

Securing financial futures



‘At NN, we want to help people secure their financial futures, guided by our values: care, clear, commit.’

2016 was an eventful and important year for NN Group. It was a year in which we made considerable steps in building a sustainable business for the future.

In April, ING sold its remaining shares in NN Group, completing its divestment of our company – a process that started in July 2014, when NN Group opened for trading on the Euronext Amsterdam stock exchange. Since the earliest activities of our company in 1845, we have merged, grown and changed, but the core of who we are has remained the same. At NN, we want to help people secure their financial futures, guided by our values: care, clear, commit.

Innovating our businesses

In today’s operating environment, adhering to the status quo is not an option. We continuously invest in change and innovation, with the goal of improving our customer experience, lowering our costs and shaping our business for the long term. I am proud of the progress of all our businesses, enabling us to better meet the changing needs of our customers. Let me share a few examples.

In our Non-life business in the Netherlands, we launched our innovation lab, called ‘Sparklab’. Following its success, in the coming year more labs will be opened in Turkey, Hungary, Spain, Poland and Japan.

After Nationale-Nederlanden Spain successfully implemented a paperless sales process, this concept was also introduced in Poland, the Czech Republic and Slovakia. These examples show that innovation is not only about coming up with new ideas, it is also about sharing them.

Further supporting our agents in Japan, we launched IRIS – an intuitive service platform aimed at strengthening relationships with distributors and improving the quality of service.

We also look for opportunities using new technologies. NN Investment Partners is exploring digital solutions such as robo-advice, and in the Netherlands we are using robotics to facilitate straight-through and errorless processing.

Our efforts are being recognised externally, earning over 40 awards in various markets. NN in Greece was awarded the best life insurance company in the country, while NN Life Romania won the Company of the Year award. For the fourth year in a row, NN Life Japan received 3 Stars from the Help Desk Institute (HDI) for its after sales service call centre. And in the Netherlands, NN Life was recognised as ‘the most recommended pension insurer’ for the third time in a row.

Robust financials

Our progress is also reflected in our financial performance over 2016. It shows the resilience of our businesses in an environment which continues to be characterised by low interest rates and market volatility. Most of our businesses made steady progress in delivering on their strategic targets.

For the full year, we delivered a healthy operating result ongoing business of EUR 1,227 million and a good net result of EUR 1,189 million. We produced a higher value of new business and maintained robust Solvency II and cash capital positions – at 241% and EUR 2,489 million respectively. These results allow us to propose a final 2016 dividend of EUR 0.95 per ordinary share at our Annual General Meeting on 1 June 2017. Together with the interim dividend paid in September 2016, this brings the total 2016 dividend to EUR 1.55 per share.

This represents a pay-out ratio of around 51% of the 2016 full year net operating result of the ongoing business.

CEO statement

Continued

Achieving profitable growth

Our financial strength enables us to invest in value-creating opportunities, using capital generated in excess of our capital ambition. On 23 December 2016, we announced that the Boards of NN Group and Delta Lloyd reached an agreement on a recommended public offer on all outstanding ordinary shares of Delta Lloyd, with the aim to combine Delta Lloyd with the Dutch and Belgian activities of NN Group. With this transaction, we take an important step in bringing consolidation in the Dutch insurance and asset management markets while strengthening our leading position in the Netherlands and Belgium.

In line with our strategy to achieve profitable growth through multi-access distribution, in May, we acquired Dom Kredytowy Notus S.A. ('Notus'), a leading financial broker in Poland. And in Japan, we entered into a long-term collaboration with Sumitomo Life Insurance, focused on selling our Corporate-owned life insurance (COLI) products via tied agents.

Extraordinary teamwork

As a financial services company, our business centres around people and trust. I am proud to work alongside our 11,500 colleagues who are committed to serving our customers in a professional, caring and personal way. In our Yearly Engagement Survey, 90% of employees stated they feel their team cares about customers and treats them with respect. A solid result, but we will continue to work hard to further improve this. Overall, our employee engagement level was stable at 71%. As a Management Board, we would like to express our gratitude to all NN employees for contributing to our 2016 achievements.

Investing in society

Our company aims to be a positive force in people's lives, now and for generations to come. To achieve this, we will continue our corporate citizenship efforts in the areas where we believe we can have most impact: improving people's financial wellbeing and responsible investing.

Throughout 2016, we introduced new tools to help empower our customers to find their way towards a financially secure future. With our NN Future Matters programme, we reached out to more than 27,500 youths in the many communities in which we operate. This brings us closer to our goal of positively impacting the futures of 100,000 young people by 2020.

Additionally, we took steps to further drive the development of responsible investing. NN Investment Partners improved its understanding of the materiality of ESG factors for investment returns through two studies conducted with the academic institute ECCE. The results are used to strengthen the ESG integration in our investment process.

We also expanded the sustainable solutions range through the launch of innovative impact funds, both in equity and fixed income, as well as a sustainable multi-asset fund. This helped to grow our Assets under Management in SRI funds and mandates to EUR 5bn, an 12% increase compared to 2015.

We have set clear non-financial objectives to further strengthen our performance. We feel encouraged by the improvement of our position in the ranking of the Dow Jones Sustainability Index to 77 points (out of 100), which places NN Group in the top quartile of the global insurance industry.

2017 onwards

As we are proceeding with the recommended transaction with Delta Lloyd, our focus will be on further strengthening our position in the Netherlands and Belgium. We will make sure to give Delta Lloyd colleagues and customers a warm welcome, and show them that our brand promise 'You matter' defines who we are and what we do, every day. At the same time, we will continue to focus on delivering a robust performance as an international group, with a diverse business culture.

Our company has a solid foundation for the future, but more is yet to be done. In particular, we need to keep investing in becoming more efficient, agile, and innovative to optimally respond to the fast-paced environments in which we operate. In these times of change and growth, we would like to thank our customers for their continued loyalty towards our products and services, our business partners for our long term relationships, and our shareholders for their support and investment.

Our ambition going forward remains unchanged: we aim to deliver an excellent customer experience, so we can be a company customers can count on and employees can be proud of – a company that truly matters in the lives of our stakeholders.



Lard Friese
Chief Executive Officer

About NN

Marketplace and trends
Business model and value creation
Our strategy
Governance
Facts and figures

Case study: dilemma

Short term profit vs long term value creation

In a series of videos for the 2016 NN Values week, members of the Management Board addressed key dilemmas facing NN Group. One dilemma focused on short term profit vs long term value creation.

The Management Board members agreed that both need to be considered and balanced to achieve a future-proof organisation.

A good example is in quarterly reporting, which reflects the challenge of explaining how the company has performed financially and meeting the expectations of analysts and investors in both the short and long term. In parallel, to build an agile, future-proof organisation, NN Group must always be thinking of long term solutions and long term achievements within the businesses, also from the perspectives of all stakeholders.



Read more about the dilemma videos on page 08 of this Annual Review.



Link to full article:
www.nn-group.com/annual-report

