Northwestern Mutual Reports Strong 2018 Financial Results

Robust Surplus Growth and Investment Performance
Reinforce Industry-Leading Financial Strength and Value

MILWAUKEE, Feb. 20, 2019 /PRNewswire/ -- Northwestern Mutual's 2018 business results reflect a strong and vibrant company known for delivering value to clients year after year. Exceptional surplus growth, an increase in operating gain and an all-time-high General Account investment portfolio demonstrated industry-leading financial strength, enabling the company to continue investing in innovation to deliver a personalized financial security experience for clients.

"We exist to help clients achieve financial security, and our company's financial strength ensures we are well positioned to deliver on our promises for generations to come," said John E. Schlifske, chairman, president and chief executive officer. "I'm proud of these results, which show that our wise investment approach and diligent expense management enable us to consistently deliver value to everyone who counts on us. We continue to be preeminently the policyowners' company."

The company continued its track record of maintaining the highest financial strength ratings awarded to any U.S. life insurer by all four of the major rating agencies.[1]

Highlights of company results as of year-end 2018 included:

Exceptional surplus growth: In 2018, Northwestern Mutual grew its total surplus (including Asset Valuation Reserve or AVR) by $1.5 billion to $26.7 billion – the highest in company history. Surplus is a critical contributor to the company's financial strength ratings. Surplus reinforces the company's ability to fulfill its promises to policyowners.
Continued focus on product value: Growth in net investment income in particular contributed to a 2018 operating gain before dividends and taxes (OGBDT) of $6.2 billion. OGBDT is the primary source for policyowner dividends.
Record dividend: The company previously announced an expected total dividend payout of $5.6 billion in 2019, the highest payout in company history.[2] Northwestern Mutual leads the industry in both life and disability insurance dividends paid to policyowners.
Growth of insurance and investment client assets: Northwestern Mutual provides a wide range of financial services to more than 4.5 million people. Life insurance in force continued its climb with a 4 percent increase to $1.8 trillion. Investment client assets also grew and ended the year at $128 billion in assets under management.
Growth in General Account investment portfolio: The portfolio stood at an all-time high of $235 billion at the end of the year, an increase of $9.7 billion since year-end 2017.
Policyowner benefits: Northwestern Mutual paid $4.8 billion in insurance claims to policyowners and their beneficiaries.

In addition to its financial results, Northwestern Mutual made notable progress in its continued transformation focused on delivering a financial security experience for clients that is unrivaled in the industry. Among the milestones in the past year:

Introduced our new Planning Experience, which enables clients to see their entire financial picture – both inside and outside Northwestern Mutual – within their financial plan anytime, anywhere. The tool was used to create more than 30,000 financial plans in 2018 and will offer more capabilities in the year to come, including the ability to help clients get a clear picture of permanent life insurance and the living benefits it offers.
Dramatically reduced underwriting time with an accelerated process for life insurance to approve some applications in one day rather than 2-3 weeks.
Committed to investments in innovation, including three new venture funds to invest in the brightest ideas and businesses, as well as opening the new Northwestern Mutual Data Science Institute with the University of Wisconsin-Milwaukee and Marquette University to advance data science and technology learning to strengthen future talent in Milwaukee.

"Technology is helping our advisors ensure financial planning is an always-on, easily accessible and more efficient experience so more people can enjoy today while preparing for tomorrow," said Schlifske. "Our financial results are strong, but what's more important are the values that stand behind them and the trusted relationships and long-term commitment between our advisors, our clients and us."

About Northwestern Mutual
Northwestern Mutual has been helping families and businesses achieve financial security for more than 160 years. Through a distinctive, whole-picture planning approach, we empower our clients to make the most of every single day and plan for important moments in their future. We combine the expertise of our financial professionals with a personalized digital experience to help our clients navigate their financial lives every day. With $272.2 billion in assets, $28.5 billion in revenues, and $1.8 trillion worth of life insurance protection in force, Northwestern Mutual delivers financial security to more than 4.5 million people who rely on us for life, disability income and long-term care insurance, annuities, and brokerage and advisory

services. The company manages $128 billion of investments owned by our clients and held or managed through our wealth management and investment services businesses. Northwestern Mutual ranks 104 on the 2018 FORTUNE 500 and is recognized by FORTUNE® as one of the "World's Most Admired" life insurance companies in 2019.

Northwestern Mutual is the marketing name for The Northwestern Mutual Life Insurance Company (NM),Milwaukee, WI (life and disability insurance, annuities, and life insurance with long-term care benefits) and its subsidiaries. Northwestern Mutual and its subsidiaries offer a comprehensive approach to financial security solutions including: life insurance, long-term care insurance, disability income insurance, annuities, life insurance with long-term care benefits, investment products, and advisory products and services. Subsidiaries include **Northwestern Mutual Investment Services, LLC** (NMIS) (securities), broker-dealer, registered investment adviser, member FINRA and SIPC; the Northwestern Mutual Wealth Management Company® (NMWMC) (fiduciary and fee-based financial planning services), federal savings bank; and Northwestern Long Term Care Insurance Company (NLTC) (long-term care insurance).

[1] Ratings are for The Northwestern Mutual Life Insurance Company and Northwestern Long Term Care Insurance Company, as of the most recent review and report by each rating agency. A.M. Best Company, A++ (highest), April 2018; Fitch Ratings, AAA (highest), December 2018; Moody's Investors Service, Aaa (highest), September 2018; and S&P Global Ratings, AA+ (second highest), June 2018. Ratings are subject to change.

[2] Decisions with respect to the determination and allocation of divisible surplus as dividends each year are left to the discretion and sound business judgment of the company's Board of Trustees. There is no guaranteed specific method or formula for the determination or allocation of divisible surplus. Accordingly, the company's approach is subject to change. Neither the existence nor the amount of a dividend is guaranteed on any policy in any given policy year.

Summary of Operations

(Statutory basis, in millions)

Years ended December 31:	2018	2017
Premiums	$18,036	$17,897
Net investment income	9,791	9,541
Other income	655	649
Total revenue	28,482	28,087
Policyowner benefits paid	11,436	10,332
Increase in benefit reserves	7,582	8,471
Commissions and expenses	3,230	3,120
Total benefits and expenses	22,248	21,923
Gain before dividends and taxes	**6,234**	**6,164**
Policyowner dividends	5,634	5,338
Gain before taxes	600	826

Income tax benefit	(159)	(98)
Net gain from operations	759	924
Net realized capital gains	24	93
Net income	**$783**	**$1,017**

The summarized financial statement above was prepared on the statutory basis of accounting. Financial statements prepared on the statutory basis of accounting differ materially from financial statements prepared in accordance with generally accepted accounting principles ("GAAP").

Summary of Financial Position

(Statutory basis, in millions)

	December 31, 2018	December 31, 2017
Bonds	$153,713	$146,945
Mortgage loans	36,755	35,750
Policy loans	17,693	17,421
Common and preferred stocks	5,574	5,870
Real estate	2,576	2,356
Other investments	17,048	14,724
Cash and short-term investments	1,899	2,469
Total investments	**235,258**	**225,535**
Other assets	7,192	7,052
Separate account assets	29,717	32,462
Total assets	**$272,167**	**$265,049**
Policy benefit reserves	$202,816	$195,279
Policyowner dividends payable	5,635	5,335
Other liabilities	7,268	6,788

Separate account liabilities	29,717	32,462
Liabilities (excluding AVR)	**245,436**	**239,864**
Asset valuation reserve (AVR)	4,597	4,334
Surplus	22,134	20,851
Surplus and AVR	**26,731**	**25,185**
Total liabilities and surplus	**$272,167**	**$265,049**

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SOURCE Northwestern Mutual

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