Opening the Euro Currency Market for RT1s

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FITCH RATINGS Insurance Roadshow 2018

Topics

a.s.r. at a glance

Overview

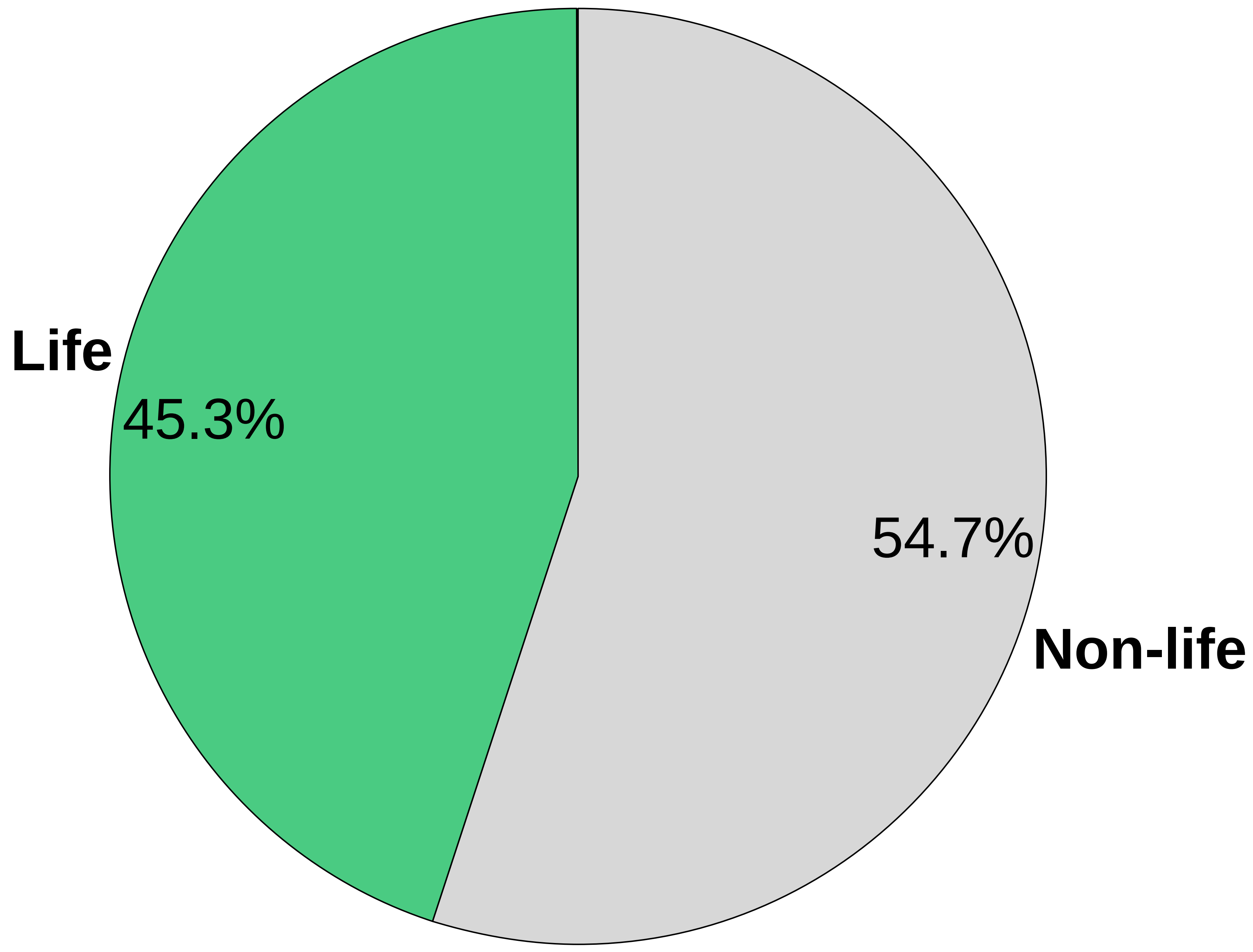
- Leading, innovative and diversified insurer in the Netherlands
- Founded in 1720, deeply rooted in Dutch society
- Leading market positions[1]: #3 overall, #3 in Non-life, #3 in Life
- Multi-brand, multi-channel distribution with a focus on intermediary distribution channel
- Servicing retail customer and SMEs (c. 1.5 million households)
- 3,481 internal FTEs (H1 2017)
- Strong financial position

Strong financial position	**2016**	**H1 2017**
- Solvency II (SF)	189%	194%[3]
- Operating result	€599m	€385m
- Operating ROE	14.1%	17.4%
- Balance sheet	€57.0bn	€55.8bn

- IPO at 10 June 2016. After the final sell down on 14th September 2017, a.s.r. is 100% floated on the market

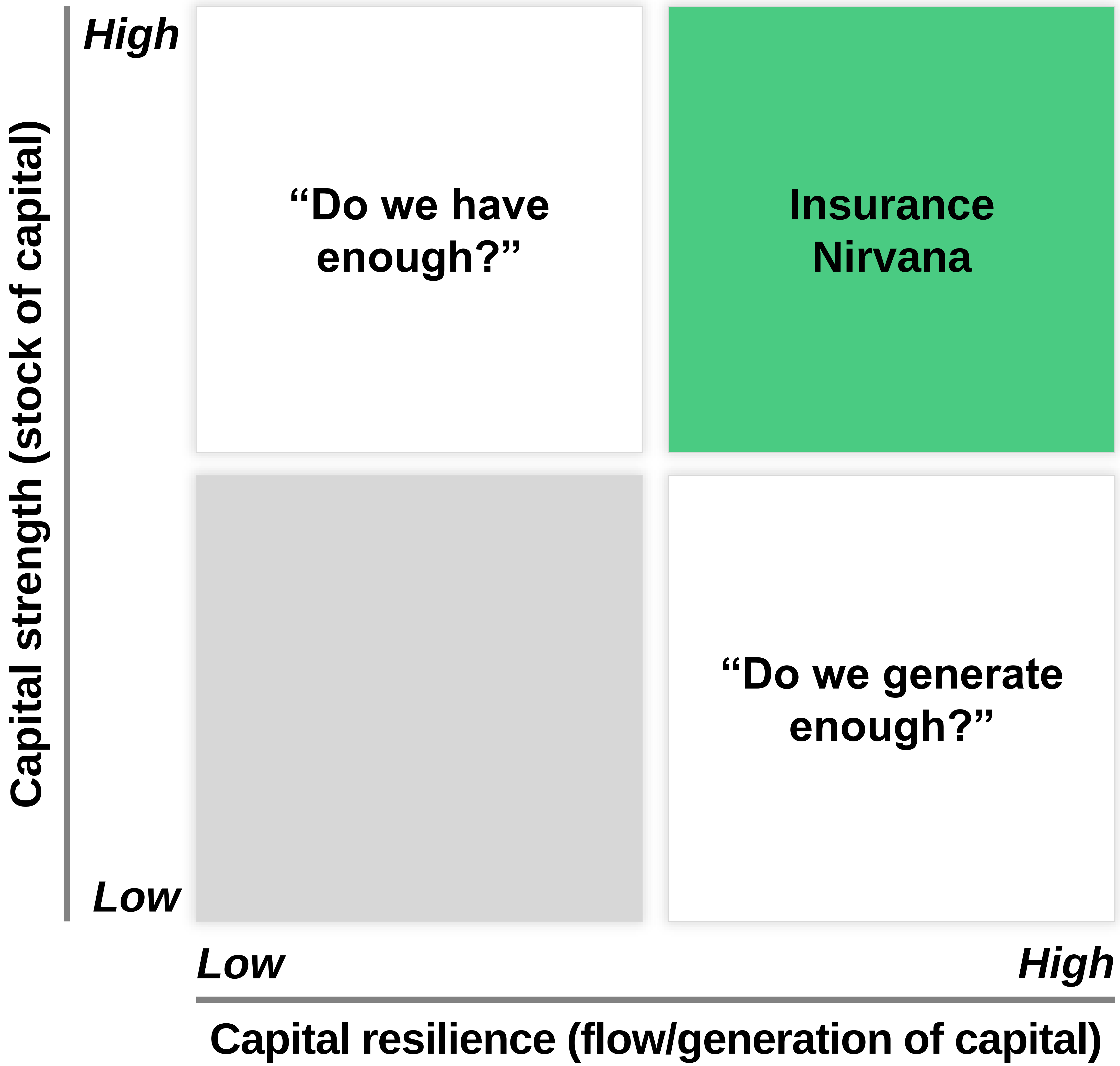
Business mix by GWP

Total 2016: €4.4bn[2]



1 Based on market data from DNB as of 2016 (excl. Health) and post NN Group – Delta Lloyd merger
2 Excluding €116m for eliminations
3 After share buyback (6m shares / € 153m / 5%-pts SII) and excluding a.s.r. Bank

Dynamics of Solvency II: balancing stock and flow



a.s.r. delivers capital strength and capital resilience …

Capital strength

A

Exceptionally strong Solvency II levels

- SCR ratio (standard formula): 191% after latest buyback in Sept. 2017
- Very limited use of transitionals (equity transitional and VA)
- Conservative assumptions (LACDT, cost)
- Significant capacity to further increase SCR ratios, given headroom:
  - Tier 1 headroom > €1,100 million
  - Tier 2 and 3 headroom > €700 million

B

Fortress balance sheet *(IFRS basis)*

- Leverage ratio (23.5%)
- Interest coverage ratio (14.7x)
- Double leverage (103.2%)
- Unrestricted Tier 1 ratio (159%); 85% of EOF

Capital resilience

A1

Organic capital generation due to business performance

- Additive organic Solvency II EOF (€151m in H1 2017)
- Non-life CoR (93.6% in H1 2017)
- Life net investment margin (Up to €259m in H1 2017)
- Operating result from non-insurance business (Up to €15m in H1 2017)
- Operating ROE at 17%

A2

Organic capital generation due to release of capital

- Release of risk margin roughly equals UFR unwind
- Thus effectively allowing SCR release to contribute to solvency stock (ca. €50m p.a.)

Strong organic creation of solvency capital of €193m (H1 2017)

B

Stability of solvency

- Quarterly solvency II ratio variation <6%
- While delivering € 441 million cash distribution

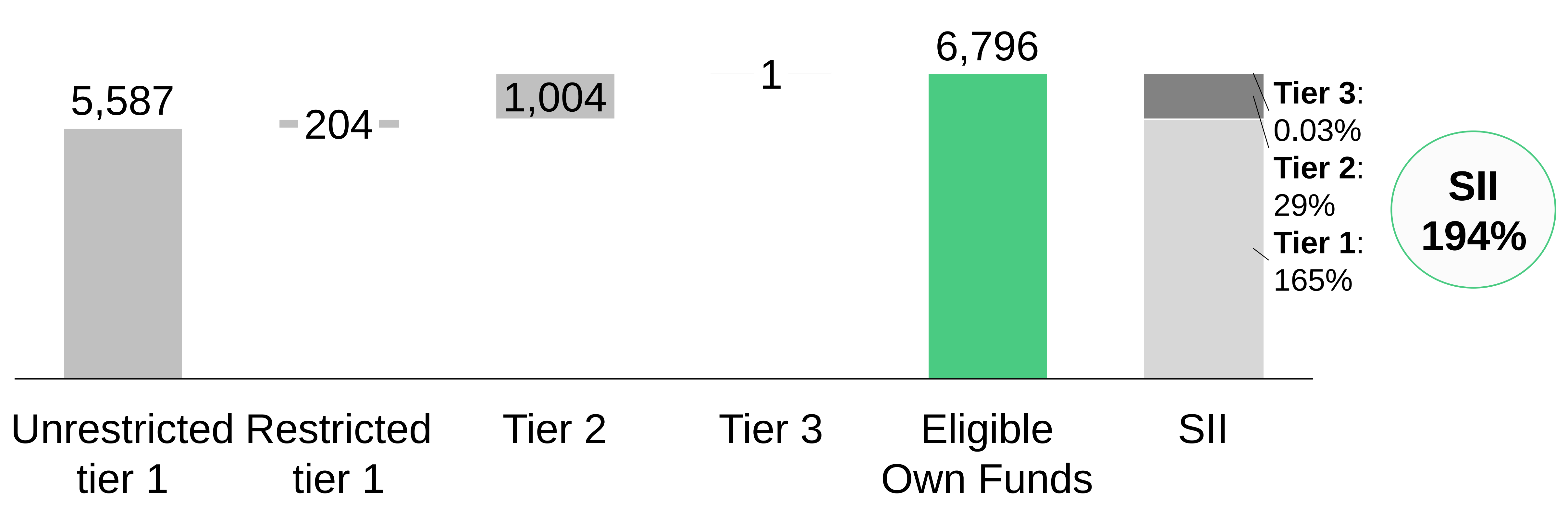
C

Track record of hedging / market risk management

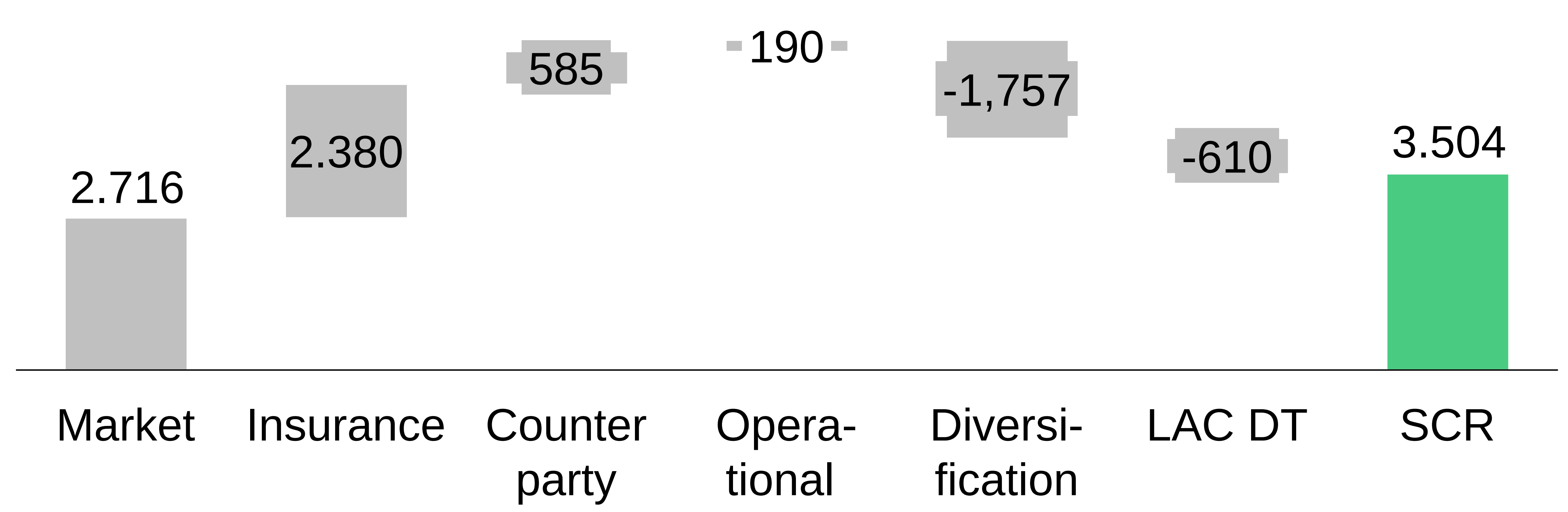
- Interest rate risk hedged on dvo1 basis (duration value of 1 basis point) with small positive exposure to rising rates
- Market risk controlled for ex. UFR capital base. Careful re-risking admitted in 2017

… while Solvency II is robust …

Own funds (in €m)



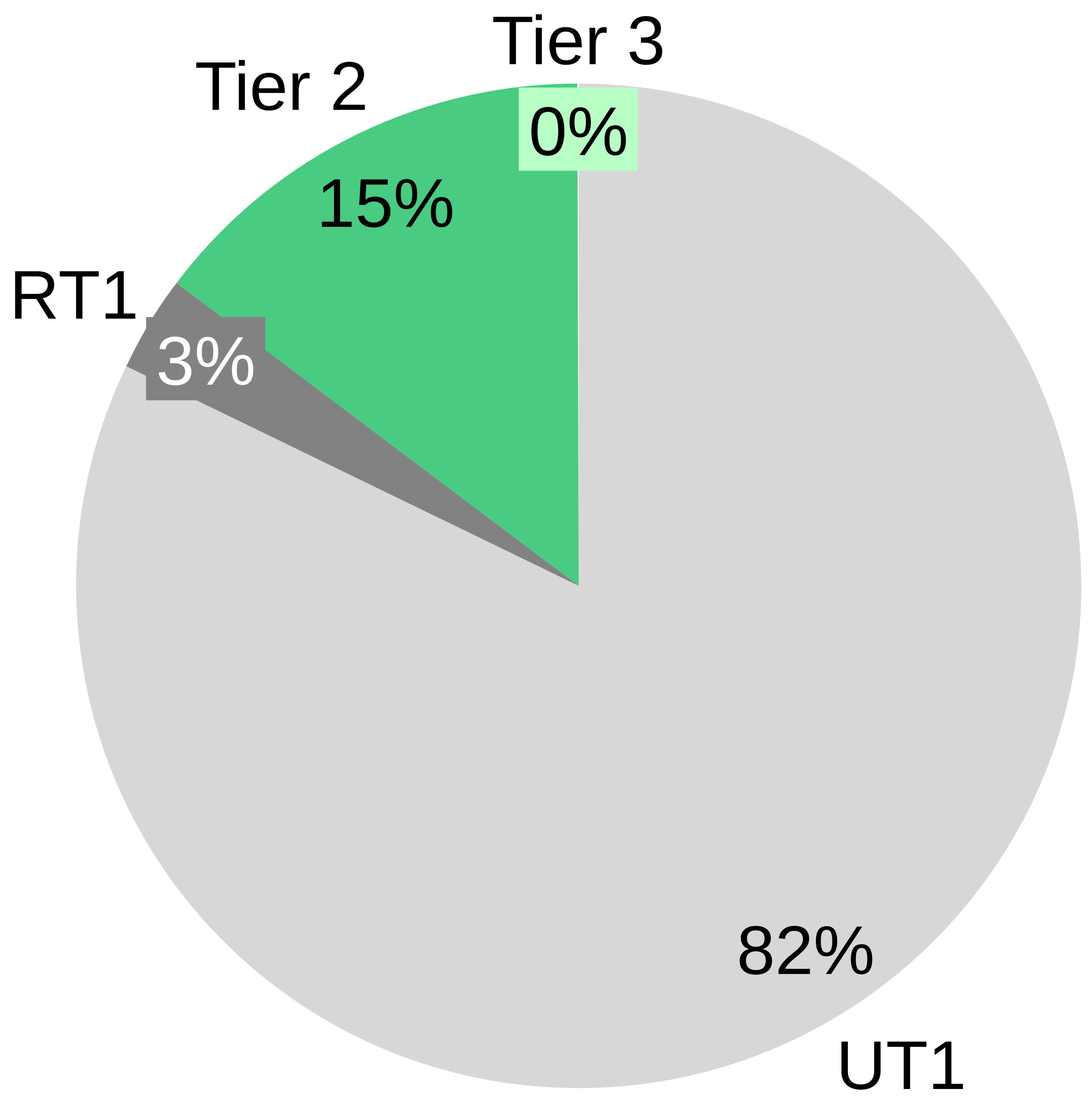
Required Capital (in €m)



1 Excluding a.s.r. Bank

… and financial flexibility significant

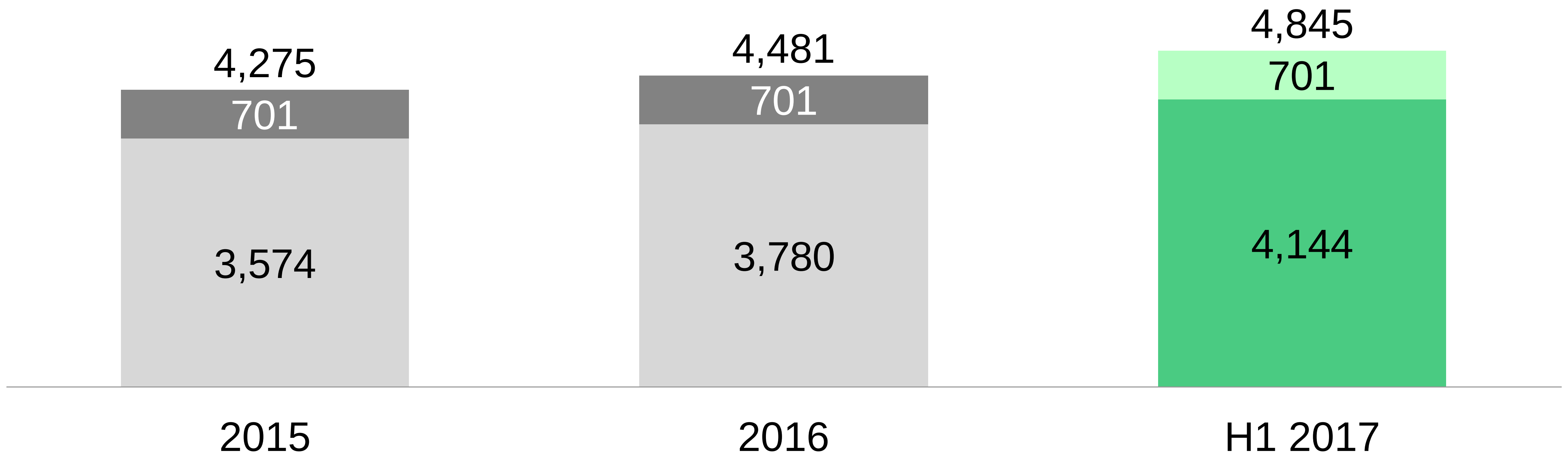
- Solvency II ratio 194% based on standard formula[1]
- Tier 1 capital: 85% of total own funds and 165% of SCR
- Restricted Tier 1 capital grandfathered hybrid capital instruments (first call date 2019)
- Tier 3 capital per 2017 H1 of € 1m; no tiering limitation risk at present
- Significant further headroom available for additional restricted capital (and growing since year-end 2016)
  - Tier 1: € 1.1 billion
  - Tier 2 & Tier 3: € 0.7 billion
- Market risk under 50% of required capital (pre-diversification)
- LACDT ratio 60% of potential



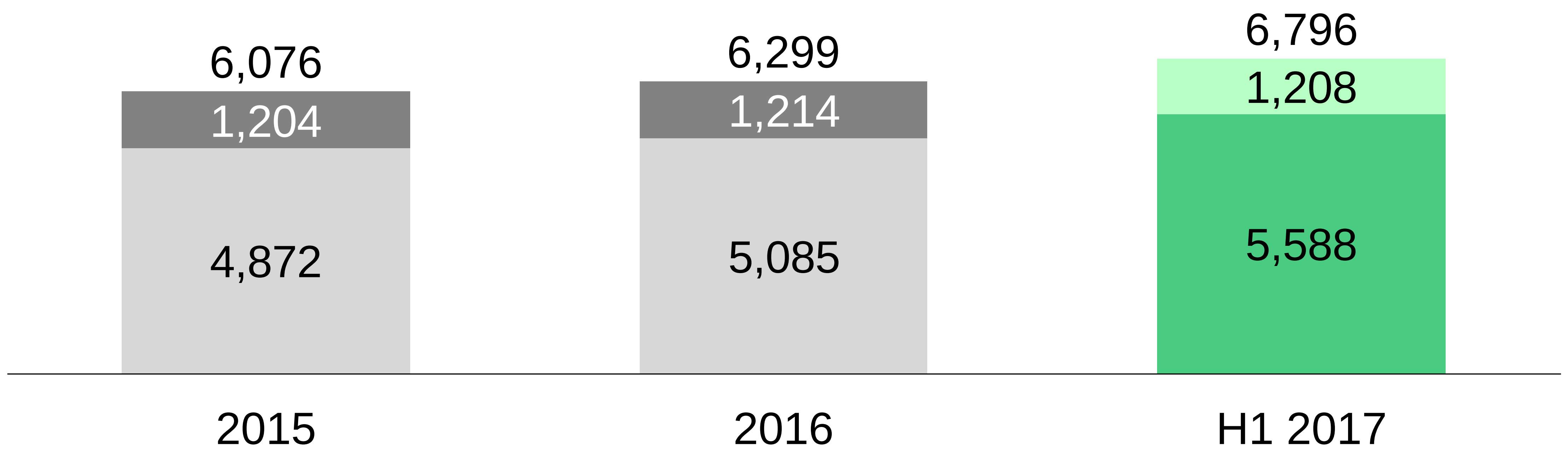
Track record of minimal volatility and robust multi-year development

Hybrids Equity

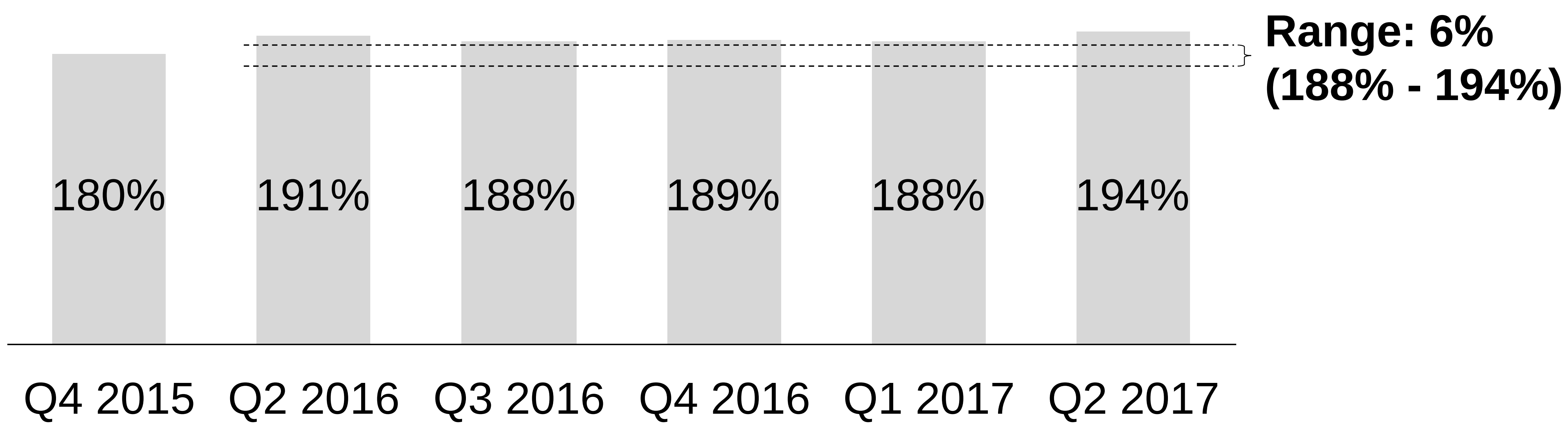
Continuous growth IFRS equity (in €m)



Continuous growth of SII EOF[1] (in €m)

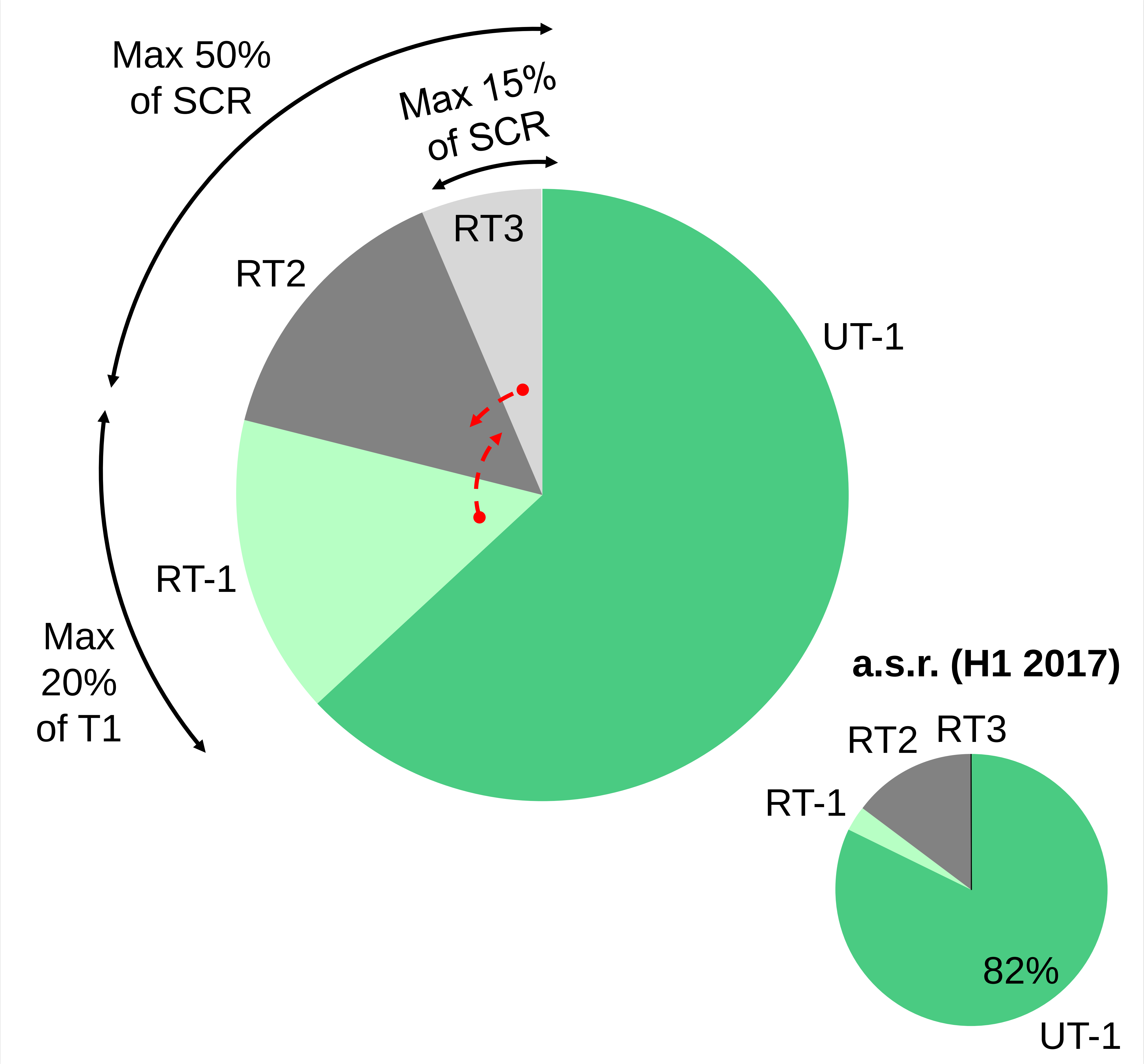


Quarterly evolution of Solvency ratio[1] (in % of SCR)



1 After deduction of (proposed) dividend payments (not for H1 2017), excluding a.s.r. Bank
2 Day one reporting

Quality of Capital: The next focus point



RT2 / RT3 headroom is effectively <u>a function of required capital</u> including market risk

DTA's will consume RT3 space; eventually also reducing eligibility of RT2 capital

Upon decline of UT1, RT1 will move into RT2 category

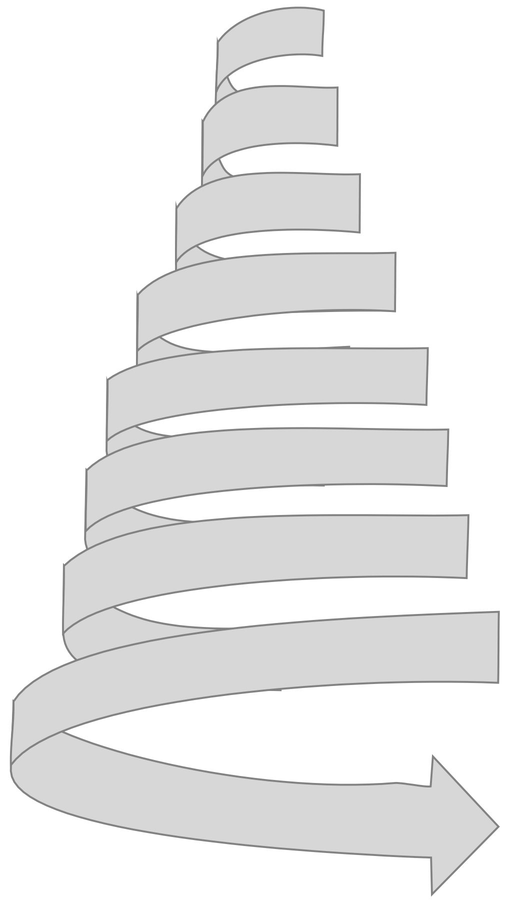
Ineligibility not a problem in "all is well scenario", but may become a serious issue in case of asset losses, interest rate increases etc.

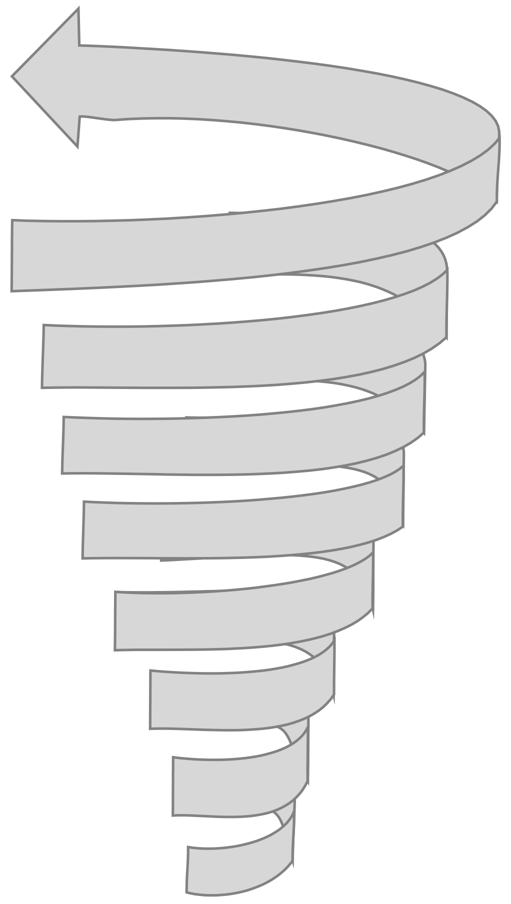
Beware of the spiral accelerating effect; down is dangerous!

- Reduced capital requires de-risking, reducing future capital generation capacity
- Evaporation of vulnerable LACDT components

“Sudden” ineligibility of:

- RT1 / RT3 due to negative market developments
- RT2 / RT3 due to de-risking





- Capital enables generation of flow that creates future capital
- Excess returns continue to be realized
- Invest in value enhancing opportunities

Indicators of “positive/negative spiral” potential

–

Restricted Tier 2/3 capacity fully utilized	LACDT dependent on current and future fiscal profits
Underperformance BEL assumptions	Market risk largest source of required capital

+

Headroom in Restricted Tier 2/3 capacity	LACDT founded in tangible claims against tax authorities
Outperformance BEL assumptions	Underwriting and counterparty risk largest source of required capital

a.s.r. rationale for issuing a Tier 1 Instrument

1 Responsible financial management	• Provide effective financing of Generali Netherlands transaction • Create optionality for refinancing of existing grandfathered Tier 1 (€200m notional) with new eligible RT1 • Add additional instrument to capital management toolkit • Maintain unique and differentiated capital structure (not just level, but also composition of capital). Focus not just on total capital ratio, but also Tier 1 capital ratio (e.g. further enhance Tier 1 capital base) • Optimise balance sheet from a position of strength • Think through the cycle / satiate investor demand for a.s.r. credit, and enhance maturity profile of a.s.r debt
2 Protect strategic value of Tier 2 and Tier 3 headroom	• Keep significant unused Tier 2 capacity as “safety valve”; prudent approach to retain financial flexibility at all times • Keep Tier 3/DTA headroom as unique strategic acquisition instrument for superior deal ROI (e.g. Generali NL)
3 Strategically stay on fore front of capital management	• Differentiator in European insurance landscape: - First to do mass lapse reinsurance - First to publish SFCR - Best in class capital disclosure (organic capital creation, UFR stock/flow sensitivity)

Selection of key terms of the offering

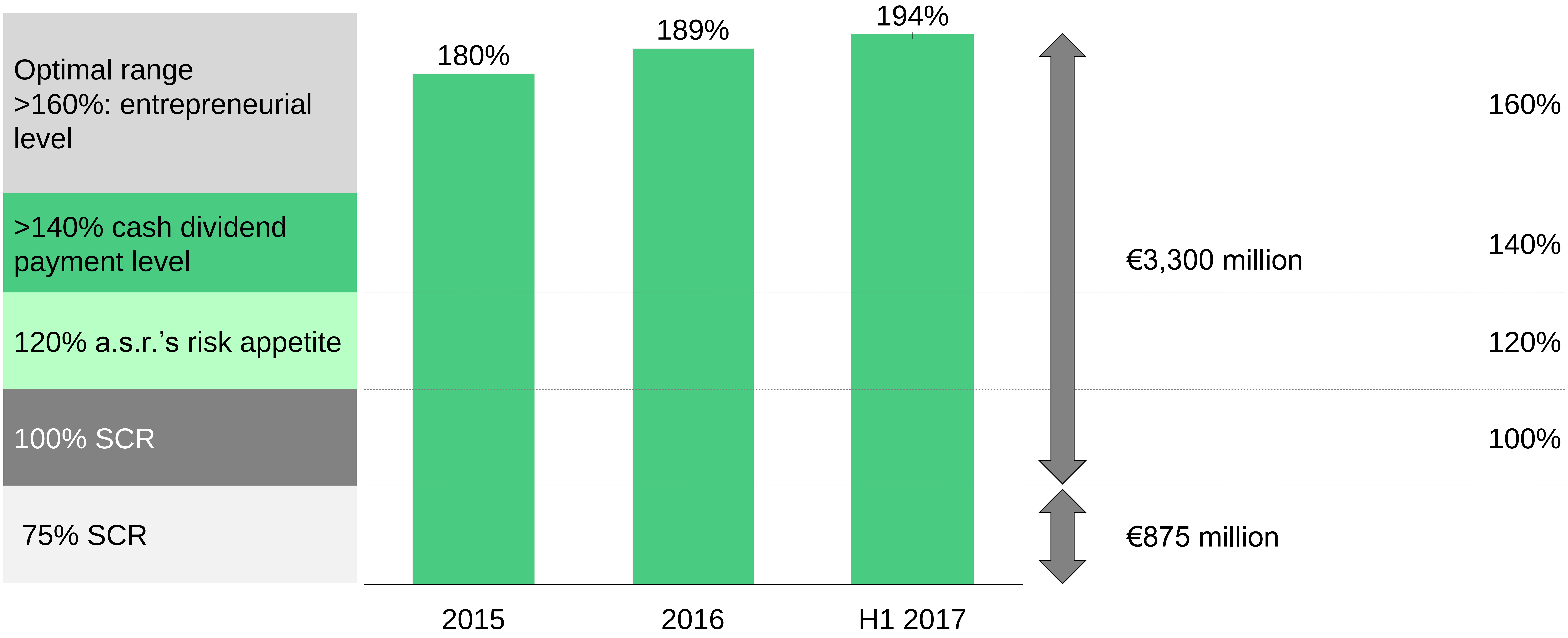
Issuer	**ASR Nederland N.V.**
Offered Securities	EUR 300m
Issue Rating[1]	BB (S&P)
Maturity/First Call	Perp-NC10
Interest Cancellation	Optional at the discretion of the Issuer and mandatory upon breach of Solvency Condition, non-compliance with Solvency Capital Requirement or Minimum Capital Requirement
Issuer Call Option	Issuer may redeem the Notes (in whole but not in part) at par on the First Call Date or every Interest Payment Date thereafter
Contingent Conversion	If the Conversion Trigger Event occurs, the obligations of the Issuer shall be satisfied by its Conversion into Ordinary Shares
Conversion Trigger Event	If at any time that: (i) Own Fund Items ≤ 75% of the SCR, (ii) Own Fund Items ≤ 100% of the MCR, or (iii) breach of the SCR has occurred and has not been remedied within 3 months
Conversion Price	EUR 23.10, (30% discount to a.s.r. share price on pricing date), subject to certain anti-dilution adjustments
Conversion Shares Offer	Issuer may elect, in its sole and absolute discretion, that some or all of the Ordinary Shares issued upon a Conversion Trigger Event first be offered for sale to all or some of its existing shareholders or any other third party

SCR = Solvency Capital Requirement of the Issuer or the Group; MCR = Minimum Capital Requirement of the Issuer or the minimum consolidated Group Solvency Capital Requirement (MSCR)

a.s.r. capital management structure

Solvency II ratio well above entrepreneurial level

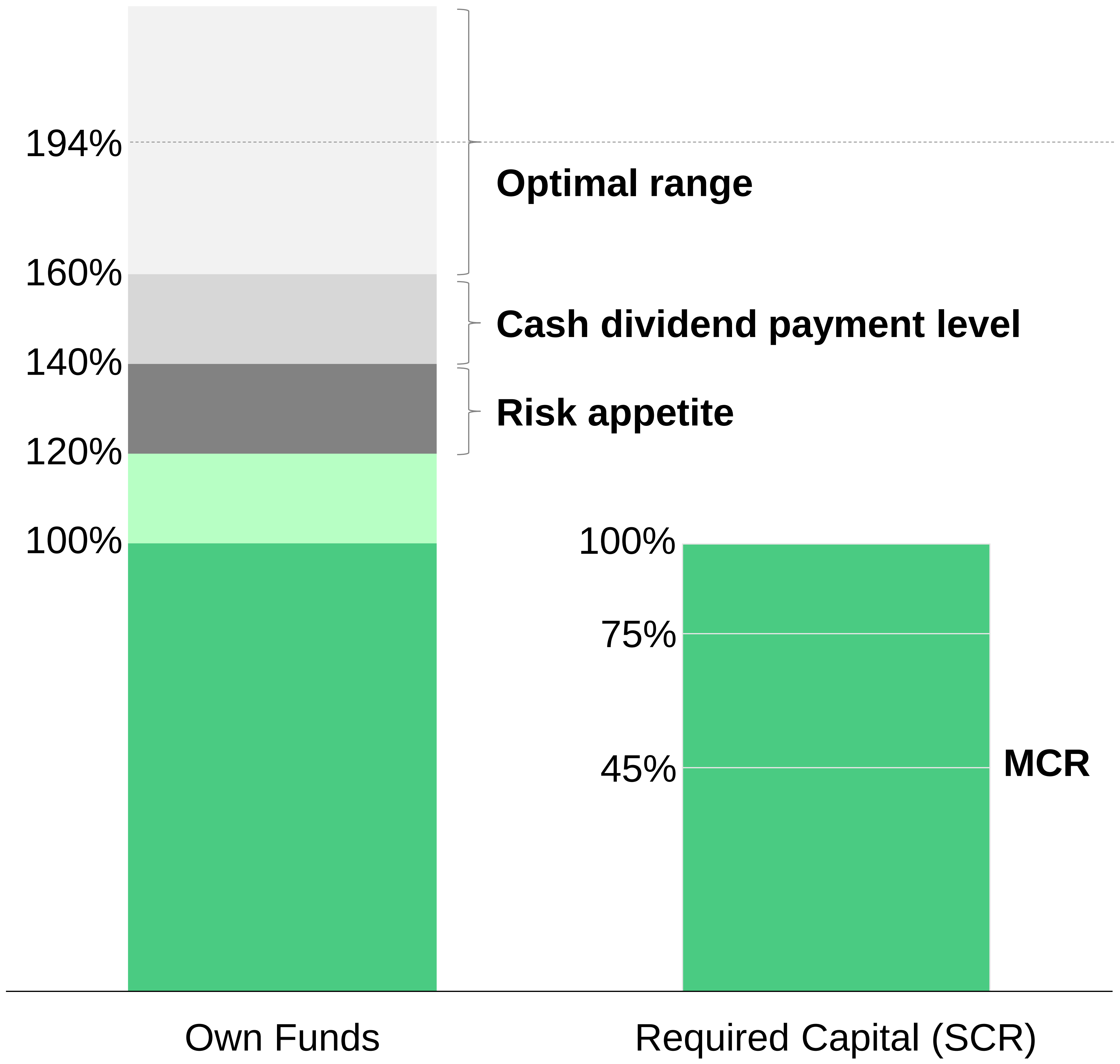
Solvency II management ladder (based on standard model and UFR of 4.2%)



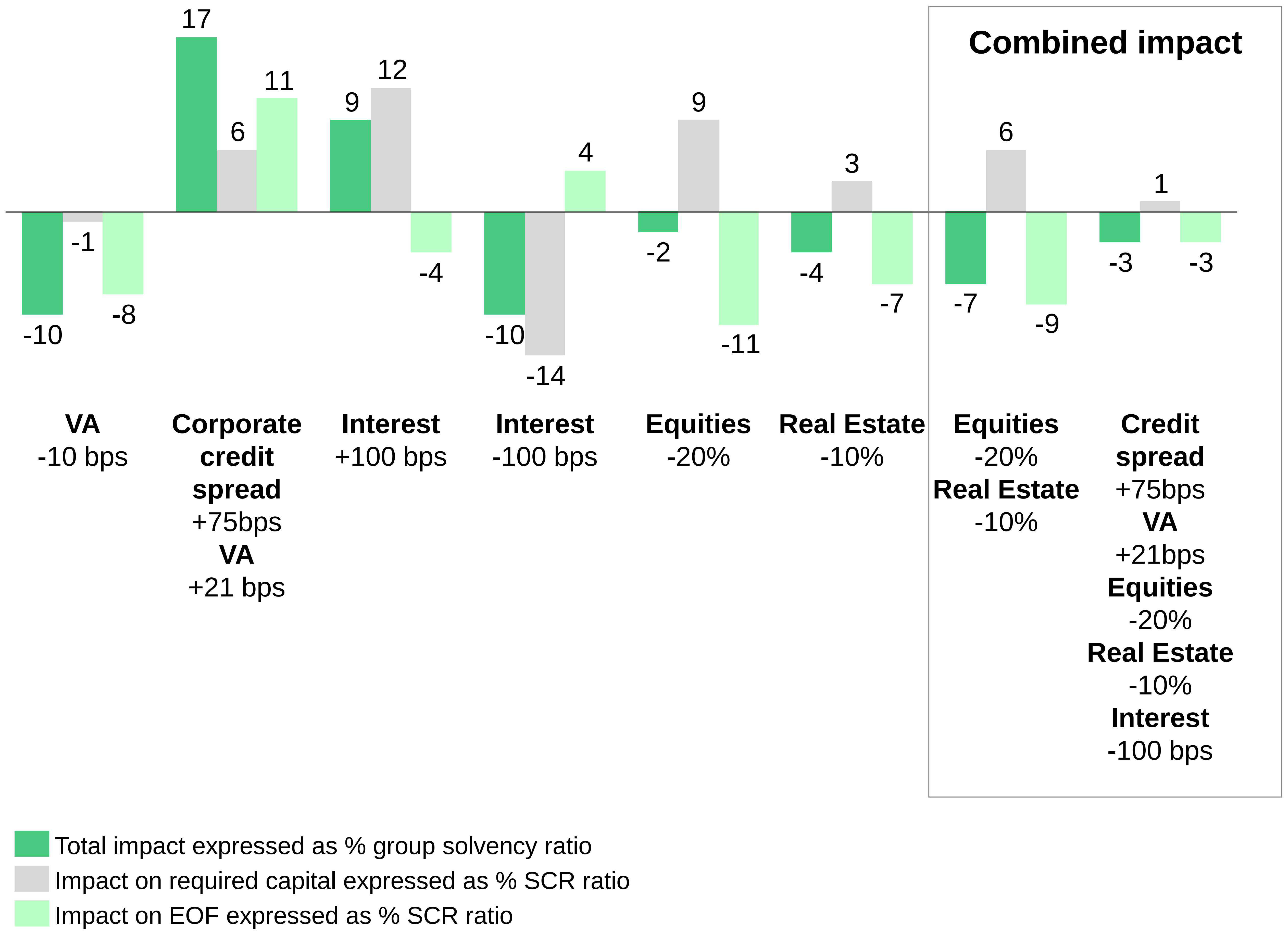
Distance to trigger breach (1/2)

a.s.r. able to absorb shocks

Solvency II (%)



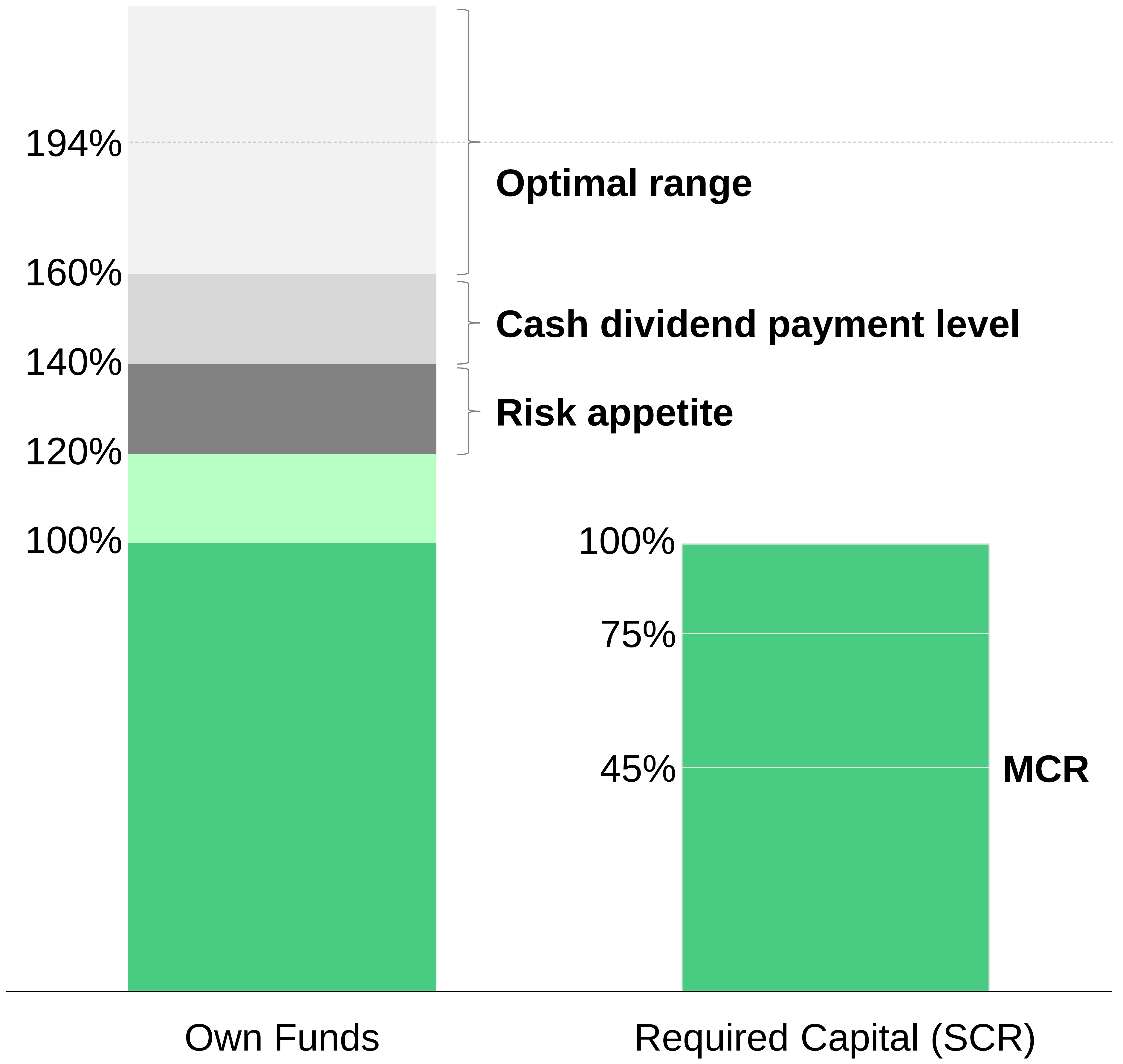
Solvency Ratio Sensitivities



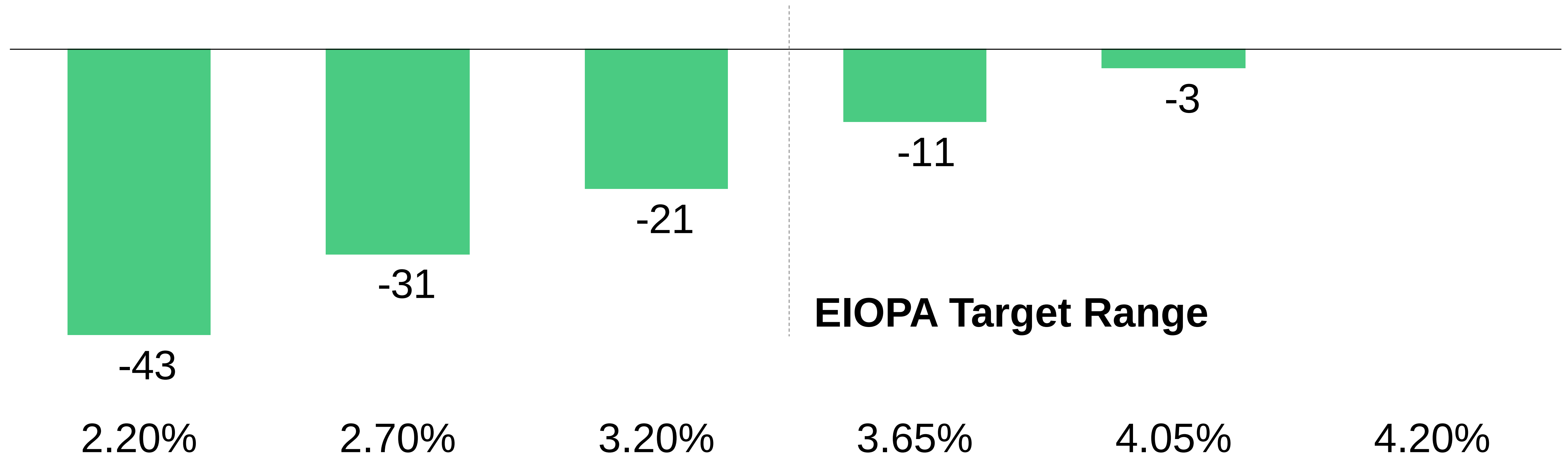
Distance to trigger breach (2/2)

a.s.r. able to absorb lower UFR levels

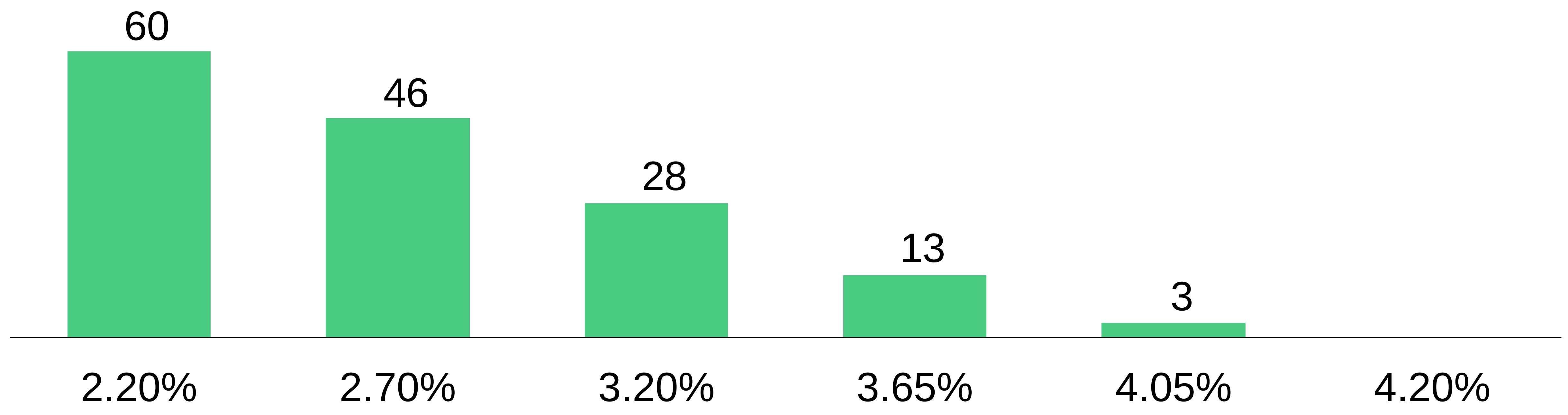
Solvency II (%)



Impact lower UFR stack on a.s.r. in %-pts decline



Additional annual OCC (“flow”) of SII from lower UFR unwind (in €m)



“Playbook” available to deal with potential stress

What actions could a.s.r. take if breaching 100% SCR?

Recovery measures available for an a.s.r. specific event or a market-wide event (liquidity and/or capital)*

A. Adjustment of interest rate hedge
B. Sale of equity and corporate bonds in exchange for government bonds
C. Hedging currency risk
D. Reinsurance of liabilities (Disability Quota Share)
E. Sale of equity and corporate bonds without reinvestment of proceeds
F. Cash facility under securities lending and repo facility
G. Sale of shares in property funds
H. Refrain from dividend distribution to shareholder
I. Reduction of expenses
J. Sale of business lines
K. Sale of portfolios
L. Securitization of mortgages
M. Sale and lease back transaction of a.s.r. buildings in own use

Total impact of a.s.r. specific event:

- Measures could improve SCR by 38%

Total impact of market-wide event:

- Measures could improve SCR by 20%

+ Hybrid capital issuance

- Issuance of a EUR500m Tier 2 issuance to improve SCR by 12%

+ Equity raise

- PM

* Random order of possible measures

- In case of severe stress, a.s.r. has a series of thought-through, holistic options to add to solvency, consisting of internal measures and hybrid capital raise, depending of the origin of the stress
- Addition has been adjusted for duplications and incompatibilities of individual measures
- Contingency measures could add up to 50%-solvency points

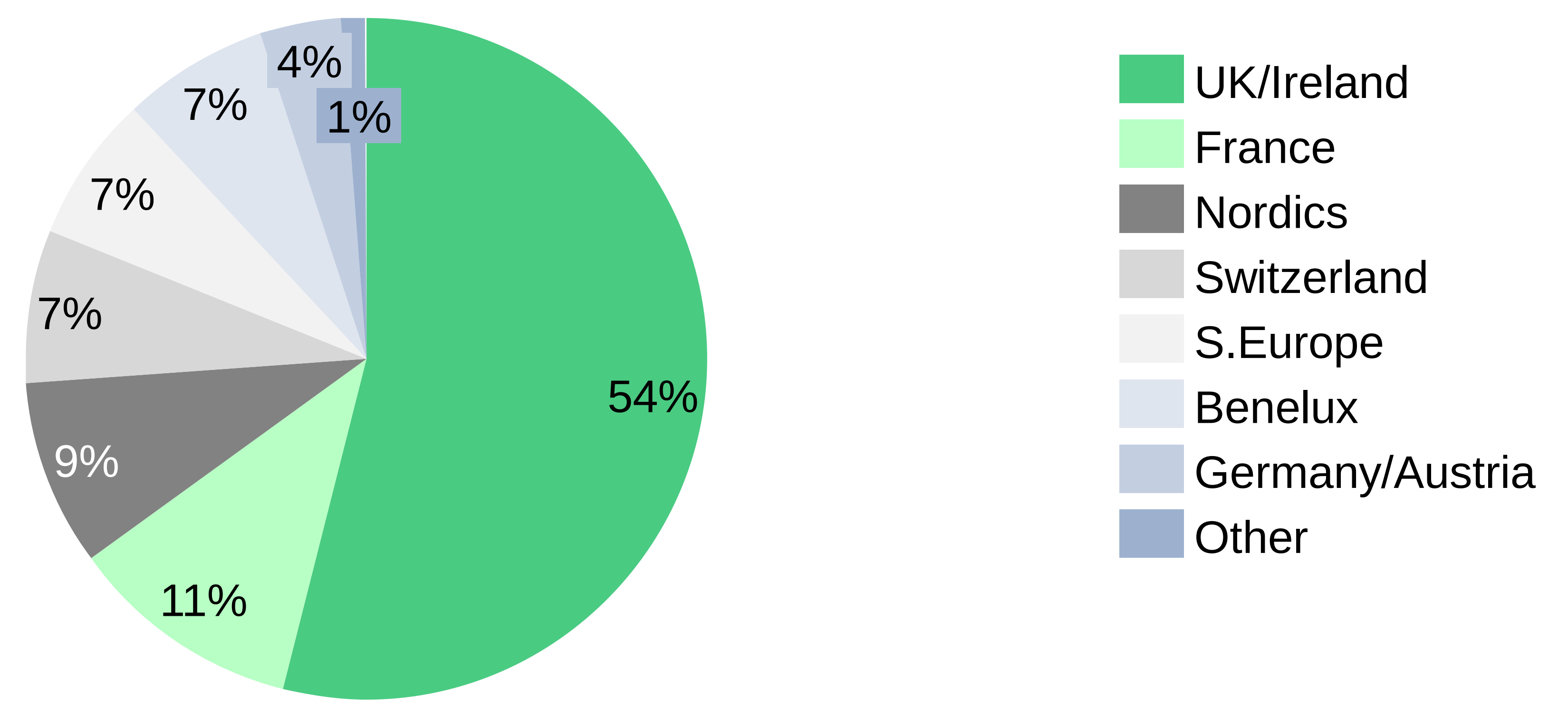
Feedback from investors upfront to the GO/NO GO decision

UK Institutional	Do not expect much RT1 supply in the near-term
UK Institutional	Focus is on understanding the credit and where we like the credit we will express a view down the capital spectrum to maximize yield. RT1 from well rated insurers is of interest, but not keen on mono-line or weaker rated names
Specialist Fin investor	Will certainly look at RT1 and prefer the conversion mechanism to permanent write-down
UK Institutional	Cannot buy permanent write-off, will look at conversion instruments
Nordic Institutional	In general like the RT1 market and think investment should be relatively straightforward given familiar with AT1
French Institutional	No issues in buying RT1. Investment will be driven by credit and valuation
UK Institutional	Like the potential technical for insurance RT1 vs Bank AT1
Dutch Institutional	Interested to look at insurance RT1 – Would need to be very credit specific, and cautious on names with lower SCR cover and/or higher volatility in ratios

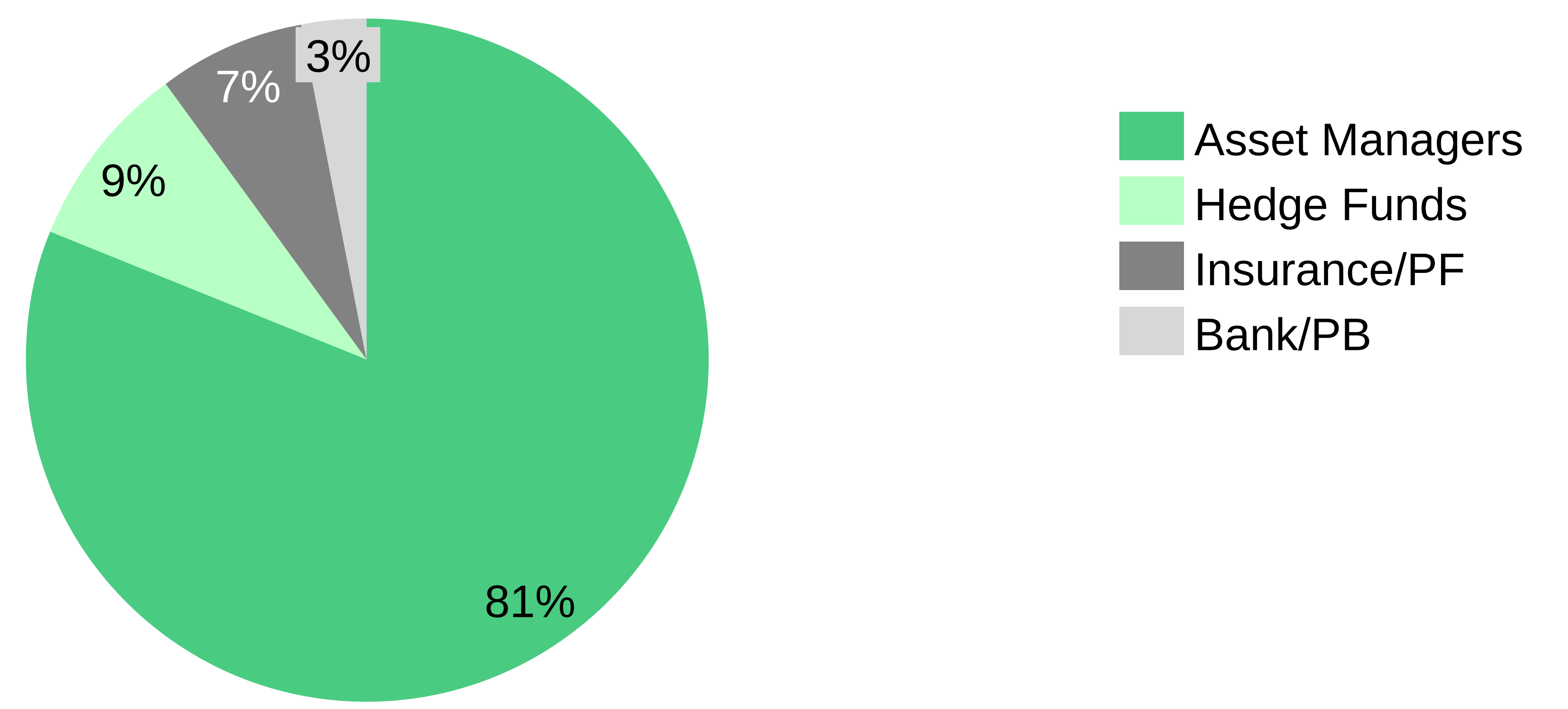
Execution highlights of the inaugural RT1 EUR 300m issue

- The innovative transaction was marketed on an extremely well attended 3-day European roadshow which attracted 100 investors, contributing to the success of the issuance
- Books were opened with IPTs of 5.00% area and the trade immediately gained traction, receiving significant orders from key accounts enabling the issuer to announce guidance of 4.625% - 4.750%
- a.s.r. finally priced a EUR300m at the tight end of guidance off a final book in excess of EUR2.6bn (9x oversubscribed) consisting of over 160 orders, demonstrating the widespread support both for a.s.r. as a credit and Insurance Restricted Tier 1 as an asset class

Geography distribution stats (% allocation)



Investor type distribution stats (% allocation)



Afterthought, … themes for coming years

Best estimate assumptions

- What assumptions in COR, cost level are embedded in your BEL? Especially in LT liabilities
- As time passes, are you meeting or matching these? Will you be able to outperform your BEL assumptions?

Balance sheet metrics

- With IFRS 17 inevitable approaching, what metrics will you steer your balance sheet on going forward?
- Interest cover based on OCC? Financial leverage related to UFR-adjusted EOF?

Tiering and capital eligibility

- Under what scenario's will you face ineligible capital (RT2, RT3)?
- What if rates go up, create DTA's and diminish RT3 and RT2 space?
- If you'd take a Solvency II hit and have to de-risk, would that eliminate RT2 eligibility?

EOF growth

- Will (sustainable) growth in EOF become the relevant "next generation" metric?
- How does UFR unwind relate to risk margin release?

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