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Investor Update

Company Participants

- Ewout Hollegien, Chief Financial Officer
- Ingrid de Swart, Chief Operating Officer & Chief Technology Officer
- Jos Baeten, Chief Executive Officer
- Michel Hulters, Head of Investor Relations

Other Participants

- Andrew Baker
- Benoit Petrarque
- Cor Kluis
- Fulin Liang
- Michael van Wegen
- Michele Ballatore
- Robin van den Broek
- Steven Haywood

Presentation

Michel Hulters {BIO 19111905 <GO>}

Good morning ladies and gentlemen, welcome at the ASR Investor Update 2021. I am Michel Hulters, Head of Investor Relations and I'll be the moderator for data for today's online event. Today ASR presents its plans on how to create sustainable value for all of its stakeholders. We will discuss the targets and the plans to make those targets happen. The program today consists of two parts, and the first part is an interview with each member of the executive board. Let me introduce them to you. Standing in the middle is Jos Baeten, our CEO, on the left Ingrid de Swart our COO and CTO, and on the right, Ewout Hollegien who is our CFO.

We'll kick it off with Jos Baeten. Jos will discuss the performance of ASR in the recent years against the existing targets, and will review the foundation of our success. He will also talk about the ambition behind the new financial and non-financial targets. And he will provide an update of the strategy for the coming years.

The second interview is with Ingrid. Ingrid will present the plans for each of our business segments and how we will continue to be a best-in-class operator as you also talk about the targets that we set for the business.

The third interview is with Ewout Hollegien and Ewout will share his view on the quality and robustness of our balance sheet, the capacity of our businesses to generate capital and how we aim to deploy that capital. And he will also share his view on capital returns to shareholders.

Now during these interviews we will show only a limited number of slides. And the full deck of the presentation is available on the website together with the press release that we issued this morning.

Now after the interviews and a short break, we will continue with the second part of the program, which is a Q&A session with analysts and institutional investors. And it is our ambition that by the end of the program that is before lunch, you'll be fully up to date with all the relevant information at ASR.

Before we get started, I should mention the Safe Harbor regarding forward-looking statements which is in the back of the presentation. Now, without further ado we'll start the interview session with Jos Baeten, and we'll run a short video to introduce them to you.

(Audio-Video Presentation)

Jos, good morning. Looking sharp. Are you excited about today?

Jos Baeten {BIO 2036695 <GO>}

Yeah, good morning, Michele and good morning to everyone who is attending our virtual conference today. And to your question, yes. I'm really excited. I'm excited about the performance that we have delivered in recent years. About the new ambitious targets where we clearly raised the bar for the coming years, about the compelling action plan to deliver these results, not just financially, but also non financially, and about the sustainable value creation, for all of our stakeholders.

And I'm also very excited to embark on this journey with Ingrid and Ewout as part of our very strong team and of course, together with our senior management and all the 4,000 employees in fact, who contribute to the success of ASR on a daily basis.

Michel Hulters {BIO 19111905 <GO>}

That sounds good Jos, thank you for this. To start off then, may I ask you to reflect briefly on our past performance and the key drivers of that performance.

Jos Baeten {BIO 2036695 <GO>}

Yes, I'm of course very proud about what we have achieved so far on the bases by the way of the strategy that we have executed in a very disciplined way, since our IPO in 2016. And with the key strategic principle that drove our decision making, first of all, value-over-volume. We run this company for profit, not for size. We're customer-focused with an ambitious to be the best financial service provider.

Our insurance expertise, meaning pricing, underwriting and claims handling is where we really need to excel. And of course, we remained cost-conscious. And last but not least, maintaining a very robust financial framework. And we've combined those principles with strong financial discipline which has enabled us to grow the business also inorganically and together with prudent price levels.

Our business is comprised a diversified insurance portfolio of non-life, and life insurance as well as fee based business, aimed for organic growth, and on top of that inorganic growth. And this all-in-all generates a very attractive dividend and any additional capital return may come on top of that.

Michel Hulters {BIO 19111905 <GO>}

Yeah. So this is basically the equity story that we have had already for a number of years, but could you reflect on the performance since our last Capital Markets Day in 2018.

Jos Baeten {BIO 2036695 <GO>}

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Yes. We have truly delivered on our targets as said in 2018. First of all, our organic capital creation and operating results have been very strong, outperformance really driven by solid business fundamentals, and more than compensating the impact of the low interest environment as everybody knows.

We also delivered on organic growth as reflected in P&C and disability, where we outperformed the market at a profitable combined ratio. We also delivered a very robust financial performance and we maintained a very strong balance sheet, both in terms of Solvency II ratio and in the credit rating, thereby absorbing the impact from M&A, organic growth and re-risking and of course the lowering of the UFR. And of course, we have been very successful in M&A, both in the 15 deals we did, but also in deals we actually did not do and maintained our discipline.

Michel Hulters {BIO 19111905 <GO>}

Jos, I think that's a clear and strong delivery against the financial targets in the recent years, but what about the non-financial targets.

Jos Baeten {BIO 2036695 <GO>}

Michel, our strategy to create value for all stakeholders worked quite well. When I look at the non-financial KPIs we over delivered on the net promoter score, we stood at 42 and 18 and now stand at 48. Measuring our CO2 footprint of our investments, we are on track to meet the 95% target by the end of this year. Impact investments have grown well above the target of EUR1.2 billion and now stand at EUR1.9 billion. Only our employee contribution was challenged by COVID-19 as everybody is aware of. And our efforts have resulted in external recognition by various benchmarks and indices. As shown own, on this slide compared to our score in 2018 we have gained external recognition. We clearly rank amongst the leaders in our industry.

Michel Hulters {BIO 19111905 <GO>}

And what do you think are the factors behind that performance?

Jos Baeten {BIO 2036695 <GO>}

I think factors that drove the success in the past will also continue to do so in the future. First of all, setting the right strategy and staying within the course is important. Secondly, a disciplined execution, never forget the customer, strict on cost and hurdle rate for growth and of course, rational allocation of capital, but strong management and a winning culture throughout the entire organization focus on delivery, really make the difference. And these from my perspective at least are the most important ones.

Michel Hulters {BIO 19111905 <GO>}

This morning, we announced new targets, also indicating a clear uplift in returns to shareholders, and also in our underlying performance. Can you please talk us through the targets first?

Jos Baeten {BIO 2036695 <GO>}

Yes, with pleasure and we indeed Michel, raised the overall ambition not only for the group but also for our businesses. First some words on the group targets. The new OCC target implies a considerable uplift, reflected by structural improvements in non-life, and uplift in fee based business and a stable performance of the life business. And this will be reflected in our OCC target range for '22 up to '24 of $1.7 billion to $1.8 billion in total, compared to the 500 million OCC target for '21.

And this range fits well from our perspective, within the ranges we apply for other targets, like combined ratio and non-life premium growth, and will allow as some variations that may arise from year-to-year. And of course, Ewout will talk in more detail about it. And this OCC will fund future dividends, organic growth and which is our preference bolt-on acquisitions.

The second target is on our Solvency II ratio to remain safely above the 160% we call it the entrepreneurial zone, a comfortable cushion to absorb certain shocks in the market, not to hoard capital. We'll put it to work or return it to shareholders if we can't use it. And finally operating return on equity remains 12% to 14%. And yes, I know we have a strong record to outperform this target, but we believe it makes sense to keep it here already exceeding most of our peers.

And now turning to the business targets. We continue to aim for profitable growth, pairing a market-leading combined ratio for P&C and disability with premium growth. We uplifted the combined ratio with 1 point to 93% in a very good year and 95% in a normal year, so a full point of improvement. And we maintain the ambition to grow the non-life premium between 3% and 5% organically, thereby expecting to outgrow the market, and Ingrid will elaborate on the plans behind this.

In the Life segment, we expect the operating result to remain above EUR700 million for the period 2022, 2024. Cost management remains key and we have thus sharpened the target for operating expense by 5 bps to 40 bps to 50 bps of the basic life provision. This is this is quite a challenge indeed, as we announced system migrations to software as a service solution for the pension business. These project cost will also be included in the next couple of years.

And last but not least, fee based business has done very well. And we believe they can improve further to an overall operating result, exceeding EUR80 million in 2024 Michel.

Michel Hulters {BIO 19111905 <GO>}

Some of the targets that you just mentioned Jos, are based on IFRS accounting, and that may undergo some revision as we will embark on an implementation of IFRS 17. What does that mean?

Jos Baeten {BIO 2036695 <GO>}

Well, I think that's a very good point and an important point. Targets, such as operating results, return on equity, organic growth of gross written premium will be impacted by the implementation of IFRS 17 in 2023. So these new targets express our ambition today and will be adjusted by equivalent targets in 2023.

Michel Hulters {BIO 19111905 <GO>}

And what do these new targets mean for capital returns to shareholders?

Jos Baeten {BIO 2036695 <GO>}

Well, with these targets we are in a very good position to enhance the return profile to shareholders, both for regular dividends and the additional capital returns. Frankly speaking, I believe we are offering a very considerable and structural uplift on both accounts. First the dividend.

As from 2022, we will move to a progressive dividend, meaning that the dividend will no longer be determined or attached to one single performance metrics, such as operating result. It will be set discretionally going forward. We have the ambition for slightly growing dividend per share, think about low-to-mid single-digit per annum.

We will base, and that's very important. We will base this progressive dividend on the full year '21 dividend, as we mentioned already at a half year results. The result of full year '21 will significantly benefit from both the extraordinary incidental COVID-19 benefit and the strong underlying business performance. And to help the market a little bit, what this potentially could mean, we decided to guide on dividend.

The full year '21 dividend will be at least EUR2.40 per share. This could be even become higher depending on the actual full year numbers. So it's going to be at least an 18% increase of or EUR0.36 per share uplift compared to the dividend of last year being EUR2.04. So as we move to a progressive dividend in 2022, this exceptional step up will be locked in and be part of the progressive dividend going forward.

Michel Hulters {BIO 19111905 <GO>}

So, just be sure it's in at least 18% uplift in the ordinary regular dividend could be higher from that, moving to progressive dividend going forward and can grow. But what about the additional capital returns then Jos.

Jos Baeten {BIO 2036695 <GO>}

Yeah, then we talk about the share buyback, Michel. And in the past year as everybody knows, we have executed a share buyback of EUR75 million per annum. The commitment was for three years and the final leg is due next Feb when we publish the full-year results. Of course, if the conditions we have said are met.

We believe the share buyback program has worked well. It allows us allows us to offer additional capital returns, especially on the back of a very strong capital generation. We've decided to continue to share buyback program, and to raise the share buyback with EUR25 million to at least EUR100 million per annum. This is again a commitment for three years and contingent on our Solvency II ratio still based on the standard formula, to be above 175%. So we also lowered the threshold coming from 180%. But of course, our preference remains to grow the company profitable, so value enhancing M&A opportunities will be favored.

And thus, we will hold the share buyback program in case of an interesting substantial acquisition. So in sum, a very considerable uplift in shareholder returns going forward and Ewout will provide more on this in his interview later on.

Michel Hulters {BIO 19111905 <GO>}

I think this is a positive news if you're a shareholder. But what about the other stakeholders? It is our stated objective to create sustainable value for all stakeholders. And could you share your thoughts on that?

Jos Baeten {BIO 2036695 <GO>}

Yeah, that's correct, Michel. And as you know, it's my personal focus to balance the interest of all of our stakeholders. And as mentioned, we also announced quite ambitious non-financial targets reflecting the drive to deliver sustainable value for those stakeholders. First of all, in servicing our customers. We continuously aim to do better to improve customer satisfaction.

So, we are now extending the KPI to not only reflect how we score at moments when we have in contact with our content customers, the so-called NPS-c, but we will start reporting on what truly covers the full interaction and relationship with our customers. The so called NPS-r, Ingrid will provide more detail on this. But I should make clear that for a large insurance company like ASR, this is much more ambitious than the previous net promoter score targets.

And somewhat related, we also introduced a target on our brand reputation, as a sustainable insurance company. We believe this is becoming more and more important to be considered in the future not only for new and existing customers, but also for investors and of course employees.

And further, we want to make an active contribution to the climate transition with our sustainable investment portfolio. We have set ourselves the goal to reduce the CO2 footprint of all of our investments by at least 65% by 2030, compared to 2015, which is very ambitious target. We show that we want to remain our position amongst the few real ESG leaders in our industry. And as you may know, we are of course a signatory to the net zero by 2050 pledge. This is for the investment portfolio, but we've just recently also become a signatory to the net zero insurance alliance, which is applicable to all of our insurance underwriting.

In addition, we aim with our impact investments to generate social returns and thus increase our positive impact on society. By 2024 we want to have at least EUR4.5 billion worth of an impact investments on our balance sheet. And last but not least, it's all done by our employees and we need them to be fully committed and engaged.

And we strive that this applies to at least 85% of our employees of the -- over the past years we have seen consistent improvement in the engagement of our employees. And I'm very pleased to see that we have become the best all over employer in the Netherlands last summer. So all in all a very strong set of non-financial targets for us and I believe a good combination with an attractive outcome in terms of returns to shareholders.

Michel Hulters {BIO 19111905 <GO>}

Clear story on the targets, Jos. Can you tell a little bit about the plans that actually will enable us to deliver on those targets?

Jos Baeten {BIO 2036695 <GO>}

Yes, and as already stated in other conversations, it's going to be more of an evolution than a revolution. The strategy is very much in line with what we have done in recent years. The plan has proven to be successful. So no need for an overhaul, but of course some refinements. And let me give you first some trends that we took into consideration. When developing the action plan for 2022 to 2024 which I will come to shortly.

For example, some of the more generic market trends will be consolidation in the Dutch market and a stronger focus also by investors on ESG. In our non-life business, some notable trends are the move towards self-employment, combined with under insurance in the labor market, and shifting insurance risks and needs, such a cyber and climate change also driven by technological developments.

In the live markets, we could highlight, the new pension regulations resulting in a shift from collective to individual insurance to so called Pensioenakkoord, and of course, the ongoing gradual run off of individual life books. And with respect to distribution, we see for example, a shift towards digital channels which has been accelerated by COVID-19.

But I'm sure most of you will be quite familiar with the trends in the sector. So let me move onto the action plan for the coming years. We aim to pursue growth in P&C and disability, with focus to maintain our best-in-class combined ratio and underwriting performance.

Secondly, we will expand our fee based business in asset management, partially driven by Pension DC, as well as an increase in fee based business from distribution and services.

We further optimize value from life back books and maintain best-in-class operator. We will enhance customer service by delivering digital services and will expand our role in the value chain and enabled by strong relationships with our intermediaries. And Ingrid will provide more detail on those first five actions. And we further have the ambition to enhance investment income and optimize capital position and financial flexibility. And Michel I'm sure you will have some questions for Ewout on this. And of course, we will continue to find and execute the bolt-on M&A opportunities to add scale and selected skills.

And finally we will execute on ESG strategy to create sustainable value for all of our stakeholders. But please bear in mind that for us it is crucial of course that we maintain our financial discipline and deploy the capital in a very rational way.

Michel Hulters {BIO 19111905 <GO>}

M&A has been a considerable and strong part of the strategy in recent years, and it will continue to do so, as well. It has been a source of growth as in recent years. The question may however be, are this still meaningful transactions to be done in the Netherlands.

Jos Baeten {BIO 2036695 <GO>}

Yes, Michel. We prefer as you know to grow the company both organically as well by selective M&A. And M&A remains certainly key in our strategy. And we will keep on focusing on bolt-on acquisitions, mostly exclusive moving businesses on our platform. And please note that we make a distinction between strategic and opportunistic deals. In the area of strategic M&A, we seek deals that fit into the strategy of ASR and create long-term value and of course support expansion in our identified core growth markets, and of course help to protect our core business. One could think about deals in non-life, D&S distribution and services but also in pension DC and IORP.

Then moving to the more opportunistic M&A, we seek deals that have the primary goal to maximize the financial return on investment in the near future. These deals do not necessarily contribute to our long-term strategic goals and thus they need to be compensated by significant attribution to the returns. And in this area, you can think about predictable back books within the Life segment mainly in funeral and individual life.

And as shown on the slide, we believe there are still opportunities in the Dutch market that fit our strategy and appetite. And you will understand, I'm not going to mention any specific names which we believe could be of our interest to pursue. And of course, we will have a very good look at any larger file that comes to the market. But in any case, we will remain disciplined from a financial point of view.

Michel Hulters {BIO 19111905 <GO>}

There's a strong focus on small bolt-on acquisitions. But how likely is it that any such transaction -- let's say another EUR100 million to operating results in the next couple of years.

Jos Baeten {BIO 2036695 <GO>}

Well, I would love to see such a transaction but any single transaction may not offer this opportunity Michel. However, it's quite possible that a string of smaller deals may provide this uplift. Just as important it is that we remain rational and maintain hurdle rate for any inorganic growth.

Michel Hulters {BIO 19111905 <GO>}

And Jos, if there are no further opportunities in the Dutch market, going abroad is still not an option?

Jos Baeten {BIO 2036695 <GO>}

No, I won't make a joke. I typically do on this question Michel. But the fact of the matter is that historically we have felt that it is quite challenging to make a truly compelling case for international expansion. And having said that we generally, believe there is still room for ASR to grow in the Netherlands and to develop and acquire businesses in the domestic markets, as we just discussed, both from a strategic as well from an opportunistic point of view.

Michel Hulters {BIO 19111905 <GO>}

A final question for now then Jos, in the beginning of the interview, you mentioned the executive team, and we have seen some recent changes in the executive team, and it prompts a question on succession planning, succession management, but frankly, perhaps also on your term, anything you could share with us today on that.

Jos Baeten {BIO 2036695 <GO>}

Yeah, let me start by saying I'm really happy with the current team with Ingrid and Ewout and they will be introduced later on. About my own position, I guess you would have to ask to the supervisory board. But I have been with this company for a pretty long time, and I'm absolutely in no hurry to leave. My current term is, as everybody should know, until the AGM of 2024, and after that we'll see. But please note that succession management has been well established within ASR as was demonstrated by the appointment of Ewout. So in short, I'm very excited about the plans we have and I'd like to see them executed for the full period. No doubt about.

Michel Hulters {BIO 19111905 <GO>}

Jos, I'm really pleased to hear that you're not going to spend more time playing Candy Crush in the coming years. So this was the first interview. The second interview will be with Ingrid de Swart. So I would like to invite Ingrid to the podium. And we'll also run a short movie to introduce Ingrid to you.

(Audio Video Presentation)

Ingrid, good morning to you as well. And my question is, are you just as excited as Jos is? And is there anything that you want to share before we get started.

Ingrid de Swart {BIO 21384136 <GO>}

Good morning to you Michel, very nice to see you here. Happy -- really happy to be here. And I'm really looking forward to presenting to the investor and analyst community today. And it's nice to see some familiar faces on the attendance list.

I joined ASR two years ago and I must say, I'm really pleased with the quality of the people and the business really impressed by it. This is also reflected in strong market shares across all of our products. We're the number one in disability, number 2 in life, number 3 and P&C. And overall, we are number three insurance player in the Netherlands. And this puts us in a very good position to execute our strategy, and capture additional growth at solid profitability.

Michel Hulters {BIO 19111905 <GO>}

All right. On strategy then Ingrid. We just heard Jos talked about, it's a rather an evolution, another revolution.

Ingrid de Swart {BIO 21384136 <GO>}

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Yeah,

Michel Hulters {BIO 19111905 <GO>}

And what part of this evolutionary process in your business would you want to highlight?

Ingrid de Swart {BIO 21384136 <GO>}

So as you Jos mentioned, we aim to pursue growth in non-life while improving profitability. We want to increase our D&S and asset management business by mainly, partially driven by DC. And of course, we will further optimize our life back books. But I would like Michel to start with discussing four important building blocks that run through the entire organization before we dive into these business segments. And these are our solid customer base, the quality of our distribution network, the importance of digitalization, and rationalization of our IT systems.

These four blocks already have a strong foothold within our organization and will further help us in achieving our new business targets.

Michel Hulters {BIO 19111905 <GO>}

Then what in your opinion Ingrid characterizes a solid customer base.

Ingrid de Swart {BIO 21384136 <GO>}

So we are the number three Dutch Insurance player. So we have a large customer base of over 2.8 million customers and a strong brand recognition of over 80%. And I believe this strong customer base starts by creating satisfied customers, and working hard to retain these customers, by providing good services and good products, to serve the every changing needs. And this may sound easy but it's actually pretty hard work.

In recent years, we have really delivered on this. Our NPS-c has gone up and outperformed the target we had set three years ago. And it is not something we do on our own but with the help of our extensive distribution and service network, such as IFA, bank assurance, mandated brokers, direct channels and service providers. And we are especially fond of IFA. They remain a preferred channel to sell our products to our customers because they generate high-quality customers and they tend to be more sticky and that's more sticky business which we really like.

Michel Hulters {BIO 19111905 <GO>}

Just to be clear when you mean like sticky business or sticky customers, you intend to say that they stay longer with ASR?

Ingrid de Swart {BIO 21384136 <GO>}

Yeah. I don't mean sticky as in sticky, but I mean --

Michel Hulters {BIO 19111905 <GO>}

They stay longer, yes

Ingrid de Swart {BIO 21384136 <GO>}

They stay longer across the board. We are really happy with the retention rates that we see. Disability and pension DC are typically sold by IFAs and have retention rate of over 95%. And P&C,

we benefit from packaged offerings which tend to create sticky customers with a more favorable claims behavior.

In fact on average, these customers stayed twice as long compared to customers who only have one single P&C product. And we are also very pleased with the composition of our book in terms of age groups. We have a large base of customers within the age group of 40 years and older and these customers have often been with ASR for a prolonged period of time and are again less likely to switch.

But we can also attract young new customers through our vitality and health products. Customer satisfaction is key. Therefore, we introduce a new comprehensive NPS-r target. Jos already mentioned it. With our current NPS we are in performing in the middle of the back of our listed peers, which are also multi-line and predominately, IFA insurance. But this is still below market average where we see better performance of direct writers, and also from specialized motor line insurance.

Our ambition is to increase our scope to above market average by 2024. And one of the biggest levers to improve our customer satisfaction is digitalization which I will discuss later on.

Michel Hulters {BIO 19111905 <GO>}

So here you say, we prefer the higher quality customers that come to us via the intermediary the independent intermediary.

Ingrid de Swart {BIO 21384136 <GO>}

Yes,

Michel Hulters {BIO 19111905 <GO>}

Why is that?

Ingrid de Swart {BIO 21384136 <GO>}

So as I said, we are primarily advisory driven, and I must say really happy with that. We're also proud to own a couple of intermediary businesses and service providers ourselves. Our DNS segment ranks number four among the largest intermediary companies in the Netherlands based on revenue. And this provides an excellent base for further growth, especially on the commercial side.

We will maintain our current distribution strategy since we see a strong growth with intermediary channel in insurance landscape for the upcoming years. And let's not forget in the Dutch market, three out of four household has taken out an insurance policy through an IFA and almost every large company is customer of an IFA. And we are the best partner in this channel, as also shown by some of the industry-leading benchmarks.

They are very clear about the fact that we are the most preferred partner in the eyes of the IFA. And that of course enables to do business with them fairly easy. On top of that we also have our own direct line on list -- on business line have called Ditzo. And as mentioned earlier, our own distribution of service entities. And this is what we call a multi-channel distribution model which enables us to target selected markets, but it's also where we are on the ground.

Michel Hulters {BIO 19111905 <GO>}

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On the intermediary channel, you mentioned are really strong positioned in that channel. Are you not concerned about a shift towards online distribution?

Ingrid de Swart {BIO 21384136 <GO>}

No. I'm not concerned at all. In the Netherlands, the intermediary channel is still very dominant. And our strong position in this channel doesn't rule out that we are also very active online. In fact we already offer services online through our digital portals and websites particularly, as also, the intermediary moves to online.

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For coming years, we will focus on strengthening the relationship with the intermediary channel, with a focus on digital. And this, we do by further improving our own website, our online blood platform asr.nl. We will be supporting the intermediary channel by moving to a more digital environment for both their and our customers, and we will adjust and simplify our product offerings to the SME so that they can be sold more easily by the IFA and the mandated brokers.

So all in all, it's not a concern at all. We are very comfortable with the way that we already engaged and service our customers online. And we are confident that we will continue to do so in the future by combining the strength of the intermediary channel and the digital channel.

Michel Hulters {BIO 19111905 <GO>}

On one of the slides, I read that we want to digitally activate 90% of our existing customer base, quite an ambitious target I think. The question is, why and how are you going to achieve that.

Ingrid de Swart {BIO 21384136 <GO>}

Yeah, so it all starts with ambition, right. Currently, we serve around 50% of our customers through our online channels. And important to know is that, customer experience improves by serving them more digital. Customers that make use of our digital services actually have an NPS score, which is 19 percent points higher compared to customers who don't.

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And we also see an important role for digitalization and automation terms of efficiency. By redesigning and optimizing the customer journey in our systems (inaudible) can focus more on real expertise, such as claims handling, more complex cases or cases which require personal contact. And this is supported by data management, and the use of data analytics. And the objective is to create a seamless customer experience, both for advisors and customers.

Michel Hulters {BIO 19111905 <GO>}

You mentioned four building blocks. The fourth and final building block is IT rationalization is a topic we are well known for? What's new there?

Ingrid de Swart {BIO 21384136 <GO>}

Correct. But luckily, Michel there is still a lot have to do. As you know ASR has built up an excellent track record in migrating large and complex life but also non-life portfolios. And in recent years, we migrated the majority of our business lines, such as funeral and individual portfolio.

But also the acquired books of Generali the Netherlands and Loyalis. In addition we had a big mouse on last month? We migrated the final part of our P&C portfolio the main system and hereby, we concluded a four-year operation. And as a result, we are the first Dutch insurer that has the total P&C portfolio in just one single system. So, we are in very good shape to benefit from the efficient and state-of-the-art technology of this single system.

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It enables us to realize our organic growth ambitions in non-life, but also to add future bolt-on accusations to our platforms efficiently. And in the coming years still a lot to do. We will focus on migrating the remaining part of disability books and the pension DB and DC books. Across the board, we rationalized and migrated many product varieties, and also admins to single SaaS platforms, and this enables us to run these products very cost efficiently moving forward.

Michel Hulters {BIO 19111905 <GO>}

That's clear. Can now talk us through the targets that we have for the businesses?

Ingrid de Swart {BIO 21384136 <GO>}

Of course, I can. Let me start with a non-life business, this consists of health, disability and P&C. And I will focus on P&C and disability, since this is about the targets related. The two non-life targets are about growth and profitability. We will maintain our organic authority of 3% to 5% per annum for P&C and disability combined, while further improving our combined ratio by a full point to a target range between 93% and 95%.

And I believe that the combination of these two targets, underpins our volume over volume approach. So, let me now dive into P&C. This market is highly competitive and we already have a strong number three position with a total market share of 15%. Over the recent years, we have managed to grow organically due to our diversified portfolio with a strong position in several segments, while maintaining a solid combined ratio.

At the basis of this is our insurance expertise, which is all about pricing the right risk at the right price with the right service. And we are disciplined in terms of portfolio management and we make continuously use of data, to improve pricing, underwriting and claims management. And we strongly believe that the key to success is having all the data and claims management in house.

And of course, we will benefit from having migrated all these P&C policies to a single platform this year. And this is an important driver to further improve our excellent cost ratio. This enables us to grow organically, but also inorganically at marginal costs, consequently benefiting of economies of scale. And we see opportunities of growth in both retail and SME, mainly through better serving the intermediary channel and more specifically mandated brokers. The role of the mandated broker is becoming more and more important and already a large portion about half of our premiums in P&C are coming through this channel.

Within the retail market, we want to grow our fair market share, mainly in products other than motor, such as fire and home insurance. And we will do so by facilitating brokers to offer our execution only products online to their and our customers.

Secondly, we will be improving our product prices, covering conditions to make them more appealing, and thirdly we will be expanding our strategic collaborations with mandated brokers. Within SME we want to scale up our market share to around 20% across all products. And here we will be adjusting and simplifying product offerings so that they can be sold more easily by IFA and the mandated broker channel, and we will offer execution only products to increase the range among self-employed and small-sized companies. So all in all, we see opportunities to further grow in selected markets, while improving our profitability which is a powerful and very value creating combination.

Michel Hulters {BIO 19111905 <GO>}

I'd just like to say that we are a -- in disability we're a market leader.

Ingrid de Swart {BIO 21384136 <GO>}

Yeah.

Michel Hulters {BIO 19111905 <GO>}

Where do you see further opportunities for growth?

Ingrid de Swart {BIO 21384136 <GO>}

So in disability we have a unique platform that's focused on sustained -- sustainable employability. We offered a total chain of disability services, including prevention, vitality, reintegration, using medical advisers and vocational experts. And by integrating the total chain, combined with over 30 years of experience, we can control claims and maintain the quality of our portfolio. And for upcoming years, we continue to add an extended service to the platform to further look in SME and individual customers.

Now I would like to specifically mention our sickness leave portfolio here, which is a substantial part of our disability book as you're well aware. We see for consecutive years and at first trend in mental upset -- mental health absenteeism, mostly in white collar jobs. But due to our well diversified book incremental price increases and claim control, we manage to get our sickness leave portfolio profitable. In the disability market, we have a very strong position with almost one third of the total market in premiums we already mentioned that.

And this market is typically sticky and acting rationally in terms of pricing. And we see importunities here to increase our share of wallet, by focusing on customized offerings, and pricing of our group disability products.

And additionally, we also have our Loyalis brand, which has a unique position within the large semi-public sector. This segment requires specific expertise and is therefore not easy to penetrate by traditional brokers. We actually sit at the table with these companies, and employers organizations. It's a very unique position. So, we feel confident that we can enhance our combined ratio, while we focus on selected growth in specific markets.

Michel Hulters {BIO 19111905 <GO>}

If you could just turn to the Life segment for a minute,

Ingrid de Swart {BIO 21384136 <GO>}

Yeah,

Michel Hulters {BIO 19111905 <GO>}

A large part of that segment is a service book in runoff. How do you manage that part of the business?

Ingrid de Swart {BIO 21384136 <GO>}

So basically here we keep doing what we already did very well over the last years, but a bit extra here. We will be maintaining our high level of cost efficiency, which is reflecting in a further improvement of 5 bps of our operation expense target 240 to 50 bps of our basic life profession. And we will optimize the investment margin which keeps the operational result over the EUR700 million.

In coming years, we will focus on further realizing cost efficiencies, through the migration of our pension DB and DC book, to a single software-as-a-service system. Regarding a funeral business, we have the lowest cost per policy, and we would like to maintain our cost leadership position in this market. And as Jos mentioned, we will look at selective M&A opportunities, to officially integrate these books on our platform and extract the value.

Michel Hulters {BIO 19111905 <GO>}

In the pension market, there is a shift from pensions DB to the more capital light pensions DC solution. What is our approach there?

Ingrid de Swart {BIO 21384136 <GO>}

So the change in the Dutch pension system which will come into effect fully by the beginning of 27 at the latest will lead to additional opportunities for our DC business. In this new system, the pension DB products will disappear and DC will take its place. And this will mean a transfer of risk from insurance to customers. Currently this transformation is already in full swing. And ASR is a key player here. And we're are well positioned to benefit from this.

Currently, we have a market share of 15% and expect to increase this. 25% of the markets new production in 2020 also already done by us. And as mentioned earlier, retention rates are very high. Our DC proposition is unique on its own, because it has a focus on both digital and ESG. And the benefit of having our own as asset manager is that we can control ESG criteria which is important to us and to our stakeholders. And on top of that, we have the recent acquisition of IORP Brand New Day, which helps us in attracting new SME customers in a fully digital fully digital environment, and especially the smaller SME, already use to doing DC business online, for IORP Brand New Day. And finally, we also have a proposition for retail customers.

We aim at a total market share of 20% in DC business for the upcoming three year. And we expect to more than double the pensions assets under management in '24, compared to '20. And that means an increase of EUR5 billion. So in short, we are well positioned and well prepared to take advantage of the shift from DB to DC.

Michel Hulters {BIO 19111905 <GO>}

If we could just stay with capital light businesses for just a minute longer, we have two segments distribution, services and asset management that have shown considerable growth in the recent years. Where do you see further opportunity there?

Ingrid de Swart {BIO 21384136 <GO>}

So, Michele I showed also on the slide, we want to expand our fee-based operating results through expanding both asset management and distribution and services.

Like I just explained, we will grow our asset management business through our DC proposition, and this will contribute directly to our fee business target. And we are very proud that we have an asset manager who can capture, and efficiently manage these assets for our customers. Ewout will elaborate some more about this business line and the growth opportunities in his interview later on.

In the distribution and server segment, it is ASR strategy to play a prominent role in the consolidating market with our existing distribution entities. And I think you all know that we have several companies for a couple years already, such as Van Kampen Groep, Boval and SuperGarant. And that quality of their contribution is of high quality. And there are of course a couple of reasons why we are really fond of these entities.

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We remain relevant in the total value chain by being close to our customers and it protects our portfolio as an insurance company, so our risk bearer role. And of course, we can use the knowledge and the relationship of these entities to increase the market share of the portfolio. Not only in regular brokers, but also mandated brokers.

However, we still see limited use of economies of scale between those companies, while they have a very strong overlap in their activities. Therefore, we decided recently, to cluster them together in a new target operating model. And this not only helps us to realize synergies, but also to grow organically. And last but not least. It's an excellent basis for M&A opportunities going forward in a consolidating market. But please bear in mind, the current target of over EUR80 million operating result by 2024 it's based on organic growth. So any potential acquisitions will be on top of this number.

Michel Hulters {BIO 19111905 <GO>}

Thank You Ingrid for this answer to the question. It seems like an ambitious set of targets. Do you feel confident about achieving those targets?

Ingrid de Swart {BIO 21384136 <GO>}

Yes, Michel. I'm feeling very confident and also happy that I don't have to do it all by myself. I have a dedicated, strong and high quality team that will help me to deliver these targets. And my team and I are really looking forward to taking our business to the next level.

Michel Hulters {BIO 19111905 <GO>}

Thank you Ingrid for answering these questions. Now, I'm not your personal trainer but I would say this as more than just a good effort. This was the second interview. The third interview is with Ewout Hollegien. I would like to invite Ewout to the podium and we'll also run a short video to introduce Ewout to you.

(Audio Video Presentation)

Ewout. Good morning to you. And as we have just seen the video, you already had a quite a long career at ASR. And just the other week you've been promoted to the new CFO. So congratulations on that.

Ewout Hollegien

Thank you.

Michel Hulters {BIO 19111905 <GO>}

And I think the football team is glad that you didn't switch to a football career finally.

Ewout Hollegien

Yeah, nobody else is fine yes.

Michel Hulters {BIO 19111905 <GO>}

Maybe I should start, what are your first impressions in this new role.

Ewout Hollegien

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Yes, thank you Michel. Please allow me before answering these questions to say good morning to everyone watching this event. I am very happy to be here and I'm looking forward to getting to know everyone on the call in the coming period. And fortunately, this has to be an online event and it is not feasible for us to meet today. But it's my vision to be at ASR for a longer period of time than yours is currently and let me remind you that over 40 years, so that should give us ample time to meet somewhere in the near future.

But let me call back to your question Michel on my first impression. The last two years I was heading the disability department of ASR. Before I had been working at ASR for over 10 years in the financial domain and seen every angle of it. So being back in the financial domain feels like coming home. And of course, since the announcement on the 14th of October, I've been working hard on crunching all the numbers but here we are with an ambitious well balanced set of target.

Michel Hulters {BIO 19111905 <GO>}

Thank you, Ewout. You know this interview will probably last about 20 minutes. Now what if I was going to give you 20 seconds for the key messages.

Ewout Hollegien

20 seconds? Okay. That's short but let me give it a try. We have a strong and resilient balance sheet, that is the foundation for current performance and future growth. We deploy capital rationally and organic growth, inorganic growth and via investment portfolio optimization. The business plan and the optimization of the investments will drive higher capital generation with a target for OCC of EUR1.7 billion to EUR1.8 billion over the next three years.

Our shareholders get a significant step-up in dividend to at least EUR2.40 dividend per share. And we changed our dividend policy to a progressive dividend, with a significant high dividend per share of 2021 as a basis. In addition, to share buyback is increased to at least EUR100 million per annum in the coming three years, which can be halted if large M&A occurs. So summarized, we keep the capital wheel going high quality of stock, rational deployment and increased OCC of which we return to shareholders while maintaining a strong balance sheet.

Michel Hulters {BIO 19111905 <GO>}

Thank you, Ewout. I must admit I forgot timing of this. But I think it did deliver on bringing the key messages out there. So if I may ask you to reflect briefly on the past three years since the last couple of markets day, what are the points you want to highlight.

Ewout Hollegien

Yeah. So since our Capital Markets Day in October 2018 all our metrics have shown a material improvement. On the back of a strong balance sheet, we have been able to deploy capital effectively, resulting in a year-on-year operating profit increases of 90%, and an operating ROE that improved to over 15% in 2020, while the equity showed an increase as well.

So increasing return on equity on a higher stock of equity. We were able to deliver on our ambitious OCC target of EUR500 million in 2020, despite a lower interest rate environment, and the higher operating earnings drove an 8% increase in dividend per share. And the increase of operating result was realized throughout the business portfolio, with a business mix that is moving more and more towards non-life and fee-based income and becoming less dependent on life. And the business is delivering profitable growth.

Organic premiums growth in non-life was on average 5% per annum over the last few years to a level of EUR2.8 billion. While at the same time, improving our combined ratio. And the third party assets under management increased from a level of EUR17 billion in 2018 to EUR26 billion at half year 2021, which is mainly driven by our unique Dutch real estate and mortgage funds and additional third party assets from increased pension BC business. So overall strong performance in all of our businesses and metrics.

Michel Hulters {BIO 19111905 <GO>}

You make sure that a strong balance sheet or a robust balance sheet is a foundation of ASR, if could elaborate on that, please.

Ewout Hollegien

Yeah, maybe I can make give my personal view on what the robust balance sheet means. For me that comes down to five elements. Having a high stock of solvency, with ample flexibility for balance sheet optimization, and attractive risk return profile, in both the assets and the insurance portfolio, manageable sensitivities and a well-diversified portfolio mix.

When looking at a sub balance sheet we tick all the boxes, and we saw your question will probably be why, so let me answer that proactively. Our solvency ratio has been over 190% safely above share buyback level and with a buffer to absorb rare market movements. The leverage ratio is around 26%, both on an IFRS and Solvency II metrics. And for me the ideal range would be between 25% and 35%, meaning that we are at the lower end of the ideal range.

And I'm very comfortable with current balance sheet. It has optionalities and ample headroom for hybrid capital issuance. Both Tier 1 but also a benchmark size Tier 2. And currently we have no longevity insurance and are on a standard formula model and not on a partial internal model, like most of our peers. And the risk profile of ASR remains stable over time. When we look at the SCI composition insurance risk is still being dominant of market risk, and its relative position barely changed since 2018 and actually not even since 2016 and our investment portfolio is of high quality.

84% is fixed income when we include mortgages and the credit quality is very high with 98% of costs in credits being investment grade. But we still see room to further optimize the risk return profile, we have the shift from core government bonds to mortgages and illiquid credits. And the illiquidity of assets fit the long nature of the liabilities and that puts us in an ideal position to capture illiquidity premium with favorable structures on the Solvency II regime.

Michel Hulters {BIO 19111905 <GO>}

You mentioned diversification and could you share some insights into the benefits of diversification within our insurance portfolio?

Ewout Hollegien

Yeah. Diversification is indeed an important aspect. ASR is a well-diversified insurance portfolio, providing diversification benefits under the Solvency II framework. And the SCR diversification is within the business unit, between the different bases units, such as longevity and mortality, but also between insurance and market risk. We also have diversification benefit at group level, but without being dependent on it. And this benefit enhances the return on SCR for the different products, where you can see that non-life and fee-based capital life products have a good risk return profile which fits well with our growth ambitions. And they would probably be even more favorable underpinned.

Next to benefit in Solvency II capital. We also benefit economically from the diversification. And to give you an example with COVID-19, the negative impact on disability and life in 2020 was fully offset by a positive impact on P&C, resulting in almost zero impact for ASR. So diversification of ASR's portfolio is not only a modeling thing that enhances return on SAR, but also works in real life.

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Michel Hulters {BIO 19111905 <GO>}

As a follow-up on that strong balance sheet that you mentioned, how do you put that balance sheet to work?

Ewout Hollegien

Yeah. That's a good question Michel. And let me remind you all how ASR is thinking about capital deployment. The 140% is the dividend level. Above this we pay out a newly announced progressive dividend. Above the 160% level, we are in the entrepreneurial zone, where we want to grow the business, both organically and via acquisitions. And we will always deploy our capital rationally. Above the 175% level, we will deliver additional returns. And some of you may notice a little twist here. The threshold for additional capital returns is lowered a bit to 175%, reflecting the lowering of the UFR, which will increase the quality of our capital.

Michel Hulters {BIO 19111905 <GO>}

You mentioned the 160% which you call the entrepreneurial zone. Can you give some examples of how we have deployed the capital?

Ewout Hollegien

Yeah, so we have proven that we have found opportunities in the past, where we deployed our capital attractively in three main areas. One, we realized strong organic growth in terms of non-life premiums and we grew in distribution and asset management. Two, we did a number of value accretive M&A deals. And several of these I had the honor of executing myself.

Three, we further optimized the asset mix with an increase of EUR4 billion of mortgages and EUR2 billion of credits compared to 2018. And this capital deployment resulted in an increase of OCC and business capital generation. And of course, as you may expect from us in all our capital deployment we remained disciplined.

Michel Hulters {BIO 19111905 <GO>}

And how will this then affect our organic capital creation.

Ewout Hollegien

So we have delivered on our target of EUR500 million in 2020. And that is despite being confronted with a higher EFR drag of EUR140 million due to a lower interest rate environment. And for 2021 we foresee to exceed the target of EUR500 million, driven by higher operational performance and this was helped by the exceptionally one of favorable non-life environment, driven by COVID, but still underlying we expect to exceed the EUR500 million target.

Michel Hulters {BIO 19111905 <GO>}

That's talking about 2021 Ewout. How about future business growth, and the projection of the development for OCC in the future.

Ewout Hollegien

Yeah. And I can imagine that's also an important question for the analysts and investors that are listening in today. I am confident that we can deploy our capital effectively, via organic growth and investment portfolio optimization as done in the past. It is a deliberate strategic move to grow where return on SCR is being the most attractive. We organically grow our business with a 3% to 5% annual growth rate in non-life while improving combined ratio target with a full points. And we improve in fee business in asset management and distribution to operating result of at least EUR80 million, delivering sustainable value to shareholders.

Michel Hulters {BIO 19111905 <GO>}

And this brings us to the new OCC target for the coming plan period.

Ewout Hollegien

Yes. And as already mentioned, the new OCC target is a significant step up compared to the former targets. We aim to generate EUR1.7 billion to EUR1.8 billion of OCC over the next three years, compared to the former EUR500 million per annum target.

We expect OCC to grow gradually in the planned period in line with the expected growth of profitability in non-life and fee base business. And this growth is on top of the table to slightly growing OCC contribution of life, where the gradual decline of mainly the individual life book is more than offset by asset optimization and the lower EFR drag over time.

And as you know, OCC's influenced by market movement, such as interest rates. A 50 bps shift in interest rate up or down may add or reduce the OCC with EUR40 million to EUR55 million respectively. And mostly reflecting the impact on the UFR drag and capital release. But the target is based on where interest rate stood at the end of November. And given where we are today, I am confident that we can achieve the EUR1.7 billion to EUR1.8 billion in the coming few years.

And just to be sure, this is based on our organic growth plans when we can execute accretive M&A. We will increase the target, as we have done in the past for instance Loyalis.

Michel Hulters {BIO 19111905 <GO>}

Maybe a small sidestep from this, you mentioned the higher contribution to operating results from our third party Asset Management business, why do you think ASR is so successful as being an asset manager?

Ewout Hollegien

Yeah. Thank you for the sidestep Michel, and to pay some attention to a very attractive part of our business portfolio. Our asset manager is leveraging on a SaaS core capabilities, where we can distinguish ourselves from larger asset managers and grow significantly in third-party asset under management. And to elaborate a bit on these distinguishing factors. By being an asset manager for own ,account we can be efficient as third-party as a manager as well already having the infrastructure and the skill. But we do this in a very focused way.

We are not BlackRock that can offer everything nor do we try to be a global asset manager. But we have some specific asset categories that we do very well. And we have leading positions in the intermediary landscape that drives small case production. And of course, we manage assets for Asia Pensions, DC and IORP.

In addition, we have over 125 years of experience in Dutch real estate and mortgages. And institutional investors value this experience and illiquid assets. And like the opportunity to invest in these unique asset categories.

And to finalize we are recognized for our ESG profile, which becomes more and more an asset for corporate and institutional investors.

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On these four distinction factors, we are able to attract institutional investors and affiliated clients, leading to a first-party asset under management growth target of at least EUR13 billion in 2024.

Michel Hulters {BIO 19111905 <GO>}

That's clear. And I think you're really convinced about the value of asset management business. Some investors though may ask why are you not selling this part of your business.

Ewout Hollegien

Yes. I know. And I've been seeing what's going on in the market. So I just explained the value we can create as an energy asset manager I believe that's an important one.

Secondly, I have worked at the asset management department myself. Having called in house that are on the financial markets, 24/7 well, or at least five days a week makes that we have in-depth knowledge in house of the market dynamics. And we benefit from that in our daily balance sheet management and balance sheet optimization. And the value of that should not be underestimated.

Thirdly the asset manager contribute to ASR ESG profile, which is also a huge benefit commercially in pensions. And finally, we recently performed the benchmark and it pointed out that we are actually very cost efficient.

Michel Hulters {BIO 19111905 <GO>}

You also mentioned ESG as one of the distinguishing factors for -- not just for ASR, but also for Asset Management, how do we continue to be the front-runner in this space?

Ewout Hollegien

Yeah. I'm very proud that today we announced our ambitious ESG targets for the investment portfolio, having three focus areas. First, the carbon footprint reduction, then the exit strategy for fossil fuel investments and our embedded investments.

Over the last couple of years, we have put in considerable efforts to be able to report the carbon footprint of our investment portfolio. And we have reached our ambition to measure the footprint of at least 95% of all of our assets. And now we can start objectively, reducing our carbon footprint of the full asset portfolio in 2030 by 65%, compared to 2015.

But it's not only the strong reduction of 65% that makes this target ambitious. It is also in scoping, because it includes all main asset categories. That means besides credit and equities which most of companies do, we also include government bonds, real estate and mortgages. And with our press release this morning, we are the first Dutch insurer to introduce an exit strategy for fossil fuels. And to finalize, the third ambitious target is on impact investing for which we increase our target to EUR4.5 billion in 2024, and we will do so by investing in green bonds, but also affordable housing, renewable energies, and transitional leaders.

Michel Hulters {BIO 19111905 <GO>}

So far, I think we discussed the quality and the robustness of our balance sheet. The capacity of the basis is to generate capital, how we aim to deploy that capital, what about capital returns to shareholders.

Ewout Hollegien

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Yeah, that's a fair question. And a point I would like to mention is that in the past we always delivered and have a strong track record in increasing our dividend over time and do additional capital returns. To put our total shareholder return in perspective, I look at three different payout ratios. The third one is part of our current dividend policy. If we look at the dividend as a percentage of our net operating result and in the last two years, this was at the lower end of our payout range of 45% to 55%. On the back of a strong increase in operating result.

The second one is the total shareholder return in relation to our business capital generation, which is part of our OCC, and reflects more or less the business developments. And the last two years, the payout ratio of the business capital generation amounted to roughly 65%.

Thirdly, when looking at the return in relation to the overall OCC, the payout ratio amounts to about 70%. This shows that we are paying a material amount in regular dividends and additional capital return, which can be funded from the business. And with our business growing and our ambition to do so further, this is also an important driver for future increase in total shareholder return. But now I still did not answer your question Michel. So to come back to that question on future shareholder return and I already highlighted in my 22nd summary.

The full year 2021 dividend will be at least EUR2.40 per share which is a very significant step up of at least 18% in the ordinary dividend on the back of the extraordinary strong operating results in this year. We unchanged cash dividend and operational results. So the higher cash dividend of 2021 will be the basis for a progressive dividend going forward, progressive means low to mid single-digit growth. And that means no uncertainty around the outcome of IFRS 15, not depending on daily interest rate movements.

In addition, we see room for additional capital return, and we thereby increase our share buyback program, resulting in share buyback of at least EUR100 million per annum in the coming three years, when our solvency ratio is above 155%. And of course, growing our business is favorite over share buyback, which means the share buyback can be halted if large M&A occurs. And if and when we feel that there is no sufficient opportunity to deploy our capital, we will take that into consideration when proposing the additional capital return. And this proves and finalize the working of ASR's capital wheel.

We have a robust balance sheet. We deploy capital to grow business and OCC, which provide us the opportunity to increase shareholder return which we will do, while maintaining a robust, but not overly prudent balance sheet.

Michel Hulters {BIO 19111905 <GO>}

Thank you, Ewout. Anything to add before we take a short break.

Ewout Hollegien

No. I believe the audience already listening to us for an hour and 15 minutes. So maybe it's good to jump into to a break and looking forward to do the Q&A thereof.

Michel Hulters {BIO 19111905 <GO>}

Right. Thank you again. Ladies and gentlemen, so this concludes the first part of the program. We hope it was informative. After a short break, we'll get back to you with a Q&A session with analysts and institutional investors. We will take an 8 minute break now. Thank you.

Questions And Answers

Operator

Welcome back to the ASI investor update.

A - Michel Hulters {BIO 19111905 <GO>}

Ladies and gentlemen, we are ready for the Q&A session with analysts and institutional investors. Now, unfortunately, you can't see but actually in the back of this room, we have a big screen with all the pictures of the analysts and investors that have dialed in, registered and are ready to fire their questions.

Two house rules though, please. And its your turn to ask a question, please introduce yourself. And the second rule, please observe a limit of maximum three questions, because this will allow sufficient time for all participants to ask the questions. If you have tuned in just now, I would like to point to the safe harbor regarding forward-looking statements, which is in the back of the presentation.

Now, with that said, at the table, we have ready for your questions, Jos Baeten, Ingrid de Swart and Ewout Hollegien. And we are ready to take the first questions and I think Cor Kluis, you are already lined up to ask the first question. So good morning and welcome to the conference.

Q - Cor Kluis {BIO 3515446 <GO>}

Hello. Good morning, and thanks for the presentation. I've got three questions. Maybe first, first one for -- I'm Cor Kluis with ABN AMRO --. And the first question for Ewout. Yes, welcome as a new CFO.

A - Ewout Hollegien

Thank you.

Q - Cor Kluis {BIO 3515446 <GO>}

So let's start with the question for you. Maybe as being a new CFO, could you give your view on how you are looking to moving in the future possibly to a partial internal model? And also what your view is on longevity reinsurance? And especially here because you already work in finance for a long time, what about the practical views are internally from that point of view?

And also maybe from a CFO point of view on the OCC, you want to re-risk a little bit more until 2024. I think you mentioned mortgages and a liquid assets that was in the past and I'm not sure if that's also for the future, but could you give a view on what extra OCC you expect from the re-risking towards 2024? So that's probably for Ewout.

And then for Ingrid, maybe on yours, on disability insurance in the first lockdown, disability insurance had some headwinds, of course, due to COVID pressure. We are now in -- again kind of lockdown here in the Netherlands. Could you give you a few on how disability insurance is going at this moment? Though, we are all vaccinated. So it's probably a little bit difference at this moment.

And last question, probably more for yours. On the capital return, so it's great that you increased the capital return quite materially to, I think EUR425 something. To what extent is that an a signal that at this moment, there are fewer acquisition possibilities can be related or can you give some feeling on acquisition possibilities at this moment? We know you're quite disciplined and is that the signal or not? That's it from my side.

A - Jos Baeten {BIO 2036695 <GO>}

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Well, thank you, Cor. I was already afraid that I could go to lunch, because you were allowed to ask two questions and happily you asked a fourth one. I think Ewout will start off with the two questions for him and then Ingrid will jump into the disability and I'll finalize with your last question.

A - Ewout Hollegien

Yes. So, thank you, Cor. On the partial internal model, so as you know, we have not moved yet to a PIM [ph] and with AOPA rules out, we need to see how this is -- how the impact of the AOPA ruling sorts out. It requires a use effort in terms of hours, working hours but also cash out. And people are already very busy at this moment with IFRS 15 and we want to be sure that the business case for partial internal model would be compelling for investors. But to have a clear view on that, we are back actually on the clarity that we need to get from the AOPA ruling. I would say that around the partial internal model.

On the longevity, that is indeed an opportunity that we have in a balance sheet and could be attractive for us, still how we look at sweetening the balance sheet is that we also look in the way, do we have business opportunities to invest the sweetening of the balance sheet that happens. And that is that we take into consideration when evaluating the longevity reinsurance part. And so that's around here longevity.

To continue on the re-risking contribution, so indeed, we expect to re-risk from a -- from going to go a government bonds, and some corporate credits to more of the -- a liquid credits part, and some additional mode cases. And in the past, it has been guided that a re-risking could add approximately EUR15 million per annum. And I think that's fair to assume more or less the same that the excess return will increase the EUR50 million per annum in the coming three years.

Q - Cor Kluis {BIO 3515446 <GO>}

Yes. Thank you.

A - Jos Baeten {BIO 2036695 <GO>}

And then turn to the disability question, the current lockdown.

A - Ingrid de Swart {BIO 21384136 <GO>}

So, yes, hi, Cor. Nice to see you again. On disability, what we see is that hope for the total year, I would say, that there is no negative effect from COVID seen. And over the last couple of weeks, I would say, since the half of November, we are in a lockdown. It's too early to say, what the effect will be over a longer period of time but so far no negative signals here.

Q - Cor Kluis {BIO 3515446 <GO>}

It's good. Thank you.

A - Jos Baeten {BIO 2036695 <GO>}

And then to your last question, Cor. I think with the current messages on the dividend and the share buyback, we showed that we are able to return capital to shareholders and we have at the same time said, if and when we do see opportunities for M&A, then we might hold the share buyback. So it's not a sub message that we don't see any opportunities anymore, but it is just giving clearance on this is the regular way to return capital to shareholders over the next three years, even when there are opportunities. And as you know, we're always looking at opportunities and we are -- we trust that there will be over the next period and then we might hold if necessary the share buyback.

A - Michel Hulters {BIO 19111905 <GO>}

I believe that answers your questions, Cor.

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Q - Cor Kluis {BIO 3515446 <GO>}

Yes. Absolutely. Thank you very much.

A - Michel Hulters {BIO 19111905 <GO>}

Thank you. So the next questions will come from Robin van den Broek. Robin, are you there? Yes, there you are. Good morning, Robin. Give it a smile, Robin.

Q - Robin van den Broek {BIO 17002948 <GO>}

Good morning, and thank you for the presentation. Michel, I think you preempted a lot of questions already in. So thank you for that. First question is more thoughts on inflation. When I look at your gross written premium target of 3% to 5%, I was just wondering, to what extent is inflation embedded in there. What kind of assumption is the target versus your market outlook in general and maybe talk a little bit about, yes, your wage/unit cost impacts and how should we think about inflation in general when it comes to your target setting?

Second question is on OCC. I mean, I get the target I guess, but I just wanted to get a little bit of color on the evolution you are expecting there. I think it's a half year stage, your guidance on some underlying OCC was more pointing towards EUR540, EUR550 for this year. So I guess given your '17-'18 that you're roughly assuming that is a starting point for this year and then see business -- or your underlying business growth basically contributing EUR20 million or something like that per annum. I'm just wondering to hear your thoughts there?

And lastly is more, I guess a conceptual question, more driven by the banking regulation, where the Danish compromised that so far bank, operating insurance activities there, there seems to be further capital softening basically coming through. And I appreciate that the bancassurance distribution model is not that well penetrated in the Netherlands. But from a client perspective, with the pension pillar and the third pillar is basically gone, the second pillar has been watered down quite significantly. On the other hand, mortgages has gone -- have gone to a fully redeeming base most of the time to get the tax incentive.

So from a product perspective there is sort of a bancassurance integration already. And also from a balance sheet perspective, the longer maturity mortgages do fit better on the insurance balance sheet as we've seen already throughout the last year. So I was just wondering to what extent maybe, a, to what extent do you feel threatened by this regulation and b, do you think that from a customer perspective, the bancassurance model could actually make sense in the Netherlands? Those were my questions. Thank you. By the way Robin van den Broek from Mediobanca, I forgot.

A - Ewout Hollegien

You're forgiven. Okay. Thank you, Robin, for asking this question, Jos already pointed to me. So I'll get the question on the -- on inflation and I think you asked two questions on inflation, to be honest. One is the, what is the impact on the (inaudible) side and secondly, what is the impact on the growth target that we have in the non-life business. So, let me answer both of these.

When we look to our products, we are only limited exposed to higher inflation. And we are exposed our claims and disability expenses in life and a limited amount of funeral and guides. For P&C and it's already a little bit touch the answer, for P&C, we are not sensitive for inflation, because it's included in our policy terms that premium increases with inflation. In the long-term, we strongly believe that inflation is positive for an insurer with long-term liabilities, its interest rate is positively correlated with higher inflation.

Currently, we do see that there's a timing gap between inflations expectation goes up and interest rates are fairly stable. And as a consequence, there is a low to mid single-digit impact on stock association since H1, that's what you could expect. So, not something we lose sleep over during night. But as I said, for the long run, we will benefit if inflation remains at a high level as interest rates goes up as well.

Second question was on how many -- well, how is the inflation contributing to the growth target that we have in the non-life. Historically, inflation always plays a role in premium growth given where to inflation out is today, that might be a bit higher. I think in the full non-life growth area, it would roughly be somewhere between 25% and one-third I would say.

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A - Jos Baeten {BIO 2036695 <GO>}

And maybe on the wage inflation, we have already an arrangement with the unions for next year, that wages will go up with 2.25% in 2022. And that's already included in our best estimate liability.

A - Ewout Hollegien

Thank you. I think the OCC evaluation was the first question that you asked. Yes, so I think we have provided -- in H1, we have provide the guidance of an OCC of around EUR340 million to EUR350 million. I think it's fair to add the EUR200 million that we have achieved in H2, 2020. And when you deduct that floats and limber [ph] which is probably will end up at the lower end of the range of what we have earlier disclosed, so around EUR20 million. And you add some benefits from re-risking and some benefits from business growth. You will probably be come back at the EUR200 million level as of H2, 2020. So adding the EUR200 million to the earlier guided EUR340 million to EUR350 million give indeed the range that you had -- as have mentioned to us.

Yes, when we then look from how do we look from there onwards to the increase of the OCC. As presented, the life OCC will be slightly increased, where the decline in the life book result in a lower release of capital fully offset by a lower (inaudible) and where we benefit a bit from the asset portfolio optimization. On top of that, OCC will grow on the back of the growing non-life portfolio. And thirdly, we will benefit from higher earnings to our fee business, and that makes that we will gradually increase from the EUR540 million to EUR550 million, that you mentioned underlying to the -- well, the overall target of EUR1.7 billion to EUR1.8 billion.

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A - Jos Baeten {BIO 2036695 <GO>}

The third question, Ingrid.

A - Ingrid de Swart {BIO 21384136 <GO>}

So I think it's important to know that in the Netherlands bancassurance has specially coming up on the non-life site. So that's what we've seen over the last couple of years that some of the production that used to be on the IFA side now tends to go more to direct and bancassurance. Often by the way, there are mandated brokers behind it, that we also participate in. So I think that's one.

And what you are referring to is pension, and then pension is, I think mainly a distribution game, and it may sounds conceptual a bit weird, but it's not. So the case of -- at this point in time, that when you go to a mortgage advisor, you also discuss your pension. So that might be very logical from a rational perspective. But in fact, it's not we see that people when they buy a house, very rarely think about their income for later at the same time. So this market is really specialized IFA and advisory market, where we see often the combination between advising to the SME or the companies.

And then also the third pillar in more individual, and that's largely the part, what you also see is that, from banking, we learned as an insurance a lot of digital disclosure and this -- and also portals. And that we take fully on board when having our next pillar products online. So, all-in-all, I don't think that the upcoming -- maybe upcoming power of bancassurance Netherlands, if that were the case, we will directly sort of risk our ambitions in the DCM pension market.

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A - Michel Hulters {BIO 19111905 <GO>}

Does this answer your questions, Robin?

Q - Robin van den Broek {BIO 17002948 <GO>}

Yes. Yes. Yes, right.

A - Michel Hulters {BIO 19111905 <GO>}

Great. Thank you for your questions. The next questions comes from Benoit Petrarque. Benoit, you're in the conference now, we're ready to take your questions.

A - Jos Baeten {BIO 2036695 <GO>}

Hey, Benoit.

Q - Benoit Petrarque {BIO 15997668 <GO>}

Yes. Good. Good morning. It's Benoit Petrarque from Kepler Cheuvreux. So few questions on my side. The first one is on M&A. So, could you talk about your discipline going forward? I know you have been very disciplined obviously, especially now you make a distinction between strategic and opportunistic M&A. Well, do you have just different return on investment different way of looking at those two types of M&As. And do you have a number of deals in mind for the kind of parallel 2020 to 2024?

Obviously, excluding the kind of large one-off deal. So kind of number of small, medium sized deals potentially and/or do you think about returning the capital which will not be invested into M&As? Will that take this potentially towards the end of the period or could that happen at every year or at some stage in the cycle?

Second one is on the DC business. So, I think the debate here is a bit was a DC will be open architecture or not going forward? And you seems to go for a more closed architecture, whereby, well, you will be selling your own asset management products. So I was wondering, are you see that going forward, especially going at looking at your EUR5 billion target, AUMs target?

And then the last one I was wondering on your OCC target. If you've taken the current spreads or well long-term two-year [ph] cycle investment spreads, especially if you can hear about the mortgage spread which came down recently. Are you taking the current level or do you expect all the time some improvement translating into a higher OCC? Thank you.

A - Jos Baeten {BIO 2036695 <GO>}

Okay. The third question will be answered by Ingrid, and the last one by Ewout. I'll kick off with the M&A question. Well, as you know, Benoit, the hurdle for M&A for us is 12%, and that will be the hurdle for any M&A transaction. So the distinction between strategic and opportunistic, by the way, actually, every M&A starts with an opportunistic view on the target. But we remain disciplined on the 12%. Having said that, if there is a more opportunistic deal like in life individual, where you buy a declining book, the returns even might need to be a bit higher than the 12% to make it profitable for the full runoff period of the book.

So having said that we remain as disciplined, as we do see opportunities, so that will not change over time. In terms of the number of deals, I don't have a specific number on my mind. If for example, one of the larger individual life competitors in the Netherlands would say, well I haven't invested in my back office. My costs are still not variable. Are you willing to buy the portfolio? We would definitely look at it and that could be -- that could mean a larger transaction and we would focus on that.

At the same time, we prefer to invest for the longer term in strategic important areas like non-life disability insurance, pension DC, our distribution area and if possible also in IORP. So the preference would be to do a number of medium-sized transactions going forward, because they had real long-term value. So that to your second question. So no specific number in mind. Only we keep on looking rational to the capital we want to deploy in M&A.

Then the third question was on pension DC, Ingrid?

A - Ingrid de Swart {BIO 21384136 <GO>}

Yes, so DC, we are really fond of our own asset manager, because it combines the ESG profile, as I just illustrated, and it's also very cost-efficient. We just did the benchmark and we found out, it's still very efficient as well. So the two are really a strength combined with digital and therefore, we're really confident about our DC growth going forward.

A - Michel Hulters {BIO 19111905 <GO>}

And the last one, Ewout.

A - Ewout Hollegien

On the spread, yes, we expect this, so we have this -- indeed this in the space and seen the space coming in and we expect to be slightly increased from the levels we have seen recently, but not as high as we've seen before. So it will be approximately a 100 bps future levels.

Q - Benoit Petrarque {BIO 15997668 <GO>}

Okay. Great. Thank you very much.

A - Jos Baeten {BIO 2036695 <GO>}

Thanks.

A - Michel Hulters {BIO 19111905 <GO>}

So that answers all your questions, I guess, Benoit. Yes, Benoit is gone.

A - Jos Baeten {BIO 2036695 <GO>}

He's already gone.

A - Michel Hulters {BIO 19111905 <GO>}

The next question is come from Michael van Wegen. Michael, you're in the conference and we are ready for your questions.

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

Yes. Hi, guys, good morning. So indeed, Michael van Wegen, Bank of America. Two things and apologies to come back on the M&A and it's probably question for Jos. But I mean, M&A today is again, an important part of what you talk about, and obviously it's been important part of your strategy since the IPO. However, in the last 18 months two years, not a lot has happened on that front. What gives you confidence that M&A will again be -- an important contributor to the business over the next business plan? So it's the first question.

Secondly, Ingrid talked about the mandate broker channel being an important focus for some of the growth that you're looking for the next three years. Historically, that's been a very difficult segment for most players in the market, and particular, one of Ingrid's former employers. So what gives you the confidence that you can grow there in a profitable way? Thank you.

A - Jos Baeten {BIO 2036695 <GO>}

Thank you. And in terms of ladies first, Ingrid, go ahead with the last question.

A - Ingrid de Swart {BIO 21384136 <GO>}

Yes. Thanks very much, and nice to see you again, Michael. And also I can totally relate what you were saying about the mandated brokers. When I was at Delta Lloyd, that was not a very profitable business. So I fully appreciate your point there. This is totally different than the ASR side. So ASR is really very disciplined in portfolio management and also very disciplined in the way that they do business together with mandated brokers. What we have seen over time that especially in retail and also to a smaller amount in SME, the mandated broker channel becomes more and more important. And here ASR's combined ratio is also very good. So no worries there I would say.

A - Jos Baeten {BIO 2036695 <GO>}

And to your first question, Michael, and it's true over the last 18 months, we haven't been participating in a lot of transactions. That didn't mean that we haven't looked at a transactions, but we remained disciplined in executing them. And as you know, for example one larger M&A transaction in the distribution and services area has taken place. And from our perspective, the hurdle rate was not met and that's why we didn't want to go any further in the price and we were kicked out of the process. So, we've definitely involved in a couple of transactions over the last period. But given the discipline, we have incorporated in our way of working. We haven't done the transaction.

What does give us the thrust going forward, let me mention a couple of things. First of all, in the more opportunistic area, we feel and do see that, for example, D&B is becoming more strict on your best estimate liabilities and your ability to lower cost also for the longer term and to variablizing them.

If you are running a small life insurance company, then it's probably very difficult to lower cost further and to variablize them. So, some of the smaller companies from our perspective need to find a safe home going forward that that's one. Same applies for the larger life books in the Netherlands. If you haven't started and variablizing your cost and are already on the way, given the runoff time for your book, then you need to act (inaudible) and that from our perspective in the more opportunistic area gives opportunities.

In the area of the more strategic ones, the top three in the Netherlands of the non-life companies being NN, Achmea and us probably have invested quite a lot in digitalizing their back offices. And as Ingrid already explained, we are now the first with a completely new software-as-a-service, non-life platform. So, that gives us the ability to become even more flexible towards customers and to further digitalize.

If you are a medium sized, non-life company and you haven't started investing in digitalization and becoming a real digital player and, especially during COVID-19 we have seen that customers actually expect you to be fully digital, then you might be too late. And from that perspective, we expect that also the non-life market over the next couple of years needs to consolidate further.

Last point I would like to make on this, is in the distribution and services area, a lot of the IFAs we're working with are at a certain age and are starting to consider whether they want to "give their business to a daughter or a son or sell it and we do see increasingly medium-sized and small companies willing to sell the business to a trusted partner, partner like a ASR". So therefore we trust that we are able to deploy capital also over the next couple of years in this area. And at the same time we have said, we will start with a share buyback of at least EUR100 per annum and we will hold it if we can invest.

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

Very helpful. Thank you.

A - Michel Hulters {BIO 19111905 <GO>}

Thank you, Mike for your questions. I will check with the operator in the queue actually for those that would like to ask questions. And there we have Steven Haywood, you are in the conference right now. Ready to take your questions.

Q - Steven Haywood {BIO 15743259 <GO>}

Hi, It's Steven Haywood from HSBC. Good morning, everybody.

A - Jos Baeten {BIO 2036695 <GO>}

Hi, Steven.

Q - Steven Haywood {BIO 15743259 <GO>}

Three questions from me as well. The first one is on the 93% to 95% combined ratio target that you have. You mentioned that it would be 93% in a good year and 95% in a normal year. Can you define what you mean by good year? And what sort of limited amount of large claims, do you need to have a good year? And is your maximum retention for the large claims before reinsurance cover kicks in?

Secondly, on your 12% to 14% operating ROE target. Some might say, it looks quite easy to achieve considering you've got a 15% average operating ROE over the last three years. What would you say to those people that say this is a not too challenging target?

And then finally, you mentioned that your targets or some of your targets will be transitioned for IFRS 17. Now, I don't want to put anyone on the spot too much. But if you can provide any first thoughts on the transition to IFRS 17, that would be extremely helpful? Thank you.

A - Jos Baeten {BIO 2036695 <GO>}

Well, the first question on the 93% to 95%, what do we mean by a good year? Well, no storms, no flooding like we had last year -- sorry this year. So we include in our assumptions always that we do have a couple of smaller storms or weather events. So if those aren't there at all, then it would be structurally a good year. A normal year would be a year where we do have storms up to EUR10 million to EUR15 million or some flooding claims even up to the same number. So we assume always some weather-related events going forward.

And to your second question on what would we say to people that, let's say well, 15% is not that ambitious. My first reaction always as well show me the insurance company especially in the Netherlands, delivering in that area, that would be one. And secondly, if we would increase the hurdle that would, for example, mean that in terms of M&A, we also would have to increase the hurdle to a higher number. And given the price competition in the M&A market, we are already at the higher end, given our discipline. So increasing that number would actually signal to the market. Well, we're not aim for M&A anymore. So that's why we have decided, let's keep it within the 12% to 14%, it is still outstanding compared to the market. And we want to be in business in terms of M&A, but also in our insurance business. If we would increase the 12% to 13% for example, Ingrid would have to reprise the whole portfolio and that wouldn't be helpful. So in the balance between all those metrics, we said well, let's keep it where it is. And I've rest, that's your hobby.

A - Ewout Hollegien

It's going to be one. There'll maybe also to a -- good to have a short answer on the question that you have on the maximum retention for reassurance. I did. So, the -- when there's a (inaudible), reinsurance kicks in, when the (inaudible) off is above EUR35 million, sorry, EUR35 million, so that is the short answer on the maximum retention for insurance. And then on IFRS 17 indeed it's going to

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be a hobby. It's too early to mention numbers at this moment. What we will do is we will organize the teach accession somewhere in 2022, where we also give some guidance and clearance on the assumptions that we apply for the IFRS 17 reporting framework and we will also consider, which targets need to be revised given IFRS 17 kicks in. So that's the answer on IFRS 17, too early to mention numbers, we will do a teaching session and we will revive and we will look at the targets that needs to be revised.

A - Michel Hulters {BIO 19111905 <GO>}

Does that answer your question, Steven?

Q - Steven Haywood {BIO 15743259 <GO>}

Yes. Thank you very much.

A - Michel Hulters {BIO 19111905 <GO>}

Perfect. Thank you. Next questions will be from Fulin Liang. Fulin, there you are -- you are in the conference and we are ready to take your questions. Hi, Fulin.

Q - Fulin Liang {BIO 21126177 <GO>}

Hi. Hi. Good morning. I'm Fulin Liang from Morgan Stanley. I got three questions. The first one is just a clarification, you might have touch it, but I could have missed it. In the dividend single to mid-digit growth, I understand that is the total amount of dividends. So if I translate them into DPS, considering your dream buyback as well. Can I make assumption is actually mid to high single-digit in terms of a DPS term? So that is the first question.

And the second one is on the -- because if I look at the so-called unused M&A budget in the last three years, which just finished, you have a cumulated roughly, let's say, EUR100 million per annum M&A budget and there you are not distributing it this time. At the same time for the next three years, you have also peers that you have about EUR150 million per annum like M&A budget in the next three years as well. So, can I understand, this is a signal to the market that you are very determined to do some reasonable size of M&A in the next three years? So that's the second question.

The last one is, on your 93%, the combined ratio, the 93% lower end, which is according to my understanding is reasonably challenging given the volume, the size of the business and the whole market. Could you just like share some color on, how do you plan to achieve this 93% even in a good year?

A - Jos Baeten {BIO 2036695 <GO>}

Okay. Thank you very much for those questions. The first one, the clarification question will be answered by Ewout, Ingrid will jump into the 93%.

A - Ewout Hollegien

Yes, Fulin. So thank you for your question. And in the (inaudible) you did understand it, right? So the low-to-mid single-digit growth is in an -- on an absolute divided level. So that's well, you can calculate what that would mean for a dividend per share. So it's on a absolute dividend level.

A - Jos Baeten {BIO 2036695 <GO>}

The third question, Ingrid.

A - Ingrid de Swart {BIO 21384136 <GO>}

On the combined, what you see there is that we have a very good claims ratio and we intend to keep that or even improve it and we have a specifically program around the cost ratio here, and here you have to think about two things. So one is the single SaaS system, I just present it. Already have the investment done and we are getting out of the efficiencies out of the next year's extra and that's reflected in the combined target. And also we expect from digitalization, not only to get the customer satisfaction up but also to become more efficient as well. So those are the main elements that will bring our combined further down to between the 93% and 95%.

A - Jos Baeten {BIO 2036695 <GO>}

And to your second question, Fulin, on budgeting M&A, we've never budgeted M&A because if you offer a budget to people in any company, they probably will find a way to spend it. And we look reverse that it, if there is an opportunity which is profitable, we probably will jump on it and have a look at it and do the M&A if possible.

Having said that, yes, I think we feel confident that there will be transactions over the next couple of years, be it in the non-life area, in the distribution area or in the IORP and hopefully maybe also in the individual life area. And the EUR100 million you say, we haven't spent if you look at our Solvency II ratio, it remained fairly stable. And as Ewout explained, we're pretty happy with that. But that at the same time, it's one of the reasons that we have said well, let's increase the share buyback as from 2020, over the result year 2022 up to EUR100 million and if we do significant opportunities we might hold it.

A - Michel Hulters {BIO 19111905 <GO>}

Does this answer your questions, Fulin?

Q - Fulin Liang {BIO 21126177 <GO>}

Yes. Thank you.

A - Michel Hulters {BIO 19111905 <GO>}

Perfect. Thank you for your questions. Now, the next questions come from Andrew Baker, and I hope that we have a good audio connection with Andrew. Andrew, you're still on mute.

Q - Andrew Baker {BIO 3694545 <GO>}

Thanks for taking my questions and hopefully you can hear me. So this is Andrew Baker, CITI.

A - Michel Hulters {BIO 19111905 <GO>}

Absolutely.

Q - Andrew Baker {BIO 3694545 <GO>}

Sticking with tradition, I will go for three as well. The first I guess is on M&A. Jos, I think you mentioned that strategic M&A, you would look to add scale and selective skills. So just wondering what selective skills or capabilities you would like to have at ASR that you don't have today?

The second is probably a more broader question on the M&A landscape. So if I look at the opportunities that you present in 2018 and compare them to what you presented today. I think for non-life, it's gone from sort of 26 companies down to 15, and live similarly from 13 down to 7. So I appreciate that some of these have transacted already, but is there anything sort of structural, a change in your view that's reduce that pipeline?

And then thirdly, just wondering which of your target you see as most challenging. I think, previously you've mentioned the 3% to 5% GWP growth. Is this still the case or is it something else? Thank you.

A - Jos Baeten {BIO 2036695 <GO>}

Okay. On M&A skills that we would love to add, for example, we have recently acquired the 100% ownership of the IORP of brand-new day. And that was a fully digital company in the medium-sized pension area. So those were skills that we could add and those are the kind of skills, we would love to add further on, the same could happen in the distribution and services area that we are able to add a kind of a platform that we don't own right now to help customers, even better than we do today, so those kind of skills, you should think about if when I said, we want to add scale and skills.

To your second question, the reason that the number of available potential targets is lower that we in the meantime have acquired some of them. And some of them have become really small and actually to implement a portfolio on your existing platform. And a really small company, actually takes the same amount of work from our people, than a medium sized or larger company. And that's why we've set well, we want to focus at companies with a scale that make sense to add onto our platform. So from that perspective, we have acquired a number of them and some of them have in the meantime become too small to be a real serious target, and one of them has gone bankrupt as you may know.

So to your last question, maybe it's an idea that all three of us answer that question from their personal perspective. So maybe you can kick off, what is for the CFO, the most challenging target going forward and then the same question for Ingrid and Ewout answer, of course.

A - Ewout Hollegien

Yes. That's okay. Let me now answer -- give the business talk with this and as an answer because the I think we will mention the same. I believe that Jos said, this is a well balanced set of targets. But of course, when we look to the OCC and we compare that to the former target, we see that on average, there's almost a step-up of EUR100 million per annum, which we generated organically. So, in my opinion that's a real challenging ambitious target, where we are going to do all of our best to realize that.

A - Ingrid de Swart {BIO 21384136 <GO>}

So, for me the second so I would say that from my perspective, the combination of the combined ratio and the growth as you said is, I'm confident about it, but it's challenging and especially the growth in P&C for 3% to 5% in a very competitive market is challenging but hey, we like a challenge, right? So, that's what we're going to do.

A - Jos Baeten {BIO 2036695 <GO>}

I would have given the same answer as Ingrid already gave. But I think that is really a challenging target, because the number of larger insurance companies has diminished over time. So, there is more competition, at the same time, the market has hardened. There is more discipline in terms of pricing and underwriting in the Dutch market, especially in disability and P&C. And given that everybody is looking for the same group of customers that is actually really a tough target.

But also, and I would have expected Ingrid to mention that one, our net promoter score. We have delivered on our net promoter score over time. So it looks quite easy to keep on delivering on that. But given the fact that we have now chosen for a NPS score, that matches actually the full relationship, anything that happens in that relationship would impact the net promoter score and given the fact that we work through intermediaries. We don't have always direct interaction with customers. So, getting ahead of the pack, in terms of net promoter score are in the relationship is, is hard work and I fully believe under the leadership of Ingrid.

We will deliver on that, but it's going to be a challenging one, because it's also about changing the culture. We're used to work through intermediaries and there is an increased number of interactions with customers and the language between a customer and our employees has to be differently from the language between an intermediary and an employee that can be more technically, so I think those -- this one will also be challenging to deliver on.

Q - Andrew Baker {BIO 3694545 <GO>}

Thank you very much.

A - Michel Hulters {BIO 19111905 <GO>}

Very good. Thank you, Andrew. Then we have the next question is coming from Michele Ballatore. Michele. Are you in the -- yes, you are in the conference, we're happy to take your question Michele. You're on mute, Michele. Sorry.

Q - Michele Ballatore {BIO 17318680 <GO>}

Yes, sorry. Michele Ballatore from KBW. So my first question is really about very similar to the previous question. What kind of stresses we -- you are taking into consideration in all these targets. I mean, what really are you afraid of? If you look at the next three years, not just in terms of what you mentioned competition, but also in terms of the interest rate environment, inflation environment, financial markets regulation, what are the top three, let's say things that can put your targets on the stress?

And the second question is about the -- your ESG efforts on the investment side. I mean the EUR4.5 billion target 2024. So, first of all, can you update the -- one of the level of let's say, investments in sustainable solution you have at the moment. And what kind of investment, what kind of assets you're aiming in this number, in terms of you -- do you see an attractive pipeline and more important, are you see an attractive return from this kind of assets? Thank you.

A - Jos Baeten {BIO 2036695 <GO>}

Okay, so I've heard actually two questions, (inaudible) Michele for that about? Ewout, I think both questions will be answered by you.

A - Ewout Hollegien

Yes. So maybe on the stress in the target, so as I just mentioned on the question of Andrew, what I believe is the most challenging target and I mentioned OCC. And why do I believe that's the most challenging target, and it's also in the stress scenario what you just have mentioned. Its of course, is that is influenced by more than only business developments. And indeed, so the interest rate is one of these developments, and we have shown the sensitivity. So if interest rates would go down, a lot that would definitely have an impact on OCC. So, in terms of stress on targets, that would be on top of mind for myself.

Secondly, I believe what we have seen in July, is the heavy weather circumstances. The impact now was not so large from a P&L perspective, also because the Netherlands is quite okay in water management, still it is a risk, of course, that this will occur more often. So, that would be the more -- to most stresses that I would see when we look to the targets. Then on the EUR4.5 billion on the impact investing there, so, that your question, what would the -- where do we want to invest in? So, that would be mainly green bonds, so green bonds and that offer to also answer that question.

Very good return, so nothing worse or better than normal bonds you could say, that could also be structure and structure credit, for example, renewable energies and that really is very attractive from an risk return profile. So, I think that are two main categories where we can -- where we are willing to invest in, so that and there are few less or more. Also real estate do something, mortgages can do something but the two main categories are green bonds and structure and structure credits, including this so the renewable energies.

A - Jos Baeten {BIO 2036695 <GO>}

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And yes, there is a pipeline.

A - Ewout Hollegien

And yes, sorry, and yes, there is a -- and there's a clear pipeline towards realizing them and it fits very well. I think with the well, what we want to be as ASR.

A - Jos Baeten {BIO 2036695 <GO>}

And I think the -- in the question from Michele was also, where are you today? And we're now at 1.9 on the balance sheet and we want to increase that towards to 4.5.

A - Ewout Hollegien

Sorry. Is that answering your question, Michele.

A - Jos Baeten {BIO 2036695 <GO>}

(Foreign Language).

Q - Michele Ballatore {BIO 17318680 <GO>}

(Foreign Language).

A - Jos Baeten {BIO 2036695 <GO>}

(Foreign Language).

A - Michel Hulters {BIO 19111905 <GO>}

Thank you, Michele. We have some emails also sent to us by email. These questions from --

A - Jos Baeten {BIO 2036695 <GO>}

Emails sent by email.

A - Michel Hulters {BIO 19111905 <GO>}

Sorry. We got some emails -- we got some questions by email from an analyst with technical difficulties. This one is from Michael Huttner. Actually he's asking four question, but the first one has been answered already, which is about the return on equity, which is above 50% and why don't you increase it. So, I'll focus on the final three question from Michael. First one, what are the management incentives and are they enough to keep and attract great people? Three, Aegon has a back book in pensions and would you still be interested? And how likely could this be that you could buy this? And four, NN bought broker Heinenoord and would this kind of deal also be an option for you?

A - Jos Baeten {BIO 2036695 <GO>}

Let's start off with the last one, and Ingrind is dying to answer that question.

A - Ingrid de Swart {BIO 21384136 <GO>}

Yes. So thanks very much, Michael, for your question on the Heinenoord. I believe, from a profile of the company, we would have been very interested, but not at the price that it's sold for.

A - Jos Baeten {BIO 2036695 <GO>}

Yes. And I think to add on that, I mentioned, when we discussed M&A, that we looked at certain deals and I specifically meant this one. And I think for NN, it was important to also to restart investment in distribution, and I think they have explained why they were willing to pay a bit more than they normally would have show, from our perspective it could have been an option.

A - Ingrid de Swart {BIO 21384136 <GO>}

Yes.

A - Jos Baeten {BIO 2036695 <GO>}

And to the second question on Aegon. Actually the thing one has to believe is that something is or will become for sale and then we would definitely look at it. And the question is, often asked as far as we are aware of, that's not the case. So, if and when a lot will decide to sell off his Dutch business or a part of the Dutch business, we definitely would start a conversation. Would it be on the back book of life or the non-life business or other activities they have in the Netherlands, yes, we definitely would love to engage with that.

To your first question, what is the incentive for management and are you able to keep people? Well, three months ago it was easier to answer that question, given the fact that we have lost, Annemiek. I don't think that was only driven by the incentive scheme of ASR. But other personal circumstances like where she lives with her family and where are her new employer is fasted and the fact that it is more of an international company, where the main drivers for her. So in general, the number of people that we lose just due to our incentive scheme is fairly limited.

And I think ASR is a lovely company to work for. If your only driver is to make as much money as possible with high variable schemes than ASR might not be the place. But if you want to work for a company, where you can have fun with your colleagues, where there is an ambition, where there is relevance in society, then ASR is the place to be and I think as well Ingrid as Ewout love working and I heard Ewout making a joke about his term. He's ambitious to deliver on and he wants to be longer here than I am already, so he has at least another 28 years to deliver on so, actually not that much worries on.

So having said that it's of course in discussion with the supervisory board. They are very much aware of the fact that, we within three years have lost two CFOs and they both went to companies with other reward schemes. So the board is aware of that, but it's up to them whether they wanted to do something about it.

A - Michel Hulters {BIO 19111905 <GO>}

Thank you. I think you gave us an answer to the three questions that was raised by Michael Huttner. I have a follow-on question actually from Nasima (inaudible) from UBS. Two questions, please. Can you provide an indication of the runoff of the OCC of the life book? So that's UFR and the net capital release in aggregate and what can you say about the opportunity in the Dutch market with respect to the pension reforms?

A - Jos Baeten {BIO 2036695 <GO>}

Okay, let us start with the last question on the pension reforms by Ingrid.

A - Ingrid de Swart {BIO 21384136 <GO>}

Yes. So what we see already in place is that due to the pension reform which will be fully effective at the beginning of '27, already the play is fully armed. So I think we already benefited from it and will benefit more over the next couple of years, because it's a shift from DB to DC. We see that there are digital and ESG are really USPs that we actively use. And we also see that there is a bit more focus on individual pillar. So more of I would say a way that customers try to get some more pension income there as well. So we all know a perfect opportunity and I would say perfect period in time or a perfect moment in time to really take advantage of that.

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A - Jos Baeten {BIO 2036695 <GO>}

And the first question.

A - Ewout Hollegien

The first question is from the -- on the life OCC. So we have presented in a deck a slide where we have shown the 10 years development of expected development of the life OCC, seeing it slightly increasing. And what's happening there is that the release of the -- of capital So the declining release of capital is fully offset by declining UFR. So that's more or less as you know in fact going forward. And on top of that, we benefit from some asset management optimization. So that would be my answer on the first question.

A - Jos Baeten {BIO 2036695 <GO>}

I think it's Slide 89 in the full deck isn't it?

A - Michel Hulters {BIO 19111905 <GO>}

Slide 89, that's correct. Right end both on the corner. Yes.

A - Jos Baeten {BIO 2036695 <GO>}

Yes.

A - Michel Hulters {BIO 19111905 <GO>}

To be precise.

A - Jos Baeten {BIO 2036695 <GO>}

28 in the limited deck, isn't it?

A - Michel Hulters {BIO 19111905 <GO>}

Just okay. There we have another question from Farquhar Murray in this case. On M&A, the commentary around no international M&A seems to be marginally more blurred than previously. Could I ask, what has changed there? And what that might bring into scope that was previously ruled out?

A - Jos Baeten {BIO 2036695 <GO>}

Well, I think the change is not that significant as you assume, Farquhar. And I'm aware that I used a different language. But the key message is, we do still see opportunities in the Netherlands and we're not actively looking into other jurisdictions, and the arguments for that haven't changed. I think, if you want to invest in another country, you have to be the number -- at least the number three, or preferably the number one or the number two.

And from the perspective of ASR investing in Europe, in Belgium, France, Germany, or maybe in the Bordics and becoming number one, two or three, that probably is a challenge. And at the same time, you never shoot shut a door of a room where you haven't been. So it's not a different message than before. We believe the Netherlands is still the place to be going forward and if there are opportunities and one could become the number one in another country, we probably will have a look at it. Is there a real chance that we would end there? I don't think so.

A - Michel Hulters {BIO 19111905 <GO>}

Thank you for answering that question. Another question from Jason Kalamboussis from ING. And the question is, a share buyback of a EUR100 million in February next year so in 2022. Is that possible, or do you feel that the two generous step up given where we are taking the dividend?

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A - Jos Baeten {BIO 2036695 <GO>}

I think given where we are taking the dividend and that we always live up to our promise, our promise were three times 75, so that is the modus operandi we're in. And let's take it from there if and when we present the full year numbers.

A - Michel Hulters {BIO 19111905 <GO>}

Okay. Thank you for answering, that question. That was pretty clear I think. I don't see any further questions and if there are any analysts that would still like to ask a question, please make that known to the operator.

Michael Huttner, we have another question, follow-up question, from Michael. You talked a lot about mandated brokers. Can you say what they give you which a normal broker does not?

A - Ingrid de Swart {BIO 21384136 <GO>}

Yes, I can. Shall I take the question?

A - Michel Hulters {BIO 19111905 <GO>}

Yes.

A - Ingrid de Swart {BIO 21384136 <GO>}

So a mandated broker means that we outsource part of our business activities to the broker. We pay commission for that and they serve the customer on the way that they want to do it. So it's like you could see it as a simple form of outsourcing. And what they give us is that customer intimacy, because they're very close to customers. They often operate locally and are really close to their customers. And because they also outsource with, I would say a win-win situation that they also have to take care of -- take into account or combined. It makes that we both make sure that the customer is taking care of correctly and also with margin over volume approach here.

A - Michel Hulters {BIO 19111905 <GO>}

So this was the final question actually that we have and this closes the second part and of the program -- and actually the entire program. I would like to hand it over to Jos for a wrap-up of this conference.

A - Jos Baeten {BIO 2036695 <GO>}

As well I, Michel, thanking you for your leadership today and you and your team for the preparation of this day, I think excellent delivery. And hopefully dear people following us online, this was an investor update with lots of information you like. And to sum it up briefly, we are really pleased about the performance that we have delivered in the recent years. We've announced new ambitious targets, which clearly raised the bar for the coming years. We have a compelling action plan as Ingrid and Ewout explained to deliver these targets not just financially, but also non-financially. And we continue to deliver on sustainable value creation, for all of our stakeholders, our employees, our customers, our shareholders and society, as a whole.

And as already said, I would really thank also on behalf of Ingrid and Ewout, thank the team and the colleagues who have been working hard on the plans and targets for the coming years and in organizing this event today. I'm very excited to embark on this journey with my two beloved colleagues. And of course together with all the 4,000 other colleagues at ASR. And hopefully reporting on the full year numbers or at least at the half-year numbers next year. We can meet in person again, and we finally can have this analyst dinner that we already announced twice and had to postpone. So having said that, this concludes the program. I hope to see you all soon and stay safe.

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