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de nederlandse
verzekerings
maatschappij
voor alle
verzekeringen

Solid results in 9M 2017

Chris Figee (CFO)

9M 2017 Trading Update

29 November 2017

Operator: Before we start the conference, I would like to ask your attention for the disclaimer on slide 12.

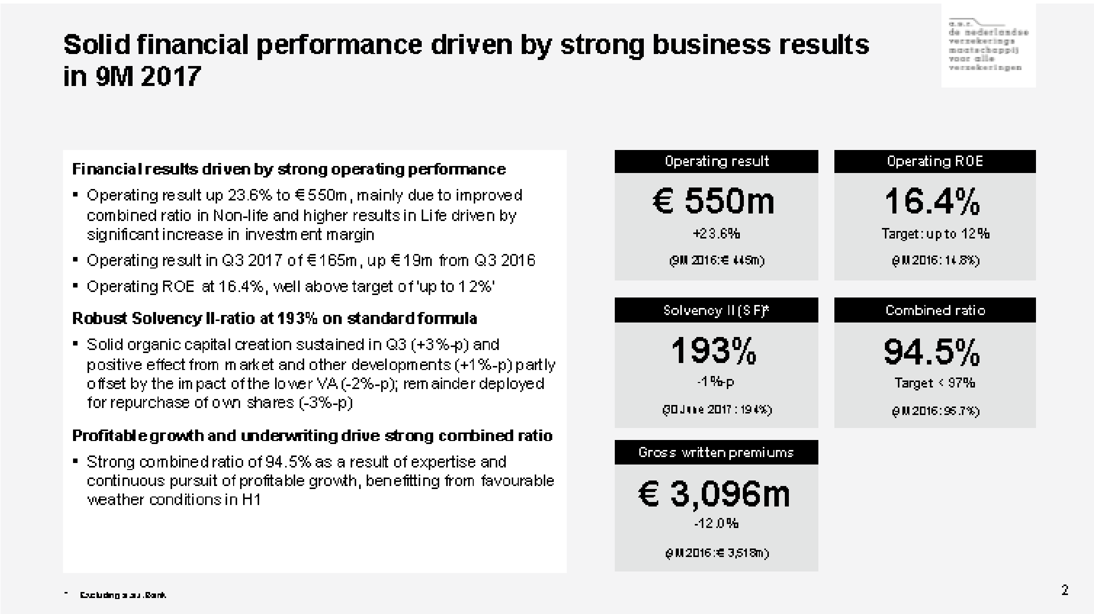
Now, I would like to turn the conference over to Mr. Chris Figee, CFO of a.s.r. Please go ahead sir.

Chris Figee – CFO a.s.r.: Good morning everybody and welcome to the conference call corresponding to the a.s.r. Q3 trading update.

Let's talk about the third quarter or nine months results at a.s.r. As you will be aware, this is a trading update, a relatively light set of reports. We do not report full IFRS profits in a quarter and we are also a bit more 'light' on the depth on solvency records. We will give you a little bit more colour along the way.

Q3 was a fascinating quarter in the sense that a lot of significant strategic events happened in that quarter. We may have already forgotten, but we announced the acquisition of Generali in the third quarter, we announced the acquisition of First Pensions Investments in the third quarter, and we managed to sell the final stake of the Dutch government in the third quarter. On the brink of the fourth quarter, we launched and placed the inaugural Euro Tier 1 instrument.

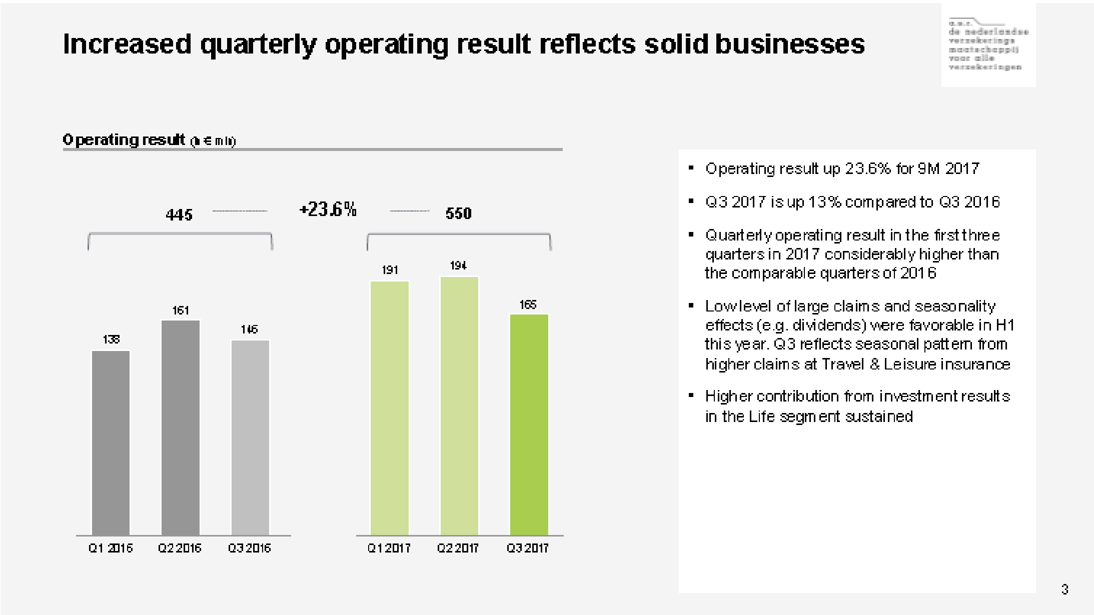
So, on the strategic side lots of things are going on, lots of good developments at a.s.r. On the business side, we see a reasonably ordinary quarter where things happened as planned, happened as we envisaged. The business continued to work its way through our plans.



On page 2 you can see the numbers. The operating result year to date is € 550 million, up almost 24% versus last year. The result in the quarter is € 165 million, up about 13% versus last year. Operating ROE is north of 16%, still well above our target of up to 12%.

We saw a robust solvency ratio of 193%. We will give you a little bit more colour on that later on. In that number we absorbed a 3%-p worth of share buy back at the final sell-down of the Dutch State.

So, we believe a continued set of solid results. a.s.r. to operate structurally at an elevated level with even in Q3, when we tend to have more claims in Non-life, more claims especially in the Travel and Leisure insurance business, an elevated performance versus last year, up 23% on the year to date.



On page 3 you can see the results on a quarterly basis, the quarters 2016 and the quarters 2017.

As you know, last year and this year in Q3 indeed our Travel & Leisure insurance business tend to receive its claims. As a matter of fact, when Dutch people take out their caravans in the summer, they drive them around and one day have their claims. They have no claims in winter. That is a very peculiar Dutch phenomenon in the Travel & Leisure insurance business and it something we have to reckon with. So, think about € 8 million of additional claims due to that seasonality effect in summer. There are a few interesting points to note on that very business. For example, due to the lower roaming charges, more people are taking their phones with them on holidays and we are receiving more claims on damaged phones along the way.

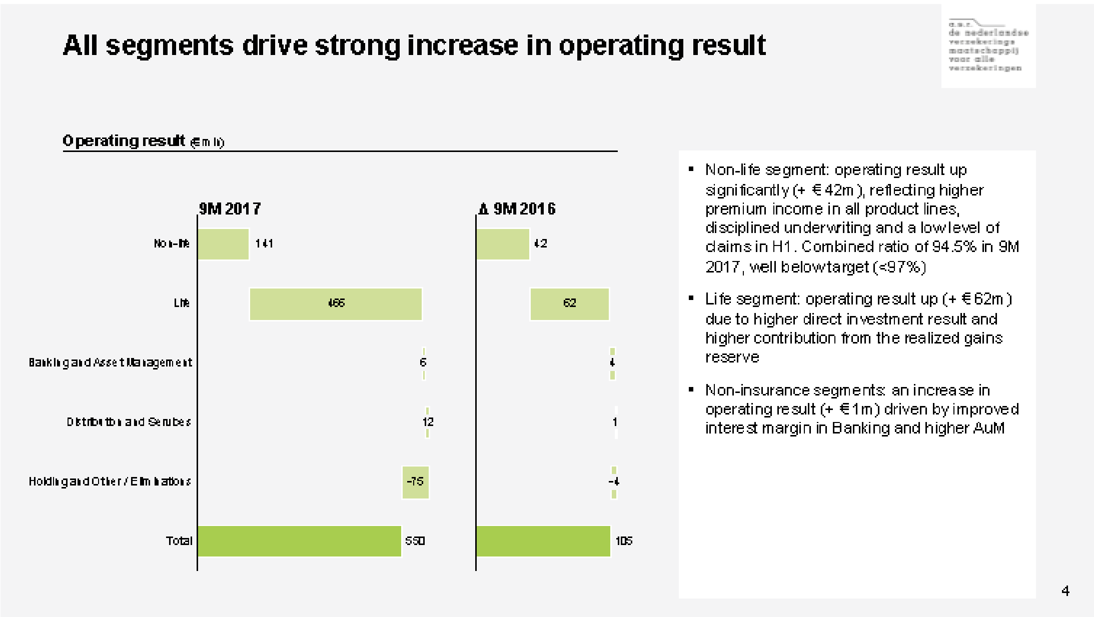
You can see some of the societal developments being reflected ultimately in the insurance business. But again, typically in the third quarter we incur the claims on De Europeesche, the travel business and they no longer reoccur in Q4.

Also, in Q2 to Q3, from the development from the second to the third quarter, we always have our dividend reporting season in the second quarter, so the dividends flow into the operating earnings. That is about € 20 million of plus seasonal benefits in the second quarter.

If you look at the year so far, the movements of Q2 to Q3 actually at a loss or a relative disappearance of € 20 million of dividends that we only have in Q2 and the typical Q3 occurrence of € 8 million of Travel & Leisure claims. That together explains and drives the movement from Q2 to Q3 in this year.

Compared to the same time last year, you see that both years have similar claims in Travel & Leisure, but 2017 reports are about € 19 million higher earnings, predominantly in the Life business, where the impact of our more yieldy investment portfolio is structural and is at an elevated level. So, € 19 million more versus last year, where you have a seasonally adjusted comparison.

From our perspective, you can see the developments in the quarter and during the year and versus last year.

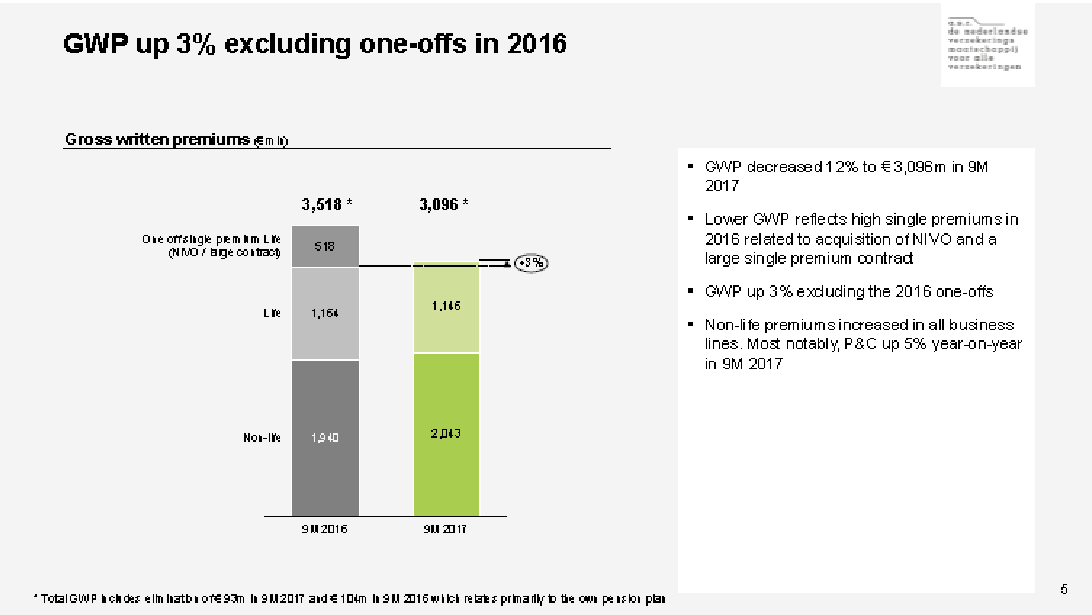


On page 4, you can see the segmental results. All segments derived a strong increase in operating results. All our business segments continued to do better than last year, most notably the core businesses Non-life and Life, in total € 104 million up versus last year in the first three quarters.

In the quarter itself – Q3 to Q3 – we find Non-life stable versus last year and we find Life elevated by about € 20 million, € 22 million to be precise, in terms of elevated earnings in the quarter, offset slightly in the holding where in Q3, as in most quarters, we have slightly higher pension charges. As you may be aware, the annual current net service cost is to some extent driven by the level of interest rates. Lower interest rates increased for this year the incurred net service costs.

So, in Q3 stable in Non-life, up significantly in Life and like-for-like slightly higher holding costs, slightly higher pension charges, reducing the holding and other eliminations in our P&L.

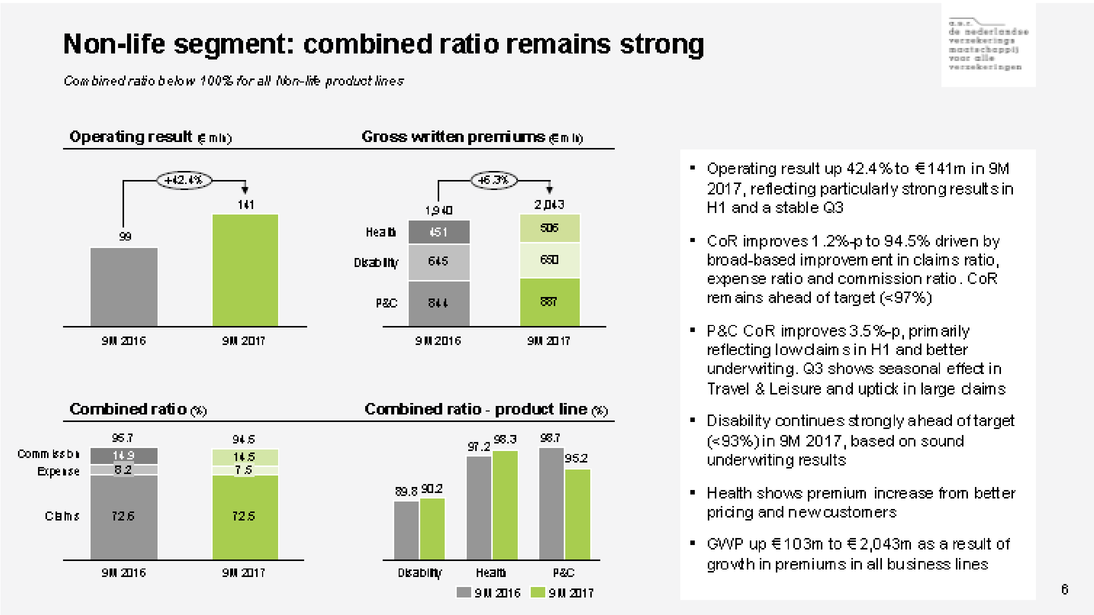
But overall, all segments continued to do better than last year: € 104 million up in the core segments and about € 5 million up in our growth segments, Banking & Asset Management and Distribution. So, we feel very comfortable and confident with the amount of trading that this group actually shows and displays.



On page 5 you will find premiums. If you exclude one-offs or one-off single-life premiums, you see that premiums are up 3% on the year. In Life there is a decline a bit of 2%. Of course, our Life book is gradually declining and that is reflected in the development of the Life premiums, countered by significant growth in the defined contribution business, albeit on a relatively lower base. Today, DC makes up about three quarters of our new pensions business and it is very attractive. It is a low-margin, but zero capital-requirement business. So, from a return on capital perspective you can see an ongoing growth and attractive businesses. So, in Life the decline of the back book countered by growth in defined contributions and that is exactly strategically the shift that we want to make. For net-net a small decline in Life premiums.

In P&C premiums versus last year were up about 5%, versus the last nine months of 2016. We continue to see good growth in new production in P&C, although we are in the process of ‘sanitising’ our portfolio somewhat. If you double click and zoom in on the P&C volumes, you will see a couple of developments. In general, we are gaining in market share in the intermediary channel. Sanitised, it is a plus. There is gradual sanitising of our business portfolio, using the current conducive market circumstances to support our margins and to selectively grow our business. Finally, you will see gradually feeding in some tariff increases that we announced and put through in autumn. That will gradually feed into our premium levels as policies are renewed.

So overall, we see a healthy development in premiums in line with our value-over-volume mantra towards DC, towards higher return on capital business intentions and towards profitable new business in P&C.



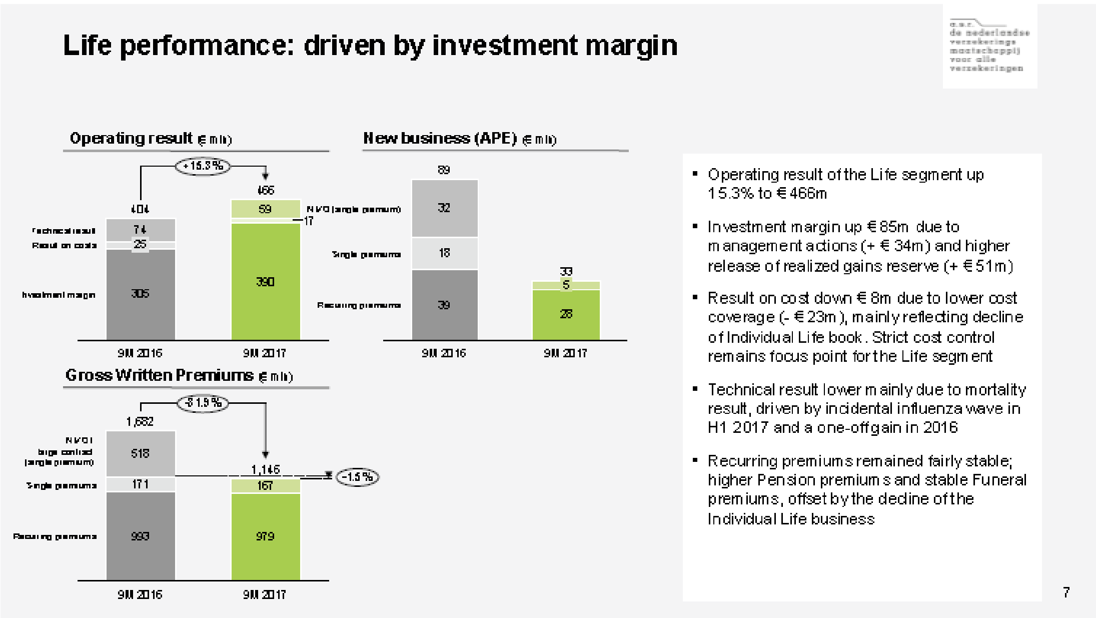
Page 6 shows the results in the Non-life business. You will not be able to read the text on the right-hand side, but let me give you some colour on the different business lines.

Disability: you can see premiums in Disability recovering. Remember that in the first quarter of the year, we had some headwinds where the new BEZAVA-market shaved off somewhat in Disability. That is recovering, and we see some business coming back to us. Premiums are stable to slightly up last year, when we were looking at a small decline in the beginning of the year. So, top line recovery on the Disability side. Q3 was a very good quarter for Disability, with a combined ratio year to date still at the 90s. In Q3 we will be below 90% with the combined ratio for Disability; very strong and very stable when it comes to the inflow of new claims. So, comfortable on the Disability business, very profitable and Q3 was actually very strong.

In Property & Casualty premiums were up significantly, from € 844 million to € 887 million. We continued to gain market share as we said. You will see going forward, some further support for top line from tariff increases, as they will gradually feed into the business. In terms of claims performance, bulk claims were very strong. We get bulk claims when the ordinary guy puts his car against a tree, or when somebody loses his phone, really small, average claims. Our bulk claims ratio continues to hover around 45%, so that is a very attractive level and that is for Q1, Q2 and Q3 a good performance on bulk. That is the bulk of the claims that we have.

We had some larger claims in the quarters. In Q3 we had some larger claims for a total of about € 8 million. They were not all top claims, but mid-sized fires, to give you some colour. These were no additions to bodily injury reserves; they were just a number of property claims, fire claims that we had to absorb. That is part of our business. That happened in the summer. The month of October it already normalised. There are a couple of one-off events in claims in Property & Casualty, so no sign of a trend there.

If you think about our Non-life business in Q3, think about an uptick in earnings from Disability of about € 8 million, if you think about € 8 million higher claims in Travel & Leisure, and if you think about € 8 million in higher claims due to large fires, those Travel & Leisure and large fires are typical issues for that season and appear not to be continuing in Q4. So overall, we feel very comfortable with the underlying performance of the Non-life business, especially as our bulk claims ratio, which is the majority of our claims, is still every quarter now around 45% to 46%. So, comfortable on that business line.



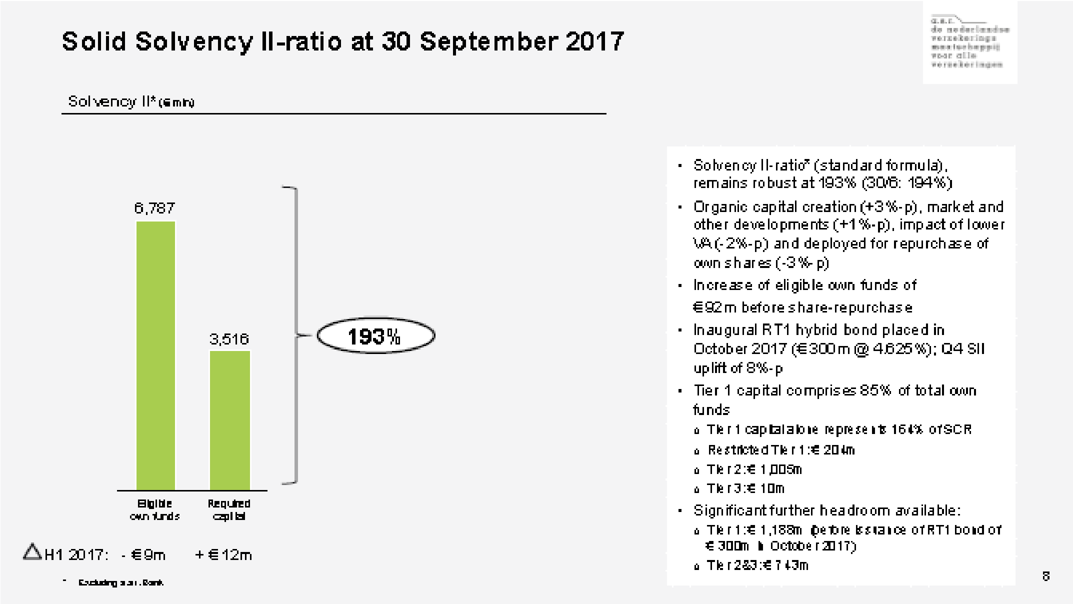
Let’s move to page 7, the Life segment. The operating result year to date was up 15%, driven mostly by the investment margin. The investment margin was up € 85 million in the year. As you can see, part of it was due to what we call management actions.

Before some of you claim that this is a one-off event, this management action actually is a dedicated re-risking of our investment portfolio. it creates structurally higher direct investment returns, so the € 34 million that you saw in the first quarter is here to stay, i.e. a more elevated level of direct investment income, due to the allocation to real estate, allocation to mortgages and allocation to credits, and a higher release of the capital gains reserve of € 51 million.

Our capital gains reserve was € 3.5 billion at the beginning of the quarter and about € 3.5 billion at the end of the quarter. So, no erosion yet of the capital gains reserve. This makes us feel comfortable, allowing a more elevated of trading in the Life business with most notably a good € 13 million of higher cash investment income from higher coupons, dividends, rental income and what have you. The capital gains reserve stable at € 3.5 billion.

Another good thing to note is that in the first quarter, the first and a half quarter, we had a lower result on mortality due to an influenza-wave in winter. That influenza wave appears to be in winter and did not continue in summer. In the third quarter we saw the result on mortality stabilised, confirming that this was an incidental.

Finally again, in terms of new business, no pursuit of large single premium business. We have very strict value criteria before we write single-premium products. If it does not meet our value hurdles we do not underwrite the contract, but there is a lot of good movement in the defined contribution business, because it is now 75% of our new business. We have upped our DC-target and we are already meeting that upped target, even if it is only November. So, we are very pleased with the development of our Defined Contribution business. Even if it is from a low base, the development of the growth is actually quite promising.



On page 8, Solvency according to the standard model is 193%. We do not provide you with the full bridge in the quarter, simply because those numbers are not supposed to be in our quarterly basis. But let me give you some colour on where we are. Please note that the own funds of a.s.r. before the share buy-back increased by € 92 million. That is a continued growth in own funds, out of which we have paid € 101 million back to our shareholders as part of the government sell-down.

Organic capital creation is in line with our earlier guidance. In terms of the bridge – you will all have pen and paper ready – think about the following developments: we started the quarter with 194%. Organic capital creation adds about 2.5%-p in the quarter. The net of market movement and model movement adds about 2%-p. The VA declined in the quarter. That caused the drop, a shave off, about 2%-p, a slightly higher SCR due to the increase of the rate effect, increasing the longevity charge shaved off about 0.5%-p. That will give you a gross movement of plus 2%-p. You buy back shares for 3%-p and then you get back to 193%, to where we were.

It is good to repeat the 194% start, plus 2.5%-p OCC, plus 2%-p net market and model adjustments, minus 2%-p VA contraction, minus 0.5%-p higher capital charge due to longevity risk and that gives you a growth movement of plus 2%-p. We paid back 3%-p, which brings the number back to 193%.

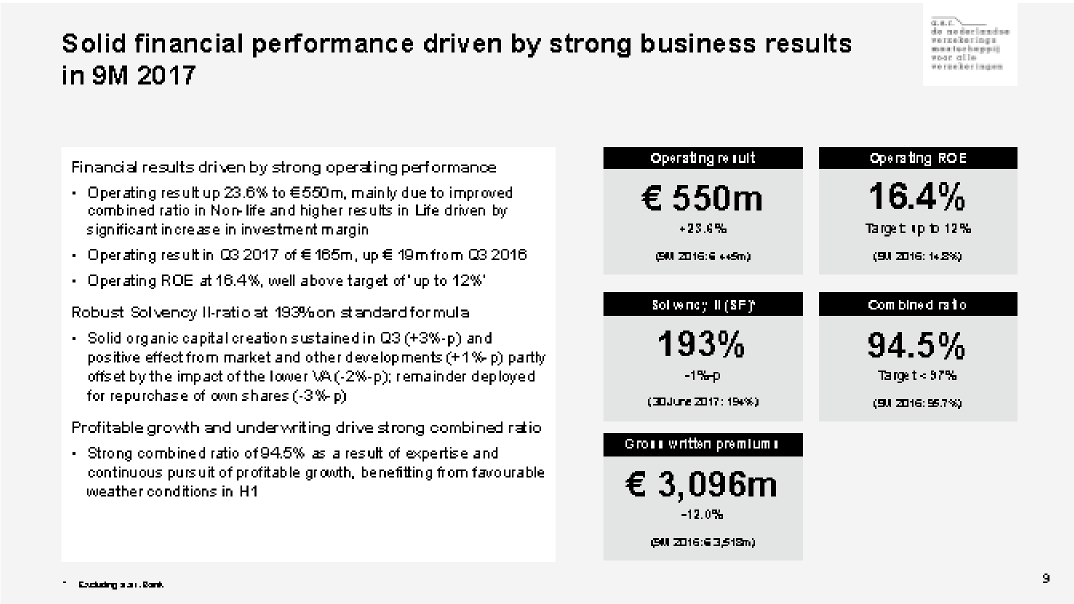
So, the result we have seen is – as far as we can see – fully in line with the guidance and suggestion we gave before and supports a very stable and predictable organic capital generation. The organical capital generation itself was slightly lower on the P&C side. We had some large claims and that feeds into the organic capital generation in the quarter, but higher from the investment side. The re-risking that we engaged in during the year actually starts to feed into the OCG. That is how we are compensating the higher claims in the third quarter.

It is also good to notice that the solvency of our main subsidiaries, the Life insurance Solvency II, is north of 190%. The P&C's Solvency II is north of 180%. So, very solid solvency levels across the board and consistent and predictable capital generation.

We placed the inaugural RT 1 in October, so technically speaking it is not part of our trading update, but we mention it here, at a pre-tax coupon of 4.625% so that is something we are very pleased with. We partially used the funds for the cash payment of the Generali-acquisition.

On Generali itself: we announced the transaction in the quarter. We spent lots of time on that transaction around the sell-down. Please remember that we provided you with a guidance of € 13 million profit over a € 200 million of fungible capital contribution for about a 15%-ish ROE.

If you were to allocate € 100 million from the hybrids, the Generali deal, that would actually boost the ROE in the transaction a lot more, simply because it is very attractive cost of capital of the RT1.



That brings me to page 9, rounding off the presentation, but not before I have said that the Generali-integration, as far as it comes to the preparation of the integration, is still fully on track. We have submitted the request for DNO, the Declaration of No Objection. When do we expect it back? We do not know; it is in the hands of our regulator. But it is safe to say that we expect the closing of this transaction to be in the first quarter of the year, somewhere between the first working day and our full year results presentation we expect the closing at the end of January, early February. That is where we see that closing to take place.

The integration preparation work that we have done so far suggests that what we are already seeing is in line with the assumptions that we made when we embarked on the acquisition altogether. So, we feel comfortable and confident on this deal.

Where does this leave us in the quarter? A reasonably uneventful quarter when you look at the numbers. Eventful when it came to strategic developments and uneventful because the numbers confirm the trends that we have been displaying so far when it comes to profit.

When it comes to capital generation, some seasonality effects. The dividend season is unfortunately over in the summer, with some higher claims on Travel & Leisure, some large claims in the P&C business countered by a continued strong performance and an even better performance in the Disability business.

That leaves us with a result of € 550 million, about 24% up versus last year, an ROE of 16% and a solvency level of 193%. So, we are still proud of the robust and solid result that this group was able to deliver.

Having said that, back to you. Happy to take your questions.

QUESTIONS AND ANSWERS

- **Cor Kluis – ABN AMRO**

Good morning. I have a few questions, first of all about premium growth in Disability. As we calculated this, there was 13% premium growth in the third quarter year on year. In H1 it was minus 2%. You explained that this was due to less headwind from the BEZAVA-legislation. What can we expect on the Disability premium growth going forward, in Q4 but also going into 2018? Will we see structural growth improvement there? Could you give some comments on that one?

The Health premium was quite high in the first half of the year: 19% growth. I think in Q3 it was flat. Could you also comment on that? Why is there suddenly a lower growth in Health premium? Are you becoming more selective or is there a technical change there?

My second question is about the Solvency ratio: 193% plus the 8% or 9% for the hybrid, so you are around 201% - 202%. Could you give an update on your Solvency II ratio in the fourth quarter? We are already two months in the quarter of course, given the market circumstances and other developments.

My last question is about Generali. I do not know if you already have full access to the books, but could you give some comments about how the results are developing over there?

Chris Figee – CFO a.s.r.: Cor, thanks. In terms of premium growth in Disability, indeed, in the first quarter we lost some business due to the BEZAVA-developments. That has reversed or was much less pronounced as the year progressed. So, we are seeing the resumption of some growth in Disability, but it mostly has to do with the fact that the BEZAVA-trend is not following through. Some of the clients are sticking to the private sector rather than going back to the public sector.

What is our long-term growth outlook? I would reckon that, generally speaking, growing in line with GDP, it is the savings rate you predicted although in one particular segment called absenteeism – verzuim – we would expect for us and the market some premium increases in the coming year, in 2018. So, in the long run, growth of GDP with some uplift for price increases, tariff increases in the absenteeism – verzuim – business.

Premium levels in Health during the year only vary because of technicalities. Last year's sales season in Health gave us about 20,000 new customers. Then it is the uptick in the gross written premiums, but there are also various elements that have to do with the health equalisation system and that actually flow through the premium line item. So, movements during the year tend to have a technical nature. There could be some volatility but that has nothing to do with us underwriting more timely or not; you are underwriting only once a year.

We gained 20,000 customers last year and that was it. I am not sure when we will return because we keep going at that level. If you look at the pricing level in Health, we are pretty strict in our mantra 'value-over-volume', so going forward I do not think you will see the same level of growth in Health, but during the year, there could be fluctuations that are more technical in nature.

Your third question was on the SCR. You pointed out 193% + RT1: where does it go to from here? In principle, our Solvency ratios are developing as planned. You need to be aware of the fact that the VA is declining during the quarter. The VA lost about 4 bps to 5 bps quarter to date. Then there is a technical thing that provides a bit of headwind in our Solvency: if you look at the VA reference portfolio, our fixed income portfolio compared to the reference portfolio is a bit overweight in Dutch and German government bonds a bit underweight in corporates, most notably financials and a bit underweight in peripherals. So, when spreads tighten, paradoxically speaking, we have some headwind, because the VA premium declines a bit faster than the spreads in our actual portfolio. Rule of thumb, one point VA is one point of Solvency. But again, if spreads widen if the market deteriorates, it turns the other way around and it works for us. So, the VA is a bit of a dampener in both directions. It takes away the 'pungible' when the party is getting hot, but again, it provides a bit of juice when the market is turning against us.

So, in Q4, we still have a month to go. Take the SCR including the RT1 and adjust for the technicalities from the VA. Then also take the solvency number ex-dividend. But we will give you full disclosure on that in the fourth quarter numbers.

As far as Generali Netherlands is concerned, we have not closed yet. We are in this ‘interbellum’ between signing and closing. There is interaction, but we are very careful on not sharing undue information on the business whilst we are not officially the owner.

So, we are preparing the integration, but have no control in the business. This is not the time nor the place to report on the results of Generali NL. That is something for Generali to report. But again, there is nothing there yet that keeps me awake at night, if that could help you out.

Cor Kluis – ABN AMRO: Absolutely. Thank you!

- **Albert Ploegh – ING**

First, look at the investment portfolio in the re-risking budget potentially for Q4. Should we expect any re-risking of the investment book in Q4 or maybe the first half of next year? Maybe we could get some guidance around the Kepler-consumption of that?

The second question is on the cost result in Life. It was clearly down year on year. You were flagging cost discipline. Can you maybe give some colour on potential additional measures to address the cost base on the Life side?

The third question is a bit more top-down on the target set. At the time of the IPO you were clearly ahead on many. I know Q3 is probably not a logic stage to come back on the targets, but how are you looking at the overall combined ratio group target that was set at the IPO and where you are currently running, also on your return on equity? Should we expect some sharpening of the target, maybe at the full-year stage?

Chris Figee – CFO a.s.r.: Thank you Albert. On the investment portfolio, we have gone through a significant re-risking program that is by and large now completed. So, do not expect a re-risking run in Q4. That is not something that will add or take something. It will add solvency, but not take away solvency because basically the re-risking has been done. At this very point we are running the strategic asset allocation studies that will be on the board’s agenda in the coming weeks. It is early to see whether we will continue to re-risk. My left pink tells me there is some opportunity to re-risk during the year, given our solvency base, but it has not been formally decided yet. I think we will give you more colour when we do the full-year results. By that time, we will have the formal decision-making round and there could be some opportunity there, but not in Q4. And of course, we need to weigh the developments in the markets as well.

In terms of cost discipline in Life, you have seen a short decline on the cost result on Life. The result on cost, which is a function of the declining Life book. We are countering that by migrating our policies by variable cost platform and by taking down staff cost as well, shrinking the cost base, is going in line.

The migrations are happening as planned. You see the majority of the migrations behind us in 2018. We have done a couple of complicated ones and we have been successful in that. With that, I think our cost-countering measures in terms of migration and shedding individual staff are going as planned, so I would believe that regarding the cost result from here the worst is behind us and you will see some stability at least for the coming period.

Perhaps in the long run if the book really declines further, we need to take further measures but in the medium term we are comfortable with the measures we are taking on the cot side. You will gradually see more stable cost results in Life.

In terms of our targets, as you rightly point out, a trading update is not the venue, the place, the time to revisit the official targets, but if you look at the results today, it would be hard to argue that we would not be comfortable where we are. This is a very complicated way of saying that we are doing well and that we are doing better than our targets. But the trading update is not really the moment to give details on that. But the business is doing better than that.

Albert Ploegh – ING: Maybe one brief follow-up on the cost result. You mentioned the migration to the more variable cost platforms. By en large that then seems completed, so are you ready and also willing to consider adding some more closed books on your existing platforms or is that not yet on the agenda?

Chris Figee – CFO a.s.r.: We are actually doing that. If you look at the Generali business, it has a small to mid-sized Life business with € 100 million premium equivalent Life insurance book. So, the Generali deal will be the first test on the actual integration. The Generali Life insurance business is de facto is a small closed Life block. Sneakily, we have started doing that on the back of what is basically a Non-life oriented transaction there is a Life closed block that comes along. That would be an interesting first test to see how we manage that migration. The teams are confident that they can pull off this migration in parallel to the existing migrations that we still need to do. When that is in progress, then we know for sure how good we are, and we have the real proof point. But the Generali is the first Life closed-block transaction that we are adding on our Life business.

Albert Ploegh – ING: Thank you very much.

- **Farooq Hanif – Crédit Suisse**

Good morning. Firstly, there has obviously been a very, very big merger in the Netherlands between two companies, involved in pensions and also Life and Non-life. In the context of the Non-life business, what impact is this having on the landscape in the short term while these guys are busy trying to integrate? In the longer term, what do you think it might do due to tariff increases generally in the market? Do you think this could be a positive development?

Secondly, on the DB-business specifically: what do you think is outstanding generically in terms of acquisition opportunities from others that want to shut down or leave that market? Do you think there is still quite a lot of potential both in bulk and in companies in the DB-space to acquire?

Chris Figee – CFO a.s.r.: On the larger merger: generally, we applaud consolidation in the Dutch insurance market. It is a bit like the French revolution; it is too early to say if it is successful or not, but in principle the merger between NN and Delta Lloyd takes out a competitor. So, we think in general it is good. We expect it to support rational pricing in the markets. We expect it to support healthier developments, but whether it will lead to concrete tariff increases?

There is a trend of hardening in the market today, which is happening independent from the NN-Delta Lloyd merger. We see competitors that have unprofitable books and increasing prices, no matter what happens in The Hague or not. So to me, it is a bit disconnected.

In general, we are seeing a hardening market. I personally believe that you will now see a slight pause when it comes to tariff increases because most of our peers have gone through a significant round of price increases and people want to see how the dust settles before we resume that trend. So, I would expect a healthier market going forward, possibly to be continued in the next year, but a little pause today, because most of our peers and everybody wants to see what it does if we have come to a 10% price increase.

Secondly, taking out a competitor is always a good thing, so we think this will support a more structural rational pricing in the market. When it comes to volumes, it is hard to see. there are volumes coming our way, but it is not always easy to see where it actually comes from.

When it comes to Defined Benefit books, I think very few people today write new DB-business. We have seen some competitors coming up with interesting pricing on DB-contracts and we are happy to let go of those. So, on defined benefit and bulk annuities the market is fairly quiet. Most customers that we see are contemplating defined contribution of APF-solutions for new business and existing business. Little volumes today, little appetite from competitors as far as I can see. So that marked that part of our market is relatively slow. There could be opportunities, but we are very cognisant of the capital consumption of bulk annuities. That tends to be a more capital-intense business, so we have very strict return hurdles. We will try to do them on the reinsured business. Effectively, our first perspective is always to reinsure the deal, to limit capital consumption in our book and that is how we look at it. At this point is very quiet and the action is in the DC-space. That is where the excitement is on the pensions market.

Farooq Hanif – Crédit Suisse: If I may just quickly return on that topic? Do you think you need a DB book to write DC? A bigger one?

Chris Figee – CFO a.s.r.: No, you do not. There are various DC-players that do not have a DB-business to write this. Having DB the name of the game is scale. Once the scale you can get good pricing and good margins. The second is to get portals. Clients for some reason still want work stations, work place marketing and also to portals. Surprisingly the use less of portals but still customers want to see it. So, I think the success factor in DC is more volume and the ability and willingness to invest in portals and systems and to get decent investment results. That together drives success in DC.

Having a defined benefit book on the side helps, but it is not the determining factor. It helps to say to your clients when they bring their DC-book that you are willing to consider your DB-book as well, but that is the order of the discussion that we are having and not the other way around. Having a defined-benefit book helps, but it does not necessarily change the outcome of the selection process in defined contribution.

Farooq Hanif – Crédit Suisse: Thanks. That is really helpful. Thank you very much.

- **Robin van den Broek – Mediobanca**

Good morning, everybody. My first question is on the impact of UFR coming through as of next year. I was just wondering if you can share your thoughts on how this might speed up the consolidation in the Funeral insurance business, given the fact that this business will have quite a long duration. So maybe your thoughts there?

Second, with the H1 results you were very helpful in giving some colour on the outperformance of the long-term investment margins. I was wondering if the run rate you mentioned with H1, basically saying that if you would align the assumptions with peers you would get a gun against your head. The capital generation could be € 50 million to € 100 million higher. Is that the similar run rate you would see in Q3?

My third question is on the pending standard formula revision, which is quite a lengthy document. Could you share some initial thoughts on the potential impact for a.s.r.? It seems that in particular NHG-mortgages could get a more favourable treatment which for you is about 10% of the asset mix. So, that could be quite a big positive move for you.

Chris Figee – CFO a.s.r.: Thanks Robin. As you are about to point a gun to my head I am very happy that we are having a call rather than a physical meeting. But I will still answer your question, even without the gun.

The lowering of the UFR will shave off about 3%-p of solvency, given where the development is, which for us is an immaterial event. It will take out some solvency and add back some flow. It is a trade-off between stock and flow. What it does to Funeral insurance companies you will have to ask them. For Funeral insurance businesses a lower UFR could be a challenge. If you refer to the EIOPA consultation paper, there is a discussion on mortality charges, which might be difficult for a funeral business.

Generally speaking I would say that whatever happened in Solvency II – your third question – the more diversified you are the better you are shielded against changes in models and changes in regulation. It will definitely be a challenge for Funeral insurance businesses to absorb a lower UFR and a higher mortality charge. I do not know what it does strategically; you would really have to ask them. But it helps having a diversified business.

When it comes to the EIOPA consultation paper, it is a consultation paper and if you look at the past, from consultation paper to final recommendation has seen significant movements and shifts. In terms of timing, we expect the advice from the European Commission at the end of February. Then the European Commission will debate, discuss and then convert some or all of it into law and we expect the final to be introduced on January 1, 2020.

In that document, which is 200 pages of hard work, there are still many moving parts. It is hard to say what the outcome will be. If you look at the document and you actually manage to read the last page, which is an achievement per se, there are a couple of points that I would like to show, points that we look at.

We look at the recalibration of premium risk. There is a piece of premium risk recalibration. There is discussion on the recalibration of mortality risk, which is of interest. Indeed, the document recognises that NHG-mortgages and government-guaranteed products should have a lower counter-party charge. There is a portion on interest-rate risk where EIOPA discusses a number of alternative downward shocks and finally, there is a PhD-thesis on LAC DT where you find, interestingly that for most elements the document gives options and recommendations or emerging recommendations. There is no blue box in the document with a clear advice; EIOPA just makes notes of different application across Europe.

Those are the five points that we are studying and trying to get through. There are many moving parts. Each of those five parts can move individually. The sum of those parts can also move significantly. It is too early to draw a conclusion from it, but if I go through it and look at all those moving parts and see what the upsides and downsides are, the first is that having a diversified business helps. Monoline businesses are much more vulnerable to a single change than diversified businesses. Secondly, I feel pretty comfortable with this. I lie awake from the amount of work that comes from this, but we do not lie awake from the outcomes from those results. At this point, it is mere speculations and we do not know what the outcome will be.

So, I have given you the five matters of substance that we look at, that could have an impact which individually, but collectively they might mitigate and might result in a reasonably flat outcome. That is the best where we hope for at this point in time. We can say more when we see the final results.

When it comes to your question on OCC: indeed, when you look at the long-term investment margins and the actual spreads that we have, you will find that the entire fixed-income book, ranging from government bonds and including mortgages, is about flat versus the LTIM.

At the beginning of the year, our LTIM-assumption of governments overstates the actual return on mortgages and it understates the actual returns, but the fixed-income book is relatively flat. The accrual of liability still assumes a VA of 20. I think that actually is an overstatement of the VA and thereby an understatement of the OCC. Equities and real estate have done well.

So, in the quarter, our organic capital generation added about 2.5%-p and then the net of all the other points added another 2%-p to our solvency, 2%-p of market movements.

If you zoom in on that 2%-p of market: the market movement was a bit higher than two but during the quarter or during the year, we are absorbing a higher level of lapses in the Life insurance business. Dutch people are redeeming their policies, most notably they paid-out mortgages. So, we have modelled through a structurally higher lapse level. It is fair to see if these observations are there for nine months you have to put them through in your best estimates. So, in the bucket ‘Other’ when it comes to solvency movements, the net effect is two, but there is a gross effect of a [market A+] and a minus from models to the lapses to give you two. That illustrates that we believe that the LTIM-assumptions that we have used are still reasonably conservative and there is a structural continued adding to solvency from that. So, it is a very long and winding answer, but I wanted to be as complete as possible.

Robin van den Broek – Mediobanca: It is very helpful. Thank you very much.

- **Matthias De Wit – Kempen & Co**

Good morning. I have a few questions remaining. The first is on P&C. Can you be a bit more specific on the quantum of the rate increases you have implemented there?

I also wondered to what extent the hardening of the markets you referred to is a reflection of higher claims inflation that could be expected going forward? Should we in other words expect combined ratios to benefit or not from the higher rates?

Secondly, just to continue on regulation: next to EIOPA there was also a DNB document on supervision and a supervisory outlook. I am just eager to get your thoughts on whether or not there was anything impactful or worth mentioning there.

Lastly, on capital. If I look at your Solvency position pro-forma for the RT 1 and Generali, it still looks quite strong. Can you elaborate on how you plan to spend any excess going forward? I guess it will be a mix of re-risking, buy-backs and M&A, but any colour would be helpful there.

Chris Figee – CFO a.s.r.: Very good, Matthias. It is good to see that you have landed well.

Matthias De Wit – Kempen & Co: Thank you.

Chris Figee – CFO a.s.r.: On P&C tariff increases: think in the order of magnitude of 5% on generic Motor, House, what have you. So, think about 5% in order of magnitude in terms of price increases. By the way, they feed in gradually. It is 5% on new business and then the same 5% on renewals. Think about twelve months to be fully factored in before the existing client base is completely renewed.

I do not think that at this point it is a function of claims inflation; it is a function of the combined ratios and claims ratios as they were and as they are today. So, if you look at the Dutch P&C market there is still a cohort of P&C insurers that have low margins on the P&C business. So, I think tariff increases are more a function of profit as it is today than a reflection on expected claims inflation or inflation in general. So, that is not in the cards yet. Honestly, we do not see at this point a major claims inflation.

There is some upward push in the bodily injury side – letsel – which is not so much claims inflation, but more a regulatory change. We have seen some action in the market there. Again, we have looked carefully and are still looking carefully in our portfolio and there is no need to add, to dotate reserves there, but on bodily injuries the only area where you can see prices moving up in response to general claims inflation, but that is a specific market segment.

Regarding the DNB supervisory outlook: nothing to report there. We are taking note of the EIOPA documentation. We are taking note of the exit value discussions of DNB, but nothing that concerns us in particular.

When it comes to solvency, indeed, you will see in the coming months adding the RT 1, taking out Generali will still give a relatively high number on the standard model.

What do we do with all of this? Our strict criteria are that the cost of capital, the cost of equity, the cost of unrestricted Tier 1 – to be fully Solvency II compliant – we consider to be 10%, so anything we do needs to exceed 10%, ideally 12%.

The four areas to be deployed for capital is market risk, which is the most straight-forward and simple to execute, where we also look at the market. The return on capital applied should also be substantially north of 10%.

Secondly, we would like our market risk budget to stay less than 50% of our total risk because after all, we are an insurance company and an investment fund, so there could be deployment in market risk as long as the return on additional market risk capital exceeds 10% by a margin. As long as the market risk does not exceed 50%, we will be looking at acquisitions as we continue to do.

We believe there are opportunities in the Dutch market. They will take time to develop and mature and they will also be very mature when the P&C and Individual Life business is probably busy during the year integrating. You cannot load acquisition on acquisition; you want to make sure that what you acquire is fully and effectively integrated. So, if we do something else, you will probably see it more in the adjacent businesses than in the P&C and Life business as such. Our return hurdle is 12% return on fungible capital and that is pretty clear for us.

Then there is giving capital back to shareholders through dividends, share buy-backs. That is something that is always on the cards. Do not expect a share buy-back in the remaining four weeks of this year, but next year we are looking at the distribution policy. We are looking at the actual dividend. We are also looking at an interim dividend next year. That altogether make up a decent amount of capital distribution to shareholders. And then it depends a bit on how the acquisition space develops and what we see there.

Matthias De Wit – Kempen & Co: That is clear. Thanks a lot, Chris!

- **Ashik Musaddi – JP Morgan**

Just a couple of questions. First of all, after you raised recent debt, it looks like your IFRS leverage ratio is more or less around 30%, maybe a couple of points lower. How do you think about that IFRS leverage hurdle that you have of 30%? Is that relevant or can you be at around 30% or 40% for the longer term as well?

The second question how we should think about the realised gains that you book on the Life earnings? For the past three years this number has gone up, so is it fair to say that next year also this number could go up because we have a lot of reserves in that or is it a formula as to how this number moves? Based on my understanding, shadow accounting means that your investment income should not go up. Your direct income goes down, but your realised gains go up. It looks like your realised gains are going up every quarter, so any thoughts on those formula would be appreciated.

It would be a bit simple if we could move to a bit more market-consistent assumption for the fixed-income assets for OCC. What are the real numbers. It is just a suggestion but it is totally up to you.

Chris Figee – CFO a.s.r.: Thanks Ashik. When it comes to the leverage ratio on an IFRS basis, it moves towards the 30%. I think we will end the year still below 30%, as far as I can see. When I look at our balance sheet, it will be south of 30%. 30% is a decent number.

In the rating space that we have in our own capital policy, we could move up to 40%, although at 40% we consider it to be a relatively high number. So something that hovers around 30% is something we feel very comfortable with. At the end of the year we will probably be somewhat below 30%, given what I know and what I can see today.

It depends a bit on how book equity develops. It depends a bit on how you define your book equity. We do not have realised capital gains in our book equity. We had some unrealised capital gains in our book equity. So, if you look at our leverage ratio compared to book equity, 30% to 40% is fine. If you look at it compared to our own funds, our leverage is still relatively low. So, I am pretty comfortable with where we are and I think the headline number will drop a bit in the last couple of months of the year.

When it comes to the realised capital gains reserve, it is interesting: I have no control on this number. It is a formula. It is when you realise a capital gain, because you switch, you change in assets. The capital gain is amortised over the lifetime over the corresponding liability. To me it is a given. The only way I could tweak it is by realising a huge amount of capital gains. Then the number would go up. But then you would immediately see it in my IFRS equity, when equity goes up because of capital gains realisations. That is something you do not see at this point. That is not something we are gaming or playing with.…

Ashik Musaddi – JP Morgan: No, no! What I do not understand is why it will go up. I get your point that you are not tweaking anything, but then you mention that you can realise more capital gain and put that in the reserve and then that number will go up. This is what I am not able to understand: why could it go up, even in that scenario? Maybe we can take it off line.

Chris Figee – CFO a.s.r.: That number goes up, but something else goes down. In principle you are right: if the number goes up your direct investment income should go down and the sum of the two stays relatively stable. What you find today is that the direct investment income has gone up, because we re-risk and move to other more yieldy asset classes. That actually compensates that development. Where we are today is at about € 3.5 billion in terms of reserves. I expect this number to be relatively stable in the coming year. This year it has gone up due to a variety of reasons, mostly technical in nature. Going forward, expect the release of the capital gains reserve to be stable. That is the way I plan it.

When it comes to assumptions in the OCC, we believe we are reasonably market consistent. At least, we are giving you a fair amount of disclosure on this. We also include the hybrid expenses and the hybrid charges in the OCC, which is about a good € 15 million a year, which other I think do not. I think there is no one consistent OCC definition. Your point is noted. It is something to chew on. We will try to give you as much colour as we can, but typically we will not change the model over time. In essence, it is fairly complete number. But your point is noted and it is something for us to chew on.

Ashik Musaddi – JP Morgan: That is very clear. Thanks a lot.

- **Johnny Vo – Goldman Sachs**

Just a couple of questions. In terms of the cash in the holding company, I guess at the first half year cash in the holding stood at around € 200 million and that was before the buy-back and the acquisition. So, you obviously raised money. So, where are you in terms of cash?

Then also, the operating profit. In terms of some of your assets are mark to market through the P&L. Is there any mark to marketing of some of these assets through the P&L in the operating line or not?

Finally, the realised gains were higher than it has been. How much higher is it above the normalised level?

Chris Figee – CFO a.s.r.: Johnny, could you repeat the last question?

Johnny Vo – Goldman Sachs: Just in terms of the realised gains you made a note in the press release that the realised gains were a little bit higher than normal. How much higher than normal is it?

Chris Figee – CFO a.s.r.: When it comes to cash at holding company, it is not a matter we steer on a lot. I think you are aware of that. But indeed, the holding company has got the proceeds of the RT 1 issuance. What you see during the year is a combination of things. We will continue to upstream cash on the OTSO's. The Life OTSO solvency is above 190%, and P&C above 180%. So, expect a couple of points.

Expect some further upstreaming from the OTSO's during the year. We will end the year with a cash level north of € 350 million. I am pretty comfortable with that, but it is not something we spend a lot of time on. We would rather have the cash in the OTSO's, but it will be north of € 350 million by the end of the year for sure. But many things play there. There are tax payments, there are pension charges, there are upstreams, et cetera.

In the operating result there is no real mark to market effect. All mark to market effects are not in the operating result. The operating result really contains a direct investment income.

Chris Figee – CFO a.s.r.: Finally, when it comes to the realised gains: there is a release of the realised gains reserve, which is € 51 million during the year. That is a kind of a given. We will be at that level going forward as a reasonable continuation. I can see what the model spits out. If you look at the investment margin in Life, there are about € 34 million really higher direct investment income, which is coupons, yields, dividends that are coming in in cash and it is € 51 million of increased capital gains reserve release. That is going to stay.

Johnny Vo – Goldman Sachs: Great. Thank you.

Operator: There are no further questions.

Chris Figee – CFO a.s.r.: Then thanks so much for the call. It was a lively call for a trading update. Sorry for the late start. Good from all of you to hang in there and listen to our story. We are looking back at a good, solid quarter, trading as it was and trading as it is and comfortable with where we are today with our group, executing our strategy.

Thanks for your questions and I hope to see you all in person sometime soon. Hopefully without a gun, but I would love to see you in person to continue to answer your questions.

End of call

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Well-diversified and robust investment portfolio

Assets (€ billion, fair value) *	31 Dec. 2016	30 Sept. 2017	Delta
Fixed income	26.0	23.6	-2.4
Equities	2.2	2.5	0.3
Real estate	3.2	3.2	-
Mortgages / other loans	7.2	8.0	0.8

* This presentation is on an investment portfolio basis (from an asset management perspective) and distinguishes different investment categories compared to IFRS

- Rise in interest rates impact fair value of fixed-income securities
- Re-allocation of market risk budget to equities, mortgages and other loans; allocation to real estate stable at the current level
- Further increase in mortgage exposure. High-quality mortgage portfolio further improved the credit performance with better arrears positions and incurred foreclosure losses at < 2 bps
- Vacancy rates decreased due to redevelopments and new contracts in retail and sale of non-core office locations
- Lower swap spread exposure under the Solvency II regime by exchanging long-dated core government bonds for a combination of short-duration instruments and receiver swaps

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