

THE POWER OF THE PORTFOLIO

INSIDE NORTHWESTERN MUTUAL'S GENERAL ACCOUNT



Northwestern Mutual®

WHAT IS THE GENERAL ACCOUNT?

A pillar of our financial strength, Northwestern Mutual's over \$200 billion investment portfolio backs our insurance policies and contributes to the dividends paid to policyowners.

GENERAL ACCOUNT - PRIMARY GOALS

**HIGHEST FINANCIAL
STRENGTH RATINGS**
AWARDED TO ANY LIFE
INSURER

SUPERIOR RETURNS
TO MAXIMIZE DIVIDENDS

THE POWER OF THE PORTFOLIO

We're engaged in a \$200 billion balancing act. On the one hand, providing the product value that is essential to keeping our clients on the path to financial security. And on the other, maintaining the financial strength that ensures that we'll be here to meet our obligations to clients for the life of their policies. Together, these require seeking the highest possible returns while also managing risk.

This takes a large team of experts who determine and implement our strategy to achieve a diversified and balanced portfolio of carefully selected investments. We call this The Power of the Portfolio.

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A Record of Consistent Growth



Investment Portfolio Performance



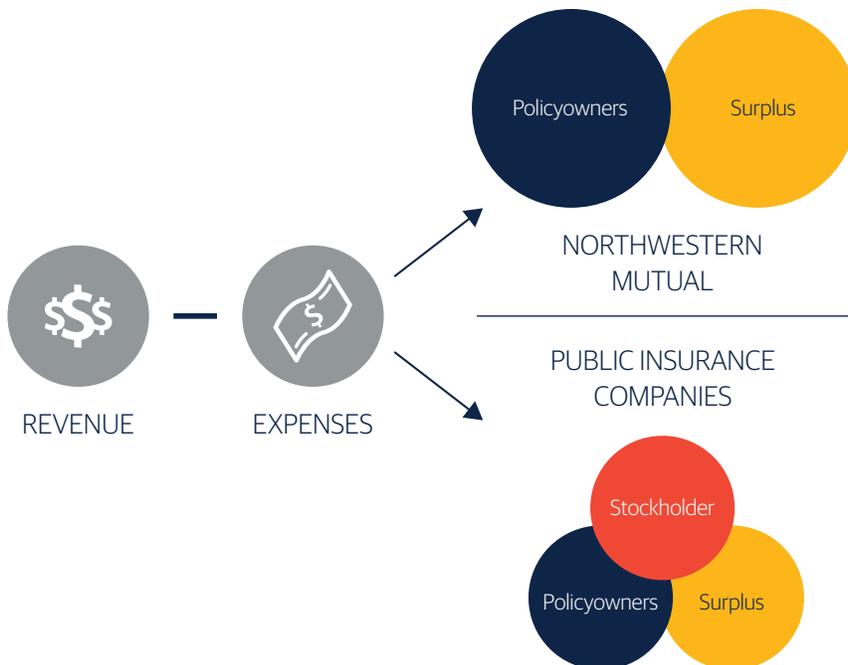
PUTTING CLIENTS FIRST – WHAT IT MEANS TO BE A MUTUAL

Unlike public companies, Northwestern Mutual isn't owned by stockholders, so our business isn't driven by stock prices and the constant pressure to hit short-term targets. This means that we can invest with an entirely different, long-term perspective – a significant advantage.

It also means that while public companies seek to make a profit for stockholders, as a mutual, our priority is our clients.

STOCKHOLDERS VS. POLICYOWNERS: A MATTER OF TIME

Stockholders tend to look for short-term gains. Policyowners often view their policies in terms of decades, not years. Public insurance companies can struggle to simultaneously satisfy these sometimes conflicting goals.



"Northwestern Mutual is a mutually owned company, which Fitch views as positive to the ratings. During the 2008-2009 financial crisis, Northwestern Mutual and most other mutual companies clearly benefited from having stronger capital buffers and less aggressive operating strategies than many stock peers that were more focused on growth and return targets."

Fitch Ratings, May 2016

A LONG-TERM, DISCIPLINED INVESTMENT STRATEGY

It's about results over time. Active portfolio management, diversification and a long-term perspective are behind our investment portfolio's track record of consistently strong performance.

83%

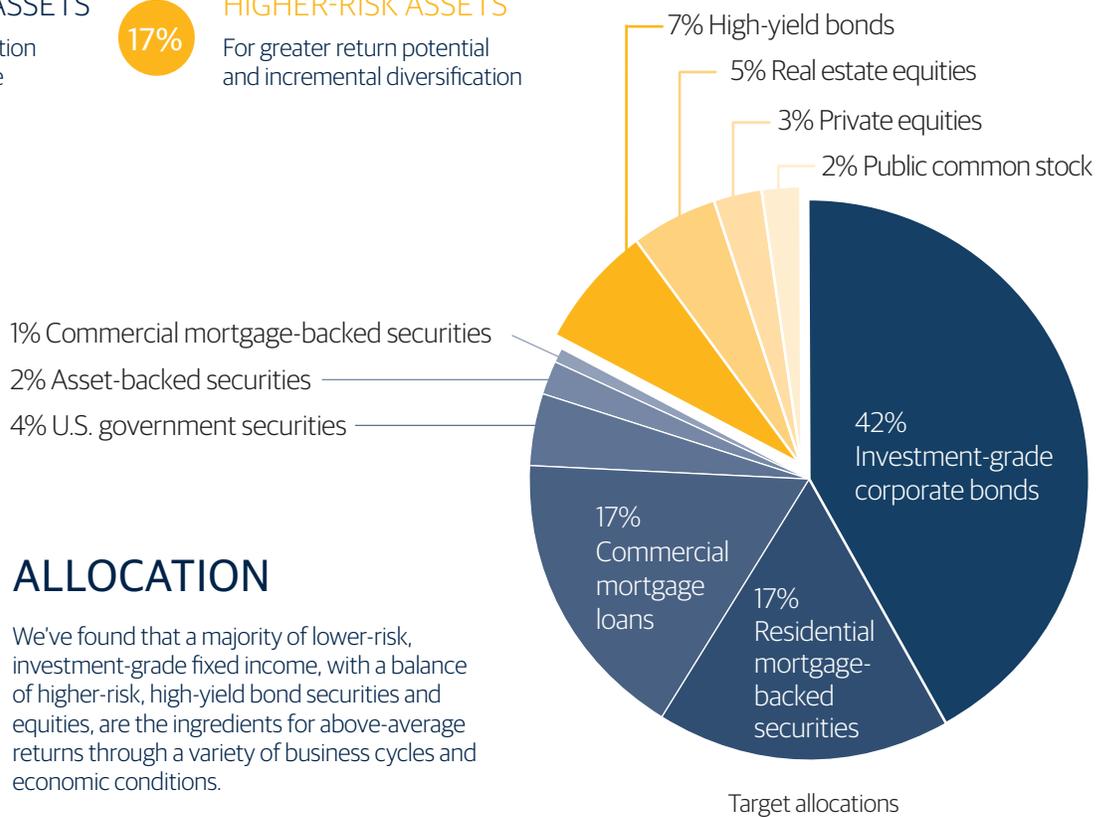
LOWER-RISK ASSETS

For a stable foundation and current income

17%

HIGHER-RISK ASSETS

For greater return potential and incremental diversification



ALLOCATION

We've found that a majority of lower-risk, investment-grade fixed income, with a balance of higher-risk, high-yield bond securities and equities, are the ingredients for above-average returns through a variety of business cycles and economic conditions.

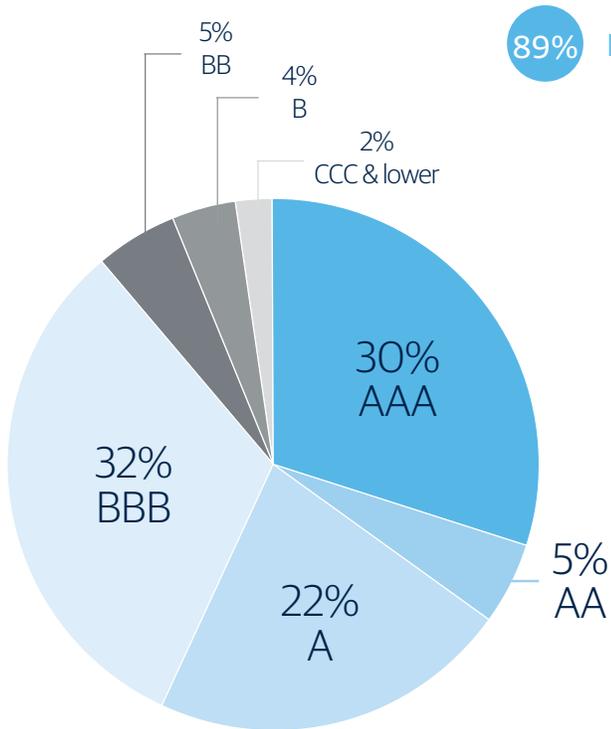
"Lower Risk" and "Higher Risk" are general indications of the relative risk of loss of a particular type of investment compared to other investments. Generally, in investing, higher-risk investments offer greater potential return. All investments carry some risk of loss.

The vast majority of the company's managed assets back most of its life, disability income and Portfolio Income Annuity liabilities. The investment strategies described in this update apply to the investment of those assets. A portion of managed assets backs the remaining liabilities (primarily fixed deferred annuities, income plans and long-term care insurance), which have different investment exposures. When purchasing the company's life insurance and annuity products, clients are not investing in the company's General Account portfolio but purchasing products backed by the financial strength of Northwestern Mutual. Long-term care insurance is issued by Northwestern Long Term Care Insurance Company, Milwaukee, WI, a subsidiary of Northwestern Mutual.

Also see Reporting Considerations, page 15.

PORTFOLIO QUALITY

Nearly 90 percent of the bond and preferred stock portfolio is investment grade. And we're committed to earning the highest financial strength ratings awarded to any insurer, a record we've maintained.



89% INVESTMENT GRADE 11% BELOW INVESTMENT GRADE

Average duration
5-6 YEARS
 short-intermediate

A duration of 5-6 years matches liabilities and means our bond portfolio is not overly sensitive to changes in the interest rate environment.

Bond duration is a measure of the sensitivity of the price of a fixed-income investment to a change in interest rates. For example, a five-year duration means a bond is expected to increase in value by about 5% if interest rates fall 1% and decrease in value by about 5% if interest rates rise 1%.

These investment ratings are based on the lower of the credit ratings from Standard & Poor's, Moody's Investors Service or Fitch Ratings when available or internal rating evaluations when third-party ratings are not available.

NORTHWESTERN MUTUAL - HIGHEST FINANCIAL STRENGTH RATINGS AWARDED TO ANY INSURER



"We regard Northwestern's financial risk profile as extremely strong, which reflects its extremely strong capital adequacy, intermediate risk position, and adequate financial flexibility."

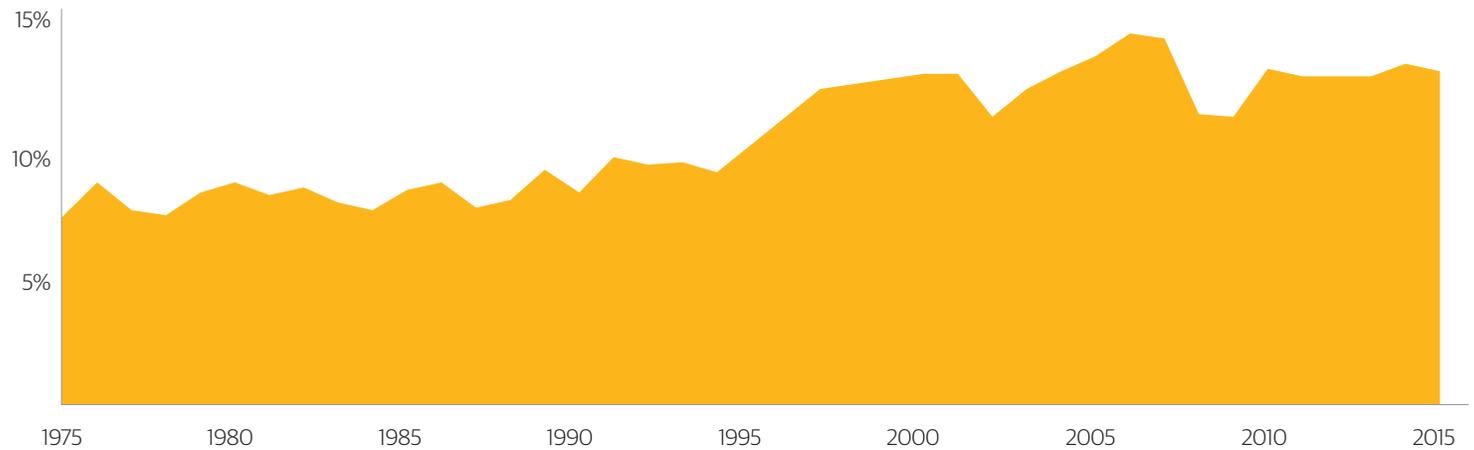
S&P Global Ratings, June 2016

Third-party ratings are subject to change. Ratings are for The Northwestern Mutual Life Insurance Company and Northwestern Long Term Care Insurance Company. Third-party ratings are a measure of the company's relative financial strength and security but are not a reflection of the performance or stability of funds invested in a company's separate accounts. Ratings as of: 07/16 (Moody's Investors Service), 05/16 (A.M. Best Company), 05/16 (Fitch Ratings), 06/16 (S&P Global Ratings).

A LARGE SURPLUS BEHIND OUR STRENGTH

We maintain a healthy surplus, which is the amount over and above reserves that is set aside to cover benefits and losses that exceed expectations. This allows us to pursue higher returns by taking somewhat more risk than the industry average while maintaining our top financial strength ratings. Why take more risk? Higher-risk investments generally have higher potential for gain along with the increased potential for loss. The "art" of investing often involves determining where you'll receive the greatest reward for the least risk.

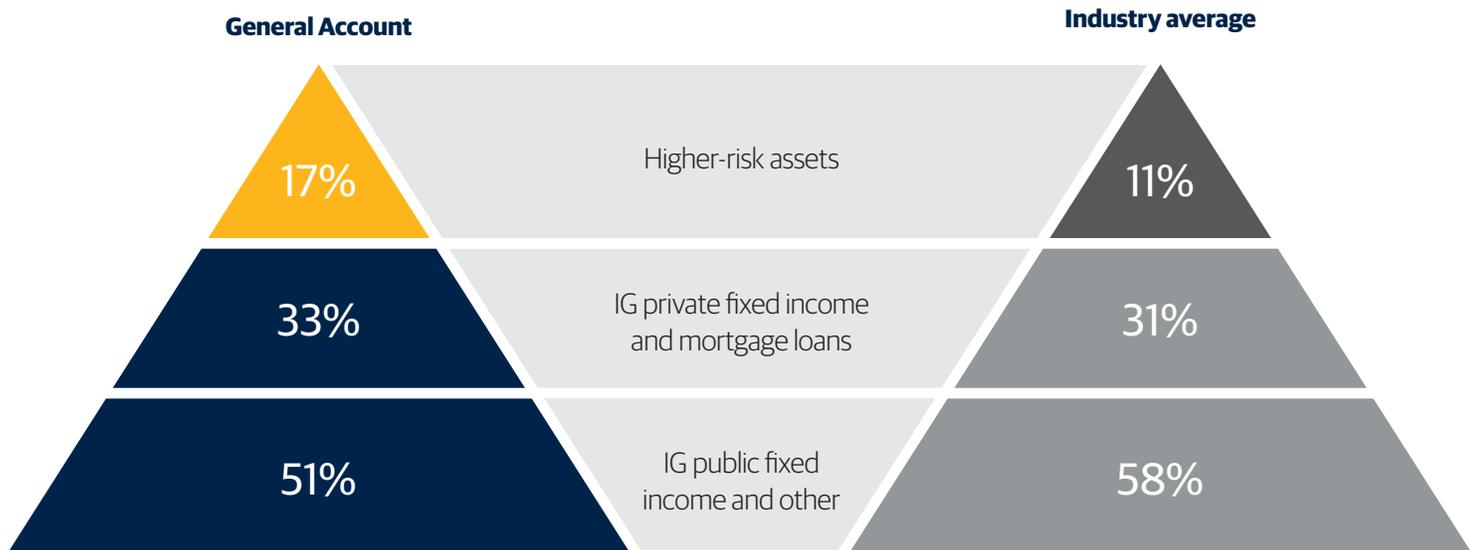
Surplus ratio (past 40 years)



Surplus ratio is Northwestern Mutual's surplus and asset valuation reserve as a percentage of General Account insurance reserves (consolidated statutory basis).

Northwestern Mutual's General Account allocations vs. the industry average

Target Allocations



IG = Investment-grade

Target allocations may not add to 100% due to rounding.

Source: SNL Financial, Northwestern Mutual analysis, 07/2016.

DIVERSIFICATION AND BALANCE

Commonly explained with the saying “Don’t put all your eggs in one basket,” diversification is the fundamental investing practice of purchasing different types of investments to avoid concentrating risk. But a diversified portfolio can still be high risk if the mix of investments within it come mainly from the riskier asset classes. Balance describes the proportion of higher-risk to lower-risk investments (see page 5).

Our portfolio is well diversified and balanced to help provide above-average returns without excessive risk as we move through ever-changing economic conditions.

DIVERSIFICATION IN ACTION – ASSET CLASS PERFORMANCE RANKINGS

Because financial markets are always in flux, no asset class is consistently the best performer (or worst). Diversification across asset classes helps mitigate market unpredictability and capture opportunities as they arise.

Northwestern Mutual General Account asset class performance rank

One-year total returns



THE CONCEPT OF THE EFFICIENT FRONTIER

The relationship between risk and return is central to investing. Typically, lower-risk investments generate lower returns than higher-risk investments, which offer the potential for higher returns. Can a mix of lower- and higher-risk investments result in a portfolio that offers both more consistent performance and higher returns over time? The answer is yes, according to a concept from modern portfolio theory called “the efficient frontier.”

The actual average annual return and risk level of three common asset classes from 1996-2015 are shown on the graph below. As expected, their risk/return profile was as follows:



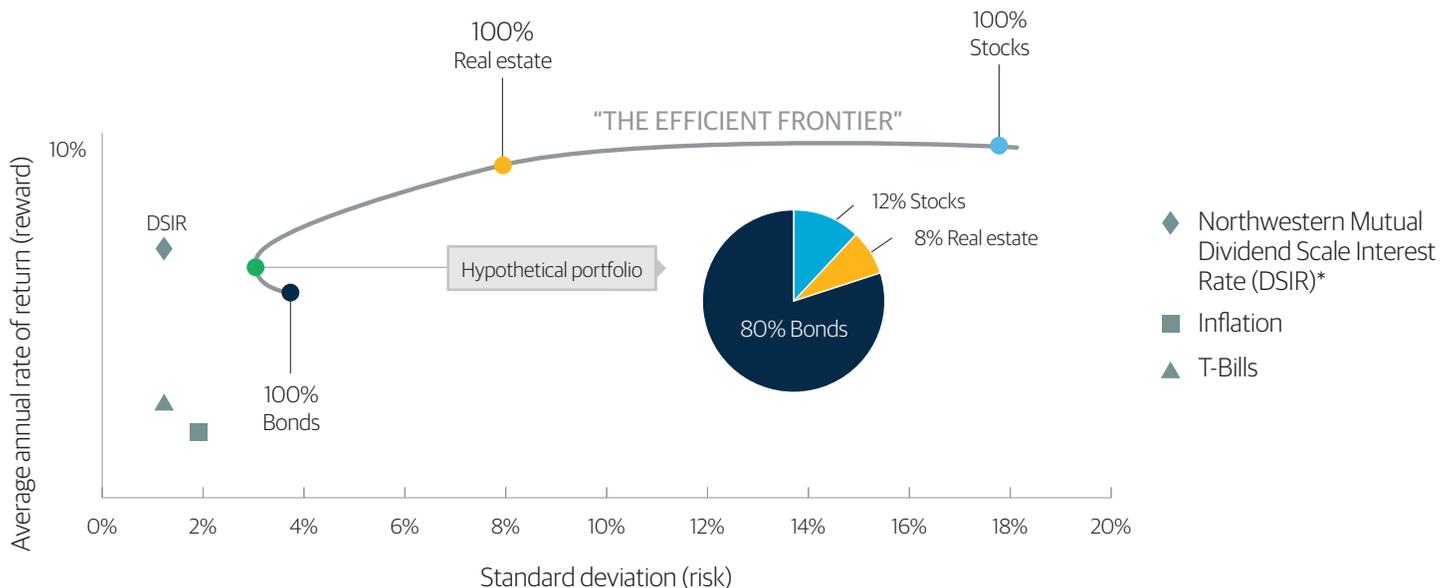
Now consider a hypothetical portfolio (see ● below), which is a diversified blend of all three. The proportions aren't equal – the portfolio consists mostly of high-quality, lower-risk bonds (80%), while the higher-risk but higher-potential-return real estate (8%) and stock (12%) asset classes make up the balance. The result: Using the actual returns from 1996-2015 discussed earlier, our hypothetical diversified portfolio would have produced a greater total return with less risk during this time period than a portfolio made up entirely of bonds, the least risky single asset class.

THE EFFICIENT FRONTIER IS PART OF OUR THINKING

Our General Account investment strategy applies asset allocation principles like the efficient frontier to capture the long-term benefits of diversification. This has produced attractive results for our clients – over the past 20 years, our investment portfolio supported a dividend scale interest rate (DSIR) that was greater and less volatile than the total return on a portfolio invested only in high-quality bonds (see ◆ below).

The efficient frontier illustrated

1996-2015



Bonds, real estate, stocks and treasuries and their performance are represented by the following indices, respectively: BarCap US Agg Bond TR USD, NCREIF Property, S&P 500 TR and Ibbotson US 30-Day T-Bill TR. All those points in the graph assume no taxes or transaction costs.

* Average annual dividend scale interest rate (DSIR) for unborrowed funds for most permanent life insurance policies with direct recognition for the years 1996-2015. The primary function of permanent life insurance is to provide a death benefit. The volatility of the DSIR does not reflect that of the underlying assets of the general account portfolio in part because determination of the DSIR in any given year considers investment performance over a period of years. The DSIR is not the rate of return on a policy and is only one factor for determining the permanent life insurance dividend. The majority of our life insurance dividend payout is a result of our industry-leading persistency, favorable mortality costs and diligent expense management. Policy value is best measured by annual studies of long-term performance and not by one component of the dividend scale, such as the DSIR. For more information regarding the DSIR and our dividends, see pages 14 and 15.



ESSENTIAL DIVERSIFIERS: REAL ESTATE AND PRIVATE EQUITY

Change is constant in global markets. This has made diversification – a proven technique for capitalizing on the “ups” while minimizing the impact of the “downs” – essential to building successful long-term portfolios like Northwestern Mutual’s General Account. This diversification is enhanced by our extensive, nationwide real estate operations and significant international private equity activities.

These are just a few examples of the large number of investments Northwestern Mutual makes each year.

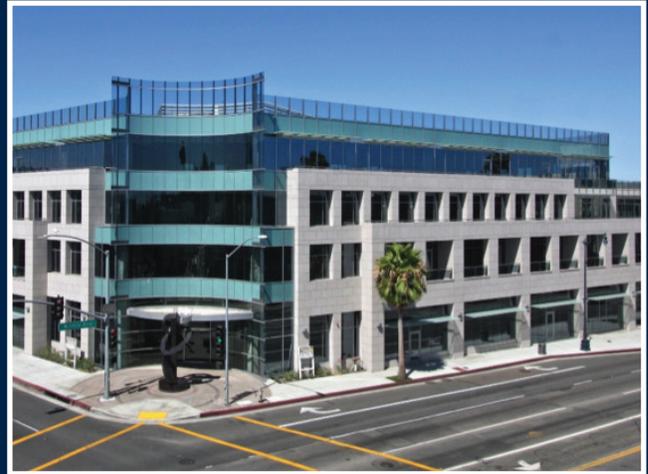
REAL ESTATE

Northwestern Mutual is one of largest real estate investors in the United States. And size matters; our team has the capital and in-house capabilities to select from the broadest range of investments. The result: diversification and strong performance.



Americana Manhasset | Manhasset, NY

Northwestern Mutual funded a loan in 2015 for Americana, a large, luxury, open-air retail center located on Long Island’s “Gold Coast.” The property is leased to more than 50 tenants and is well known by shoppers for premier luxury fashion and jewelry brands, such as Prada, Louis Vuitton and Tiffany & Co.



8767 Wilshire | Beverly Hills, CA

In 2015, Northwestern Mutual funded a \$45 million loan on 8767 Wilshire, an extensive mixed-use building of medical and business offices and ground-floor retail. This newly constructed building is located at the prominent intersection of Wilshire and North Robertson Boulevards in Beverly Hills.

Not all investments made by Northwestern Mutual experience similar results. Some investments may result in losses. In addition, past investment performance by Northwestern Mutual is not necessarily indicative of future investment results. No investment or investment strategy can assure a profit or protect against a loss in a declining market. For more information about other Northwestern Mutual investments, see www.northwesternmutual.com.



Lot 31 | Bethesda, MD

In 2015, Northwestern Mutual partnered with StonebridgeCarras/PN Hoffman to develop two mixed-use apartment and retail buildings containing 162 apartments, 87 condos and generous retail space. Lot 31 is in the heart of Bethesda's retail district, located across from a local mall and theater and within walking distance of more than 200 restaurants.



Green Lake Village | Seattle, WA

Northwestern Mutual prides itself on establishing new relationships with partners and borrowers each year. Our first partnership with the Vitamillk Family led to the development of Green Lake Village, a 300-unit apartment complex with a substantial grocery-anchored retail space. This LEED Silver complex is adjacent to Green Lake Park and boasts a pedestrian-friendly Walk Score of 88.

PRIVATE EQUITY

Private equity is a natural fit for a life insurance company with long-dated liabilities and a high tolerance for illiquidity. These investments are often exclusive and relationship driven, so getting access to the most attractive opportunities is critical. That's where Northwestern Mutual's reputation as a respected, highly sought-after private equity business partner comes in. The result: diversification and superior risk-adjusted returns relative to public market alternatives.



Through a longstanding relationship with the lead private equity sponsor, in 2013 Northwestern Mutual made a minority equity investment in Therakos, a maker of specialty medical devices that help treat rare auto-immune conditions. While in our portfolio, Therakos expanded treatments, entered new markets and nearly doubled its earnings. The company was sold to a strategic buyer in 2015 for an outsized gain.



Sunrise Growers is a leading U.S. processor of conventional and organic frozen fruit. In 2013, Northwestern Mutual made a minority investment in the company. Access to opportunities like Sunrise Growers is limited, and our established private equity reputation and deal-enabling capital capabilities proved essential. In the next two years, Sunrise grew its customer base, supply chain and operating assets. In 2015 the investment was sold, generating a notable profit for our private equity portfolio.

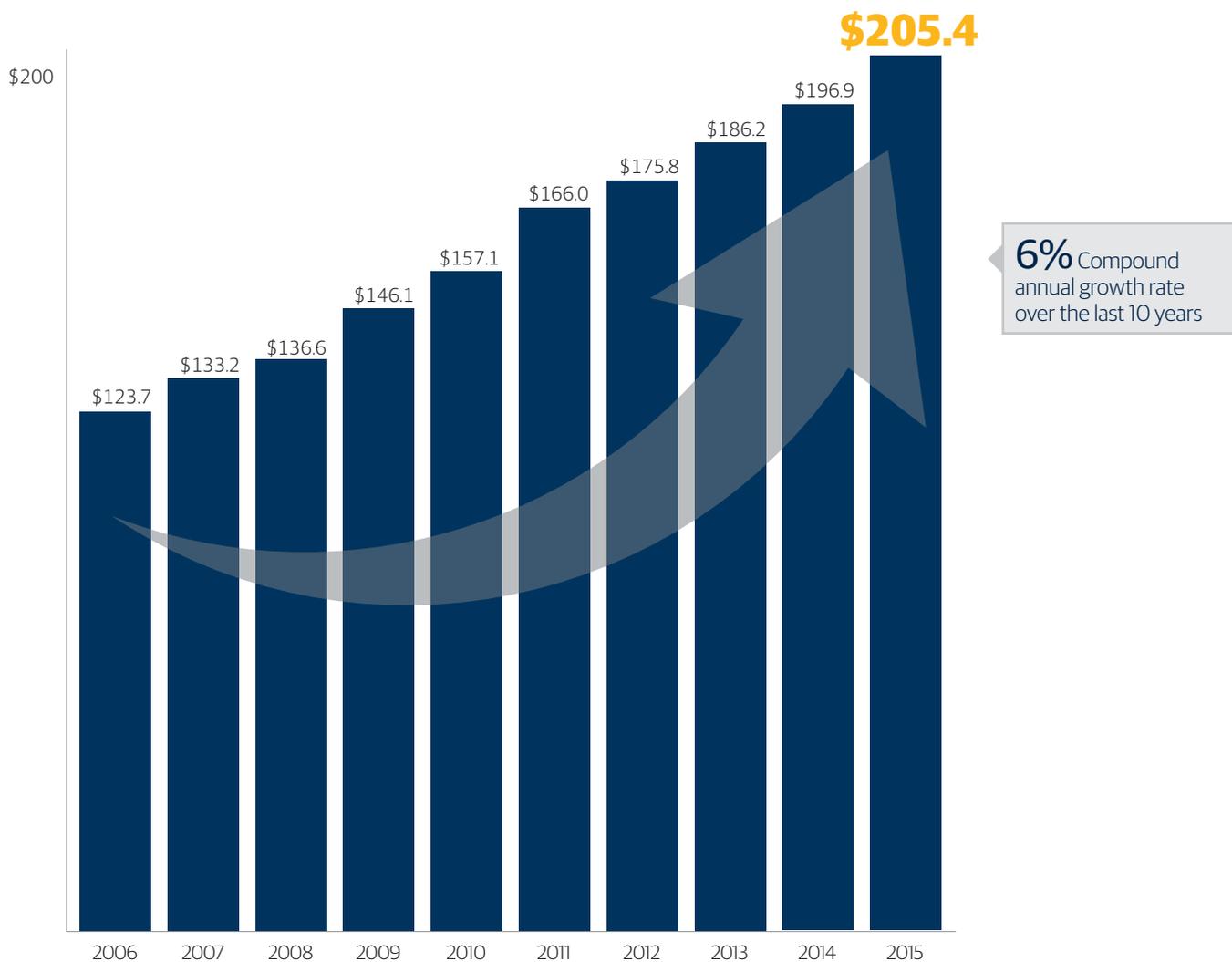


A RECORD OF CONSISTENT GROWTH

Over the past 10 years, total invested assets and net investment income have shown consistent growth, and capital gains have also added to investment earnings. Together, these contribute significantly to Northwestern Mutual's dividend-paying capacity and increases in total surplus, further improving the company's financial strength.

TOTAL INVESTED ASSETS

in billions



Includes investment income due and accrued.

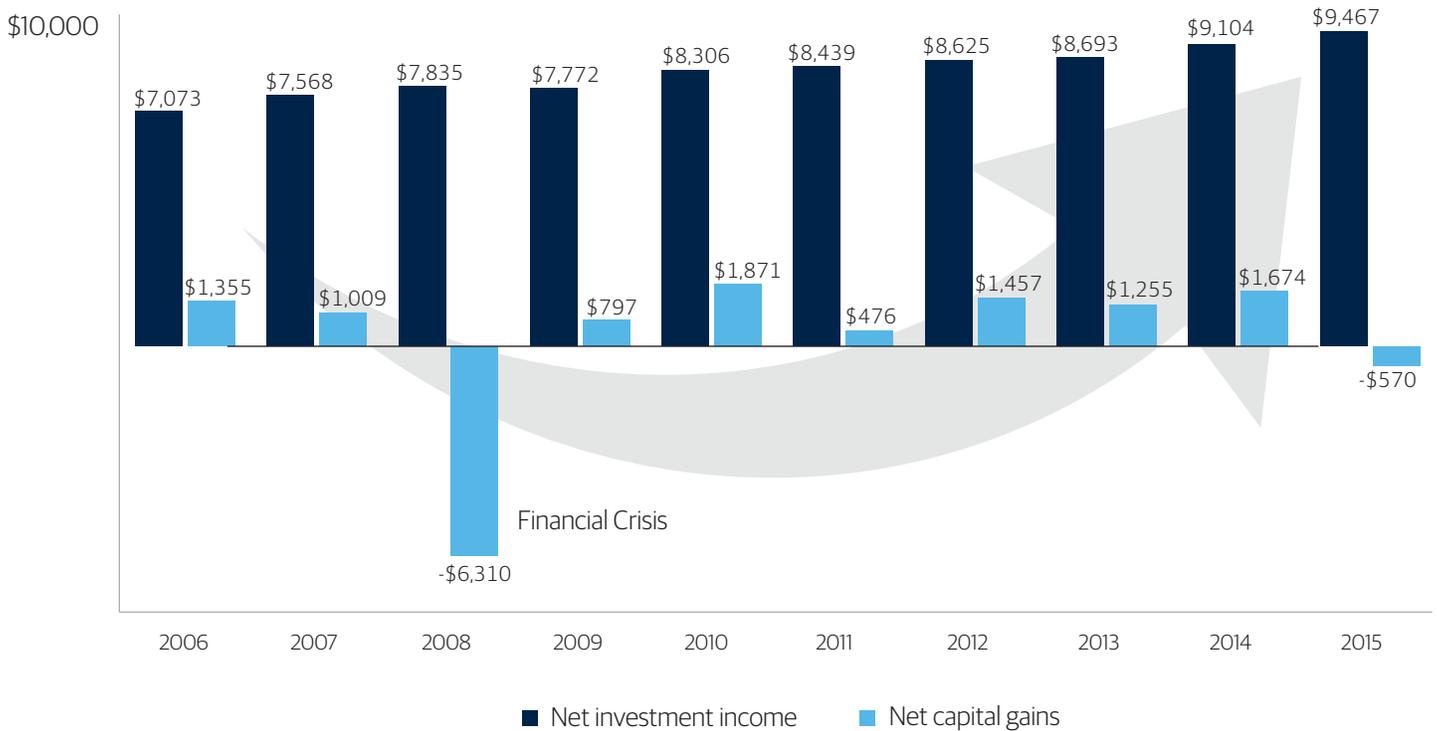
INVESTMENT PORTFOLIO PERFORMANCE

The performance of the General Account helps us deliver guaranteed product value and create the financial capacity to pay dividends.*

NET INVESTMENT INCOME AND CAPITAL GAINS

in millions

4%
Compound annual growth rate over the last 10 years



*Dividends are not guaranteed.

Net capital gains are realized and unrealized, before taxes and deferrals of interest-related gains or losses. Not all products benefit directly in the form of dividends from capital gains or other earnings from equities and real estate.

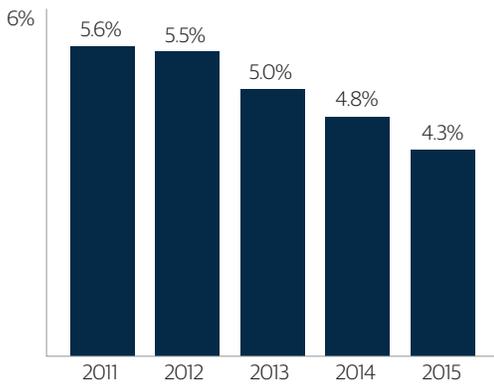
PORTFOLIO YIELD

Why the yield decrease? - The impact of low interest rates

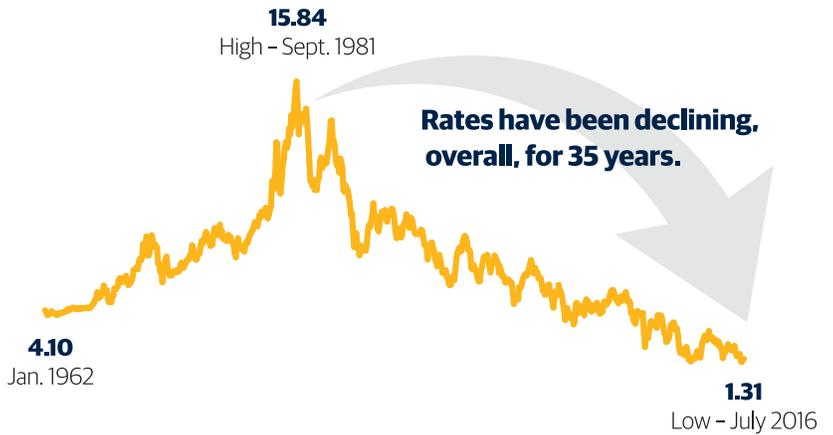
Prolonged periods of low rates (like the present) invariably drive fixed-income yields lower. Nevertheless, to maintain our high investment quality standards, 83 percent of the General Account portfolio is allocated to these lower-risk assets. Consequently – though superior performance from our other investments can help offset low bond yields – some decrease in the portfolio’s yield is unavoidable.

General Account portfolio yields

2011-2015



10-year U.S. Treasury yields, 1962–present



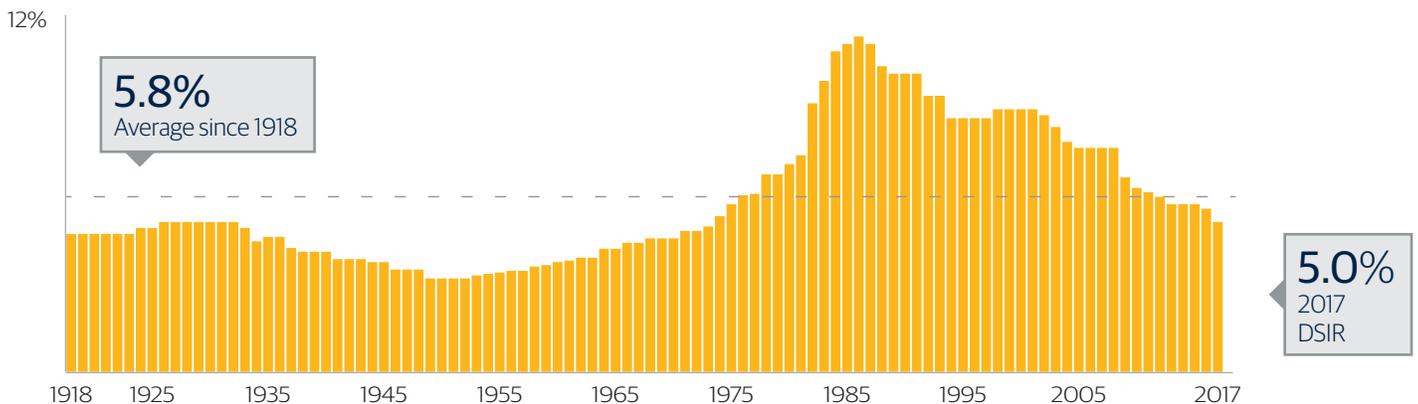
The Northwestern Mutual General Account yield reflects the impact of investment income and realized capital gains and losses for the period. It excludes income from policy loans and is net of investment expenses. The General Account yield is not the same as the various dividend scale interest rates credited to participating insurance policies or annuity contracts, nor is it a measure of a policy’s internal rate of return.

DETERMINING DIVIDENDS – THE ROLE OF THE GENERAL ACCOUNT

The investment earnings generated by the general account portfolio – in addition to our level of claims paid and careful management of our expenses – contribute to our ability to pay dividends on products. The company’s dividend scale interest rate (DSIR) for traditional permanent life insurance policies is declared annually by the Board of Trustees and is a reflection of what the company has earned on its investment portfolio in recent years. This rate is used for the determination of the interest component of a permanent life policy’s dividend.

Northwestern Mutual’s dividend scale interest rate (DSIR)

Past 100 years



For years prior to 1982, the dividend scale interest rate (DSIR) reflects the highest applicable dividend scale interest rate across all traditional permanent life insurance policies. After 1982, this graph reflects the dividend scale interest rate for unborrowed funds for most traditional permanent life insurance policies with direct recognition. See page 15 for more information on determining dividends.

REPORTING CONSIDERATIONS

ABOUT NORTHWESTERN MUTUAL'S GENERAL ACCOUNT INVESTMENTS AND INSURANCE PRODUCTS

The vast majority of the company's managed assets backs most of its life, disability income and Portfolio Income Annuity liabilities. The investment strategies described in this booklet apply to the investment of those assets. A portion of managed assets backs the remaining liabilities (primarily fixed deferred annuities, income plans and long-term care insurance), which have different investment exposures than described in this report. When purchasing the company's life insurance and annuity products, clients are not investing in the company's General Account portfolio but purchasing products backed by the financial strength of Northwestern Mutual. Long-term care insurance is issued by Northwestern Long Term Care Insurance Company, Milwaukee, WI, a subsidiary of Northwestern Mutual.

GENERAL ACCOUNT INVESTMENTS REPORTING CONSIDERATIONS

Northwestern Mutual publishes *The Power of the Portfolio* annually to provide information on the asset mix of its portfolio and the investment results generated during the previous calendar year. For additional information on its investments, see Northwestern Mutual's Annual Investment Report, available at www.northwesternmutual.com. Certain types of investments have been grouped differently for this report than in Northwestern Mutual's Consolidated Financial Statements (CFS). The most significant of these differences as of December 31, 2015, are:

- Other investments of \$13.3 billion reported in the CFS include certain interests in subsidiaries and affiliates, joint ventures and partnerships. This report classifies these investments based on the character of the underlying assets, such as public bonds, private equities, real estate and public common stock.
- Mortgage loans of \$32.2 billion reported in the CFS include \$1.6 billion of loans made to real estate joint ventures in which the company is an equity investor. This report classifies these assets as real estate equity investments.
- Due and accrued investment income of \$1.9 billion is reported separately in the CFS. This report includes these amounts in their respective asset classes.

The notes to the CFS provide further details as to the accounting and valuation methods applied to the reported investment values. PricewaterhouseCoopers LLP is the company's independent auditor.

A copy of Northwestern Mutual's 2015 Consolidated Financial Statement is available at www.northwesternmutual.com or by written request to: Northwestern Mutual, Corporate Communications, NO4, 720 E. Wisconsin Ave., Milwaukee, WI 53202.

IMPORTANT INFORMATION ABOUT DETERMINING DIVIDENDS

In regard to Northwestern Mutual's dividend payout and dividend scale interest rate (DSIR), comments in this document pertain generally to life insurance policy dividends.

The company's DSIR for unborrowed funds for most traditional permanent life insurance policies reflects the investment performance of the applicable managed assets net of taxes and any contribution to surplus. This rate is used for the determination of the interest component of a policy's dividend. The rate is applied to unborrowed funds for most traditional permanent life insurance policies after mortality and expense charges have been deducted from policy values. Depending on the terms of a particular policy, a different rate may be applied. For example, either a different rate is credited on borrowed funds to reflect individual policy loan activity, or all funds, both borrowed and unborrowed, are credited with a single rate that reflects the average level of borrowing for all similar policies.

The DSIR is not the rate of return on a policy and is only one factor for determining the life insurance dividend. The majority of our life insurance dividend payment is a result of our industry-leading persistency, favorable mortality costs and diligent expense management. Decisions with respect to the determination and allocation of divisible surplus 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 and 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. Some policies may not receive any dividends in a particular year or years even while other policies receive dividends.

In its 2017 dividend scale resolution, the Board of Trustees has exercised its discretion to guarantee a minimum amount of dividends to be paid in 2017 to the policyholders as a group. If this guaranteed amount exceeds the aggregate amount of dividends actually paid to individual policyholders in 2017, that excess will be paid out in 2018 pursuant to the 2017 dividend scale resolution. The presence of a guaranteed minimum amount in the 2017 dividend scale resolution does not obligate Northwestern Mutual to declare a dividend in future years or to guarantee any portion of dividends that may be declared in future years. (Note: The aforementioned also holds true for the guaranteed minimum dividend amount approved by the Board in its 2016 dividend scale resolution. If the guaranteed amount approved in the 2016 resolution exceeds the amount actually paid in 2016, the excess will be paid out in 2017.)

NEARLY 160 YEARS OF STRENGTH AND STABILITY

The ratings reflect “the company’s leading positions and strong franchise in its core markets, with a focus on participating whole life insurance, excellent career agency-based distribution, strong underwriting skills, and its robust and resilient balance sheet.”

Moody’s Investors Service, July 2016

“The superior rating reflects Northwestern Mutual’s favorable level of risk-adjusted capitalization, exclusive career agency distribution system, strong liquidity and leading market position in participating whole life insurance.”

A.M. Best Company, May 2016

“Fitch considers Northwestern’s key competitive advantages to include its successful distribution system, large and stable block of traditional life insurance and expense advantage relative to peers.”

Fitch Ratings, May 2016

“We expect Northwestern Mutual Life Insurance Co. and its subsidiary, Northwestern Long Term Care Insurance Co., to maintain its extremely strong competitive position while maintaining extremely strong capital and exceptional liquidity.”

S&P Global Ratings, June 2016

Ratings are subject to change. Third-party ratings are a measure of the company’s relative financial strength and security but are not a reflection of the performance or stability of funds invested in a company’s separate accounts.

Northwestern Mutual is the marketing name for The Northwestern Mutual Life Insurance Company, Milwaukee, WI (NM) (life and disability insurance, annuities and life insurance with long-term care benefits) and its subsidiaries.

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