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**Operator**
Good day, and welcome to the a.s.r. Investor Call on its Annual Results 2017. This conference is being recorded. At this time, I would like to hand the conference over to Michel Hülters. Please go ahead sir.

**Michel Hülters**
Thank you operator. Good morning, ladies and gentlemen. Welcome to the a.s.r. conference call on the full year 2017 results. On the call with me here today are Jos Baeten and Chris Figee. We are here to discuss the results and give you an update on the business performance. After that, we'll open up for Q&A. We have scheduled this call until 12.00 today, so 90 minutes. And before handing it over to Jos, please, as is customary, have a look at the disclaimer that we have at the back of the presentation for any forward-looking statements. So having said that, Jos?

**Jos Baeten**
**Slide 1**

Thank you Michel and good morning everybody.

Ladies and gentlemen, from management perspective a year to remember with a very strong set of results.
Happy stakeholders across the board: customers, employees, shareholders, including our former shareholders the Dutch State.

In particular, I am pleased to see that this is driven by continued solid performance of each of our businesses in delivering great results, but also the sale of the remaining stake, the acquisitions of Generali Nederland and First Investments.

Before we dive into the financials I would like mention that we are also proud of our performance on certain non-financial criteria.

During the past year we have seen more and more happy customers and intermediaries doing business with a.s.r. The net promoter score has gone up to a score 40 points and 57 points respectively. And let's not forget that happy customer turn into loyal customers and they provide our license to operate and our future profits.

In addition, recognition of the a.s.r. brand has risen in the past year and customers increasingly appreciate all of our efforts to be a socially responsible insurance company. As you may have seen in the past weeks, we announced to team up with Triodos Bank and jointly committed to invest € 600 million into ESG and sustainable projects. And another example is the ESG credit fund that we have established in 2017 and which is open to 3rd party investors. And these are just two examples of many initiatives we have in this respect.

In short, we aim to be relevant for our customers and contribute to society at large, as this is the foundation on which we build our company and create long term value for all our stakeholders.

Now, let's discuss our financial performance and progress of our businesses in more detail, and I will start off with an overview of our key metrics on slide 2.

**Slide 2**

Performance over 2017 has been strong on every key metric. I will highlight some:

Operating result was up 17.2% to € 729 million – a record high result; this yielded an operating return of 15.6% compared to our target of up to 12% and also up compared to 14.6% last year.

Our IFRS result – net of tax – highest on record at € 906 million.

Our combined ratio of 95.1% has improved from 2016 levels and reflects continuing underwriting excellence as well as an improvement in our costs ratio. I am also pleased to see that at these healthy combined ratios our Non-life business delivered close to 6% top line growth.

Our Solvency 2 ratio remains robust, at 196% after deduction of the proposed dividend. As you know we are using the standard formula. This is a 7%-point increase from the beginning of the year. The main moving parts are a strong organic capital creation of € 377 million and favourable financial markets that outstrip the impact of share buybacks (7%-pts), the VA decline (9%-pts) and re-risking of the investment portfolio which account for another 6%-pts.

The quality of our capital remains high as well, with Unrestricted Tier 1 capital alone representing almost 152% of the Solvency 2. And then there is still plenty headroom to manoeuvre – in Restricted tier 1, more than € 800 million, and Tier 2 and T3, almost € 700 million.

Our strong solvency position enables us to remain entrepreneurial. As we have always said, everything above 160% allows us to be entrepreneurial and to pursue profitable growth. Our strong solvency has also enabled us to participate three times in the sell-downs from the Dutch state. In 2017 we purchased 9 million own shares for a total amount of € 255 million. Including paid dividend we have returned circa € 440 million to shareholders in 2017.

Speaking about dividend, given the strong results of a.s.r. in 2017 we will propose a record dividend of € 229.7 million, which is € 1.63 per share. This is an increase 28.3% compared to last year's dividend of € 1.27. We assume going forward, a stable growing dividend per year. I think everybody realizes that an increase of 28.3% is beyond what I would call 'stable growing'. Hence I would caution you on that and I believe that in our industry low to mid-single digit ordinary dividend growth assumption sounds more realistic.

Let's now turn to our business portfolio and key developments in 2017.

**Slide 3**

I am sure you are familiar with this matrix, in which we plot our businesses. Let me highlight some recent developments and achievements in executing our strategy.

In Box B, on the left angle down, are our large service books. Maintaining a low cost base and variabilising the cost base is crucial. In lowering the cost we were able to decrease the cost per policy with 3% from € 66 per policy to € 64 in 2017. This in spite of 3.2% higher than planned lapses.

We continued to migrate our service books to the new platform and planned to finalize two new books in first quarter of 2018. With the acquisition of Generali we also acquired a new Individual Life book which we will migrate towards this platform.

In the execution initiatives to migrate pension clients to capital light solutions, in 2017, we were able to close 9 separate accounts.

In the top left, in box A, are our businesses that provide stable cash flows. Here, we focus on organic growth.

In P&C, we don't only talk about robotics, we actually used robotics for a tender street to make offers towards customers from an intermediary competitor portfolio which we acquired from Achmea. We are learning from the use of this robotics migration which is going to be helpful in Non-life migration. Furthermore we saw a topline growth of almost 6%, which is more than double Dutch GDP growth.

Within Disability we did see a stable topline with some moving parts underneath. As mentioned in the past, our value-over-volume principle led us to lose some customers due to the BeZaVa legislation. This is compensated by other segments in Disability segment resulting in a stable topline. All-in-all a satisfying growth of € 8 million to € 765 million.

NIVO migration completion within budget and within time. So, our funeral business is ready to migrate the 300.000 Generali policies in early 2018, and is ready to absorb any further organic or inorganic growth, if and when.

In the capital-light space – box C – we have made further progress in 2017.

This is where we have a 'buy and build' strategy. In 2017 we bought First Investments, a niche investor which some specialised skills and adding € 0.6 billion of AuM. Furthermore we build this segment with the successful launch of ASR Dutch Mobility Office Fund with external placements and the successful Launch of the of the ASR Mortgage Fund with € 0.5 billion of firm commitments in 2017.

The Pensions DC solution of a.s.r. called the *Werknemerspension* is gaining track and had a good year in 2017 with € 25.6 million of new recurring GWP. In terms of new business DC is now 77% of our new business. a.s.r has become the #3 DC pension producer in the Netherlands. Gross written premiums are up 42% compared to last year. Furthermore, with the conversion of old DC solution towards the new *Werknemerspension*, the AUM in this proposition doubled in 2017. The AuM base is up € 200 million and now close to € 500 million in total. Retention was very high at 99.6%. So lots of happy customers in the Pension business.

For the distribution and service segment we have a medium term target of 7-10% growth and with this year growth of 39.5% we significantly outperformed this target, mainly due to strong growth from Dutch ID and the acquired companies are now fully contributing towards the operating. This segment is well on track to achieve the 20 million euro operating result.

Finally, Box D.

The real estate projects is no longer classified as held for sale although it is still excluded from the operating result, but we made progress there. The IFRS results was € 17 million pre-tax in 2017 driven by an increase in the sale of residential housing and furthermore 77% of the retail space is rented. Overall occupancy rate of over 80% is achieved.

Now let's turn to what the overall operating result has done per half year on the next slide.

**Slide 4**

As mentioned in my introduction – operating result went up 17.2% compared to last year. 2017 was a strong year and business momentum maintain at a high level.

As the chart shows the 2017 record operating result was driven by an extraordinary strong first half of 2017 where we benefitted from favourable weather conditions within Non-life and dividend season within Life. As we indicated at half year results, H2 ran at roughly € 30 million above what would consider normalised level.

**Slide 5**

The operating result increased € 107 million to € 729 million. As you can see on this slide. All four business segments (Life, Non-life, Banking and asset management and Distribution and services) contributed to the higher results.

Non-life result was up € 36 million to € 172 million, while Life was up € 74 million. I will talk about these two in more detail on the following slides. But first some comments on the other segments.

Banking and Asset Management improved due to an inflow of AuM resulting in higher fee income offset by placements fees due to the launch of new funds. As mentioned we see good business developments in Asset Management and this segment has the potential to grow to a € 20 million business in some years' time.

Acquisitions of Corins and SuperGarant contributed to an increase in operating result in Distribution & Services. This segment is gearing up and is gaining further mass and could potentially contribute € 20 million to results in 2018 already.

To finalize, Holding and Other decline of € 12 million shows impact from higher current net service cost for pension obligation own personnel, due to lower interest rates.

So, overall strong increase in operating result driven by gains across the various businesses. Let's turn to slide 6 where will highlight the developments in our operating expenses

**Slide 6**

Our ongoing focus on cost containment is one of the key drivers of operating earnings and long-term value creation. We believe we may well be the leader in terms cost disciple and culture as demonstrated by the expense ratios in our Non-life as well as our Life business.

Overall, operating expenses increased with 2.6%, but those include absorption of the additional cost base of the acquired businesses, the additional current net service cost of 11 million and a one-off because we granted all of our staff an extra monthly salary in 2017 due to the successful privatisation and the results over the last few years. I will provide some more insights on the next slide.

In Non-life, the expense ratio improved from 8.3% to 7.6%. Driven by strict cost discipline and portfolio growth, without FTE growth. In fact we have been able to fully absorb the topline growth in Non-life in our existing platform. The nominal cost base in Non-life is approximately € 4 million euro lower.

In Life, the expense ratio also improved: 11.0% in 2017 from 11.7% the year before. GWP decreased, but operating expenses decreased even further, benefiting from efficiencies of acquired portfolio's and regular cost savings, due to our migration project and a 18% lower FTE base.

Let me now turn to slide 7, to provide some insights in the operating expenses related to our target of € 50 million cost savings over the medium term.

**Slide 7**

This slide serves to provide an overview of development our cost base since IPO and to assess whether we are on track to achieve our targets.

At IPO when we announced a cost savings target of € 50 million we had a cost base of € 575 million. This cost base needs to be revised for acquisitions that added circa € 32million. Next year the costs base of Generali NL will also be added, and for comparison purposes we need to adjust for € 44 million euro of additional operating expenses.

The current net service costs, which is a result of interest rates decreased in 2016 as a result of interest rate increases in 2015 from 2.00% towards 2.52%. The interest rates declined in 2016 from 2.52% towards 1.73% resulting in € 11 million additional expenses. As this is largely outside our control, this effect was not taking into account at the time of setting the cost savings target. And a final adjustment we allow for is an incidental pay to all of our employees relating the extraordinary event of the successful privatisation and results of a.s.r. to which all employees contributed.

If we were to correct for these items this would lead to € 23 million cost savings in 2016 and € 18 million in 2017 realising a total of € 41 million of cost savings over 2 years. To achieve our target we need another € 9 million of cost savings to be realised in 2018 to achieve the target of € 50 million cost savings.

I dare to conclude that we are well on track to achieve our target to realize these cost savings.

Let me now turn to the next slide where we can look deeper into the Non-life segment.

**Slide 8**

In the Non-life segment our expense ratio is market leading combined with our underwriting expertise leading to a very strong combined ratios. All Non-life product lines showed combined ratios below 100%. As you can see in the graph at the bottom – right hand corner.

Operating result increased 26.5% to € 172 million. The increase was driven by excellent underwriting and claims handling, the absence of large claims and favourable weather conditions in the first half of this year while last year we had € 25 million of claims related to hail and water damages. This is reflected in the favourable development of the COR in P&C.

Allow me to make one remark already on 2018: the first half be definitely be less favourable. In January we already 'used' our annual storm budget due to the hefty January storm on the $18^{th}$. We estimate a € 30 million hit, which is the annual average of storms in the past 4 years.

Gross written premiums rose by 6.0% due to growth in the P&C and Health businesses. The market developments towards more rational prices allowed us to grow our top line, while maintaining our value-over-volume discipline.

In the P&C business the increase was mainly driven by the success of the *Vernieuwd Voordeelpakket*. Also in Disability we stuck to our discipline and experienced a pull from the government owned UWV proposition for BeZaVa customers. Nonetheless we managed to keep GWP in Disability stable. The value-over-volume focus resulted in switching Health customers since the pricing was a bit more tailored to the top end leading to a decline of approx. 20k customers.

Overall combined ratio at 95.1% - well below the target of <97.0%. - an improvement of 0.5 %-point compared to 2016 - reflects improvement in expense ratio and lower commission ratio.

The claims ratio of Non-life rose towards 72.8% from 72.0%. The significant improved claims ratio in P&C due to the absence of large storms was offset by higher claims in Health and Disability.

In Health, the claims ratio increase due to mainly the high post-calculation of 2016 year leading for instance to higher expenses for medicines in hospitals.

In Disability, the claim ratio increased mainly as a result of more claims in absenteeism. In response we raised prices on average with 20% for 2018, which should compensate for the impact.

Let's turn to our Life results on Slide 9.

**Slide 9**

Operating result of the Life segment increased 13.2% to € 633 million.

The investment margin increased with € 70 million due to higher direct investment returns (up € 19 million) as a result re-risking into higher yielding investments (equity, mortgages) within the investment portfolio and a higher contribution from realised capital gains (up € 53 million) partially offset by higher interest on liabilities.

Result on costs is stable at € 24 million; decline in costs coverage for Individual Life is absorbed by improved cost result for Pensions and Funeral. Strict cost control, migrations of books and cost synergies from acquisitions were partially offset by higher than expected lapses.

Technical result remains stable, despite decline in book; In the first quarter we experienced adverse mortality results due to an influenza, which has been offset by improved mortality results in the fourth quarter of 2017.

Life segment premiums decreased mainly due to the one-off effect of two acquired portfolios in 2016. Recurring premiums decreased 2.8%, higher GWP in Pension DC are offset by lower premiums in Individual Life.

So going forward, growth in Life premiums should come from DC business. In 2017 we added more than 500 employers to our portfolio and we have become the #3 pension producer in the Netherlands. So we trust we can continue to grow our DC business.

**Slide 10**

Let me provide you with an update of the Generali acquisition. The closing has been finalised the 5th of February, so this is for us the starting point of integrating the business. Let me remind you of the strategic rationale for this acquisition.

This is compelling opportunity to further consolidate the Dutch market and a bolt-on acquisition which we prefer. The cash consideration has been paid after the closing and the recapitalization of the operating companies has been done.

The guidance from the announcement still stands and there will be a pro-forma impact of 9% point of Solvency 2 in Q1.

Since closing we already:

- Established the reporting lines towards a.s.r.
- All control functions reporting to a.s.r.
- Control on asset allocation and interest rate hedge.
- Injected capital according to earlier commitments and started re-risking.

On the progress:

- The merger of the top holding Generali NL within a.s.r. will be before the summer.
- Legal merger Non-life and Life entities right after 30th of June this year.
- Relabelling of all the businesses within 6 months.
- All the staff will be moved this summer to the a.s.r. building and the Generali building will be sold – already identified first interested (buyers).

Please bear in mind that we will first have restructuring expenses in 2018 before Generali can fully contribute to its potential, this will happen over time with an expected impact of € 25 million organic capital generation in 2020 and € 30 million contribution to net operating result in 2020.

**Slide 11**

Our performance has been strong on all key metrics in 2017, we have been able to keep our business momentum at a high level and our performance is better than our medium-term targets.

Before I hand it over to Chris for further details on our capital and solvency.

I would like to conclude with a final slide on our dividend.

**Slide 12**

Clearly as the charts demonstrate, over the past years we have built a solid track record in paying dividends.

Our priority is to pay a stable to growing dividend. The strong increase in operating result drives the higher dividends for 2017. Maintaining a pay-out ratio of 45% this leads to a proposed € 229.7 million dividend pay-out.

Proposed 2017 dividend per share amounts to € 1.63 per share, an increase of 28.3% on the 2016 dividend per share.

This year we will introduce an interim dividend with a pay-out ratio of 40% of the last year's dividend. Based on proposed 2017 dividend this would amount to € 0.65 interim dividend per share payable in 2018.

We have also proven not to be hoarders of capital. In 2017 a total of 9 million own shares have been purchased for an amount of € 255 million. Since IPO in June 2016, € 672 million of capital has been returned to shareholders, including proposed 2017 dividend.

And as we have mentioned before. We are keen to deploy capital first both in organic of inorganic growth opportunities. Should these not materialize then we will explore appropriate ways to return capital over time.

Chris, the floor is yours.

**Chris Figee**
**Slide 14**

Very good. Jos, thank you so much.

I will continue our presentation and move to the solvency and capital section. If you follow me, flip to slide 14, where we will discuss and elaborate on our multi-year equity and own funds movement.

These are the book values that we report, book values from an IFRS perspective or a Solvency 2 perspective. We're proud to show a continued growth in book value, IFRS equity, grew again, even excluding hybrid capital instruments. Book equity moved up by € 652 million, especially when you consider that absorbs a cash distribution to shareholders in the year, of over € 453 million, it means net € 652 million after we've shared with our shareholders € 450 million in cash.

We're proud that we are able to combine an increase in IFRS equity with also 100 basis points increase in our ROE. So the numerator and the denominator both went up, and which is confirmed by the perspective of Solvency 2, you can see the eligible owned funds, moving up to € 5.3 billion unrestricted tier 1, and € 6.8 billion of full owned funds. Hybrid instruments now compose only 23% of our total owned funds.

So again, solid growth, solid development in book value, and we still believe that development in book value in the long run, provide a good indication of where companies are heading.

**Slide 15**

So now that we're talking about stock, I'd like you to turn to slide 15, on our solvency, the solvency stock, this slide shows owned funds that require capital, to 196% solvency ratio, up 7%-point in the year.

If you look at the longer-term perspective, up from 186% in the first quarter 2016 if you go back two years, end of Q1, 2016, were 186%, today, with 196%, despite us return in that very period, almost € 700 million in cash to shareholders. So we gave back 20%-point of solvency to our shareholder, roughly, and to increase our solvency to 196%.

We're proud of the level of capital and the composition of capital. It is 196% in a standard formula, unrestricted tier 1 is 77%, and the tier 1 ratio, unrestricted tier 1 ratio would be 152%, or tier 1 as a total is 166%. No tier 3 capital at this point, no tiering risk, we don't use any tier 3 elements in our solvency, and we have headroom in all the available solvency categories, and the combined tier 2 and tier 3 headroom, is now at € 697 million, increased again since last year. So significant amount of financial flexibility.

Market risk, still under 50% of required capital, at 47%. Appendix E in the presentation gives more feeling on the composition of the SCR, the required capital, and the deltas, and there you can see market risks, still below 50%, still our claim that we're an insurance company, not just an investment fund, is by that sense, still substantiated.

And finally, the LAC DT, the ever-famous loss observing capacity of deferred taxes, is at 74%. It increased, we moved the LAC DT of Life, from 60% to 70%, and Non-life, from 75%, to 90%. Please note that that increase is solely due to the increasing of the DTL. There are no future profits in the substantiation of our LAC DT. In this year, we created a significant DTL, as a matter of fact. Both our Life and Non-life entities now have a net DTL position. So now DTA is the DTL position. And as you increase the deferred tax liabilities, we felt comfortable to use, to further strength, our LAC DT ratio. So very well founded, no future profit, and delta, we use one a DTL movement, moving our LAC DT to 74%.

In a later slide in the pack, you can see the solvency of the underlying entities, both Life and Non-life are Solvency 2 at 185% mark. So in terms of solvency stock, we feel comfortable with the level of solvency that we hold.

**Slide 16**

Moving from stock to flow, slide 16, as you know, there are various ways to decompose or to bucket the delta and solvency, from beginning of year, to end of the year, our ratio improved by 7%-point. One way of you know, analysing that delta is by using capital accretion, which is on slide 16, in where we define sources and uses of capital. Sources of capital is operational capital generation. What does the business generate, in terms of long term investment margins, and additional returns, what is the book release of capital, and what are the deltas or net effects of assumptions changes in business developments. That will generate € 1.1 billion organically, and € 300 million operational tier 1 issuance.

And then the use of capital, while it's absorbed by the UFR unwind, absorbed by the cost of hybrids, and capital that we – invest into market risk, leads to a capital accretion of € 742 million of our which, last year, we paid down roughly two-thirds, € 255 million and share buybacks, two-thirds in dividends, and we repaid one-third in our balance sheet. So one way of depicting or decomposing the delta in solvency is capital accretion, sources, and uses of funds.

**Slide 17**

The alternative, more classical way is on slide 17, which is the organic capital generation. Our solvency increased from 189% to 196%, so about 7%-point. Of this, in our definition, which is reasonably conservative, defined an organic capital creation of € 377 million, or about 11%-point of starting solvency.

Appendix G in the pack in the back, gives more information on that very number. Lots of analysis is going out on the assumptions that are embedded in your OCC, especially around market returns, because a great piece of work by Farquhar Murray actually, on looking at various methods that people use. In the appendix, we try to give you alternative use, slide 17 is our definition, our long term investment is such the way we run the business, but you know, we don't mind providing a service to the analyst community. So we've done some work for you in line with market consistent numbers.

On the pack of this note, the total owned funds in the year, increase by € 712 million, so if you add the numbers above the line delta, you have € 712 million, which includes the absorption of decline in VA. In the standard model, the VA during the year, declined by 9%-point, which you know, shaved off 9%-point of solvency. So we could say even excluding the VA, we will have generated growth almost 30%-point of solvency in the year.

Other points to note, the risk margin release is kind of similar to the UFR unwind. It's not our achievement, but it's a nice coincidence that the UFR unwind and the risk margin are at least roughly similar. So it means that SCR release, actually really contributes to free capital.

Also note that our dividends, the € 230 million of ordinary dividends represents about 60% of the organic capital generation and 80% of the operating the business cap generation, which means the 60% is a number that those of you who've been following us since the IPO are familiar with, although we pay our dividends based on operating profit, 45 of operating profits, but given that the OCC tends to be around 70% - 75%, of the operating profit, you know, 45 times 70%, equals, roughly 60%, which is the pay-out ratio as a function of capital.

So our ordinary dividend is about 60% of the total organic capital, or 80% of the operational capital generation. That is capital excluding book release. So that means our dividend payment, from our perspective, is sustainable and well founded and replicable capital generation.

**Slide 18**

Slide 18 shows the sensitivity of the Solvency 2 ratio to the UFR. As you know, the UFR will be low, actually has been lowered in the beginning of the year, from 4.2, to a 4.05. That will cost us 3%-point of solvency, which is a given.

Interesting to note that we steer the business increasingly on an economic UFR. We've talked about it before. At this point, we've estimated the economic UFR at 2.2, because with 2.2 the UFR is consistent, safely consistent with the investment yield that were generated today.

At that level, our Solvency 2 ratio would be 150%. We believe that number should be compared to 100 plus a margin, 100 plus a buffer. We could even see throughout the year, that if interest rates continue to go up, the 2.2 might be you know, gradually moved upwards. We'll do some careful homework before we go out with formal guidance, but the direction on that number, the direction trend was up, rather than lower. So the 2.2 should go up, rather than down, given where markets are, which should give you comfort on the economic UFR adjusted solvency position of the group.

And if you were to strip out the UFR and the VA altogether for what some people claim to be an exit value for the group, that's safely over 130%. And for the Life business, also significantly above zero. So ex-UFR, ex-VA, the group is at 133%, and if you were just adjust for tiering it would be 121% - 122%, but the refinements of the model, safe to say ex-VA, ex-UFR, this group is still very solvent, and very well able to pay any dividends.

I am proud to say that the UFR ratio at a 2.2, so our economic UFR, actually also increased by 8%-point in line with the headline increase.

**Slide 19**

From solvency to balance sheet, slide 19, shows you our numbers on our balance sheet. We would think or we're convinced that we have a strong and resilient balance sheet. You can see the solvency position and the headroom that we have, the leverage in the maturity profile.

A couple of points to make. You can see the financial leverage of the group is stable, 25.2% to 25.3%, despite adding a € 300 million RT1. The financial leverage ratio stayed stable. And to pre-empt your questions, if you had a debt over equity, so, very basic D over E calculation, that also ratio, would have stayed stable at 33.7% to 33.8%. So there is no numerator, denominator play at hand here. The leverage of the group is very, very stable.

Actually, if you look at our leverage, we report 25.3% on an IFRS basis. If you adjust for the fact that we have a shadow accounting IFRS scheme in which we do not add realised capital gains to our book value. If you were to adjust for that, the leverage ratio, in the low 20%s, around 20%. If you take into account that the S&P leverage ratio is 18%, and the norm for the group is 40%, although well below the single A norm. And finally, if you look at solvency as a percentage of capital or leverage as a percentage of solvency, it's about 28% of unrestricted tier 1, which is low for the industry.

So in summary, headline leverage, 25.3%. Actually, if we redeem the tier 1 notes that we – where we pre-financed the call, the leverage were down to 22%. Shadow accounting adjusted, that way, it's low 20%s. S&P leverage 18%, only half of the norm of 40%. And on Solvency 2 basis, only 28% of tier 1.

It's a long way of saying, we have substantial financial flexibility. We have room to leverage, and because we have all the instruments out there, we've got headroom, we can pick and choose the instrument that we like. We have headroom in tier 1, tier 2, tier 3, and we've got various tier 1, tier 2 instruments. So you know, we can pick the instrument we like were we to add leverage, there's no balance sheet, whatsoever.

**Slide 20**

Slide 20, it's called unencumbered access to pools of liquidity. Not sure who came up with this title, but I guess our IR was close to its karma when they made the pack.

Anyways, I think what we're trying to say is that, we have been able, and are able to upstream cash to the holding. You can see the bridge for holding cash in the beginning of the year to the end of the year as € 518 million. Totally upstream funds up 27% in the year, from € 407 million to € 518 million, which is actually by the way, the benefit that we have from the creation of DTL. The DTL creation net to inflow, € 200 million of cash, which we deliberately kept in the Life insurance business.

So upstreamed up from € 518 million to the holding, whilst we upstream cash, think about the € 518 million, well the € 400 million in Life, the remainder in Non-life, whilst we upstreamed the solvency ratio of the entities at 185% and 186%, up plus 5% or plus 4% during the year.

So the Life and Non-life entities, upstreamed cash during the year, from increased solvency by 4% to 5%-point. And our remittance, exceeds the organic capital generation, and it actually exceeds the result after tax and after hybrids. And finally also low double leverage. So to compound and to build on the previous sheets message. We can raise debt if we want to, we've got substantial flexibility and also, there is no blocking issues to cash. We can upstream cash to the holding, which is, we decide strategically to have cash in our operating entities, but the combination of upstreamable cash, solid solvency levels at the operating entities, low double leverage, gives a huge amount of financial flexibility for the group. Happy to take your questions, if you have those, in the Q&A.

Jos, back to you for wrap up and some final words of wisdom.

**Jos Baeten**
I hope that's not a message according to my age. Thank you, Chris. I will conclude with the key takeaways from a management perspective.

We are pleased, as said, with a strong operating results, we had truly a very good and record year, driven by strong performance in all of our business segments. We deploy the capital profitability generating and operating return on equity at 15.6%, and we can offer our shareholders quite a considerable increase in the dividend per share and the prospect of an attractive interim dividend, starting in this year.

Our balance sheet is strong, as Chris explained, and we have substantial financial flexibility. The insurance entities are highly capitalised offering ability to upstream cash to the holding, if and when needed. On all counts, we are outperforming current medium-term targets, put differently our business delivering top quartile performance, while these provides us a comfortable start into the new year.

However, while we thrive for nothing less, it does represent a level that is very challenging to outperform this year.

Before we open up for questions, a few words on how we look at 2018. Based on the strength of our balance sheet, our financial flexibility and current high performance of our operating businesses, we believe we are in excellent shape to seize all key insurance opportunities of the medium term. Our businesses are simply doing well, our dividend paying capacity is strong, and we assume a stable growing dividend going forward.

At the same time, when taking into account the already high level of operating result in 2017, which is partially driven by exceptional favourable operating conditions in 2017, and the low amount of large claims in Q1, the uncertain developments in today's financial markets as a result of which, direct investment yields have been reduced, and the € 30 million impact from the January storms, we reckon, we have a slightly moderated earnings level in 2018.

This will be partially countered by the earnings contribution from the Generali acquisition, and selected re-risking. The earnings contribution from Generali will normally grow over time as synergies are received; also, we will act responsibly in further re-risking our balance sheet, given the state of financial markets.

With that, ladies and gentlemen, we are happy to take all your questions.

**Operator**
Thank you. If you would like to ask a question, please press star one on your telephone keypad. If you find that your question has been answered, you may remove yourself from the queue, by pressing star two. Again, please press star one to ask a question.

**Cor Kluis (ABN AMRO)**
Good morning. A couple of questions. First of all, about the Solvency 2 ratio. The roll forward from the third quarter to the fourth quarter and the outcomes around, of course, 192% to 193%, but the dividend is minus 6%-point, the VA is minus 3%-point, so would you give all the components, and specifically in the fourth quarter?

Second question is about operational capital generation, especially for the owned funds piece. I think if I calculate it, it come to around € 40 million in the fourth quarter. There were some lowered in previous quarters. So could you give some indication why the owned funds was a little bit less enhanced by that?

And the last question is about this Solvency 2 ratio year-to-date that we had for the start of the year. Of course, the VA probably went up somewhat at least that the market effects year-to-date for the full-year Solvency 2 ratio.

**Chris Figee**
Okay. Cor, it's Chris. When it comes to the roll for the Solvency 2 in the third quarter, in net-net, we moved up from 193% to 196%. You're roughly thinking that the VA took out about 3%-point from that number in the quarter, the dividends took out about 7%-point in the quarter and the LAC DT addition added about 5%-point. And the remainder is a good combination of three things, which is business capital generation, excess return in markets and further investments in the required capital into especially real estate.

So in the fourth quarter with required capital, we added more real estate to our balance sheets and the lowering interest rate in the fourth quarter increased the SCR requirements simply because of the capital charge on longevity elapses go up. Simply, it's an NPV phenomenon, when rates go down, Life capital goes up.

So basically, you take out 10%-point for VA and dividends at 5%-point for the LAC DT, which will get you to 188%, we got to 196%, and the remainder, really, is the company – is the combination of operating capital generations, good financial markets and additional capital.

The owned funds development in the fourth quarter was of lower than expected. I think it was roughly in line with where we were. The fourth quarter, as you see on the business, was a slightly lower contribution from Non-life in the fourth quarter from visibility, but in line with previous – with the average, of course, for the quarter. So, to us, nothing peculiar or nothing that was out of the ordinary in the fourth quarter.

In terms of the market development this year's solvency, a couple of things happening – three. One is the UFR is officially lower, so that takes 3%-point out of your solvency. Secondly, markets were down a bit, that shaped a bit of solvency out as equities were lower and the VA was up a bit. So basically, the solvency, take out the UFR at 3%-point would bring you from 196% to 193%. And then the market are in very small drag. But the last time I looked, it was a week and-a-half-ago and since that the markets are up.

So really look at it on a weekly basis. Think of it as roughly stable in the year.

**Cor Kluis**
Very clear, thank you.

**Arjan Van Veen (UBS)**
Thank you, gentlemen. A couple of questions on the Life side and one on the integration, please. The Life re-risking of the asset side, does that helped your investor margin 2017? So I'm just curious as to how much more to go and then should we expect this to drive earnings a bit more in 2018?

The second question is more on the reduction in the Life gross written premium, as well as the new business APE. So I was just curious as to whether that's kind of in line with your plan or are you a little bit disappointed with the growth in the Life given – it is misconsensus on the – probably on both metrics?

And then finally, just on the Generali acquisition, what date did earnings start coming through in terms of the numbers? So it's just for modelling purposes. And then I assume you'll update that in more detail at the capital markets day on the 10th of October.

**Chris Figee**
Okay. Again, let me talk about Life and re-risking. The appendix L has actually more details on the Life segment. But you can see the direct investment income in the year. So it moves up from € 981 million (505+476) to a € 1,000 million (521+479) in equity direct cash income during the year. Because it really received coupons, rents, etc., so no capital gains, etc., at all. So you can see how this thing evolves during the year.

Normally, the first half tends to be higher than the second half because the dividends are recorded in the first half. But as you can see that there was € 19 million of additional direct investment income, partially the consequence of the re-risking of the business.

How to think about going forward, best estimate is to have it stable. There are a couple of things at play. One is yields are still depressed and falling. It's getting more and more expensive to buy a certain earnings stream these days in the markets, whether it's buying a stream of rental income, whether you're acquiring mortgage income, whether you're acquiring credit spreads.

There is some downward pressure on direct investment yields, mostly because in a mortgage book, some of the very profitable vintage this year, so 2018 vintage year is being redeemed, as we speak, and replaced by lower rate mortgages. So that is inevitable that turned up all financial institutions have.

However, we see some room to continue to add risk to our balance sheet at 47% market risk. We can continue to add risk to the balance sheet of a.s.r. So we can probably cover up or compensate the gradual downward push on yields with gradual re-risking. We're putting through a number of initiatives, like the initiative that Jos mentioned to require more in liquid assets. We believe that's an opportunity to continue to add to real estate business to keep direct investment income and the Life business stable. But it will require some gradual re-risking in the year where we see opportunities mainly in the real estate space. So, stable, and if we continue to re-risk during the year, there might be a bit upside, but depends a bit how markets develop.

Before we get to Jos on the Generali earnings, we indicated a € 30 million potential net operating profit contribution from Generali. That number still stands. In our work on the integration always seems so far confirms that opportunity. I would simply say that is not going to come overnight. So, say, it will be a third to third to third in the next few years with some room to move to a little bit faster in the first year as we start cutting loss and add the investment business to our book. So € 30 million at one-third, each of the years with some upside in the first year if we indeed succeed on the moving of staff and the legal merger that we plan to conduct in the second half, meaning the move of Generali staff into a.s.r. buildings, the legal merger, there will be important triggers. And as we indeed succeed in that, we may outperform that with a rough timeline.

**Arjan Van Veen**
But just – I'm so sorry, to just in Generali, did the – from an IFRS and through your accounts, it starts from the 5th February or is there a different date we should think about?

**Chris Figee**
Well, I mean, the 5th Feb the 1st January – as 1st January, it's a full year, means that the one –

**Arjan Van Veen**
Okay, you'll be back dating it to 1st Jan again.

**Chris Figee**
The underlying Generali earnings before cost cutting are not so big that one month will make not much of a difference, so first of the year is a good measure.

**Arjan Van Veen**
Okay, thanks.

**Jos Baeten**
And this is Jos. On your second question on the development of the gross written premium in the Life area. To judge that, you should take into account, in 2016, we had to add, € 500 million of one-off single premium due to the acquisition of NIVO and a large pension contract that's called the Astra contract. If you strip those two out and you would compare the organic development of the Life premiums, we are relatively satisfied given the fact that the in the Dutch market, the Individual Life books are declining.

And we were able to almost compensate them, and not fully, by the growth in our pension books. So the total decline of Life premiums, if I take out those two one-offs in 2016, it's roughly 2.5% to 2.6%, which is in line with our expectations. We will not be able to fully compensate the decline of the Individual Life book by growth in our Pension business as long as we keep up to our strategy of value-over-volume. We only wanted a business in this area if we can offer prices that enables us to deliver the value also from a shareholder perspective.

So nothing unexpected from our perspective, and, yes, it is down a little, but we are happy that we were able to compensate those gross written premiums that declined in Individual Life with the new business in Pension DC.

**Arjan Van Veen**
Okay, that's very clear. Thank you.

**Farooq Hanif (Credit Suisse)**
Hi there, thank you very much. I just wanted to go back quickly to Generali Nederland. I remember you talked about roughly € 15 million or € 17 million of synergies, which I think are included in your € 30 million already. As you look at the business, what are the main areas that you've allowed for that and what have you not allowed for in that?

And then secondly, in the Disability business, at what stage will get an indication from UWV on pricing for the base of – for 2018? And do you anticipate a time where that will become more reasonable given the data that's coming through and will allow to step into that market to grow more? Thank you.

**Chris Figee**
Farooq, it's Chris. On the Generali synergies, those are – € 15 million to € 17 million are all cost synergies, because it really is a cost play. What is not in there is the benefits from re-risking, because we think that's additional – there could be potential values from that, but that will require additional commitment of capital. At this point, we have reserved 2%-point to 3%-point of solvency capital to add to re-risk the Generali business. We'll do it carefully given the state of financial markets. We're not going to go overboard and play risk.

The business case in Generali should be a cost game. So we want to meet our targets based on generating cost synergies as we planned. So the € 15 million to € 17 million is cost and those are all on track and that will meet our return hurdles. They could be on top of that additional room for re-risking which will gradually feed in during the year. Think about 2%-point to 3%-point of solvency that we could add. Think about between € 5 million and € 10 million of potential additional investment earnings that will feed in during the year.

**Jos Baeten**
And, Farooq, I might have to take your second question on the Disability. The UWV calculates its premium based on the claims cash out in a certain year and they divide this to the number of customers they have, and that is the actual premium in a certain year. As an insurance company, we have – when we calculate the premium, we have to take into account future claims, solvency developments, etc.

So to your question, it will take a number of years before we will be able to compete with the cash-based system that is used by the government. But as soon as they're customer-base grow, their claims will grow, and so average premium they have to calculate will go up. And somewhere in the near future, the premium level of the government will meet ours.

So we are in the market, we have customers in the BeZaVa, but the growth was not as big as we projected at the IPO. We also need to make money, so we want to be careful to compete with structural and profitable premium from an insurance point of view. So it will be not from 1st January of this year to 1st January of next year, but it will grow gradually over the next two to three years.

**Farooq Hanif**
Very clear answers. Thank you very much.

**Robin van den Broek (Mediobanca)**
Yes, good morning, everybody. Referring to slide 19, it seems that you have quite a bit of firepower on the S&P framework. But on your website, you've also disclosed a document on the RT 1 issuance which stipulates a cover of only 5.7 times. And I think that S&P in the past did indicate if you would drop below four times, that would mean a downgrade for the group. So how does that tie in to the flexibility on financial leverage that these slides are telling us? That's question one.

And then question two, if you have that much space on financial firepower, what should we think what you will do with it? I mean, I think you've been quite clear that you have a focus on M&A at the moment, but you've – that were always focused on small bolt-on. Could you consider larger deals? I think the press was recently indicating that Vivat and maybe even Achmea Life books could be up for sale. Is that something you would look at or would you remain committed to small bolt-on M&A? And how would that affect your capital distribution policy? I mean, the DPS announcement today is very welcome, but it seems you could do more. Last year, you indicated that your capital distribution would be kept to the capital being generated in the year. Is that something we should also consider for this year or will you deviate from that path?

And my third question is on the Life operating result for the fourth quarter came in at € 167 million. Is this – do you feel comfortable with this level going forward excluding the potential add-on effects from Generali or are there some one-offs in that € 167 million number for the quarter? Thank you.

**Jos Baeten**
Let me start with the middle question and Chris will come back to the first and the last one.

The way we look at the market currently in relation to our capital position is that the base of our strategy is organic growth combined with inorganic growth in certain areas. And like we have said in the past, that that is in the funeral business, we like Non-life portfolios, that's why we acquired the Generali book. And if we would find further potential investment opportunities in the asset management area, we would certainly look at that. So that is the core of our strategy.

In terms of would you be willing to look to other opportunities, and like you mentioned, the potential Individual Life books from Dutch competitors that want to get rid of it. We almost have concluded the conversion of our own books to the ‘software as a service’ platforms, we are perfectly willing to look at further consolidation of the Dutch Individual Life market. I think we are well-positioned.

As far as I know, we are the only insurance company in the Netherlands with a variable cost platform in Life. But we've always said we first want to do our own books, and that's not fully done, but we're now convinced that we are able to transfer portfolio to this platform. The first one will be the Generali portfolio going forward. But if and when there are interesting opportunities in the Dutch marketing regarding to Life, Individual Life books, we certainly will take a look at those. And that's the way we would love to deploy capital. So we're happy with our current capital position and willing to deploy towards all kinds of organic and inorganic growth.

On top of that, we have announced the interim dividends stating that we are willing to deploy capital also to shareholders. And as I said in my presentation, if and when we cannot find any organic growth opportunities and our capital continues to grow, we're willing to deploy – to look on how to deploy this capital. And that's we, as I said, have announced the interim dividend already.

So – and the last remark to make is if and when there would be something big in the Dutch market, we've always said that it's not our primary aim, we're not calling people. But if somebody would call us, we're always willing to have a talk and to have a discussion whether it fits within our strict financial criteria.

**Chris Figee**
Robin, Jos has explained how we deploy the capital. Let me discuss how we raise capital. Your point on fixed charge coverage is valid, although the perspectives really have pro-forma numbers. As I recall, using the last year's operating profit divided by the interest charges of the hybrid, including tier 1. This year's operating profit number is already substantially higher. So if you run this number, I think you're going to get about 5.9 or 6 times interest cover. And on an IFRS basis, it's 16 times. So it’s not 100% clear which number S&P would look like. I think S&P does not necessarily look only at operating profit. They look at a sustainable earnings power, so probably in their perspective, the number is between the operating cover and the IFRS cover. So operating is now at 6 times, IFRS cover at 16 times.

Also know that in that is two very expensive hybrids like the 10% coupon. If those are being called or refinanced, you know we issued the RT1 with the aim to call these bonds. That 20 million pre-tax interest – you know, interest charges drop out. So the very expensive ones drop out. So that means if you do that, the interest cover goes back to 8 to 9 times on operating basis and an IFRS basis even higher. And my IR people tell me that actually, you know, S&P tend to get IFRS rather than the operating income. So operating is our own conservative view.

So taking it into account, from a leverage perspective or from an interest cover perspective, there is no limitation or there is some limitation but not an immediate limitation on the horizon. If we were to raise € 500 million to € 1 billion, that is something that the group could bear.

And if you allow me to make a statement about the 30% mark, because there is some misconception on the 30% leverage norm, we said we strive to have a norm that’s below around 30% on an IFRS basis. In my little speech, I showed to you that there are various metrics that we could look at. I think we should not take – given where rates and yields are today, given what the interest cover is today and given the way our balance sheet is structured, I think we could even live with something at north of 30% doing – you know, below 40%, between 30% and 35% leverage would also be definitely feasible for us. So in terms of financial flexibility, we should not feel ourselves to be overly constrained.

I think that the income from investment is probably stable. As I said, the income from the operating income from the capital gains reserve is stable, it’s now at € 3.2 billion. So it has been north of € 3 billion for – I’ve been here for four years, so as long as I can remember. So it’s substantially about € 3 billion. So I think the release from capital gains should be there. The only thing we – and to think of a cost side – cost result is likely to be stable. The one thing where you could see some downward is the mortality result, simply because the book will shrink over time. So you may see some downward pressure on the mortality result.

So fair to say, stable to a gradual downward pressure from the inevitable shrinkage of the book over time. But we feel pretty comfortable with that.

Are there one-offs in Life, yes just a few. A few positive one-offs. But my history tells me, you know, you always have one-offs. So even if they don’t reoccur, that will not be such a massive change in live earnings.

**Robin van den Broek**
Okay. Thank you. Those are very clear answers.

**Chris Figee**
Jos also tells me, in the end we’re all one-offs. That’s a very good way of looking at our business.

**Ashik Musaddi (JP Morgan)**
Hi, so just a couple of questions I have. So first of all, as your assets book only has gone up considerably in 2017, can you give us some sense about what is the reason for that? I can understand that the operating profit and dividend there is a bit of difference, but I think there is something to do with capital gains as well. So why is capital gains reflecting in IFRS book only if you follow shadow accounting so that what are we missing here? Any thoughts on that?

And secondly, just for modelling purpose again, if I look at the amortisation of these realised gains reserve, should we keep it stable at 2017 level – this is around € 320 million – or do you reckon that it could go up and down? Any colour on that would be great, yeah. Thank you.

**Chris Figee**
Well Ashik, the book value went up because of a couple of points, you know, retained earnings, not paid our dividends. Secondly, reevaluation of those assets that are not shadowed in a shadow accounting reserve. So shadow accounting has fixed income, but those assets that are not fixed income, i.e., real estate or equities, those reevaluations are reflected in our IFRS equity. Not in our operating profit, right? Operating profit only has, you know, direct investment yield, so no capital gains. But in the IFRS equity, the cap gains on those asset classes that are not part of shadow accounting are a positive contribution. And finally, the IFRS 19 deduction, which declined a tiny bit during the year. So it's a smaller negative until it becomes a positive.

So those three elements within earnings – reevaluations of, you know, asset classes not part of shadow accounting and a smaller deduction from our IAS 19 pension accounting, those account for the delta in IFRS book value.

Annual capital gains reserve release, I plan with a stable number. If you look at our multi-year budget, that has a number of stable over time. So we feel comfortable sharing that with you, a stable number.

**Ashik Mussadi**
Thank you.

**Johnny Vo (Goldman Sachs)**
Thank you very much for letting me ask my questions. Just a couple of questions. If I look at the solvency of the Life entity alone and forget about the consolidated solvency which is influenced by debt issuance and so forth, it actually declined by 1%-point half-on-half, despite you actually adjusting the LAC DT, which added north of 5%-point of solvency. And then it looks like you significantly paid out more than you generate. So is this remittance coming from the entity abnormally high? That's the first question.

The second questions just come back to like, you know, further buyback potential. If I look – and I take into consideration your solvency is likely reduced by 9%-points for the transactions, Generali, you will have some negative adjustments for UFR 3%. Cash in the holding will have to reduce by the dividend you're yet to pay. Also, your dividends are going up and there's a bond that you need to redeem in 2019. Unless you raise further debt, it doesn't look like you have that much cash available. And given the pressure on solvency, it also doesn't look like, you know, you can sustainably transfer higher remittances out of the entities. Can you comment on that as well? Thank you.

**Chris Figee**
Johnny, thank you. When it comes to our solvency in the Life business, it declined by 1%-point during the year. But it increased by – 1%-point in the last half year but it increased by 4%-point during the year, in spite of a total, I think, about € 400 million that we upstreamed from the Life entity during the year. So in spite of a € 400 million upstream, it moved up by 4%-point during the year.

The 1%-point decline in the half-year, I don't – you know, the solvency rate is 186%. If we were to eat 1%-point per half-year, we could continue to eat for a long, long time. If you think about a solvency in the Life business, ex-UFR or ex-UFR and VA, that's still, you know, substantially high. At the UFR of 2.2%, the Life solvency level is about 122% of the Life insurance entity. So the economic solvency of the Life business is still safely well above 100%, with a UFR of 2.2%. And I said that 2.2% is more likely to go up than to go down. So with that, we feel that the Life insurance entity itself is very well-capitalised with, you know, € 400 million of upstream in the year.

If you think further about the solvency, the EOF during the year is about € 5 billion. It declined by € 100 million in the first quarter – in the second half of the year because of upstreams. So what happened to the solvency ratio, especially the addition of risk? So we had more real estate risk in the fourth quarter. We had a higher charge for longevity, you know, capital and from lapses, because the rate fell. So the below the line numbers increased from real estate asset allocation and from longevity and from lapses.

So we are not at all concerned about the, you know, the solvency level of Life. At 186% standard formula, increasing by 4%-point during the year. At 122% standard formula, at a 2.2% UFR. These are just very solid levels that give no concern about, if and how we can upstream them – upstream to the markets.

And if you look at the amount of fungible capital and the amount of EOFs, still 5.1 billion. So in that sense, we are not concerned about further upstream ability.

When we look at share buybacks and our potential, I mean, fair enough. I mean, we ended the year at 196% solvency. Take out an initial 9%-point of Generali, which we'll add back – add solvency back during the year of integration, but, you know, the first, you know, closing of the deal and the merger of a lower solvency with a higher solvency business will erode 9%-point of solvency from our group. Take out 3%-point of solvency from the UFR will give you slightly lower solvency level. But the UFR decline will also add back to OCC. So it basically means you move from stock to flow. So the UFR decline as such, we're never worried about. And so we're taking it into account when we look at the 2.2% metric.

So we see no impediment to return capital to shareholders. Generali will take out some capital in the beginning, but there will be capital synergies during the year later on as the integration takes place. And the Generali business will add to earnings. So you should see our business as a dividend stock with substantial dividend paying potential. Dividend as a function of organic capital generation and own funds generation is still very, very safe. We aim to give over € 300 million of capital back to shareholders in a base dividend and an interim dividend. I do not see why that would not be sustainable. And even the combination of this year as base dividend plus interim dividend is less than the OCC that we generate.

So if we continue to do this and distribute € 300 million plus to shareholders, which I think is about 6% of our current market cap, that means then still the Life business would not erode solvency except for the gradual decline in the UFR that will get back to flow in higher OCC.

So Johnny, I hear your point. But in terms of numerical analysis, you're probably correct. In terms of what the business is doing and our policies, we see no limitations there.

**Johnny Vo**
Okay. Thank you.

**Benoit Petrarque (Kepler Cheuvreux)**
Yes, good morning. A couple of questions on my side. The first one will be on your long-term investment return assumptions. Any, you know, updated levels in 2018 on your assumptions. What do we need to plug in our models on that one?

On the cost base, so you have a cost splitting target of € 50 million. You've reached € 41 million. Out of the € 41 million, I was curious how much is actually coming from the M&A you have realised in the IPO. How much has been coming for – from the inorganic – well, basically consolidation of the cost base and the cost reduction on M&A, that shows what is coming from the organic cut of the cost base.

And then maybe last one will be on the partial internal model. You know, can you update us on potentially your view on the standard formula? Also looking at the EIOPA plan changes on the formula, any thought on that? Any plans to move to the partial internal model? Thank you.

**Chris Figee**
Okay, Benoit. Thank you. I'll take your questions. Finally, someone asked a question about appendix G. I would have thought you guys would be all over it, but apparently it's clear.

Let me go to Appendix G and I'll mark – because this an assumption, we will not change our long-term investment assumptions. I mean, they are public and we look at every system move, measures across the cycle. So we believe these are across the cycle assumptions. So where do they move over time? Where have they moved?

What we're seeing, if you look at the actual spreads and the model spread that, you know, the government bond threat has moved closer towards our model. It's a small drag from, you know, core government bonds to what we assume, but they've moved very close to where we are so that drag is actually kind of meaningless today. Which, by the way, also means that our swap spread hedging trade has worked well. I mean, remember in this year, we hedged the swap spread risk. And that trade has come out – you know, has come out very well as a swap spreads between core government bonds and swaps has narrowed. So we're seeing the drag, if you wish, from core government bonds has narrowed substantially. At the same time, last year, these credit spreads has also tightened, so there's a bit of a drag from the credit side. There's still a plus from the mortgage side. Mortgage is still used more than the OCC assumption. And, you know, non-core peripherals have also tightened a lot, although that has changed in the past few weeks.

So we don't change our long-term investment assumptions. We believe they are fair over the cycle. Core governments are getting closer to our model. Credits has drifted away a bit. Sovereigns have drifted away, but are recovering, and on the mortgage side is still a substantive spread. If you look at that page number, you know, Appendix G, the net-net of all of it, there's still € 9 million to € 10 million understatement of the OCC from this perspective.

On equities and in credits, the 300 basis points or 330 basis points are still very conservative. If you work of 7% as some of our peers do, that would add substantive more to the OCC. We continue to work with this spread, but this is actually what has been realised. And we actually joined equities last year was even, you know, even larger than that.

Maybe if you allow me to make a few other remarks. We've also showed the impact of our hybrids. It is not clear where the industry is landing in terms of hybrid expense in OCC. If you exclude the € 56 million of hybrids, this is the number. Of this € 20 million dated hybrids that goes to the P&L, € 36 million is perpetual hybrids that through OCI. So you can play around with these numbers.

And finally, with to UFR drag, we've noted that there's also various ways to deal with the UFR in the industry. We take a really conservative view. 31$^{st}$ December pinpoints or the difference between Q4 last year UFR drag and Q4 this year's UFR drag gives € 101 million. If we had a more frivolous calculation, I could've argued the number is at € 10 million better. That will gradually show the numbers as we develop.

So we still believe we put a fairly conservative way of doing stuff, where the UFR drag, you know, you could have argued it's € 10 million less, we could have argued of the hybrids not in the OCC. You could have argued how you work with spreads, but we work with a long-term across the cycle assumption. That's in line with how we run our business, so that's going to – we will stick to that. But we hopefully Appendix G gives you a bit of our handle on to analyse these numbers.

We are running on a standard model. We firmly believe in that it's the best – it's a very cost-efficient way to measure capital. However, we are aware that EIOPA will come up with a review of the model sometime soon. We expect it any day, any week now. That could give us, you know, potentially reason to revisit the standard model if we feel it's much less appropriate than what it was today. And sometimes, we look at where, you know, some of the numbers are that other players use and would give us slightly different outcome. So there's no principle against internal models, certainly not. For now, we think it's the most cost-effective way to use the standard model, but we will keep a close on the EIOPA rules and regulations.

We will keep a close eye on the progress on IFRS 17 because, you know, moving into an internal model, we'll, you know, keep the same people busy, that those who do IFRS 17 implications, but we surely will not – do not rule out – which should be do not rule out ever moving into an internal model.

**Jos Baeten**
Thanks, Chris. Benoit, on your question on which part of the cost reductions already realised at € 41 million, which part came out of the M&A and which part is, let's say, organically. The large part is organically. It's not exactly to pinpoint how big the exact number are, because an integration never takes place overnight, the flow in gradually. But let me give you a few examples.

Last year, for example, we did no integrations in the P&C business, and there the cost reduction was € 4 million. In the Non-life business, we reduced the cost per policy from € 66 to € 44, that was mainly organically. And there was one cost reduction which I can't put a number on, that was the cost reduction on Accent. That was last year, € 5 million.

So let's say roughly two-thirds to a bit north of that is organic cost reduction. And the remainder is due to, already in 2015 announced M&A transactions.

**Benoit Petrarque**
Okay, great. Thank you very much.

**Jos Baeten**
Well, we've understood there are no further questions, so thanks everybody for joining us today. As said, we were very happy with the results we were able to present. Some of you we will meet over the next few days, so we're looking forward to that. Others we may meet at the 10th of October when we will organise our first capital market day.

In the meantime, we continue to do all the good work, to deliver the results as promised. And as said, we are fully convinced that our underlying business will deliver performance again in 2018. However, we of course see the movements in the financial markets and we already have had our first storm in 2018.

But having said that, we're fully convinced that we will be able to deliver healthy and market outperforming results going forward. Thanks everybody.

**Operator**
Thank you. That will conclude today's conference call. Thank you for your participation, ladies and gentlemen. You may now disconnect.