Business Update Call

Company Participants

- Alexander Rijn Wynaendts, Chief Executive Officer & Chairman
- Eric Rutten, Chief Executive Officer
- Ingrid de Graaf, Board Member & Chairman-Retail
- Jan Willem Weidema, Investor Relations Officer
- Maarten Edixhoven, Chief Executive Officer
- Rutger Zomer, Chief Financial Officer & Member of the Board
- Willem Horstmann, Chief Risk Officer
- Willem van den Berg, Head-Investor Relations
- Wim Hekstra, Wholesale Chairman

Other Participants

- Arjan van Veen, Analyst
- Benoît Pétrarque, Analyst
- Cor Kluis, Analyst
- Farooq Hanif, Analyst
- Farquhar C. Murray, Analyst
- Johnny Vo, Analyst
- Matthias de Wit, Analyst
- Michael van Wegen, Analyst
- Nadine van der Meulen, Analyst
- Steven Haywood, Analyst
- William Hawkins, Analyst

MANAGEMENT DISCUSSION SECTION

Willem van den Berg {BIO 15203834 <GO>}

Good morning, everyone. On behalf of the entire Aegon team, I wish you welcome here in our headquarters. We're really excited to have you here as this is the first time ever that we've hosted such an event at our offices here in The Hague.

In the moment, Maarten Edixhoven, the CEO of our Dutch operations will kick it off by providing an update on our strategy in the Dutch market. And we'll then have three presentations; Wholesale, Retail and Bank, detailing how we are successfully executing the strategy, and where we see further opportunities. Rutger Zomer, the CFO of Aegon Netherlands will conclude the morning by providing an overview of the financials.

To make it as interactive as possible, we'll have two Q&A sessions for you, in which the participants online, because it's webcasted live, can participate as well via chat. There will be plenty of opportunity during the breaks and the lunch to mingle with the Dutch management team to discuss the market dynamics and the prospects for our business.

And last but not least, I will always have to ask you to review the disclaimer on our forward-looking statements before I hand it over to Maarten.

Maarten Edixhoven {BIO 20017931 <GO>}

Thank you very much, Willem. And as a former head of compliance at ING, I'm always very happy that you start with the forward-looking statement. The Dutch are very excited when it starts to freeze. And I noticed when I was cleaning my windows this morning that it had frozen last night. So, I hope you will be as excited as the Dutch are about the outlook of outdoor skating as we are. And also, it was pretty cold. So, let me start with giving you a very warm welcome here in our head office in The Hague, both of you who are live present, and also the ones that are listening via our live video webcast.

As you all know, we've been through a lot changes this year. Not all of them easy, but I'm really proud that we are stronger today than at the start of the year. We have got a very positive story to share with you today, and I'm really excited about that story and also about presenting the new team of Aegon the Netherlands.

Today, we will present an update on our strategy and financials and also provide insights into our operations in the Netherlands, deep insights into the operation of the Netherlands and as Willem explained for the first time. It's a great pleasure for me to share the progress we are making, outlining how we are executing on our strategy and why we have taken a number of key decisions over the last year which were also well received. My name is Maarten Edixhoven, CEO of Aegon Netherlands since January 1.

In fact, I think this presentation could not have been better timed and I really appreciate your presence here. We sold UMG, our broker dealer network, and restored our capital position which enabled us to fully focus on delivering at our commitments, and our team is very dedicated to deliver on our commitments. We are on track to deliver and outperform on our targeted expense savings for the traditional heritage insurance business. Also, we will give you a very detailed picture of how we are growing our fee-based capital light business which is the future for Aegon the Netherlands.

This growth is driven by the very strong positions we have in the market and there are two main brands, Knab and Aegon. We have also been able to capture and remain our top positions in these segments as a result of our increased efficiency, product innovation, and leading technology adaptation.

The actions we are taking day by day are clearly showing in the composition of our new business which is rapidly shifting to capital-light fee-based. At the same time, we realized that our capital generation is mostly driven by our heritage life and pension businesses.

And this team is committed to maximize the value of all our businesses and deliver on its commitments and targets of capital generation and expenses.

The snapshots you see behind me illustrate the significant contribution that Aegon the Netherlands makes, both in terms of the group earnings, and also capital generation where it generates over 20% of the group total with only 10% of the staff of the group total. In recent years, we have been investing in new business models which show from our ranking and key growth segments. We have achieved top position in mortgages, savings, and pension services despite having historically not been leaders in those segments.

Our large and diverse customer base with a robust balance sheet have been a key factor for our business. The financial strength is reflected by AA minus rating, and we are the only Dutch insurance company that hold that rating, which is something we are very proud of. In the business presentations later today, we will provide an overview of the different markets where we are in, why we are winning, and what is driving our success in the Wholesale, Retail and Banking segments.

I'm very proud of presenting today to you the new leadership team that I've established. So, let me introduce them to you briefly, although they could much better do that themselves, of course. The majority of my management team consists of new recruits with relevant experience at various international and domestic companies.

Rutger, CFO, came with the acquisition of OPTAS by Aegon about 10 years ago, and that's presented to you before. Most of you will know Ingrid from our (05:28) acquisition of Delta Lloyd, and she was also recently voted Business Woman of the Year after only three months at Aegon service, pretty good performance, and much more to come.

Wim spent most of his career in leadership positions at banks and insurers in the fast-growing Asia market while Willem has been the Chief Risk Officer at VIVAT and Zwitserleven in the past and is here also, though not presenting, present for the Q&A. Erik has been with Aegon for most of his career, in both asset management and banking functions. I'm still fairly new to Aegon myself, although I recognize a few familiar faces here from our time as CEO of Zwitserleven. Before that, I had various management positions at NN Group and ING.

The new recruits combined rest of colleagues with a longer tenure at Aegon in total have a experience of about 70 years in financial services, with different leadership roles. I'm very pleased that we can demonstrate how our actions over the last two years have supported transformation of the company. So, let me run you through some of the key achievements we've made in the last two years.

Changing the profile of the company is a significant accomplishment and is the result of the following four key actions. First, we have become a much more agile company which better responds to the needs of customers as a result of our investment in three key platforms. First of all, take-or-pay platform, a platform on which we serve more than 22 pension funds and 2 PPIs with 3.2 million participants; the Aegon platform, online portals to connect over 2 million customers and intermediaries, supported by data lakes which enable us to provide tailored information to consumers, intermediaries, and employers; Knab, our emerging platform with 150,000 customers by now, and one of the highest MPS in the financial service industry. At the moment, we're at about 1,000 customers per week.

Second, we are applying the latest available techniques to modernize our processes, improve the customer experience, and reduce operational errors. This not only leads to improved customer operational errors. This not only leads to improved customer satisfaction, but also reduced and reduces expenses big time. As a result of these and other actions, we are well on track to achieve the expense savings target laid out last year, and we will go beyond that as we continue to manage down expenses with the runoff of the insurance book and faster where we can.

Third, also very important, we have optimized the portfolio by divesting certain businesses and turning around loss-making traditional insurance business while also increasing the scale of our new scale capital-light businesses. Fourth, all of this would not have been possible without our award-winning pricing analytics team and the digital innovations we made, of which I will expound later.

Of course, and also a key focus area of many of you, one of the main areas where we have made progress over the last year has been on the capital front. We have restored the capital position of Aegon in the Netherlands, thanks to a series of really positive discussions with our regulator and through a number of very effective management actions.

We would not have been able to reach this level without the knowledge, effort, and means put in by the group. Nevertheless, almost half of this year's improvement in our Solvency II ratio was driven by actions taken at a local level here in the Netherlands such as risk profile enhancements, changes to our internal model both added significantly to the ratio.

This enables us to better manage potential uncertainties, invest in alternative assets on the basis of a higher solvency ratio which also consistently paying an attractive dividend to the holding. In the fourth quarter, the benefit from the divestment of UMG will further add to the ratio.

Together with expense savings, the profitable growth of our fee-based business, these actions enable us to reaffirm our commitment to €300 million normalized capital generation. The strong capital ratio of 188% together with a sustainable capital generation also puts Aegon the Netherlands firmly in a position to resume dividend payments to the group in the first half of next year.

Also, important, thereafter, we intend to resume a regular pattern of interim and final dividends to the group. As always, this is subject to market conditions and regular governance in line with our adjusted capital management policy.

These are some of the key commitments and actions we've taken over the last year. It's also good to look forward and have a short look at the key trends shaping financial services. Solvency II is just one of the regulatory changes in our industry. Both technology and regulations are growing exponentially in our business. In recent years, we've seen a wave for regulation leading to a whole range of products that didn't exist 10, 5 or even 2 years ago.

What's more, our customer needs are changing and changing fast. Today, they are demanding transparent easy-to-use products, so that we can keep track of their finances and get new products and services at the touch of a button of mobile phone and tablet.

Together with the exponential development of technology, these trends are driving unbundling of insurance and banking products and services. We are capitalizing on this trend by leveraging our insurance banking licenses to play different roles in the financial value chain.

For this reason, we are no longer and will no longer be a market participant focused on underwriting. Instead, we are seizing the opportunity to shift our business model from predominantly spread to a more fee-based business through the following actions: establishing market-leading and efficient platforms, extensive use of data capabilities throughout our value chain, and partnering with third parties to source capabilities that we don't have ourselves. There are lot of smart men and women outside the room these days.

The trends that we are witnessing in the markets have profound impact on the dynamics of our industry. New entrants, mostly fintech companies, are disrupting parts of the value chain. While this used to be seen as a challenge, for us, it's a huge opportunity. We are teaming up with some of the most successful startups to capture new parts of the value chain and digitize our business.

At the same time, we see consolidation accelerating in the heritage as the shrinkage of the traditional insurance industry and required investments and technology put pressure on smaller players to exit and on large players to become more efficient. In Rutger's presentation later today, he will take you through how we are successfully managing down the expenses of our insurance business.

What makes us unique is that we are in parallel investing in new initiatives with a focus on providing services while also bringing in other capabilities where we add value. A clear example is the Dutch mortgage fund where we benefit from a disentanglement from origination of funding of mortgages, which is, by now, one of the fastest-growing institutional funds in Europe and we are establishing Dutch mortgage funds too.

To succeed, we also need to provide our customers with timely and relevant information to make allocated the decisions about the future, and we are in a very good position to do so as we are leading in the market in terms of innovation. Aegon the Netherlands has established over the last year one data leg for each platform and built portals around this for its stakeholders. We are the first Dutch insurance company that provides a single view to all its customers in one app.

Furthermore, we are a recognized leader in data analytics and are on the forefront of applying machine learning and artificial intelligence to reduce cost, enhance the customer experience . This is no talk. This is already happening and executed in the organization.

We are also pruning our heritage life and pension businesses with a program to switch off more than 250 applications over the next couple of years, of which 100 applications to next year 2018 alone. The lessons learned in our Dutch business are also being applied elsewhere. We have a program in place to robotize five high-intensity processes in Hungary and are running pilot in Turkey and Spain to do the same based on what is already achieved in terms of cost savings in the Netherlands.

While we develop some technologies, tools and services ourselves, in many cases, the best road to success is by partnering with digital experts or by investing in technology startups. Our conviction is that in the cloud and with the cloud is the future for financial services across the globe, in the cloud and with the cloud.

Knab is a very good example of this. This initiative was launched five years ago and, in a short period of time, we have turned this innovative online bank into a highly visible and recognized brand. And now we are taking it up to the next level by transforming it into a successful financial services platform which includes advice and distribution of mortgages and non-life insurance products of others.

In online lending, we have chosen to team up with leading platforms in different geographies. Eric Rutten later today with explain in the Bank presentation how we are planning to use these relationships to not only generate alternative investments for our balance sheet, but also to generate fee income by originating loans for third-party investors, i.e., a new business model.

Through Aegon's longstanding venture fund, we don't only have equity stakes in most of these online lending platforms, but also in several pension and mortgage fintech companies. And we expect to announce more in the first quarter of next year.

I would now like to walk you through how we are allocating our resources to those businesses that create value and to achieve growth. At the same time, we are optimizing our portfolio of heritage business in order to deliver on our financial targets. Recently, a lot of progress has been made on this front, including the sale of the commercial line non-life business to Allianz. We also sold UMG for €300 million after having transformed it from a loss-maker into a profitable business over the last 10 years.

In addition, we decided to wind down on our P&C brand, which targeted female customers, but half of the customers appear to be male and that impacted more, before I go into a gender discussion, the results on the P&C and the motor part. We took decisive actions as the economics for property and casualty insurance are challenging in the

Netherlands, and the business was frankly behind on our expectations. We integrated the customers with our Aegon P&C business.

This is, by the way, what innovation is about. Try something new. If it doesn't work, close it, learn fast, and fail fast, and then use the knowledge elsewhere in your business. At the same time, we are very much focused on increasing the efficiency of our heritage pension and life business, especially the unit-linked business, or service book as we call it, which I will discuss in more detail in the next slide.

Building our strong track record, we want to further grow our fee-based capital-light businesses, which today, and this is an important number, already represents approximately 85% of sales. We have the skill and know-how to successfully grow this business and continue to accelerate our transformation. As mentioned earlier, our heritage pension business and the life service book represent by far the largest part of our current balance sheet and our main source of earnings. We fully realize that. We are taking a decisive range of actions to maximize the value of these businesses.

We are increasing our returns by investing in alternative investments based on our higher solvency ratio and on the back of our illiquid liabilities. This is expected to lead to an uplift of €50 million in capital generation over the next years, which is an attractive return on the roughly €300 million capital increase and required capital related to those investments.

We are also reducing expenses and increasing the variability of our expense base. And lastly, and also very important for our new businesses, we are retaining customers when the heritage product expires, and Wim and Ingrid will demonstrate how our strategy to retain Retail and Wholesale customers and transform them from capital-heavy to capital-light products and services is paying off.

In terms of new business, the vast majority already consist of new style products and services, and this ranking shows that we have successfully shifted to more fee businesses. The product innovation in low-cost basis, we have been able to capture top positions in the growth markets we compete in. We are a leading player and the largest insurer in terms of mortgage origination, pension administration services, and PPI, the new style-defined contribution solution, also learning from our UK and U.S. counterparts.

What's striking is that in most of these markets, we are not competing against traditional insurance companies. However, we do leverage the strong know-how in distribution network of our traditional insurance business to be successful in these markets.

This slide shows some key examples of the successful shift we've made to new business models. Firstly, in pensions, we have moved away from defined benefit products with PPI currently representing the majority of our sales, but also our APF is very successful. The remaining defined benefit volumes are very different products from only a few years ago, and today, instead of focusing on buyouts, most of our current production in the space is from a simplified standardized and transparent product with a one-year guarantee.

Secondly, in mortgages, more than half of the volumes originated in the past three years has been for third-party investors. Not all of this will show up in the earnings of Aegon the Netherlands as increasingly the Dutch business serves as a feeder of our asset management business, which is a global line at Aegon. In addition to the mortgage trend, our general pension fund STAP plays a very important role in this aspect. STAP is, in two years' time, off to a very good start with over €2 billion in asset management and another €3 billion in commitments.

To conclude this opening session, I'm really proud of how the team here has tackled the big challenges we faced at the same time last year and set about transforming our business, first of all, by strengthening our capital position and giving more security to our customers and shareholders, by building on our strong market positions, and by leveraging our digital skills and partnerships. The result is that we now have a very strong base on which to move forward.

My management team and I are committed to deliver on our customer promises of a positive user experience and very exciting new fee services, and we are taking the size of actions to create long-term value for our stakeholders by delivering our commitments of attractive and sustainable capital generation and dividends to the group.

With that, I would like to hand over to Wim Hekstra to provide an update on our Wholesale business, and then I'm available for the Q&A. Thank you very much.

Wim Hekstra {BIO 19728050 <GO>}

Thank you very much, Maarten. It's on? Yeah, it's on. Good morning, everyone. My name is Wim Hekstra. I joined Aegon just over a year ago, spent most of my career outside of the country. In the last 13 years, I was based in Hong Kong and my last role was being a CEO for Sun Life Financial, Canadian insurance firm probably familiar to you, to all of you, and spent six years with ING in Hong Kong as well. I see an old friend in the room here from Asia as well, so nice to see all of you. Within the management team, I look after the Wholesale business.

In my presentation, I'd like to focus on the market in which we operate. It consists of two business lines. I'll share some of the opportunities. But what we are witnessing in the Dutch market probably similar to other players in the world is a shift towards more transparent, simple, new style, fee-based DC solutions. This type of business built on scale, so scale is something which provides us the opportunity. And because of our leading positions in this area, we believe that there's a good opportunity for growth.

But before I look into the opportunities, let me share you a glance of what Aegon Wholesale looks like. Aegon Wholesale is a large part of the Dutch business. We have our income protection business but predominantly our retirement services business, our pension business being part of Wholesale. We serve 4 million pension participants. Those are 3 million participants which we service from TKP through pension funds and around 1 million pension participants which we still administer here in The Hague. 22,000 corporate clients, large part of our business 70 million of new sales in the last 12 months and 360 million of deposits. Deposits is what we call our deposits and contributions in our PPI, our DC plan.

Traditionally, very strong position in the life insurance space. I'll talk about that later. Number four in income protection but I'm particularly proud to see that we are number one in the new style pension vehicles which have come to the market in the past couple of years. Well, yeah, as you've seen, I just wanted to highlight one of the parts in the corner here. Maarten showed you the balance sheet of Aegon Netherlands. A big chunk of that sits within the Wholesale business, around £50 billion of liabilities.

You saw the slide just now. I won't talk about it too long, but for Wholesale we are focusing on new style, more transparent, DC and service-type solutions. Other businesses are still a large chunk of what we operate, but focus is predominantly on growing the service and the fee-based business and I'll show you how we have been doing that and are doing that at the moment.

This is what we do, servicing customers throughout their lives. This is a slide which you may have seen in other Aegon presentations around the globe, making sure that when people start their career we're starting with helping them building up and accumulating savings throughout their career, making sure that they're well protected and continue to accumulate and after retirement offering them solutions so that they have a happy and healthy retirement after a career in their working life.

This picture shows what the retirement landscape in the Netherlands looks like. I think many of you are familiar with the Dutch market. It's a big chunk. It's a big market. Traditionally, a lot of mandatory pension schemes. So, on the left-hand side, you can see the pension area. This is still a relatively stable area, I think you probably hear that a lot of talks going on restructuring the pension arena in the Netherlands, that's also related to a lot of the pension funds.

In the pension fund market, we focus mostly on administering participants and asset management. The insured solutions, this is a market which is declining. These are traditional DC products, particularly our DB book, I'll talk about that, we see that declining, and the new style pension solutions, which are the PPI, the DC market, and the general pension fund, APF, as we call it, and I'll talk about that. Those are the two areas which we see significant momentum at the moment.

Having said that we are focusing on new style pension solutions, a big part of our in-force is still sitting in our DB back book. Even though we see clients where contracts expire, they are moving into new solutions, it's still around €30 billion of assets on our back book. And this area, which will be touched upon by Rutger Zomer later on, this is also the area where we see opportunities for alternative investments.

This is an area – this part of the business will still generate a significant part of our earnings and also will generate a significant part of our capital going forward. As you can see, and I think this is maybe on your mind, is this a block of business which is disappearing rapidly. No, it's not. You can see that it's still only gradually declining over the next decade.

Clients in the traditional DB products, they are shifting towards different type of solutions. So if you see today that if employers can make their own choice, they would like to shift to DC solutions. We offer those. However, if you look at renewals - so this is a picture which shows that existing clients, in which type of solutions are they renewing, you can see that still there is renewal in the DB space. And Maarten just touched upon also a product which we offer which is a more flexible DB product, which is a subscription type of product. We see that also, employers choosing to go to those more flexible DB arrangements. So it's not that DB is not existing anymore but the shift is significantly towards DC.

Again, this shows that even though there's demand for DB and some enrollment into more DB subscription product, the engine for growth is our DC market, is our DC products. And that's what we have chosen to sell only DC products in our PPI. So, we have two PPIs. One is focused on the SME market. One is focused more on the corporate market. Both are growing as we speak. And you can see the shift of traditional DC products into the PPIs. You can see the growth of assets in our PPIs in the years to come. Just to give you an example on a monthly basis, we have around €35 million to €40 million of premium into those PPIs at the moment. So that's growing.

So, we administer those on TKP, the platform we have in the Netherlands, and we benefit from the scale we have in our two asset management companies which is Aegon Asset Management and TKPI which is under the flag of Aegon Asset Management but is a fiduciary manager in the northern part of the Netherlands as well.

These products - as the DC market is growing rapidly and at the end of a retirement scheme you have to buy an annuity, the annuities business in the Netherlands is growing fast. So sometimes there's a perception that the Dutch market is not growing. Well, there's pocket of significant growth. This is an area where we see growth as well.

So DC balances are growing at 67%. People need to buy an annuity and since last year, it's the opportunity to buy instead of a fixed annuity to buy a more flexible annuity to continue to have some exposure to the market. So last year, we launched as the first in the market this flexible adjustable annuity. And as you can see, the whole annuities business is growing rapidly and around one in four of our customers currently choosing for this flexible annuity to keep some exposure to the market. And we expect this market to continue to grow double digit going forward.

This picture you just saw in the slide of Maarten, but again it shows that you see our DB sales declining, our PPI sales continue to grow and our pension annuities also to being a growth market. So, you'll see the composition of our sales is shifting from guaranteed product to guarantee light or non-insurance products going forward. Having said that, the DC market is growing, our focus is on the DC market.

A question you may have is will Aegon continue to play a part in consolidation in the pension fund markets going forward. We do expect further consolidation in the market in terms of pension funds and, yes, we see chances there and we have the APF, our general pension fund, and if buyouts occur in the future, we may take a look at them if the metrics look attractive.

DC is a scale game and we are leveraging the scale of our administration platform in Groningen in the northern part of the Netherlands, arguably, the most efficient administration platform in the Netherlands. At the moment, you can see that the cost per participant is very low even also for international standards and all our new propositions, we are building on the TKP platform. So, the PPIs are on the platform, our general pension fund is on that platform, and also we are shifting part of our administration, which we have here in The Hague, towards the platform in Groningen because the platform is more efficient and we believe to have investment in one platform rather than two will be more beneficial going forward.

I think it's nice to mention because that's a new vehicle, which we set up a year and a half ago, is our general pension fund, APF, STAP as we call it. That's the brand name. You can see that there is €2 billion of assets in STAP as we speak.

Yesterday, a very large pension fund announced to join STAP as well and so we expect that throughout the next coming months that we will have around €5 billion of assets in our general pension fund, which we're obviously very pleased with.

TKP is a platform for our pensions. It helps us to lower cost to drive efficiency. Still, we have a administration here in The Hague. And what do we do in our heritage business is very much trying to look into automating or robotizing processes. This is a good example of what we have implemented this year. This is the divorce process. Obviously divorce, complicated process, not only on a personal level but also to administer or to process a divorce in our system, is many steps going through different system, getting access to data from different areas, complicated, it takes around 2.5 hours for one of our colleagues to process a divorce.

We've set up RPA, a robotized process, which brings down the time of 2.5 hours to 20 minutes. Obviously, a significant savings and a robot can obviously work very long hours and chances of mistakes are lower as well. So, these are initiatives which we are doing more on our heritage business to make sure that operating cost come down.

Our wholesale business is income protection and retirement services. And what we have done is to bring those two businesses together makes – gives us the opportunity to have one front end, so what we have done all the sales and marketing departments in these different operations have been put together. We went from 65 to 40 sales people. All the sales people are now licensed to sell different products over the different product lines, so that's a more efficient sales process, and as well developing a front-end application for our customers or employers so that they have a one-stop shop which also offers us the opportunity to cross-sell. As you remember, 22,000 corporates, part of them in the retirement services, part of them in income protection. This gives us the opportunity to cross-sell.

Let me now move to the income protection business, the – would say the smaller brother of our retirement services business, still a large business here in the Netherlands, €3.5 billion of premium of which we more or less have 6%. We are the number four player in the market and this business focuses on disability and sickness for employees. And although our business is not huge, I'm confident that we can grow within this segment because we have this large corporate client base that gives us the opportunity to cross-sell.

What has happened? This year, we've made significant headway in improving the operations of this business. I think it's fair to say that this has been a challenging business. It's been a challenging market, so it's not only us facing those challenges. This year, we focused a lot on operational efficiency, tighter controls, being stricter on claims, reintegration and we have significantly improved our data management, which has brought this business actually into a very profitable year which we are having so far. If you look at the combined ratio, it has come down significantly. And going forward, we're targeting a combined ratio of around 96% to 98%. At the moment, we're cruising slightly lower than that.

This turnaround gives me the confidence that we can further grow. However, this area is also a business where there's a lot of services around. So, if you look at where we have traditionally been strong, has been in the underwriting segment, so really taking those risks on the balance sheet as a risk carrier. But if you look at the opportunities and the growth in the income protection space, you can see that's very much surrounded by the health and wellness for employees.

So, it's about employee engagement. It's about making sure that people live healthy lifestyles, reintegrating people who are sick and so forth. And there's companies around in the country who have been growing very fast. We deliver such service as well as Aegon here in the Netherlands and we see the opportunity for growth in this segment because it's also a more fee-based business than a business which is on the balance sheet. This could mean growing our sales, which we are doing. We're looking for partnerships in the country to expand in these services field.

So, let me conclude. Aegon wholesale is a big part of our business here in the Netherlands, dominated by our retirement services, long strong history. Traditional business is strong, but particularly strong also in the new vehicles, which we have launched in the past couple of years. Going forward, we'll focus more on hand in hand income protection and retirement services.

And the position we have today gives me very good confidence that we have a very good future ahead of us.

So I'd be happy to take any questions.

Q&A

A - Wim Hekstra {BIO 19728050 <GO>}

And Maarten will join me as well. What we'll do is I think we need a microphone. Yeah, Hank (00:39:42) will be moving around. Okay, very good.

A - Maarten Edixhoven {BIO 20017931 <GO>}

Even have a chair for you, Wim.

A - Wim Hekstra {BIO 19728050 <GO>}

Thank you so much.

Q - Michael van Wegen {BIO 6435238 <GO>}

Thank you. Mike van Wegen, Bank of America Merrill Lynch. Two questions. First of all, Maarten, you talked about making the cost base more variable. Can you talk a bit more detail about what exactly you're doing, how far you are, when it should be finished? Second question is on the APF business; €2 billion AUM, now €3 billion of additional commitments. Can you tell us how much of that is pure administration versus how much also has the asset management side attached to that? How fees compare for the two? And I guess because you have take-or-pay (00:40:24), this business already is profitable pure on administration given that you have the scale? Thank you.

A - Maarten Edixhoven {BIO 20017931 <GO>}

You start with the second question?

A - Wim Hekstra {BIO 19728050 <GO>}

Yeah, happy to start with the second. As mentioned, very pleased to see the progress of our APF, €5 billion of commitments, $2 billion in the books. Indeed, it's an asset management and administration play. So the vehicle, APF itself, is a very small vehicle with very compact governance and then the outsourcing takes place at TKPI. So the investment part, asset management part and TKP for the administration part.

Indeed, we have scale. It's a profitable company TKP. So adding more volume is something we like to do and that's where the APF is definitely helping. We price those contracts on a standalone basis for TKP. So TKP thinks it's a good deal and the TKPI investment part is also on a standalone basis. So those two contracts, they are good business to us.

Q - Michael van Wegen {BIO 6435238 <GO>}

Sorry. Can you split for the €5 billion? How much is pure administration and how much also is the asset management component?

A - Wim Hekstra {BIO 19728050 <GO>}

It's hard to do that because the admin part is on a per-member basis and the asset management part is on the basis-point basis. So, that would diverge over time.

A - Maarten Edixhoven {BIO 20017931 <GO>}

Okay. On the expense side, I think, first of all, I think that's a very much an ongoing business. So, the expense reductions we took off the last two years enable us to meet and overachieve on the €50 million target that was for the Netherlands and now it's for 2018. We see room to go beyond that. We also have to go beyond that because, of course, the Unit-Linked book, service books are declining, and we have to make sure that we reduce in that expense base. To be more specific there, the actions we are taking, we have - like I mentioned, is about reducing the number of IT systems we have there, specifically in the Unit-Linked space we have two, we moved to one. We also looked at, for example, outsourcing possibilities in order to make sure that the costs are more variable, which my belief is as important as reducing the cost. So, that's one.

We are able of the last few years to keep the cost per policy constant, whilst in the service book the number of policies is declining. With regard to the DB book, Wim already had one reorganization this year reducing expenses in that area, also in order to meet the targets that we are set, and we will also continue to do so and we also started the transformation of part of the book administrator in The Hague to take a pay which is basically done in internal outsourcing arrangement, verbalizing the cost of the DB book. And we look at that step by step whether that makes sense and whether that produces and verbalizes the back book. And as said, we see ample room to go beyond what we already announced in that area.

Another very important part as also being presented is through robotization and applying AI. You really can drastically reduce cost in the services organization. So that's another area where we are looking at finding very good business cases and apply them if the business case makes sense.

Next question?

Q - Benoît Pétrarque

Benoît Pétrarque from Kepler Cheuvreux. Good morning. I wanted - three questions on my side. Just the first one on the DB new style, I think, which is a big part of your renewals. Could you talk about the level of standardization? Will that be a game changer to manage the kind of the cost, the running cost on the policies? And I wanted to understand if this is a cheaper product for your client or is there profitability for you guys on this new-style DB? And also if there's any change in terms of capital requirements or just the same kind of capital allocated too on a different way? So, that will be the first question.

The second one is on the income protection. I was just wondering you have a 6% market share. Are you the right owner for this type of business? We have seen consolidation obviously. It's very complex also in terms of understanding the reintegration process. So with 6% market share, just wondering if you have a future in this market.

And the last one is just briefly on the PPI. I was just wondering if you could give us some profitability figures on this. Is that - are you making on the PPI or not? Thanks.

A - Wim Hekstra {BIO 19728050 <GO>}

Okay. Let me start by the subscription product, the DB subscription. So that's annually renewable subscription product. So basically, every year, clients can say goodbye and so the guarantees in the year are just for a year. We reprice it on an annual basis. So that's also a reason for customers who may say that when they get their new tariff they may consider to go elsewhere. So this gives the client, but also as much more flexibility, hence, it's not a capital intensive product for us because we can reprice on an annual basis, and that's within our pricing hurdles. So, it's a good product. It's a product where clients would say maybe that's an in between. I come from a more long-term guaranteed arrangements, maybe this is something which I like.

People also like the fact that we take away all their concerns because annually we make sure it's compliant to all new regulations. So you can sign up and every year we'll make sure it's compliant to new regulation. It's repriced so that's a consideration for a client to may say to go somewhere else. But people like that kind of more flexible arrangement and so – and we like it too because we can reprice the product. So that's – is that an answer to your question?

Q - Benoît Pétrarque

Yeah.

A - Wim Hekstra {BIO 19728050 <GO>}

On the income protection, indeed, 6%, number four, three big competitors in the market. I think the important thing for us is making sure that we have a strong belief after also doing what we have done this year that we can run it profitably. This year, we've made significant steps to improve profitability and this year actually is a very good year for us. And on that basis, we are now investing in further growth and we have loyal clients. And as I mentioned as well, the cross-sell with our pension and income protection business gives us the opportunity and the belief that we can grow further in this segment. In my presentation, I highlighted that the services side is an area where we see even more growth and that maybe an area which we would look at opportunities to accelerate.

On the PPI, your last question PPI, profitable. Both vehicles are still in a run-off phase. We've been in the business for a couple of years. If you look at PPI, it has different – you have to look through the value chain. So, is it profitable? Yes. There's an asset management similar to the question earlier from Merrill Lynch. There's an asset management fee. There's an admin fee and there's a governance fee. If you look through the chain, these are profitable products, capital light, and we aim them at above 10%.

A - Maarten Edixhoven {BIO 20017931 <GO>}

Yeah. Maybe to add to your question on the income business, I think if you look at this very interesting market in the Netherlands, if you look at – your question on the right ownership, if you look at that market over the last 10 years, skill has not been the determining factor in the income business, rather you see that skill has led to some very large losses over the period, which Aegon did not have in that segment. So, I think actually agility and profound knowledge of the social security system, as well as underwriting, our key capabilities in that area. And I think we are – as we show also in the numbers, we are very well positioned to execute on that. We also want to increase our market share in that. And as Wim said, we are looking for perhaps bolt-on acquisitions in the servicing area of income protection to grow our strength in that value chain.

I think you have been very good listeners, so I understand there are a lot of questions right now. That's good.

Q - Cor Kluis {BIO 3515446 <GO>}

Cor Kluis, ABN AMRO. Question is about the disability insurance business. So, you have a target of around 96%, 98%. You've seen some competitors having clearly lower combined ratios in that business line. Is this – you mentioned skill is not directly the most relevant piece there. Why not lower combined ratios or is the business mix somewhat different than companies like ASR for example?

And secondly, you mentioned that you can grow in disability insurance because you have a lot of corporate relationship, of course, than the rest of the business. Which part of the disability premium or client base is coming from the rest of the Aegon corporate business? And, yeah, what has been your experience in the past from doing cross-selling because that's always easy on paper than on practice of course.

A - Wim Hekstra {BIO 19728050 <GO>}

Yeah. That's fair. There's 22,000 corporate clients. Around 1,000 have multiple products. So, that's a very low percentage. That gives the opportunity to upsell. I have only started integrating our front end earlier this year. So, basically after summer, we have kicked it off with a smaller, more agile but a sales force which is capable of – and being licensed to sell all product lines.

Indeed, it's not a slam dunk. That's hard work. That makes sure that you have to train people, make sure that when they have the discussion about the retirement that they also talk about income protection and other opportunities. That's a work in progress. We have seen actually a couple of wins in the past couple of weeks, so that's nice, but early days. But that's the opportunity we believe that there's significant upside considering the low cross-sell ratio. Yeah. That was your last question. Your first was...

Q - Cor Kluis {BIO 3515446 <GO>}

The combined ratio and the level.

A - Wim Hekstra {BIO 19728050 <GO>}

The combined ratio is actually lower because what we've done this year we have tightened controls quite significantly and we had a couple of one-offs in terms of our reserves. I think some of that is in our disclosures. The long-term target we believe would be in that 95%, 100%, 96%, 98% as we put it. At the moment, we're fortunately running slightly lower than that as a whole off of the different product lines.

Q - Farooq Hanif {BIO 4780978 <GO>}

Thank you. Farooq Hanif from Credit Suisse. Just a very high-level question on earnings, which we've been asking all the insurers. So, we have this shift to DC which is great for – on a capital-light and service-based businesses and which is great for capital generation, but it's challenging for earnings. And of course you are verbalizing and you're cutting cost now at some point maybe in the next five or six years when you hit that wave is going to be a challenge. So, I was just wondering does earnings grows in long term? How confident you are having come in and looked to the books and understood that pattern? That's question one.

And then question two for Wim about the – you showed some brands in financial services, funding circle, et cetera. So, what are you selling to those guys? Is it term life? I mean, what exactly is the product that you're hoping to get onto that platform? Thank you.

A - Maarten Edixhoven {BIO 20017931 <GO>}

Yeah. Let me take those two. First of all, on the – I also give a philosophical answer to your first question. But what we – I think your observation is right. So, of the longer term, what we also showed in the rundown of the DB liabilities, you will see lower earnings. You will also see capital release associated with that. And what will – and that will be replaced over time by a more capital-light, a higher type of ROE business with also less volatility there, I think, or different volatility type of pattern. And that will come through the numbers, I think, after about five years. That is the time when you will really see that.

So I think, in general, the industry is trending to a different and lower earnings but also lower equity type of pattern. But that takes many years to come. And I think Rutger can expand later on what we see in the next few years in that area. And we manage that very closely. So we both look very much focused on the capital generation of the heritage business, let's put it that way, and on having above 10% ROE targets for the new services type of business. That's I think a very important management metric for us.

And then your second question on the funding circle, yes. We are not – and that's I think very important in our alternative asset strategy. We are not selling our products to those platforms. What we do is that we create access to the assets generated by the peer-to-peer consumer finance and SME finance platforms and make sure that we can take those assets in a very controlled and risk – good risk metrics environment on our balance sheet and then eventually also to third-party investors.

We believe in the new market, also driven by the low interest rates and the actions by the ECB, those alternative assets are a very important part and having access to those in a very controlled way is very important for moving forward. And we have the basic strategy there is having our balance sheets and using those to develop those new business models.

And Eric, the CEO of the bank, will expound later on how that works with the different platforms in our strategy around that plays out.

Q - Farquhar C. Murray {BIO 15345435 <GO>}

Farquhar Murray, Autonomous Research. Two questions, if I. First, a little bit of a continuation of Farooq's question, just going back to slide 9 that you gave where you gave the new business breakdown and the actual balances. I just wondered if you could give us some detail around the breakdown of the earnings by those categories on slide 9. And in particular, when you're on that kind of growth component, where you think that will be in five years as you've kind of discussed with Farooq?

And then, secondly, you mentioned the kind of retention of kind of expiring life policies in terms of what you can do there. Can you just give us a sense of what your retention rate is on those at the moment? Where you think that could go and perhaps what the stock of the – or magnitude of those expiries are over the next couple of years? Thanks.

A - Maarten Edixhoven {BIO 20017931 <GO>}

Yeah. On both – I must say on both, we cannot give the breakdown of the earnings per category at the moment. That's a clear but maybe slightly disappointing answer, although Rutger will dive further in that area and Ingrid will later talk about and I don't want to have all her stuff already dealt with, but I'll talk about the shift from the expiring Unit-Linked policies to towards DC. So, she will expound on that question later on. If you can hold that horse for a second, you can probably say a bit about the DB to DC shift and what our retention rate is there and how we price that.

A - Wim Hekstra {BIO 19728050 <GO>}

And I think your slide 9 was based on the optimizing your portfolio, right, or – yeah. I think in that first deck, indeed, you'll see a shift of our earnings fee-based versus, I think, 2014 versus now, you see this shift taking place. I think the reality is that, and I mentioned that in my presentation that the backbook, particularly the pension backbook will serve us quite nicely for the next decade because it will help us invest in alternative assets. It will help us generate earnings and capital and, partly, fund, the journey to moving towards more fee-based products.

In the pension business particularly, you see that in the renewals. So, if you see contracts, which expire renewals, and I showed that slide in my presentation as well, renewals are moving gradually to more DC solutions. Also there, some companies with workers council struggle to move in one step. And there, we see that they take sometimes this intermediate step towards more a subscription type of product. So, this shift will continue. But I think the reality is that Aegon Netherlands will for some time to come benefit from the big balance sheet we have.

A - Maarten Edixhoven {BIO 20017931 <GO>}

Yeah, maybe another way to look at your – at this important question you raised is if you look at our current capital generation, about €50 million out of the €300 million is coming out of the fee-based businesses. So, it's already happening. And that's maybe a good other way of looking at that question not from earnings perspective but from a capital generation perspective.

Q - Farquhar C. Murray {BIO 15345435 <GO>}

Where do you think you can take that €50 million in five years' time?

A - Maarten Edixhoven {BIO 20017931 <GO>}

We're not going to answer that yet. That's – five years out is extremely hard to this business but higher.

Q - Nadine van der Meulen {BIO 15200446 <GO>}

Good morning. Nadine van der Meulen from Morgan Stanley.

A - Maarten Edixhoven {BIO 20017931 <GO>}

Good morning.

Q - Nadine van der Meulen {BIO 15200446 <GO>}

Question for Maarten. You mentioned you expect further consolidation in the Netherlands in the pension fund markets and if buyouts occur that Aegon would have a look. Can you talk a little bit about your view on size if there are interesting opportunities? I'm asking a little bit also in light of a speculation not too long ago about interest in ASR and there are a couple of other, I suppose, back books in the market that are being talked about. So, perhaps you can give your view on that. That's the only question. Thank you.

A - Maarten Edixhoven {BIO 20017931 <GO>}

That was a question we expected and a very important, I would not say the elephant in the room, but of course, a very important topic in the market. And I think Wim indeed already expanded on the consolidation in the pension fund space. We have been the market leader in that. We will continue to be that. I think you are referring to also the insurance space. What we see is basically a flat non-life market, declining life markets, so there's overcapacity. So, makes sense that risk consolidation. Our view is that we focus on organic growth. As we've already shown in our activities, we are able to deliver that. We are focusing on using the proceeds that our shareholders trust us with really in an appropriate manner and investing in that organic fee-based capital-light growth, so that is our focus. And you also mentioned that our back books available. Basically, what we will be looking at is more a bolt-on type of smaller acquisitions of portfolios rather than the big move there because we believe we can execute those in a disciplined way with disciplined metrics around it. So, that's our focus. Organic growth and smaller bolt-on acquisitions.

Q - Nadine van der Meulen {BIO 15200446 <GO>}

And the smaller bolt-on acquisitions, how's the market now because that market has been dead for quite a long time? Do you see significant improvement? People are willing to sell I think for quite a long time.

A - Maarten Edixhoven {BIO 20017931 <GO>}

Yeah. Well, it's important to look at it from both, I guess, at the underwriting part and you have the servicing part of the value chain. We, at the moment, we see some opportunities coming by, but I think the market is also dead because maybe some of the expectations of the price are rather too high, and then we don't step in. So, I think that's fair. But that might change and it's also I think a – there's a relation to the economic development there. But – so we will see. We are not extremely assertive in that area, but we will look at those smaller bolt-on acquisitions if they pass by.

A - Willem van den Berg {BIO 15203834 <GO>}

Maybe on the pension fund side, we come from over 1,000 pension funds in the Netherlands, around 250 left. Most of us expect that to decrease. We've seen successes in our APF where our pension funds basically pass their responsibilities to a general pension fund. We see that as a continued opportunity. As mentioned before, we are growing fast and we have quite a number of prospects knocking our doors. As others may like to get rid of all their liabilities in the shape of a buyout; that market has not been that active in the past two or three years. If that picks up, we'll take a look at that because we do have skill in asset management and administration, which gives us a good position there.

Q - William Hawkins {BIO 1822411 <GO>}

William Hawkins from KBW. Could you comment more on your audits of the Net Promoter Score that you referred to, I mean, it seems to be a whole group figure so I don't know how it breaks down between wholesale and retail or if it's predominantly a retail number. Minus 36, it's an improvement but it is still a pretty bad score. Your friends over the way were very proud that they finally got their number into positive territory. I know financial services companies never score particularly well, but what's your audit there of what your customers don't like and I know what you've done the presentation, but what is actually going to change that view?

A - Maarten Edixhoven {BIO 20017931 <GO>}

Yeah. We are brutally honest there so it has been – and I think what is important here is to look at those. I think it's a very important metric because it shows really whether the customers love you basically or not. And that also gives some view on the stickiness of those and the retention of those customers. First of all, the figure we mentioned is, let's say the relationship NPS across the entire business. Some of the competitors publish their transactional NPS, which in our business is also a positive by now. It was hugely negative, I think minus 20 a couple of years ago and we are now also in single-digit positive territory. And I was very proud, three weeks ago, when we had a week of NPS of plus 10 in the Aegon brand business. The Knab business, which we are extremely proud of has an NPS and Eric will expand on that. So, sorry, Eric, for mentioning that right now, but has an NPS of plus 40 and even higher for the self-employed and SME customers in Knab, which is the second highest in the Dutch industry basically because that's a business-to-consumer model with really outstanding digital capabilities and customer service.

So what we see there is and I think one of the reasons that these differences is explained is that that's a really new business with new customers that have chosen actively to join Knab and are surprised by what we have to offer there. And of course in the total NPS, the minus 36 you mentioned is also our unit linked service book are also the employees of the DB business of Wim (01:05:54) even are not with their employer anymore and don't have any financial adviser to work with them and they only we send them all per year (01:06:02) a pension statement. So, we're brutally honest in that that we focus in in terms of our management much more on the transactional NPS where the customers really deal with us and that's also for Aegon in positive territory right now and for Knab it's in extremely positive and warm territory.

Yeah. We can - very important sign here from Willem. We have the last question for this section of the Q&A and then we have three presentations. So, please if you have - I see some other hands but keep those questions for a moment. There will be ample space to answer those. So, you're the lucky one.

Q - Willem van den Berg {BIO 15203834 <GO>}

Yeah. Very lucky. (01:06:43). Well, hopefully, you can answer my question. Looking at today's interest rates is of course makes also a very difficult to write business, to write also new business in - well, pension, DB.

If rates would be indeed higher, a bit more realistic perhaps, and if indeed also at some point, the regulator would actually really do something about also getting the consolidation going which means perhaps lighten up the capital requirements a bit, then really consolidation could also take hold.

I mean, what kind of the level of interest rates higher do we need to think - to get the market going? And then actually, is it not also then, again, a new business market or have you totally stopped giving guarantees? There's no more desire for long-term, well, promises to people. I mean, we're all going to take risks ourself. Is that the future?

A - Maarten Edixhoven {BIO 20017931 <GO>}

Yeah. The - of - thank you for asking that question because it's a very important one. I think throughout Europe, you see, as a consequence of the low rates that there is a shift from guaranteed solutions towards more defined contribution or the risk is with the customer. Even Germany announced that they will move - that guarantees are no longer obliged, so the DC market is opening up there an interesting opportunity as well.

And the other thing you see is that - and the Dutch government, I think an important aspect for you to know as well, announced - the new government announced that they will change the way the Dutch pensions are structured, also giving more personal ownership towards pension participants, which basically will be a total change for the Dutch pension system and have a huge impact on the pension fund business.

As Wim showed in his slide, we expect the classical life insurance solution for guaranteed even with higher interest rates. We don't expect that market to come back. First of all, because of all the capital that the suppliers need to hold for that but also because the employers are not willing to take those risks on their balance sheets for paying - for having those kind of guarantees. And we have a lot of international customers, multinationals with subsidiaries in the Netherlands or sometimes their head offices as well. And you see clearly that they don't want the IFRS risk of guarantees on their balance sheet anymore.

So, to your question, I think there is a huge one-off opportunity with regard to as Wim explained – the pension funds that will decline by another 152 to 200 (01:09:41). And they will have to shift some of their liabilities, obligations toward either insurance or APF style of solution. So, that's I think a great opportunity for Aegon. But in terms of the new market, we see that all the customers are choosing for DC. Every new company that starts, a fintech or a services company which is not part of a collective labor agreement chooses for DC. And they will not go back to the DB market. I don't think even with higher interest rates.

A - Willem van den Berg {BIO 15203834 <GO>}

Yeah.

A - Maarten Edixhoven {BIO 20017931 <GO>}

So, that was the last one for now. Thank you very much for your attention. And let's go for a short coffee break to warm up further. Thank you very much.

[Break] (01:10:29-01:30:08)

A - Willem van den Berg {BIO 15203834 <GO>}

We can tune down the Aegon song and we can start. First of all, we have Ingrid to present on retail, followed by banking and the financials afterwards. We'll have a Q&A session with the full team. And after the Q&A session, there will be lunch. Ingrid?

A - Ingrid de Graaf {BIO 18657712 <GO>}

Okay. Thanks very much. Good morning to you. My name is Ingrid de Graaf. I've noticed some familiar faces from my job that I had prior to Aegon Netherlands lately. I was a member of Delta Lloyd board till end of last year. And as of the 1st of May, I joined Aegon, and I'm very excited to be here, not only today, but really happy with my new step in my career. And I will discuss with you shortly and in the next 20 minutes what we are doing in retail. So, that's the part that I'm taking care of.

So, first of all, I think, in retail, what you see is that there are two overarching priorities. One, of course, is optimizing our portfolio, and the other one is about digitizing operations; all, with the bigger goal about improving our returns.

Key aspects of optimizing our portfolio in retail are especially leveraging our leadership position. In mortgages, we have great competitive advantages there in the Dutch mortgage market growing, feeding forward and we think that we have an excellent opportunity to continue growing there.

The other one, of course, is about actively managing our portfolio. So, we are running off our service book, as Maarten already said. It's a legacy part that we are happy to have because of value that's in – that we are really managing it for value, right now, and we have separated that from our other businesses. Very strict expense control there. I would tell a bit more about that later on. And what we are also doing is we are building on the successful turnaround of our P&C business to further enhance profitability there.

The second priority, as I would say, in all retail businesses and also insurance business is about digitization, both on front and back ends. So, it's about self-service for the customer, but also about robotics and technology in the back end.

In terms of digitizing our business, I think it's really important and a great effort that Aegon made over the last year and a bit before that is that we have all our products in one single data lake. This enables us to shift more focus to the front-end, where we are also the first insurance company to have all our products in one single app for customers.

While we're shifting to some folks to the front-end, in the back-end, we are really implementing new technology, especially artificial intelligence and robotics in our back end. In this manner, we are able to further enhance our underwriting capabilities and improve processes. Each of these priorities fits very well in the Aegon Netherlands strategy and will enable us to improve returns in our retail business while further enhancing the customer experience.

So let me now run you to some of the highlights of the retail business. If you look at the left upper box, you see that a strong indication of the progress that we are making on digitization has affected over 95% of our mortgages, are completed digitally. So all the transactions are really digital straight through, and this has resulted in a very high NPS of 28% in our intermediary channel. This underlines just how far we have come in terms of improving our customer experience. The strong NPS scores and the ease of use of our digital proposition have contributed to more than €4.4 billion of inflows in our Dutch mortgage business over this year so far. And what's more, we are continuing to grow or maintain our market positions in most of our key segments. As you can see in the right hand box, we are number 4 in mortgages but we also have a very nice position in term life, and we are number 5 in life and number 20 in P&C. Every Dutchman, every 1 out of 10 Dutchman is a customer of Aegon Retail. So we have 1.8 million (sic) [1.6 million] unique customers in the Netherlands.

The retail business, much like the rest of Aegon, is currently shifting from capital intensive to capital light, especially fee-based business. As part of this transition, we have either sold or closed down a big part of our legacy products. As I said before, especially in life service book, it's managed for value. So we are taking good care of customers but really focusing on making it more efficient. A lot of strict expense controls there, and that's a run-off business. So we have run-off on one hand and we have growing on the other hand. And especially, we are growing in mortgages but we also expect increasing demand of the third and fourth pillar solutions that Maarten also talked a bit a bit about, and these products will be manufactured by Aegon Bank. This is a special investment solution that Eric will tell a bit more about as well, and it's distributed through our intermediaries, and of course the life service book is a big pool of customers that we are very hard on cross-selling to get more retention there. Finally, we see very promising prospects in the mortgage business which I will discuss in the next couple of slides.

This is one of the, I would say, very nice parts of growth, focus of growth in the Dutch market. And Aegon takes more than its fair share there, so let me explain a bit more about this market. The Dutch housing market is currently benefiting from several strong tailwinds. It's, of course, economic growth, the structural supply/demand imbalance in the Netherlands and, of course, low interest rate. And this is leading to an increase in house sales which leads to a strong demand for mortgages. We have a leading position in the mortgage market, having recently become the fourth largest player in terms of mortgage origination in the Netherlands. It's either ING or Aegon is always struggling for a third or fourth position here.

This strong position is a result of several factors, including low cost, a very preferred position at our independent financial advisors especially because we are highly digitalized, and they like the ease of doing business with us through our digital platform, and of course the fact that we are active across all maturities with a focus on the longer durations.

We focus as Aegon on originated mortgages with a low loan to value, lower than the industry average, which has resulted in average mortgage loan size of approximately €270,000. As a result of the so-called changes in the NHG program, that's the state guarantee program on loans with a value of €245,000, has the percentage of new mortgages, with this guarantee, lowered, declined to approximately 20%. Nevertheless, while there has been this decline in the percentage of mortgages with guarantees, we are very comfortable with our mortgage portfolio as we follow strict underwriting guidelines which I will tell you something more on the next slide. Also very important to keep in mind is that we are now originating more mortgages for fee-based business, the famous Dutch Mortgage Fund, then for our own account.

So let's now look at the underwriting processes we have in place for our mortgage business. Our mortgage back book has, on average, had fewer than 4 basis points of impairments per year over the last five years. This is below industry average. The impairments of the industry are already low, supported by the full recourse mortgage providers have on borrowers in case of defaults as you all know. This low impairment rate is a result of strong underwriting processes that we have implemented on a relatively large portion of the state guaranteed mortgages. As you can see on the slide, this is about 57% of our back book, and this is expected to come down as a result of the aforementioned tightening of loan limits.

In terms of the underwriting process, nearly 98% of mortgage applications are received online. Out of this 98%, we see that we have automatically processed about 60% within 24 hours. And as you can imagine, in an overheated market for IFRS (01:39:44), it's extremely important that you are fast and without errors. So everything that's done right away through digital channels is appreciated highly, and that's the reason why we have a very strong NPS of 28.

What you also see is that if you look at underwriting, about 20% of the applications are declined immediately due to strict underwriting loan to income ratio requirements and also other policies. And on top of that, an additional 5% of applications are declined during the underwriting for all kinds of reasons, and this result in a 75% acceptance rate for mortgage applications. So that's how we do this at Aegon, and we are very proud of our very good underwriting so far.

So let me tell you a bit more about the attractive returns that mortgage offer. As you probably all know, the mortgage business really strongly contributes to the results of the insurer of the bank. We are able to achieve a yield of our mortgages of nearly 430 basis points for insurance back book, which is nearly 250 basis points more than we can achieve through fixed income investments only. Furthermore, the strong performance of our mortgage business has resulted in increased earnings and balance sheet growth at Aegon Bank. And while the Dutch Mortgage Fund is a collaborative offering together with Aegon Asset Management, has grown to over €11 billion in only three years' time. And as Martin said, we just recently opened a second Dutch Mortgage Fund.

This fund has proven to be a very attractive proposition for investors as it enables them to have a very good return on a relatively safe investment vehicle. The fund contributes nearly 50 basis points of annual revenue fee which is split evenly between Aegon Asset Management and Aegon Netherlands. We are able to make this attractive return as a result of economies of scale driven by our very scalable infrastructure. So this is the part about mortgage, one of the biggest growth engines in retail.

So let me go to the more legacy part of our business which is the life service book, formerly known as our Unit-Linked Policies. And here we play a different game. This is about expenses. This is about driving down costs, not only variable, operational, but also fixed, and we are very focused here on digitization as well. So as you probably all know, the number of policies is really coming down. They are expected to run off by nearly 50% over the next seven years. Given this significant decline in policies, we are taking actions to maintain profitability of the book throughout its run-off period with a particular focus on reducing expenses, as I said. In 2015, our policy in our life service book had approximately €60 per policy, and we managed the book in such a way that we are able to maintain this cost per policy throughout a run-off period. And we plan to achieve this stable cost per policy and profitability mainly by digitizing business, strict expense control, and we have a very big focus on more fixed cost. And what we see is that customers really like to self-service themselves, and we see that reflected in lower expenses but also in a higher retention rate.

So one of the questions before was about the retention rate on expiration. On the right-hand side, you see in blue, the Bank; and in green, Life. You see that over the last couple of years we have bolstered our retention rate by nearly 10%, and you can also see that more than half of the book stays within either Aegon Bank or Aegon Life. The majority of our customers as you can see, and as you probably expect, of course chooses for bank saving products.

So let's now turn to our property & casualty business where I'll walk you through a successful turnaround of that business. We have implemented a series of management actions to improve profitability of our P&C business. This includes, and this was prior to my joining Aegon, exiting the proxy channel followed by the sale of the proxy and co-insurance in 2016, we have stabilized our P&L through reinsurance with lower retention levels in 2016 and we have increased the minimum age for online car insurance as other partners in the industry has done as well. These efforts have resulted in improving the underlying earnings of our P&C business with it breaking even through the first nine months of this year.

While this business, of course, is not a significant contributor to our underlying earnings, we believe it's a strategically important part of the retail business as it provides us with an opportunity to regularly interact with customers. But as with all parts of business, of course we have to continually review the business for a strategic fit within the organization and we will continue to closely monitor the performance of this business going forward. So I'm very committed manage this for profitability and not for anything else, and we really believe that there's a lot room more to improve this business on the expense side, especially through digitization, and also to be a bit more rigid on some of the costs.

But let me now focus on the next part, in this digitization which is the other main priority in retail. As you can see, we are focused on five key digital targets built around the needs of our three primary partners. First, of course, is the customer who expects a personal digital first experience with a very simple self-service environment. Our advisors who really would like to be very enthusiastic about digital services we provide so that they can do business with us easier, and I think here the biggest positive example is our mortgage platform. And third, not to be forgotten, our employees really like to work in a digital environment as well. And to cater to the needs of all this different partners, we have set ourself five targets, and all of these targets will enable us to reduce costs, create more efficient processes, reduce errors, and also will bring us much closer to our customer.

And a bit more in detail, you see on the next slide, that is really in the core of the retail organization. We have embraced this need for a longer time and have, as such, already implemented several technological improvements. So there are more than 20 robots active within Aegon Retail who are all doing all kinds of different things. This is from RPA and we have our first pilot upcoming on the artificial intelligence side as well. And we believe that one of the key successes that will enable us to add more digitization benefits is the creation of the single data lake which allows our customers to access all of their products through one single application. And currently, nearly 36% of all Aegon customers use the My Aegon application for their transactions. And what we see is that the increase in utilization rate for the app has resulted in more than 55% increase in customer self-service.

And another example of our data analytics capability is the way that we price. So especially in the term life business, you see that we were able to quadruple our market share in term life, and at this time it's about 7% by using more granular pricing information. And data analytics has also helped us free our machine learning to better identify suspicious claims and fraud-related activity which has resulted in fewer fraudulent claims being paid out. We expect the ongoing digitization programs to lead to significant expense savings in the retail operations in the coming years, and we also expect a much better customer experience over the next couple of years.

So let me a bit conclude. The retail organization is focused on executing two key priorities. One, optimizing our portfolio so, basically growing mortgages. It's about really managing the run-off of our life service book very well, and we are really continually reviewing our products for strategic fit. So that's the P&C and term life part. And also not to be forgotten, the retail organization is a very important partner of Bank because through the retail there is a lot of investment products, banking savings also distributed to customers of Aegon.

Second, continuous focus on digitization, so basically increasing focus on customer self-service, utilizing new technologies to streamline processes and gain efficiencies within Aegon but also with our partners, the IFA. And I strongly believe and I am also very comfortable that we can execute on these priorities, and therefore that the retail organization will improve customer experience, will improve returns for business, and that will make it a very, I would say, beautiful part of Aegon the Netherlands for the future. Thank you very much.

I would like to give the word now I think to Eric.

A - Eric Rutten {BIO 18091937 <GO>}

Good morning. My name is Eric Rutten. And as Maarten already presented, I have the longest tenure at Aegon. 25 years with the company this year. Beautiful company. And I think this entitles me to use my glasses. Over the years, I have had the pleasure of working in various parts of Aegon. And I previously led the life insurance business and the Dutch branch of Aegon Asset Management. And since 2010, I have had the privilege to lead one of the fastest growing banks in the Netherlands, namely Aegon Bank.

As you know and have seen in the previous presentations, Aegon Netherlands is a leader in a number of market segments, including providing pension and income for later solutions. And our leading position in the so-called banksparen, literally bank savings market, fits right in. Our independent online bank, Knab, was launched only five years ago and is becoming an increasingly important outlet for fee-generating services. It will not come as a surprise to you that in this continuously low interest environment, fee-generating investment products are relatively more interesting. Over the past years, Aegon Bank has created a lot of value although it might not always have been clearly visible for you. Today, I would like to show you how we've transformed into a sustainably, growing, and profitable bank that is both business-wise as well as financially a true cornerstone to Aegon Netherlands.

Let me first share some highlights with you. We run an efficient operation as all our customer journeys are characterized by straight through processing and are fully digital. Yeah. Thank you, Ingrid. This allows us to operate with a very lean employee base. In combination with increasing levels of deposits and a strong capital position, this translates into growing underlying earnings. We are recognized for excellent service levels as demonstrated by one of the highest Net Promoter Scores of Dutch financials. And on top of that, Knab is a disruptor in the Dutch banking market with strong inroads into the fast-growing segment of self-employed. This has led to strong growth in our customer base which shows in both the composition and the growth of the balance sheet.

Our banking activities consist of two distinct propositions, Aegon Bank and Knab. Knab is an independent online-only bank that was launched five years ago. It focused on providing customers with the best possible services. It is mainly focused on retail and the fast-growing self-employed segment. As you can see from the image on the slide, the proposition of Aegon Bank is different. Its offering of third and fourth pillar savings solution serves as a platform for both the retail and wholesale businesses of Aegon Netherlands. In the following slides, I will further detail why Aegon Bank is a clear cornerstone of the Dutch business.

As you can see, there have been a lot of steps in our transformation, and I will not detail every one of them. But I think it's important to understand where we're coming from. Before 2012, we were a subscale, vulnerable as monoline savings bank with low-margin products and loss-making. How have we turned this around? Well our path to performance is structured along three lines. First, we restructured the old style Aegon Bank in terms of processes, cost levels, and product offering. Secondly, we set up Knab as an independent, data-driven, disruptive online bank which we believe is the future in banking. And third, we grew our balance sheet and invested more in retail mortgages and consumer loans.

By 2015, the strategy was clearly yielding result and our numbers were in the black again. Since then, we have actually accelerated the execution of our strategies. We have been building strategic partnership with carefully selected peer-to-peer lending platforms across Europe, and Knab started its transformation from a bank into an independent financial services platform.

At the start, Knab was positioned as an independent online bank. At that time, we very much believed that the banking industry was in for a sea change and we saw an opportunity, but there was, of course, no guarantee that we would get it right. By trying out new ideas and a if you fail, fail fast culture, Knab is able to respond very quickly to the needs of its customers. Meaning we serve them how they wish to be served, not the other way around. This pure form of customer centricity led to strong growth. It makes me proud to say that we had the nerve to build a new banking proposition from scratch and one that is successful today. The growth has actually been tremendous especially when you consider that every year only 4% of banking clients in the Netherlands switch to a new bank, and almost 25% of that group chose Knab.

The numbers speak for themselves. We have seen strong growth in both the number of customers as well as the balance sheet year-on-year. I am particularly proud – and Maarten referred already to that – of the high NPS scores especially for the SME and the self-employed customers. The high level of satisfaction has resulted to a very low customer turnover. The success of Knab so far allows us to continue to expand our services and take Knab to the next level.

Knab was designed to be relevant to customers by making use of the available data. That means, for example, providing a tool for financial planning to gather data and offering the possibility to receive alerts, messages when for instance money is received. This gave Knab a strong basis and recognized brand based on, let's say, traditional banking services but in a new, digital way. Now, we are transforming Knab into a platform by offering more services. Banks receive reliable data in high frequency due to the nature of banking transactions. Our strong analytical skills to use these risk data streams position us well to be relevant to our customers by offering the services they need. These services, for which we charge fees, are capital light. This is an excellent diversifier to saving products. Nonetheless, spread products remain an integral part of the bank. Offering saving products is where the relationship starts. And from there, we can start offering fee services. So spread and fee go hand in hand. The first services have already been added to the platform such as robo-advice mortgages, crowdfunding, and advice on various types of P&C insurance. This way, we believe we can stay ahead of the curve and make our services more attractive to current and potential clients alike.

People tend only to get excited when talking about a successful disruptor like Knab, but I'm every bit as excited about the third and fourth pillar solutions. As I said in my introduction, Aegon Netherlands is a leading provider in pension and income for later solutions, and we are one of the few companies that are able to deliver the full range of products in all wealth accumulation pillars. It's very important to understand that to be able to provide this full offering, a range of licenses is needed, including a banking license, and this is where Aegon Bank come into play. The shift of responsibilities to individuals makes the third and fourth pillar solutions will become more important going forward, and we are well-placed to provide those solutions even more so since tax benefits on life insurance products have disappeared, and these are suitable alternatives.

Our unique selling point compared to some of the mainstream banks is that both our online and intermediary distribution channels are strongly developed. Our share in terms of assets balances has grown consistently over the last five years, and we have kept it over 7% of the bank savings market. Our share in new production has even been higher, around 15%, which is indeed positive for the future. We intend to leverage our strong franchise and become an even more important player in this market.

I'm pleased to share an exciting new development with you. The introduction of a fully cloud-based investment platform to cater all units of Aegon Netherlands. This efficient platform for our savings, pension, and investment products will drive down expenses and optimize customer experience. It is a great example of what it means to be One Aegon. Recreate skill and shared know-how, shared systems, and shared funds together with our colleagues, both the insurance side of the house as well as from our global asset manager, Aegon Asset Management.

Another example of working well together is how we have built strategic partnerships with online lending platforms. By positioning ourselves close to the originators of loans and mortgages, we are able to create the highest value-added. To avoid building portfolios where we have exposure to just customers through mortgages and consumer loans, which would mean a high synthetic loan to value, we source consumer loans elsewhere in Europe. To do so, we developed strategic relationships with peer-to-peer lending platforms in large European markets such as Germany, the UK, and France. We specifically chose these platforms because of their good and long track record, although long of course is relative in this emerging industry.

Up until now, we have installed funding rights with six strategic partners of, in total, €3.5 billion. We are not even close to having invested such an amount as we currently only have €700 million invested but it provides us with the capacity to continue to grow our business, and we will continue to look for new, suitable partners throughout Europe. Obviously, we closely track performances of each of these platforms on a monthly basis and are able to change allocation between platforms incase performance of individual platforms lacks behind. Our innovative approach of creating an ecosystem rather than developing our own expensive operations as fixed cost is clearly recognized by the market. The thorough execution of the strategy has made Aegon Bank a recognized and sizable player in the European P2P and online lending market, with more to come.

You've heard this before, but it's this type of liquid assets that fit well with the liabilities on Aegon's balance sheet. Also for Aegon Bank, these assets provide good duration matching and relatively high yields which makes this an attractive asset class to put on our balance sheet. There is no reward without taking risk. But keeping with group's overall strategy, Aegon Bank wants to have a conservative risk profile. Let me therefore take you briefly through the key elements of our risk management. As you all know, the main threat to a bank is its liquidity position, and we are keeping strong liquidity in place through buffers of high-quality liquid assets.

As long-term stable funding profile, one of the things we have focused on is diversifying our sources of funding. A recent example is the €500 million covered bond we placed in the market two weeks ago at a favorable pricing of minus 6 basis points compared to swaps. And of course, maintaining a prudent capital ratio. As a result of our strict risk management, we have been able to keep these ratios well above minimum required levels during these years of growth and have maintained an S&P A+ credit rating.

Earlier, Ingrid explained how Aegon the Netherlands developed a strong mortgage origination capability and how it no longer sources mortgages for just its own balance sheet. This allows us to generate fees in various part of the business chain. We are in the process of creating a similar platform for loans, leveraging the strategic relationship of Aegon Bank with lending platforms internationally. To be able to create such a platform, the company needs to have access to many different skills like good distribution partners, origination platforms, and asset management infrastructure. The joint capabilities of Aegon insurance, asset management, and banking businesses position us well to bring this concept to life successfully by 2018.

Our business strategy and the size of management actions have led to a significant increase in balances, higher, more profitable revenue streams and a strong buildup of value for shareholders as evidenced by equity position. The effects of our transformation and investments in innovation are clearly yielding result, and keep in mind that the results shown here include the investments made in Knab over the past five years. Aegon Bank is now in a good place from a cost-income ratio perspective and a significant contributor to the earnings of Aegon Netherlands.

To conclude, I have every confidence that the platforms we have built position us well for a strong future growth of our fee-based businesses, that we will be able to leverage on our strong franchise today to capture more market share in the future, and that Aegon Bank will be a significant contributor to the success of Aegon Netherlands. Thank you.

A - Rutger Zomer

So, all ready for dessert? Good morning, everyone. Also, on behalf of me, thank you very much for being here. My name is Rutger Zomer. I've been within the company for around 10 years now and since the end of 2015, as the CFO of Aegon the Netherlands. So far, my colleagues this morning have primarily focused on the business. I will now try to explain to you how this all ties together from a more financial perspective.

I will begin by showing to you how we are shifting away our traditional business from capital-heavy, unbalanced insurance business towards fee-based solutions for our clients. I also want to show to you the progress that we have made and are continuing to make on our expense reduction programs. Finally, in the second half of my presentation, I will, of course, elaborate more on our Solvency II position and on our capital generation going forward.

But first of all, on the slide behind me, my key messages for this morning. I am pleased to say that we are successful in shifting away our business from the capital-heavy, unbalanced solutions, to more fee-based products.

A lot of examples have already been mentioned this morning. Our market leadership in the PPI space is a very good example. Our market leadership in pension administration via our subsidiary TKP in Groningen is another example. But also, and Ingrid elaborated on that already, the shift we made in terms of mortgage production from predominantly production for our own balance sheet towards production predominantly for external clients. I think that's a very good proof point of that strategy as well with the Dutch Mortgage Fund already exceeding the €11 billion of assets under management.

As you know, together with the group, we have taken decisive actions to improve our capital position as well with a ratio of 188% for Aegon the Netherlands. We are now on the upper end of our target zone, safeguarding that we can fully focus on the execution of our strategy.

We are also well on track, as mentioned earlier this morning, in delivering on our expense savings programs, having already achieved 60% of our targeted savings of around €50 million as you may remember by the end of 2015 on our traditional insurance business. Furthermore, we continue to focus on maximizing the value of our back book by ongoing expense reduction programs but also by increasing excess spreads via our alternative investment program.

My most important message for this morning, however, is that this strategy will lead to sustainable capital generation going forward and remittances to the group. It will enable us to deliver on the most important financial targets for 2018: a reduction of expenses, as mentioned, of €50 million by the end of 2018; normalized capital generation of €300 million in 2018; and a dividend payment to the group of €100 million in the first half of 2018. And it's important to add to that the intention to resume a regular pattern of interim and final dividends to the group. Needless to say that dividend payments are, of course, always subject to market circumstances and regular governance in line with our own capital management policy.

Let me take you in a bit more detail through the financials. Over the past years, as mentioned, we have shifted our business from traditional insurance products to deposit products such as defined contribution and bank savings. That shift, as you can see on the graph on this slide, is reflected in both the composition of our sales, of our production, and the composition of our balance sheet.

Our deposit businesses have driven sales growth, thereby offsetting declines in traditional life sales such as immediately annuities in the retail space and defined benefit schemes in the pension space. A clear example of this is our retail and banking business where bank savings already constitute over 50% of the balance sheet. Given the large pension book, the majority of our balance sheet is still related to traditional business but also here, the composition of the balance sheet is gradually shifting towards deposit businesses.

On the next slide, I will further highlight how we are changing our business. Since 2014, the proportion of fee and protection earnings has increased as a percentage of underlying earnings. One of the questions during the Q&A was percentage of our new business. At this moment, it is around 15% of our underlying earnings related to those new businesses. We expect however that spread earnings will remain an important part of our earnings and capital generation for the foreseeable future given the long-term nature of our predominantly pension book. Furthermore, we will continue to increase excess spreads through our alternative investment program.

The success of our shift towards capital-light solutions is prominently reflected in our sales. For example, and as you can see on the graph on this slide, our pension production has moved from a mix dominated by defined benefit pension plans to one where the PPI defined contribution schemes represent the majority of our sales as Wim already mentioned in his presentation. This is a trend, by the way, we expect to accelerate in the future.

As mentioned earlier, we have also shifted our mortgages sales from production for our own balance sheet towards production for external investors via the Dutch Mortgage Fund. And it is of course also good to mention because we are part of a group that both Aegon the Netherlands and Aegon Asset Management benefit from the fee income related to those type of production.

Let me move to expenses. I'm very pleased with the progress we are making on our expense reduction program. We are well on track to deliver €50 million expense savings in our insurance business by the end of 2018. We are realizing our expense savings via reductions in staff in our retail and wholesale departments and via reduction of staff and reduction of out-of-pocket expenses in our support units. We are also committed to further manage down the expense base in the insurance business to more than offset the ongoing declining traditional books in both the individual life space and the pension space.

But I want to stress that expense reductions are of course only one part of the story. As you can see on the chart on this page, we are also investing in our fee-based and banking businesses such as Knab and the PPI. Although this leads to increasing expenses, we expect those to be more than offset with growth in future revenues and, consequently, growth in earnings.

As you would expect from us, we do this in a disciplined way by closely monitoring the cost income ratios for those type of businesses which are expected to decline as revenue growth more than offsets expense growth. Finally, I want to emphasize that expense reduction, expense savings, are also an important driver in restoring our return on capital, which brings me to the next important topic in my presentation.

Again, we are very pleased and satisfied with the measures we have taken together with the group to restore our capital position which, again, enables us to focus on the execution on our strategy. Our management actions, however, consisting of, of course, the capital injection from the group, but also the sale of UMG, which will be finalized in the fourth quarter, specific hedges that we put in place, model and assumption updates, but also changes in our investment portfolio. The downside of most of those transactions is that it put pressure on our traditional IFRS return on capital. The current return on IFRS capital is only 6.3%.

As a team, we are fully committed to bring the return back to a level of 7.5% in the medium-term. This will be done through a combination of measures, including further expense reductions, investments in alternative assets and, of course, growth of our fee business. Our longer-term ambition is to bring the return on capital back to a level of 9%, supporting the group's ambition of a return on capital of 10%.

I want to stress, however, that our primary focus is on sustainable capital generation to fund regular interim and final dividends to the group starting with £100 million of dividend payment in the first half year of 2018. The past nine months have shown that to achieve that goal, sometimes measures are necessary that may jeopardize this specific IFRS metric.

In the next couple of slides, I will elaborate a bit more on our solvency position and on our capital generation going forward. As mentioned, through a combination of capital injection from the group, model and assumption updates, capital generation, and also other capital initiatives, Aegon NL's ratio is now at the top end of the target zone. It's 188%. It's also good to mention that the solvency ratio of Aegon Levensverzekering N.V., the most important subsidiary of Aegon the Netherlands, is with a level of 179%, even slightly above the target range of 145% to 175%.

These buffers leave ample room to absorb the intended lowering of the UFR over the next three years, but also to invest in alternative investments and to deal with potential future threats or changes in the Solvency II framework. Our capital position in combination with expected capital generation also allows us to resume regular dividend payments to the group. I want to stress that this could, over time, lead to a decline of our Solvency II ratio given the upfront capital strain on our liquid program given by EIOPA, indicated a lowering of the UFR in the next three years. We intend to keep Aegon NL's ratio in the mid of the target zone. Such a decline, by the way, would be fully in line with our capital management policy.

As we shared with you at the time of our Q2 results, our normalized capital generation guidance amounts to €300 million in 2018. We expect this to grow to a level of €350 million in 2020, as by then, the alternative investment program fully translates into a significant increase in excess spreads.

If I could draw your attention to the table on the right hand side of this slide, you can see that capital generation is concentrated in our life business, where also the majority of our capital sits. Capital generation growth is driven by excess spreads, net of the amortization of the UFR, the so-called UFR drag. Needless to say that that number is very sensitive for developments in interest rates because of the long duration of our pension back book.

The majority of the capital generation in the life business comes from release of the risk margin and release of required capital, reflecting the shift in production towards capital-light solutions, towards fee businesses and, of course, the gradual run-off of the back book. The other businesses such as the fee-based businesses and non-life insurance are also expected to contribute meaningfully to capital generation. That contribution will be partly offset by expenses in Aegon NL's holding. Given our capital generation outlook, we reiterate our intention to upstream a dividend to the group of €100 million payable in the first half year of 2018 and the resumption of a regular pattern of interim and final dividends going forward.

On the next slide, I would like to focus a bit more on how we tend to increase excess spreads in the coming years. Despite the shift to capital-light solutions, our spread businesses will remain an important part of our portfolio in the foreseeable future. Indeed, the increase in excess spreads is the main contributor, the main driver behind the increase in capital generation in the coming three years. Our mortgage portfolio and our real estate portfolio provide the majority of the excess spreads. The mortgage portfolio, as Ingrid already indicated, is of high quality, self-originated and with very low levels of default. And through our 50% stake in Amvest, we have access to the residential real estate market which provides a good risk-return tradeoff and, of course, stable rental income going forward.

Although sovereigns constitute a small drag on excess spreads, they are an important part of our overall asset mix to increase the duration to match the long duration of the liabilities in our pension book at the same time. At the same time, they are also solid investments in times of market stress.

Given the fact that our capital position is at the high end of the target range, we have room to execute an alternative investment program of about €3 billion to €4 billion with the aim to increase the excess spread with €50 million in the next three years. This should come from additional investments in real estate, direct lending, infrastructure, and private equity.

So far this year, we have invested about €600 million in alternative assets. These investments were mainly made in private loans, infrastructure, and catastrophe bonds. For the entire program of €3 billion to €4 billion, we expect that more than half of those investments will be made in private loans. We are taking a staged approach, as Eric already explained in his presentation, to the origination of these private loans to consumers and to small and medium-sized companies through online lending platforms. This will of course be subject to performance and margin development.

We plan to invest about a quarter in private equity and infrastructure funds, another 20% in residential real estate through our, as mentioned, Amvest joint venture. We expect that this program will result in an increase in capital generation of €50 million by the end of 2020. The upfront capital strain, it is important to mention that as well for this program, will be around €450 million in the period 2018 to 2020.

Let me now turn to the following slide. Our regulator recently reiterated that insurers should also take into account in their solvency position the situation excluding the so-called non-economic Ultimate Forward Rate and the Volatility Adjuster [Adjustment]. That is the so-called discussion on economic reality.

I would like to stress that taking that economic reality into consideration does not mean that there is a new regulatory framework that we need to manage our capital on. Dutch insurance companies continue to be regulated based on the reported Solvency II ratios which, in our case, is based on a partial internal model.

Furthermore, I want to emphasize that economic reality was already an integral part of our own capital management policy, and will continue to be so. We do this by assessing whether our long term capital generation will remain positive after UFR drag and after the VA drag. In this manner, we ensure that our solvency ratio does not structurally deteriorate over the long term because of the UFR and the VA.

In this context, I would also like to reiterate that the capital generation guidance that we gave earlier in this presentation also reflects the UFR and the VA drag. So, that is included in the €300 million that we presented today.

Perhaps, a bit off topic, but I would like to take this opportunity to also provide some more insights to you on the diversification of Aegon the Netherlands. In our solvency financial condition reports, we present the diversification benefit within and between risk types, while most of our peers only present the diversification between risk types. We believe this is an important distinction as this may lead to the perception that we enjoy higher diversification benefits than our peers.

The diversification between risk types for Aegon the Netherlands is around 40%, and that would be the comparable level and more in line with our peers. It is unfortunate that we were not aligned with peers although this was, of course, a first time disclosure.

On a pre-diversification basis, underwriting risks and investment risks are the main risks, representing 45% and 38%, respectively, of the gross solvency capital requirement.

Underwriting risk is driven, of course, predominantly by the long-term character and – the long-term character of a pension book. Other important risks in this risk type are, of course, expense risk and persistency risk.

The investment risk is mainly caused by spread risk on our general account, fixed income portfolio, equity risk, and real estate risk are other notable risk drivers in this category. Since investment risk and underwriting risk have a low correlation, they diversify well, leading to considerable diversification benefit in our capital requirement.

Let me round my remarks by reiterating that having addressed the capital position of Aegon the Netherlands, we are now fully focused on delivering on our growth strategy, reduction of our expenses, and shifting towards capital-light businesses. I'm convinced that this focus will lead to sustainable capital generation of between €300 million and €350 million in the next years, resulting in regular and stable dividend payment to the group starting with €100 million in the first half year of 2018.

And I think we are now ready to take questions.

A - Maarten Edixhoven {BIO 20017931 <GO>}

Maybe before we go to the first question, let me sit somewhere. We didn't pre-discuss this seating arrangement. Before we go, I already saw the hands raised. So, hold your horses for one second. And with the first question, I think we should go to the gentleman that was last in the first round to be polite. But before I do that, I briefly would like to introduce Willem Horstmann to you sitting here next to me from your view point at the left side, who is the Chief Risk Officer of Aegon the Netherlands. And, Willem, very welcome. You didn't present, but I would like to give you the opportunity to give a short introduction on how you look at the risk management framework at Aegon the Netherlands and, well, your first impressions after the first 11 months in this role. So go ahead.

A - Willem Horstmann

Thank you very much. Well, having the opportunity to come back to Aegon actually is a very, very nice thing. I was away for 6.5 years where I was nationalized frankly, so that's quite an experience and actually it helps me to have that experience. It helped me, together with my colleagues, to overcome this period of intense dialogue with the Dutch Central Bank. Some of us have some experience with that and actually that's a very important experience I think.

Having resolved with the team this capital situation, I started to look at what do we do in our risk management area. We have many tools. We have many methodologies, but I think that the key thing to do was to make something that really helps the first line to get their act together and to be in control over their organization. That is what we call the ERM framework. We already had an ERM framework, but I try to make it communicable so that people understand what it is about.

And I think we've made great progress there. We're in the process of rolling out this ERM framework. We're doing a test where the various parts of our organizations are, so what is the current status of affairs, so you will and what is the ambition level. And that ambition level of course is to be discussed within our team because it is important that it is based on our strategy. We've talked about, for example, our alternative asset strategy. Obviously that means that we need to enhance our skills, for example in liquidity management, credit risk management.

We also need to improve on the operations that we have in that area. So, these are the things that we worked on. A few other things that I – that we selected as very important themes for our risk management department and for the organization at large is that we need to – we are entering into an area where data analytics is important, where everything is in the cloud. It also means something for the organization in terms of security management, cyber risk management, so you will. So, these are the themes that we are on these days that are of much importance, not only to the risk management department but also to the organization at large.

A - Maarten Edixhoven {BIO 20017931 <GO>}

Thank you very much, Willem. I don't need that one. And I think it's also fair to say that Willem has attracted a lot of new talent into the risk department over last year, amongst that is also people from the Dutch Ministry of Finance. So, I think you have built a great team together. But now let's go to the Q&A.

Q - Steven Haywood {BIO 15743259 <GO>}

Thank you, Maarten. It's Steven Haywood from HSBC. It does follow-on from the previous Q&A, from Patrick's (02:34:57) question. Is there anything that the government or the regulator is doing to encourage more in terms of pensions and savings? And then what are your thoughts about the short of shift in responsibility to the personal retail level. And on a separate topic completely, the dividends from Netherlands to the holding company, have these traditionally been interim and final, so, two dividends per year? And is €100 million sustainable for every half year going forwards? Thanks.

A - Maarten Edixhoven {BIO 20017931 <GO>}

Wim, the first question for you whilst Rutger can ponder the important second question for a moment.

A - Wim Hekstra {BIO 19728050 <GO>}

Yeah. Thank you very much. Indeed, pensions are being more individualized. As you may know, we have a new government in place. The government outsources, let's say, the next big step in pension reform to the different, let's say, stakeholders in the country expected by, let's say, the first half, second half. Let's say, before the summer, we hope to get some breakthroughs even though there's a lot of discussion between stakeholders going on.

But without a doubt, the DC market will continue to grow. And with that DC market, there is also a responsibility for us to make sure that we educate participants better in understanding what they're really getting into. I just gave the example at the breakout was when we signed up those contracts with corporates, we do have canteen sessions, nowadays it's very easy to log on to, on a daily basis, look at your balances, the development of your investment and so forth.

So, yeah, there is much more responsibility on us to make sure that people really get into the right life cycles, understand what they're into, understanding what their pension position really is because, as there's more capping and maybe there's less buildup in the new plans, that we also make them aware that they may need additional savings and so forth. And that comes to Eric's point where third and fourth pillar savings products as well come in.

A - Rutger Zomer

Yeah. There was another question on dividends. To be honest, it has been quite some time since we upswing (02:37:18) dividends to the group. The pattern was always an interim dividend and a final dividend in the past. And in terms of the level of dividends, I can only reiterate what I already mentioned in my presentation. The first dividend payment will be done in the first half year of 2018, €100 million. Our capital generation is about €300 million. And it is our intention to resume regular interim and final dividends to the group.

A - Maarten Edixhoven {BIO 20017931 <GO>}

So, let's go there to the back. Yeah. Okay. Yeah.

Q - Willem van den Berg {BIO 15203834 <GO>}

Yeah. I'm sorry to dwell again on the dividend outlook, maybe from a bit different angle. Yeah. You mentioned in your presentation that, let's say, you're aiming in the end for the midpoint of the 150%-190% Solvency II range or around 170%, so just around, basically, capacity until 2020 of 20 points more or less of dividend payments , so around €700 million a year. That seems the current SCR, at least. So, that's basically the €225 million (02:38:25) that, I think, was mentioned in the past, as well as potential payments out of the Dutch unit to the group. Is that a way of thinking that makes some logic and suggesting basically around 70% payout of the really organic cap generation? So, that's basically a long first question.

And then, the second one is - a bit more detail also on the first presentations pointing towards more room for additional cost savings going forward as well. Yeah. Should we see it as basically an add-on to the potential numbers on the financial segment that we have seen, or are you already implicitly also expecting more savings, basically, to deliver on the current plan?

A - Rutger Zomer

Shall I start with the...

A - Maarten Edixhoven {BIO 20017931 <GO>}

Rutger?

A - Rutger Zomer

dividend? There was an interesting slide – I don't know the number from the top of my head -, in which we presented what in the coming years the illiquid strain will be what the potential lowering of the UFR will be, which – slide 6. So, I think that is an important component in the math you just did. And it's very important to say that we, of course, start from the upper end of the target zone already, so 188%, with a potential uplift in the fourth quarter because of the sale of UMG. So, that is basically what I can say on the dividend payment.

A - Maarten Edixhoven {BIO 20017931 <GO>}

Second one on the cost?

A - Rutger Zomer

(02:39:59)

A - Maarten Edixhoven {BIO 20017931 <GO>}

Yeah. Maybe – yeah, I can also take that one, not to have all the burden on you, Rutger. Basically, what we've presented is that we are committed to achieve the target that was communicated before for the entire Aegon Group. And as part of that, the €50 million up till the end of 2018 that we, as a team, are committed to achieve that, that we also expect to achieve a bit more than that at the current status and that we think, in addition to your question, in that in addition to the numbers that we've shown that there's room for more for the years after, that we will come in 2018 with – once we have delivered first on what we have committed to with additional numbers on that.

Q - Johnny Vo {BIO 5509843 <GO>}

Hi. It's Johnny Vo from Goldman Sachs. Just the first question, I mean, is the reason why you're moving into alternate assets, because your asset portfolio to-date is so overweight Dutch mortgages, so therefore you don't have an ability to grow in Dutch mortgages on your balance sheet? That's the first question.

The second question is just in regards to the structure of the Aegon loan platform, that just looks like a fund-of-fund to me. So therefore the platform that you're sourcing the asset from, they're charging a fee, you're charging a fee, and then you get on balance sheet. So, therefore you're forced into getting higher risk assets as a result of the structure.

And the third question is, can you really risk-manage from a platform? Because effectively, you have to do an offtake agreement from the platform because there will be adverse selection to the remaining pool on the platform. So, if you can answer those three questions. Thanks.

A - Willem Horstmann

Your first question was on diversification, I think.

Q - Johnny Vo {BIO 5509843 <GO>}

The mortgages.

A - Willem Horstmann

The mortgages. Right. In the balance sheet of the bank, there is about 70% of mortgages. We feel that it is wise to look for diversification. That's one. So, to your question, yes, that's one of the reasons. When you do the ALM of the balance sheet of the bank, you see that a shorter term duration is helpful, so that's the second thing. And we generally have a fairly long maturity of the mortgages that we need to swap back to a smaller duration. So, that's one.

When we look at the balance sheet of the insurance company, we have a strategy where, on the one hand, we try to find illiquid premium because we have rather illiquid on the liability side. And capital-wise, it's interesting to find fairly short duration spread. When you look at the capital structure, when you look at the Solvency II regulations, it's helpful if we try and find, for example, direct loans with a five-year duration. So, that's, again, an ALM play.

But the second thing is that when you have that opportunity, when you have those balance sheets, when you have those licenses, that is something that is an opportunity for your next move, which is the fee business. There are not that many parties that have those licenses, that have those balance sheets that are capable of being able to cater those kind of investments. But then, how do you do that? You do that with a platform and that platform, of course, is for administering all sorts of things and it's also for analysis. So, you need to be able to have the data on the platform and do the analysis.

And then, to your question with that respect, it's not that we slice and dice and need to take on board the most risky part. Frankly, on the loans platform, the loans platform only takes on board loans that it can do away with directly, either on the balance sheet or via a commitment of a fund. So, that's different from what we do in the mortgage origination company. The mortgage origination company takes on risk. We don't take on risk in that platform of the loans business.

A - Rutger Zomer

Can I add one thing to your – can I add one thing? I think this works, right?

A - Ingrid de Graaf {BIO 18657712 <GO>}

Yeah.

A - Maarten Edixhoven {BIO 20017931 <GO>}

Yeah.

A - Rutger Zomer

Can I add one thing to your previous question on the mortgages? It is currently not our intention to reduce mortgages for the benefit of our further illiquids program. We predominantly fund the illiquid program with cash.

Q - Johnny Vo {BIO 5509843 <GO>}

Just saying particularly for the asset management business. So, if say, Zopa is charging 1%, then your asset management business charges another 1%, by definition, there's a 2% cost before you can get spread. So implicitly, you have to go up the risk curve in order to cover the costs, because there's more cost there.

A - Eric Rutten {BIO 18091937 <GO>}

I think it's very important to realize that also through the platforms who provide the loans so that the auction in Zopa's (02:45:36) is very important to have sustainable funding. So, with these parties we can come to good arrangements when it about the fees (02:45:44) we have in the chain actually. And so, for that reason, I don't think it's a necessary conclusion that the margins will be very small, and so we have to go to, like you say, the high risk side of the curve. I don't think that's a right conclusion.

Q - Arjan van Veen {BIO 5197778 <GO>}

Arjan van Veen, UBS. Two questions, if I may. Firstly, on the earnings growth targets for 5% to 10%. Your major peer yesterday with a lot of costs with an acquisition is targeting zero. So, I'd be very happy if you delivered 5%. So, just curious how - what gives you confidence to...

A - Maarten Edixhoven {BIO 20017931 <GO>}

Was this Facebook or a major peer?

Q - Arjan van Veen {BIO 5197778 <GO>}

So - yeah, so just what gives you the confidence? And maybe, if you can also add in what the drag is from the UMG sale.

And then secondly, coming back to the point of dividend, your target for the first - so, your solvency's now comfortable. As you've talked about before, your relationships with the regulators, much improved. Like you said on slide 6, your cap gen is being offset by UFR drag and liquid investments. So therefore, every time you pay dividend, you're eating into to your capital. And you obviously had markets can go against you as well.

So, just curious, 150% seems very low to keep that relationship with DNB, so I'm just curious how you think about - and I know you have the official signed, (02:47:25) but I would suspect you'd want to stay at the higher end to keep the deliberation going on (02:47:29).

A - Rutger Zomer

And that is fro Aegon the Netherlands, of course, around at upper end of the target zone and the target zone is between 150% and 190%, so that is....

Q - Arjan van Veen {BIO 5197778 <GO>}

That's how you'd be thinking about dividends, is that right?

A - Rutger Zomer

That's how we think about our capital management to stay on the upper end or in the midst of our target zone. Please be aware of the fact that this is, of course, very much influenced in the coming three years by a potential decrease of the UFR as well.

A - Maarten Edixhoven {BIO 20017931 <GO>}

Yeah. And to your first question, we are confident to achieve that because of three things. One is the part where we, based on higher solvency level are able to move in a structured and controlled way in the alternative asset space for a relatively small part of our balance sheet, but that's one step.

Second, we see I think, as we indicated, more space for a further reduction of expenses, that's the second area. And third, we see, as we already achieved, that we are able to grow the fee business more which is where in the fee business, IFRS earnings are almost equal to capital generation, hence, dividend as well. So, those are the three levers where we are comfortable that we can increase earnings as indicated.

Q - Arjan van Veen {BIO 5197778 <GO>}

Thank you.

Q - Matthias de Wit {BIO 15856815 <GO>}

Matthias de Wit from Kempen. I've got a few questions. The first is on the mortgage spreads for capital generation. You've been assuming 75 to 80 basis points, which looks a bit low to me. So, could you maybe provide some comments on where the actual spread is on the book under Solvency II at this point in time?

And then, second question is on the bank. It's not entirely clear to me how it is treated currently under Solvency II for you in terms of capital generation. So, some of your peers only take into account dividend, so maybe you can say anything on that. And linked to that, one of your peers also guided for pressure on margins in the bank. So is that also something you would expect going forward?

A - Rutger Zomer

We'll take the last question.

A - Eric Rutten {BIO 18091937 <GO>}

About pressures on the banking side was your last question?

A - Maarten Edixhoven {BIO 20017931 <GO>}

Yeah, the margins on the bank.

Q - Matthias de Wit {BIO 15856815 <GO>}

(02:50:01)

A - Eric Rutten {BIO 18091937 <GO>}

Well, looking forward, it's, of course, very difficult to see where yields will go. And there are a lot of different perspectives, actually, to look upon that. What you typically see when interests go up, it's often a good thing for banks and for margins. On the other hand, what you see in the current environment with the low yields on the assets, it's of course a menace. And if we go to the zero or below zero, that will be indeed a challenge for banks, I think. So, I think it's very difficult to have a very clear vision on where the margins go today.

A - Rutger Zomer

Perhaps on the mortgages spreads, at this moment, are indeed significantly higher than the ones presented in this slide. But we took a relatively prudent approach in terms of our capital generation assumptions.

Q - Matthias de Wit {BIO 15856815 <GO>}

(02:51:04)

A - Rutger Zomer

I think somewhere around 120 basis points. And can you reiterate your second question please?

Q - Arjan van Veen {BIO 5197778 <GO>}

Yes. It's just how the earnings of the bank are treated or how the bank is treated under Solvency – for Solvency II capital generation. So, is it contributing or not or...

A - Rutger Zomer

When you look at the current capital generation, the €300 million that I presented, the bank is included in that number, but for a number of zero because it's basically funding its own growth.

A - Maarten Edixhoven {BIO 20017931 <GO>}

Yeah. So, the bank is not part of the Solvency II capital management framework. I think that's important. It has its own capital management framework. I think it's called the Basel III...

A - Rutger Zomer

But it is included in our number on capital generation. So, that is a consolidated Aegon The Nederlands number, including the bank.

Q - Arjan van Veen {BIO 5197778 <GO>}

That's zero?

A - Rutger Zomer

That's zero. Yes.

A - Maarten Edixhoven {BIO 20017931 <GO>}

That's Zero. Yes. So basically self-funding.

A - Rutger Zomer

Yeah.

A - Eric Rutten {BIO 18091937 <GO>}

Yeah.

Q - Nadine van der Meulen {BIO 15200446 <GO>}

Hi. Nadine van der Meulen from Morgan Stanley. Question on the capital generation on slide 7, right-bottom table where you basically give the different buckets of the capital generation, the €300 million number. Two questions. Number one, the MCVNB net of new business strain is zero. When is that going to be positive?

And the second question is, so this is the capital generation number. But right here, you are also saying that that is equal to the cash generation. Whereas, in my belief, it includes value of in-force of new business. So, if you would deduct that, what is the actual cash number? Thanks.

A - Rutger Zomer

Your first question was when will the MCVNB net of new business strain will be positive, I need to come back on that question, I don't know that from the top of my head.

And the second one I didn't understand the question. When it comes to the comparison between capital generation and cash generation.

Q - Nadine van der Meulen {BIO 15200446 <GO>}

Right. Yes. In light of the €100 million dividend that you're going to pay that is supported by the €300 million capital generation, I was wondering...

A - Rutger Zomer

Absolutely.

Q - Nadine van der Meulen {BIO 15200446 <GO>}

...what the true cash number behind capital generation is. Thank you.

A - Rutger Zomer

Need to come back on that as well. Don't know from the top of my head. Yeah.

Q - Willem van den Berg {BIO 15203834 <GO>}

(02:53:45). Maybe one sort of question for what would be a solution to one, capital; two, returns. And that would be to make something visible - more visible to the markets what is currently also a bit of a frustration to Alex, I believe, the realization or the fact that Knab is not being valued at all in Aegon's market cap today. So, I would say a very easy sort of (02:54:13) solution there would be to list it. So, why not?

A - Maarten Edixhoven {BIO 20017931 <GO>}

Well, first of all, there are some amongst you who put a valuation on the Knab, I've noticed in some reports, so I'll also give you the challenge based on what you've also seem to do that, and we are excited about the growth. But as per your question, at the moment, we are really in the stage and also, let's say, in the scale of stage moving from a startup to a scale-up and investing in the Dutch environment.

Of course, we also look a bit further beyond where our opportunities in the, for example, European environment but for the moment, in the next few years, I would say we focus on making it an even bigger success in the Netherlands. And the second, as per your remark, yeah, there are parties interested to look at that as well with us or in a different way. But, at this stage, we really believe that we are best positioned to capture that value in very close alignment with Aegon Bank.

Q - Farooq Hanif {BIO 4780978 <GO>}

Hi there. Farooq Hanif from Credit Suisse. I want to follow up on Johnny's questioning on the consumer loans platform. Could you just tell us a little bit more detail about how you can evolve the underwriting? So, I know that, for example, some of those providers have got tranches of loans they make, so how you select that.

And then, on the kind of the more potentially negative side, obviously, we've got some political challenges in the UK right now. Credit has been so benign - uncharacteristically benign, next three or four years you're going into this. So, what kind of scenario planning are you doing around that? Because it seems to me that it's a new area, so I was just wondering how you're managing that.

Just one more question, the 5% to 10% growth, I mean, is that largely alternative asset spread increase?

A - Maarten Edixhoven {BIO 20017931 <GO>}

No. I think like I explained before and to really give the right perspective on that, it is an important part, especially from the perspective of the life insurance company, I would say. And there is not a focus on the consumer and SME loans because you have longer liabilities and you also would like to have - so that's more, for example, in the private equity corporate loan space for life insurance company. Second, like I said, other elements like cost, for example, and increasing the fee business are as important for that growth in earnings.

Second, before I hand over to Eric, what I would like to stress is that we at Aegon Nederlands have deep, deep know-how on the mortgages market, as Ingrid explained; have deep, deep know-how about the retail housing market through our very successful 50% in Amvest, which is also a significant part of our portfolio. And over the past five or six years, we are building also deep, deep knowledge about consumer lending through a portfolio that we acquired from Credit Agricole which also has performed very well. And so there is a, let's say, strategy and also a risk management philosophy behind that. And with that, I would like to hand over to Eric.

A - Eric Rutten {BIO 18091937 <GO>}

So, to take your bridge, we are comparing. of course, the different portfolios and we're mixing the P2P platforms with the traditional portfolio. So, we see the different performances and compare these and we can act upon that.

To come to the benign part of the cycle we are in today, I agree with that, so we have to be prepared for worse economies. But one of the main things already to mitigate this risk is that all those loans, there's a redemption as of the first day actually the loan is in. So from that point of view, we mitigate the risk already to a big extent.

For the remainder of course, it's very important that we have a strong risk management and we have a constant dialogue with the different platforms the way they do their risk management, we have involved asset management of Aegon to look upon the portfolios to see comparisons with other portfolios. And there is a very intensive dialogue and insight in the different companies.

And as you probably have seen, we also took some equities in those companies and that's not for no reason. That's for the main reason is that we are very close to those platforms and see really what happens over there, so we can act upon when times change.

Q - Willem van den Berg {BIO 15203834 <GO>}

Thank you. I'm just wondering, in terms of a lot of the different things you said about technology, how are you guys thinking about and quantifying and managing cyber risk? Where does it come in your SCR? What sort of number are you putting on that? And specifically, do you have a dedicated cyber policy now that everything's going onto the cloud?

A - Willem Horstmann

Yes. First of all, it's not explicitly captured in any SCR, it's captured as part of our operational risk SCR. So, that's for one, which is a very simplistic standard formula Solvency II. Of course, we have a cyber risk policy. Where you see it coming out is, for now, mostly at the bank. There you see that - well, that that's been in the press for not only our bank, but also for other banks of course, that there's all sorts of attacks. And we have teams in place to very quickly respond.

I think it's important to note that when we're talking about cyber risk, it's to some extent about prevention, but it's more about resilience, how quickly can you react to the things that happen. And that's what we are continuously improving, not only with internal people, but also with people outside of the company that help us with that.

A - Jan Willem Weidema {BIO 15133400 <GO>}

We have two questions from the webcast here in the back.

A - Maarten Edixhoven {BIO 20017931 <GO>}

Yeah. We see you, Jan Willem.

A - Jan Willem Weidema {BIO 15133400 <GO>}

Is there any opportunity to accelerate the run-off of the pension DB books, or can you, for instance, trend for existing DB contracts to DC solutions? And secondly, in the defined contribution contracts, to what extent do you price - or take into account in your pricing that you'll capture some decumulation through fixed annuities and other forms of annuities?

A - Wim Hekstra {BIO 19728050 <GO>}

First of all on the accelerating the, let's say, getting rid of our DB book, that's how I understand the question. The DB book is a big part of also our investment strategy as was mentioned by Rutger. So, we, at this moment, don't have any plans to accelerate that. We see it as part of our strategy of managing our balance sheet in a more efficient way, so not really debt. On the DC product, we do not price annuities into the DC product itself very much so. Because in the Netherlands, people would have a choice to potentially buy an annuity from a different provider. So, connecting those two would give - yeah, would not give a fair visibility on the profitability of those two products.

Both of them we like and, obviously, we'd like to grow them hand and hand. Maybe a bit more color to that as we're investing quite heavily at the moment also on the customer journey of when people retire, so that they have a straight-through process online to buy these kind of annuities. So, by connecting them in a customer journey, to making sure that it's efficient and we have good products on the shelf, that's how we try to make sure that we have more linkage between the two.

A - Maarten Edixhoven {BIO 20017931 <GO>}

So Alex - by the way, I think this is really one of the big opportunities in the Dutch market. We know from our American sister company, Transamerica, but also from our UK operations that the rollover/payout market, once there's more individualization of choices, as Wim was explaining, that that market will really get off and will be an important contributor in both fixed, but even more variable annuities for the future, but also for individual savings solutions via the bank platform. We think that's a high growth area.

Now, we are at 12:00 and there's no such thing as a free lunch, people say, but for you there is and for us as well. As well that Alex moved in, so, I don't want any career limiting questions at this stage.

A - Alexander Rijn Wynaendts {BIO 1821092 <GO>}

One more.

A - Maarten Edixhoven {BIO 20017931 <GO>}

But great you're here for the lunch, Alex. Maybe one last question then let it be a gentle one for this one. And if not, we can all go for lunch. So, okay. Let's go for lunch. Thank you very much for your attention.