

MIDYEAR INVESTMENT UPDATE

SECOND QUARTER 2014



It seems each time I write to you, our policyowners, I recite the same litany of dynamics that challenge us and all investors: continued low interest rates, uncertain growth prospects among the world's largest economies, political instability fueling unpredictable consumer and investor behavior, and the ongoing need to read the minds of central bank monetary policy makers.

These are no longer short-term conditions. In fact, we now see a clearer picture emerging of the worldwide economy and investment markets: lower economic growth and return expectations.

At midyear 2014, I look at this and reflect confidently that your company's investment professionals have adapted well. We have navigated not by changing our fundamental investment beliefs, but by relying on them more than ever: diversified investing across all major asset classes, asset selection through fundamental credit analysis, commitment to a risk profile that puts prime emphasis on protection of our capital, and prudent risk taking that leverages our financial strength.

I'm pleased about where we stand at midyear. Total managed assets have grown \$5.4 billion, or just over 3 percent since year-end 2013. Despite the interest rate environment, net investment income is up 4 percent, and we have seen extremely low investment writedowns.

We rely on our fundamentals, but flex with what the times demand.

For example, in the new normal, where markets do not always move in consistent or even rational ways, the need for investment precision increases. Rather than place a broad bet on something like long-term government bonds, which currently have attractive yields versus short-term rates but carry significant interest rate risk, we have the wherewithal to take a better approach. We maintain a bond portfolio duration of about 5.5 years – long enough to align with our liabilities and short enough to react to higher rates in the future.

We also have the ability to earn a return advantage through direct investments in private asset classes. For example, our asset summary on page 3 shows that in the first half of 2014 we increased our

holdings of private fixed income investments and commercial mortgages by a combined \$1.15 billion. We also increased our private equities by about \$300 million.

These investments are originated and underwritten by your team here at Northwestern Mutual. We control the quality of these investments and define the risk we are willing to take. Because they are private asset classes, they can produce a yield advantage over public asset classes.

That advantage generally exists because private assets by their nature are less liquid, as they do not trade actively. We expect to be paid for that additional "liquidity risk," which financially strong companies like us can take to produce better yields on your behalf.

That's just one example of how we can invest in ways that some others cannot in today's environment.

As I look ahead, I wonder at the folly of predicting what the new normal holds for us. I can, however, accurately predict some things. Your investment team will be thoughtful in our duties. We will be agile. We will be smart. Most important, we will always act with your best interests first and foremost in our decisions.

A handwritten signature in blue ink, reading "Ronald P. Joelson".

Ronald P. Joelson
Chief Investment Officer

INVESTMENT OBJECTIVE

Northwestern Mutual's investment objective is to generate superior returns while maintaining a well-balanced and diversified investment portfolio to preserve the company's exceptional financial strength. This time-tested strategy fundamentally supports Northwestern Mutual's ability to help deliver lifelong financial security to its policyowners and clients.

Mason Street Advisors, LLC, Northwestern Mutual Capital, LLC, and Northwestern Mutual Real Estate Investments, LLC, all wholly owned subsidiaries of Northwestern Mutual, invest the company's managed assets in accordance with the company's investment policy.

Consistent with this policy, the company invests a significant portion of managed assets in high-quality fixed income instruments and the remainder in high-yield bonds and equity investments. Allocations among these asset classes will change as the portfolio is adjusted in response to market conditions and opportunities, as well as investment risk management considerations.

Fixed income investments represent the core of Northwestern Mutual's investment portfolio, providing a stable foundation for the overall portfolio while generating current income. Allocation to real estate, private and public equities and high-yield bonds – investments with a higher risk level and corresponding higher return potential – relative to fellow insurers is a distinguishing component of the company's investment portfolio (source: SNL Financial, 2013). Over the long term, the added diversification of these asset classes makes an important contribution to the overall performance of the portfolio.

Allocation of Managed Assets

(Based on June 30, 2014, Total Managed Assets)



- 84% Fixed Income Investments Excluding High-yield Bonds
- 7% High-yield Bonds
- 4% Private Equities
- 3% Real Estate Equities
- 2% Public Common Stock

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 booklet apply to the investment of those assets. A portion of managed assets back the remaining liabilities (primarily fixed deferred annuities and income plans), which have different investment exposures than described in the pages that follow. Long-term care insurance is issued by Northwestern Long Term Care Insurance Company, Milwaukee, WI, a subsidiary of Northwestern Mutual.

TOTAL ASSETS

	June 30, 2014 in millions	December 31, 2013 in millions
Fixed Income Investments		
Money Market Investments	\$2,738	\$2,848
Public Bonds and Preferred Stock	102,464	98,825
Private Bonds and Preferred Stock	27,934	27,575
Commercial Mortgage Loans	26,205	25,417
Total Fixed Income Investments	159,341	154,665
Equity Investments		
Real Estate	6,032	6,036
Public Common Stock	2,746	2,278
Private Equities*	6,379	6,096
Total Equity Investments	15,157	14,410
Total Managed Assets	\$174,498	\$169,075
Loans on Policies	16,489	16,306
Other Investments	879	858
Total Invested Assets**	\$191,866	\$186,239
Other Assets	5,557	5,524
Separate Account Business	26,836	25,343
Total Assets	\$224,259	\$217,106

* As presented in this report, private equities include direct investment in certain subsidiaries and affiliates.

** Includes investment income due and accrued of \$1,852 million as of June 30, 2014, and \$1,840 million in 2013.

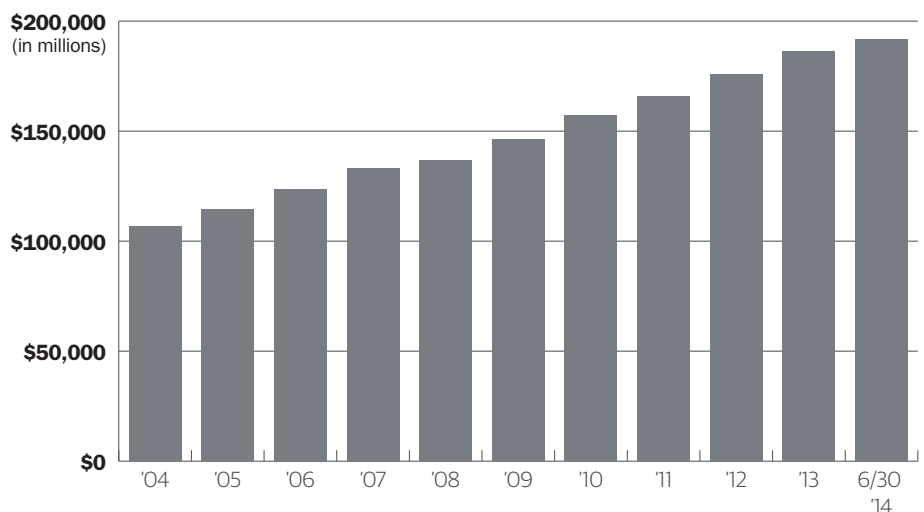
Please read table above in conjunction with Reporting Considerations on page 8 of this publication.

Total Invested Assets

in millions

6/30/2014	\$ 191,866
2013	\$ 186,239
2012	\$ 175,798
2011	\$ 166,030
2010	\$ 157,059
2009	\$ 146,074
2008	\$ 136,637
2007	\$ 133,187
2006	\$ 123,745
2005	\$ 114,265
2004	\$ 106,640

Includes investment income due and accrued.



FIXED INCOME INVESTMENTS

Northwestern Mutual's fixed income investments serve as the foundation of the overall investment portfolio. Fixed income assets include money market investments, bonds and preferred stock (both public and private), and commercial mortgage loans. The fixed income portfolio is designed to provide liquidity and current income while minimizing loss of principal.

This well-diversified portfolio is primarily invested in investment-grade assets.

The company's investments in fixed income instruments are managed to maximize returns while seeking a high level of safety, liquidity and diversification. To manage portfolio risk, investments are broadly diversified by security type.

Northwestern Mutual's investments in private bonds and private preferred stock provide further diversification to the company's overall portfolio and often benefit from higher yields and more attractive terms relative to public issues.

Composition of Fixed Income Portfolio

Type	Percentage of Total Managed Assets		Detail
	6/30/2014	12/31/2013	
Corporate	49%	48%	Corporate investments include bonds and other fixed income instruments issued by public and private corporations in the U.S. and abroad.
Residential Mortgage-backed Securities	16%	16%	Residential mortgage-backed securities include public fixed income investments primarily issued by the U.S. government or government-sponsored entities and backed by pools of residential mortgages.
Commercial Mortgage Loans	15%	15%	Commercial mortgage loans include private fixed income investments backed by individual income-producing commercial properties.
U.S. Government	4%	4%	U.S. government securities include fixed income investments issued or guaranteed by the U.S. government or affiliated agencies.
Municipal/Other	3%	3%	Municipal/other investments include a variety of fixed income securities issued by U.S. municipalities and other government entities.
Asset-backed Securities	2%	2%	Asset-backed securities include a variety of fixed income securities backed by pools of different types of financial assets, including credit card receivables, auto loans and other assets.
Commercial Mortgage-backed Securities	1%	2%	Commercial mortgage-backed securities include public fixed income investments backed by pools of commercial mortgages.
Money Market Investments	1%	1%	Money market investments include generally short-term and highly liquid instruments, such as bankers' acceptances, commercial paper, repurchase agreements and government bills.
Total	91%	91%	Total fixed income investments (including high-yield bonds) represent a large portion of total managed assets.

FIXED INCOME INVESTMENTS CONTINUED

QUALITY OF PUBLIC AND PRIVATE BOND AND PREFERRED STOCK INVESTMENTS

The company's portfolio of public and private bonds and preferred stock totaled \$130.4 billion on June 30, 2014. This portfolio includes all of the fixed income assets described in the table on page 4, excluding commercial mortgage loans and money market investments. (For purposes of this report, preferred stock is also included in the analysis of bond quality.)

As of midyear 2014, 91 percent of these securities were rated investment grade (BBB or greater), and 30 percent held the highest-quality rating of AAA.

Credit quality is defined as the ability of the issuer to pay interest and principal on a timely basis. These 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.



Investment Grade

- 30% AAA
- 6% AA
- 22% A
- 33% BBB

Below Investment Grade

- 4% BB
- 4% B
- 1% CCC & Lower



Pictured left to right: **Zachary Bloom**, Trading Associate, Mason Street Advisors, and **Brett Elver**, Director, Investment Strategy

BOND PORTFOLIO DURATION

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 5 percent if interest rates fall 1 percent and decrease in value by 5 percent if interest rates rise 1 percent. We maintain a relatively short bond portfolio average duration of five to six years. As a result, the value of our bond holdings is not overly sensitive to changes in the interest rate environment.

MORTGAGE INVESTMENTS

The company's commitment to residential mortgage-backed securities, commercial mortgage-backed securities and commercial mortgage loans represented 32 percent of total managed assets at midyear 2014.

Residential mortgage-backed securities are generally highly liquid public bonds backed by a standardized pool of residential mortgages. The mortgage payments from the individual loans within the pool are passed through for payment of principal and interest to the bondholders. As of midyear 2014, 99 percent were rated investment grade.

Commercial mortgage-backed securities are publicly traded bonds secured by a diversified pool of commercial mortgage loans originated by third parties. These investments typically offer more liquidity than commercial mortgage loans. As of midyear 2014, 93 percent were rated investment grade.

Commercial mortgage loans are fixed income investments originated in the private market directly with owners of commercial real estate. Northwestern Mutual originates these investments through a network of experienced professionals located in eight regional field offices throughout the country.

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.

EQUITY INVESTMENTS

Northwestern Mutual's higher-than-average allocation to equity investments as compared to our peers is a distinguishing element of the company's investment portfolio. The equity portfolio is broadly diversified across private equities, real estate and public common stock.

Over the long term, the company expects equities to contribute higher returns and provide incremental diversification to the overall investment portfolio. The company's allocation to equities has enhanced Northwestern Mutual's dividend-paying capacity and financial strength.

Diversification of Equities

(Based on June 30, 2014, Total Managed Assets)



- 91% All Other Managed Assets
- 4% Private Equities
- 3% Real Estate Equities
- 2% Public Common Stock

CONCERNED ABOUT INTEREST RATES?

Diversification, flexibility, strong cash flow and ability to buy and hold are just some of the reasons Northwestern Mutual's general account portfolio is well positioned regardless of the direction of interest rates.

RISING RATES?

THE PORTFOLIO IS WELL DIVERSIFIED.

While the vast majority of holdings are in fixed income instruments that can be sensitive to swings in the interest rate environment, the company maintains a higher allocation to public and private equities (which are less susceptible to such swings) than do most of the company's competitors.

THE AVERAGE DURATION OF NORTHWESTERN MUTUAL'S BOND HOLDINGS IS RELATIVELY SHORT.

Northwestern Mutual's bond holdings have an average duration of five to six years. As a result, the value of the company's bond holdings is not overly sensitive to changes in the interest rate environment. In addition, the company tends to be a buy-and-hold investor. The company is more interested in the steady and predictable income produced by bonds than in timing the sale of bonds the company owns, so it is less likely to sell a bond when its price is low. In addition, the duration aligns with the expected liability payments, which also mitigates interest rate risk.

NORTHWESTERN MUTUAL HAS VERY STRONG POSITIVE CASH FLOW FROM PREMIUMS AND INVESTMENT INCOME.

Each month, the company has, on average, \$1 billion available to invest. As a result, the company can adjust its asset allocation within guidelines without having to sell investments at inopportune times. If interest rates rise, the duration is short enough and the cash flow significant enough to allow the company to participate in that upside. Strong cash flow also allows the company to invest in less-liquid securities, such as private placements and commercial mortgages that enjoy higher return potential because of the illiquidity. This liquidity premium helps the company regardless of the rate environment.

LOW RATES?

EVEN IN A PERSISTENT LOW RATE ENVIRONMENT, THE GENERAL ACCOUNT PORTFOLIO HAS BENEFITED FROM THE HIGHER YIELDS OF BONDS PURCHASED PRIOR TO THE CURRENT CYCLE.

Capital gains from equity and real estate markets also can enhance the investment earnings the company has available for paying dividends. The portfolio is diversified not only across equities, but also to include assets such as real estate mortgages. About 17 percent of the fixed income portfolio is devoted to commercial mortgage loans.

ABOUT 9 PERCENT OF THE GENERAL ACCOUNT PORTFOLIO IS DEVOTED TO PUBLIC, PRIVATE AND REAL ESTATE EQUITIES, A RELATIVELY HIGHER PROPORTION THAN IS HELD BY NORTHWESTERN MUTUAL'S COMPETITORS.*

In an environment of low new-money bond yields, the company still has the flexibility to pursue good values in the equity markets, which are less sensitive to rates. These equity investments involve more risk but also have the potential for greater returns.

The strong cash flow generated by the company allows Northwestern Mutual to invest in less-liquid assets that yield more than tradeable securities. These assets (including private placements and mortgage loans) generate additional yield even in a low rate environment.

IN A LOW RATE ENVIRONMENT THE COMPANY'S BOND INVESTMENT INCOME HAS CERTAINLY SLOWED, BUT ALL INSURANCE CARRIERS FACE THE SAME ISSUE.

The company believes it has an advantage over the competition in this case, however, because of its strengths in mortality (life insurance claim) experience and expense management.

* SNL Financial, 2013.

REPORTING CONSIDERATIONS

Northwestern Mutual publishes its Midyear Investment Update to provide information on its general account investment portfolio as of June 30, 2014.

This update consolidates information about The Northwestern Mutual Life Insurance Company and Northwestern Long Term Care Insurance Company. This presentation differs from the two companies' unaudited quarterly financial statements, neither of which is consolidated.

In addition, certain types of investments have been grouped differently for this update than in the companies' unaudited quarterly financial statements and in the annual, audited consolidated statements of The Northwestern Mutual Life Insurance Company (collectively, the "Financial Statements"). The most significant of these differences are described below.

- Other investments reported in the Financial Statements include subsidiaries and affiliates, joint ventures and partnerships. This update 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 reported in the Financial Statements include loans made to real estate joint ventures in which the company is an equity investor. This update classifies these assets as real estate equity investments.
- Due and accrued investment income is reported separately in the Financial Statements. These amounts are allocated among their respective asset classes in this update.
- The Financial Statements report the credit quality of the company's bond investments based on credit ratings issued by the Securities Valuation Office (SVO) of the National Association of Insurance Commissioners. SVO bond evaluation methods and associated ratings differ from the ratings used in this update, which reflect 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.

The notes to the annual, audited consolidated financial statements of The Northwestern Mutual Life Insurance Company provide further details as to the accounting and valuation methods applied to reported investment values. All information provided in this update and in the Financial Statements is presented on a statutory accounting basis.

Copies of the most recent Financial Statements are available on Northwestern Mutual's website, www.northwesternmutual.com, or by written request to: Northwestern Mutual, Corporate Communications, NO4, 720 E. Wisconsin Ave., Milwaukee, WI 53202.