

2020 Annual Report

NN Investment Partners B.V.



Annual Report contents

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Management Board report

Company profile

NN Investment Partners B.V. ("NN IP") is a Dutch legal entity primarily engaged in collective and individual portfolio management activities. NN IP acts as manager of all Dutch and Luxembourg domiciled NN investment funds, as board member of certain NN investment companies (NN Paraplufondsen) and as investment manager/advisor for proprietary assets (NN Group assets) as well as the assets of third parties (institutional clients). NN IP's distribution platform 'Fitvermogen' enables retail clients to invest in NN Funds.

NN IP's business objective is to meet clients' needs by responsibly managing their assets through actively managed income-driven products and advice-embedded solutions, creating value for all stakeholders and society.

NN Investment Partners B.V. has been licensed since May 11th 2006 pursuant to Section 2:65 Wft (management of non-UCITS funds) and has been licensed since June 6th 2014 pursuant to Section 2:69b Wft (management of UCITS funds). The company is under supervision of the Dutch Authority for the Financial Markets (AFM) and De Nederlandsche Bank (DNB). The 2:65 Wft license was converted to an AIFMD license as of July 22nd 2014. In the course of 2015 an extension on the licence was granted, authorizing NN Investment Partners B.V. to provide investment advice and individual portfolio management services.

NN IP is under regulation of the AFM (and DNB with regards to the prudential supervision) and a prior reliability and suitability assessment of its Board Members is required for their appointment in the Management Board. NN IP is through a number of group companies a wholly-owned subsidiary of NN Group N.V. (its immediate parent is NN Investment Partners International Holdings B.V.). NN IP has established branch offices in Germany, France, Spain, Italy, the United Kingdom and Romania ("Branches").

NN Group profile

NN Group is an international financial services company, active in 20 countries, with a strong presence in a number of European countries and Japan. Led by our purpose and ambition, guided by our values and brand promise, and driven by our strategic commitments, we are committed to create long-term value for all our stakeholders: customers, shareholders, employees, business partners and society. With all our employees, the Group provides retirement services, pensions, insurance, investments and banking to approximately 18 million customers. NN Group's main brands are Nationale-Nederlanden, NN, NN Investment Partners, Movir, AZL, BeFrank and OHRA.

Our roots lie in the Netherlands, with a rich history that stretches back 175 years. NN Group is listed on Euronext Amsterdam.

Governance

NN IP's management board consist of: S.S. Bapat (Chairman, Chief Executive Officer), V. van Nieuwenhuijzen (Chief Investment Officer), M.C.M. Canisius (Chief Finance and Risk Officer), H.W.D.G. Borrie (Chief Client Officer), M.C.J. Grobde (Chief Human Resources Officer (CHRO)) and B.G.J. van Overbeek (Global Chief Operation Officer (GCOO)).

NN IP's staff of 713 employees (2019: 700) are employed by NN Personeel B.V. The parent company of NNIP, NN Investment Partners International Holdings B.V. is charged for the staff expenses by NN Personeel B.V. under a service level agreement and accordingly NN IP is charged by NN Investment Partners International Holdings B.V. via a cost allocation charge. For NN IP's remuneration policy we also refer to NN IP's website.

NN Group and the shareholder of NN IP aim to have an adequate and balanced composition of the Management Board of NN IP. Thereto, they aim to achieve a gender balance by having at least 30% men and at least 30% women amongst the members of the Board. The composition of the Board met the mentioned gender balance during 2020. NN Group and the shareholder of NN IP will continue to strive for an adequate and balanced composition of the Board in future appointments, by taking into account all relevant selection criteria including, but not limited to, gender balance.

Strategy

NN IP's main focus is to offer products and solutions that bring clients long-term value, in a responsible manner, with excellent customer experience, while continuously focusing on becoming more efficient.

NN IP is an active asset manager offering a variety of investment strategies to help our clients achieve their goals. Our capabilities range from fixed income solutions (e.g. liability driven investment solutions, money markets and hedge overlays), to alternative credit (illiquid) capabilities and benchmark aware capabilities, including specialised fixed income strategies (e.g., High Yield, Convertibles, Emerging Market Debt), multi-assets, and specialised equity strategies (e.g., European equities), where we believe we can generate active alpha. To support these capabilities we rely on a central innovation and responsible investing platform, allowing us to share and store information in one place, facilitating continuous learning amongst investment professionals.

Our investment process is founded in fundamental research. As an active asset manager, we continuously pursue other sources of value/alpha for our clients.

Responsible Investing is one of our key investment beliefs. Environmental, social, and governance (ESG) criteria are integrated in 74.5% of assets under management. NN IP's 2023 ambition is 80%. NN IP believes responsible investing is about actively engaging with companies to stimulate them to make a sustainable transition, and that ESG integration leads to better risk-adjusted performance over the mid- to long term. We welcome the upcoming regulations in the space of sustainable finance. We are committed to making a difference for the future through our responsible investing practices and believe that regulation will define a common way of assessing sustainable products, which will help create a better, greener future overall.

NN IP is also looking to utilise artificial intelligence and big data to enhance our fundamental research. We also use behavioural analyses to identify the biases both driving the market and affecting our investor decision-making, using the insights to sharpen our investment processes and make better investment decisions.

Management Board report – continued

Through a client-centred approach and both local presence and partnerships, NN IP offers its broad range of clients a digital and personal client experience. Over 2020 and in light of COVID-19, remote client engagement and service delivery have been accelerated. Our digital capabilities are stronger than ever and we have substantially enhanced our clients' experience. An improved website and enhanced client onboarding are just two examples. We have also found new ways to connect through our online thought leadership events (the UpsideDown series), aimed at helping clients understand broad range of implications of COVID-19.

Strategic partnerships further enhances NN IP's client propositions across geographies. For example, in 2020 NN IP launched the sustainable enhanced index equity range together with Irish Life Investment Management (ILIM). With our partner China AMC we also launched the China Equity ESG fund, which offers our clients access to mainland China, with an ESG overlay.

In the low interest rate environment, our private debt capabilities help clients attain higher yields. Mortgages, which we offer together with partners like NN Bank and Venn Hypotheken and the newly-launched Trade Finance Fund, are some examples.

Through robust processes and a consistent, adaptive investing approach, we deliver strong risk-adjusted returns to our clients. Within our specialised equities and fixed income capabilities we have been able to enhance our performance throughout the year, with our High Dividend equities, Investment Grade and High Yield rising up the peer rankings. Our Patrimonial multi-asset range is firmly placed even within the top decile.

Finally, our upgraded and simplified fiduciary proposition is demonstrating its competitiveness through the various notable new clients who have placed their trust with NN IP.

NN IP continues its focus on becoming a more efficient and adaptable asset manager. It strives to allocate resources towards our core activities: investing clients' money, delivering risk adjusted returns and ensuring excellent client experience. Non-core activities can, when needed, be sourced from partners. During 2020 we have further simplified our operating model and invested in data and technology. We have continued to leverage on our own strong investment platform and focused on outsourcing or decommissioning non-core tools and systems. This supports our business staying efficient and competitive. Going forward, it is important to invest in the future, by looking for opportunities to strengthen our capabilities organically or through bolt-on acquisitions.

In the mid to long term, NN IP will continue to focus on strengthening its investment capabilities and delivering consistent investment performance to its clients. In addition, it is committed to integrate ESG criteria in 80% of its assets under management by 2023. Besides, NN IP will step up its digital and personal client interactions and continue to consider new ways to bring our products and services to both existing and new clients. We see strong growth potential in sustainable capabilities, emerging and private debt capabilities and solutions, supported through consistent investments in technology, robust processes and an adaptive investing approach.

All amounts are in Euro unless stated otherwise. The annual report is prepared for the period 1 January 2020 to 31 December 2020.

Financial situation and result 2020

NN IP's cash balance as of 31 December 2020 is € 11.7 million (31 December 2019: € 39.3 million). The cash and cash equivalents are at the free disposal of NN IP. NN IP's financing requirements in 2020 were met by means of financing through NN Group companies. NN IP's Finance department manages the risk associated with NN IP's business activities through the management, planning and allocation of capital within NN IP. The Finance department manages NN IP's capital on a pro-active basis and ensures that sufficient capital is available by setting targets and limits. NN IP reports to the DNB on a quarterly basis as required by CRD IV rules. As of the date of this report, the most recent reporting was done as of 31 December 2020. All capital requirements were met.

Gross income from operations increased to € 600.1 million (2019: € 579.0 million), mainly as a result of higher management fees and contingent deferred sales charges related to the Y share classes. The fee and commission expenses for the year increased to € 282.5 million (2019: € 253.0 million), because of the increased fixed service fee expenses and trailer fees paid as result of the increased assets under management.

The operating expenses decreased to € 216.6 million (2019: 231.1 million). The operating expenses were higher in 2019, because of implementing various organisational changes to ensure better alignment with the future and strategic direction of NN IP. Furthermore some cost reductions were realized in 2020. The higher gross margin and the lower operating expenses resulted in a profit after tax of € 75.0 million (2019: € 71.9 million).

COVID-19 pandemic

Since early 2020, the spread of the coronavirus is causing significant disruption to society, impacting NN IP, its employees, its customers and its suppliers. Governments and central banks worldwide are responding to this crisis with aid packages and further supporting measures.

Management is constantly monitoring the developments and the (potential) impact on NN IP. The most significant risks that NN IP is facing in this context are related to the financial markets (including interest rates, equity prices and spreads). Financial markets have recovered after a steep drop. However uncertainties remain and management will continuously monitor further developments concerning potential future increases in risks.

NN IP has established a business continuity plan to help ensure the continuity of its businesses, the wellbeing of its staff and its capability to support its customers, whilst maintaining financial and operations resilience.

Assets Under Management

The assets under management comprise the total assets managed by NN IP and its foreign subsidiaries. The total assets under management at the end of 2020 amounted to € 300 billion (31 December 2019: to € 276 billion). Assets under management (AuM) increased due to market performance (€ 13.8 billion), net inflows (€ 7.2 billion) and the inclusion of assets related to Vivat and Venn Hypotheken (€ 2.8 billion). During 2020, third party AuM increased by € 12.2 billion to € 102.0 billion.

Management Board report – continued

Risk Management

Methodology

NN IP's organization presents several "In Control" statements (e.g. ISAE3402) to clients, shareholders, regulators and other stakeholders. For that purpose, NN IP uses an integrated approach and governance. The "In Control" statements and the work performed for these statements (risk assessments, control testing and evaluating testing results) form largely also the basis for this risk paragraph. NN IP is internally governed by a Management Board. The Management Board is responsible for maintaining a governance framework that encourages a strong control environment and contributes to integrity, ethical values and operational excellence. The scope of the "In Control" statements is limited to the processes within NN IP itself and does not include the NN investment funds.

The most significant risks and control measures

For NN IP the risk appetite is defined as the acceptable and authorised maximum level of risk in each of the risk areas in order to achieve its business objectives within approved budgets. The risk areas are categorised in the following areas:

- Strategy
- Operating activities
- Financial position
- Laws, rules and regulations

Strategy

The strategic risk is included implicitly as part of business risk. NN IP constantly monitors outflows in its fund ranges, as challenging market conditions can potentially cause investors to retrieve investments from our fund range.

Operating activities

In this section we take into account several stress tests to see what the operational impact will be and relate these scenarios to the impact of our capital.

- Fraud

The risk of internal fraud inherently is within each business unit with employees. The usual mitigating measures within NN IP, such as segregation of duties between portfolio management, trading desk and back office, limit the actual risk of internal fraud. There is however always the risk of internal fraud from overriding or bypassing the internal controls. NN IP regards this as a limited risk. Important to note is the segregation of assets: no physical assets can be stolen, as these are held by the custodians who only act upon instructions following the process with the segregation of duties.

- Conflicts of interest

A possible scenario could be to have a conflict of interest enacted through the transfer of securities between two funds, where the purpose is to have the interest of one client more at heart than another client. This may result in claims from clients, reputation damage or fines from the regulator. Controls within NN IP to prevent this from happening are the involvement of Compliance and Risk in fund restructuring processes, Compliance involvement in the required cross-trade process as described in the cross-trade procedure of the Trading Manual, and periodic monitoring on cross-trades by Compliance.

- Supplier Failure

A critical third-party supplier failing to provide the level of service desired and contracted for, can cause operational disruptions, potential litigation costs and severe declines in the quality of customer service. Potential impact could be the loss of reputation, higher cost of a new service provider or cost of external staff when taking the activity back on a temporary basis. NN IP has controls in place that mitigate the risks, such as a pre-contract partner due diligence investigation, monitoring the services provided, including potential breaches of mandates and the outsourcing contract, regular Service Level Management and internal review of the control reports from the service suppliers.

- Partnership Failure

Default of a major partnership provider of critical services may result in disturbance of critical activities until exit/contingency strategies can be enacted. In order to mitigate this risk a number of measures are in place including the monitoring of credit worthiness of partners, a clearly documented exit and contingency strategy and limits on counterparty exposures, including independent monitoring of these limits.

- Pandemic

An outbreak of a global pandemic of influenza can affect a large fraction of critical staff at NN IP and/or business partners and consequently impact the business' operations. Essential to reducing the impact of the pandemic is to prevent viruses spreading across critical staff by preventing them from having physical contact with staff that have been infected. Such measures include the spreading of staff of critical departments across independent sections of the office, working from several offices and having critical staff work from home. The last measure has already become common practice within NN IP.

- Marketing of products

Deficiencies in the development, design or approval of investment products can lead to loss of new business, financial losses or a liability gap for NN IP. This affects all elements of the product including marketing material. Complicating factors are the varying local requirements for products and services. This may result in reputational damage or regulatory fines.

Measures to seriously reduce the impact of this scenario are twofold. Firstly, NN IP has implemented a solid product approval process covering all new or amended products involving control functions like Risk and Compliance. Secondly, Compliance is involved in the review of all marketing materials.

Management Board report – continued

Financial position

During the normal course of business, NN IP uses various financial instruments that expose it to market, currency, credit and liquidity risks. NN IP operates within the requirements of the NN IP's Risk Governance Framework. This framework sets out the principles and methodologies to identify, assess and manage risk. It consists of several policies that apply to specific subjects (e.g. Conflicts of Interest, Credit Risk, Insiders Regulation). NN IP is primarily exposed to operational risks.

- Market risk

Market risk is the risk resulting from exposure to changes in market prices of tradable financial instruments within a portfolio. NN IP does not have a complex balance sheet. The balance sheet consists largely of cash together with current assets and current liabilities. Investments are not carried out for its own account and therefore the direct exposure to market risk is limited. Currently, NN IP does not hold any seed capital positions.

NN IP is exposed to indirect market risk caused by fluctuations in the wider financial markets that will affect the valuation of the assets that it manages. NN IP is therefore subject to indirect market risk through market impacts on its gross margin. It generally considers it uncontrollable, as it is inherent in the business of asset management. In practice, the exposure to this risk is diversified, to a degree, by having exposure to multiple classes of instruments.

- Currency risk

NN IP is exposed to currency risk on fees that are denominated in a currency other than the respective functional currency of the Company, the Euro. The currencies in which these transactions primarily are denominated are EUR, USD, GBP, and RON. NN IP does not hedge its estimated foreign currency exposure in respect of forecasted fees, as foreign currency fees paid are considered well balanced with foreign currency fees received.

- Credit Risk

NN IP does not carry out any credit activities. There is a small risk of not being able to collect management fees from its funds or institutional clients. Furthermore a credit risk arises from the contract assets related to the Y share classes sold in Taiwan. The front-end loan is paid upfront by NN IP and amortised in three years. The contract asset on balance sheet date amounts up to € 56,670,693 (2019: 31,343,374). Overall NN IP considers that the exposure to credit risk is limited given the fact that it did not write off any significant receivables over the past years.

- Liquidity Risk

NN IP is required to hold capital to cover at least 3 months expenditure on a continuous basis. In practice NN IP participates in the NN Group cash pool through its immediate parent company NN IP International Holding B.V. Almost all cash positions are pooled on a daily basis at NN Insurance Eurasia N.V. and managed by the NN Corporate Treasury department. This enables NN IP to make payments as they fall due.

Laws, rules and regulations

Both the Management Board of NN IP and the Management Board of NN Group are committed to preserving its integrity and reputation. Therefore, NN Group requires all its businesses to have a good understanding of, and adherence with applicable laws, regulations and standards in each of the markets and jurisdictions in which it operates. NN IP has adopted the NN Group Compliance Charter and Framework to help businesses effectively manage their compliance risks. An overview of relevant local laws and regulations are covered in NN IP local Compliance Charts. The Compliance Charts describe the compliance risks which are material and relevant to NN IP.

Complaints are also an important element of event identification. A complaint handling and response procedure is available, and the process has been implemented. Our Client Servicing team is aware of the procedures surrounding the receiving of complaints. Complaints handling is dealt with in employee training and communicated by management to employees. Also, a Whistle-blower procedure is available and reporting of Whistle-blower cases is implemented. Whistle-blowing reporting officers have been appointed and instructed. There is a documented methodology for investigation that protects all parties involved during the process. To allow the compliance function to perform its duties, it has direct reporting lines to both the board and Corporate Legal & Compliance of NN Group.

Impact on the financial position and result in case significant risks would materialize

The global outbreak of the coronavirus and subsequent economic slowdowns have been the most significant events throughout 2020. Regular changes to the expected outcome and economic impact added volatility to the markets. In general, market circumstances have become more unpredictable in recent years but we deem current capital sufficient to cover for potential future losses from operational incidents. Besides these potential operational losses, we also used stress scenarios on our gross revenues and operating results from adverse market conditions.

- Risk and uncertainties that had a significant impact during the year

The risks and uncertainties affecting economic growth were mainly caused by the global pandemic and subsequent economic slowdowns. This has been dominating the news in 2020 and has been an historic event, leading to a significant decline in stock markets during the first half of the year. The markets proved resilient however, supported by fiscal stimulus and the commitment of central banks throughout 2020. The year ended with optimism towards 2021, with hopes of a successful vaccine roll-out and that economic recovery will remain on track.

Another significant event during 2020 were the US elections, which led to uncertainty around fiscal stimulus packages, the US approach to contain the coronavirus and civil unrest and fragmentation in the country. With the election of Biden as president and the democrats taking control of the senate this uncertainty has been reduced significantly.

At the end of the year a trade agreement between the UK and the EU was concluded, narrowly avoiding a cliff-edge hard Brexit without a trade agreement. The agreement didn't comprise an arrangement for financial services, meaning that for this sector the impact is significant. NN IP was however prepared for that scenario and we do not foresee continuity issues going forward.

Despite the turbulent year due to the pandemic market performance in 2020 has led to an overall increase of the Total Assets under Management of NN IP.

Management Board report – continued

- Improvements to the risk management systems

During 2020, the investment risk, counterparty risk and performance attribution systems were enhanced to further leverage on the capabilities of existing systems and providers within NN IP, to allow for faster throughput time and to align the risk view across the company. NN IP believes to continue to be in control of the applicable risks.

Remuneration during the reporting period

The remuneration policy is set at the level of NN IP. NN IP is a subsidiary of NN Group and NN Group has an overall remuneration policy applicable to all staff which provides for reward guidelines and principles for all country and business unit remuneration policies within NN Group. This policy is laid down in the NN Group Remuneration Framework and contains minimum standards and principles concerning remuneration and performance management. NN IP is a subsidiary of NN Group and meets all standards and guidelines as applicable within NN Group. NN Group aims to apply a clear and transparent remuneration policy that is adequate to attract and retain expert leaders, senior staff and other highly qualified employees. The remuneration policy is also designed to support NN's employees to act with integrity and to carefully balance the interests of our stakeholders, including the future of our customers and of our company.

The remuneration consists of both fixed and variable remuneration. For a number of employees part of their variable remuneration depends on the investment results achieved. Further information with regards to the remuneration policy can be found on the website (<https://www.nnip.com> – About us – Policies & Governance – Remuneration policy).

Clear financial and nonfinancial performance objectives are set which are aligned with the overall strategy of the company, both on the short term and the long term, to ensure that remuneration is properly linked to individual, team and company performance. Specifically for portfolio managers for NN IP the performance is directly linked to the 1-, 3- and 5- year relative performance of the funds managed which creates alignment with our clients' interests. Furthermore, the remuneration policy supports a focus on the company's long term interests and the interests of its customers and various stakeholders by ensuring that there is careful management of risk and that staff are not encouraged, via remuneration, to take excessive risk.

NN IP awards part of the total deferred compensation in the form of Funds managed by NN Investment Partners to create further alignment of the employees interests with those of our clients. This is done in alignment with the NN Group Aligned Remuneration Plan (ARP). The ARP also allows NN Group shares to be awarded under a deferral policy which is in place for all staff. The general practice for staff employed by NN IP exceeding the deferral thresholds as set out in the policy, not being Identified Staff, is to deliver 50% of the deferred variable remuneration in Funds managed by NN IP, and the remaining 50% of the deferred variable remuneration in NN Group shares.

The deferral scheme parameters are set by the NN Group Executive Board and approved by the NN Group Supervisory Board, taking into account external market practice. These parameters include: (a) the proportion of the Variable Remuneration that is deferred (the proportion ensures that a significant part of the Variable Remuneration of High Earners is deferred); (b) the time horizon of the deferral (vesting schedule) and (c) the deferral instruments that are used (e.g. equity-linked instruments that align the value of the deferral with the performance of NN Group or products of NN Group). Both the NN Group Remuneration Framework as well as the ARP includes both holdback and claw back clauses which can be invoked in the event that performance, risk, compliance or other issues are discovered after awards have been made.

The remuneration policies as applicable to staff who perform activities for the AIF, UCITS and/or the Management Company ensure that NN IP complies with and acts in the spirit of all the applicable (inter)national regulations on remuneration, such as the Dutch Wet beloningsbeleid financiële ondernemingen (Wbfo), AIFMD and UCITS as relevant to our business.

NN IP operates a Compensation Committee responsible for (among others) setting, monitoring and reviewing the remuneration policies, plans and overall remuneration spend globally for NN IP. The NN IP Compensation Committee is also responsible, among others, for reviewing specific individual remuneration proposals. The NN IP Compensation Committee comprises the CEO NN IP, the Head of Human Resources NN IP, the Chief Finance & Risk Officer NN IP, the Head of Compliance NN IP and the Head of Reward NN IP.

The Remuneration Governance of NN IP is embedded in the NN Group Governance Framework which requires certain remuneration proposals to be approved at NN Group level. This includes requirements for approvals by (i) the NN Group Compensation Committee in which the relevant control functions (Finance, Risk, HR, Legal and Compliance) and the NN Group Management Board Members are represented and (ii) the NN Group Supervisory Board to ensure an objective and independent view. Remuneration decisions that concern employees that are part of the NN Investment Partners Compensation Committee are always reviewed by NN Management Board and/or Supervisory Board NN Group.

NN IP selected Identified Staff (staff whose professional activities have material impact on the risk profile of NN Group) on the basis of the Dutch Regeling Beheerst Beloningsbeleid Wft 2017 (Rbb), and Identified Staff on the basis of both AIFMD and UCITS (being staff whose professional activities have a material impact on the Dutch licensed AIF(s), and/or the UCITS and/or NN IP based in The Hague). All NN IP Identified Staff selected on the basis of Rbb 2017, also qualify as AIFMD and UCITS Identified Staff.

AIFMD and UCITS Identified Staff are selected in accordance with ESMA guidelines and a selection methodology and selection criteria that were approved by both the NN IP and the NN Group Compensation Committee.

The performance management principles applied to Identified Staff ensure that there is focus on financial and non-financial performance and on leadership behavior. In addition, the company's strategy (both long and short term objectives), client interests, as well as the companies values (Care, Clear and Commit) are reinforced. The principles also create alignment with the AIF and UCITS risk profile. For identified staff in control functions: a maximum of 15% financial (e.g. departmental budget responsibility) and a minimum of 85% non-financial performance objectives linked to their control function specific role. For identified staff in non-control functions Identified Staff a maximum of 50% financial and a minimum of 50% non-financial performance objectives. Control functions will only have financial performance

Management Board report – continued

objectives that are not linked to the performance of the business unit they control. On the NN IP website further information regarding the remuneration policy is available. (<https://www.nnip.com> - About us – Policies & Governance – Remuneration policy).

The performance assessment of Identified Staff and the consequent awarding of variable remuneration is effected as part of a multiple-year framework. As deferral periods apply to variable remuneration of Identified Staff, it is ensured that variable remuneration is “at risk” during the entire deferral period. Variable remuneration is linked to risk and non-financial performance and takes into account the company performance at group level, business line performance and individual performance. Any undesired risk taking or breaches of compliance that were not apparent at the time the variable remuneration was awarded, will be taken into account at every (deferred) vesting of variable remuneration.

Variable remuneration for Identified Staff is performance-based and risk-adjusted and is partly paid upfront and partly deferred. Deferred variable remuneration is subject to the assessment of undesired risk-taking, as well as non-compliant behavior in view of past performance. If deemed necessary by the Supervisory Board, (deferred) compensation is adjusted downwards via hold back or claw back.

For all selected Identified Staff, ex-post performance assessment is carried out. The performance assessment extends beyond the date of the award of variable remuneration and continues as part of a multi-year framework of at least three to five years. At least 40% of the variable remuneration as awarded to Identified Staff is deferred, and for control function Identified Staff a stricter regime applies as a minimum of 50% is deferred. For all selected Identified Staff members, the variable remuneration comprises the following components: Investment Entitlements, managed by NN IP, upfront NN Group shares; upfront cash. Further information with regards to the remuneration policy and remuneration for Identified staff can be found on the website (<https://www.nnip.com> – About us – Policies & Governance – Remuneration policy).

Over 2020, NN IP has awarded a total amount of € 97.7 million to all employees. This amount consists of fixed remuneration of € 76.6 million and variable remuneration of € 21.1 million. At balance sheet date NN IP had 713 employees, of which 6 board members. The majority of employees spend their time on activities that are directly or indirectly related to the management of the funds. There is no remuneration in the form of carried interest.

From the above mentioned amounts, total remuneration for the board members is € 4.2 million, of which fixed remuneration is € 2.8 million and variable remuneration is € 1.4 million.

The below table presents a summary of the remuneration awarded to NN IP employees. Over 2020, the Management Company awarded remuneration above € 1 million to 2 employees.

The table below provides aggregated information on the remuneration of all active staff members employed on 31 December 2020 and performing activities for NN IP International Holdings B.V. in The Netherlands during the year 2020, and includes all Identified Staff selected on the basis of AIFMD and/or UCITS. A significant proportion of the amounts listed below can be attributed to NN Investment Partners B.V. (Management Company), as NN Investment Partners B.V. is the main operating entity held by NN Investment Partners International Holdings B.V.

Information at the level of NN Investment Partners B.V. (Management Company) and/or the AIF's/UCITS's is not available. Variable remuneration is not directly charged to the AIF/UCITS. Fixed remuneration is not charged directly except for these funds with direct costing. For these funds we use an allocation key to charge fixed remuneration.

Aggregated fixed remuneration and variable remuneration for the performance year 2020

| Amounts in € 1,000 and gross | Fixed and variable remuneration awarded in relation to the performance year 2020 | | |
|--|--|--|--|
| | Identified Staff qualified as Senior Management (including Executives) | Other Identified Staff (excluding Senior Management) | All staff – excluding Identified Staff |
| Number of employees (#) | 6 | 29 | 678 |
| Fixed remuneration ⁽¹⁾ | 2,769 | 6,810 | 67,017 |
| Variable remuneration ⁽²⁾ | 1,454 | 3,650 | 15,978 |
| Aggregate of fixed and variable remuneration | 4,223 | 10,460 | 82,995 |

Note 1) Fixed remuneration per ultimo 2020 for contractual working hours. The fixed remuneration includes collective fixed allowances, which includes elements such as holiday pay and pension allowance, and excludes benefits.

Note 2) Variable remuneration includes all conditional and unconditional awards in relation to the performance year 2020 as approved by the relevant committees and authorized per 15 February 2021. This includes all payments to be processed through payroll per March/April 2021, upfront NN Group shares and NN IP Investment Entitlements (Fund-of-Fund with a one year holding period) as awarded to Identified Staff, as well as all conditional deferred NN Group shares and NN IP Investment Entitlements (Fund-of-Fund with a one year holding period) as awarded to Identified Staff as well as all conditional deferred NN Group shares and NN IP Investment Entitlements. A reference to the allocated Funds is not available.

Management Board report – continued

Social aspects of operating the business

At NN IP, we are committed to improving people's financial well-being, and to responsibly managing the assets entrusted to us by our customers. We aim to be a positive force in the lives of our customers. We believe this also includes taking responsibility for the well-being of the wider society and supporting the communities in which we operate. NN IP's values guide us in fulfilling our role as a good corporate citizen. NN IP's Code of Conduct contains the core values to ensure that we never lose sight of the essence of what we do: adding value to our customers and society. The Code of Conduct is available via 'Code of Conduct' community on the intranet of NN IP.

Outlook 2021

Since the beginning of 2020, the coronavirus (COVID-19) has been unfortunately affecting people and businesses around the world. Like other companies, NN IP is exposed to the challenges resulting from the spread of the coronavirus. Looking ahead, the macroeconomic environment remains uncertain. We continue taking the necessary measures aimed at safeguarding the interests and the wellbeing of all our stakeholders.

Building on its solid and tested business continuity plan as well as prior experience in managing crises, NN IP will continue to focus its efforts on managing the impact(s) of the coronavirus. It is NN IP's priority to service its clients and manage their assets responsibly, while creating long-term value.

Furthermore, in 2021 NN IP will continue to strengthen its investment capabilities, increase ESG-integrated AuM, while delivering (remote) digital and personal client experience. It will continue to make clear choices, streamline its organisation, and focus on the core. By developing the right skills, investing responsibly and adapting constantly, NN IP aims to create long-term value for its clients.

Asset management is a global and scalable business. We believe we will grow by bringing the right products and solutions to our clients, combined with access to distribution and reach. We see strong growth potential in sustainable capabilities, emerging and private debt capabilities and solutions, supported through consistent investments in technology, robust processes and an adaptive investing approach.

The Hague, 28 April 2021

The Management Board

S.S. Bapat
(Chairman, Chief Executive Officer)

M.C.M. Canisius
(Chief Finance and Risk Officer)

V. van Nieuwenhuijzen
(Chief Investment Officer)

H.W.D.G. Borrie
(Chief Client Officer)

M.C.J. Grobbe
(Chief Human Resources Officer)

B.G.J. van Overbeek
(Global Chief Operation Officer)

Balance Sheet

After appropriation of the result
As at 31 December
Amounts in EUR

| | Notes | 2020 | *2019 |
|--------------------------------------|-------|--------------------|--------------------|
| Fixed assets: | | | |
| Tangible assets | 1 | 3,973,837 | 4,339,247 |
| Investments in associates | 2 | 77 | 77 |
| Deferred tax assets | 3 | 2,046,567 | 2,177,855 |
| Total fixed assets | | 6,020,481 | 6,517,179 |
| Current assets: | | | |
| Trade receivables | 4 | 7,855,250 | 8,383,247 |
| Receivables from Group companies | 5 | 39,339,196 | 27,614,728 |
| Other receivables and other assets | 6 | 113,500,852 | 93,181,299 |
| Cash and cash equivalents | 7 | 11,754,351 | 39,349,899 |
| Total current assets | | 172,449,649 | 168,529,173 |
| Total assets | | 178,470,130 | 175,046,352 |
| Equity: | | | |
| Issued and paid-up capital | 8 | 193,385 | 193,385 |
| Other reserves | 9 | 94,855,401 | 80,265,589 |
| Total equity | | 95,048,786 | 80,458,974 |
| Current liabilities: | | | |
| Payables to Group companies | 5 | 16,935,527 | 19,459,664 |
| Income tax payable | 10 | 5,555,232 | 9,004,899 |
| Trade and other payables | 11 | 57,045,133 | 62,184,733 |
| Total current liabilities | | 79,535,892 | 90,649,296 |
| Lease liability | 12 | 3,885,452 | 3,938,082 |
| Total non-current liabilities | | 3,885,452 | 3,938,082 |
| Total equity and liabilities | | 178,470,130 | 175,046,352 |

* Comparative figures for the year 2019 have been restated.

Profit and loss account

For the year ended 31 December
Amounts in EUR

| | Notes | 2020 | 2019 |
|--|-------|--------------------|--------------------|
| Gross management fee and commission income | 13 | 600,152,305 | 579,082,465 |
| Fee and commission expenses | 14 | -282,496,206 | -253,048,849 |
| Gross margin | | 317,656,099 | 326,033,616 |
| Other operating expenses | 15 | -216,631,593 | -231,121,030 |
| Operating result | | 101,024,506 | 94,912,586 |
| Finance income and expenses | 16 | -981,639 | 155,853 |
| Finance income and expenses | | -981,639 | 155,853 |
| Result from operations before tax | | 100,042,867 | 95,068,439 |
| Share in result from associates | 2 | - | - |
| Income tax | 17 | -25,048,238 | -23,174,649 |
| Result from operations after tax | | 74,994,629 | 71,893,790 |

Principles of valuation and determination of results

General

NN IP is through a number of group companies, a wholly-owned subsidiary of NN Group N.V., (its immediate parent is NN Investment Partners International Holdings B.V.) is located at Schenkade 65, 2595 AS, The Hague and is listed under number 27132220 in the Trade Register.

NN Investment Partners International Holdings B.V. declared to assume joint and several co-liability for the debts arising from legal acts of NN IP, in accordance with article 403, Part 9 Book 2 of the Dutch Civil Code ('403'-declaration).

The annual report is presented in euro, which is NN IP's functional and presentation currency.

The comparative data related to prior year's balance sheet has been restated for comparison purposes, as all receivables from group companies and payables to companies have been reclassified to the respective financial statement captions.

Principles of valuation of assets and liabilities and the determination of results

The 2020 financial statements of NN IP are prepared in accordance with generally accepted accounting principles included in Part 9, Book 2 of the Dutch Civil Code. These financial statements cover the year 2020, which ended at the balance sheet date of 31 December 2020 and have been prepared on the basis of the going concern assumption. Management has assessed the outbreak of the COVID-19 pandemic and concluded that the going concern basis of accounting remains appropriate. The impact on the financial markets is positive and has resulted in a higher operating result. Management continues to have a reasonable expectation that the Group has adequate resources to continue in operation for at least the next twelve months.

The financial statements of NN IP are included in the consolidated financial statements of NN Group N.V. The consolidated financial statements are available via the web-site of NN Group (www.nn-group.com). The term 'group companies' used in the disclosures, refers to NN Group N.V. and its subsidiaries.

The principles used for valuing assets and liabilities and determining the result are unchanged compared with the previous reporting year.

General accounting principle

Assets and liabilities are stated at nominal value, unless otherwise stated.

An asset is recognized in the balance sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. A liability is recognized in the balance sheet when it is expected that the settlement of an existing obligation will result in an outflow of resources embodying economic benefits and the amount necessary to settle the obligation can be measured reliably. An asset or liability that is recognized in the balance sheet, remains on the balance sheet if a transaction (with respect to the asset or liability) does not lead to a major change in the economic reality with respect to the asset or liability.

Assets or liabilities that are not recognized in the balance sheet are considered as off-balance sheet assets or liabilities.

Income is recognized in the profit and loss account when an increase in future economic potential related to an increase in an asset or a decrease of a liability has arisen, the size of which can be measured reliably. Expenses are recognized when a decrease in the economic potential related to a decrease in an asset or an increase of a liability has arisen, the size of which can be measured with sufficient reliability.

Revenues and expenses are allocated to the period to which they relate.

Use of estimates

The preparation of the financial statements requires management to form opinions and to make estimates and assumptions that influence the application of principles and the reported values of assets and liabilities and of income and expenditure. The actual results may differ from these estimates. The estimates and the underlying assumptions are constantly assessed. Revisions of estimates are recognized in the period in which the estimate is revised and in future periods for which the revision has consequences. Management did not identify any significant estimates.

Tangible assets

Tangible assets are stated at cost, less accumulated depreciation and impairment losses, if any.

The cost consists of the price of acquisition, plus other costs that are necessary to get the assets to their location and condition for their intended use. Expenditure is only capitalized when it extends the useful life of the asset.

Depreciation is calculated on a straight-line basis over the estimated useful lives of each item of the tangible fixed assets, taking into account the estimated residual value of the individual assets. Depreciation starts as soon as the asset is available for its intended use, and ends at decommissioning or divestment of the asset.

The following rates of depreciation are applied:

- Buildings, Office equipment, Other: 10-33%

Impairment of fixed assets

Tangible and intangible fixed assets are assessed at each reporting date, whether there is any indication of an impairment. If such indication exists, the recoverable amount of the asset is estimated. The recoverable amount is the higher of value in use and net realizable value. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Principles of valuation and determination of results - continued

Subsequently, at each reporting date, the entity assesses whether there is any indication that an impairment loss that was recorded in previous years has decreased. If any such indication exists, then the recoverable amount of the asset or cash-generating unit is estimated.

Reversal of a previously recognized impairment loss only takes place when there is a change in the assessment used to determine the recoverable amount since the recognition of the last impairment loss. In such case, the carrying amount of the asset (or cash-generating unit) is increased to its recoverable amount, but not higher than the carrying amount that would have applied (net of depreciation) if no impairment loss had been recognized in previous years for the asset (or cash-generating unit).

The determination of impairments is an inherently uncertain process involving various assumptions and factors. Estimates and assumptions are based on management's judgement and other information available.

Investments in associates

Participating interests with significant influence

Participating interests where significant influence is exercised over the business and financial policies, are valued according to the equity method on the basis of net asset value. The net asset value is calculated on the basis of NN IP's accounting policies. Any loss that results from the transfer of current assets or an impairment of fixed assets is fully recognized. Results on transactions involving transfer of assets and liabilities between NN IP and its participating interests and mutually between participating interests are eliminated to the extent that these cannot be regarded as having been realized.

Participating interests with a negative net asset value are valued at nil.

Participating interests with no significant influence

Participating interests where no significant influence is exercised are stated at the lower of cost or realizable value. In case of a firm intention to sell, the participating interest is stated at the lower expected sales value. If NN IP transfers an asset or a liability to a participating interest that is measured at cost or current value, the gain or loss resulting from this transfer is recognized directly and in full in the profit and loss account, unless the gain is in substance not realized.

Dividends are accounted for in the period in which they are declared. Dividends from participating interests that are carried at cost, are recognized as income from participating interests in the period in which the dividends become payable.

Impairment of financial assets

A financial asset (i.e. investment in an associate, contract asset) that is not stated at fair value with value changes reflected in the profit and loss account, but at amortized cost or lower market value, is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, with negative impact on the estimated future cash flows of that asset, which can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, indications that a debtor or issuer is approaching bankruptcy, or the disappearance of an active market for a security.

The entity considers evidence of impairment for financial assets measured at amortized cost (loans and receivables and financial assets that are held to maturity) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those individually significant assets found not to be specifically impaired and assets that are not individually significant are then collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, NN IP uses historical trends of the probability of default, the timing of collections and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss in respect of a financial asset stated at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognized in the profit and loss account and reflected in an allowance account against loans and receivables or investment securities held to maturity. Interest on the impaired asset continues to be recognized by using the asset's original effective interest rate. When, in a subsequent period, the amount of an impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through profit or loss (up to the amount of the original cost).

The determination of impairments is an inherently uncertain process involving various assumptions and factors. Estimates and assumptions are based on management's judgement and other information available.

Current receivables

Receivables include trade receivables, receivables from Group companies, other receivables, and other assets. They are measured at initial recognition at fair value, plus transaction costs (if material). After initial recognition, receivables are measured at amortised cost. If no premium or discount and transaction costs are applicable, the amortised cost is equal to the nominal value of the receivables, less a provision for uncollectible debts. These provisions are determined by individual assessment of the receivables.

Cash and cash equivalents

Cash and cash equivalents are stated at nominal value. If cash and cash equivalents are not readily available, this fact is taken into account in the measurement and disclosed separately. Cash and cash equivalents denominated in foreign currencies are translated at the balance sheet date in the functional currency at the exchange rate ruling at that date. Reference is made to the accounting policies for foreign currencies.

Principles of valuation and determination of results - continued

Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset, and the net amount is reported in the balance sheet, when NN IP has a current legally enforceable right to set off the recognized amounts and intends to either settle on a net basis or to realize the assets and settle the liability at the same time.

If there is a transfer of a financial asset that does not qualify for derecognition in the balance sheet, the transferred asset and the associated liability are not offset.

Foreign currency translation

Transactions and balances

At initial recognition, transactions denominated in a foreign currency are translated into the functional currency of the company at the exchange rate applying on the transaction date. Monetary assets and liabilities denominated in foreign currency are translated at the balance sheet date into the functional currency at the exchange rate applying on that date. Exchange differences resulting from the settlement of monetary items or resulting from the translation of monetary items denominated in foreign currency, are recognized in the profit and loss account in the period in which they arise.

Non-monetary assets and liabilities denominated in foreign currency that are stated at historical cost, are translated into euros at the exchange rates applying on the transaction date.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at current value, are converted into euros at the exchange rate at the time when the current value was determined. Exchange rate differences arising from the translation are directly recognized in equity as part of the revaluation reserve.

Foreign operations

The assets and liabilities that are part of the net investment in a foreign operation are translated into euros at the exchange rate prevailing at the balance sheet date. The revenues and expenses of such a foreign operation are translated into euros at the exchange rate on the transaction date.

Equity

Equity consists of paid-up capital and other reserves. Other reserves comprise the cumulative results of previous years, the result of the year under review, activity related to share based payments and less any dividend paid.

Current liabilities

Current liabilities includes payables to group companies, trade and other payables. At initial recognition, current liabilities are measured at fair value. After initial recognition, current liabilities are measured at amortised cost. If no premium or discount and transaction costs are applicable, the amortised cost is equal to the nominal value of the liability.

Corporate income tax

NN IP is part of a Dutch fiscal unity with its indirect parent NN Group N.V. for both corporate income tax and VAT, along with other Dutch subsidiaries of NN Group N.V.

NN Group N.V. and its subsidiaries, that form part of the Dutch fiscal unity are jointly and severally liable for taxation payable by the Dutch fiscal unity. The calculation of NN IP's corporate income tax is made as if NN IP is an independent taxpayer. The corporate income tax payable is settled on a quarterly basis, through NN Investment Partners International Holdings B.V., with NN Group N.V. via the current account under the heading 'current account with group companies'.

NN IP's foreign offices (Branches) are considered to be permanent establishments. The Branches are therefore subject to corporate income tax in the country they operate and file their own corporate income tax returns.

Corporate income tax comprises the current and deferred corporate income tax payable and receivable for the reporting period. Corporate income tax is recognized in the profit and loss account except to the extent that it relates to items recognized directly to equity.

Current tax comprises the expected tax payable or recoverable on the taxable profit or loss for the financial year, calculated using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

If the carrying amount of assets and liabilities for financial reporting purposes differ from their values for tax purposes (tax base), this results in temporary differences. For taxable temporary differences, a deferred tax liability is recognized.

For deductible temporary differences, available tax losses and unused tax credits, a deferred tax asset is recognized, but only to the extent that it is probable that future taxable profits will be available for set-off or compensation. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realized.

For taxable temporary differences related to group companies and foreign Branches, a deferred tax liability is recognized, unless NN IP is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

For deductible temporary differences regarding group companies and foreign Branches, a deferred tax asset is recognized to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

Principles of valuation and determination of results - continued

The measurement of deferred tax liabilities and deferred tax assets is based on the tax consequences following from the manner in which NN IP expects, at the balance sheet date, to realise or settle its assets, provisions, debts and accrued liabilities. Deferred tax assets and liabilities are measured at nominal value and calculated using tax rates enacted or substantively enacted at the reporting date.

Gross management fee and commission income

Gross Management fee and commission income are generally recognized as the service is provided by NN IP and are based on the applicable service contracts.

Fee and commission expenses

Fee and commission expenses are generally recognized as the service is provided to NN IP and are based on the applicable service contracts.

Other operating expenses

Expenses are allocated to the period to which they relate.

Employee Benefits- Share-based payments

Share-based payments are recognized as staff expenses over the vesting period. A corresponding increase in equity is recognized for equity-settled share-based payment transactions. The fair value of equity settled share-based payment transactions is measured at the grant date.

Pension accounting policies for Branch employees

NN IP's Branches have contribution pension plans in place for its employees. In accordance with the pension plans the Branches pay a premium which will result in the pay out of the insured pension capital at the retirement age, or before upon death of the employees. The contributions are expensed in the period to which they relate.

Operating leases

NN IP's Branches have entered, as lessees, into several operating lease contracts. As allowed under Dutch GAAP, NN IP has adopted IFRS 16 to account for its 'leases' starting 1 January 2019. As a result NN IP recognized a right-of-use asset, which is included in tangible assets, and a non-current lease liability.

Financial income and expenses

This item comprises interest received and paid on bank accounts, deposits, interest on receivables and payables and exchange differences resulting from the settlement of monetary items or resulting from the translation of monetary items denominated in foreign currency and which are recognized in the profit and loss account in the period in which they arise, taking into account the effective interest of the related asset.

Share in result of participating interests

This item comprises NN IP's share in the results of participating interests, determined on the basis of NN IP's accounting principles. The results of the participating interests acquired or sold during the financial year are measured in the result, from the date of acquisition or until the date of the sale respectively.

Exchange rate against euro as at 31 December

| | | 2020 | 2019 |
|-----------------------------|-------|--------|--------|
| US Dollar | (USD) | 1.22 | 1.12 |
| British Pound | (GBP) | 0.90 | 0.85 |
| Czech Crown | (CZK) | 26.26 | 25.41 |
| Danish Crown | (DKK) | 7.44 | 7.47 |
| Hungarian Forint | (HUF) | 362.69 | 330.71 |
| Japanese Yen | (JPY) | 126.33 | 121.99 |
| Romania Leu | (RON) | 4.87 | 4.79 |
| Swedish Crown | (SEK) | 10.05 | 10.51 |
| Thai Baht | (THB) | 36.60 | 33.62 |
| United Arab Emirates Dirham | (AED) | 4.49 | 4.12 |

Notes to the balance sheet

1 Tangible assets

Tangible assets

| | Buildings | Equipment | Other | 2020 | 2019 |
|------------------------------|------------|-----------|----------|------------|------------|
| Book value as of 1 January | 3,767,003 | 295,339 | 276,905 | 4,339,247 | 231,405 |
| Additions | 1,025,104 | 1,882 | - | 1,026,986 | 5,504,212 |
| Disposals | - | - | -27,972 | -27,972 | - |
| Depreciation | -1,132,394 | -106,586 | -125,444 | -1,364,424 | -1,396,370 |
| Book value as of 31 December | 3,659,713 | 190,635 | 123,489 | 3,973,837 | 4,339,247 |

Tangible fixed assets relate to buildings, equipment and other fixed operating assets and the depreciation method used is based on a straight-line basis over a period of three to ten years.

2 Investments in associates

NN IP holds one share of NN Investment Partners Belgium S.A., located in Brussels, Belgium, which represents 0.0001% of NN Investment Partners Belgium S.A.

3 Deferred tax assets

The deferred tax assets mostly relate to the deductible temporary difference as result of the merger with NN Investment Partners Luxembourg in 2019. The recognised unused deductible temporary differences of Luxembourg will be amortized in ten years, starting in 2020. It is expected that EUR 245,571 (2019: EUR 396,631) of the deferred tax assets will be offset within one year.

Movements in the deferred tax asset during the reporting period can be specified as follows:

| | 2020 |
|---------------------------------------|------------------|
| Balance as of 1 January | 2,177,855 |
| Used deductible temporary differences | -396,631 |
| Impact change in tax rate | 265,343 |
| Balance as of 31 December | 2,046,567 |

The impact of the change in tax rate is due to the fact that as per financial year 2021 the income tax rate in the Netherlands increases from 21.7% to 25%.

4 Trade receivables

Trade receivables

| | 2020 | 2019 |
|-------------------------------|------------------|------------------|
| Outstanding trade receivables | 7,855,250 | 8,383,247 |
| Provision for bad debt | - | - |
| Trade receivables | 7,855,250 | 8,383,247 |

The trade receivables are in line with prior year. All management fees to be received are due within one year. No provision for bad debt or doubtful debts has been recorded as at 31 December 2020 (2019: nil)

5 Current account with Group companies

The current accounts with group companies are used within NN Group for intercompany settlements and cash pooling policies. For further information regarding transactions with related parties reference is made to the section 'Related parties'.

6 Other receivables and other assets

Other receivables and other assets

| | 2020 | 2019 |
|---|--------------------|-------------------|
| Contract costs | 56,670,693 | 31,343,374 |
| Management fee receivables | 22,248,925 | 26,984,889 |
| Other fee receivables | 32,489,365 | 33,957,299 |
| Other assets and prepayments | 2,091,869 | 895,737 |
| Total other receivables and other assets | 113,500,852 | 93,181,299 |

The contract costs relate to the upfront commissions paid to distributors for the sale of a certain share class relating to specific fund ranges. The upfront commissions paid by NN IP are capitalized at the time of the payment and amortized based on a straight-line calculation throughout the period the fee relates to (36 months period). The increase in contract asset noted during financial year 2020 is mainly due to the increased amount of pre-payment as a result of the high inflows noted in the Y share classes. In addition an amortization of EUR 25,188,802 was recorded during financial year 2020. In contract cost, an amount of EUR 31,178,481 (2019: EUR 15,206,400) is included with a maturity longer than 1 year. All other receivables have an estimated maturity shorter than one year. The carrying values of the recognised receivables approximate their respective fair values, given the short maturities of the positions.

Notes to the balance sheet - continued

7 Cash and cash equivalents

The cash and cash equivalents balance includes an amount of EUR 89,850 (2019: EUR 89,850) that is not immediately accessible. This relates to funds that are in a blocked account because of guarantees issued by the bank.

8 Issued and paid-up capital

Issued and paid-up capital

| | 2020 | 2019 |
|------------------------------|---------|---------|
| 38,677 shares of € 5.00 each | 193,385 | 193,385 |

NN Investment Partners International Holdings B.V. owns all issued shares.

9 Other reserves

Other reserves

| | 2020 |
|--|-------------------|
| Balance as of 1 January | 80,265,589 |
| Dividend paid | (60,700,000) |
| Share-based payment Branches and other | 295,183 |
| Appropriation of result | 74,994,629 |
| Balance as of 31 December | 94,855,401 |

NN IP proposes to add the financial year's result of € 74,994,629 to the other reserves.

For further information regarding the share-based payments Branches reference is made to the section 'Share-Based Compensation'.

Due to the legal merger with NN Investment Partners Luxembourg in 2019 a Net Wealth Tax (NWT) reserve has been taken up for the remaining five-year period to continue benefiting from the reduction of NWT for an amount of € 11,584,894 (2019: € 15,922,400).

10 Income tax payable

The tax payable relates to the corporate income tax of NN IP including the Branches.

11 Trade and other payables

Trade and other payables

| | 2020 | 2019 |
|---|-------------------|-------------------|
| Payables to suppliers | 465,252 | 116,147 |
| Trailer fees payables | 34,497,044 | 41,097,418 |
| Other fees payables | 16,549,060 | 17,920,578 |
| Amounts payable to employees | 3,130,677 | 1,934,269 |
| Other tax and social securities payable | 624,309 | 695,414 |
| Other payables | 1,778,791 | 420,907 |
| Total trade and other payables | 57,045,133 | 62,184,733 |

All other current liabilities have an estimated maturity shorter than one year. The carrying values of the recognized current liabilities approximate their respective fair values, given the short maturities of the positions. Trailer fees payable relate to fees payable to external distributors for selling the NN funds managed on behalf of the clients. Other fees payables mainly relate to sub management fees and sales fees payable to internal and external managers. The amounts payable to employees mainly consists of the bonus payable to employees.

12 Lease Liability

NN IP recognizes a right-of-use asset and a lease liability at the lease commencement date. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using NN IP's incremental borrowing rate.

Off balance sheet commitments

Tax commitments

NN IP is in a Dutch fiscal unity with its indirect parent NN Group N.V. for both corporate income tax and VAT, along with other Dutch subsidiaries of NN Group N.V.

NN Group N.V. and its subsidiaries, that form part of the Dutch fiscal unity are jointly and severally liable for taxation payable by the Dutch fiscal unity.

Other

NN IP acts as guarantor for fulfilling the obligations of NN IP Beleggersgiro B.V. (hereafter 'Giro') towards Giro's accountholders.

Notes to the profit and loss account

13 Gross management fee and commission income

Gross management fee and commission income

| | 2020 | 2019 |
|---|--------------------|--------------------|
| Management fees | 581,788,138 | 558,860,559 |
| Sub management fees | 12,860,484 | 17,065,595 |
| Performance fees | - | 138,658 |
| Sales fees | 111,928 | 392,447 |
| Security lending fees | 804,195 | 826,743 |
| Advisory fees | 2,451,489 | 1,161,412 |
| Other income | 2,136,071 | 637,051 |
| Total gross management fee and commission income | 600,152,305 | 579,082,465 |

| | 2020 | 2019 |
|--|--------------------|--------------------|
| Europe | 567,512,448 | 558,130,567 |
| Asia | 32,639,857 | 19,978,176 |
| USA | - | 973,722 |
| Total gross management fee and commission income breakdown by geographical region | 600,152,305 | 579,082,465 |

Management fees

The management fees relate to fees received for managing the assets of both institutional and retail clients throughout the year. Within management fees an amount of € 42,443,532 (2019: € 30,733,180) relates to group companies. The increase is mainly caused by management fees from the Y share classes and management fees from insurance clients.

Sub management fees

The sub management fees relate to fees received for co-managing the assets of the clients with other managers, either internal or external throughout the year. Within sub management fees an amount of € 3,655,377 (2019: € 6,122,261) relates to group companies. The decrease is mainly caused by terminated mandates and a shift in the underlying assets under management.

14 Fee and commission expenses

Fee and commission expenses

| | 2020 | 2019 |
|--|---------------------|---------------------|
| Management fees | -9,383,717 | -5,387,035 |
| Sub management fees | -39,643,178 | -41,069,394 |
| Advisory fees | -6,934,568 | -6,737,824 |
| Sales fees | -23,487,028 | -20,435,745 |
| Fixed service fees | -57,171,770 | -45,482,436 |
| Trailer fees | -145,875,945 | -133,936,415 |
| Total fee and commission expenses | -282,496,206 | -253,048,849 |

Management fees

The management fees relate to fees paid to internal and external managers for managing the assets of the clients throughout the year. Within management fees an amount of € 7,435,915 (2019: € 5,563,147) relates to group companies. The increase is mainly caused by the increase of the underlying assets under management.

Sub management fees

The sub management fees relate to fees paid to internal and external managers for co-managing the assets of the clients throughout the year. Within sub management fees an amount of € 21,562,417 (2019: € 24,521,993) relates to group companies. The decrease is mainly caused by a shift in the underlying assets under management.

Advisory fees

The advisory fees relate to fees paid to internal and external managers for rendering advisory service fees of the clients throughout the year. Within advisory fees an amount of € 5,824,143 (2019: € 5,295,379) relates to group companies. The advisory fees are in line with prior year.

Sales fees

The sales fees relate to fees paid to internal distributors for selling the NN funds managed on behalf of the clients throughout the year. Within sales fees an amount of € 23,486,979 (2019: € 20,431,549) relates to group companies. The increase is mainly caused by a shift in the underlying assets under management.

Fixed Service fees

The fixed service fees relate to fees paid, for expenses incurred by the managed funds, including fund accounting, custody and other expenses, due to the fact that the number of managed funds increased. The increase is mainly caused by the increase of the underlying assets under management.

Trailer fees

The trailer fees relate to fees paid to external distributors for selling the NN funds managed on behalf of the clients throughout the year as well as amortization on the contract cost. The increase is mainly caused by the increase of the underlying assets under management.

Notes to the profit and loss account - continued

15 Other operating expenses

Other operating expenses

| | 2020 | 2019 |
|---------------------------------------|---------------------|---------------------|
| Salary expenses | -8,438,929 | -8,133,778 |
| Social securities | -1,385,510 | -1,517,808 |
| Pension expenses | -605,085 | -430,785 |
| Expenses share-based compensation | -294,421 | -313,560 |
| Other expenses | -205,907,648 | -220,725,099 |
| Total other operating expenses | -216,631,593 | -231,121,030 |

The salary expenses, social securities, pension expenses and expenses for share-based compensation relate to the employees employed by the Branches of NN IP. NN IP reports 40 Branch employees in 2020 (2019: 41 Branch employees). Dutch staff of NN IP is employed by NN Personeel B.V., NN IP is charged by NN Group for these expenses under a service level agreement and are recharged via a cost allocation charge.

This cost allocation charge of € 202,949,015 (2019: € 209,214,719) from NN Investment Partners International Holdings B.V. is included in the other expenses. The cost allocation charge includes indirect organizational costs and direct business related costs, which includes, amongst others, costs for (temporary) staff, professional services, information technology, marketing and market data services. The decrease is mainly caused by various cost savings. The Dutch staff related costs within the are cost allocation charge amount up to € 128,264,923 million (2019: € 123,373,317).

Number of employees per branch as of 31 December 2020

| | |
|-----------------|-----------|
| Spanish Branch | 3 |
| French Branch | 8 |
| UK Branch | 11 |
| Romanian Branch | 3 |
| German Branch | 9 |
| Italian Branch | 6 |
| Total | 40 |

Audit Cost

With reference to Section 2:382a of the Netherlands Civil Code, the following fees for the financial year are disclosed, i.e. on an accrual basis (excluding VAT):

| | 2020 | 2019 |
|----------------------------|----------------|----------------|
| Audit financial statements | 146,300 | 176,000 |
| Other audit engagements | 129,499 | 124,000 |
| Total | 275,799 | 300,000 |

Other audit engagements mainly comprises of services related to the review of interim financial information, on quarterly basis reported by NN IP to De Nederlandsche Bank N.V. (DNB).

Share-Based Compensation

Included in the salary expenses are the expenses for Share-Based Compensation for staff in the Branches of NN IP. The shares are granted to a number of senior executives and to a considerable number of employees. The purpose of the share schemes is to attract, retain and motivate senior executives and staff.

The expenses related to the share-based payments of the Branches are booked directly into equity in accordance with NN Group policy on share-based compensation.

Share awards comprise deferred shares, granted under the NN Group Aligned Remuneration Plan ("ARP") and (until March 2014) performance shares that were granted under the NN Group Long-Term Sustainable Performance Plan ("LSPP"). The entitlement to deferred shares and performance shares is granted conditionally. If the participant remains employed for an uninterrupted period between the grant date and the vesting date, the entitlement becomes unconditional. In addition to the employment condition, the performance shares contain a performance condition. Under the old performance shares plan, performance conditions were determined based on Total Shareholder Return ("TSR") performance against a predefined group of peer companies. Deferred shares under the new plan are awarded with reference to both financial and non-financial performance targets.

Following the initial public offering (the "IPO") of NN Group N.V. ("NN Group") in 2014, all outstanding share awards on ING Group were converted into similar awards on NN Group shares by multiplying by a fraction:

- The numerator of the fraction is the average of the closing price on the Euronext Amsterdam of one bearer depositary receipt representing one ordinary share of ING Group for each of the five trading days immediately preceding the date of the settlement of the IPO (i.e. 30 June – 4 July);

Notes to the profit and loss account - continued

- The denominator of the fraction is the price per ordinary share of NN Group offered in the IPO. This price was specified in the pricing statement deposited with the AFM and published in a press release on NN Groups' website and on the website of Euronext.

NN Group, as the new ultimate holding company, granted share awards under NN Group's ARP. Performance shares are no longer awarded under the ARP. For deferred shares awarded, the shares will vest one third respectively on the first, second and third anniversary of the award date, provided the participants are still employed by NN IP.

The table below shows the movement of performance shares and deferred shares during the financial year:

Changes in Share awards outstanding

| | Number of performance shares | | Number of deferred shares | | Weighted average grant date fair value |
|---|------------------------------|----------|---------------------------|---------------|---|
| | 2020 | 2019 | 2020 | 2019 | 2020 |
| Outstanding at 1 January | - | - | 15,862 | 17,102 | |
| Transferred out/vested | - | - | -6,323 | -10,780 | |
| Granted | - | - | 10,179 | 9,540 | |
| Share awards outstanding - closing balance | - | - | 19,718 | 15,862 | |

As at 31 December 2020, the total unrecognized compensation costs related to share awards amount to € 153,751 (2019 € 221,969). These costs are expected to be recognized over a weighted average period of 1.5 years. NN IP's share based compensation and the expenses associated with, are recorded in its parent entity NN Investment Partners International Holdings B.V.

Remuneration of managing directors

The emoluments as referred to in Section 2:238 sub 1 of the Netherlands Civil Code, charged in the financial year to NN IP amounted to € 4.2 million (2019: € 3.3 million) for managing directors and former managing directors.

16 Finance income and expenses

Finance income and expenses

| | 2020 | 2019 |
|--|-----------------|----------------|
| Interest and similar expenses | -165,469 | -173,490 |
| Exchange rate differences | -816,170 | 329,342 |
| Total finance income and expenses | -981,639 | 155,853 |
| Exchange rate differences | | |
| Foreign currency gains | 101,529 | 1,036,393 |
| Foreign currency losses | -917,699 | -707,052 |
| Exchange rate differences | -816,170 | 329,342 |

The movement in exchange rate differences is mainly related to the movement of the USD rate as compared to the EUR rate.

17 Income Tax

The Dutch statutory tax rate in 2020 was 25% (2019: 25%). The current tax is settled on a quarterly basis, through NN Investment Partners International Holdings B.V., with NN Group N.V., the head of the Dutch fiscal unity.

The income tax expense in 2020 was € 25,048,238 (2019: € 23,174,649). In 2020 the effective tax rate was 25.0% (2019: 24.3%). The 2020 effective tax rate is the statutory rate.

Related parties

Transactions with related parties are assumed when a relationship exists between NN IP and a natural person or entity that is affiliated with NN IP. This includes, amongst others, the relationship between NN IP and its Branches, shareholders, directors and key management personnel. Transactions are transfers of resources, services or obligations, regardless whether anything has been charged. All transactions with related parties are conducted based on the arm's length principle.

NNIP's Transfer Pricing Model

In 2020, NN IP has updated the economic and benchmarking analyses used to determine the Transfer Pricing methodology for the intercompany transactions of NN IP. There are no material changes in the Transfer Pricing methodology as a result of the update of the economic and benchmarking studies.

Within NN IP's value chain the following main categories of material intra-group transactions were identified to be reviewed and documented:

- Central Management;
- Portfolio Management;
- Sales support and distribution.

NN IP's transfer pricing documentation is annually reviewed and updated in order to determine whether functional and economic analyses are still accurate and to confirm the validity of the applied transfer pricing methodology. As a result, the transfer pricing charges are well documented and in line with the functions performed, assets used and the assumption and control of risks within NN IP.

Notes to the profit and loss account - continued

Significant events after balance sheet date

NN IP announced in June 2020 that NN IP Czech Republic (CR) has become a branch of NN IP B.V. as per 1 January 2021. After the required transition period and regulatory approvals, the NN IP Czech Republic (CR) company will cease to exist and the local operational activities will be redesigned and consolidated into NN IP B.V. This aims to simplify the organization and gain efficiency. The local activities will be focused on investments and a selective sales approach. In addition, the local distribution platform will be transferred to an independent owner (following regulatory approvals), guaranteeing its sustainable future development.

NN Group announced that it will review strategic options for NN IP, covering a broad range of options including a merger, a joint venture, or (partial) divestment. The outcome of this review is at the time of this report unknown.

There are no other significant events after balance sheet date.

Signing by the Management Board

The 2020 financial statements of NN IP with a balance sheet total of € 178,470,130 and a profit after tax of € 74,994,629 as well as the notes to these accounts, are signed according to the articles of association of NN IP and the applicable laws and regulations.

The Hague, 28 April 2021

The Management Board

S.S. Bapat
(Chairman, Chief Executive Officer)

M.C.M. Canisius
(Chief Finance and Risk Officer)

V. van Nieuwenhuijzen
(Chief Investment Officer)

H.W.D.G. Borrie
(Chief Client Officer)

M.C.J. Grobbe
(Chief Human Resources Officer)

B.G.J. van Overbeek
(Global Chief Operation Officer)

Other information

Statutory regulations concerning the appropriation of the result.

The result, according to the approved financial statements, is at the disposal of the shareholders' meeting. Profits may only be distributed after adoption of the financial statements which evidence that NN IP's equity exceeds the reserves to be maintained pursuant to the law and articles of association and after the Board of Management has approved the distribution.

Other

In accordance with the Spanish Order ECO/734/2004, the management of the Spanish Branch confirms that no complaints or claims were received during 2020 by their customer service department.

Branches

NN IP has branch offices in France, Germany, Romania, Spain, Italy and the United Kingdom that operate under the name NN IP.

Auditor's report

The auditor's report is included on the next page.

Other information-continued

Independent auditor's report

To: the General Meeting of shareholders of NN Investment Partners B.V.

Report on the audit of the accompanying financial statements

Our opinion

We have audited the financial statements 2020 of NN Investment Partners B.V., based in The Hague.

In our opinion the accompanying financial statements give a true and fair view of the financial position of NN Investment Partners B.V. as at 31 December 2020, and of its result for the year ended on 31 December 2020 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

1. the balance sheet as at 31 December 2020;
2. the profit and loss account for the year ended on 31 December 2020; and
3. the notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of NN Investment Partners B.V. in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- Management Board Report;
- other information pursuant to Part 9 of Book 2 of the Dutch Civil Code;

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

The Management Board is responsible for the preparation of the other information, including the , in accordance with Part 9 of Book 2 of the Dutch Civil Code, and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Description of the responsibilities for the financial statements

Responsibilities of the Management Board for the financial statements

The Management Board is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Management Board is responsible for such internal control as the Management Board determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud.

As part of the preparation of the financial statements, the Management Board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the Management Board should prepare the financial statements using the going concern basis of accounting unless the Management Board either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The Management Board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud during our audit.

Other information-continued

Misstatements can arise from fraud or errors and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to errors or fraud, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from errors, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board;
- concluding on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company ceasing to continue as a going concern;
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

Amstelveen, 28 April 2021

KPMG Accountants N.V.

W.L.L. Paulissen RA