Minutes Annual General Meeting of NN Group N.V.

The Hague

29 May 2019, 13:30

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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, welcomes the attendees to the annual general meeting of NN Group and explains the choice of venue. The venue is close to the former head office of Nationale-Nederlanden. Before the merger with the NMB Postbank Group, the head office was at number 3 Johan de Wittlaan, opposite the World Forum.

In addition to the shareholders, the Chair welcomes and introduces a number of other guests, namely: Peti de Wit and Wim Teeuwissen, from the external auditor KPMG; Ms Cremers and Ms Stroeve from the civil-law notary Stibbe; and the representatives of the Central Works Council. The Chair also welcomes the representatives of the press.

The Chair states that the meeting will be conducted in Dutch, but that a number of members of the Executive Board and Supervisory Board will speak in English. Headsets are available to everyone, so that they can follow the meeting entirely in Dutch or in English. They should choose channel 1 for Dutch or channel 2 for English.

The presentation shown on the big screen in the room and on the webcast will be in English, in consideration of the international stakeholders. The Chair notes that all attendees will have received a Dutch or English agenda upon registration, depending on the option they chose. The meeting is being broadcast live on the NN Group website. The Chair also extends a warm welcome to online guests.

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

The issued capital on the registration date, 1 May 2019, consisted of 335,209,071 ordinary shares. A total of 1,878,640 ordinary shares were held by NN Group N.V. itself on the registration date, so that no votes could be cast on these shares. A total of 333,330,431 votes can be cast.

A statement of the capital present and represented, and of the proxy votes cast will be shown on the screen prior to the first vote.

An audio recording will be made of the entire meeting, as it is necessary for the purpose of drawing up the minutes.

The Chair introduces the members of the Executive Board and the Supervisory Board. On his right are Hans Schoen, Hélène Vletter-van Dort, David Cole, all members of the Supervisory Board, Delfin Rueda, CFO, and Lard Friese, CEO. On his left are Janet Stuijt, company secretary and member of the Management Board as General Counsel, Dick Harryvan, Vice-chair of the Supervisory Board, and Supervisory Board members Clara Streit, Robert Jenkins and Heijo Hauser.

Regrettably, one Supervisory Board member, Robert Ruijter, is unable to attend today due to previous commitments. The other members of the Management Board are also in the room: Satish Bapat, Tjeerd Bosklopper, Jan-Hendrik Erasmus, David Knibbe, Dailah Nihot and Fabian Rupprecht. Alongside the CEO and CFO, they are responsible for the day-to-day management of NN Group's activities.

The Chair mentions the passing of Dr Johan Witteveen, former Minister of Finance in several Dutch governments, and former director of the IMF. Mr Witteveen was a highly valued member of the Supervisory Board of the Nationale-Levensverzekering Bank and of Nationale-Nederlanden between 1960 and 1991. Later, as Chair of the Supervisory Board of Nationale-Nederlanden, he was an excellent adviser to the Executive Board and played a crucial role in the merger between Nationale-Nederlanden and NMB Postbank Group, as well as the formation of ING Group. Johan Witteveen was ING's first Chair of the Supervisory Board. The Chair expresses his gratitude for his remarkable achievements for the company.

The Chair provides a general outline of the items on the agenda at the meeting and their order. When an agenda item is to be voted on, it will sometimes be summarised briefly, referring to the detailed notes to the agenda and documentation on the Company website. The Chair establishes that there are no comments with regard to this announcement.

Agenda item 2

2018 Annual Report

The Chair addresses the Annual Report for the financial year 2018 and refers to the 2018 Annual Review (part 1 of the 2018 Annual Report) and the 2018 Financial Report (part 2 of the 2018 Annual Report), pages 1 to 31 and page 37. The Chair then gives the floor to Mr Friese to comment on the Annual Report.

Mr Friese welcomes the attendees to this annual general meeting of NN Group, also on behalf of his colleagues on the Management Board.

On 2 July this year, NN Group will celebrate the fifth anniversary of its listing on the stock exchange. Together with more than 14,000 employees, NN Group strives to continue creating value for its stakeholders in this dynamic world, not least for its more than 17 million customers. Mr Friese is proud of what NN Group has achieved over the past five years.

NN Group has shaped its brand and identity, and established a good reputation. NN is a financially healthy company with strong financial discipline. NN Group has strengthened its position in its home market and in Belgium with the acquisition of Delta Lloyd, and done the same internationally by acquiring Aegon's life business in the Czech Republic and its life and pensions business in Slovakia.

Mr Friese then covers 2018 in review, another good year for NN. First Mr Friese explains the changes that have taken place in the Management Board in the past year.

In 2018, NN Group bid farewell to two valued colleagues: Dorothee van Vredenburch, Chief Change & Organisation, and Robin Spencer, CEO International Insurance. In September 2018, four new members joined the Management Board. Dailah Nihot, previously Director Corporate Relations at NN Group, was appointed Chief Organisation & Corporate Relations, succeeding Dorothee. Fabian Rupprecht, from AXA, was appointed CEO International Insurance, as successor to Robin Spencer. Janet Stuijt joined the Management Board as General Counsel, a new position on the board. Tjeerd Bosklopper, who was previously responsible for the integration of Delta Lloyd and NN in the Netherlands and Belgium, was appointed Chief Transformation Officer, another new position on the Management Board. He will focus on accelerating NN Group's transformation.

Mr Friese proceeds to comment on the Annual Report. NN Group has given its integrated Annual Report for 2018 the title 'Shaping our Tomorrow'.

NN is navigating in a challenging, rapidly changing playing field. In order to remain successful, adaptability and a long-term vision are crucial. Although NN Group has grown and changed over the years, its work has essentially remained the same since the very beginning in 1845: NN Group helps customers to secure their financial futures.

However, the world in which NN does this is continuously changing. The international political climate is dynamic. It is characterised by - among other things - debates on trade, protectionism, debt problems, rising nationalism and uncertainty, for example concerning Brexit. In addition, after a number of years of strong growth, Europe's growth prospects are lagging behind those of the rest of the world. A lower growth trajectory is also expected for the Netherlands.

At the same time, digitalisation is rapidly changing the way in which we live and work together. The expectation is that in 20 years' time, almost one third of the European Union's population will be older than 65; that is already the case in Japan now. At present, only one fifth of Europe's population is in that age group, but in 20 years' time Europe's demographics are expected to be the same as Japan's current demographics.

Mr Friese adds that the labour market is also changing. People are increasingly working on the basis of flexible employment contracts, even across national borders. We can also see that governments are continuing to retrench and shift risks. As a result, the traditional role of insurers is changing. Securing people's financial future is increasingly becoming a matter of individual responsibility. The question then arises: how can NN Group best help people to make well-considered financial choices? There is only limited enthusiasm about financial products and financial subjects, and it is important for people to receive help in this respect as they have to take more and more decisions themselves. NN wants to work with the sector and with governments to increase people's financial awareness and knowledge.

NN Group's Management Board is highly aware of these trends and developments, and of their impact on customers and on the long-term strategy. In 2018, NN discussed this subject extensively with its Supervisory Board in connection with recalibrating NN Group's strategic direction. NN has given detailed consideration to areas for attention that will be important to the business units in future, and to the opportunities and challenges that will arise in those areas.

This evaluation has reinforced NN Group's belief that:
- the need for advice and financial planning will increase rather than decrease in the
- years ahead
- growth will largely be driven by demographic changes and economic growth
- there are clear changes to be seen in how customer relationships can be established and maintained

In 2018, service provision is 24/7, digital and no-hassle, and experience from other sectors determines customer expectations of NN Group's services. The importance of maintaining strong relationships with customers in such a transition has only grown. The changes that NN Group has made in its Management Board will ensure that NN has the right knowledge and experience on board to continue creating long-term value for its stakeholders going forward.

The long-term strategy is a logical continuation of the course that NN has followed since positioning itself as an independent company. The focus is on optimising the existing business and foundations of the company on the one hand, while on the other hand investigating and utilising new opportunities that add value for Group customers, business partners and the societies in which NN operates.

Mr Friese explains how NN will approach this by pursuing the following priorities. The first priority is to optimise the existing organisation and portfolios. This applies to all business units. NN Group is striving to further improve its profitability and make better use of growth opportunities. In the Netherlands and Belgium in 2018, these efforts were dominated by the integration of Delta Lloyd. NN Group received approval from the Dutch Central Bank (DNB) to incorporate the Delta Lloyd Life and Non-life business in the Netherlands in the Solvency II internal model, and all legal mergers of the business units in the Netherlands and Belgium have now been completed. The rebranding of Delta Lloyd products as NN is complete and 1.5 million Delta Lloyd customers in the Netherlands have been digitally transferred to mijnNN.nl.

Mr Friese continues by saying that NN is proud of extensive work that has already been done and of the fact that satisfaction levels among customers and intermediaries have remained stable during this intensive process. Market share has increased and internal employee satisfaction has also risen slightly. Within all of its business units, NN Group has of course continued to work hard on optimisation, particularly in the Non-life business, where the results improved substantially. NN has made progress on cost savings and efficiency improvements, for example by implementing IT and system migrations. This is quite a challenging job and NN will still be fully occupied with it in 2019. By the end of 2018, the integration in the Netherlands and Belgium had saved EUR 289 million in costs compared with the financial year 2016.

Mr Friese goes on to explain that, in addition to optimisation, profitable growth will also remain a key priority. As a result of further improvement and expansion of the product range and further diversification of distribution channels, the value of new business in the international activities rose in 2018. In many markets, NN is a leading life insurer and pension provider. For NN, the emphasis is on creating value rather than on volume. The NN products are sold via various distribution channels, such as tied and independent agents, banks and also direct. NN Group is continuously working on expanding its distribution channels. This is also being done through strategic partnerships, for example with online lender Hesapkurdu in Turkey. As a result, NN is able to reach a broader network to sell its products.

In Europe, NN Group's product range is increasingly shifting towards products without a high capital requirement. In Japan, NN Group launched a number of successful new corporate-owned life insurance products in 2018. These are products purchased by small- and medium-sized enterprises in Japan. In the case of corporate-owned life insurance products, the company, and not the individual, is the policyholder.

Mr Friese emphasises that NN Group certainly wants to continue to stand out with an excellent customer experience and further digitalisation of the sales process. The NN innovation labs, SparkLabs, now established in seven of NN's markets, continue to develop and test new initiatives. NN Group is also investing in new technologies to further strengthen its activities, such as artificial intelligence, machine learning and data analysis. Advanced learning allows NN to better assess risks and, for example, detect fraud. And NN Group is using robots, for example in the pension business, to take over routine activities.

Mr Friese adds that, besides this focus on optimisation and growth, NN Group is investigating how it can add value to its services to customers through new partnerships, such as ecosystems and platforms. NN is continuously examining new ways to remain appealing to customers and the possibilities offered by a world in which digitalisation is continuing to progress. At present, NN is exploring themes that are relevant to its customers and with which NN has an affinity as a business. These include taking the stress out of retirement, which is extremely important for NN's Life insurance businesses, or vitality, which is a very important theme for customers in relation to income protection and disability insurance. Another theme is cyber security, which is very important in relation to the Non-life insurance activities and its customers, particularly among small- and medium-sized enterprises. Within these themes, NN aims to go further than the traditional service provision that people generally expect, and is working on propositions.

Mr Friese explains that this focus does not apply solely to NN Group's insurance and banking activities, but also to its asset manager, NN Investment Partners (NN IP). The last priority that Mr Friese mentions is further strengthening NN IP in terms of expertise, distribution capacity and brand awareness, so that it will be an even more appealing and sustainable partner for its customers. The focus for NN IP is on taking advantage of its expertise, for example in relation to multi-asset, fixed-income and distinctive equities. In addition, the sustainability criteria (environmental, social and governance, or 'ESG' criteria) will be further incorporated in the investment process.

Scale is important to the asset manager, so the focus is on achieving maximum efficiency and growth of assets, particularly those of third-party mandators. The integration of Delta Lloyd Asset Management was completed in mid-2018. Deploying new technologies that combine human and machine intelligence will help NN Group make the most of the data available to it. In addition, behavioural analysis is being used to support the investment approach. NN IP also wants to expand its portfolios to include new collaborative ventures and distribution partnerships. One example is a new investment service for consumers in Japan, in partnership with Rakuten securities. In cooperation with Irish Life Investment Managers, NN IP will be managing a series of sustainably improved equity index strategies. And in China, NN IP has signed a Memorandum of Understanding with one of the country's biggest asset managers, China Asset Management Company, to create a platform together for joint product development and take advantage of each other's competencies in the European and Chinese capital markets. Mr Friese explains that NN IP expects to strengthen the product range of both NN IP and the Chinese partner in terms of responsible investing.

Mr Friese says he will now provide an explanation of the company's financial performance. He says that it was solid in 2018, which was a successful year for NN Group. Market positions were reinforced and NN maintained a strong balance sheet, with a Solvency II ratio of 230% after deduction of the final dividend, and the holding company cash position was more than EUR 2 billion. The operating result from the ongoing business in 2018 was approximately 3% higher than in 2017. This was attributable to better results at the Dutch Life and Non-life businesses, and at Insurance Europe, whereas Japan Life, NN IP and the reinsurance business encountered headwinds to a certain extent.

The net result may have decreased in 2018, but this was mainly attributable to an impairment of goodwill, a non-cash item, connected with the integration of the Delta Lloyd Life business into the NN Life business.

Mr Friese states that NN Group retained its commercial momentum, partly thanks to an improved product range. This caused the value of new business to increase by 13% compared with 2017. Sales of life insurance in annual premium equivalent (APE) were 8% lower in 2018 than in 2017. This was partly due to exchange rates, but also due to the fact that fewer pension contracts came up for renewal in 2018 than in 2017.

The assets under management remained stable at EUR 246 billion. The majority of that sum is 'proprietary', which means the company's own assets.
Mr Friese refers back to the milestone mentioned earlier: the acquisition of Aegon's life business in the Czech Republic and its life and pensions business in Slovakia. This transaction is aligned with the strategy of creating profitable growth and value, and strengthening distribution networks and market positions.

The strong capital position and balance sheet have enabled NN Group to distribute an attractive dividend to its shareholders. NN today proposes a final dividend of EUR 1.24 per ordinary share. Together with the interim dividend that NN paid in September, that brings the dividend for the whole of 2018 to EUR 1.90. This represents an increase of 14.5% compared to 2017, and a distribution percentage of 50% of the operating result from ongoing business. This is in line with the NN Group's aim of a double-digit increase in the dividend per share in 2018.

Mr Friese moves on to the first quarter of 2019, which began well for NN Group.

The operating result of EUR 468 million reflects the solid results of NN Life, NN Non-life and Japan Life, whereas the results of Insurance Europe, NN IP and NN Bank were under a certain amount of pressure.

NN Group has a strong capital position, with a Solvency II ratio of 213%, a cash position of more than EUR 2 billion and, compared with the same quarter in 2018, new sales rose by 72%. All segments contributed to this significant rise, but particularly Japan. Sales rose there, on the one hand, due to strong sales activities and, on the other, due to an expected revision of the tax rules for so-called corporate owned life insurance (COLI) policies for small- and medium-sized enterprises.

Mr Friese says that he is proud to note that a number of the asset manager's funds in various markets received recognition during the first quarter. NN IP received a Morningstar Award and a Top-10 climate score from Climetrics at the CDP Europe Awards. In addition, last quarter, NN IP joined the Roundtable on Sustainable Palm Oil.

More than 14,000 staff work on achieving NN Group's ambitions. Shareholders will be notified about this, as usual, in NN's regular quarterly reports in August and November. On 4 December, NN is organising an update for investors and analysts.

Mr Friese ends his explanation on financial performance and proceeds to mention a few non-financial highlights. As an insurer, investor, employer and purchaser of goods and services, NN wants to play a positive role in society. Society is being confronted with new risks, challenges and opportunities. As an insurer and institutional investor, NN can make a contribution to finding the right solutions. Mr Friese is convinced about this, also in the field of sustainability initiatives. This is not just an ideological view; it is an interesting business case. NN wants to facilitate the transition to a sustainable economy by investing in companies that make serious efforts in this area. NN also enters into dialogue with these companies, alone and/or in conjunction with other investors.

Sometimes, this kind of engagement is ineffective and NN is required to choose other options. For example, in 2018, NN decided to exclude tobacco producers and companies involved in oil sands extraction from its investment policy. And this morning, NN published its coal policy. From now on, NN will exclude mining companies that derive more than 30% of their revenue from coal from all of its investments. In addition, NN will wind down its proprietary investments in other mining companies and utilities to near-zero by 2030. NN IP is launching an intensive engagement process with these companies to ensure that they make the transition to using sustainable sources. If these companies do not achieve sufficient progress, it is possible that they may be excluded. For the sake of consistency, the aforementioned criteria will also be applied to NN Group's insurance activities.

Today, NN has also published a Total Tax Contribution Report for 2018. By paying taxes, NN contributes to the local communities to which its customers and employees belong. The report gives an extensive overview of the taxes that NN pays and collects on behalf of governments in all countries in which NN operates. The total amount was more than EUR 1.9 billion in 2018. This report builds on previous steps in order to further increase transparency in the area of taxation.

The assets under management in the sustainable and impact investment strategies were EUR 16.5 billion at the end of 2018. That is a rise of 53% compared with 2017. NN's ambition is for this to grow further. For more details, Mr Friese refers to the NN IP Responsible Investing Report 2018, this year's report being the first such report published by the asset manager. The report provides more detailed information about, among other things, ESG integration and NN IP's activities in relation to being an active shareholder. The report can be downloaded from the websites of NN Group and NN Investment Partners.

Mr Friese continues to comment on the non-financial results. Since the 2014 launch of the community investment programme NN Future Matters, which focuses on improving people's financial welfare and economic opportunities, NN has provided help to almost 113,000 young people. This means that the 2020 target of 100,000 young people has already been achieved. Obviously, the aim is to increase the number even further.

In 2018, NN employees performed around 13,000 hours of volunteer work, involving more than 800 NN volunteers in the Netherlands alone. For example, 181 NN employees participated in 'Money Week'. These employees conducted 274 guest lectures on insurance and money matters. In doing so, they reached almost 7,000 primary school pupils. Through its programme 'From Debts to Opportunities' (Van Schulden naar Kansen), NN Group promotes financial resilience in the Netherlands and aims to reduce poverty caused by debt.

Mr Friese continues by explaining how, as a financial services provider, NN Group also plays a role in protecting against risks related to data and cyber security. Mr Friese briefly cites two examples to illustrate this: Perfect Day, a new cyber security firm launched by NN in partnership with third parties, and the Dutch Cyber Collective (Nederlands Cyber Collectief), through which NN offers Dutch SMEs protection and support in combating the increasing global cyber risks. In addition, NN plays a role in relation to many other major issues, both national and international, and searches for broadly supported solutions, for example regarding the future of the pension system.

Mr Friese describes the importance of diversity to NN. Somewhat more than half of NN's employees are Dutch, but the company's workforce includes people of 64 nationalities. Of those in management roles, 33% are of non-Dutch origin. Gender diversity is another subject to which NN Group pays attention. Of all managers at NN, 35% are women, and the target is to have at least 30% of senior management positions filled by women in 2020. In 2018, the percentage actually rose from 32% to 33%, but NN is still striving for continuous improvement of this score.

'You matter', NN's brand promise, is central in this respect. This applies to NN Group's customers and also to its employees. NN believes it is important that 'You matter' is reflected in its corporate culture: a single culture in which every colleague feels heard and in which differences, talents, personality and ideas are valued.

Mr Friese says it is great to see that the efforts to make a positive contribution to society and the activities in the field of diversity are being recognised. For example, NN Group has once again been included in the Dow Jones Sustainability Indices, in the FTSE4Good Index and in the Bloomberg Gender-Equality Index, while Sustainalytics regards NN as a leader in the sector when it comes to sustainability.

Mr Friese mentions the exceptional performance of the NN Running Team. Not only did the athletes achieve an impressive list of podium places in 2018, but there were also new highlights, such as the marathon world record set by Eliud Kipchoge and the improved Dutch record at that distance, set by Abdi Nageeye.

Mr Friese also refers to the partnership NN Group has had with the Mauritshuis museum since 2016, and says that NN actively supports culture. NN recently extended this partnership until the end of 2021.

Finally, Mr Friese mentions the sponsoring of the North Sea Jazz festival, at which more than 90,000 music lovers enjoy performances by top artists. Each of these partnerships makes the NN brand visible and adds value.

Before ending his presentation and giving the floor back to the Chair, Mr Friese gives a brief summary of NN Group's results since its IPO five years ago. In total, since the IPO in 2014, NN Group has returned EUR 3.8 billion to its shareholders. Total dividends have been EUR 2.4 billion and NN Group has made EUR 1.4 billion of share buybacks in recent years (including the current EUR 500 million programme).

NN Group is a healthy company with solid financial foundations. It is a company that customers and shareholders can count on and that employees can be proud of. This offers NN both a stable departure point and flexibility for building its 'business of tomorrow'. In other words, for 'shaping our tomorrow' so that NN remains a company that really matters to its stakeholders. The values 'we care, we are clear, we commit' are NN's guiding principles in this respect.

Mr Friese gives the floor back to the Chair.

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

Mr Keyner (VEB) has a number of questions. First, Mr Keyner says that he is happy that the non-life business in particular is doing better and that NN has finally been able to reduce its cost structure to such an extent that a small margin of 0.6% remains, which is roughly EUR 100 million. Mr Keyner asks how much further potential remains without possible acquisitions.

His second question relates to return on equity. The net operating return on equity is mentioned on the second page of the Financial Report. The figure has fallen from 10.3% to 8.9%. Normally, that would be bad news because returns are decreasing, but NN argues that the equity has increased, which is the reason for the decrease in the percentage. Mr Keyner says that the conclusion has to be that NN is somewhat less profitable than Mr Friese had hoped, all the more so because, in his opinion, the equity on the balance sheet has remained roughly the same.

Mr Keyner then moves on to his next point. NN regards the acquisition of Delta Lloyd as very successful. Not only was NN able to buy Delta Lloyd for a relatively low price, but NN also succeeded in extracting lots of efficiency gains and cost reductions. It is not entirely clear to Mr Keyner, but he thinks that he read in the Financial Report that EUR 852 million had to be written off as an impairment on goodwill. Mr Keyner wants to ask whether the acquisition of Delta Lloyd has perhaps been less successful than everyone thought. However, a colleague had pointed out to him that it is unlikely that they have found a 'skeleton in the closet' at Delta Lloyd; the 'skeleton in the closet' is more likely to be related to the history of NN Group itself. Mr Keyner wants to know whether what his colleague Jasper Jansen says is true, namely that everything has been valued at market value at the right interest rate, rather than on the basis of historical interest rates. Previously, interest rates were high and the future value of liabilities was very cheap in today's terms, but now that interest rates are low, the liabilities have suddenly become very expensive. NN had valued the liabilities of the Life business unit on a historical basis. If this is done on the basis of market value, it will be painful. Is Jasper correct in saying that the problem was with NN Group and not with Delta Lloyd?

The next question is more closely related to the sum of EUR 852 million. That cannot have been discovered in the past month or only three months ago; it must have been discovered at some point during the past year, possibly even much earlier, which means that NN knew that upon the acquisition it would first be necessary to recognise goodwill. When Delta Lloyd's life insurance portfolio was properly valued, it turned out to be worth more than what NN paid for it and NN could therefore recognise an amount in goodwill. It is exactly that goodwill of EUR 852 million that Delta Lloyd brought with it that is being written off. Mr Keyner asks whether NN should not at least have warned shareholders at the time that NN briefly seemed somewhat richer than it actually was, but that EUR 852 million would have to be written off again within a year?

Mr Keyner then asks whether NN Group should not have warned shareholders much earlier that the way in which NN's liabilities are valued makes NN look richer on paper than it is in reality?

Finally, Mr Keyner asks a question about the amount of EUR 852 million that is being written off, and whether or not the true amount is actually rather higher, perhaps EUR 1.2 billion? He wants to know where to find these amounts.

The Chair then gives the floor to Mr Friese to answer.

Mr Friese thanks Mr Keyner and begins to answer the various questions.

Mr Friese says that Mr Rueda will answer a large portion of the financial questions, but that he will deal with the first point about the non-life business. NN is very satisfied with the programme launched on Capital Markets Day at the end of 2017, namely to integrate the non-life business after the acquisition of Delta Lloyd and at the same time to improve the profitability of this major division on an ongoing basis. In previous years, NN saw that the combined ratio, one of the metrics used by NN, was too high. This is a combination of two things: first, that efficiency is too low and therefore that the costs are too high, and second, that NN also needs to start giving more consideration to whether the premiums it charges actually match the way in which risk has developed in recent years. More attention is also needed for this subject and NN has a programme to address it.

The question is whether NN will continue with this improvement. The answer is yes. NN has a target of getting the combined ratio to 97% or lower on an ongoing basis. It was below 97% in the fourth quarter, but it takes more than one quarter to prove success, and NN wants to see an ongoing improvement. NN is doing this by reducing costs further and therefore improving efficiency. And, secondly, by examining whether the risk is properly priced on a product-by-product and risk-by-risk basis and, in relation to risks connected with SMEs and business in general, examining the extent to which the requirements set by NN with regard to maintenance - sprinkler systems etc - are being complied with sufficiently. In this way, NN wants to arrive at a situation in which the risks are properly priced on an ongoing basis, where NN is efficient and as a result can increase the profitability of this business unit on an ongoing basis.

The Chair gives the floor to Mr Rueda to answer the first question on a drop in the ROE from 10.3 to 8.9%.

Mr Rueda thanks Mr Keyner for his questions and starts by explaining the return on equity, which is the return divided by equity. The good news is that the numerator, which is in fact the profit, rose compared to the previous year.
Mr Rueda says that it is also positive that equity has risen. NN's equity can fluctuate from quarter to quarter, depending on the revaluation reserves. This means that equity increases if the value of NN's investments increases, and decreases if the value of the investments decreases. The main reason for the decrease in the return on equity is that the denominator, equity, has increased.
Mr Rueda continues by addressing the second question, which concerns goodwill. Looking at the acquisition of Delta Lloyd from multiple perspectives, from the perspectives of savings, operating result or capital generation, the result is even better than NN had originally expected. This means that this write-off of goodwill is purely an IFRS accounting item, which says nothing about expectations of future cash flows from the Delta Lloyd activities that have been acquired. The write-off has no underlying economic significance and no influence on NN's solvency and capital position. Mr Rueda says he is willing to address the technical aspects of the issue in more detail after the meeting. He says that it is about how the test of impairment of goodwill should be treated under IFRS. On the opening balance sheet, NN recognised EUR 1.3 billion in goodwill, of which the EUR 852 million mentioned by Mr Keyner was attributed to the Dutch life business. The figure is therefore not a surprise. When the life activities of Delta Lloyd and the activities of Nationale-Nederlanden were combined and then merged, the impairment test was no longer about the cash flows from the 'old' NN Life business, but the combined cash flows of the entity as a whole. And this is where the familiar accounting asymmetries are relevant, which applies not only to NN but to many insurance companies, as most of NN's assets are valued at market value and the liabilities are based on technical assumptions made when the liabilities are entered into. The write-off is therefore purely an accounting item, which has no impact on NN's expectations of the business unit's future cash flows.

The Chair adds that this was no surprise for investors.

Mr Rueda continues by answering Mr Keyner's third question on the valuation of liabilities. NN has always been clear about this. The financial supplement document shows how NN derives own funds from equity under IFRS and adjustments are indeed necessary. One adjustment is very important and is related to the valuation of insurance liabilities. This, too, is not unique: NN applies the accounting rules of IFRS 4 that are applied by everyone. There is a lot of volatility. To illustrate this, at the end of 2018, NN's equity was EUR 23 billion. At the end of March 2019 it was EUR 27 billion, which means an increase of EUR 4 billion. Mr Rueda repeats that this value will continue to fluctuate.

Mr Keyner says that he understands Mr Rueda's answer properly, but that it is not an answer to his question. His first question was simple: is his colleague Jasper Jansen right or not? His point was as follows. The problem is not so much Delta Lloyd's portfolio: at the time of acquisition, both the assets and liabilities were valued at the latest rates, based on reasonable and up-to-date assumptions. The reason for the impairment was related to the 'old' NN Life portfolio, not Delta Lloyd.

Mr Rueda says that the question was whether there are any skeletons in NN's closet. The answer is 'absolutely not'. The item is connected with the valuation of the 'old' NN Life portfolio. Mr Rueda reiterates that the liabilities are not valued on the basis of current assumptions, but on the basis of historical assumptions, which is the correct accounting approach. NN has always explained to the market that it is connected with the fact that the book value of NN Life is lower than its fair value under IFRS, but that there is not a problem with the activities of NN Life. That is why the return on equity is always calculated on the basis of an adjusted equity.

Mr Keyner says that this is indeed a clear answer to most of his questions. The last question was whether EUR 852 million could be written off because this was the goodwill that was received during the acquisition of Delta Lloyd, and how much extra was written off? What was the total amount of the difference with the valuation of the liabilities of the 'old' NN portfolio based on current market conditions?

Mr Rueda says that nothing needs to be revalued or otherwise written off in the book value or the liabilities. This solely related to the EUR 852 million in goodwill that was recognised at the time of the acquisition of Delta Lloyd. Under IFRS, this is the difference between the price paid and the calculated fair value for the entity, and that was the amount that was written off.

Mr Keyner asks whether Mr Rueda agrees with him that it is coincidental that the revaluation of the old NN 'portfolio' was less painful, because there was EUR 852 million available, a sum that NN Group actually received for nothing?

Mr Rueda says that this is no coincidence, because it is not possible to write off more goodwill than actually exists. Mr Keyner says that this is exactly what he thought. So his question is, where is the rest of the pain felt?

Mr Rueda responds that there is no further pain to be felt and that it would be better for him to expand on his answer to this question at another time. He guarantees that the cash flows generated by both the life activities of Delta Lloyd and the life activities of NN are extremely healthy. That can be seen every quarter. Mr Rueda stresses that no economic loss has been incurred and there were no consequences for solvency. This accounting write-off has not had any negative impact at all on capital generation and potential profit growth.

Mr Keyner answers that he understands this, but his question is actually about whether something needs to be done about IFRS? It has been explained that the amount must be more than EUR 852 million if NN values its current portfolio on the basis of current market assumptions. It cannot be exactly EUR 852 million. He understands that there is no more goodwill to be written off, but there must be other places in the balance sheet where the rest of the pain will be felt.

Mr Rueda stresses that it was not necessary to revise the current assessment of the liabilities under IFRS. Despite the fact that this is not market value, it is how NN is required to account for the liabilities. This is not only an issue for NN; anyone who knows how IFRS reporting works for insurance contracts will understand it.

Mr Keyner says he will ask the external auditor about this shortly.

The Chair adds that, at the initiative of the Chair of the Audit Committee, the Supervisory Board held an extra session at which all regulations and consequences of IFRS accounting were explained and discussed, long before it was set to happen. So the Supervisory Board has devoted a great deal of attention to this, but it is indeed exceptionally technical.

Mr Friese responds to Mr Keyner's final question about whether NN should have reported this earlier. NN did in fact do this. In the third quarter of 2018, at the time of the interim accounts, NN said that it expected to have to write off the goodwill when the mergers happened in the fourth quarter.

The Chair gives the floor to Mr Spanjer.

Mr Spanjer wants to know why NN still does business with underwriting agents and what the profit on the associated portfolio is. From Mr Spanjer's own calculations made on the basis of the Financial Report, they appear to be loss-making, partly as a result of the enormous payments NN is required to make to these underwriting agents. Is this correct? According to Mr Spanjer, there are also enormous financial risks and potential reputational damage in this underwriting agent portfolio. What is the Chair's view of this? Mr Spanjer also does not understand why, according to its own calculations, NN incurs much lower costs on non-life insurance than those charged by the underwriting agents, if his study of the Financial Report is correct. The underwriting agents are reported to have much better contact with customers and build apps for their intermediaries or customers, but surely NN could do that too? Surely you do not particularly need an underwriting agent to do this?

Mr Friese thanks Mr Spanjer for his question and proceeds to answer it. The non-life business has many different distribution options. NN has underwriting, with claims being underwritten via the exchange. There are lots of intermediaries doing business. People can, for example, also buy car insurance directly from NN, but NN has worked with underwriting agents for many years. Underwriting agents are large, independent intermediaries. They need a special licence to do this: an underwriting agent licence. Besides the standard rules and certificates, they are also subject to an additional quality requirement. They take on a substantial volume of work from NN and so can reach niche markets in the Netherlands, places that are difficult to reach with general products. So they have lots of local customer contact and it is very useful to work with them. Mr Friese adds that, in reply to an earlier question from Mr Keyner, it was noted that the NN Non-life division is a big division and that NN believes its profitability is too low. So something needs to be done both on the cost side and in relation to how NN calculates the risks. The same applies to the underwriting agent distribution channel. There too, the combined ratios, the ratio of costs of claims in addition to the costs incurred, are too high and the returns are insufficient. That is why NN's overall programme for the entire non-life business also includes improvements in the underwriting agents' returns. The good news is that, on the one hand, more attention is needed for the underwriting agents and for that part of the business, as well as the rest, but that the combined ratios of a number of the underwriting agents are already coming down. For example, the underwriting commission that NN pays the underwriting agents has been reduced to bring the underwriting agents' costs into line with the cost reductions NN is making in other parts of its own Non-life division. In this way, NN wants to ensure that, in due course, all distribution channels have a good combined ratio, ensuring that the non-life business is sustainable and makes a good return. Mr Friese ends with the message that underwriting agents are important partners for NN, that NN has worked with them for a long, long time and likes doing so. They are highly professional people and businesses and NN has high expectations of them going forward as well.

Mr Spanjer asks about possible reputational damage due to underwriting agents taking on excessive risks and laying them on NN. He considers that to be a risk.

Mr Friese emphasises that NN enters into strict agreements with underwriting agents and that compliance with them is monitored. Underwriting agents can underwrite within specific guidelines that NN sets for them. The agents are highly trained and have special licences. They need to comply with the guidelines and NN checks that they do. Data is also exchanged between the underwriting agents and NN to ensure that these checks are continuous.

The Chair gives the floor to Mr Eekhof.

Mr Eekhof (VBDO) says that each year VDBO decides on three themes as a basis for asking questions at a variety of shareholder meetings. This year's themes are climate adaptation, the living wage and the Sustainable Development Goals (SDGs). His first question is about climate adaptation. The Annual Review mentions that NN reports on the implementation of the Taskforce on Climate-related Financial Disclosures (TCFD) and that NN is working on an in-house model for climate scenario analysis. The VBDO compliments NN on implementing the TCFD and on the recent publication about exclusions and targets related to mining companies and utilities. Can the formulation of CO_2 reduction targets also be expected? And if so, when?

His second question concerns the living wage. As was mentioned earlier, NN engages in intensive dialogue with companies in the palm oil sector. Many human rights violations take place in this sector. The VDBO wants to know whether the living wage is already part of, or will become part of, the engagement in the palm oil sector and/or in other sectors.

With respect to the SDGs, the VBDO also wants to compliment NN for the implementation of the SDGs in the investment portfolio. When implementing the SDGs, is the negative impact also assessed and/or are specific targets set for those SDGs?

Mr Friese thanks Mr Eekhof for his friendly compliments. NN does its best, but is also very aware that this is happening with the intention of making a contribution to a good climate and a good transition. Mr Friese invites Mr Eekhof to continue encouraging NN to do this because it is a joint effort.

The TCFD's recommendations and NN's disclosures in this regard started being included in the Annual Review two years ago. NN strives to continue improving this reporting. NN has drawn up a carbon footprint for its own investments. It has also used the (publicly available) PACTA tool to improve its insights. This year, NN will examine various global warming scenarios. NN looks at both the medium term and long term, and takes account not only of transition risks and opportunities but also of physical risks. This is in line with the TCFD's recommendations. In this way, NN hopes to make a better assessment of the impact that climate change may have on its investment portfolios and activities, and what NN can do about this. NN intends to provide transparency about the outcomes of this, but is not yet entirely sure what form this will take.

On the subject of possible CO_2 reduction targets, Mr Friese says the following. Scope 1 concerns the CO_2 emissions of NN buildings, and Scope 2 concerns NN's CO_2 emissions connected with travelling by car and aircraft. NN has already set reduction targets for these, namely a decrease of 3% per FTE per year. With respect to Scope 3, NN does not yet have specific quantitative targets for the CO_2 emissions of its assets under management. NN has taken a number of steps such as permanently integrating environmental, social and governance factors into the investment policy and process. NN also actively engages in dialogue with investee companies to focus attention on the energy transition and encourage these companies to contribute to climate change issues. NN also excludes sectors: this applies to mining companies, but for example also tobacco producers and companies involved in oil sands extraction. NN wants to make a positive contribution by offering sustainable investment funds. These are all activities that NN is undertaking to also make progress in Scope 3. NN Group attempts to make continuous improvements, not only in its approach but also in the company's reporting.

Mr Friese then turns to the living wage. NN has an engagement policy and NN IP recently joined the Roundtable on Sustainable Palm Oil. NN IP constantly incorporates the living wage in this active engagement, both in individual engagement and collective engagement with other investors. NN IP also participates in the Platform Living Wage Financials. This is an initiative for engagement on the subject of the living wage with companies in the consumer industry, in areas such as food, clothing, alcohol and electronics. NN does this in conjunction with Robeco, MN Services, ING and ABN AMRO. These efforts are described in the NN IP Responsible Investing Report 2018.

The third question concerned the United Nations Sustainable Development Goals (SDGs). In the Annual Review, NN set out the links between NN's activities, the value it creates for its stakeholders and the SDGs; and NN tries to do this better each year. These are mainly the goals that are most relevant, given the kind of company NN Group is. NN has reported on various indicators for this purpose. Mr Friese says that he already mentioned a number of things in his speech, such as the Future Matters programme, the number of people NN reaches with it, and the 53% increase in sustainable assets under management. NN also reports on the carbon footprint of a large portion of its proprietary investments and is planning to extend the scope of this reporting. This carbon footprint could be regarded as a negative impact that NN reports on, but this indicator is not directly comparable to NN's reporting on sustainable and impact investments. NN is studying how it can improve its reporting on the SDGs.

Mr Friese refers to what he said at the start of his remarks, namely that it is a journey. NN does its best, knowing that steps are being taken every single day and that steps must continue to be taken in order to make continuous progress. It is an important subject.

The Chair gives the floor to Mr Vreeken.

Mr Vreeken (WeConnectYou) notes that NN's image is fantastic and that NN is no longer part of ING Group. NN Group was therefore not contaminated by the huge commotion about the ING CEO's salary and about money laundering and a loss of EUR 800 million. It is also good news that the results are good. Mr Vreeken is active in Heeren Vermogensbeheer; they have done 20% since 1 January 2018. NN Group has made a return of 30% for him. Mr Vreeken mentions the best performing fund in his portfolio: it is the NN Information and Technology Fund and he has made a return of 700% on it. Mr Vreeken never sees any advertisements for it. If NN were to communicate about it, NN could earn lots of money. Maybe NN should consider doing that.

Mr Vreeken moves on to cyber crime. NN is actively engaged in combating it, but in Taiwan they get 20 million cyber crime attacks per month. Therefore he thinks that it might be worth considering buying only Apple equipment (iPhones, iPads and MacBooks) because there are far fewer viruses targeted at Apple equipment than at competitors' equipment.

Mr Vreeken says that NN understands China well. China wants to lead all sectors within five years. Taiwan is warning about China because they drive you out like a plague of locusts, like young cuckoos. They leave nothing for anyone else. Mr Vreeken is curious to know NN's views on this.

There is something called 'Follow This' and NN follows it extremely well. Many companies in the Netherlands are pretty sustainable, particularly at the top end of the market. However, despite all the efforts of all those companies, one million animal and plant species will still die out in the years ahead. NN carries out calculations of all the losses. Climate Central predicts that a two-degree temperature increase will leave the entire Randstad region underwater, including NN's head office. Deltares says something different, however. There are lots of different studies and it would be great if NN would look at them, because that has an impact on NN's performance and share price.

Last year, the subject of coal in Poland came up. Poland is indeed a paradise for brown coal and NN may be able to use its influence to see if it is possible to establish wind parks or solar parks there, in conjunction with the government, the European authorities and other companies, because brown coal is the dirtiest substance in the world.

NN supports the SDG objective of 'no poverty'. It is important in this respect that people have water, light and energy. Last year Mr Vreeken suggested doing something with the Waka. It is very cost-efficient; it only costs 5 or 10 euros to provide people with light. Mr Vreeken is curious to know how far NN has come with this. There is also a circular shower that cuts water and gas usage by 80%. If people have both water and energy, poverty will be less of a burden.

What is revolutionary is the development of the Clean Cow by DSM, which achieves a 30% reduction in methane emissions. Mr Vreeken thinks it would be good if NN could support it.

Mr Vreeken always travels by car to the annual general meeting. So he proposes that consideration be given to choosing a city centre venue next time, for example Hotel Des Indes, Nieuwspoort, or the NN Group head office. DSM holds its annual general meeting in its own head office, and so does Aegon. That means significantly less CO_2 emissions. NN also has a wonderful office and it would be nice for shareholders to see it.

The Chair asks whether Mr Vreeken needs much more time.

Mr Vreeken says that he will be brief. He says he is irritated by all the small print. It is extremely customer-unfriendly. Ten pages of reading material that even he, as a lawyer, finds difficult to read accompany each insurance policy. He would like one A4 with the key points and exclusions. That would be a more effective way of communicating with customers and it would also be transparent.

The Chair observes that lots of questions have been asked and gives the floor to Mr Friese.

Mr Friese thanks Mr Vreeken for his compliments. NN itself is also proud of what all of its employees in all the countries have done on a daily basis over the past five years to position the company independently from ING Group. NN is very happy with this. It is great that Mr Vreeken is happy too.

NN is also happy that Mr Vreeken has earned good returns on his investments in NN, and NN will keep doing its very best to ensure that this continues in future. NN is also doing its best to achieve the targets it has published for the medium term.

With respect to the NN Investment Partners investment funds, NN also makes lots of improvements every day. The investment teams are constantly working to keep improving the returns on their funds and mandates and NN sees that they are doing better every day. Mr Friese is also glad to hear from Mr Vreeken, as a shareholder, that he is happy with the Information and Technology Fund's return.

Be good and tell everyone, is actually what Mr Vreeken is advising, says Mr Friese. NN should actually do more to tell the world about this, it should advertise more. Maybe the best form of advertising is actually what Mr Vreeken is saying here, namely an account of how good something is, based on personal experience. At the same time, NN does advertise, but it costs money. For NN, there has to be a good trade-off. NN works continuously every day to develop its brand, to maintain a steadily improving, more sound and sustainable reputation in the long term. It takes hard work to achieve this.

Mr Friese continues by saying that he agrees with Mr Vreeken on the subject of cyber crime. The technological risks in the world are constantly increasing. NN is making substantial investments in order to be well prepared, so that customer data is always protected. NN has an extensive technology function for this purpose. NN has also established hubs in certain countries. For example, it recently set up a hub in Prague, where the security of the business is continuously monitored on multiple screens. NN has also drawn up a variety of procedures and protocols, and created a security officer role to keep everything secure for shareholders and customers. In addition, NN actively helps its customers with all the products and services Mr Friese mentioned earlier. He is unaware if consideration is being given to Mr Vreeken's suggestion to only use Apple equipment. Mr Friese will be happy to pass this suggestion on to Tjeerd Bosklopper, whose portfolio includes not only transformation, but also the technology function.

Mr Friese says that Mr Vreeken has made a lot of points about the climate and given lots of suggestions about improvements that NN can make. NN is aware of its role as an institutional investor that, through its investment processes, continuously tries to encourage companies to contribute to a better climate and to the energy transition. NN has an extensive strategy for doing this and the company reports on it in its Annual Report. Mr Friese refers to the Annual Review and the Responsible Investing Report of NN IP for more information.

Mr Friese says that NN would welcome it if companies were to invest in the examples mentioned by Mr Vreeken, from the Clean Cow to wheelchairs and the like. If NN could support these initiatives as an institutional investor, then it would certainly not neglect to do so.

Mr Friese discusses the question about the venue of the annual general meeting. NN would very much like to hold the meeting at its head office. However, the head office does not have the room required for it. NN does have a room like this one, but an annual general meeting involves lots of technology, for example because the meeting can be followed via a webcast. It is more efficient to implement that infrastructure here than at head office.

Moving on to the question about communication and the complexity of the product documentation received by customers, this is a point that Mr Friese personally considers to be very important. Mr Friese mentions the example of IKEA's 'Billy' bookcase. He regularly buys it for his sons, who are students. Mr Friese himself finds its instructions to be the only ones that are easy to follow. It should be the same for financial products. Mr Friese has also told the supervisory authorities that NN understands very well that customers need to be properly informed about products and services, but that it also needs to be effective. The simpler it is, the more effective it is.

Mr Friese continues by saying that China is indeed very active in the further development of technology, such as artificial intelligence but also other technologies, because the aim in China is to become one of the world's leading players, if not the world leader. Besides NN IP's partnership with the Chinese asset manager, NN has no further activities in China. But NN does travel to China regularly, precisely with the aim of learning from everything that is happening there. NN invests a lot in technology and in applications in the field of artificial intelligence, robots and the like. NN does this because it believes in digital transformation. In order to accelerate and encourage this, a new position has been created on the Management Board, and Tjeerd Bosklopper has been appointed to it, so that NN can adapt its business model more quickly with the ultimate aim of being able to deliver even better services to customers at even lower costs.

The Chair gives the floor to Mr Keyner.

Mr Keyner (VEB) has another question concerning a very different area, namely customer satisfaction, customer loyalty or in other words the net promoter score (NPS). First, he notes that NN is doing very well: eight of the twelve NN business units are outperforming the competition. However, at seven of the twelve business units, a decline in loyalty has been measured. How worrying is that?

Mr Keyner anticipates what the answer to the question will be. About three weeks ago, an interesting article appeared in the Wall Street Journal, in which even the person who invented the NPS said that it was truly nonsensical and was never meant for this purpose. The system is being completely misused; it should be left well alone, and so on. How can Mr Keyner have confidence that NN Group is actually able to use it in the right way, free of manipulation and by not only calling customers who are expected to be satisfied to ask whether they would like to indicate that they are indeed satisfied. How does NN ensure that it works?
Mr Friese says that he considers this a thoughtful question. Customer loyalty is terribly important, and getting rid of the NPS score would undermine the importance of a good long-term relationship with customers. He is in full agreement with Mr Keyner, and with the inventor, on this point. Measuring is a good thing and so NN does it. The advantage is that it is a consistent measurement methodology. Over time, developments become visible. But it is one form of input. NN investigates customer loyalty and experience in many other ways too; NPS is not the only way. For example, Mr Friese mentions the Zappos score, which is also a very important methodology. It measures the customer experience of contact, for example with a call centre. This is a very different form of contact than the transactional scores measured by NPS. Mr Friese says that it is necessary to pay attention to a much broader range of things than just measuring customer satisfaction. He says that it is very important that NN has a continuous internal dialogue on this subject, so that customer feedback is constantly taken into account.

Mr Friese says that he considers small upward or downward movements as volatility and not as significant. He expects that the inventor will agree with him and that it is important to take a broader perspective. Only a ten-point change is truly significant for this specific measuring instrument. He absolutely does not want to give that impression that NN does not consider NPS important, but Mr Friese emphasises that loyalty is very important, as is measuring it and having a good dialogue with customers to understand what NN needs to improve. It is about much more than NPS. So Mr Friese says that he agrees with Mr Keyner.

The Chair then gives the floor to Mr Gogolewski.

Mr Gogolewski says this is the third time he has attended the annual general meeting. First, he wants to compliment NN on the policy declaration that it published this morning. It is of a very high standard and an enormous step towards achieving the climate objectives. He congratulates NN on this.

That said, he thinks that there is a problem in Europe and that problem is Poland.

NN is one of the biggest asset managers in Poland. NN has a number of subsidiaries there that manage various funds. At year-end 2015, the assets invested in Polish mining companies amounted to EUR 470 million. At the end of last year, the amount was EUR 375 million. That is not because NN is investing less in Poland, but because the price has fallen. The share prices of coal companies are falling; this is a visible trend, but NN is continuing to invest in these companies. Mr Gogolewski appreciates NN's emphasis on engagement rather than divestment, but says that he attends the annual general meetings of all of Poland's coal companies and the financial institutions, including NN, say nothing during them. NN's engagement does not therefore find expression during these annual general meetings. Mr Gogolewski would like to recommend that NN make a public declaration on its climate objectives and the importance of the energy transition, including in countries where this is a more sensitive subject. Analysis, for example, by the Institute for Energy Economics and Financial Analysis shows how, within the legal framework of the Polish financial markets, third-party asset management can be implemented with portfolio diversification, and Mr Gogolewski knows that NN is working on this. He has three questions.

The policy announced by NN is a major step. He believes it could be improved if NN would challenge companies that are planning to make new investments in coal and build new coal power plants. Changes are currently underway, whereby companies that are not involved with energy, coal mining or coal power plants are investing in them, which is a new field for them. It is happening in Asia and in other places too. Based on its new policy, NN will only buy shares or bonds in companies that do have climate plans and do fulfil the (decreasing) threshold criteria; but investing in new coal capacity is not an explicit part of the policy.

Mr Gogolewski then asks whether the coal policy also applies to third-party asset management, in particular for NN customers in countries that do not have the same objectives. Poland does not have any climate targets for 2050; there are no Polish companies at all that have a strategy aligned with the Paris Climate Agreement, which is clearly a different situation than in the Netherlands, where discussions are underway about phasing out power stations.

Finally, a new pension provision system is being introduced in July: PPK. It is a pension scheme for retired people set up by the company, to which members contribute themselves. This presents opportunities. If NN sets up a pension scheme under the new system, NN will determine the membership rules and NN's climate policy will automatically be taken into account.

Mr Friese thanks Mr Gogolewski for attending. He appreciates the time and effort taken by Mr Gogolewski to travel to the Netherlands. NN shares the same long-term objective, as demonstrated by the coal policy that it published this morning. The coal policy is an important step for NN and demonstrates its commitment. With respect to the call for action, Mr Friese believes that this morning NN publicly expressed its views on this subject and on how NN itself should make the transition, but also on how it should help the world in making that transition. So NN is making its contribution. NN still has a long way to go, but it is a path that must be travelled together, and NN is doing its best to make a contribution.
Mr Friese continues by saying that NN operates in a number of different ways in Poland. Where possible, NN will apply the policy that it announced this morning, whether with respect to the new PPK pension scheme or NN IP's assets under investment. It will be more difficult to implement in the case of NN OFE, NN's pension administration for customers through its pension administration company in Poland. The set-up is as follows. First, the assets that NN administers are, in legal terms, pension assets for Polish citizens and are intended for Polish citizens and families to secure their financial futures. NN operates in accordance with the local rules, which lay down two requirements. The first is that NN cannot interfere with the fiduciary duty of the pension company's management and with the way in which they are required to administer the pension assets. The idea behind this is that, as determined by the constitutional court, the pension assets are regarded as public money that NN administers in implementation of the compulsory pension system that applies in Poland. The second is that NN is not permitted to influence the pension administrator's board. There are also rules that stipulate, for example, that 70% of the assets under management must be invested in Polish investments. Taking into account all the regulations and the fact that a portfolio needs to be diversified in order to properly administer pension assets, and also taking into account the rule that requires efforts to be made to maximise profit and investment returns, this in fact makes it unavoidable to invest a large portion of the assets in the Polish stock market, which leads to a dependency on what that market has to offer.

Mr Friese says that NN is convinced that Mr Gogolewski and NN's shared purpose is better served by utilising relationships with the Polish government and trying to bring about change. That is what NN is doing. Finally, Mr Friese adds that NN publicly communicated its commitment in this area this morning. Where permitted and where possible, NN will also put this commitment into practice. When confronted with legislation to the contrary, NN must always comply with that legislation. NN's objective is to enter into dialogue with legislators and to convince them, step by step, to improve the legislation rather than divesting from these activities. NN is convinced that it is in the interest of the Polish people and households that NN helps them to administer their pension assets.

Mr Gogolewski mentions that Nordea had a pension fund in Poland and adopted a climate policy. Nordea subsequently decided to sell the fund to Aegon and so withdrew from Poland. If two trends move in opposing directions, i.e. you continue with the climate policy you have announced and see that a country's legislation is not moving in the same direction, then it becomes necessary to make difficult choices. Mr Gogolewski raises this question each year, and perhaps at a certain point the conclusion may be drawn that engagement is not delivering the desired result and the decision will be clear. He keeps coming and speaking on behalf of citizens in

Poland who are resisting projects that damage their means of existence and health. He knows that the roles are different, but this contradictory course of events is happening in many different countries and NN needs to be aware of it.

Mr Friese confirms this. NN respects Mr Gogolewski's position on this matter. Once again, the joint objective is the same and that is what NN is pursuing. He thanks Mr Gogolewski once more for his comments and for his encouragement, but NN also wants to be honest. NN is not in a position in which it wants to withdraw from administering pension assets in the interest of the Polish people. NN is focusing on changing the legislation and trying to convince the government to do this.

The Chair then gives the floor to Mr Kodde.

Mr Kodde (Greenpeace) compliments NN on its oil sands policy. Last year, NN decided to divest from companies that are involved in oil sands extraction. That was a very good decision. The policy applied both to NN's own assets and to third-party assets. Greenpeace regrets that the same choice was not made in the statement on coal that was published this morning. The statement on coal applies mainly to proprietary assets and, to a much lesser extent, to third-party assets. As Mr Gogolewski from Poland already said, in Poland it is also about third-party assets. Greenpeace estimates that NN invests more than EUR 500 million in coal, half of which is in Poland and another portion of which is comprised of third-party assets in Asia. Greenpeace considers this a weakness in the policy and Mr Kodde hopes that improvement is possible.

Mr Kodde's next point is about coal plant developers. NN uses 30% as the threshold for the share of production by utilities and the share of revenue in the case of mining companies. The problem is that there are many diversified companies, particularly in Asia, which operate in a variety of industries and as a result fall below the 30% threshold. Unfortunately, these are the companies that are building new coal power plants. NN has agreed that the percentage will decrease and that should resolve the problem in the course of time, but in the worst case that could take another nine years. Greenpeace would ask for this to be accelerated.

Mr Kodde's final question is about both oil and coal. Greenpeace is very glad that NN IP voted for the 'Follow This' resolutions at Shell, Equinor and BP. Other investors could learn from this. Greenpeace is also glad that NN has issued a statement on oil and gas companies, making clear its expectations in relation to these companies. Mr Kodde believes it to be problematic that NN still seems to be relying on the assumptions of the International Energy Agency (IEA), which are based on global warming of two degrees. This scenario has many deficiencies, however. One of those deficiencies is that this scenario assumes future availability of negative emission technologies – CCS and similar technologies – and gambles that in the next 40 years various technologies will become available that will solve a large part of the climate problem for us. Consider, for example, mass tree-planting programmes, mass use of CCS, which involve very many uncertainties and which may have great biodiversity disadvantages. The IEA's scenarios actually anticipate technologies that we do not yet have and we do not yet know if it will be possible to deploy them on a large scale. That is why Greenpeace is urging that everyone should adopt global warming of 1.5 degrees as the new benchmark. The report by the IPCC, the UN's panel of scientists, explained in October last year that there is a major difference between global warming of 1.5 degrees or 2 degrees. The risks associated with global warming of 2 degrees are much higher than the risks associated with global warming of 1.5 degrees. That is why Greenpeace is arguing that from now on, scenarios for energy, oil and other relevant sectors should all use 1.5 degrees as the benchmark. Greenpeace is aware that the IEA does not yet have such a scenario and that is why various NGOs together with ING have called on the IEA to develop a 1.5-degree scenario. Would NN be willing to support this call?

Before Mr Friese responds to Mr Kodde's questions, he thanks him for attending and posing questions. He adds that NN is doing its best and realises that this is a journey. NN will continue to take steps, both in the field of TCFD disclosures and in relation to the various dilemmas presented to it, such as tobacco, oil sands extraction and coal. Step by step, NN is constantly making further improvements. Greenpeace's encouragement is most welcome. In turn, NN encourages a variety of companies and institutions to make the transition to a sustainable economy. For example, the 'Follow This' resolutions, which NN IP supported, certainly demonstrate NN being an active shareholder. In the past year, NN has voted at shareholder meetings more than 2,000 times.

Why have a threshold of 30% for coal and why not have a lower threshold for excluding coal companies, and more specifically in the case of diversified companies? Mr Friese says that you have to start somewhere. NN believes that a substantial step has been taken this morning with the 30% threshold. With respect to NN's proprietary assets, the company will follow a run-off strategy, with the percentage being reduced further every five years to near-zero by 2030. With respect to third-party assets that NN IP manages, NN will apply the same principle to mining companies as it does to proprietary assets, namely exclusion. With respect to utilities, NN IP is choosing to pursue dialogue and a strong engagement programme. This is a start, and NN believes that the approach that has been announced is a substantial effort. Obviously, the programme will be evaluated periodically.

Mr Friese thanks Mr Kodde for his suggestion on possible 1.5-degree scenarios and the call to the IEA, and says he is willing to consider whether NN can support Greenpeace's call in this area. He will discuss the idea with colleagues.

The Chair says that due to time constraints, he is bringing an end to the questions on agenda item 2 and will proceed to agenda item 3.

Agenda item 3

Implementation of the remuneration policy during the financial year 2018

The Chair addresses the implementation of the remuneration policy for Executive Board members in the financial year 2018, and refers to the remuneration report, included in the Financial Report on pages 32 to 35, and also to note 46 to the annual accounts, included in the Financial Report on pages 129 to 131.

The Chair says that, unlike in previous years, he is going to speak himself, because last year he took over the portfolio of Chair of the Remuneration Committee from Ms Van Rooij.

The Chair says that the remuneration policy of listed companies remains a much-discussed topic and that the Supervisory Board is highly aware of continuing public and political sentiments about it. He emphasises the fact that taking decisions about board members' remuneration is exceptionally complex.

In 2015, the General Meeting adopted the remuneration policy for NN Group. It is a clear and transparent remuneration policy that applies to all employees and puts the company in a position to attract and retain qualified employees, at all levels within the organisation.

The Supervisory Board ensures that policy supports NN's long-term objectives, namely: giving central priority to the customer's interests, sound business operation and risk management. To set a fair remuneration policy, the Supervisory Board needs to strike the right balance, also taking account of the international nature of the company. NN Group aims to be an attractive employer.

After the acquisition of Delta Lloyd in 2017, work commenced, together with the unions, on harmonising the different job families and employee benefits. Because one company should mean one collective labour agreement, with terms that are aligned with the interests of employees and the company and are future-proof and innovative. On 2 April, the unions and NN Group reached an Agreement in Principle. Yesterday, it was announced that the members of the unions have voted in favour of the agreement. The new collective labour agreement, for more than 8,000 NN employees in the Netherlands, is an important step in the integration of Delta Lloyd, and an important step in the company's future.

The Chair then turns to explain the implementation of the remuneration policy for the Executive Board in 2018. In determining the remuneration of the members of the Executive Board, the Supervisory Board considers the interests of the various stakeholders at NN Group: customers, shareholders, employees and the societies in which NN operates, in the Netherlands and in other countries.

Aligned with the remuneration policy, the Supervisory Board evaluates the amount 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 consults external experts in the field as well. The Board also takes relativity into consideration, as it has been decided for NN Group that employees covered by the collective labour agreement will be paid slightly more than the median of the relevant peer group and that the Executive Board will be paid slightly less than the median of the relevant peer group.

The variable remuneration allocated in 2018 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.

On the basis of these indicators, a maximum variable remuneration of 20% of their base salary has been allocated for Messrs Friese and Rueda. The Supervisory Board believes that both Executive Board members have made an essential contribution to implementation of the strategy. This is supported by the successful integration with Delta Lloyd. In addition, the operating results have been good, administrative costs have been cut substantially and, even after the acquisition of Delta Lloyd, the capital position has remained equally strong. The organisation has become more agile and diverse; for example, more than 33% of NN's senior leaders are now women. In addition, customers have a positive view of products and services and, despite the integration, which naturally brought with it uncertainty, employee satisfaction has risen slightly. All these factors played a part in determining the allocation of the variable remuneration. Comparative research in 2016 showed that the remuneration of NN Group's Executive Board was significantly below the median of the peer group. That was, and is, not in line with the applicable remuneration policy as adopted by the shareholders. In 2017, the Supervisory Board therefore announced a gradual, step-by-step increase in the remuneration of the Executive Board members. That increase has been implemented in the past two years. Even after these adjustments, the salaries of the members of NN's Board are still, in accordance with current policy, below the median for comparable positions in the market. However, the Supervisory Board has also determined that even after these adjustments, Mr Friese's salary has not reached the level mentioned in the policy, namely 'slightly below the median'. For this reason Mr Friese's salary was increased by 5% as of 1 January this year and, at the end of this year, will be increased by 3% as of October.

The Chair concludes with a summary in which he says that the remuneration policy established in 2015 by the annual general meeting is transparent and appropriate in today's context. This policy takes the various stakeholders into account and is compatible with the Company's long-term goals. Next year, in 2020, the Board will once again present the remuneration policy to the annual general meeting and discuss it.

The Chair concludes the explanation and asks whether there are questions from the floor or comments regarding this item and gives the floor to Mr Vreeken.

Mr Vreeken (WeConnectYou) asks exactly what Mr Friese's salary is.

The Chair says that it is EUR 1,642,000.

Mr Vreeken then draws a comparison with Mr Ralph Hamers of ING and ING's profit.

The Chair responds that he will not comment on salaries at other companies and of other officers.

Mr Vreeken replies that he considers the system in the Netherlands to be inconsistent and says that it would be good if companies could get together and do something about it.

The Chair answers that NN Group's Supervisory Board will readopt the policy next year and then present it to the General Meeting for discussion. He stresses that NN Group's Supervisory Board considers it of great value to have a highly regulated, moderate remuneration policy in force, not only for the Executive Board but also throughout the company. Employees covered by the collective labour agreement are therefore paid slightly above the median and that does not apply to the Executive Board.

Mr Vreeken says that he is curious to find out what next year's proposal will be.

The Chair thanks Mr Vreeken, establishes that there are no further questions with regard to this agenda item, and moves on to the next agenda item.

Agenda item 4.A

Proposal to adopt the annual accounts for the financial year 2018

The Chair addresses the proposal to adopt the annual accounts for the financial year 2018 and refers to the annual accounts, included in the 2018 Financial Report on pages 38 to 184, 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 13 March 2019 in English, and the accounts have been available on the NN Group website since 14 March 2019. The annual accounts have been made available for examination at NN Group's head office, and were made available to shareholders free of charge. The annual accounts were audited by the auditor, which issued an unqualified opinion on them. That opinion is included in the Financial Report on pages 185 to 200. 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. This means 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 may 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. He has been NN Group's external auditor on behalf of KPMG since 2016 and signed the independent auditor's report accompanying the 2018 Annual Report. He explains that the financial year 2018 was the third year in which KPMG carried out the audit and confirms that KPMG has been released from its obligation to maintain confidentiality and that he is therefore free to comment on the audit performed and on the auditor's report.

First, Mr De Wit notes that KPMG audited the parent company and the consolidated annual accounts of NN Group for 2018, and issued an unqualified auditor's report with respect to these annual accounts. KPMG also assessed the quarterly figures of NN Group in 2018, and issued unqualified review reports with respect to these interim figures. In addition, KPMG assessed the non-financial information included in the Annual Review by NN Group and issued an unqualified review report on it, which can be found on pages 75 to 79 of the Annual Review.

Furthermore, Mr De Wit observed that 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 it obtained from the audit of the annual accounts, no material misstatements or contradictions with the audited annual accounts were identified, as has also been noted in the auditor's report. KPMG moreover established that the information required by the applicable legislation is included in the Annual Review. Mr De Wit gives further details of the auditor's report, included on pages 185 to 200 of the Financial Report. Based on its procedures, KPMG concludes that the annual accounts give a true and fair view of the financial position as of 31 December 2018 and of the results for 2018. The annual accounts were prepared according to the going concern principle. On the basis of its audit procedures, KPMG concludes that management's assessment of this point is appropriate.

According to Mr De Wit, it is important that KPMG can act independently of the management and the supervisory directors. Since 1 October 2015, KPMG has been independent of NN Group and all its subsidiaries worldwide. In 2018, KPMG also confirmed its independence to the Supervisory Board's Audit Committee each quarter.

Mr De Wit explains that materiality is an important subject during the audit and that it is based on the Core Equity benchmark, comprised of equity minus the revaluation reserves. This approach has been applied since 2016, and for the 2018 audit KPMG saw no reason to make any changes to it. The materiality used in auditing the annual accounts was EUR 140 million and, with respect to the Core Equity benchmark, the materiality remained unchanged at 1%. Some parts of the annual accounts are audited with a higher degree of precision on account of the nature of the disclosure, for example the audit of the disclosure on the remuneration of the Executive Board and Supervisory Board.

KPMG communicates, in writing, all discrepancies identified and not corrected in excess of EUR 7 million to the Audit Committee of the Supervisory Board. The reported discrepancies are both individually and in total of very limited significance when the size of the Group and the complexity of the annual accounts, including both IFRS and Solvency II information, are taken into account.

Mr De Wit then addresses the scope of the audit. He observes that KPMG's responsibility as NN Group's external auditor entails sending instructions to the auditors of NN Group's units to carry out audit procedures. As of 2018, KPMG also became the external auditor of the Delta Lloyd subsidiaries, taking over responsibility from EY. As group auditor, KPMG decides on where it must conduct its auditing procedures and their scope. In order to organise this, in the autumn of 2018 KPMG arranged an NN Group Audit Planning event, at which the local auditors from the Netherlands and abroad were invited to the KPMG office in

Amstelveen. During this event, various representatives of NN Group, including the CFO, the CRO and the head of the internal audit service, explained developments that are relevant to the planning and execution of the audit procedures. As group auditor, KPMG assesses the results of those local audits and discusses them with both the local teams and with NN Group. In addition, KPMG visits a number of countries each year and evaluates the audit files of the local audit teams. This year, this included visits to Japan, Hungary, Belgium and the Czech Republic. In addition, KPMG keeps in regular contact with the auditors of the Dutch activities, focusing in the past year on the life and non-life businesses in particular. These procedures as a whole ensure adequate coverage to enable conclusions to be drawn about the entire NN Group.

Mr De Wit then briefly addresses the procedures related to fraud risk. Shareholders say that they want to hear more from an auditor about the way in which the fraud risk is taken into consideration in auditing the annual accounts. That is why last year KPMG started including a specific section in the auditor's report about the procedures related to fraud risk. During the audit for the financial year 2018, KPMG had cause to investigate the underlying pattern of facts of one incident and to investigate the cause of the incident and the risk to the reliability of the financial reports. KPMG also engaged a forensic specialist in this connection. This incident was discussed with the management and the Supervisory Board and the conclusion ultimately drawn was that the procedures did not lead to significant findings.

Another relevant subject is the auditor's procedures related to compliance with legislation and regulations. Mr De Wit says that KPMG has also included a specific passage on this subject in its auditor's report. It draws a distinction between legislation and regulations with a direct impact on the annual accounts, such as the Solvency II regulations, and legislation and regulations that are of indirect significance for the preparation of the annual accounts, such as the Anti-Money Laundering and Anti-Terrorist Financing Act (Wet ter voorkoming van witwassen of financiering van terrorisme). The audit procedures did not lead to any significant findings.

Finally, Mr De Wit addresses significant risks and key audit matters in the auditor's report. A significant risk is a risk of a material misstatement identified and estimated by KPMG. Significant risks often concern significant non-routine transactions or matters that require management to make estimates. During the audit, special attention is paid to these risks by acquiring insight into the structure, existence and operation of 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 lead to a material misstatement in the annual accounts.

The significant risks are reflected in the following five key audt matters, which are included in the auditor's report:

1. estimation uncertainty in connection with the provisions for insurance liabilities and the reserve adequacy test
2. exposure to risks relating to unit-linked insurance
3. disclosures in connection with Solvency II and the risk management disclosures
4. the integration of Delta Lloyd, and
5. the valuation of the goodwill related to Delta Lloyd

The key audit matters often concern specific items in the annual accounts. However, shareholders say that they also need information on observations concerning the internal controls underlying the Annual Reports. For this reason, Mr De Wit gives a brief explanation of key audit matter 4, the integration of Delta Lloyd. Because 2018 was the first full reporting year in which Delta Lloyd was part of NN Group, in 2018 this was a key audit matter in KPMG's audit procedures at the Dutch business units Life, Non-life and Banking, at the asset manager NN IP and in Belgium. As was noted in the auditor's report, KPMG had to carry out the audit in a changing environment, and the speed and complexity of change differed at the Group's various business units. Particularly at the Life and Non-life units and in Belgium, management still has a big job on its hands in completing the integration. One of the points for attention in 2019 will be bringing the internal controls up to a good standard during the changes. Ultimately, through the mix of systemic and substantive procedures, KPMG managed to obtain sufficient audit information to complete the 2018 audit.

Based on all of its procedures, KPMG is able to conclude that the annual accounts as a whole present a true and fair view on the basis of which shareholders can draw their own conclusions.

Mr De Wit returns the floor to the Chair.

The Chair gives the shareholders in attendance an opportunity to ask questions or to make comments about KPMG's presentation, noting that Mr De Wit will only answer questions concerning the audit of the annual accounts and the procedures KPMG carried out in relation to the accounts, and concerning the auditor report.

Mr Spanjer asks a question about the final paragraph on page 187, which says that KPMG sent instructions to all component auditors covering significant areas including the relevant risks of material misstatement and the information required to be reported to the group audit team. It also mentions that all components in scope for group reporting purposes are audited by KPMG member firms. Mr Spanjer would like to know which significant areas and relevant risks this refers to?

Mr De Wit responds that first, the way in which consolidation takes place is examined, and then it is established that there are various reporting units within the Group. These are called components, or business units with separate financial reports. On this basis, KPMG determines the key components, which when taken in isolation are financially important. A large operation that significantly contributes to the profit, equity or total assets will be in scope for the purposes of the audit procedures. With respect to the significant risks, or the aforementioned key audit matters, if such a risk arises at a unit, that component will also be in scope. On this basis, 26 components in 9 countries were in scope.

Mr De Wit repeats that KPMG visited a number of countries to inspect the work being done locally. The other countries submit their reports to KPMG in the Netherlands. Those reports are discussed and a remote file review is carried out. This involves KPMG directly accessing the files of the local auditor to check whether the work has been done as instructed. This approach was applied this year in Poland, for example.

Mr Spanjer asks whether it is correct that all of the KPMG member firms were brought to Amstelveen for consultations.

Mr De Wit replies that this applied to everyone who was in scope for group audit purposes. NN now also has activities in small countries, which cannot be deemed to have significant financial importance or significant financial risks, for example Turkey last year, and that country will not be invited because it is not sufficiently relevant to the Group procedures. KPMG does look at group level at what is happening in Turkey, discusses this with the management and assigns a rating to Turkey's contribution. If on this basis it is suspected there is a risk or a material misstatement in the annual accounts of the Group, KPMG will then have procedures carried out in Turkey.

Mr Spanjer asks whether the visit to Hungary means that something not quite right was going on there.

Mr De Wit explains that each year it is useful not only to evaluate the local procedures but also to talk to the local management about the results and about the internal controls. In addition, there is a separate team in Hungry that is very important for the Group's Solvency II procedures. Besides the local country organisation, this is another important unit and KPMG wanted to see its procedures locally. Mr De Wit says that KPMG also went to Prague to visit the security operations centre, an important unit in the field of information security and cyber security controls.

The Chair gives the floor to Mr Keyner.

Mr Keyner (VEB) refers to the EUR 852 million that has been written off, which he suspects is related to a revaluation of the old NN Life portfolio in particular, and asks why nothing has been written off in other areas and whether or not it is coincidental that precisely that EUR 852 million in goodwill from Delta Lloyd had to be written off.

Mr Keyner then asks why it was only announced in the third quarter of last year that, despite the fact that IFRS may no longer be quite as important as it was ten years ago, the EUR 852 million in goodwill connected with the acquisition of Delta Lloyd may have to be written off in the very short term.

As his third question, Mr Keyner says that a more critical examination should have been made a few years ago of the valuation method for the liabilities in the NN Life insurance portfolio, despite the fact that IFRS permits the use of historical interest rates and the like.

Mr De Wit notes that Mr Keyner's questions seem to demonstrate that there is a need for a new reporting standard for insurance contracts. IFRS 17 is coming in a few years, but that will not resolve everything.

Mr De Wit then responds to the three questions posed by Mr Keyner, saying that he will refer to a number of places in the annual accounts where further information on this subject can be found. Mr De Wit refers first to page 71 of the annual accounts. Here the note on the intangible assets gives an explanation of insurance liabilities under IFRS4 and how this relates to the goodwill issue. As its first step, KPMG established how much goodwill could be recognised upon the acquisition of Delta Lloyd. During the discussion of the audit of the 2017 annual accounts at last year's annual general meeting, KPMG said that the total goodwill was approximately EUR 1.3 billion and that this was provisional, which means that there was another year available for a careful examination of how much the definitive amount should be. As is evident from the first quarterly report of 2018, this amount of EUR 1.3 billion remained unchanged.

The way in which that total goodwill should be allocated to the various cash-generating units can also be found in the annual accounts and is addressed by IAS36. The cash-generating units are the units to which surplus value can be attributed. NN established a process for doing this, which KPMG examined and audited. KPMG then asked how goodwill was allocated with respect to the various units, Life, Non-life, Asset Management and Belgium. The outcome was that the amount of EUR 852 million concerned the cash-generating unit Delta Lloyd Life.

The goodwill of each cash-generating unit must be tested for impairment annually, and for the first time in 2018. In this case the cash-generating units correspond with the legal entities. The management's integration target was to merge Delta Lloyd Life and NN Life and the same applies to Delta Lloyd Non-life and NN Non-life. However, there was uncertainty about this when the goodwill was being recognised in the accounts, because the Dutch Central Bank (DNB) had to give permission for the merger of the insurance businesses. That is why an integrated cash-generating unit was not assumed initially. During the fourth quarter of 2018, the DNB granted permission for a legal merger of both life entities and both non-life entities on 1 January 2019. Once that permission was obtained, it was possible to assume a single, integrated life business and therefore a single cash-generating unit. The outcome of the test was that there was no longer any basis to maintain the goodwill and that it was therefore necessary to write off the EUR 852 million. This had to be done at the time when the management could say that it was able to manage the unit on an integrated basis, and in this case that meant the fourth quarter of 2018.

In response to the question of whether everything had now been covered, Mr De Wit refers to the key audit matter on how insurance liabilities should be valued and the reserve adequacy test. Management carries out this test in each period to assess whether sufficient reserves are being maintained if the insurance liabilities are calculated based on up-to-date assumptions. The outcome is that a portion of the revaluation reserves in the equity is required to ensure adequacy with respect to the insurance liabilities. That is also the background as to why, when determining materiality for the audit of the annual accounts, KPMG does not use the total equity that is present, but instead the so-called Core Equity. That means that those revaluation reserves are not taken into account as capital that is available to shareholders, because a very large portion is held to be able to fulfil liabilities to policyholders in due course.

Mr De Wit then refers to page 167 of the annual accounts to reconcile the equity under IFRS with the eligible own funds under Solvency II. This shows that the deduction of EUR 7.7 billion is smaller than the revaluation reserves. By means of this note, the annual accounts provide sufficient insight for shareholders on this point.

Mr Keyner concludes that the revaluation reserve is a buffer once the goodwill has been fully written off.

Mr De Wit explains that if interest rates fall and the value of the investments rise, a revaluation reserve is established in the equity. However, the insurance liabilities are not revalued (in conformity with IFRS) but under that test there is actually a further examination of whether sufficient capital has been set aside.

Mr Keyner summarises it as follows: first the goodwill is written off and if there is no longer any goodwill, an examination is made of whether the revaluation reserve is sufficient. This is also a buffer but is not recognised as a cost item or an impairment. On the basis of the test, it is possible to conclude that there is still a generous buffer.

Mr De Wit confirms that this is correct. As a result there is also a difference between the equity for accounting purposes and the market value of the equity.

Mr Keyner has a question for the Board concerning the costs to NN Group of applying the Solvency II internal model and what the benefits are compared with the standard model.

Mr Friese replies that NN Group uses the partial internal model (PIM) because this more accurately reflects the reality of the actual risks to which NN is exposed as an international group. In other words, it is not about whether or not the internal model gives an extra uplift, but that the model is a better toolkit for risk management in order to actually manage the risks in a way approved by the Dutch Central Bank. It is not so much a cost/benefit assessment but rather an assessment of what constitutes good risk management. NN Group is a company with a solid and prudent financial and risk management policy.

Mr Rueda addresses the costs of the internal model and explains that it is very difficult to indicate an exact amount because all kinds of costs are involved, including for the risk management process, model validation, the model development team and the independent model validation, and then also the internal audit to check the process. So it is difficult to put a price tag on this. But the costs are regarded as a good investment.

Mr Rueda takes the opportunity to respond to an earlier comment by Mr Keyner about insurers that play down the importance of IFRS equity. Mr Rueda emphasises that NN has always been completely transparent about this. Since the IPO, reference has been made to NN Group's financial supplement document, in which the reconciliation between equity under IFRS and the Solvency II Own Funds can be found. NN will always remain transparent on this point and continue to manage the Group on the basis of the capacity to generate capital, generate solvency and as a result to be able to distribute dividends to shareholders.

The Chair establishes that there are no further questions with regard to this agenda item and thanks Mr De Wit for his explanation.

The Chair puts the proposal to adopt the annual accounts for the financial year 2018 to a vote and establishes that the proposal is adopted.

The Chair closes agenda item 4.A and moves to item 4.B.

Agenda item 4.B

Explanation of the profit retention and distribution policy

The chair addresses the profit retention and distribution 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. NN Group intends to pay dividends in cash or in ordinary shares at the option of the shareholder, and intends to neutralise the dilutive effect of the stock dividend on the result per ordinary share through repurchase of ordinary shares. In addition, capital generated in excess of NN Group's capital ambition is expected to be returned to shareholders, unless it can be used for any appropriate corporate purposes, including investments in value-creating corporate opportunities.

When proposing a dividend, the Company 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.

The Chair establishes that there are no questions with regard to this agenda item.

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

Agenda item 4.C

Proposal to pay out dividend

The Chair raises the proposal to pay a dividend and refers to the proposal included on page 4 of the convocation. In summary, it is a final dividend of EUR 1.24 per ordinary share, which taken together with the interim dividend of EUR 0.66, brings the total dividend for 2018 to EUR 1.90 per ordinary share.

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

The Chair closes agenda item 4.C and moves to item 5.A.

Agenda item 5.A

Proposal to release the members of the Executive Board from liability for their respective duties performed during the financial year 2018

The Chair raises the proposal to release the members of the Executive Board from liability for their respective duties in financial year 2018, as included on page 4 of the convocation letter.

The Chair establishes that there are no 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 5.A and moves to item 5.B.

Agenda item 5.B

Proposal to release the members of the Supervisory Board from liability for their respective duties performed during the financial year 2018

The Chair raises the proposal to release the current and former members of the Supervisory Board, including Ms Van Rooij who stepped down as member of the Supervisory Board in 2018, from liability for their respective duties in financial year 2018, as included on page 4 of the convocation letter.

The Chair establishes that there are no 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 5.B and moves to item 6.

Agenda item 6

Proposal to reappoint Hélène Vletter-van Dort as member of the Supervisory Board

The Chair raises the proposal to reappoint Hélène Vletter-van Dort as member of the Supervisory Board.

The Chair says that in accordance with the rotation schedule of the Supervisory Board, the term of appointment of Hélène Vletter-van Dort ends at the close of this meeting. The Chair announces on behalf of the Supervisory Board that a vacancy on the Supervisory Board needs to be filled. The Central Works Council has an enhanced recommendation right for this vacancy. The Central Works Council has exercised its enhanced recommendation right for this nomination, and has requested that the Supervisory Board nominate Ms Vletter-van Dort as the person recommended by the Central Works Council for the position. Ms Vletter-van Dort has indicated that she is available for reappointment. The Supervisory Board has therefore nominated Ms Vletter-van Dort for reappointment as member of the Supervisory Board for a term of four years. If the proposal is accepted, the reappointment will become effective as from the close of this meeting and will end at the close of the Annual General Meeting in 2023. An abridged CV for Ms Vletter-van Dort has been included in the convocation letter. Ms Vletter-van Dort has been nominated for reappointment based on her extensive knowledge of corporate governance, company law and financial supervision, as well as the professional manner in which she fulfils her membership of the Supervisory Board.

For more information, the Chair refers to pages 4 and 5 of the convocation letter.

The Chair says that the Supervisory Board's nomination of Ms Vletter-van Dort for reappointment is subject to the conditions that the General Meeting not recommend any other persons for nomination. The Chair states that no such recommendations were received prior to the meeting and concludes that the General Meeting does not wish to recommend any other persons. Since there are no recommendations for the filling of the current vacancy on the Supervisory Board, the Chair raises the proposal to reappoint Ms Vletter-van Dort.

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

The Chair congratulates Ms Vletter-van Dort on her reappointment.

The Chair then says that during her new term Ms Vletter-van Dort will remain a member of the Risk Committee and the Nomination and Corporate Governance Committee of the Supervisory Board. In addition, as from the close of this meeting, she will become member and chair of the Remuneration Committee. As from the close of this meeting, Mr Cole will become chair of the Nomination and Corporate Governance Committee.

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

Agenda item 7

Proposal to reappoint KPMG Accountants N.V. as external auditor of the Company

The Chair raises the proposal to reappoint KPMG Accountants N.V. as external auditor of the Company, as included on page 5 of the convocation letter, and gives the floor to Mr Schoen, chair of the Supervisory Board's Audit Committee, to explain this proposal.

Mr Schoen says that the Supervisory Board's Audit Committee first investigated whether there were any reasons to change the external auditor. In doing so, the Audit Committee looked at the outcomes of the annual service evaluations conducted by the Company concerning the external auditor and the follow-up on areas for improvement, both by KPMG and the Company itself. The Audit Committee then looked at the outcomes of its own self-assessments of contacts with the external auditor and the quality of the external auditor. Finally, the Audit Committee took into consideration the observations of the Executive Board. On the basis of all of the foregoing, the Audit Committee concluded that there was no reason to change the external auditor at present, a conclusion with which the Supervisory Board and the Executive Board agreed. As a result, there was no need to involve another audit firm in the selection process. KPMG then said it was available for reappointment and agreement has been reached on a term of three years.

During the process, NN Group paid close attention to the arrangements for follow-up of the current audit partners of the Company and its operating companies. Consideration was also given to the extent to which local legislation and regulations in other countries in which NN Group operates make a change of audit firm necessary. In the few cases in which this occurred, solutions acceptable to all parties were found. Finally, there was extensive consultation with KPMG about the fee arrangements that will apply during the new term. As a result of all of these factors, the Audit Committee recommended to the Supervisory Board that a proposal should be put to the General Meeting to reappoint KPMG as external auditor of the Company, as included in the convocation letter.

The Chair thanks Mr Schoen for his explanation.

The Chair establishes that there are no questions with regard to this agenda item, puts the proposal to reappoint KPMG Accountants N.V. as external auditor of the Company to a vote and subsequently establishes that the proposal is adopted.

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

Agenda item 8

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 in the context of issuing Contingent Convertible Securities

The Chair raises 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 in the context of issuing Contingent Convertible Securities, as included on pages 5 and 6 of the convocation letter and in the appendix to the convocation letter, on page 8.

The Chair says that such proposal has never been put to the General Meeting before, and that the proposal is connected to the Solvency II regulatory framework applicable to the Company since 1 January 2016.

The Chair establishes that there are no 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 8 and moves to item 9.A (i).

Agenda item 9.A (i)

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 explenation to the agenda item as included on page 6 of the convocation letter.

The Chair says that the General Meeting is familiar with this proposal, in the understanding that the requested percentage has been limited to 10% of the issued share capital, compared to 10% + 10% last year.

The Chair establishes that there are no 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 9.A (i) and moves to item 9.A (ii).

Agenda item 9.A (ii)

Proposal to designate the Executive Board as the competent body to resolve to limit or exclude pre-emptive rights of existing shareholders when issuing ordinary shares and granting rights to subscribe for ordinary shares as referred to in 9.A (i)

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 existing shareholders when issuing ordinary shares and granting rights to subscribe for ordinary shares and refers to the explenation as included on page 6 of the convocation letter.

The Chair says that the proposal is identical to last year's proposal, establishes there are no 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 9.A (ii) and moves to item 9.B.

Agenda item 9.B

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 by way of a rights issue

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 by way of a rights issue as included on page 6 of the convocation letter.

The Chair says that this proposal has never been put to the General Meeting before.

The Chair establishes that there are no 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 9.B and moves to item 10.

Agenda item 10

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 as included on page 7 of the convocation letter.

The Chair notes that the proposal is identical to last year's proposal.

The Chair establishes that there are no 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 10 and moves to item 11.

Agenda item 11

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 as included on page 7 of the convocation letter.

The Chair notes that the proposal is identical to last year's proposal.

The Chair establishes that there are no 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 11 and moves to item 12.

Agenda item 12

Any other business and closing

The Chair asks if there are any more questions and gives the floor to Mr Spanjer.

Mr Spanjer says that he is happy that NN and the water sport association will be giving more publicity to Plastic Whale in the period ahead. Congratulations and thank you!

The Chair thanks Mr Spanjer for his compliment.

Mr Friese says that he would like to reflect on the fact that NN announced earlier this year that the Chair of the Supervisory Board, Mr Holsboer, would be stepping down after the meeting and that Mr Cole, who has been a member of the Supervisory Board since 1 January, has been chosen by the Supervisory Board as Mr Holsboer's successor.

Mr Friese expresses his gratitude, also on behalf of NN Group's Management Board, to Mr Holsboer and says that he looks forward to cooperating with the new Chair, Mr Cole.

The Chair thanks Mr Friese for his comments. Before responding he would like to make a number of final announcements.

The Chair announces that the draft of the minutes will be published on the Company's website within three months and adds that shareholders can ask to be sent a copy if they wish. To arrange this, they should report to the information desk.

The Chair informs those in attendance that drinks and snacks are being served outside the room. Finally he asks those in attendance to return their voting consoles and chip cards when leaving the room. He notes that no personal data is stored on the chip cards.

The Chair continues by saying that the meeting is nearly concluded. He thanks Mr Friese for his words of gratitude and says that he can look back on a wonderful period of more than 50 years, in which he has been closely involved with, and fulfilled a great variety of roles and duties for, NN Group, its predecessors and companies that are now part of the business. The Chair feels privileged and is especially pleased that, following its repositioning as an independent company in 2014 and the acquisition and integration of Delta Lloyd in 2017, NN has developed once again to become a strong European insurer.

The Chair says that he is extremely grateful to his fellow members of the Supervisory Board, the members of the Executive Board, the more than 14,000 NN employees worldwide, external stakeholders of the company and the shareholders for the friendly and constructive cooperation that he has enjoyed with them during his career.

The Chair wishes NN Group a successful future and thanks the attendees for their contribution. He says that he looks forward to seeing the attendees next year, when he will be sitting on the other side of the table.

The Chair thanks those in attendance for their contributions and closes the meeting.

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