

You matter

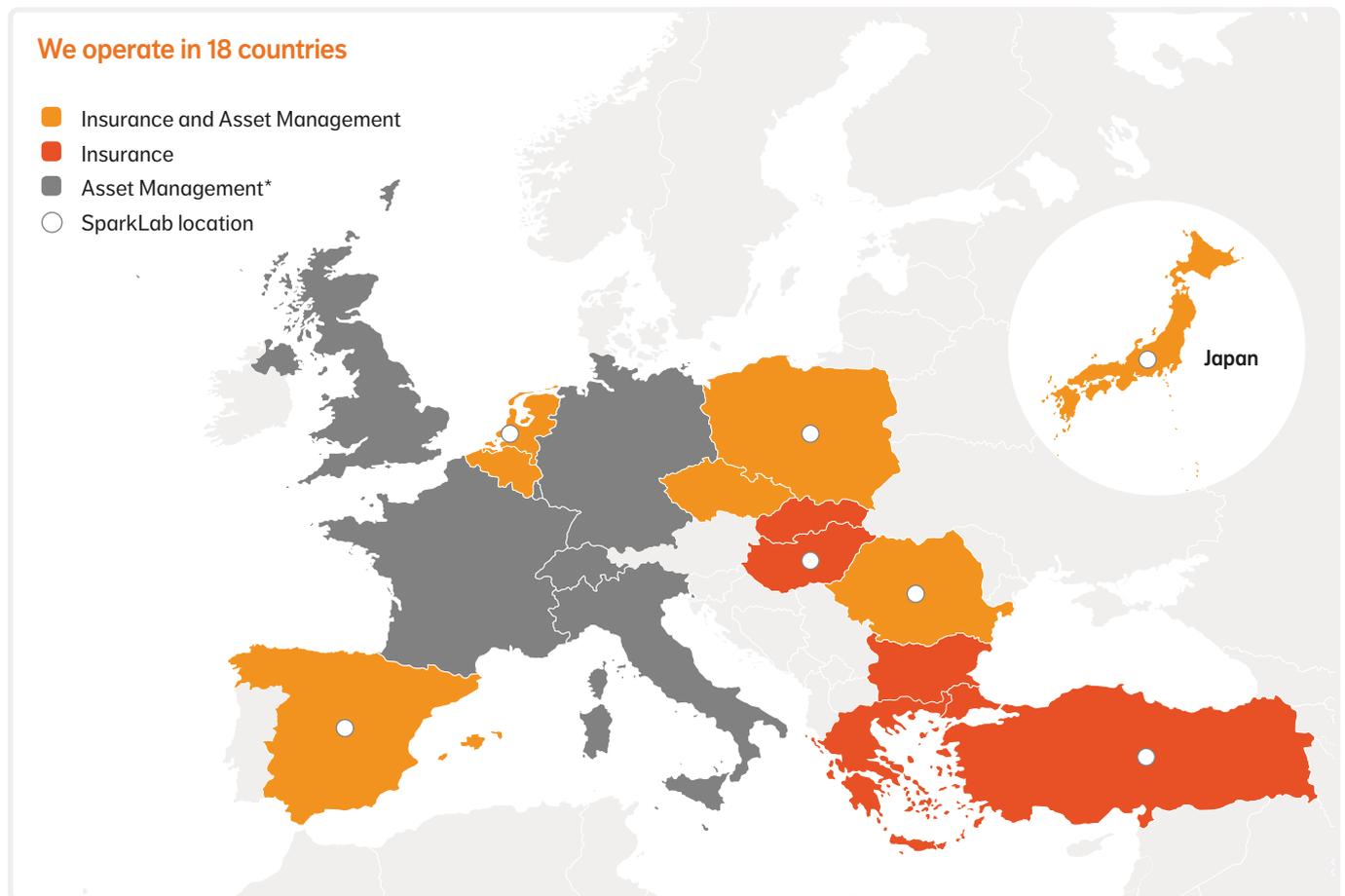
We believe people want to live life to the fullest, focusing on what matters most to them. We empower them to do just that – through all stages of their lives – by taking on the risks they cannot bear alone, and by helping them to secure their financial well-being.

What matters to you, matters to us.

NN at a glance

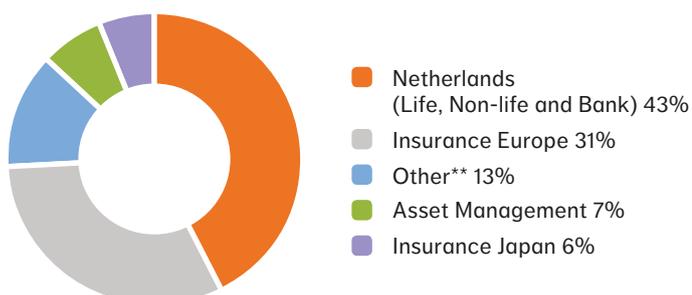
Who we are

NN Group is a financial services company, active in 18 countries with a strong presence in a number of European countries and Japan. Our purpose is to help people secure their financial futures. Through our retirement services, and insurance, investments and banking products, we aim to create value for our customers and other stakeholders.



* Outside Europe and Japan, NN Investment Partners has offices in New York and Singapore.

We have 14,953 employees



** Other includes Group staff, Chief Investment Office and NN Re.

Our values



How we performed

Financial highlights

Operating result ongoing business

EUR 1,626m ▲
(2017: EUR 1,586m)

How we performed

The increase reflects improved results, expense reductions, and the inclusion of Delta Lloyd (from 2Q17), partly offset by a lower benefit from non-recurring items. Our annual earnings growth target: 5-7%.

Expense reduction

EUR 289m ▲
(Target: EUR 400m by 2020)

How we performed

Total expenses reductions at the units in scope of the integration of EUR 289 million compared with the 2016 administrative expense base. Well on track to reaching the target: EUR 400 million by end of 2020.

Free cash flow to the holding

EUR 1,216m ▲
(2017: EUR 881m)

How we performed

Free cash flow to the holding of EUR 1.2 billion, mainly reflecting EUR 1.6 billion of dividends received from subsidiaries, partly offset by holding and funding costs.

NN IP Assets under Management

EUR 246bn =
(2017: EUR 246bn)

How we performed

Total Assets under Management of NN Investment Partners stable at EUR 246 billion compared with year-end 2017.

Solvency II ratio

230% ▲
(2017: 199%)

How we performed

The Solvency II ratio increased from 199% (year-end 2017) to 230% (year-end 2018), driven by operating capital generation and positive market variances, partly offset by capital flows to shareholders.

Value of new business

EUR 391m ▲
(2017: EUR 345m)

How we performed

The value of new business (VNB) in 2018 amounted to EUR 391 million, up 13.4% compared with 2017, driven by an improved product mix at Insurance Europe and Japan Life.

Non-financial objectives

Net Promoter Score

+1.5 points ▲
(2017: +17 points)

Where we stand

We aim to increase our NPS scores every year. In 2018, 5 of our 12 insurance business units maintained or improved their relational NPS scores compared with 2017. Other units saw their scores decrease, which has our full attention.

Assets under Management in sustainable and impact strategies

EUR 16.5bn ▲
(2017: EUR 10.9bn)

Where we stand

We aim to increase our AuM in sustainable and impact strategies every year. In 2018, these assets represented 6.7% of total AuM, while at the same time showing again an increase of 53% compared with 2017.

Employee engagement

7.1 ▲
(2017: 7.0)

Where we stand

We aim to increase our employee engagement every year. In 2018, engagement showed a slight increase compared with 2017.

Women in senior management positions

33% ▲
(2017: 32%)

Where we stand

We exceeded our target to have 30% women in senior management positions by 2020. We will continue to strengthen our efforts in this area.

Young people reached through NN Future Matters programme

38,536 ▲
(2017: 37,208)

Where we stand

Since the start of our programme in 2014, we have reached 112,937 young people, exceeding our 2020 target to positively impact the futures of 100,000 young people. We aim to continue to grow this number.

Direct environmental footprint (CO₂ emissions per FTE)

-6% ▼
(2017: -10.5%)

Where we stand

Our target is to reduce the CO₂ emissions of our direct operations by 3% per year. In 2018, our CO₂ emissions (scope 1 and 2) per FTE showed a decrease of 6%. We aim to further decrease our CO₂ emissions every year.

How we create and share value

We aim to create long-term value for our stakeholders. The value creation model shows how we use the resources and expertise at our disposal, and the value this creates for our stakeholders.

Key inputs

Capital

Financial Capital

- EUR 13.3bn gross premium income
- EUR 246bn Assets under Management
- EUR 16,727m eligible own funds

Human and Intellectual^{*} Capital

- 14,953 employees
- Values-driven culture
- Responsible business standards

Social and Relationship^{**} Capital

- Customer relationships (around 17 million customers)
- Business partners and suppliers
- Other key stakeholders

* Intellectual capital refers to the institutional, innovation and digitalisation knowledge, research etc. developed within the organisation.

** Relationships developed within and outside the organisation. It includes relationships with customers, business partners and suppliers.

Trends and developments

- Economic and demographic changes
- Low interest rates
- Regulation
- Changing pensions systems
- New technologies and innovation
- Sustainable development



The value we created in 2018

Output



Customers

- Claims and benefits paid
EUR 15.2bn
- Customer satisfaction
NPS +1.5 pts

Outcome

We offer products and services that are easy to understand and that meet our customers' needs, helping them to secure their financial futures throughout the different stages of their lives. Read more on pages 22-32 and 35-37.

Contributing to the Sustainable Development Goals



Employees

- Salaries and benefits
EUR 1.5bn
- Training and development
EUR 21.5m
- Women in senior management
33%
- Employee engagement
7.1

We offer an attractive, stimulating and diverse work environment to our employees. We invest in their skills and personal development to help them reach their full potential. Read more on pages 38-41.



Investors

- Dividend paid
EUR 570m
- Share price change
-3.7%
- Free cash flow to holding
EUR 1,216m

We maintain a strong balance sheet and take a disciplined approach to capital management, so we can offer attractive long-term returns for our investors. Read more on pages 42-43.



Society

- Income tax paid to governments
EUR 55m
- Paid to suppliers
EUR 1bn
- AuM in sustainable and impact investment strategies
EUR 16.5bn
- Donations to charitable organisations
EUR 2.7m

We use our resources, expertise and reach to help society achieve long-term prosperity. We invest in a responsible way, ensure fair tax policies, minimise our direct environmental footprint, and support local communities. Read more on pages 44-51.



Our seven reporting segments

Our business activities are structured within seven reporting segments: Netherlands Life, Netherlands Non-life, Insurance Europe, Japan Life, Asset Management, Other, and Japan Closed Block VA.¹

1. Netherlands Life

Proven track record in improving the customer experience whilst reducing expenses

Products and services

Group life/pension products

Individual life/pension products

Premium Pension Institution (BeFrank)

Pension administration & support for pension fund boards (AZL)

Customers

Retail customers

Small- and medium-sized enterprises (SMEs) and their employees

Pension funds

Large corporate clients and their employees

Financial performance

Operating result EUR 972m

New sales life insurance (APE) EUR 262m

Total provision EUR 112bn for insurance & investment contracts – of which for risk policyholder EUR 21bn

Solvency II ratio NN Life 255%

Solvency II ratio Delta Lloyd life 180%

Value of new business (VNB) EUR 9m

2. Netherlands Non-life

Improving performance and delivering growth in the changing non-life market

Products and services

Property & casualty

Motor insurance

Fire insurance

Liability insurance

Transport insurance

Disability & accident

Individual disability insurance (Movir)

Group income insurance

Accident insurance

Health insurance (NN Zorg, OHRA Zorg)

Customers

Retail customers

Self-employed

Small- and medium-sized enterprises (SMEs) and their employees

Large corporate clients and their employees

Financial performance

Operating result EUR 94m

Gross premium EUR 3,083m income

Combined ratio² 99.4%

– of which Claims² 70.6%

– of which Expenses² 28.8%

3. Insurance Europe

Growing the business by engaging customers through a variety of distribution channels

Products and services

Life insurance (all countries)

Property & casualty (Belgium, Spain, Poland)

Pensions (Bulgaria, Czech Republic, Slovakia, Poland, Romania, Turkey)

Health insurance (Greece, Hungary, Romania)

Employee benefits (Spain)

Customers

Retail customers

Self-employed

Small- and medium-sized enterprises (SMEs) and their employees

Large corporate clients and their employees

Financial performance

Operating result EUR 271m

New sales life insurance (APE) EUR 627m

Value of new business (VNB) EUR 168m

4. Japan Life

Delivering strong profitable growth and diversifying distribution

Products and services

Corporate-owned life insurance (COLI)

Protection life insurance

Customers

Owners and employees of small- and medium-sized enterprises (SMEs), where the company is both the policyholder and the beneficiary of the policy

Financial performance

Operating result EUR 167m

New sales life insurance (APE) EUR 751m

Value of new business (VNB) EUR 214m

¹ Certain changes will be made to the segment reporting of NN Group as from the first quarter of 2019. The banking business, which is currently included in the segment 'Other', will be reported as a separate segment. At the same time, the segment Japan Closed Block VA will no longer be reported separately. Going forward, the results of Japan Closed Block VA will be included in the segment 'Other' as a non-operating item ('Market & other impacts').

² Excluding health and broker business.

³ Percentages based on total operating result before tax of the ongoing business (EUR 1,626m) excluding segment Other (EUR -33m) for 2018.

⁴ The common equity tier 1 ratio is not final until filed with the regulators.

⁵ (Annualised) net operating result of Banking, divided by (average) adjusted allocated equity.

⁶ The legal mergers of NN Life and NN Non-life with Delta Lloyd Life and Delta Lloyd Non-life respectively became effective on 1 January 2019.

NN at a glance continued

NN Group operating result ongoing business before tax (excluding the segment Japan Closed Block VA)³

(% of total – FY2018)


59% Netherlands Life

6% Netherlands Non-life

16% Insurance Europe

10% Japan Life

9% Asset Management

5. Asset Management

Managing assets responsibly; solutions-driven with a distinctive identity

Products and services

Multi-Assets

Alternative Credit

Spread Fixed Income

Distinctive Equity

Customers

Institutional

Retail

Proprietary

Financial performance

Operating result EUR 155m

Assets under Management EUR 246bn

– for third parties EUR 81bn

Net inflow EUR -6bn

6. Other

The segment 'Other' is part of the ongoing business. It comprises NN Bank and NN Re (excluding reinsurance of the Japan Closed Block VA portfolio), the holding result and other results.

NN Bank operates in the Netherlands and offers a range of retail banking products, for example, mortgages and savings products.

NN Re is NN Group's internal reinsurer. It provides reinsurance solutions to manage risks, optimise capital, support growth in business units, and safeguard stable and efficient hedging.

Financial performance

Operating result (segment 'Other') EUR -33m

Operating result banking business EUR 128m

Total assets banking business EUR 22bn

NN Bank common equity Tier 1 ratio⁴ 16.3%Net operating ROE banking business⁵ 13.1%
7. Japan Closed Block

Actively managing and hedging the portfolio; run-off driven by maturities

This segment comprises NN Group's closed-block individual life insurance portfolio in Japan. These products were predominantly sold from 2001 to 2009. The total portfolio is reinsured by NN Re in the Netherlands.

The portfolio is actively managed and hedged on a market consistent basis and is expected to release capital as the block runs off. The exact timing and amount cannot be predicted as it is influenced by the results of the hedge programme.

Financial performance

Result before tax EUR 1m

Account value EUR 2,355m

Net Amount at Risk EUR 175m

Number of policies 34,436

In this Annual Review, our reporting segments are grouped as follows:

- Netherlands Life, Netherlands Non-life and NN Bank are part of Netherlands
- Netherlands Life includes the results of Nationale-Nederlanden Life, Delta Lloyd Life⁶, AZL, the life results of ABN AMRO Insurance and BeFrank
- Netherlands Non-life includes the results Nationale-Nederlanden Non-life, Delta Lloyd Non-life⁶, the non-life results of ABN AMRO Insurance, Movir, OHRA, and the broker results related to health insurance products
- Insurance Europe, Japan Life, Japan Closed Block VA and NN Re are part of International Insurance
- NN Investment Partners is part of Asset Management