

CEO statement

2017 was a memorable year for NN Group

“Our company aims to be a positive force in people’s lives, now and for generations to come.”



2017 was a memorable year for NN Group. We succeeded in further strengthening our businesses, and solidified our position in the Netherlands and Belgium through the acquisition of Delta Lloyd.

Since our Initial Public Offering in 2014, we have focused on building an agile, diverse and financially solid company that matters in the lives of our stakeholders.

Integrating Delta Lloyd

Consolidation in the competitive Dutch market had been anticipated for years. The joining of forces by NN and Delta Lloyd in 2017 was a key step for us in preparing our company for the future. Both organisations have been deeply rooted in Dutch society for over 170 years and share many features and values. As a result of the integration we are well-positioned to capture opportunities the market presents, to create attractive products and services for our customers, and to establish a platform for innovation, knowledge sharing and talent development.

At our Capital Markets Day in November 2017 we outlined our strategy and updated targets for the combined company going forward. Our top priorities are to deliver on the Delta Lloyd transaction, extract synergies and capitalise on our combined strengths. However, we recognise that an integration process of this scale is impactful and does not only bring benefits. It also entails the loss of an appreciated brand, a change in functions, and positions becoming redundant. Last year, we saw a reduction of approximately 900 jobs in our Dutch and Belgian businesses. We are committed to go through this process with respect and care, and I extend my warmest thanks to all colleagues who over the years contributed to where the company is today.

CEO statement Continued

Solid financial performance

With the persistent low interest rate environment, various geopolitical and regulatory developments and circumstances caused by for example weather-related events, 2017 also was a tumultuous year. Still, we maintained commercial momentum and delivered on our cost saving targets, demonstrating the resilience of our businesses.

Our financial performance in 2017 remained robust and our capital allocation disciplined. Our full-year operating results of the ongoing businesses – reflecting a strong contribution of Delta Lloyd and an improved performance of our insurance operations in Europe and Japan – increased by 29.3% to EUR 1,586 million and our net result¹ increased by 77.5% to EUR 2,110 million. Our cash capital position and Solvency II ratio are solid, at EUR 1,434 million and 199% respectively, with our Solvency II ratio reflecting the deduction of the final 2017 dividend of EUR 1.04 per ordinary share that will be proposed at our Annual General Meeting of Shareholders on 31 May 2018. Combined with the interim dividend paid in September 2017, this brings the payout ratio to 45% of the 2017 full-year net operating result of the ongoing business.

Innovating our businesses

The fundamental need of people to protect themselves against life's uncertainties will continue to drive growth in the insurance industry over the long term. With technology and data transforming our competitive landscape, our customers' behaviour and our cost structures, it is crucial that we are prepared to adapt as circumstances evolve. By making our operations more efficient, innovating our existing business, and branching out or joining forces with fintech companies and other business partners, we invest in the business of tomorrow.

Let me share a few examples. Following the successful launch of our innovation lab, Sparklab in the Netherlands in 2016, another five labs went live in different markets in 2017. They introduced a number of value propositions, such as 'Gappie', an on-demand car insurance product for the Dutch market, or an application tailored to support people with diabetes in Hungary. In Slovakia a partnership was set up with Slovenska sporitelna, one of the leading banks, and NN Hayat ve Emeklilik in Turkey entered into a strategic partnership with Hesapkurdu.com, the country's leading online loan aggregator platform for mortgage and consumer loans.

NN also invested in RightIndem, which offers digital, customer-driven claims management solutions, and in Dopay, a company that simplifies payroll management and disbursement in developing countries.

Commitment to teamwork

In our industry, trust is essential and living up to our stakeholders' expectations is key. In order to deliver on our promises, our more than 15,000 colleagues need to feel engaged, appreciated and equipped, especially in times of change. We were pleased to be named top employer in Poland, Spain and Turkey in 2017, and know there is further room for improvement. Regrettably, our Yearly Engagement Survey showed a decrease in employee engagement from 71% to 66%. Given the uncertainty around the integration process in the Netherlands and Belgium, this outcome is understandable. As we progress on our journey, this will have our full attention.

In 2017, we continued to invest in positioning our brand across markets, and improving the customer experience. This resulted in customer satisfaction ratings going up for almost all our businesses. We also entered into new partnerships with different cultural, art and sports organisations. One of the highlights was the launch of the NN Running team, bringing together the best long-distance runners globally. And as of 2018, we will be the title sponsor of the NN North Sea Jazz festival, the largest international indoor music festival.

Being part of society

We want to be a respected company and a good corporate citizen, and we recognise that this comes with responsibilities. This means we strive to bring positive change, and we avoid or manage the negative impacts our business activities may have. As an asset manager, with investments across the economy, we provide capital for households, companies and governments to finance growth. In line with our values – care, clear, commit – we further strengthened our Responsible Investment Framework policy. In 2017, we published a Stewardship Policy and a guidance paper on the Environment. We believe our engaged shareholdership contributes to generating long-term value, and we make active use of our voting rights at companies' shareholder meetings. Our Assets under Management in SRI funds and mandates doubled to more than EUR 10 billion.

In support of our societal commitments and to promote transparency, we made progress in aligning our reporting with the recommendations of the Task Force on Climate-related Financial Disclosures and we indicate how we contribute to the Sustainable Development Goals.

We improved our performance in the Dutch Transparency Benchmark, and are proud to be included in the Dow Jones Sustainability Indices.

After the listing of our company in 2014, we launched our community investment programme, NN Future Matters. Its activities are focused on promoting financial empowerment, a topic that fits well with our mission and the expertise of our people. Having reached nearly 74,000 youngsters since 2015, we are well on track towards meeting our goal of supporting 100,000 young people by 2020.

2018 onwards

Our operating environment changes rapidly, but with our company's financial strength, solid balance sheet and diverse set of businesses, we are well-positioned to face challenges, capture growth and contribute to an economy that works for people, societies and the environment. We made good progress in 2017 and took important steps to facilitate future success. But, as always, work remains to be done. We are determined to further accelerate our pace of change in 2018, by combining our strengths, transitioning to agile ways of working and by fostering the entrepreneurial mindset that is starting to bloom.

All this cannot be done without our colleagues' day-to-day dedication to our company, our customers' trust and the ongoing support of our stakeholders – for which I, also on behalf of our Management Board, express my gratitude.



Lard Friese
Chief Executive Officer

¹ After minority interests.