

A conversation with our CEO



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David Knibbe
 Chief Executive Officer

Our CEO David Knibbe reflects on 2023, a year where NN Group made good progress on our strategy focused on customers, people and our contribution to society, resulting in a strong commercial and financial performance.

How do you look back on the year 2023?

In 2023, macroeconomic and geopolitical uncertainties continued, which is having an impact on the lives of many. The insurance industry has an important role to play in providing protection and supporting customers and communities in their financial well-being. Therefore I am pleased how we continued to fulfill this role in 2023 by providing financial security for our customers during those moments when it matters most: during illness, retirement or when a home is damaged by a storm.

Turning to our own results, NN performed well in 2023. We made continued progress on our strategy focused on customers, people and our contribution to society. What makes me particularly proud is the progress we made in customer satisfaction scores. We saw underlying improvements in our Dutch business and especially in our International businesses which for the first time scored an above market average relational Net Promotor Score. It shows our efforts in customer engagement and digitalisation are starting to bear fruit, although there is always more work to do.

The engagement of our people remains high with a score of 7.8, which demonstrates our success in building an attractive and inclusive workplace. Looking at our efforts in support of the environment, we took some important steps in our climate ambition with new targets and investments. With our group-wide community investment programme, we supported the financial, physical and/or mental well-being of 172,000 people in 2023.

The strategic progress also resulted in a strong commercial and financial performance. Operating capital generation (OCG), our main financial performance metric, rose 13% (excluding the asset management business sold in 2022) to EUR 1.9 billion. With this result, we exceeded our 2025 target of EUR 1.8 billion ahead of plan. This result reflects increased contributions from Netherlands Non-life, Banking, the segment Other and Insurance Europe. Netherlands Non-life reported a continued strong and favourable business performance, while Insurance Europe saw higher sales and Banking benefitted from higher interest rates. This helped to offset a lower contribution from Netherlands Life which was mainly driven by the financial markets.

While business growth is expected to return to normalised levels, we continue to expect underlying growth in the coming years. We have therefore increased our OCG target for 2025 to EUR 1.9 billion. Our strong business performance and balance sheet give us confidence in further

A conversation with our CEO continued

growing our free cash flow (FCF), resulting in an FCF target of EUR 1.6 billion by 2025.

At the start of 2024, NN Group reached a final settlement with interest groups on unit-linked insurance products. Why was this important?

The settlement was an important result for everyone involved in this long-standing issue. Primarily for our customers but also for other stakeholders, including shareholders. We have taken the criticism that certain products did not meet our customers' expectations seriously, and we were pleased to announce a final settlement with all interest groups. With this settlement, we provide clarity to our customers and we can finally resolve this issue.

We recognised a provision of approximately EUR 360 million in the fourth quarter of 2023, which included EUR 60 million for hardship cases and customers unaffiliated with one of the interest groups who have not previously received compensation. In addition, approximately EUR 20 million is available for these customers through the remainder of a provision recognised as part of the 2008 settlement.

The year was characterised by significant technological developments, particularly in artificial intelligence (AI). How did this impact NN?

In 2023 we saw generative AI quickly becoming a bigger part of our daily work, also at NN. We were one of the first companies to work with ChatGPT in our own secure environment. In our call centres in the Netherlands, we introduced automated call logging in 2023 to provide our agents with an automatic summary of their customer conversations, replacing a manual process.

We are looking at further opportunities for application across our business, for example in claims handling. With the financial industry being so data-intensive, there are many opportunities to further improve the customer experience and increase operational efficiencies. Of course, alongside these opportunities also come potential risks, so we have an

ethical framework and a clear governance in place for all AI applications used by NN.

Large companies are facing increased scrutiny on their climate strategies. How is NN dealing with this?

The world is clearly not on track to meet the targets of the Paris Agreement, so it is understandable that companies also receive questions on their plans and targets. At NN, we have had a Climate Action Plan since 2022, which describes how we aim to reduce greenhouse gas (GHG) emissions to net-zero in our operations by 2040 and in our proprietary investments and insurance underwriting by 2050.

In July 2023, we published an update of the plan, with additional measures such as a further tightening our stance on proprietary investments in the oil and gas sector to also include conventional oil and gas activities. We also announced our first interim net-zero targets for our residential mortgages and insurance underwriting portfolios.

Next to these long-term goals, we are taking actions with a shorter timeline. On the investment side, we invested a total amount of EUR 10.8 billion in climate solutions, such as certified green buildings and renewable energy. We also reported a 10% reduction of GHG emissions in our corporate investment portfolio, moving us towards our goal of a 25% reduction by 2025 versus 2021 levels. On the insurance side, our Dutch Non-life business increasingly focuses on offering sustainable damage repair to our customers.

Of course, collaboration with peers, other industries, and governments remains crucial, as we can only address climate change together.

Looking ahead, what are the focus areas for 2024?

Led by our ambition to be an industry leader, known for our customer engagement, talented people, and contribution to society, we have made significant progress since the launch of our strategy in 2020. At the same time,

there are areas where we need to step up. We will therefore put even more emphasis on further improving the digital customer experience and increasing operational efficiencies, with the aim to grow our business and stay financially healthy in the future.

Ultimately, it is our purpose to help people care for what matters most to them, and support them in their financial well-being. It is our role to help safeguard the financial stability of households and companies by insuring their risks. By investing the insurance premiums from our policyholders, with a long-term horizon, we play an important role in society and the economy, as well as in the sustainable investment landscape. This is something we take very seriously and it is deeply rooted in our values and culture.

Our people play a key part in this. I would like to take this opportunity to express my gratitude for their excellent work over the past year. Also, I thank my colleagues on the Management Board for the collaboration, and the Supervisory Board for their continued guidance and support. Finally, I want to thank our customers, shareholders and other stakeholders for their trust in our company.