

Minutes Annual General Meeting of NN Group N.V.

The Hague
1 June 2017, 14:00



Please note

The following is a translation of the meeting minutes, which were originally provided in Dutch. Any deviations from the original Dutch version are not intended.

The Dutch version of this document should be considered leading. For questions or inconsistencies, please consult – and refer to – the Dutch document.

Agenda item 1

Opening

Mr Holsboer, Chair of the Supervisory Board of the Company acts as **Chair** of the meeting. The Chair opens the meeting and welcomes the attendees to the Annual General Meeting of shareholders of NN Group.

The **Chair** confirms that the shareholders have been convened in accordance with legislation and the Articles of Association, and that valid resolutions can therefore be passed. The shareholders have not submitted any proposals for discussion.

The **Chair** states that the issued share capital on the registration date – 4 May 2017 – consisted of three hundred and forty-three million six hundred thousand six hundred and eight (343,600,608) ordinary shares, of which a total of thirteen million nine hundred and forty-nine thousand nine hundred and twenty-five (13,949,925) ordinary shares were held by NN Group N.V. itself, so that no votes could be cast on these shares. Accordingly, three hundred and twenty-nine million six hundred and fifty thousand six hundred and eighty-three (329,650,683) votes can therefore be cast. A statement of the capital present or represented and the proxy votes cast will be shown on the screen prior to the first vote.

The **Chair** introduces the members of the Executive Board and the Management Board of the Company, namely on the stage Mr Friese, Chief Executive Officer, Mr Rueda, Chief Financial Officer, and in the room the other members of the Management Board of NN Group N.V., Ms van Vredenburg and Messrs Bapat, Erasmus, Knibbe and Spencer. Also in attendance are Mr Ruijter and Ms Streit, both prospective Supervisory Board members. In addition to the Chair on the podium, the full Supervisory Board is also in attendance. Ms Stuijt, Head of Legal and Compliance, is also present on stage.

The **Chair** subsequently provides a general outline of the items on the agenda at the meeting and their order.

Agenda item 2

2016 Annual Report

The **Chair** addresses the Annual Report for the financial year 2016 and gives the floor to Mr Friese to comment on the report.

Mr **Friese** welcomes all those present and starts by introducing his fellow members of the Management Board, which, since the last Annual General Meeting of Shareholders, has been expanded to include two new members, Jan-Hendrik Erasmus, Chief Risk Officer, and Satish Bapat, Chief Executive Officer NN Investment Partners.

Mr Friese then covers 2016 in review. The 2016 Annual Report constitutes a further step towards integrated reporting, whereby both financial and non-financial information are presented in integrated form. NN Group believes this to be important in providing a complete overview of the Company's business results and how it creates value for all its stakeholders. The report is in accordance with Dutch applicable law and IFRS, as well as the G4 Guidelines of the Global Reporting Initiative and the guidelines of the IIRC, and consists of the Annual Review and the Financial Report. The Annual Report is a reflection of NN Group's purpose: helping people to secure their financial futures.

Mr **Friese** gives a brief overview of the key figures for 2016, which show that this was a good and also a special year for NN Group. The Company's capital position and commercial performance were robust, despite volatile markets and continued low interest rates.

Non-financial results are also reported in the integrated Annual Report. Mr **Friese** discusses some of the highlights:

- Our Net Promotor Score, which among other things measures customer satisfaction, has increased further.
- Employee satisfaction remained high, especially if one considers that the organisation in the Netherlands has been further streamlined in order to prepare the Company for the future.
- The projects and initiatives of our 'Future matters' social programme reached over 27,000 young people in 2016, a big increase from 2015.
- NN Group employees gave nearly twice as many guest lectures during our annual Money Week in 2016, providing more information to students on risks and insurance and how this works in practice.
- Regarding responsible investing, assets under management in sustainable funds and mandates increased by 12% to EUR 5 billion. This increase is due among other things to the launch of new sustainable investment products like the NN Euro Green Bond Fund.
- NN Group also operated on a CO₂-neutral basis, as it did in 2015, by reducing and ultimately compensating for its emissions by purchasing CO₂ rights.

Mr **Friese** then turns to the strategy of the Company and how it creates value for its stakeholders.

He begins with one of the strategic priorities, the efficient deployment of capital. Milestones were also attained in 2016 in this respect. In May, NN Group purchased Notus, a financial advisory business in Poland, thereby enhancing distribution with more than 350 agents and with franchises involving around 600 advisers. Mandema en Partners, one of NN Group's Dutch brokerages, and NN Group's Irish reinsurance portfolio were sold.

In December 2016, the recommended offer for all issued and outstanding ordinary shares of Delta Lloyd was announced with the aim of combining Delta Lloyd with the Dutch and Belgian businesses of NN Group.

Mr **Friese** continues with a review of the phases that NN Group has passed through in order to become an independent business, thereby placing this acquisition in a broader context.

The first phase – the preparation for the IPO – was a big step for many people at the Company due to saying goodbye to the ING brand and the successes that had been achieved with ING Bank. One key priority was to outline an independent future for the Company and show markets, shareholders, customers and employees that our business rests on solid fundamentals and that NN is therefore capable of succeeding on a stand-alone basis.

The second phase – after the IPO in 2014 – was the further enhancement of the businesses in all countries in which NN Group operates. The focus was more specifically on the customer. NN Group could demonstrate that it is a profitable business with a strong capital position and well-performing units that contribute to its result.

The implementation of Solvency II – the new capital regime for insurers in Europe – was a major item of attention in the following phase, as was the continued strengthening of the balance sheet by generating capital and subsequently improving the return on this capital.

Mr **Friese** presents a view of the challenges facing the financial sector in recent years, including high costs, contracting markets, intense competition and increased regulation, with low interest rates putting financial services firms under further pressure.

Consolidation is seen as a response to these developments, in order to increase the stability of the markets. Due to its strong financial position, NN Group was able to take a first step in this process in the Netherlands and Belgium. Delta Lloyd turned out to be the most attractive partner with which to achieve this.

Delta Lloyd and NN Group are similar in many ways. Both companies were founded in the Netherlands in the 19th century, were part of a larger whole (Delta Lloyd of Aviva, NN Group of ING), and both used to be listed on the AEX and were then subsequently re-listed on the exchange after a brief absence. Both companies are relatively young but are respected and have well-defined characteristics: Delta Lloyd is entrepreneurial and commercial; NN Group is a solid firm known for its expertise. These attributes make for an attractive combination.

By combining Delta Lloyd with the Dutch and Belgian businesses of NN Group, the Company is striving to create a sustainable and profitable business and further enhance its leading position. The best of both business strategies are brought together in the combined company.

NN Group has now acquired 100% of Delta Lloyd shares and appointed the senior management. It has also organised informative meetings on the upcoming integration process, at which employees had an opportunity to have their questions answered.

Together, NN Group and Delta Lloyd will be a strong Benelux player with greater economies of scale in the pensions and non-life insurance markets in the Netherlands and Belgium. The OHRA and CZ brands, and the joint venture with ABN AMRO will also be added. This provides the Company with several additional capacities in the area of distribution: a strong position in the direct channel, the ability to offer customers health insurance schemes for which we are not the risk bearers and access to a valuable and successful bancassurance channel. In addition, banking and asset management scale will be substantially increased and the new combination will strive to achieve an even stronger position in the area of sustainability, among other things by building on the activities and results of both businesses.

We also expect to achieve cost synergies and higher cash flow, which will lead to a double-digit increase in the dividend per share for 2018 and thus to value creation for our shareholders.

Mr Frieze states that innovation also leads to value creation. Innovation is the next strategic priority to further improve the customer experience, to make the interaction with customers more intuitive and up to date, and also to operate more efficiently. This helps the Company grow stronger and optimally prepare for the future.

He then cites a number of examples of the Company's attainments in 2016 in terms of product innovation, distribution and efficient and effective processes that also unleashed a great deal of energy internally and delivered good results for customers.

The first of these was seen in the Dutch organisation, where a strategy expressed by the keywords 'providing digital services in a personal and relevant way' is starting to pay off.

The availability of all the products on the NN app has led to increased interaction with customers. The data generated in this connection can then be used for purposes of analytics, aimed at providing our customers with even more personalised and relevant services. Protection of customer data and privacy are of primary importance here.

Another example is the Brickler app, which simplifies the steps in buying a house by actually positioning itself between a bank and an estate agent in the process.

The Dutch Cyber Collective is a joint initiative launched by NN and other parties last year, with which the Dutch Tax & Customs Administration is also affiliated. The Cyber Collective is an overarching association committed to one goal: to effectively reduce cyber crime for Dutch small and medium-sized enterprises.

Gappie, an app for innovative car insurance, is a response to recent trends in car-sharing, involving the lending of a car to friends or family. If a person borrowing a car is involved in an accident, Gappie takes care of processing the insurance claims in such a way that the owner's insurance and no-claims bonus are not affected.

Many of these initiatives originate from Sparklab, NN Non-life's innovation centre in the Netherlands. Mr Frieze states that NN Group plans to open similar innovation centres in seven other countries, with projects already underway in Hungary and Turkey, and others in Spain and Japan soon to follow.

Mr Frieze then discusses NN Group's international insurance businesses, and their strategic focus on profitable growth. Innovation in customer experience is a key contributor here. The paperless sales process that Nationale-Nederlanden in Spain introduced some years ago, which led to a substantial decline in sales costs, will now be implemented in Poland, Czech Republic and Slovakia. In Japan, agents work with a state-of-the-art intuitive service platform that helps us provide better service and enhance our relationships with our distribution partners.

Another practical example of innovation is the mobile office that drove around Belgium after a bout of severe storms and flooding. Customers facing an emergency were able to seek out the vehicle and get provisional help in processing their claims.

NN Group received around 40 awards in 2016. For example, Greece was chosen as the 'Best Life Insurer', Romania as 'Company of the Year' and the call centre in Japan won the award for outstanding after-sales service for the third year running.

NN Investment Partners, our asset management business, also won various awards, including a 'cash innovation award' and a 'cash cow award' for 'Best Online Asset Manager'. At NN Investment Partners, the strategic focus is on creating relevant solutions for retail and institutional investors, while taking advantage of increased digitalisation, for instance in the form of robo-advice. NN Investment Partners also expanded its range of sustainable products. The firm launched various new and innovative funds in both equities and fixed-income, and also a sustainable multi-asset fund.

Mr Friese then continues with the financial overview.

An operating result of the ongoing business of EUR 1.2 billion is reported for 2016, a decline of 14% compared with 2015 – a year in which NN Group benefited from higher private equity dividends amounting to EUR 221 million, compared with EUR 72 million in 2016.

The operating result in 2015 also reflected a significantly higher technical margin in the Dutch life insurance business, while the non-life business saw a negative impact amounting to EUR 31 million in 2016.

The net result was down 24% compared with 2015, generally due to the lower operating result. It also reflects a higher negative hedge result at Japan Closed Block VA as a result of increased volatility in the financial markets and a negative result on divestment, partly offset by higher non-operating items.

The Solvency II ratio rose from 239% at year-end 2015 to 241% at year-end 2016. This increase reflects the positive impact of the operating return of 19 percentage points, which was offset by capital flows to shareholders of EUR 919 million, which had a negative impact of 17 percentage points. The capital flows to shareholders include the proposed final dividend for 2016.

The holding company cash capital position rose to EUR 2.5 billion at year-end 2016. Free cash flow during 2016 amounted to more than EUR 1.3 billion, driven by dividends received from all business segments. This was partially offset by EUR 812 million in capital repaid to shareholders in the form of cash dividend payments and the share buy-backs executed during the year.

In January 2017, NN Group successfully issued EUR 500 million in senior unsecured debt and EUR 850 million in subordinated loans. In January, the proceeds from the subordinated loans were used to fully repay the outstanding hybrid loans from ING Group. In May, the proceeds from the senior debt were used to repay a hybrid loan that did not qualify as capital in approximately the same amount. A dual tranche of senior notes was also issued in the last week of May, for a total amount of EUR 900 million to repay the bridge loan used to fund the acquisition of Delta Lloyd.

Mr Friese then turns to NN Group's financial targets. From 2013 to 2016, NN Group achieved a compound annual growth rate ('CAGR') of 11% – this is above our medium-term target, which is to grow the operating result of the ongoing business between 5 and 7% per annum on average.

Since 2013, the Dutch business units' administrative costs have been cut by almost 25% to EUR 761 million.

The medium-term return on equity has risen: 7.1% in 2013 and 8.1% in 2016.

Achieving these targets means that NN Group is in a position to generate free cash flow available to its shareholders. In 2014, free cash flow was lower than the net operating result of the ongoing business, while in both 2015 and 2016 free cash flow exceeded the net operating result. Over three years, free cash flow of EUR 3.2 billion in total was generated, and the total net operating result was EUR 2.9 billion, and therefore in line with our targets.

Mr Friese explains that NN Group's dividend policy provides for the distribution of an ordinary dividend of 40-50% of the net operating result of the ongoing business. In addition, the Company distributes excess capital to shareholders, unless that capital can be invested in value creating corporate opportunities, the acquisition of Delta Lloyd being an example. This always involves careful consideration of our strategic options on the one hand, and current and expected capital and liquidity positions on the other. Mr Friese stresses that remaining a well-capitalised company with a prudent financial policy is essential and will continue to be so.

The final dividend for 2016 to be proposed to shareholders on today's agenda is EUR 0.95 per ordinary share. With the addition of the interim dividend of EUR 0.60 per ordinary share, the total dividend for 2016 amounts to EUR 1.55 per ordinary share. This brings the dividend pay-out ratio for 2016 to approximately 51% of NN Group's net operating result of the ongoing business. Including the proposed final dividend and the share buy-backs, NN Group will have distributed a total of EUR 2.1 billion to its shareholders since its IPO in July 2014.

Mr **Friese** explains the development of NN Group share price in 2016. The total shareholder return was 4% in 2016 and is cumulatively 74.4% since the IPO in July 2014.

Finally, Mr **Friese** gives a further explanation of the most important results in the first quarter of 2017.

NN Group booked a strong result in the first quarter of 2017, with the operating result of the ongoing business up 33% compared with the first quarter of the previous year. All business units contributed to the higher operating result.

Higher sales figures for insurance, and also the EUR 2.1 billion net inflow from third parties, reflect NN's efforts to offer customers excellent service, create innovative products and improve the business mix. This was also reflected in the EUR 1.1 billion that NN Bank granted in new mortgages. The focus remains on raising operational efficiency, with cost savings in the Netherlands contributing to a further reduction of the total cost base. At the end of the first quarter, cash capital at the holding company stood at EUR 3 billion and the Solvency II ratio for NN Group excluding Delta Lloyd was 238%. With a pro forma Solvency II ratio for NN Group including Delta Lloyd estimated at around 180% at the end of the first quarter, the balance sheet remains strong. Mr **Friese** stresses that NN Group's capital management policy has not changed and remains disciplined, with a strong balance sheet and a strong capital position as its main priorities.

Mr **Friese** then turns to the revised Dutch Corporate Governance Code, submitted by the Corporate Governance Monitoring Committee to the Minister of Economic Affairs on 8 December 2016, which is expected to be in force for the financial year 2017. All listed companies in the Netherlands would then have to report throughout financial year 2017 on their compliance with the revised code, for instance on their prioritisation of long-term value creation and an enhanced risk management culture as part of corporate governance. The vast majority of NN Group's governance is already in compliance with the revised code, and, where needed, NN Group is taking steps towards full compliance with the revised code by 31 December 2017.

Mr **Friese** concludes by noting that upholding the Company's values – we care, we are clear, we commit – is and will remain one of its primary guiding principles.

NN Group currently has two priorities: its continued efforts to successfully integrate Delta Lloyd in order to extract the synergy benefits, and continued active management of the balance sheet and strong capital position.

The deed for the legal merger of NN Group Bidco B.V., Delta Lloyd N.V. and NN Group N.V. was executed on 31 May 2017, and the merger thereby took effect on 1 June 2017. 31 May 2017 was also the last trading day for shares in Delta Lloyd. NN Group will publish the consolidated figures for the combined group for the first time in August 2017, and a detailed strategic update will be presented during the Capital Markets Day on 30 November 2017.

Mr **Friese** stresses that despite the integration mainly taking place in the Netherlands and Belgium, it represents an important process for the Company's international business as a whole, since the diversity for which the organisation is known will be further enhanced. The combined company is in an even better position to respond to market movements, social and technological developments and changing customer needs. NN Group is building a company that customers and shareholders can rely on, and colleagues can be proud of, both today and looking ahead: a sustainable international business that truly matters in the lives of its stakeholders.

The **Chair** thanks Mr **Friese** for his presentation and gives the shareholders in attendance an opportunity to ask questions.

Mr **Stevense** (SRB, Stichting Rechtsbescherming Beleggers, the Investors' Legal Rights Foundation) asks about a number of developments he noted in the past year, including:

- The sale of a subsidiary in Canada
- The provision made for incorrect figures provided in connection with the ING Life IPO
- The increase of the 50-basis-point spread on government bonds and the 37-point deterioration in the Solvency II ratio compared with 32 points in the previous year.
- The negative impact of 12% in the event of a decline in the stock market, compared with 10% a year ago.

Mr **Stevense** wonders where operating growth might come from in the future.

Another question is whether Delta Lloyd and NN Group would continue to report separate figures in addition to the publication of the consolidated figures for the second quarter of 2017, in order to provide good insight into the first half of 2017.

Mr **Stevense** expresses concerns regarding how NN Group will make the health care insurance policies it is acquiring from CZ profitable.

Mr **Stevense** asks whether NN uses the SAAS platform.

He also wishes to know the Fitch and S&P ratings for the bonds issued.

Furthermore, he wonders why NN Group sold only the life insurer and not the asset manager in Luxembourg, since in his opinion these operations go hand-in-hand.

Lastly, Mr **Stevense** asks about the costs of compliance within NN Group, given the additional legislation and regulations.

Mr **Friese** begins by answering the questions about the various transactions. He points out that NN Group does not presently have any operations in Canada nor has it in the past, but that the Irish reinsurance portfolio was sold to Canada Life.

There had indeed been a divestment in Luxembourg: the life insurance business was sold to an American company that also runs its own asset management operation, Global Bankers Insurance Group. This sale must be seen in the context of NN's continuous portfolio analysis, which involves close attention to whether NN is still the most suitable owner of the businesses in its portfolio, or whether for instance the macroeconomic or political environment is attractive enough, and whether the businesses have or will be able to attain critical mass in these markets. If the conclusion is that NN is not the most suitable owner, a decision will be made to divest – as was the case with the life insurance business in Luxembourg. Mr **Friese** stresses that portfolio management also involves looking out for opportunities to acquire other companies, through which business could be enhanced.

He then addresses the aforementioned volatility in the financial markets. There were some unexpected moves in the Asian markets during the first quarter, especially coming from China and also the Brexit vote, which generated a great deal of volatility in the financial markets. Mr **Friese** notes that, as a large investor of its customers' money, NN Group ensures that it is prepared for these scenarios by duly protecting its balance sheet and closely matching its assets to its liabilities. This serves to maintain a good and strong solvency ratio, so that customer funds are secure and able to absorb this kind of volatility.

Mr **Friese** then turns to the negative impact of the stock markets. NN Group received EUR 72 million in private equity dividends in 2016. It is difficult to predict when these private equity holdings will pay dividends. It is not a constant income flow, so results can be volatile: 2015 saw EUR 221 million in private equity dividends.

To the question on making the CZ health insurance policies profitable, Mr **Friese** answers that NN is the distributor of this product and does not bear the risk. This is one of the attractive components of the Delta Lloyd proposition.

Mr **Friese** continues by addressing the question on the SAAS platform and digitalisation, pointing out that NN's policies can now be printed directly from home PCs or are included in the NN app. NN is investing heavily in digitalising its interaction with customers. They can contact NN in a very intuitive way whenever they choose, without the need for all sorts of paper flows.

Mr **Friese** is unable to answer the question about the size of the costs of compliance and regulation. He confirms that they are high, but also states that they are important when operating in a properly regulated industry. It is an industry that has had to face much more far-reaching domestic and international regulations in numerous areas, especially in the period since the financial crisis. Compliance is one aspect, but capital regulations and many other aspects are also involved. The costs of this have grown enormously in recent years. NN naturally complies with all these regulations and strives to meet them in the best and most efficient way possible. They are a fact of life. He stresses that regulation is there to ensure that business in the financial industry is properly conducted, that customers are properly protected and that companies can operate effectively. It is important and appropriate for rules to be put in place to maintain confidence in the system, but efficiency is also important.

Mr **Rueda** follows by answering the questions on solvency, the bond ratings and ING Life.

The large moves in the solvency ratio quarter-on-quarter are due to the Solvency II regulations. The Solvency II ratio of NN Group was 239% at year-end 2015. At year-end 2016 it was 241%, and at the end of the first quarter of 2017 the ratio stood at 238%. The ratio is of course impacted by market performance in every quarter, but the volatility is not a problem and the ratio remains at high levels.

Mr **Rueda** then turns to the recently issued senior debt. There was sizeable demand from investors for the issue. The senior notes are rated by Standard & Poor's at BBB+ and by Fitch at A-. These good ratings translate into low borrowing costs: the three-year notes have a coupon of 0.25% and the six-month notes have a coupon of 1.625%. These rates reflect the market's perception of NN's credit quality.

Regarding the situation in Korea (ING Life), Mr **Rueda** says that, as reported previously in the 2015 Annual Report and the 2016 Annual Report, legal proceedings are on-going. NN Group cannot respond to this question at this stage. A provision has been made. He emphasises that this is an old case that has no impact on current business activities.

Mr **Spanjer** points out that Bitcoin is accepted as a means of payment in Japan. He asks when NN Group knew that there was a possibility that the Bitcoin system could really be introduced there, and whether the administration as a whole is fully prepared for this development in Japan. There is also the possibility that it will become legal tender in Europe as well. Would this affect the earnings model of NN Bank? He also asks how NN is protected against fraud involving Bitcoin, and whether the auditor KPMG is fully up-to-date on this new system.

Mr **Spanjer** notes that Delta Lloyd had misstated the size of its shareholdings in Ajax, which (according to the AFM register) is actually 5.3% rather than 8.5%. He asks whether NN Group would apply the clawback clause with the Supervisory Board.

Regarding the question of whether NN accepts Bitcoin as a means of payment in Japan or in other countries, or whether NN in the Netherlands is preparing for the use of Bitcoin at NN Bank, Mr **Friese** replies this is not presently the case, but that NN follows all technological developments closely, including Bitcoin, Blockchain and the like.

With respect to the Ajax shares, he states that as a large institutional investor, NN has holdings in many companies in its investment portfolio. Ajax is a business as well as a club, and it is an investment in the Delta Lloyd investment portfolio. NN does not comment on specific companies in which it invests. NN has indeed acquired a stake in Ajax as a result of the acquisition of Delta Lloyd, and has notified the AFM of this. Since institutional investors actively manage their investment portfolios, the AFM must be notified of all material changes in their holdings. Fluctuations are therefore common.

Mr **Keyner** (VEB - Vereniging Effecten Bezitters, the Association of Securities Holders) states that he speaks on behalf of the VEB, but also on behalf of a number of private investors that have appointed him as their proxy. He has three questions regarding the profitability of the Company.

First, whether the Company makes an adequate return on the capital it invests. For instance, in the Dutch life insurance business, which generates the most profit but which also requires a fairly sizeable capital commitment. The ROE has changed, how does the 8.1% return relate to the cost of capital?

Second, Mr **Keyner** asks whether NN Group is performing well or poorly in comparison to competitors in similar sectors. He congratulates NN Group on the fact that it is substantially outperforming AEGON in virtually every financial aspect. However, some of the Company's peers in

the sector are performing better economically. For example, sector peer a.s.r., which focuses exclusively on the Dutch market, is actually twice as profitable as NN Group. What can NN Group learn from a.s.r.? What does a.s.r. do better than NN Group, or what does NN Group have to do better in the future?

Third, Mr **Keyner** wishes to know what sort of profitability shareholders can expect from NN Group if we return to a normal yield curve environment in a few years' time?

Mr **Friese** thanks Mr Keyner for his compliments about NN Group. With regard to learning from competitors, he says that NN Group prefers to discuss its own performance at this shareholders' meeting, rather than the performance of its competitors. Obviously, NN Group continuously monitors its competitors, both in the Netherlands and in other countries - and not only insurance companies but also less obvious competitors - in order to learn from their best practices and improve the efficiency of its business operations and continue to reduce costs and increase profitability. Mr Friese stresses that as a business, one must continuously remain open to the ways in which competitors do things better.

Mr **Rueda** responds to the question on return on equity (ROE) by saying that one should always treat comparisons with other companies in terms of ROE with caution. For instance, NN Group has almost EUR 23 billion in equity, but this includes a sizeable revaluation reserve. This reflects the valuation of all investments above their cost of acquisition. The equity used in NN Group's reported ROE is adjusted for this revaluation reserve. This method is standard practice in the sector, and takes account of the various accounting principles for calculating equity. Based on this method, NN reports an ROE that more or less covers its cost of equity.

Mr **Keyner** asks whether, in economic terms, this means that the cost of capital is covered by the return on equity. Mr **Rueda** confirms this. Mr **Rueda** states that he is satisfied with the return that NN Group has realised since the IPO, in terms of growth of the operating result and how this is reflected in return on equity. The group will continue to focus on further improving profitable growth going forward, which could be underpinned by a more favourable interest-rate environment. In any case, NN Group's cost of capital is covered by its Dutch life insurance business. The return is good, and has improved over the past quarters and years.

Mr **Keyner** states that he is not satisfied with this answer. He expects a Company like NN Group to be able to explain such a large difference in comparison to another company providing service of equal quality in this difficult and highly

competitive environment with a flat return in the Netherlands. How can a.s.r. be so much more profitable, with a balance sheet that is so much smaller than that of NN?

Mr **Friese** repeats that he does not wish to discuss competitors, but would like to make the general point that the business mix is one important element. NN Group, for instance, is a company with a very large pension business and a very large life insurance portfolio that mainly engages in 'long-liability' business. The situation at other companies may be different. They may operate in the same market geographically, but have a different mix of activities that may, for instance, be much less capital-intensive. There are many elements that need to be considered. The second important element is the choice of accounting methods. The third important element concerns different metrics. For NN Group, for example, free cash flow is very important. Based on the various metrics, it is for the shareholders to decide whether NN Group is performing well enough. He stresses that the Company works hard every day on these metrics, in order to create as much value as possible for shareholders.

Mr **Keyner** asks whether the Executive Board is satisfied with the current structure of NN Group's portfolio, which was put together years ago – would a different structure perhaps add more value in economic terms?

Mr **Rueda** answers that there are very many elements involved, including differences in accounting practices from one company to the next. He invites Mr Keyner to discuss the matter further after the meeting.

Mr **Friese** adds that NN Group of course strives to generate the best possible returns on its current portfolio. In addition, the Company looks for ways to enhance and improve the portfolio as much as possible. For instance, by reducing costs in countries where there is no growth, such as in the Netherlands, where the cost base has been reduced from EUR 1.19 billion to EUR 761 million since the IPO. Legacy systems in the Netherlands, for instance the Closed Block portfolio, are likewise managed as efficiently as possible in order to create as much capital efficiency as possible. This generates free cash flow that NN Group can invest in other activities or use to fund dividends. Thus, the Company is continuously striving towards sustainably improving its business to keep generating higher returns.

Mr **Keyner** thanks Messrs Friese and Rueda for the detailed answers to his questions.

Mr **Hooft van Huysduynen** (of the Consumentenbond, the Dutch Consumer Rights Association) wished to draw the Management Board's, the Supervisory Board's and the shareholders' attention to the position of Nationale-Nederlanden's customers in Unit Linked

insurance. He states that the Consumentenbond (Consumer Association) is pleased to hear that Nationale-Nederlanden has set itself the goal of securing the financial futures of its customers - in his opinion, a commendable goal that NN will certainly achieve in many cases. There is, however, a large group of customers for whom this is not the case, and whose financial future Nationale-Nederlanden has actually placed in jeopardy. The Consumer Association would like to see Nationale-Nederlanden put this right. Individual consumers have already had rulings in their favour in on-going litigation, and Nationale-Nederlanden has committed to collective compensation schemes, but these are inadequate. Like other insurers, Nationale-Nederlanden has settled cases in the past whereby individual consumers were paid genuine compensations. Why are these settlement arrangements kept secret, so that other customers cannot benefit from them? The Consumer Association had held talks with Nationale-Nederlanden, but these unfortunately have resulted in no action, and so, like other organisations, the Association has had to go to court. Mr **Hooft van Huysduynen** states that the Consumer Association wishes to see to it that NN also keeps its promises to customers who, as a group, incurred losses in the past on account of being sold inappropriate products. Like the Minister, Mr **Hooft van Huysduynen** would like to know when Nationale-Nederlanden will disclose the terms of such settlements reached in secret in the past. And, when will Nationale-Nederlanden reasonably compensate all the victims, and not just the small group of people who can afford to go to court, or with whom some secret settlement was reached?

Mr **Friese** begins by saying that he deeply regrets the fact that there are still customers who are not satisfied with the product they purchased from NN at that time. The Company is making every effort to help these customers and will explain how. In the first place, in NN's opinion, the most important thing is to sit down with customers in order to find individual solutions to the specific problems these customers face. Much has been done to help these customers on an individual basis.

A compensation scheme was set up in 2008. Later on, in addition to the compensation scheme, the cost level was reduced to 125 basis points for the remaining term of the entire portfolio. This was done on the Company's own initiative. Customers can switch from their product to other products at no additional cost, or have changes made to the product so it better meets their needs. The difficulty has been in actually contacting these customers and engaging in talks with them, via phone, email, letter, appeals, etc. These negotiations are increasingly producing the desired results. NN started with the category of customers who held policies on which the investment returns were particularly disappointing. These customers have now all been

contacted. NN then reached out to all the customers with mortgage-linked policies - who have also all been contacted at this point. NN expects to have contacted all the holders of annuity policies by the end of the year.

Mr **Friese** repeats that the solution to this problem lies in individual solutions, rather than in litigation. But if lawsuits are filed against the Company, it will defend itself, given that NN believes its actions to always have been in compliance with the applicable laws and regulations.

Mr **Friese** then addresses the settlements. How the Company handles these cases is explained on the NN website. Where appropriate, a number of settlements were reached in the past in individual cases. These arrangements did indeed include a confidentiality clause, which is standard practice for contracts governed by private law. At this point, customers with whom settlements have been reached are not being asked to keep the arrangements confidential.

Mr **Friese** concludes by saying that he is naturally unhappy about the fact that there are still customers who are not satisfied with the products they have purchased from NN, and the Company will continue to look for solutions to the problem on a case-by-case basis.

Mr **Hoof van Huysduynen** states that he would like to add a brief response. The Consumentenbond recognises the actions that NN says it is taking. What concerns him, however, is the absence of any discussion of the costs that were charged in the past. The efforts being made are appreciated, but they are incomplete. The Consumentenbond moreover feels that the information provided and the confidential arrangements are inadequate.

Mr **Friese** thanks Mr Hoof van Huysduynen for his response.

Mr **Veen** has questions regarding the acquisition of Delta Lloyd. He would like to know to what extent the acquisition was voluntary. He would also like to know whether Goldman Sachs had been involved in determining fair value.

He then asks how the different Delta Lloyd and Nationale-Nederlanden 'blood types' could be successfully combined? And what role would ABN AMRO play in the future as a distribution channel?

Mr **Friese** starts with the process of acquiring Delta Lloyd. The offer made to the Delta Lloyd shareholders was an offer announced jointly by NN Group and Delta Lloyd on 23 December 2016, on a recommended basis. The Executive Board and Supervisory Board of Delta Lloyd had submitted the offer made by NN Group to the shareholders, likewise on the basis of their recommendation.

Regarding the 'blood types', Mr **Friese** acknowledges that this touches on a very important issue. NN and Delta Lloyd both have many employees in the Netherlands and in Belgium. The task now is to jointly build a better business than the two companies had already been separately. There is much talent available and there is much discussion of cost synergies, capital and cash flows etc., but bringing this talent together is quite possibly the most important task of all, because it will ensure that the other synergies can actually be achieved. Therefore, great care is being taken in making appointments to key positions. Management was appointed shortly after the offer was accepted and the shares were acquired. The team is a combination of the former managements of Delta Lloyd and NN. The selection criteria had nothing to do with whether a given candidate was an NN employee or from Delta Lloyd. The choice was actually based on putting the best people with the right talent in the most suitable positions, with the help of the evaluations from an external agency. This is the principle the Company will apply to all its other appointments. It is not about where people come from (NN or Delta Lloyd). What matters is how we can ensure that the best talent is appointed, and that this talent also works well together in order to ensure that NN and Delta Lloyd jointly become the best and strongest player in the Benelux.

ABN AMRO is an additional bank distribution channel that Delta Lloyd has built up very successfully, in cooperation with ABN AMRO, over the past few years. NN is pleased that this distribution channel is now part of the combined group.

Lastly, Goldman Sachs. Mr **Friese** says that advisers are used on both sides in this type of complex process. In NN's case, the adviser was not Goldman Sachs. Goldman Sachs advised Delta Lloyd.

Mr **Jager** (VBDO - Vereniging van Beleggers voor Duurzame Ontwikkeling, the Dutch Association of Investors in Sustainable Development) states that he appreciates that Nationale-Nederlanden has been taking sustainability considerations into account in its investment decisions in recent years. But Delta Lloyd has had the courage to exclude a number of sectors that score less well on sustainability, or at least impose stricter rules for them. He says he would appreciate it if NN adopts these strict rules and integrates them into its own Company policy. The VBDO also considers it a good thing that responsible investment has been added to the materiality analysis. This is a sound move, but KPIs are lacking in order to be able to assess whether targets are being met. Will NN Group set targets for the percentage of sustainable investments next year and report on these targets?

Thirdly, on behalf of the VBDO, Mr Jager compliments NN on achieving CO₂ neutrality for the second year. However, the association would like to see a reference to the Paris Agreement. The VBDO hopes that next year NN will refer to how it intends to reflect the Paris Agreement. Looking at NN's CO₂ emissions for its operations in the Netherlands for which it makes partial compensation, it is notable that transport accounts for a very large proportion. Can the Executive Board set a good example in this respect?

Lastly, he would like to obtain greater insight into the risk of low wages in two sectors, namely food production and software. What is NN doing to limit this risk? There is no mention of this in the Annual Reporting.

Mr Friese thanks Mr Jager for his compliments regarding NN's approach to sustainability. He says that he considers this to be a very important undertaking in which NN will continue to make progress. He sees the positive and constructive comments as encouragement for NN to continue in this direction.

NN Group and Delta Lloyd both give high priority to responsible investing. For many years, both companies, each in their own way, have been working on incorporating environmental, social and governance factors into their business operations. Both companies apply the same instruments, namely Environmental, Social and Governance integration (ESG), ensuring that shareholdings are actively put to use, applying restrictions and offering specific sustainability products and services. To enhance the implementation of its Responsible Investment Policy, NN publishes and develops what are known as 'guidance papers', based on issues taken up by the UN Global Compact – such as human rights and the environment. Delta Lloyd also has a policy for specific sectors and subjects. These subjects are often also included in the NN papers, but in the coming period the policies of the two companies will be compared and their implementation will be studied in detail. Naturally, NN and Delta Lloyd will learn from each other, and the combined company will build on the best practices of both entities. This will take time, as the transaction has only just been completed.

Mr Friese then turns to the materiality analysis. Various non-financial targets and KPIs are reported on page 45 of the Annual Review. NN Group's objectives for responsible investing are also covered, namely growth in assets under management in sustainable funds and mandates and expanding the range of sustainable products on offer. In 2016, there was a 12% increase in assets under management in sustainable funds and mandates, and three new sustainable funds were launched: the Europe Green Fund, the Global Sustainability Opportunities Fund and the Patrimonial Balance European Sustainable Fund. NN Group will continue to pursue this direction going forward.

The Paris Agreement is mentioned in NN Group's Environmental Paper. The Group's asset management firm, NN Investment Partners, recently started working with South Pole Group, a leading organisation. NN has detailed business analyses on emissions and other environmental data, such as water and waste. Besides the fact that the availability of this data affords NN better insight into the environmental risks and opportunities associated with these investments, the Company is also able to provide customers with appropriate reporting on its ESG activities in order to meet the current and future need for information. A number of investment funds already report on the environmental impact of the investments in the portfolio, and NN plans to expand this further. The Company is also working on an analysis of the carbon footprint of a large part of the investments held in its general account. This analysis is part of the recommendations of the Task Force on Climate-related Financial Disclosures. NN plans to publish this analysis in the coming weeks.

Regarding the living wage, Mr Friese informs that NN Group is preparing a guidance paper on employment rights, in which the issue is taken into consideration. The guidance paper will be published later this year.

Lastly, he turns to the question of transport. Since most of the board members live far away from their offices, they necessarily must use some kind of transport. The many international trips and large distances mean that air travel is usually the only available option, but one that is used as efficiently as possible. The Company also tries to avoid physical international meetings where possible, by means of Skype connections or video/teleconferencing.

Mr Jager asks whether Mr Friese drives an electric car. Mr Friese replies that he drives an active hybrid.

Mr Tse raises a final question on NN Group's relationship agreement with RRJ Capital II. What does the agreement entail? Can they propose Supervisory Board members for instance, or are they not permitted to further expand their interest?

Mr Friese replies that RRJ Capital is a large shareholder, and has been from the beginning. There is a relationship agreement, but they have no other rights beyond those of other shareholders regarding matters such as the governance of the Company.

The Chair moves on to agenda item 3.

Agenda item 3

Implementation of the remuneration policy during the financial year 2016

The **Chair** addresses the implementation of the remuneration policy for Executive Board members in the financial year 2016, and refers to the remuneration report included in the Financial Report on pages 23 through 27 and to note 49 to the annual accounts included in the Financial Report on pages 115 through 117.

The Chair gives the floor to Ms **Van Rooij**, Chair of NN Group's Remuneration Committee.

Before giving details of the Executive Board members' remuneration, Ms **Van Rooij** makes a few general remarks regarding the remuneration policy.

The remuneration policy is clear and transparent, and applies to all employees. It is a remuneration policy that puts NN Group in a position to attract and retain qualified employees.

The Supervisory Board is well aware that remuneration is always a sensitive issue that receives much attention in public debate. In formulating and implementing its remuneration policy, the Supervisory Board therefore considers the interests of the various stakeholders at NN Group: our customers, shareholders, employees and the society in which NN operates, in the Netherlands and in other countries. It is a matter of striking the right balance, also taking account of the international nature of the Company.

The Supervisory Board ensures that NN Group's remuneration policy supports the long-term objectives of the Company. Namely: giving central priority to the customer's interests, sound business operation and management of risks. The Company needs to attract and retain qualified employees in order to achieve these objectives. NN is an international company and its quality requirements are high. NN Group therefore also looks to the international employment market to attract the right employees.

Ms **van Rooij** then turns to the implementation of the remuneration policy for the Executive Board in 2016.

The remuneration policy for the Executive Board was established at the General Meeting of 28 May 2015 and has been in effect since 1 January 2015.

The remuneration policy provides for a fixed salary and – in line with the Dutch Act on remuneration policies of financial institutions ('Wbfo') – a variable remuneration of up to 20%. 80% of the fixed salary is paid in cash, and 20% in NN Group shares. Members of the Executive Board are required to hold any shares they receive for at least five years. They are also entitled to secondary employment benefits. Lastly, the pension scheme system for Executive Board members is the same as the one applicable to all other NN employees in the Netherlands.

The variable remuneration allocated in 2016 is based on the outcome of performance indicators for NN Group and the individual performance indicators for Executive Board members. These indicators are partly financial and partly non-financial in nature.

One financial performance indicator, for instance, is the underlying result after tax.

Non-financial performance indicators, for instance, include scores in customer satisfaction surveys (such as the Net Promoter Score) and employee engagement.

On the basis of these indicators, a variable remuneration of 20% of their base salary has been allocated for Messrs Friese and Rueda. In establishing this variable remuneration, the Supervisory Board concluded that, in 2016, both members of the Executive Board have successfully continued to implement NN's strategy - the creation of a sound and sustainable company. The acquisition of Delta Lloyd is obviously a very important development underpinning this strategy. In addition, employee engagement remained stable and the customer satisfaction performance was favourable.

All these factors played a part in determining the allocation of the variable remuneration.

Aligned with the remuneration policy defined for the Executive Board, the Supervisory Board evaluates the size of the Executive Board's remuneration each year in comparison to remuneration at peer companies in the financial services and non-financial sectors. The Supervisory Board also consults external experts in the field.

The shareholder meeting of 28 May 2015 determined that the remuneration of the Executive Board should be set slightly below the median for the peer group.

A comparative survey of remuneration within the NN peer group shows that Mr Friese's remuneration is far below the median for this group, while the remuneration of Mr Rueda is also lower than the median for this group.

This difference is larger if compared to the median for the new peer group that applies as a result of the acquisition of Delta Lloyd.

The Supervisory Board accordingly decided to increase the base salary for Mr Friese by 10% with effect from 1 January 2017 and by 15% with effect from 1 January 2018, to take account of the increased size and complexity of the combined NN/Delta Lloyd organisation.

The Supervisory Board decided to increase the base salary for Mr Rueda by 5% with effect from 1 January 2017 and by 10% with effect from 1 January 2018, to take account of the increased size and complexity of the combined NN/Delta Lloyd organisation.

Even after this increase, the salaries of the members of the Executive Board are still lower than the median, as established in the remuneration policy.

In summary: the remuneration policy established in 2015 by the General Meeting is transparent and appropriate in today's context. This policy takes the stakeholders into account and is compatible with the Company's long-term goals.

Ms **van Rooij** gives the floor to the Chair.

The **Chair** asks whether there are questions from the floor or comments regarding this item. This is not the case, and the meeting moves on to the next agenda item.

Agenda item 4A.

Proposal to adopt the annual accounts for the financial year 2016

The **Chair** addresses the proposal to adopt the annual accounts for the financial year 2016 and refers to the annual accounts for 2016 included in the Financial Report on pages 31 to 162, and to the presentation given by Mr Friese under agenda item 2.

The **Chair** continues by noting that the Executive Board drafted the annual accounts on 15 March 2017 in English, and the accounts have been available on the NN Group website since 16 March 2017. The annual accounts have been made available for examination at NN Group's head office, and made available to shareholders free of charge. The auditor KPMG, which issued an unqualified opinion that is included in the Financial Report on pages 163 to 171, has audited the annual accounts. The Supervisory Board recommends that the General Meeting adopt the annual accounts.

The **Chair** gives the floor to Mr **De Wit** of the external auditor KPMG, stating that the Company has released KPMG from its obligation to maintain confidentiality for the purpose of this meeting. The Chair also states that the auditor has an obligation to rectify, meaning that if the annual accounts or the Auditor's Report contain misstatements that might give a materially inaccurate view of the affairs of the Company, KPMG will request that corrections be made, either during this meeting, or prior to the final adoption of the minutes of this meeting.

The auditor will elucidate on its audit of the annual accounts.

Mr **De Wit** states that he welcomes the opportunity to elucidate on KPMG's role as the external auditor of the Company. As an audit partner at KPMG, he signed the Auditor's Opinion in the Independent Auditor's Report relating to the 2016 annual accounts of NN Group on 15 March 2017. Mr De Wit explains that 2016 is the first year that KPMG has audited. He confirms that KPMG has been released from its obligation to maintain confidentiality and that he is therefore free to comment on the audit performed.

In accordance with its assignment, KPMG audited the parent company and the consolidated annual accounts of NN Group for 2016, and has issued an Unqualified Auditor's Opinion with respect to these annual accounts. In addition, KPMG assessed the quarterly figures of NN Group in 2016, and has also issued an Unqualified Review Report with respect to these interim figures. KPMG has also assessed the non-financial information - often referred to as sustainability information - as presented by NN Group in its Annual Review this year, and issued an unqualified review report included on page 57 of the Annual Review. Lastly, KPMG has read NN Group's statements in the Annual Review, including those relating to corporate governance, and, on the basis of the knowledge and insight obtained

from the audit of the annual accounts, no material misstatements or contradictions with the audited annual accounts were identified. KPMG moreover has established that the information required by the applicable legislation is included in the Annual Review.

Mr **De Wit** gives further details of the various elements of the Auditor's Report included on pages 163 to 171 of the Financial Report.

Based on its procedures, KPMG concludes that the annual accounts give a true and fair view of the financial position at 31 December 2016 and of the results for full-year 2016. The annual accounts were prepared according to the going concern principle, and, on the basis of the audit procedures carried out, the auditor concludes that management's assessment of this point is appropriate.

The Auditor's Report also covers the auditor's independence and the fact that this was the first audit of NN Group performed by KPMG. Since 1 October 2015, KPMG has been independent of NN Group and all its subsidiaries worldwide, thereby allowing ample time for the auditor to be able to start with its first-year audit of the 2016 NN Group annual accounts. Prior to the audit, KPMG had performed additional procedures such as attending important discussions with the previous auditor, evaluating this auditor's audit files in order to understand its audit approach and engaging in numerous conversations with the management and members of the Supervisory Board, along with numerous NN Group employees. Further consultations were made with the supervisor, De Nederlandsche Bank, in the context of the start of the audit procedures.

The term 'materiality' was an important consideration in determining the audit approach, as is also explained in the Auditor's Report. The materiality applied in the audit of the 2016 annual accounts is EUR 120 million. This is a significant quantitative materiality, but there are also items for which work was performed in finer detail on qualitative grounds, such as the disclosures on the remuneration of the Executive Board and the Supervisory Board. These disclosures require a high degree of accuracy.

At the end of the audit, KPMG communicates in writing all discrepancies identified and not corrected in excess of EUR 6 million to the Audit Committee and the Supervisory Board.

Mr **De Wit** then turns to the scope of KPMG's work, and notes that KPMG is not only the external auditor for NN Group in the Netherlands, but in all countries in which NN Group operates. As group auditor, KPMG decides on where to conduct its auditing procedures and their scope. Local audit findings are evaluated, discussed with local

teams and local management, as well as with the management of NN Group in The Hague. In addition, a number of countries are visited each year, and the case files of the local audits are evaluated. This year, this included visits to Japan, Poland, Spain and Greece. These international procedures ensure adequate coverage of the entire NN Group.

In carrying out its procedures, KPMG focuses primarily on the significant risks, in other words the risks of a material misstatement. Significant non-routine transactions or items that require management to make estimates or make adjustments to these, often referred to as 'estimated items' are a case in point.

Regarding the significant risks, KPMG has gained insight into NN Group's internal control mechanisms related to these risks. In addition to this, specific substantive procedures were carried out to ensure that the risk does not ultimately lead to a material misstatement in the annual accounts.

The significant risks then became the key points of the audit, four of which are included in the Auditor's Report, as follows: (1) estimation uncertainty in connection with allocations to the technical provisions, the provisions for insurance liabilities; (2) exposure to risks relating to investment or unit-linked insurance policies; (3) administration of access to the Group's IT systems; and (4) disclosures in connection with Solvency II requirements. For each of these key points, the Auditor's Report describes the risk and the procedures implemented to mitigate that risk. These procedures form the basis for KPMG's conclusion that the annual accounts present a true and fair view.

Mr De Wit returns the floor to the Chair.

The Chair thanks Mr Wit for his elucidations and gives the shareholders in attendance an opportunity to ask questions, noting that Mr Wit will only answer questions concerning the audit of the annual accounts, the procedures the auditor carried out in relation to the accounts and the Auditor's Report.

Mr Keyner (VEB) has a number of questions about unit-linked insurance. The representative of the Consumer Association had already referred to this previously, and in the opinion of Mr Keyner, Mr Friese gave a rather relaxed and self-assured response to the effect that NN is making every reasonable effort in this regard. Mr Keyner expresses the view that this matter needs to be wrapped up definitively, and regrets that legal proceedings are still on-going. This dispute has continued for many years, and NN Group is not the only company affected. This issue could give rise to future financial obligations, in the event

of less favourable rulings in certain court cases. So far, NN Group's conclusion, which the auditor supports, is that it is not possible to reliably estimate the risk in relation to these products, and consequently no provision need be formed; nor does the matter need to be taken into account in calculating the Solvency II ratio.

Mr Keyner's first question is, if there is a great degree of uncertainty, would this not be a good reason to set aside part of the capital buffer for this contingency?

Mr Keyner then wonders whether investors can really sleep soundly with this item still pending, or should they be concerned that this might constitute a huge risk, perhaps not one year down the road, but in five or eight years' time.

Mr Keyner's following questions are for the auditor. He refers to Mr Rueda's previous answers to questions regarding profitability, in which he stated that comparison was difficult due to potentially different interpretations and assumptions in the application of IFRS. This makes it difficult for users of the annual accounts to judge whether the reported figures are good or bad. Mr Keyner asks whether NN Group is a company with the rosier outlook, or is it a company that is slightly conservative and acknowledges the negative points, as well. In light of the auditor's expertise based on its experience with the many European insurers that it audits and for which it issues opinions, how does KPMG assess the valuation philosophy of NN Group?

Mr Keyner then asks whether there are any relevant or significant items on which KPMG as the new auditor has advised the Management Board and the Company to take a different approach.

The Chair answers the first question relating to the provisioning for the unit-linked issue by assuring Mr Keyner that this is an item to which the Supervisory Board devotes frequent and close attention. This is also shown by the fact that the Supervisory Board had approved the publication of the information pertaining to this subject. The floor is then given to Mr Friese for a more detailed explanation of how this issue is handled.

Before responding to the content of the question, Mr Friese responds to the words 'relaxed' and 'self-assured' used by Mr Keyner. Mr Friese says it is not true that he feels relaxed about this subject; he is, however, confident about NN's continued commitment to providing its individual customers with as much support as it can. NN and its employees strive every day to engage in dialogue with all its individual customers in the Netherlands and look for solutions in the case of customers who are not satisfied with a product they purchased from NN in the past. NN takes this task extremely seriously and is not in any way relaxed about it. But the Company is proceeding with a

confident attitude and is also making good progress. Mr FRIESE turns to the matter of provisioning. When NN Group was listed, an extensive IPO prospectus was prepared, and this risk was exhaustively discussed. The risk was also brought up again in all public disclosures, including the Annual and Interim Reports, and updates have been issued whenever there have been relevant new developments in the legal aspects of the affair. The products that were sold in the 1990s – not only by NN but also by other insurers in the Netherlands – were varied and complex, each with their own characteristics. In addition, there is the legal risk. Rulings have been made in proceedings involving both NN and other insurers, but none were of a conclusive nature. For all these reasons, it is not possible to reliably establish whether and to what extent any financial obligations might arise. NN has always repeatedly stated in its disclosures that this could constitute a substantial and material risk. NN manages this risk, but it cannot reliably estimate what the outcome will be. Accordingly, no provision has been formed under IFRS and no contingent liability recognised under Solvency II. On a daily basis, NN carries out the activities previously described in the answer given to the Consumentenbond. NN also continues to defend its legal position, and continuously follows the broader developments in the case. With its recently published figures for the first quarter of 2017, NN again reiterated that there is no reason to change its position on this point.

Mr Keyner (VEB) asks again whether investors could sleep soundly at night with this issue still looming.

Mr FRIESE replies that Mr Keyner can rest assured in the knowledge that the Management Board is working very hard and with great confidence on solving the problems of individual customers. He adds that, whenever possible, the Board will regularly issue fully transparent updates of the reality of this issue, which by nature comes with the aforementioned uncertainties.

In addition to the explanation given by Mr FRIESE, Mr De Wit (KPMG) notes that this was a key audit issue for the former auditor as well. At the end of 2015, KPMG had already started looking into the audit of this item and had determined that it was not possible to include a provision in the balance sheet due to all the uncertainties. This risk will be closely monitored and reviewed each quarter during the preparation of the financial statements. In addition to the customer-related aspects, the legal aspects in particular will be considered, both as regards what happens to NN's own case file and what transpires in the market as a whole. The issue will be examined by many of those involved within the Company itself and by external parties as well. NN carries out a thorough assessment in this respect, and on each reporting date, KPMG will determine whether the auditor still concurs with the

conclusion of management that the risk cannot be reliably estimated. So far, KPMG endorses this conclusion. Accordingly, there are no provisions and no contingent liability, but there is a very significant latent risk. For this reason, a very extensive disclosure is included in the annual accounts, in which two things are stated: (i) this risk 'may have a material adverse impact' and (ii) an indication of the timeline. There will, in any event, be a couple of occasions in 2017 when new facts emerge. Both the Company and KPMG will then assess the merits of these.

The IFRS accounting rules allow for various options, and how the figures are calculated is greatly influenced by the accounting methods chosen. There are significant differences in the accounting practices adopted by the various insurers - AEGON, a.s.r., Delta Lloyd and NN Group - in their annual reporting for the financial year 2016. Once an accounting policy has been decided upon, estimates will also have to be made, which is known as 'assumptions-setting'. Estimates have to be made in a great many areas, but these estimates can be monitored over time in order to get an idea of the exact figures. KPMG has devoted a great deal of attention to this matter this year, and was able to complete its audit of these estimates satisfactorily. As to the question of where along the given spectrum its approach lies, KPMG feels it would be somewhere between the terms used by Mr Keyner: 'balanced' and 'conservative'.

Mr De Wit (KPMG) then explains that, as a new auditor, KPMG has discussed with the Company many points noted by the auditor in the course of the year. One of the key audit matters cited in the Auditor's Report concerns the internal controls and access to the IT systems. This point was not previously qualified as such. KPMG takes the view that a financial institution in 2016 is highly reliant on the proper functioning of its IT systems, and that this aspect is also adequately and demonstrably under control. During its audit, KPMG came across certain issues it considers unsatisfactory, the so-called 'deficiencies' referred to in the Auditor's Report. Additional work was immediately carried out to demonstrate that because other activities were carried out, the risks are as yet limited. In situations in which there were no additional internal control measures, KPMG supplemented these with substantive procedures of its own. If, for instance, it cannot be demonstrated that the separation of functions regarding access to data from which financial information is ultimately derived is assured, then this would represent a vulnerability. The question is ultimately whether this has been abused, however. Checking the transaction processing can reveal whether someone that might have two access rights has abused these rights. It was demonstrated that this was not the case, and KPMG was accordingly able to close this issue for 2016. It is expected that improvements will be made on this point in 2017.

Mr **Keyner** (VEB) compliments the auditor on his explanation.

Mr **Spanjer** asks the auditor for his assessment of consumer big data, and whether he sees any difference in the treatment of consumer big data between NN and Delta Lloyd. Mr **Spanjer** then asks the auditor for his assessment of Delta Lloyd's administration, and whether he is aware of the share package that Delta Lloyd had given to NN. Finally, he asks about the extent to which the auditor was present during the transactions between NN and Delta Lloyd in 2016 and in 2017.

Before answering these various questions, Mr **De Wit** (KPMG) stresses that his explanation concerns the audit of the 2016 annual accounts of NN Group and the events until mid-March 2017. Delta Lloyd prepared its own annual accounts with its own auditor, which was not KPMG. An explanation of that Auditor's Report will have to be supplied by the auditor in question. KPMG will look at Delta Lloyd as part of its audit of the 2017 annual accounts, and also during its assessment procedures for the quarterly figures. As stated earlier, the half-year figures would be the first consolidated figures of the new NN Group, including Delta Lloyd. KPMG will also issue a review report on these figures. At the close of 2017, KPMG will be able to provide more specific information with respect to Delta Lloyd at the shareholders' meeting next year. To the extent that Delta Lloyd issues were relevant to the preparation of the 2016 annual accounts, they have all been included, but these are primarily textual disclosures. KPMG checked these disclosures to establish whether source documentation supported them.

Mr **De Wit** (KPMG) turns to a previous question from Mr **Spanjer** regarding Bitcoin. As already stated by the Company, Bitcoin does not feature in its current processes. KPMG was able to establish this in its audit, as no Bitcoins were encountered. KPMG did, however, encounter a company management open to innovation. In the design of the audit, the Company was looked upon as an organisation in transition. During the past year, discussions with the persons leading NN Group's innovation agenda were held on a few occasions. These concerned what was on the agenda, and for example what Sparklab entails. This was in order to get an impression of how the Company is changing, and where this has implications for the audit. KPMG for instance looked at what NN Group is doing in the field of data analysis, but always from the perspective of what the implications might be for the audit. The application of big data to make websites changeable for customers is very interesting, but at this point it has no implications for the audit procedures.

Mr **Spanjer** (Amsterdam) states that he was referring to the protection of policyholders' big data in NN Group's

systems, for instance in the form of cyber security. Mr **De Wit** (KPMG) replies that the section of the Auditor's Report dealing with IT states that information security is an extremely important issue for KPMG's procedures. The information ultimately used for the preparation of the annual accounts is reliable. Especially in the context of cyber security, extra 'deep dives' were performed on highly critical systems to establish the extent of NN Group's resilience in this area.

Mr **Stevense** (SRB) refers to the proceedings initiated by the Consumer Association. He notes that, for the settlement of interest-rate swaps for SMEs, the Minister had determined that the amount would be EUR 50,000 for each contract, including for contracts that had been finalised. Even people who considered this amount to be insufficient, and were demanding EUR 60,000 or EUR 70,000, were told that EUR 50,000 was the final offer. According to Mr **Stevense**, the unit-linked policies are being handled in the same way. He asks whether further information could be provided on the percentage of policies that had gone awry and those that had been concluded successfully.

Mr **Stevense** (SRB) notes that the Company is engaged in all kinds of on-going technological renewals. This will moreover soon involve Delta Lloyd, as well. He asks Mr **De Wit** to what extent these two processes could be completed successfully and simultaneously, and whether the automated data processing capabilities would be adequate to cope with this.

Mr **De Wit** (KPMG) reiterates that 2017 will be an exciting year to audit. KPMG will study how the change agenda will be formulated and the risks associated with this.

In addition, to the question on the unit-linked insurance, Mr **Friese** repeats that NN Group is making every effort to help people who are not satisfied with the product they purchased from NN at the time, and would continue to offer proper assistance to these people. The Company will not wait for the outcome of legal proceedings and also does not believe that this is where the solution will be found: a solution really has to be found by means of individual dialogue. But if the Company is taken to court, it will put forward its arguments.

The comparison made with the SME interest-rate swaps is inappropriate, since this is a completely different case. A uniform solution is not possible for the unit-linked insurance, due to the multiplicity in the complexity of the various products and the like. The solution lies in individual dialogue, and this is where the Company is focusing its attention.

Mr **Veen** (Rijswijk) wishes to ask two questions. Firstly, he thanks Mr **De Wit** for his clear explanation. He then asks

how the solvency ratio of 238% in the last quarter was established, whether a Nationale-Nederlanden internal model was used or a standard model applied to all insurers. He then asks the auditor to explain the significance of attaching his signature to the Auditor's Report.

Mr **De Wit** (KPMG) begins with the question on Solvency II and explains that the Solvency II rules apply to all European insurers and therefore also to insurers in the Netherlands. This sounds as though it is a clear set of rules, but then there are numerous applications. Choices have to be made within existing frameworks, and then very many assumptions have to be made. A standard formula for most risk modelling is provided in the regulation that actually is the departure point for everyone. But, as Mr Frieze has already mentioned in his introduction, NN Group started preparation for Solvency II in good time and therefore obtained agreement from the supervisor to use a partial internal model, actually before the system came into force on 1 January 2016. This means a model designed for NN Group. As part of its audit procedures, KPMG has checked whether the model that the supervisor allowed NN Group to use was actually used and that nothing else happened, either surreptitiously or by accident. The conclusion was that the correct model has been applied correctly.

The annual accounts include extensive disclosures on Solvency II, how this was calculated and all the related considerations. This is a very complex item, and needs new disclosures in the annual accounts. This was also a new item for the auditor in his audit, and for this reason it is more extensively dealt with in the Auditor's Report. The auditor confirms that he is comfortable with NN's disclosure, and that the ratio of 241% at year-end is indeed the capital position that meets the established Solvency II rules. He adds that, formally speaking, these figures will only become final once the supervisor approves them and they are filed.

To the question regarding the meaning of the signature to the Auditor's Report, Mr **De Wit** begins with himself. It means the completion of an extremely satisfying, instructive and busy year. Auditing such a large client, and accomplishing it properly, requires a huge amount of work and attention from both the auditor and his large team and the people at NN Group. In practical terms, it also means that KPMG confirms that its audit was sufficiently robust to ensure that the picture presented in the annual accounts is such that the reader can base his own conclusion on good information if he reads the annual documents carefully.

The **Chair** thanks Mr Wit for his explanation.

The **Chair** presents a slide with the capital present and

represented.

A total of 211,714,045 votes can be cast.

The Chair moves onto the vote on the proposal to adopt the annual accounts for financial year 2016, and gives the floor to Ms **Stuijt** for an explanation of the voting procedure. Ms **Stuijt** provides the requested explanation. The Chair then establishes that the proposal is adopted, closes agenda item 4A and moves to agenda item 4B.

Agenda item 4B.

Explanation of the profit retention and dividend policy

The **Chair** raises the disclosure of the profit retention and dividend policy and refers to the dividend policy as published on the NN Group website. The Chair states that the Company intends to pay an ordinary dividend in line with its medium term financial performance and envisages an ordinary dividend pay-out ratio of 40-50% of the net operating result from ongoing business.

Barring unforeseen circumstances, the Company intends to declare an interim dividend with the disclosure of its second quarter results and to propose a final dividend at the Annual General Meeting of shareholders

NN Group intends to pay dividends either in cash, after deduction of withholding tax if applicable, or in ordinary shares from the share premium reserve at the election of the shareholder and intends to neutralise the dilutive effect of the stock dividend through repurchase of ordinary shares

In addition, 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, as was the case last year.

The Company is committed to distributing excess capital in a form which is most appropriate and efficient for shareholders at that specific point in time, such as special dividends or share buybacks.

When proposing a dividend, NN Group will take into account, among other things, its capital position, leverage and liquidity position, regulatory requirements and strategic considerations as well as the expected developments thereof. There is no requirement or assurance that NN Group will declare and pay any dividends.

The **Chair** gives the shareholders in attendance the opportunity to ask questions and establishes that there are no questions concerning this agenda item.

The **Chair** closes agenda item 4B and moves to item 4C.

Agenda item 4C.

Proposal to pay dividend

The **Chair** raises the proposal to pay a dividend and refers to the presentation by Mr Friese and the note to this agenda item included on page 4 of the convocation letter.

The **Chair** gives the shareholders in attendance the opportunity to ask questions, and establishes that there are no questions concerning this agenda item. The Chair puts the proposal to pay dividend to a vote and then establishes that the proposal is adopted.

The **Chair** thanks the assembly because there are almost no votes against. The Chair closes agenda item 4C and moves to item 5A.

Agenda item 5A.

Proposal to release the members of the Executive Board from liability for their respective duties performed during the financial year 2016

The **Chair** puts the proposal to release the members of the Executive Board from liability for their respective duties in financial year 2016 as described under agenda item 5A of the convocation letter to a vote, and refers to the note to this agenda item included on page 4 of the convocation letter. The Chair gives the shareholders in attendance the opportunity to ask questions and establishes that there are no questions concerning this agenda item. The Chair puts the proposal to a vote and establishes that the proposal is adopted.

The **Chair** closes agenda item 5A and moves to item 5B.

Agenda item 5B.

Proposal to release the members of the Supervisory Board from liability for their respective duties performed during the financial year 2016

The **Chair** puts the proposal to release the members of the Supervisory Board from liability for their respective duties in financial year 2016 as described under agenda item 5B of the convocation letter to a vote, and refers to the note to this agenda item included on page 4 of the convocation letter. The Chair gives the shareholders in attendance the opportunity to ask questions and establishes that there are no questions concerning this agenda item. The Chair puts the proposal to a vote and establishes that the proposal is adopted.

The **Chair** closes agenda item 5B and moves to item 6.

Agenda item 6

Notice of the intended reappointment of Lard Friese as member of the Executive Board

The **Chair** raises the announcement of the intended reappointment of Lard Friese as a member of the Executive Board, refers to the proposal with the note included on page 5 of the convocation letter and gives an explanation.

The term of appointment of Lard Friese as a member of the Executive Board will terminate at the close of this meeting.

The Supervisory Board announces its intention to reappoint Mr Friese as a member of the Executive Board, with effect from the close of this meeting for a term of four years, which will end at the close of the Annual General Meeting to be held in 2021.

The Supervisory Board also intends to reappoint Mr Friese for this period as Chair of the Executive Board and Chief Executive Officer of the Company. The reappointment of Lard Friese will mean that his membership and chairmanship of the Management Board of the Company will continue.

The Supervisory Board intends to reappoint Lard Friese due to his international experience in the insurance sector, his experience as a director in which he combines leadership with entrepreneurship and the expert manner in which he fulfils his membership and chairmanship of the Executive Board. For information, the Chair refers to page 5 of the convocation letter and the NN Group website.

The **Chair** gives the shareholders in attendance the opportunity to ask questions and establishes that there are no questions regarding this agenda item. The Chair turns to Mr Friese and, on behalf of the Supervisory Board, expresses his appreciation for Mr Friese's huge commitment, his vision and the energetic manner in which he leads NN Group. The Supervisory Board looks forward to the continuation of the pleasant and constructive cooperation, and congratulates Mr Friese.

The **Chair** closes agenda item 6 and moves to item 7.

Agenda item 7

Profile of the Supervisory Board

The **Chair** raises the topic of the Supervisory Board's profile description, refers to the proposal with the note as included on page 5 of the convocation letter and Appendix A to the note, and gives a further explanation.

The proposed changes are intended to bring the profile description in line with the Netherlands Corporate Governance Code 2016. The proposed changes are stated in Appendix A to the note.

The **Chair** gives the shareholders in attendance the opportunity to ask questions and establishes that there are no questions concerning this agenda item.

The **Chair** closes agenda item 7 and moves to item 8A.

Agenda item 8A.

Proposal to appoint Robert Ruijter as member of the Supervisory Board

The **Chair** states the announcement of the offer issued on 2 February 2017 with respect to the recommended public offer made by NN Group Bidco B.V. (a subsidiary of the Company) to all holders of issued and outstanding ordinary shares in the capital of Delta Lloyd N.V., included the intention to appoint two members of Delta Lloyd N.V.'s Supervisory Board, known as the Continuing Members, as members of the Company's Supervisory Board.

In accordance with this intention, the Supervisory Board announces that the number of its members will be increased by two.

In accordance with the conditions in the announcement of the offer, the Supervisory Board nominates Robert Ruijter for appointment as a member of the Supervisory Board. This appointment will take effect as of the date of this meeting.

Based on the provision in the announcement of the offer, Mr Ruijter's appointment term will terminate on 12 April 2020.

An abridged CV for Mr Ruijter, citing his key current positions, has been included in the convocation documents. These positions will also be shown on the screen in the hall.

Robert Ruijter has been nominated on the basis of his experience as executive leader at a wide variety of (listed) companies, his experience as a supervisory board member, his knowledge and experience in the field of information technology and his understanding of the social, political and regulatory environment insurance companies operate in. Furthermore, he has a good understanding and knowledge of the Delta Lloyd organisation.

The Works Council has exercised its enhanced recommendation right for this nomination and has requested that the Supervisory Board nominate Mr Ruijter as the person recommended by the Works Council for the position.

If Mr Ruijter is appointed as a member of the Supervisory Board, he will also be a member of the Supervisory Board's Audit and Remuneration Committees. Further information is provided on pages 5 and 6 of the convocation letter.

The Supervisory Board's nomination of Mr Ruijter for appointment is conditional on the General Meeting not recommending any other persons for that nomination and not requesting a deferral of the appointment in order to make such a recommendation. In the event that the General Meeting wishes to request such a deferral, a separate vote will be held on the matter.

The **Chair** states that no such recommendations were received prior to the meeting. He accordingly states that the General Meeting did not wish to recommend any other persons or to request a deferral of the appointment in order to make such a recommendation.

Mr **Spanjer** (Amsterdam) asks why the Supervisory Board wishes to expand its number from seven to nine, while the Executive Board has only two members. Soon this will be a ratio of 4 to 1. The Supervisory Board is properly composed with seven members, according to Mr **Spanjer**. Mr **Spanjer** cannot see any reason for increasing the number to nine. Will someone perhaps stand down next year, who will not be replaced in order to return the number to seven?

The **Chair** refers to his explanation in which he stated that this was a consequence of the merger protocol between NN Group and Delta Lloyd that was agreed at the time of the acquisition. It is entirely reasonable for Delta Lloyd to request that two people should take up membership of the Supervisory Board who would oversee correct implementation of all the agreements. The **Chair** continues by saying that shareholders could have taken note of the offer memorandum; a lengthy document with agreements relating to the acquisition. He stresses that Mr Ruijter, who is sitting here independently and not bound by any instructions, like Ms Streit if she is appointed later, especially wishes to oversee that the interests of the employees of Delta Lloyd are properly protected. This means that two members will expand the Supervisory Board, in any case temporarily. The previous agenda item concerns the Supervisory Board's profile. It is considered particularly important that this profile should be filled as effectively and with the highest possible qualifications. The **Chair** concludes that he takes nothing but pleasure in seeing this profile being filled even better than is currently the case with the appointment of these two new Supervisory Board members.

Mr **Spanjer** (Amsterdam) says that two things are being said. First, that Mr Ruijter would be appointed until 12 April 2020. This is therefore slightly shorter than this meeting, unless it is already known that the annual meetings in 2019 and 2020 will be held on 12 April. Second, the use of the word 'temporary'. What is the definition of 'temporary'? Does this mean that the number of members will be reduced back to seven in a year or two? Mr **Spanjer** asks how he should understand what 'temporary' means.

The **Chair** replies that 'temporary', in this context, is that it has been agreed that this appointment should apply for three years, so that there would in any case be an opportunity during these three years to establish how the integration of the two companies is progressing.

Mr **Spanjer** (Amsterdam) thanks the Chair for his answer.

Mr **Stevense** (SRB) has a question regarding continuity. He does not count the two new Supervisory Board members. He says he has no objection with regard to the new members, but it is still the case that four of the seven Supervisory Board members will step down in 2020. Mr **Stevense** considers that this was not helpful for continuity and asks whether the retirement rota has been considered?

The **Chair** replies that it has, and that the matter is under attention, but that it will continue for a number of years.

Mr **Stevense** (SRB) agrees but adds that one member could perhaps have been reappointed this year. This appears to be logical, since nobody is stepping down or being reappointed this year.

The **Chair** replies that the appointment terms are leading. The point raised by Mr **Stevense** is fully recognised, and has the attention of the Nomination and Corporate Governance Committee.

Mr **Keyner** (VEB) expresses his support that the addition of both Mr **Ruijter** and Ms **Streit** is important for NN Group. Many acquisitions fail, not because people do not suit each other but because there are different blood types. Mr **Keyner** illustrates this with his own experiences with a number of acquisitions. The smaller party is unintentionally seen as a bunch of fools who must be gotten rid of as quickly as possible. You want to keep the customers and everything else has to go. This is of course very dangerous, since knowledge is lost and possibly the customers as well at some point. It is thus important that these blood types are represented to some extent in the Supervisory Board, since contacts are thus maintained. It is therefore in the interests of NN Group that there is representation from Delta Lloyd, certainly for a number of years. Mr **Keyner** supports the proposal.

The **Chair** expresses his thanks for the support and puts the proposal to appoint Mr **Ruijter** as a member of the Supervisory Board to the vote and subsequently establishes that the proposal is adopted.

The **Chair** congratulates Mr **Ruijter** and welcomes him to the Supervisory Board.

The **Chair** closes agenda item 8A and moves to item 8B.

Agenda item 8B.

Proposal to appoint Clara Streit as member of the Supervisory Board

In accordance with the conditions in the announcement of the offer, the Supervisory Board also nominates Ms Clara Streit for appointment as a member of the Supervisory Board.

This appointment will take effect as of the date of this meeting. Based on the provision in the announcement of the offer, the term of Ms Streit's appointment will terminate on 12 April 2020. An abridged CV for Ms Streit, citing a number of her current positions, has been included in the convocation documents. These are also displayed on the screen.

Clara Streit has been nominated on the basis of her long-standing experience as a consultant, her knowledge about regulatory developments and her experience as a supervisory board member – all in the financial sector. Furthermore, she has a good understanding and knowledge of the Delta Lloyd organisation.

The Works Council has stated to the Supervisory Board that it is not recommending any persons with respect to this nomination and that it supports the appointment of Ms Streit. If Ms Streit is appointed as a member of the Supervisory Board, she will also be a member of the Supervisory Board's Risk and Nomination and Corporate Governance Committees. Further information is provided on page 6 of the convocation letter. The Supervisory Board's nomination of Ms Streit for appointment is conditional on the General Meeting's not recommending any other persons for that nomination and not requesting a deferral of the appointment in order to make such a recommendation. In the event that the General Meeting wishes to request such a deferral, a separate vote will be held on the matter.

No recommendations were received prior to the meeting. The Chair assumes that the General Meeting did not wish to recommend any other persons or to request a deferral of the appointment in order to make such a recommendation.

Since there are no recommendations for the filling of the current vacancy on the Supervisory Board, the Chair raises the proposal to appoint Ms Streit and asks whether there are questions or remarks regarding this agenda item.

The Chair establishes that there are no questions with regard to this agenda item, puts the proposal to appoint Ms Streit as a member of the Supervisory Board to a vote and subsequently establishes that the proposal is adopted.

The Chair congratulates Ms Streit and welcomes her to the Supervisory Board.

The Chair closes agenda item 8B and moves to item 9A.

Agenda item 9A.

Proposal to amend the remuneration for the members of the Supervisory Board

The **Chair** puts forward the proposal to amend the remuneration of the members of the Supervisory Board and refers to the note to this agenda item as included on pages 6 and 7 of the convocation letter, and gives the floor to Ms Van Rooij, Chair of NN Group's Remuneration Committee.

Ms **Van Rooij** states that the Supervisory Board strives to achieve a simple and balanced remuneration structure. For this purpose, it is proposed that the current remuneration policy for the Supervisory Board should be amended in order to achieve greater transparency, simpler implementation and a more balanced remuneration.

In the current policy, the pro-rata payment for the additional meetings of the Supervisory Board and its committees has, in particular, led to imbalances.

For this reason, it is proposed to make a payment for an additional meeting only after the eleventh meeting of the Supervisory Board and from the ninth meeting of any committee of the Supervisory Board.

The Supervisory Board also proposes to set a fixed sum for the payment for additional meetings of EUR 3,000 for an additional meeting of the Supervisory Board and EUR 750 for an additional meeting of a committee of the Supervisory Board.

In addition, the fixed annual remuneration for the members of the Supervisory Board will be increased slightly, as explained in the convocation letter.

For reasons of simplification, it is also proposed to replace the current expense allowance per meeting or additional meeting with a fixed annual expense allowance and a single fixed international attendance fee.

The proposed new policy will lead to a more balanced remuneration, greater transparency and less bureaucracy.

Ms **Van Rooij** gives the floor back to the Chair.

The **Chair** invites questions or comments regarding this agenda item.

Mr **Spanjer** (Amsterdam) asks why there should be another increase in remuneration, given that NN only ceased receiving an infusion eight months ago. The infusion continued until April last year. Why after eight months do people think that they are free to ask for more money? He does not understand this.

The **Chair** thanks Mr Spanjer for his question and replies that this does not concern an increase. An increase is at any rate dependent upon the number of meetings the

Supervisory Board has. Looking at what has happened in recent years, this proposal does not concern an increase at all. On the contrary, it involves a reduction depending on the number of meetings that occur. The Chair disagrees with the assessment of Mr Spanjer that this involves an increase. This is not the case.

Mr **Spanjer** (Amsterdam) replies that point B concerns a proposal for an increase. That is the proposal to approve an increase.

The **Chair** replies that it is an increase of the fixed sum, but not of the total payment. It completely depends on how many meetings there are. Under the old system, there was a pro-rata payment per additional meeting. Then you have the debate over what constitutes an additional meeting. That is the number on which the pro-rata calculation is based, when it is a meeting and when it is not a meeting. In other words, this leads to discretionary decisions, and the Supervisory Board wishes to avoid this. People want a system that is simple for the Company to operate and is clear and fair for the supervisory directors. There has also been a review to establish whether this total remuneration is in line with the market.

Mr **Spanjer** (Amsterdam) answers that he is more concerned about point B.

The **Chair** replies that point B relates to a completely different matter, and that Ms Van Rooij will explain that.

Mr **Spanjer** (Amsterdam) says that he thought that there was one explanation.

The **Chair** confirms that the meeting is discussing agenda item 9A, and that this concerns the amended remuneration of the Supervisory Board members and not an increased payment. The **Chair** establishes that there are no further questions with regard to this agenda item, puts the proposal to a vote and subsequently establishes that the proposal is adopted.

The **Chair** closes agenda item 9A and moves to item 9B.

Agenda item 9B.

Proposal to approve an increase of the variable remuneration caps in special circumstances

The **Chair** puts forward the proposal to approve an increase of the variable remuneration cap in special circumstances and refers to the note to this agenda item as included on pages 7 and 8 of the convocation letter. This proposal does not concern the Supervisory Board members, but rather it concerns the Company employees. The Chair gives the floor to Ms Van Rooij, Chair of the Remuneration Committee.

Ms **Van Rooij** explains that under the Netherlands Act on remuneration policies of financial institutions (the 'Wbfo'), a restriction on the ratio between fixed and variable remuneration applies to all NN employees. The implication of the Act is that for employees working in the Netherlands, the variable remuneration may not exceed 20% of the fixed salary, while for employees working in other countries, the variable remuneration may not exceed 100% of the fixed salary.

NN Investment Partners, NN Group's asset manager, in particular also operates outside the European Economic Area, and in certain countries there are no local limits with respect to variable remuneration.

In countries such as the United States and in Asia, the asset manager wishes to maintain a competitive position and needs more flexibility with regard to pay for these scarce professionals. This is the reason for the proposal to introduce an exception in variable remuneration of up to 200% of fixed salary for a very limited group of employees – around 25 people – working for NN Investment Partners outside the European Economic Area, chiefly in the United States and Asia, for the years 2018, 2019 and 2020.

This is permitted under the Wbfo, subject to approval by the shareholders. This is the reason for putting this proposal to the vote. The shareholders approved this measure for the years up to and including 2017 at the meeting on 28 May 2015.

Very limited use is made of this possibility, and the remuneration of these employees has at all times remained within this limit in the past years. The proposal therefore does not involve an increase in the remuneration for this specific group of employees outside the European Economic Area, chiefly in the United States and Asia.

Ms **Van Rooij** gives the floor back to the Chair.

The **Chair** invites questions or comments regarding this agenda item.

Mr **Veen** (Rijswijk) asks whether the number of employees eligible for this will be stated in the Annual Report.

Ms **Van Rooij** confirms that account is always given of the policy. In past years, this has concerned 25 employees, and this number is not expected to change in the coming years.

The **Chair** establishes that there are no further questions with regard to this agenda item, puts the proposal to a vote and subsequently establishes that the proposal is adopted.

The **Chair** closes agenda item 9B and moves to item 10.

Agenda item 10

Proposal to amend the articles of association of the Company

The **Chair** puts forward the proposal to amend the Articles of Association and refers to the proposal with the note to this agenda item as included on page 8 of the convocation letter and Appendix B to the note.

The proposed amendments relate to changes in legislation and regulation and other general textual amendments and clarifications.

Appendix B to the note contains an overview of the Company's current Articles of Association and the proposed amendments, as well as an explanation of the proposed amendments.

The **Chair** establishes that there are no questions with regard to this agenda item, puts the proposal to the vote and subsequently establishes that the proposal is adopted.

The **Chair** closes agenda item 10 and moves to item 11A.

Agenda item 11A.

Proposal to designate the Executive Board as the competent body to resolve on the issuance of ordinary shares and to resolve on the granting of rights to subscribe for ordinary shares

The **Chair** puts forward the proposal to designate the Executive Board as the competent body to resolve on the issuance of ordinary shares and to resolve on the granting of rights to subscribe for ordinary shares and refers to the note to the agenda item as included on page 8 of the convocation letter.

The **Chair** establishes that there are no questions with regard to this agenda item, puts the proposal to the vote and subsequently establishes that the proposal is adopted.

The **Chair** closes agenda item 11A and moves to item 11B.

Agenda item 11B.

Proposal to designate the Executive Board as the competent body to resolve to limit or exclude pre-emptive rights of shareholders when issuing ordinary shares and granting rights to subscribe for ordinary shares

The **Chair** puts forward the proposal to designate the Executive Board as the competent body to resolve to limit or exclude the pre-emptive rights of shareholders when issuing ordinary shares and granting rights to subscribe for ordinary shares and refers to the note as included on page 8 of the convocation letter.

The **Chair** establishes that there are no questions with regard to this agenda item, puts the proposal to the vote and subsequently establishes that the proposal is adopted.

The **Chair** closes agenda item 11B and moves to item 12.

Agenda item 12

Proposal to authorise the Executive Board to acquire ordinary shares in the Company's share capital

The **Chair** puts forward the proposal to authorise the Executive Board to acquire ordinary shares in the Company's share capital and refers to the note to this agenda item as included on page 8 of the convocation letter.

The **Chair** establishes that there are no questions with regard to this agenda item, puts the proposal to the vote and subsequently establishes that the proposal is adopted.

The **Chair** closes agenda item 12 and moves to item 13.

Agenda item 13

Proposal to reduce the issued share capital by cancellation of ordinary shares held by the Company

The **Chair** raises the proposal to reduce the issued share capital by cancellation of ordinary shares held by the Company and refers to the note to this agenda item as included on page 8 of the convocation letter.

The **Chair** establishes that there are no questions with regard to this agenda item, puts the proposal to the vote and subsequently establishes that the proposal is adopted.

The **Chair** closes agenda item 13 and moves to item 14.

Agenda item 14

Any other business and closing

The **Chair** gives the opportunity to ask questions or make comments unrelated to the items previously dealt with.

Mr **Keyner** (VEB) remarks that he has no dislike of old trams and the like, but that he considers the hall to be rather warm. He suggests the meeting should be held somewhere else where air conditioning is available. He would appreciate this.

The **Chair** acknowledges the point.

Mr **Stevense** (SRB) has a question regarding the Delta Lloyd shares. These are no longer being traded and sufficient opportunity was given to tender the shares. He says that exchange of shares was not easy and that he represents a person who also owns Delta Lloyd shares, and that things have gone wrong. Is there a possibility that this person can simply receive cash? What is the conversion ratio? Officially this has to be into NN shares, but can the DL shares also be exchanged for cash?

Mr **Rueda** replies that the procedure of de-listing the Delta Lloyd shares was completed yesterday. He believes that it will be possible to receive NN shares via the broker referred to by Mr **Stevense**. Cash will be paid in case of entitlement to a fraction of a share, since a share in Delta Lloyd does not equate to a whole NN share. Mr **Rueda** invited Mr **Stevense** to discuss this further after the meeting.

Mr **Stevense** (SRB) replies that the share price was consistently quoted below the acquisition price, otherwise the problem would not have arisen. The point is that the person he represents owned a large number of NN shares.

The **Chair** states that this matter could be discussed further to the extent necessary after conclusion of the meeting.

Mr **Stevense** (SRB) agrees.

Mr **Veen** (Rijswijk) states that if the Supervisory Board encounters difficulties with its retirement rota in three years' time, that he will be available. He also asks to what extent the management is prepared for a possible hostile takeover, for instance from a Chinese company? Partly in relation to what has recently happened with Unilever and what is currently occurring with Akzo. Such a situation might arise.

Mr **Veen** turns to Mr **Bapat** and makes a request to him via the **Chair**. FitVermogen has won the public prize for investment funds. Nonetheless, the question is whether the website could be further improved and made more accessible to customers. In addition, Mr **Veen** is interested to hear how the integration of the Delta Lloyd investment funds and the Nationale-Nederlanden funds is progressing. Which team will be involved in this?

There was a discussion regarding Ajax and of the fact that Klaas-Jan Huntelaar has come to Ajax and that the price of Ajax has risen in the meantime. Mr **Veen** wonders whether someone has benefited from this.

The **Chair** defers the second point on asset management to be discussed during the drinks, at which there will be an opportunity to talk to Mr **Bapat**. The **Chair** refers the first question to Mr **Friese** to answer.

Mr **Friese** answers that acquisitions are part of normal economic activity. This is normal practice. NN itself makes acquisitions and this can be a perfectly normal part of a business strategy. It is of course important that the Board and the Supervisory Board act in the interests of the Company and evaluate the interests of the stakeholders in order to arrive at a decision. In such situations, calm, rationality and regularity are extremely important. A moment of calm to give executive and supervisory directors the ability to study bids or approaches and develop potential alternatives. NN Group has an instrument for this, the Stichting Continuïteit, which was incorporated from the start. Stichting Continuïteit consists of three independent trustees, one of whom is present here today at this meeting. These three trustees can themselves decide to intervene if they consider it important to do so. In that case, they can exercise an option right. The option right gives them the opportunity to acquire 50% of the votes, less one vote, and at that point to bring calm in the process. This is not a period without end. Jurisprudence dictates that this period of calm may continue for approximately two years, this is an important element. In addition, there is a possibility to invoke a response period of 180 days when one of the shareholders has a proposal to place an item on the agenda of a shareholders' meeting that can lead to a change of strategy. The response period is established in the Corporate Governance Code and companies may make use of it. Whatever, Executive and Supervisory Board members will always view the interests of the Company in the context of all its stakeholders. Acquisitions are part of normal economic activity. Calm, rationality, and responsible consideration are especially important. At NN Group, we have ensured that instruments are in place to properly provide for this.

The **Chair** establishes that there are no further questions and subsequently makes a number of final announcements. The draft of the minutes will be published on the Company's website within three months. Shareholders may receive the minutes by mail; forms to request this are available at the information desk.

The final results of the votes will be published on the NN Group website within a few days.

The **Chair** thanks those in attendance for coming and for their input, and closes the meeting.

NN Group N.V.
Schenkkade 65
2595 AS The Hague
P.O. Box 90504, 2509 LM The Hague
The Netherlands
www.nn-group.com
Commercial Register of The Hague, no. 52387534

