareholders in a range around the net operating result (based on the net operating result, adjusted to reflect the deduction of the accrued coupon on undated subordinated notes classified in equity; and assuming normal markets, no material regulatory changes and no material special items other than restructuring charges).

## Progress on Group medium-term financial targets

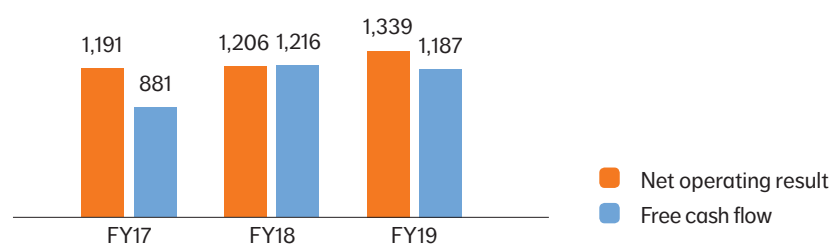
**EUR ~400m cost reduction<sup>1</sup> by 2020 compared with 2016 full-year expense base**  
(in EUR million)



**Annual earnings growth of 5-7% on average in the medium term<sup>2</sup>**  
(in EUR million)



**Over time, generate free cash available to shareholders in a range around the net operating result<sup>3</sup>**  
(in EUR million)



<sup>1</sup> In total for the following units: Netherlands Life, Netherlands Non-life, Belgium, Asset Management, Banking and Corporate/Holding entities, excluding acquisitions as from 2019. Representing part of total administrative expenses as disclosed on page 2 of the Financial Report.

<sup>2</sup> Annual growth rate of operating result before tax on average in the medium term; based on 2017 operating result.

<sup>3</sup> Net operating result, adjusted to reflect the deduction of the accrued coupon on undated subordinated notes classified in equity; assuming normal markets, no material regulatory changes and no material special items other than restructuring charges.

## Our performance – NN Group's strategic priorities continued

### NN Group's financial performance

NN Group's financial performance was strong in 2019, with a full-year operating result of EUR 1,794 million, up 10.3% from 2018, with most segments contributing. The measures we are taking to improve the profitability of the Dutch Non-life business are bearing fruit, demonstrated by the full-year combined ratio of 95.4% compared with 99.4% in 2018. We have made additional efficiency gains by further reducing the cost base of the units in the scope of the integration of Delta Lloyd into NN. Total cost savings achieved up and including 2019 amount to EUR 360 million, compared with the full-year 2016 administrative expense base of EUR 1,970 million.

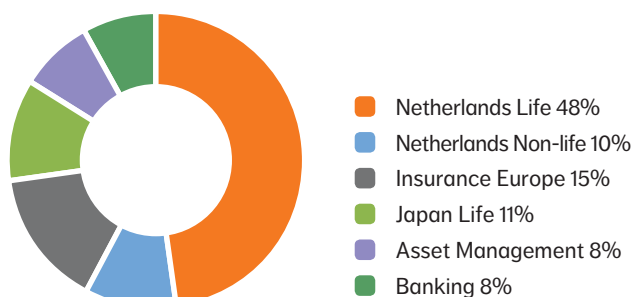
NN Group has a diversified portfolio of businesses. The mature insurance businesses in the home markets have strong cash and capital generating capacity which allows for the possibility to invest in growth areas in other business lines. Details on the performance of the different business units are given in the chapters that follow, where Netherlands comprises Netherlands Life, Netherlands Non-life and Banking, and International Insurance consists of Insurance Europe and Japan Life.

### Focus going forward

Looking ahead, and in the context of our overall strategic approach, we will be focusing on a number of priorities.

## Diversified portfolio of our businesses

### NN Group operating result before tax<sup>1</sup>



<sup>1</sup> Percentages based on total operating result (EUR 1,794m) excluding the segment Other (EUR -144m) for 2019.

First, we want to deliver on completing the integration of Delta Lloyd and prepare for the integration of the VIVAT Non-life business in the Netherlands. We will do this by following the clear roadmap that aims at delivering financial and non-financial benefits within the expected timelines. We also expect that strengthened competitive positions will bring us a sustainable cash flow.

Second, we want to further improve our performance by striving for enhanced profitability of our business units and by capturing growth opportunities in a disciplined manner.

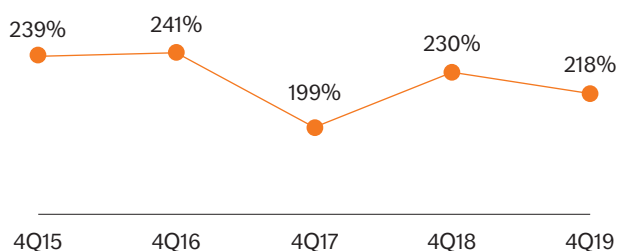
The third priority is to accelerate the transformation of our business model. This should result in optimising customer experiences and using technology to make the company more agile and efficient.

Our final priority is to continue allocating capital rationally. By generating cash flow in all business segments and upstreaming cash to the holding, we will be able to return excess capital to our shareholders, unless it can be used for value-creating opportunities. We announced an update of our dividend policy on 13 February 2020. Going forward, NN Group intends to pay a progressive ordinary dividend per share and intends to execute a recurring annual share buyback of at least EUR 250 million.

## We have always prioritised a strong balance sheet

NN Group aims to have a strong balance sheet. This is essential in order to be able to meet our responsibilities towards customers and policyholders. A strong solvency ratio reflects, together with sound risk management, the ability to fulfil financial obligations vis-à-vis our stakeholders.

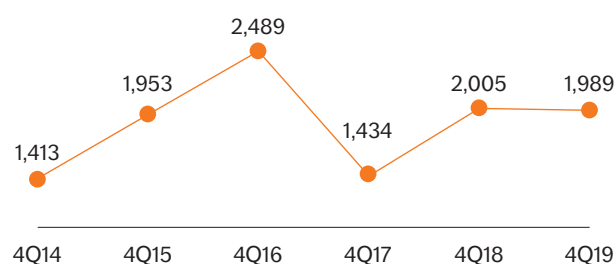
### Solvency II ratio



- Solid Solvency II ratio
- Operating units well capitalised at or above commercial levels

### Cash capital position

(in EUR million)



- Healthy cash capital, with target range of EUR 0.5-1.5bn
- Consistent and diversified capital flows from all segments



## Our performance – Netherlands

## Consolidation, integration, transformation

In our Dutch business, we delivered on our financial targets while also preparing for the future. Having achieved the necessary scale, we need to leverage its value.



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**We took decisive actions to consolidate our Dutch market position and we are working hard to further integrate and transform the business.**

**Tjeerd Bosklopper**  
CEO Netherlands ad interim and  
Chief Transformation Officer

### Tjeerd, what made you most proud in 2019?

If you consider the amount of change currently underway in technology, society and the political landscape, I doubt there's ever been a time when so much has been coming at the industry as today. Speed of execution and pace of change have increased massively. Companies with new business models, like Alibaba and Ping An, have built completely new conglomerates within five years. As a traditional insurer, we need to be continuously transforming and preparing for the future.

Aside from innovation, building capabilities and entering into strategic partnerships, NN is responding to the new paradigm by optimising and expanding current platforms. In 2019, we carried out acquisitions and subsequent integrations without any negative impact on overall customer or broker satisfaction, or employee engagement scores. I think that's something we can be very proud of. And in June 2019, we also announced that we intend to acquire VIVAT Non-life.

Financially, 2019 was a good year with solid results. We structurally improved our performance, achieving a combined ratio for the Non-life business of below our target of 97%. We've also delivered on our cost-savings targets: both the Life and Non-life companies achieved 20% cost reductions compared with the 2016 baseline.

### Where do you see room for improvement?

We made a good start with the company's transformation: NN Group has developed its innovation hypothesis; we built new capabilities; and we are exploring the potential of ecosystems and interconnected platforms around themes such as Vitality & Health, Carefree Retirement, Mobility, Cybersecurity and Home. However, transformation is a complex process and, given our considerable ambitions for the future, this is an area where we will need to step up the pace even more.

## Our performance – Netherlands continued

On the customer side, too, I would like to have seen a bit more progress. On average, customer Net Promoter Scores (NPS) and Global Brand Health Monitor (GBHM) scores were maintained, which is positive given the large integration programmes that have taken place. In some areas, the scores could rise if we can further improve the customer experience. Our customers want to be able to interact with us instantly in the ways that they prefer. Speed is a distinct competitive advantage here, with customers expecting social rewards and instant gratification. Things that technology can facilitate and reinforce.

### How would you describe the operational environment and challenges in 2019?

The circumstances for all Dutch segments remained challenging. For the Life business, this has mainly been due to the continuing low interest rates, which can lead to reinvestments of maturing assets at lower rates. The non-life market is characterised by fierce competition. While in the banking segment, margins are under pressure due to competition in the mortgage market.

### What were the highlights of Life?

On the pension side, we saw good commercial progress and rising customer satisfaction this year. The shift to capital-light defined contribution propositions continues to accelerate in the current low-interest environment. We see intensified competition and unbundled Premium Pension Institution (PPI) vehicles increasing cost transparency, and we therefore monitor market developments closely so we can continue to offer competitive pricing. A value proposition's investment performance (in terms of design, performance and cost) will be increasingly important.

In June, employer, employee and government representatives reached a Pension Agreement that will impact the entire pension industry. Within NN, we formed a task force to analyse and determine the agreement's implications for the coming years. We expect most impact from the industry-wide changes to be on the premium system and from the possibility of a pension date lump sum. The government envisages the new legal framework will be in place by 2022, but initial measures could already have an impact in 2020.

Within the small individual life market that remains, we have migrated nearly two million policies to our target platforms; few companies in the world have ever migrated so many policies.

## Financial performance (in EUR million)

	2019	2018
<b>Netherlands Life</b>		
Operating result	922	972
Solvency II ratio	213%	255%
New sales (APE)	480	262
Value of new business (VNB)	9	9
<b>Netherlands Non-life</b>		
Operating result	203	94
Combined ratio	95.4%	99.4%
– of which claims	67.4%	70.6%
– of which expenses	27.9%	28.8%
<b>Banking</b>		
Operating result	152	130
Core Tier 1 ratio	15.8%	16.3%
Net operating RoE	15.0%	12.9%

### How is Non-life showing progress?

In Non-life, we have taken structural measures to make the company healthier, both on the expense and claims side, with favourable results. In terms of completing the Delta Lloyd integration programme, we delivered a large part of the expense savings and completed the legal mergers by 1 January 2019. The next phase is the migration of policies to the target platforms, followed by decommissioning of the legacy IT platforms.

We kept our focus on moving from product solutions to service solutions. With the acquisition of Human Capital Services (HCS) we strengthened our position regarding the socially relevant topic of sustainable employability. HCS will continue to provide its services on case management and burn-out prevention. This acquisition is invigorated by the strategic partnership with the data analytics expertise of Otherside at Work.

The shift from monthly premiums to pay-per-use is an important trend. This year we continued testing and scaling Bundelz, developed in our innovation lab, SparkLab. It is the first Dutch pre-paid car insurance, and allows customers to buy a 1,000 km car insurance bundle rather than pay monthly premiums.

### And what were the main developments at Bank?

Bank had a strong year, originating a record EUR 7.9 billion in mortgages. To improve our competitive position and meet our customers' needs, we have enhanced our digital and product features and strengthened our cooperation with intermediaries. In July, we introduced a new risk-based pricing system for mortgages that automatically lowers the rates charged to customers during the fixed-rate period if the loan is eligible for a lower-risk premium as a result of repayments. If real estate increases in value, customers can request a lower interest rate, if applicable to their situation. In addition, NN Bank's savings and bank annuity portfolios increased despite strong margin focus.

And we can look back on a successful Savings and Investments migration following the acquisition of Delta Lloyd Bank. As part of which, our Banking app and portal became fully available to former Delta Lloyd customers in 4Q 2019.



# 6.7m

Customers in the Netherlands

## Market positions

### Life:

**Top 1 position in group pensions, 40% market share, and 23% market share in individual life**

### Non-life:

**Top 1 position in Disability & Accidents, 29% market share and Top 2 position in Property & Casualty, 20% market share**

### Bank:

**Originated a record amount of EUR 7.9 billion in mortgages in 2019**

## Optimising the business

- We optimised our digital customer service in various ways, including adding new features to our app and improving security through multi-factor authentication. Using data and analytics, we can now offer personalised content on nn.nl, and did so for 1 million of the 14 million visits in 2019. In July, we launched our renewed NN app, which provides a better user experience as it is faster and more stable.
- We made progress towards our goal to achieve further synergies and organisational efficiencies by decommissioning over 500 redundant legacy IT systems. Several migrations were successfully finalised, including the Voogd & Voogd Open Book Migration at Non-life; migrations within Savings & Investments, Mortgages and Consumer Lending at Bank; and the BeFrank migration to the cloud at Life.
- We continued with our agile transition programme launched in 2018. Teams are organised by product and, wherever possible, autonomously, making it easier for them to create the optimum customer journey.



## Innovating the business

- Smart Move brings together an ecosystem of partners to make moving hassle-free. A personalised digital checklist detailing all the actions needed before, during and after the move. The customer has the option to outsource multiple tasks and book them directly.
- Perfect Day: a cybersecurity service for SMEs that provides insights into cyber-risks and vulnerabilities. The services include specific solutions to prevent cyber incidents and manage cyber-risks. If they want, the SME can also take out cybersecurity insurance (also offered by NN).
- Friend: this social platform connects people aged 50+ through social activities, helping them lead an active social life during (pre-)retirement
- Crunchr: a B2B service that gives HR professionals insights into HR data to help them make data-driven decisions and better manage workforce processes
- Hello Mobility: a service that helps car fleet owners develop a safer, cleaner and more efficient fleet through data-driven personalised advice and coaching



## Products and services

- Life: group and individual life/pension products, pension administration & support for pension funds
- Non-life: motor, fire, liability, transport, individual disability, group income, accident, health insurance
- Bank: mortgages, consumer lending, savings, investments, mortgage origination & servicing for NN Group companies

## Our main brands

- Nationale-Nederlanden, OHRA, Movir, AZL, BeFrank, ABN AMRO Verzekeringen



## Our performance – International Insurance

# Meeting customers' protection needs

In our international insurance businesses, we focus on bridging the protection gap to help our customers.



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**Our dedicated and passionate teams in the countries played a crucial role in our performance and in meeting customers' needs.**

**Fabian Rupprecht**  
CEO International Insurance

### Fabian, what were the highlights of 2019 for International Insurance?

International Insurance made a strong contribution to NN Group's performance in terms of financial results, as we reached an operating result of EUR 0.5 billion – an important milestone. And we made progress across our business segments. To highlight a few areas: we contributed to the public pension debate in Romania and Poland; we strengthened our partnerships; we increased our protection business through new products; and we sharpened our customer focus.

### How did you contribute to the pension reforms debate?

In Romania, we engaged with the insurance association and government on the capital requirements for the Pillar 2 pension system, which led to a viable solution.

In Poland, the pension legislation changed, requiring companies with over 250 employees to choose their pension provider. We engaged in constructive dialogue with all relevant parties to better understand companies' needs. Following the first wave

of this reform, Nationale-Nederlanden Poland and NN Investment Partners Poland have a combined market share of 24% in Assets under Management and serve 726 firms making NN the biggest private manager of this reform.

### How have you managed to improve distribution partnerships?

Through our partnerships, we aim to optimise our business and accelerate our capital generation. We have a strong distribution network with 28 partner banks in ten European countries, and 60 bancassurance relations in Japan.

We have an ongoing cooperation with ING Bank in five European countries, through which we support them in their fee income growth by leveraging our portfolio of leading products, such as our award-winning lifelong income product in Belgium. We are also looking to develop new digital products with ING Bank, for example micro-insurance, products that cover specific customer needs by offering features such as on demand insurance covers.



## Our performance – International Insurance continued

In each market, we try to leverage our own channels to develop mutually beneficial partnerships. For example, our reciprocal distribution partnership with ING Bank in Spain allows our 2,000 tied agents to distribute mortgages for the bank.

We have also taken steps to partner up with new banks, for instance EFG Postbank in Bulgaria to distribute our pension products.

### Can you give some examples of new protection products?

In Romania, we launched a series of products with add-on coverages (modular riders) which customers can choose from, depending on their needs. The products complete our protection portfolio by offering financial protection for critical illness, and work incapacity due to permanent disability or accident recovery.

In Turkey, we started offering complementary health insurance that covers the surcharges for medical services from private medical institutions that are contracted by the state social security system. This product is available to Turkish citizens who do not have private health insurance.

Our protection share (measured by value of new business) grew by 8% in Europe and by 12% in Japan compared with 2018.

### What initiatives have you launched to increase customer focus?

We initiated 'scaled agile' in several markets; we launched our 'Oxygen' cloud-based insurance product platform and set our NN Data Science Hub in motion, all aimed at helping us to respond faster to customer needs and tailor our value propositions.

In all our markets we are using agile ways of working. In Hungary and Spain, in particular, we introduced 'scaled agile' as a disruptive operating model with some results already visible. In Hungary, we automated the risk assessment process, shortening it, in some cases, from 13 days to a few minutes. In Spain, the employee benefits team, which processes group life insurance contracts, saw a 30% reduction in pending tasks compared to before the introduction of agile.

We launched our first product on the Oxygen platform, a home insurance for Spanish citizens. Through Oxygen, we will be able to provide digital insurance solutions to various distributors.

Our NN Data Science Hub delivered various commercial use cases. For example, we are working on 'next best offer' models to identify which product best suits a customer. The engine orchestrates multiple propensities for cross-sell and retention propositions for each customer. It has been developed in Romania and Turkey, with Hungary and Spain to follow. In addition, we are piloting the use of chatbot for tied agents – aimed at answering their frequent questions and freeing up their time so they can focus on customers.

### Can you describe the operating environment and challenges in 2019?

Even though our international businesses are highly varied, this year they have all faced low interest rates, political and economic uncertainty and, in some markets, regulatory changes.

The low interest rates pose a challenge for us in guaranteed savings products. To adapt to this challenge, we are looking to adjust our portfolio through innovative offerings. In Greece, for example, we introduced a growing guarantee product, 'Smart Move', that lets customers build up a long-term investment through regular payments.

The changing regulations in some markets present both challenges and opportunities. In Poland, a move is anticipated from Open Pension Funds in the Pillar 2 pensions to Individual Pensions Accounts in Pillar 3. This will give Polish people freedom to leverage their assets, and change how these funds are taxed. We are studying these developments and engaging with all relevant parties.

In Japan, the tax rules have changed, impacting our business. We believe all stakeholders – independent advisors, agents, banks and customers – need time to adjust to the new, more complex tax rules. According to SME owners' feedback the new rules continue to be attractive, but require more advice. We therefore focus on educating independent advisors on how to advise SME customers and find the most suitable solution for them. We are confident that this will help our customers and our business in Japan in the long term.

From an operational perspective, we need to further intensify our transformation efforts by extending our digital service models and developing relevant capabilities. We are investing in Customer Relationship Management and lead management capabilities while developing a customer engagement framework to maximise output from our business initiatives. At the end of the year, we announced the appointment of a Chief Digital Officer to drive transformation and coordinate our efforts in becoming a more data-driven, customer-centric company.

Despite our challenges, we had a solid year. Our dedicated and passionate teams in the countries played a crucial role in our performance and in meeting customers' needs.

### What strategic direction have you set for the future?

We believe the need for protection products across Europe and Japan will further increase, and that customers will continue to need personal advice, and more personalised products and services.

For our part, we will increase the pace of our digital transformation in order to stay close to our customers. And continue to leverage our distribution by improving the way we work with existing partners and potentially collaborate with new partners.

## Financial performance (in EUR million, in historic exchange rates)

	2019	2018
<b>Insurance Europe</b>		
Operating result	283	271
New sales (APE)	674	627
Value of new business (VNB)	204	168
<b>Japan Life</b>		
Operating result	218	167
New sales (APE)	587	751
Value of new business (VNB)	146	214

## Our performance – International Insurance continued

### Highlights

# Top 3

Player in Central and Eastern Europe, focused on life and voluntary pensions

# 13m

Customers in ten countries in Europe

# NPS +4

Increase of combined NPS for International Insurance (excluding Japan) to +34 points

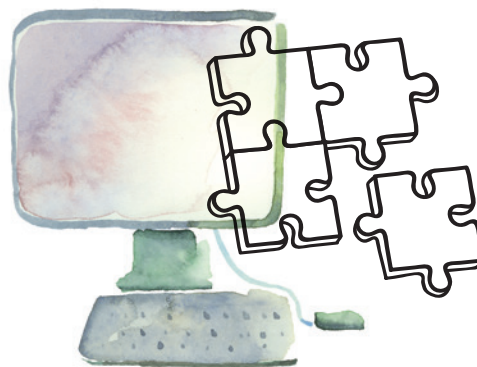
### Optimising the business

- Following the acquisition of Aegon's life insurance and pension businesses in Slovakia, we launched a new risk life insurance product combining the best from the NN and Aegon offering
- Our Slovak and Czech business units were disentangled. We now have a local organisation in Bratislava, allowing for better focus on the customer.
- In Belgium, we made further progress in our integration with Delta Lloyd Life – most retail life protection contracts were migrated into our Solife back-office platform



### Innovating the business

- In Greece, Czech Republic, Romania, Hungary, Spain and Japan we train our agents to better serve our customers through gamification: agents answer questions, issue applications and compete with each other, resulting in increased value of new business (VNB) and productivity
- In the Czech Republic, our brokers, tied agents and banking partners use the Stela digital sales platform, enabling a paperless business origination process, faster processing times and fewer interventions
- NN Life Japan launched a responsive design-based, mobile-friendly portal for new customers who buy NN products through insurance agencies and use digital application processes. Following the pilot, NN plans to launch the portal to existing COLI customers.



### Products and services

- Life insurance (all countries)
- Property & casualty (Belgium, Spain, Poland)
- Corporate-owned life insurance (Japan)
- Pensions (Bulgaria, Czech Republic, Slovakia, Poland, Romania, Turkey)
- Health insurance (Greece, Romania, Turkey)
- Employee benefits (Spain)

## Our performance – Asset Management

# Distinctive, responsible and client-focused

Our Asset Manager has further sharpened its product offering and customer experience. Through sustainable solutions, we create value for our clients and wider society.



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**We continue to invest in our distinctive capabilities, while bringing value to clients and growing our business in new ways.**

**Satish Bapat**

CEO NN Investment Partners (NN IP)

## Satish, looking back on 2019, what are your highlights?

I am proud of the progress we made in 2019. We sharpened our product offering so we can continue to bring clients the products and solutions with the most value, we improved customer experience, and we became more efficient.

## Can you elaborate on the progress around NN IP's core business (investments)?

NN IP focuses on distinctive investment capabilities, being specialised fixed income, alternative credit, multi-asset and specialised equity strategies. Alongside fundamental research, the backbone of an active asset manager's process, we have investigated other sources of investment return (or as we say, alpha) for clients.

Responsible investing is a key investment belief of NN IP. We are convinced we can have a positive impact on society while achieving sustainable and strong risk-adjusted returns for our clients.

We integrate environmental, social and governmental (ESG) factors into the investment process of roughly two-thirds of our assets under management. We believe responsible investing is about actively engaging with companies to stimulate their sustainable transition, and that ESG integration leads to better risk-adjusted performance.

We are also exploring the use of artificial intelligence techniques and big data to enhance fundamental research. For example, by testing the use of Natural Language Processing techniques in our European equity strategies. To maximise the value of our data usage, we have recruited people with the right skills from within and outside our industry, and added data scientists to our investment teams.

Finally, we believe investors are not completely rational, but subject to cognitive biases. Through behavioural analysis, we aim to identify the biases affecting both the market and our own decision-making, using the insights to sharpen our investment processes and make better decisions.



## Our performance – Asset Management continued

### Financial performance (in EUR million)

	2019	2018
Operating result	161	155
Assets under Management (AuM in EUR billion)	276	246
• Of which third-party	89	81
Net inflows (in EUR billion)	2	-6
Cost/income ratio (administrative expenses/operating income)	63.8%	65.9%
Fees/average AuM (bps)	17	19

To support these capabilities and our investment professionals, we have established a central innovation and responsible investing platform. This simple yet powerful tool allows us to share and store information in one place, facilitating continuous learning.

#### What progress has been made on client experience?

We continuously talk to our clients about their current and future needs. We have used their feedback to improve our digital channels. For example, our website and client portal are now more intuitive and, within our client portal, institutional clients can now create customised views with real-time portfolio information.

We also tap into the strengths of partners to create value for clients. For example, NN IP designs client propositions and solutions that package various components or building blocks. Some we create ourselves, others we source from expert partners. An example is the sustainable enhanced equity range we recently launched with Irish Life Investment Management (ILIM).

#### Can you say more about your partnerships?

Partnerships are key to us and span geographies. From Voya in the US, ING and ILIM in Europe and Nomura, Rakuten and China AMC in Asia. Our partnership with ING in Poland for example enables us to reach more clients; with China AMC we collaborate in multiple ways: from shaping our joint product offering to identifying how best to leverage each other's presence and know-how.

Our recently acquired majority stake in Venn Hypotheken in the Netherlands gives us increased access to Dutch mortgage origination, meeting clients' need for increased yield potential in a low interest rate environment.

#### What have you done to increase efficiency?

We allocate resources to core activities: investing clients' money, delivering risk-adjusted returns and ensuring good client experience. Non-core activities can, if needed, be sourced from partners. For example, we further leverage on our strong investment platform and outsource and decommission other tools and systems that can be migrated or are not essential.

We have further simplified our organisation and made our expense base more variable (i.e. expenses move with volume or AuM). We integrated our Luxembourg management company into our Dutch licensed entity, as European 'passporting' of the Luxembourg fund range allows us to run its operations from the Netherlands.

#### What is the biggest challenge experienced by asset managers?

People are living longer and therefore need to put more aside for retirement, healthcare, et cetera. At the same time, responsibilities are shifting to individuals. We believe this challenging environment gives rise to an increasing need for asset management and advice.

However, the biggest challenge is the persistent low interest rate environment. This creates pressure on active managers' performance to continuously deliver value (net of fees), thus increasing fee pressure, and demand for passives, absolute-return strategies and higher-yielding alternatives.

#### What is NN IP's strategic focus for the mid to long term?

We will continue to invest in our core investment capabilities. In addition, we are committed to integrating ESG criteria where relevant throughout the investment process. To us, ESG and responsible investing are not just buzzwords. They are at the heart of our investment strategy and beliefs.

Besides strengthening our investment capabilities, we will also explore new ways to bring our products to both existing and new clients.

Finally, asset management is a scalable business, as we saw with the integration of Delta Lloyd Asset Management (DLAM) at almost no additional cost. Scale remains important, and while continuing to make the right choices organically, we will also look to supplement organic growth with partnerships and bolt-on acquisitions. Though, as with any business decision we make, these will need to meet strict financial and non-financial criteria, and support our strategic direction.

## Highlights

# EUR 276bn

Assets under Management

# A+

Score by Principles for Responsible Investment

# 68%

Percentage of assets ESG-integrated

## Products and services

- Specialised fixed income, alternative credit, specialised equity, automated investing strategies, multi-asset and fixed income solutions
- ESG factors form an integral part of the investment process
- Creating alpha by combining human creativity with machine rigour

## Optimising the business

- Simplifying the organisation, aligning roles and responsibilities across locations, and harmonising processes and procedures. For example, by consolidating the Luxembourg management company with the Dutch licensed entity.
- Optimally leveraging our scalable operating systems, including our global investment platform Aladdin, while decommissioning other systems. For example, decommissioning MSCI RiskMetrics by migrating it to Aladdin.
- Outsourcing non-differentiated commoditised activities, including Dutch fund accounting and formal accounting for institutional clients



## Innovating the business

- Strengthening our investment capabilities. Examples include implementing recommendations from the 2018 outside-in assessment and broadening our loan investment offering by taking a majority stake in Venn Hypotheken.
- Building Papyrus, an in-house central innovation, responsible investing and research platform that connects strategies and users across all departments
- Improving the services we offer clients. For example, through the integrated, secure and personal client experience offered by our client portal and by launching new funds such as our short-duration green bond fund. This fund contributes to the UN's SDGs and, with a duration of two years, is uniquely positioned in the market.
- Strengthening our distribution capabilities through local presence and by both leveraging existing partnerships and building new ones. Supporting our third-party asset growth strategy, in 2019 we opened an office in Montevideo, Uruguay, announced our partnership with ILIM and formalised our partnership with ING Bank Śląski S.A. in Poland.

