ASR Nederland NV Annual Shareholders Meeting

Company Participants

- Antoinette P. Aris, Former Supervisory Board Member
- C. Van der Pol, Chairman of the Supervisory Board
- Cor H. van den Bos, Vice Chairman of the Supervisory Board
- H. Chris Figee, CFO & Member of Executive Board
- Jos P. M. Baeten, Chairman of the Executive Board & CEO
- Unidentified Speaker, Unknown

Other Participants

- Maarten Koning, Analyst
- Robert Vreeken, Analyst
- Unidentified Participant, Analyst

Presentation

C. Van der Pol {BIO 2376815 <GO>}

(technical difficulty)

Of a.s.r. to become as shareholders in order to get quick answers to their questions. I hope everything was clear and that brings me to Item 2 on the agenda. And I will invite Jos to give a brief explanation on the annual report. The floor is yours.

Jos P. M. Baeten {BIO 2036695 <GO>}

Thank you, Kick. Welcome here in the room as well as all interested individuals and shareholders attending this presentation via webcast. It's nice to see that so many people are interested in a.s.r. and would like to discuss the previous year with us, 2018. It was once again an intriguing year for us in which we experienced many highs. It was also a year that we managed to wrap up nicely. And of course, we continue to pursue ongoing improvement, whether in our services or other areas that we consider it to be important.

A few of the highlights from 2018 included our campaigns in recent years. To highlight our social position, we're convinced that as an insurance company you have to play a significant social role to retain your (inaudible) in our investment policy. We demonstrated increasingly that we want to make the Netherlands and the world more sustainable. And we achieved a nice acquisition in 2018. That was Loyalis, I'll talk about that in a moment. Our customers were more than satisfied because we do this all for our customers, shareholders and society, in general.

And we also demonstrated fine financial results, the acquisition was Loyalis. And I'm going to speak for a moment about this financial results with you. And I assume that you examined those sections in the annual report particularly diligently. And leaf through the rest. We achieved fine results last year, EUR 742 million operating profit last year. That exceeded the operating profit from the previous year. Then in 2017 was the highest operating profit ever. And we are particularly happy because this already includes a particularly large claim for nonlife. We had EUR 30 million in claims due to storms and climate-related damages what we call it now. And these incidents are increasing. Despite that serious storm, results where excellent. And in Non-life, our combined ratio, as you know, that conveys the balance between premium income versus Non-life claims paid in commission fees, 96.5%; our target was 97%. Despite that severe storm that impacted the combined ratio by about 1 point, we demonstrated an excellent Non-life result.

Life insurance. The writers, as well, as you know, that market is under pressure. The premium income is gradually decreasing because the individual section of that portfolio is gradually being depleted due to lack of new output. But that did very well, too, especially investment results in that portfolio were solid so that the profit grew well there, too. Then there are other segments, such as distribution companies and investment companies, such as our external asset manager did well as well last year. There too, we achieved a nice increase in operating profit.

As a result, our return on equity exceeded our target as disclosed when we launched on the stock market. It had been up to 12%. And we achieved 14.2%. We demonstrated our excellent performance as a company as well as for our shareholders. We controlled costs. Optically, they seem to increase. But that was because we acquired a large company, which was Generali. Disregarding that, of course, decreased by over 3%.

And increasingly important, thank you for our shareholders as well, is what we call organic capital creation. And you could describe that as free cash flow. So new capital accumulated that either you invest, reinvest in the company or return to shareholders at EUR 372 million. We felt that we did very well there in the past year. Now revenue, that's where it will start, in fact. For several years, we saw our revenue under pressure last year. We saw substantial increase of 17%, part was because we added Generali.

At the same time, we also noticed that disregarding Generali, Non-life grew by 4.7% and life insurance posted fine growth of 8% if we're disregarding Generali that is.

Those were the financials. And on days like today, they are often the main focus. But we also think it's very important to focus not only on financials. But also on some nonfinancial criteria. I'm going to review a few of those: first, this company subsists from customers. If there are no more customers, we can talk until the cows come home. But there's not very much to do. That's why we focus on how customers perceive us and how our distribution partners perceive us. And we're very proud that last year both our customers improved their rating of our services and products that increased to an NPS of plus 40%. And our commercial partners, such as our insurance brokers also assigned us an excellent score, which was plus 54%. As for customers, aside from our day-to-day business, we also tried to see what we can do to help our customers better with our products.

There are some social issues that as an insurance company we believe we can do something about. I'll give you a few examples, all following the debate about occupations that are difficult to insure, such as the self-employed, a.s.r. Our sports brand introduced a new product last year for occupations that are difficult to insure and that are heavy occupations where we help young people live a healthy lifestyle so that they can continue to be insured until they reach retirement age. Another nice example is that the price of housing is high now in the Netherlands. Many young people complained that they can't afford to buy homes. So we've launched a mortgage with a fixed -- a 40-year fixed interest rate period. We are the first to do this in the Netherlands to enable people to buy their home and to have a certainty of what their cost will be for an extended period. And finally, another source of pride that we'll just talk about more toward the end of the year, we're all living longer and healthier. So we'll have to work longer. That's a fact of life, at least for those who are not retired yet, that is.

And it means that healthy lifestyle matters. We need to remain healthy longer. And we're proud of our partnership with Vitality, that's a South African company. And in the coming period, we'll introduce various formats to promote a healthy lifestyle and healthier aging among our customers. And later this year, I believe in November, we'll be disclosing this to the market.

Another nonfinancial that we care about concerns social sustainability that's increasingly important. And I think that as a financial provider, we can do much to promote this. So in our investment policy, we focus on how we can help the companies where we invest, operate more sustainably. And it's true that sometimes this gives rise to dilemmas. So we do have an exclusion list. There are certain companies or branches where we are no longer willing to invest. But that raises the question of how does that influence your daily acceptance policy and are you willing to insure those companies. So to help our staff, we organized department workshops, run by an emphasis to tell our staff how to cope with such problems. One important trend is that sometimes if you want to be, there you can tell some companies, "If you don't do anything about your operations to be more sustainable, perhaps we can't insure you anymore."

There are a few other important points that I'd like to cover here. Last year, we rose the fastest among financial companies on the Dow Jones Sustainability Index. And by now, we are among the top 15, which means we are not quite on the published list because that only goes to the top 10. So that's another ambition. And 100% of our investment portfolio now meets the requirements for sustainable investments that we have set.

Now next slide. As I said in my introduction, we acquired Loyalis -- that was a fine acquisition -- and the year before, we acquired Generali. Integrating Generali is on target, is proceeding very well. Yesterday afternoon, one of the departments in a.s.r. invited me to come and have an Italian ice cream because that department was celebrating having completed the final step in integrating Individual Life portfolio of Generali. And so we've almost completed the integration. We have 2 small steps: the Non-life portfolio, we're in the midst of integrating that. But will have fully integrated it in a.s.r. by the end of the year; and the final step is pensions, that's always a bit more labor-intensive because of all the legislation and regulations. And the pension company of Generali should have been fully integrated by the First Quarter of next year. We will not fully integrate Loyalis within a.s.r.

This links closely to the GDPR company. One of the reason we did this is because it opens the door to large new customer segments and the networks of the customers of Loyalis who account for about -- about 85% of Loyalis consists of civil servants and government staff. And we don't want to erode the commercial value. That's why we have decided to leave the disability operations in here. But we will be integrating the Life portfolio because that's also a shrinking portfolio. And we expect to complete that by the end of next year.

And of course, there is a red or white elephant in the room. As you know, at present there is a large Dutch insurance company for sale. We read a lot about this in the Dutch press. And the question is how does a.s.r. feel about that. Our core strategy is that we said we prefer organic growth. We excel at small; and medium-sized acquisitions. We've done several and demonstrated our strength in recent years, that's the core of our strategy. We have a very rigid financial framework there. We discuss each acquisition with the supervisory board beforehand to indicate the financial and operational hurdles. That's our preference. At the same time, if there is a huge transforming transaction available in the Dutch market, it merits a serious consideration. But we're not willing to do this transaction at any cost. We take a very serious look at them. But with all financial requirements of acquisitions will apply here as well. And if it doesn't work, we'll forgo that. It's not a must-have for us. At the same time, we believe that, that company has been offered for sale a few times already would be good for the customers of that company to find a safe sanctuary. And we believe that a.s.r. could be one of those safe sanctuaries, especially because we have over 300 years of experience in insurance in the Netherlands. And we'll focus on the interest of the customers from our perspective and serve them as best we can.

That's what I had to say about the potential market opportunities. As I said, we are seriously considering this. But based on a rigid structure. When we were listed on the stock market, we disclosed some financial targets and we said that for the first three years of our listed on the Stock Exchange those will apply and that period ended last year. We are proud to say that all KPIs that we disclosed when we were listed on the Stock Exchange have been achieved. The last we can report is the cost decreased with respect to a.s.r. when we were launched in 2016 on the Stock Exchange. We achieved that cutting costs to the tune of EUR 200 million. I'm not going to itemize them. But if you have questions I'll be happy to elaborate.

That takes me with the a.s.r. dividend, which is, of course, important for all of us. And we now have a tradition of distributing dividend from previous years. This is the sheet I would like to show my shareholders, as this is as I would like it each year, our dividend prices. Our proposal today is a 6.7% increase with respect to the previous year, which is a slightly higher increase than that of operating profit that was impacted by the EUR 30 million in Non-life claims. But this also expresses our confidence in a.s.r. and our confidence in 2019. That means that we are proposing a dividend of EUR 1.74 per share. We've already distributed EUR 0.65 as an interim dividend, which means it yields a final dividend of EUR 1.09. That takes our dividend up into the range of 45% to 55%. And this proposal take us to exactly 48% of operating profit after subtracting our costs for issued loans. That's what I had to tell you about the dividend.

Now finally last year, there was another highlight at Capital Markets Day. And we welcomed analysts from all over the world in this same area and disclosed our targets for the next three years. That was on October 10. Those where the a.s.r. targets, as a.s.r. was on October 10. I'm not going to itemize them, some have not changed. But I'd like to mention a few of the important ones. In the proceeding period, we have had a -- we returned -- our target of return on equity was up to 12%. And we've adapted that to 12% or 14%. To convey our confidence in our future, very important is organic capital creation, which reflects how much capital you generate, which expresses latitude, both with respect to dividend and investment in the company.

For 2021, we've said that at EUR 430 million, you can add EUR 35 million to that because after the Capital Markets Day, we acquired Loyalis. And after integration, we expect that to contribute to organic capital creation to the tune of about EUR 35 million. I won't discuss the others. They are relatively same except for the financial leverage, which is slightly higher. That's mainly because of the way we calculate that 35%, that's roughly equivalent to 30% with the most other insurance companies.

Now business targets. That's what keeps the company going. And at the end of the day, Life insurance has a huge portfolio that's shrinking. Nonetheless, we've stated that we expect to have stable operating profit from life insurance in the coming years at least stable. But because the portfolio is shrinking, we need to curtail costs, whereas the costs were 56 base points of the reserves last year. Our target is to reduce them in the years ahead to 45 to 55 base points.

In Non-life, we assume that the combined ratio will be 94% to 96%; and as combined ratio time ahead 96% in years with some setback, such as severe storms in Non-life claims; 94% in a very favorable year as 2017 was connected to as we've said organic growth. So our growth target is 3% to 5%. And that's quite challenging on a market that is currently shrinking with a gross national product that's hardly growing at 1% to 1.5%. So our ambition is to grow faster than what the market would naturally be expected to do.

And our final business target concerns our distribution company and asset manager that contribute in 2021 to the tune of at least EUR 40 million and should be growing from that point onward by at least 5%. And we also have some nonfinancial targets. We also focused on nonfinancial metrics. Customers are very important. Last year our Net Promoter Score was 40%. And that's quite high. Nonetheless, we've raised the bar and aim to grow to 44% in a few years. We're a major investor and our investment portfolio enables us to focus on being more sustainable. If you want to rely on that, you have to measure your investment portfolio CO2 footprint. So our first target is to quantify that portfolio. So that by 2021, at least 95% of our entire investment portfolio reflects a clear CO2 footprint. And then our targets will be focused on reducing that footprint.

Wherever we can do that, we already are and you see that the footprint in our investment portfolio is about 30% lower risk quantifiable than in other portfolios. Another very important target concerns investing in social impact funds, such as the dark green bond, that the government issued yesterday, should satisfy an investment in this category. We partnered with Triodos Bank to deal with some long-term financing that's often very challenging. Our target there is EUR 1.2 billion. And finally, we think it's important for our staff to go that extra mile in making Dutch society more sustainable as well.

And we said we are a financial institution, we can help people and families in trouble, not through endless financing in money but by educating them in many of our staff, investor, personnel and work time to help families in trouble balance their finances and to try to teach children how to handle money. And their objective is to increase this effort by 5% year-after-year. That was my brief explanation of 2018. We are proud that we had a good year. And I'm proud on behalf of the Executive Board on the dedication of our staff because Chris and I often tell each other, we talk about it a lot. But our 3,800 employees who serve our customers day after day are actually doing the work.

Thank you. And I'll hand you back to Kick now.

C. Van der Pol {BIO 2376815 <GO>}

Thank you very much. For this very clear story. We have set up microphones in the room. If you would like to ask a question, please speak into the microphone, making sure that those following the meetings through the web stream can hear the questions. And also for the sake of the minutes, please indicate your name and possibly the organization you represent.

Questions And Answers

A - C. Van der Pol {BIO 2376815 <GO>}

You were the first, you can speak first.

Q - Unidentified Participant

Thank you very much. Good morning. Dear members of the executive board, my name is (Pinkerton) Heck. I work for the Association of Shareholders for Sustainable Development (EVO). I have 3 questions I'd like to raise about sustainability. The first question concerns the climate. a.s.r. contributed actively to the carbon counting financials' platform last year. This is a very positive step. At last year's AGM, we also asked about science-based CO2 reduction targets. You also referred to it himself a moment ago. And our question about the 95% that can be measured now is the following: Can you share the results at this point in time? And can you tell us at what point in time you think you would publish these CO2 reduction targets for the portfolios for the Scopes 1, 2 and 3 in line with the Paris climate agreement?

My second question concerns the effects of climate change. This can be droughts or floods or other extreme weather events. EVO considers this as a risk for both insurance companies and shareholders, investors. And the Task Force for Climate-related Financial Disclosures, another nice term, advises financial institutions among other things to investigate these quantitative risks of climate change and to apply a scenario analysis to this. And my question is this, has a.s.r. investigated the risks and possible opportunities, both as an insurance company and for shareholders? Can you share the outcomes? And when do you think you could be reporting according to the guidelines of the TRSD? Then the last question. This is about the sustainable development goals. a.s.r., obviously, mentions, as you said, the goals in the annual report. And we are very glad that life on land and life on water, 14 and 15, are taken on board. Many parties forget about these targets as goals. But my question is, how you measure your impact on these development goals in a positive or a negative sense? And whether you can formulate some targets that contributed to achieving development goals in the light of the UN guidelines and targets in this field?

A - Jos P. M. Baeten {BIO 2036695 <GO>}

Thank you very much for these clear questions. Yes, Chris and myself will split the questions fairly. Chris in some other things responsible for shareholders. So he will cover the questions related to shareholder issues. And let me, therefore, select the second part of your second question and the first part of the next question. What we're doing from the insurance point of view, what are we doing about the insurance portfolios in this slide? Maybe you read this morning's newspaper, (Volkscrams) happen to carry a large article on this issue, mentioning a.s.r. among other parties.

But first of all, we have a pretty clear picture of the major climate risks in our portfolio and this is a double risk. First of all, we have increased damage from weather events, rain or also hail. We saw an example of this. And we can't prevent this. But what we can and do is inform our clients about risks and help them take measures. And with the increased data available about weather developments, this is going better and better. We can, for instance, warn our customers that hail is coming that they might either cover or park their cars inside. Then the major, the largest Non-life damage events are floods. And we as a industry have been talking for several years about this with government. We think that part of the risk can be insured under certain conditions but hand-in-hand with government. We haven't come to a solution yet because it is a complicated and difficult issue. One of the conditions, for instance, would have to be that everyone in the Netherlands should contribute a slight amount in the insurance premium to cover the damage of people who live in risk areas. When you live in the east of the Netherlands and rent on higher lying ground, the risk is lower than people living in the plains near the coast. So we look at the contribution we can make through this. And we're certainly trying to cover our customers. We have set up a climate committee to offer maximum support, pre-warnings trying to prevent damages and to keep premiums low. If that doesn't work in the Netherlands, we have also calculated that premiums would have to increase by 15% to 20% in order to continuously cover the increasing risks of climate claim.

Now Chris, you would say something about the investment case.

A - H. Chris Figee

Yes. As an answer to your question, in the Spitsbergen group, we're working on science-based targets. And making it even more science based in order to meet the requirements of the Paris quota. In 2022, we will make them public at the latest. But I can clearly lift the tip of the veil. If we measure the carbon footprint of our investment portfolio, then we see that we have a near 100% coverage. Some portfolios take slightly longer to focus on this, particularly assets on the -- third-party assets on the management. Here, we have come to only 25% of an analysis. We are working on this. And we're also working particularly on real property and mortgages to measure the carbon footprint of the mortgages that we provide and our property portfolio. And the first conclusions are that for the measurable segments, the carbon footprint of our portfolio has gone down. We're 30% to 40% over the past year. And there we can compare ourselves to a benchmark on credits or shares. We are more or less 30%, 40% below the average benchmark. And we think that by 2020, we can formulate tough targets, hard targets in line with our commitments.

Now when talking about mapping the impact of climate change on our investments. We have an initiative launched by Ortec. This is a liability management study carried out by some universities, pension funds and consultancy firms, which analyzes our investment portfolios in line with the climate scenarios. We came out pretty resilient. Our portfolio has also viewed in European large investment portfolios because the assumption is there that we would be vulnerable for climate scenarios. So that we were checked and we see that this is becoming a more and more important element of our asset allocation. Now it's a back test that we carry out in order to verify and control. But I think that climate scenarios will play more and more prominent role in our investment policies. We already tested the scenarios. And we come up pretty favorably. When looking at our property portfolio, for instance, we see that geographic, top-down analysis, looking at regions, try and reveal risks our sensitivities: risk of floods, for instance, or other water damage scenarios of our assets. So to be brief, we do analyze our portfolio to get with universities and other parties. And we proved to be pretty resilient. And this is something that will be more and more important going forward.

Q - Unidentified Participant

A follow-up question. Do you expect to report on this in line with the requirements?

A - H. Chris Figee

Yes. I think that at some point in the annual reports, we will report on our performance and the different climate scenarios. Thank you very much. Now the SDGs, the impact we have on SDGs? Unfortunately, we don't have worldwide metrics saying that this A, B or C can be the exact metrics for measuring the impact. But we select leaving out and having positive action. And for each SDG, in the annual report, you see what we've done, what positive contribution has been made to the SDG. Is it uniform metrics? No. But I haven't formulated yet a KPI for each of this. We don't have such KPIs. Unfortunately, we're waiting for the rest of the world. I want to follow up on existing developments. And we will follow them when they exist. But we want to exclude certain investments and want to emphasize positive action for each and single SDG.

A - C. Van der Pol {BIO 2376815 <GO>}

Thanks for these very clear questions. You were the second to stand up and then the next speaker.

Q - Unidentified Participant

My name is (Jesper Jensen). I'm here on behalf of the VEB Association of Shareholders. I read the annual report. And I read many annual reports during the season of AGMs. And in the first part, we usually read about value creations, returns on equity, value over volume and these kinds of terms. Then you come to the second part, the financial statements. And it's not always present there. And in your annual report it is, as we see by your MDO targets that have been met. This is positive news. Now I have a few questions about the level of ambition of the new targets. But first of all, I would like to turn to the elephant in the room, which is obviously VIVAT.

We receive all kinds of news. But really strike news affected that private equity seems to play a prominent role in the bid for VIVAT and private equity has a higher level of risk capital. So they can take higher risks, have a more aggressive investment policy, which leads to the risk. They can pay much more than the well-established companies, such as a.s.r. So my question is the following: I have 2 questions actually: One, can a.s.r. commit it will bite by the minimum return investment's ratios up to 12%, including an acquisition of VIVAT? And secondly, it would be fair to require an even higher return on net capital employed if given the risks such an acquisition would bring. That's the first question.

Then the second question. This is an opportunistic question. If it might transpire that A.S.R. is not going to carry out this acquisition, this means that private equity funds are willing to pay a lot for VIVAT. And that in turn would mean that there is a lot of value in the life portfolio that VIVAT still holds. So therefore, my question is this: In a scenario of a high bid by private equity for the life portfolio of VIVAT, would a.s.r. be willing to divest this to a third party? Where are you in this match, in this race? Then a few questions about the new strategy and the strategy targets. My first question concerns the tension in Non-life between 3% to 5% growth combined with a year-combined ratio. Mr. Baeten just said that that we want to outgrow the natural possibilities. That leads to suspicion usually on my side because the risk may then be that it's growth above value creation. So at a higher level of obstruction, my question is this: How worthwhile is it formulating a quantifiable growth target that when value is actually much more important than growth? That was the first question.

The second question is about the Life book. The expectation for the coming two years is that revenues will be stable. Still I would like to have a better understanding of your long-term expectation of this portfolio, given the shrinkage. What is your long-term outlook for this portfolio? Then a question on the return on equity expectations obviously increased. But if you look at performance over the past few years, a.s.r. always performed way above the 14%. So my question is, is this underpromised and overdeliver? Or has something changed in insurance markets meaning the return on equity employed is lower than in the past? Then last question about the banking activities. They have been defined as noncore. And I wondered whether this can be set aside of the remaining part of the organization easily, whether you have any strategic or other reasons to keep the banking activities or you can divest them without effects for the -- for further operations?

A - Jos P. M. Baeten {BIO 2036695 <GO>}

Let us start with the elephant in the room, Jos. Yes. The elephant in the room. Well we also read the news about possible competitors in the bid. And time will show how aggressive the process will get. We know the process. The procedure is spending as we speak. Your question is whether we can commit to our discipline. We are very proud of our capital discipline. And certainly, we would not give up the discipline for such a case. Therefore, without any hesitation or any reservation, the answer is yes. And when talking to investors about this matter, we also address the 12%, which is our hurdle rate for an acquisition. And we add to this how we see the risk of an acquisition. And when we think there is a risk, a financial or an operational risk involved, we will also think twice about raising the threshold. And it's not unthinkable that we would certify such a transaction as the higher risk than previous acquisitions. And if we would be the buyers then we would make clear how we have valued the risks and how this will be expressed in our requirements for the transaction. But you may be comfortable that it will be high and even higher than we are usually accustomed to do. Then your second question, whether we are willing to divest.

Well I hinted at this during my introductory remarks. We think that being an insurance company in a shrinking market in the Netherlands where life portfolios are gradually decreasing, it's important also to live up to the obligations for the very last policyholder. And therefore, we first look at our obligations. And that we attune our portfolios to the levels of obligations in terms of amounts, in terms of time. And then in the investment structure and the risk management we cover this. Some additional margin, obviously, is nice; otherwise, you can't survive as a company. So we wouldn't say we're getting a few billions of premium. We are trying to generate the highest returns because we all know that the higher the return on investment, the higher the risk.

And we have the obligation to live up to the expectations of policyholders. So if we would consider divestment of a policy or a portfolio that would be the leading principle for us because we have taken an obligation vis-Ã -vis our customers, we have to stand by these obligations. So the likelihood of ending up in a transaction is close to nil in my view. But I have always learned that we must keep the back door open. But I think it's hardly likely we would end up with such a transaction, such a divestment. Then in addition on the Capital Markets Day, we said that if we view ourselves as a national consolidator of the life market, we're a Dutch company, we know the Dutch market, we're in the Dutch situation, we know Dutch regulator. We have a number of life portfolios in the Netherlands that would meet our profile but that are smaller. So we see ourselves as one of the consolidating parties on the Dutch market. So at least potentially in this role and from that point of view it would be illogical to sell off our life book. That covers your questions about the elephant in the room.

Q - Unidentified Participant

One question about the further procedure, when we may believe the press, the private equity plays a very prominent role. And this is an important issue. What is your take on the take of the regulator?

A - Jos P. M. Baeten {BIO 2036695 <GO>}

I think the regulator should best answer that question. I don't think it's my vocation to speak here on behalf of the regulator. We speak from our perspective. We mentioned the way we think this insurance company should be run. And I don't think I should be voicing all kinds of positions on behalf of the Dutch National Bank on this case. I assume getting a very wise view. Do you think you make a fair chance of a success of this acquisition? Well insurance business is probability guessing. But I also learned you shouldn't be too outspoken. We have a very strict discipline on go/no-go decisions for such an acquisition.

If we're within the go scenario, we'll take an even closer look. But if it falls outside the bandwidth of our financial discipline guidelines, then so be it. I already said that it's not a strategic must-have for us. Things should really add up. We're not going to put at risk for such a transaction.

Then you had a question about our targets. Well first of all, growth combined with a combined ratio, well, the general principle of a.s.r. is value over volume. So if no value is being created, we will not go ahead on the Capital Markets Day, we said that there is a certain order in our targets. The prime target is a healthy return, otherwise, you can't continue operations. And within this framework, we have shown our belief that we can have healthy growth by providing good service to customers by providing good products. And if this can go hand-in-hand, we will follow the gross targets. But as of the moment when we see that growth would be at the expense of return on investments, we would immediately slow down the process.

Then a second question you raised about the return on equity. Chris will address this in a moment. Sorry, that was your third question. Yes. Then there was a life book question. Well during the IPO, we showed you some aspects of the life book and we said that accounting from the IPO, where the book would diminish by 50% over five years, well, we are 3, four years down the road. We see that mortgage products are diminishing faster because government and banks have a policy of repaying higher mortgages than was planned. So we see more people buying out their life policies and paying down on the mortgages. So we assume for them being that this process of decreasing policies will come to the 50% threshold, maybe already in 9th year of the 10th, not the 5. Why do we think that? Still results will maintain at the previous level end of the coming year. Well in the life book, you have an old part of the portfolio with 4% guarantee. This is the part that naturally will decrease fast as a whole. That means that the discontinuing of the 4% guarantee portfolios will compensate profitability to certain extent because the younger life book has only a 3% guarantee level. So normally speaking, you'll have a lower amount. You can keep the same profitability levels by and large. Then Chris you are the master of ROI -- ROE.

A - H. Chris Figee

Yes. You also had a question about investments. And I'm in charge of them. So let me address this. We start with our obligations and then find the matching investments. You're not looking for the most profitable investments and then you add a policy. So this is the take we have on investments and in any transaction we would conduct. Now other parties can carry a higher risk, therefore, on returns where I think we are at a closing part of an economic cycle. The end is closer than the beginning. So is this the same stage where you should take risks? Then a follow-up on your previous question. We want to have a sustainable investment policy. We have seen scenarios what you could do with the life investment portfolios. You could buy royalties. You could start planting avocados in U.K. or you should have other products in U.K. with a wonderful return. But if I look at what are use of avocado plantations in the U.S., this is the use. Well when we talk about the profits of the pharmaceutical industry that is the same. Then the stressed mortgages are not really what I would call a sustainable investment. So we look at the obligations that we have. We look at our understanding of responsible investments. And actually we say what is on this lasts longest.

Then ROE. Yes, our ROE is a bit lower or at par with our previous years. It's earnings over equity. It's a simple sum. And if the equity increases, then we will withhold. We have dividends. So the equity will go up. And if you keep profits at this high level, if you perform in the -- at the same level, well, then the equity gradually increases. So if there would be pressure on the ROE, then that would only be the result out of performance without gradually increasing equity.

Q - Unidentified Participant

If you withhold part of the profit, you could pay it out, is the question?

A - H. Chris Figee

Yes. We could invest it. We could payout dividend. We are aware of this. And you have to look at the solvency, your equity from a current point of view. Then it's not surprising that the equity may slightly increase over the past years.

Q - Unidentified Participant

Then the last question about the banking activities.

A - H. Chris Figee

Yes. By now we have announced that we have divested the large part of ASR Bank to our colleagues with Achmea. How easy or difficult is it to divest such activities? Well the bank was already a separate entity under supervision because the requirements of the central bank to a bank are different from the requirements for an insurance company. We had some back-office integration in the accounting processes. But it was a stand-alone legal entity. And therefore, we do not expect or anticipate any large disintegration problems when the savings bank because this is the divested part that has to be handed over to the -- by Achmea. We think that if everything goes the way anticipated by the end of this year, we will close this transaction nearly -- neatly. I think, Jos, that brings me to the next question.

Q - Unidentified Participant

Thank you, Mr. Chairman. I'm Mr. (Stevense) from the foundation for legal protection of investors. First, my compliments on the results you've accomplished. Yes. Can you explain why you're converting shares into property? Because asset location is carefully divided. And that gets you to the CO_2 footprint and the investment obligations. I'd like you to explain those to me. We also have a question about that pink elephant. I'm glad you assigned a color to that. Yes. We hear and read all kinds of things. And what we are also hearing is that it's not really the Executive Board. But others are not crazy about being acquired by this and would prefer a private equity operation. Can you tell us about that? Now that financing mix. Let's say that moves forward, how do you envisage that? Will you have to raise capital? What about dilution? And how do you aim to mitigate this effect. Next, at finance, we note that the IFRS risk of a net result is low. We've considered this. Perhaps we overlooked something. But we couldn't find the reason. Perhaps you could explain that to us. There is also that new IFRS 17, maybe that's the reason the net result is low. We'd like to know more about that. I think that takes me to my 3 questions.

A - Jos P. M. Baeten {BIO 2036695 <GO>}

Yes. Your count is accurate. And this is a good point to start answering them. Chris will elaborate on the main reason why we switched our investment portfolio from shares to property. And Chris' passion is IFRS. So he will be delighted to elaborate on that. Now about the pink elephant, those rumors that you mentioned they reach us, too. And I have always learned about treating rumors cautiously, especially when you haven't verified them in all cases. When we make an acquisition, works councils of both companies are involved. And if a.s.r. reaches that stage, then we will certainly consult the work council of the party we are considering acquiring. And I understand all the noises about it being so-called specific type of acquisition. I don't think that it's known that when you merge 2 employers, it's not only at the expense of jobs but it also impacts us. And I think if you consider that there might even be fewer risks about job losses at a.s.r., then if others acquire you, I can't tell you any more about that now.

Your second question is to how a.s.r. will be financing this. We've been very open about that from the get go. If we move forward with this acquisition, shareholders should have the opportunity to express their views on that. That means that if we announce it, we will also announce -- we will also convene an extraordinary general meeting to present this matter. And at that same shareholders' meeting, the price of the acquisition will be known as well and we'll detail the financing structure. We assume at present that it will consists entirely of shares so that we will issue additional shares for full financing, which means that we'll need to make a strong case to get shareholders on board and that additional share issue because if all we tell them is about dilution and deterioration then we won't be very convincing. And the question is whether that will be possible. So if such a transaction is off -- excuse me, when such transaction enters the picture, we understand that we need to convince our shareholders. So if we do agree to this, then it will be because we are convinced that we can convince you as well. Now Chris, our investment portfolio?

A - H. Chris Figee

Yes. In the previous year, we modified the asset mix and allocation asset categories from shares to properties, especially housing in our investment portfolio because for investors the Dutch housing market is robust. As a buyer or a tenant, it may be more challenging. But for us, it's robust. And we're talking about investing in homes with rents between EUR 700 and EUR 1,200 a month. There is very little vacancy. Value is rising. You can see that based on the return in our investment portfolio. So we've decided to shift our investment portfolio from shares to property and then to housing. Rental homes are an attractive investment for an insurance company, especially given the long-term commitments. I'm not going to speak until the cows come home. But IFRS, I already did this very often. But trust me, I enjoy the figures. They do not yet reflect IFRS 17 because that won't really be launched until 2020 or 2021. Our IFRS figures do reflect increases and decreases in share prices, 2 difference with respect to last year's because we had some more impairments reflected and the share price decreased in the second half of last year. You have to show that in your figures. And last year, there was a one-off profit considering preference shares in Unilever that we sold. It was a one-off increase in share price. And this year, we don't have that; that explains much of the difference. And there were also some more social planned costs considering the integration of Generali and redundancies.

The main factors were that in 2017, there was a huge increase in share price based on the interest in Unilever that did not recur in 2018.

Q - Unidentified Participant

That's clear.

A - Unidentified Speaker

Thank you for being so brief, Chris, because I've heard you speak at greater length about that subject. On to the next question.

Q - Robert Vreeken

Good morning. I'm Robert Vreeken from We Connect You, Public Affairs & Investor Relations. I advise government and private industry concerning financial sustainability, finance and good causes, especially to upscale sustainable innovations in The Netherlands. I'm delighted at these figures. And I was pleasantly surprised by the hospitality here. My impression is that the executives are sincerely communicative and are here as hosts. It was really special that the Chairs of the Executive Board and the Supervisory Board were very approachable. My compliments, if I consider (Hans Dyers) who dashes out the moment a meeting ends. And he does that very consistently.

1 million plant and animal species are on the verge of extinction. That means that there is no climate transformation. But a climate crisis because the entire equilibrium will be completely disrupted. The strength of a.s.r. is, is that they've invested in Taxi Electric. It's a wonderful company with many older employees, Randstad might acquire that. Mrs. Aris does has some leverage there. They haven't reached that stage yet there because over there, they want everybody to be young, dynamic and relatively low age. But that Taxi Electric has Tesla's with a 600-kilogram battery. And the battery is the strongest polluter among all the parts. I would like you to scale over to light electric vehicles because in Amsterdam, a.s.r. was the first to pioneer the Urbees, Amsterdam electric shared bicycles at the (inaudible). The benefit of the Urbee is that the battery weighs only 5 kilograms. So a Tesla is 100x pollutant. And you get a quick win there. In addition, 10 electric bicycles can be stored in the same space as 1 Tesla. So it saves some tar and space. And parking space will easily cross EUR 20,000 to EUR 40,000 and insurance companies are wonderful at figuring at the numbers. Now I've already spoken about the WakaWaka. It's thriving here. But it can also be used as a box and the people who all over the world don't have lights could get lighting through the WakaWaka. And the circular shower saves 80% on water and gas, which in The Netherlands would reduce the CO2 emission by 10% to 20%.

What I truly care about and I was talking about that yesterday with (Van Buuren) the top 10 most polluting ships in the world pollute more than all cars in the world together. And you receive many supplies from China which are brought on highly polluting ships with polluting fuel. If you and other large companies in The Netherlands could ask them to replace this with LNG or green gas, I'm sure the climate would improve enormously. The prospects would improve. Now practically, the OSO is predicting a new economic crisis together with the climate crisis, the trade war between China and the U.S. and the terrible crisis in airplanes at Boeing, I believe that things are go -- are having a downward turn after 5 good years. How does a.s.r. feel about the long term?

A - C. Van der Pol {BIO 2376815 <GO>}

Now that's clear. I was trying to figure out the question. Okay. That one was clear. Jos?

A - Jos P. M. Baeten {BIO 2036695 <GO>}

Yes. Some of what you say reflects how you feel about various trends. I'd like to respond to a few of those reflections. First, in our investment policy, we explicitly consider sustainability and there are some companies that, in our view, following a prior dialogue, we decide if the dialogue doesn't get us anywhere, we say we're not going to invest in those companies. At the same time, transition is ongoing. You can't change the world overnight.

Everything that we can do and that we have in control, we will take forward. You mentioned 1 million plants and animals on the verge of extinction. The a.s.r. building is a mini ecosystem. We have a large garden behind this building and (Tiff) brought it back to a separate ecosystem. There were greenhouses. And we plant wildflowers. And anything we can do to help nature and improve the city is given every opportunity to thrive, that's one.

Second, if you're talking about our building, I believe this is one of the most sustainable buildings in The Netherlands, despite having been constructed in 1974. You wouldn't expect that from walking around there. Later on in this quarter, we are going to discard gas. So we won't use gas for heating anymore. We'll become entirely self-sufficient and electricity is already entirely green, either through procurement of green wind or the abundance of solar panels on the roof.

So we're certainly forging ahead there. We're not satisfied with the commuting yet. We -- because we've merged so many companies and brought them here. We do have a lot of commuters who still come by car. We're making progress there, too.

And you've heard the beginning of the announcement of a new plan to our staff, in which we will certainly encourage them to come by bicycle. And we'll try to contribute to that. And we'll also encourage them to use public transportation. And our policy would be that any leasing cars we purchase will gradually become more sustainable when the supply allows. We are also aware that many batteries are seriously polluting.

At present, that's the only available option, if you have to travel further afield and no public transport is available. If there were a solution in the near future that wasn't as pollutant, we will certainly embrace that. As for your question about how a.s.r. feels about that, we share your concern. And we're fairly vocal in our efforts to contribute either by our investment portfolio or through different means.

At the same time, we're a modest company and understand that we cannot make this happen on our own. So I'm delighted that many other companies are explicitly trying to help reduce our CO2 emissions. So that we leave the Earth in good shape for the descendants that we bear.

Q - Robert Vreeken

I have another suggestion. 80% of those rides are shorter than 20 kilometers and when it's dry, you can easily cover that distance on electric bikes. So with those small batteries, you'll save a lot of CO2 emission and a lot of space on the road and in parking lots. And people are refreshed when they reach the office.

A - C. Van der Pol {BIO 2376815 <GO>}

I'm sure you've read the plan that we're about to present to our staff. So your situation has been adopted. On to the next question. Go ahead.

Q - Unidentified Participant

I'm (Mr. Sje) from Amsterdam. You had a few questions. If a.s.r. acquires VIVAT, there will an admission. Have you thought of the format? Will it be a rights issue or one with a preferential right for existing shareholders? If you haven't thought of that, then I'd like to share this with you in my own position. Would Peter support to a preferential right for existing shareholders. I have some other questions about property. How large is your portfolio for a.s.r. retail property? Because the retail sector is not exactly thriving. Everybody is purchasing online. So it's bricks versus clicks. So there might be more they can shop. Can you say anything about that?

A - C. Van der Pol {BIO 2376815 <GO>}

Well there's the old adage that you shouldn't count your chickens before they hatch and you shouldn't finance the elephant before you've got it in your stable. Perhaps, Jos will elaborate?

A - Jos P. M. Baeten {BIO 2036695 <GO>}

Yes. Of course, we've given that some serious thought and the ultimate decision will be once we almost have Kick's elephant in the stable. Our current vision is that we will not give any preferential right but that the rights issue, it will be a rights issue, will be offered explicitly to current shareholders. And Chris will say a bit about your -- will briefly answer your question about retail space.

A - H. Chris Figee

We have a shop fund, it's called the Dutch Prime Retail Fund, which amounts to about EUR 1.7 billion. It's a very focused shop portfolio. We aim for the main shopping streets in the largest 15 or 17 cities in the Netherlands. And if you click on -- if the -- that's about 10% of the shops where you could invest. So our pond is about 10% of the retail pond in The Netherlands. We're focusing on the large cities and the main shopping streets. And they're still doing fine. The problem in retail is mainly along the periphery. So the outskirts and small regional shopping centers. It's not so serious in large cities. And we are also investing in well-known supermarket brands, which don't seem to be very high risk. So we've got a profitable and stable retail portfolio. And if one chain goes bankrupt, there are often people standing in line for that location. But that location challenge persists also in our retail portfolio and our fund -- the ASM's interest is about 45% in the EUR 1.7 billion portfolio. So that's the investment in high street shopping locations.

A - C. Van der Pol {BIO 2376815 <GO>}

Are there any other questions about the annual report on the Executive Board section? (Mr. Stephens)?

Q - Unidentified Participant

I'm Mr. Stephens from the SRB. This is about older staff. You already said something about it. There is some turnover in insurance and banks. Everything that grows becomes automated. How do the older staff deal with that? Can they remain on board? Are you providing sufficient training?

Next, have you commissioned a South African company? Wasn't there any company closer because they do say a lot about the environment. But if you involve a South African company, that's really far away. And with banks, fraud is an issue.

Now we've got our own ideas about that. We'd like to know whether you are protecting yourself and hedging any risks that -- of banks and related divestments? I have another question that concerns the investment portfolio. We understood about the shops. We also understand about the office. But what about warehouses? Do you invest there -- will you be investing in warehouses? We're not clear on that yet. Those were our questions, Mr. Chairman.

A - C. Van der Pol {BIO 2376815 <GO>}

Would you please repeat what was unclear because we couldn't understand that.

Q - Unidentified Participant

Warehouses.

A - C. Van der Pol {BIO 2376815 <GO>}

Perfect. Jos?

A - Jos P. M. Baeten {BIO 2036695 <GO>}

Okay. Your first question about older staff. Well you can count me in on that. And I receive plenty of IT support there. Well all jokes aside, we invest extensively not only in our coworkers with a more extended track record. But also in the younger coworkers and the intermediate group. Our program is about sustainable deployment where we help people not only to think about their own future. But also to provide them with retraining and as a result, sometimes people switch to a different job within the company that they enjoy as much or more. And sometimes they also discover that they have a different calling. And we always help them follow that calling. And we even have staff that cannot be beat out. There are some people who retire but like a.s.r. so much that they apply anyway and return. So by now we have somebody who has been with a.s.r. for 52.5 years and that person doesn't work five days anymore, only three days a week. But still enjoys working here enormously. So we do everything we possibly can to keep employees who have been with us for a long time active here.

And your second question, can we find a company closer than South Africa? We would have preferred to do that, of course. We examined the type of service and product that we'll be introducing on the Dutch market together with them. We did not find another company that had such extensive experience in that field. They have been doing this for over 25 years. It's a matured concept that requires a lot of partners. I'll tell you a bit about that concept. The idea is that, rather than punishing people for misbehaving, you reward them for a healthy lifestyle and good behavior. So the carrot rather than stick. And you need international partners for that and systems to arrange it and to be able to offer it to your customers via apps and that company has all of that on tap. So we don't have to travel back and forth to South Africa every week. There are many different ways of doing that. But we couldn't find a better one. And they were by far the most convincing and in 17 countries all over the world, they've already launched the system and if you want to do something right, you have to find the best partner for that.

Your last question. But one was about what you described as bank fraud. I imagine that you're referring to the recent publications about money laundering and the corresponding fines. Before this was disclosed in the media, we were very active on that -- about that. It's harder to launder insurance products than in bank accounts. Nonetheless, we also face legislation. We have invested heavily in that in recent years. So each customer that does business with a.s.r. has to be examined to see who the ultimate beneficial owner is so that you can demonstrate that it's not somebody who's on the wrong track. We invest a lot of energy and time in that. Sometimes you cannot trace customers. And in those cases, we have a zero-tolerance policy and part with that customers. We've had to abandon some customers in recent years because they were not willing to present us with a UBO or they did not respond to our request. So I believe that we're doing a lot, it's very energy intensive, especially imagine if you have 20 hits every day, you feel like continuing your search. But the number of hits we achieve for potentially suspect transactions is relatively low. But we still go about this endlessly. And the final question concerning the investment portfolio, Chris?

A - H. Chris Figee

We don't invest in logistic centers in The Netherlands. But we invest in homes, shops and offices and property. And we recently set up a fund to invest in science parks. So offices and science parks, universities because new starters often want to live close to the university. But we don't invest in logistic distribution centers, question of Mike. It's a simple risk return consideration. We have investors in a different category.

A - C. Van der Pol {BIO 2376815 <GO>}

I think that -- oh, I was wrong.

Q - Unidentified Participant

One final question. We just spoke about return on equity and you said that if the denominator can -- if the numerator can go down, the return will go up. And I understand that, that means that at 200% Solvency II or slightly above that, there is some latitude for distribution to shareholders, if there are no particularly attractive investors and if you're done with the VIVAT issue. But that could take a year. My question is as follows: In the past, the a.s.r. buybacks did very well. So we were able to buy them back from the government for a pittance. So that created value. To what extent does a.s.r. include evaluation to see whether return is sufficiently interesting for buyback? And is that compared with organic and inorganic growth opportunities?

A - C. Van der Pol {BIO 2376815 <GO>}

Chris?

A - H. Chris Figee

I'll provide the context on our Capital Markets Day. A shareholder said, yes there's a point if a.s.r. has a lot of capital, it's best to return that to shareholders. You base that on solvency. There's no exact figure. It's like a concept in physics. You know it exists. But you cannot visualize it and once you do, it's gone. So it's approximately 200% of Solvency II at that point. So you can say we have so much capital that in our organic situation, we no longer need capital. Inorganically, you can use that for acquisitions. But organically, you may have enough capital to return it to the shareholders and the ratio is slightly over 200% depending on how that 200% came about to see what the quality is, the Solvency II and the world trends. But when the debate starts about returning capital to shareholders and as the Board, we don't care whether it's a special dividend or share buyback, what matters is what our shareholders want and then we try to see what the return on a share buyback could be. And we assume that a special dividend will deliver the cost of equity. And we've set that at 10% for the sake of convenience. So we assume that it will yield a 10% return. Then as per the return on the share buyback, I'll share the operating profit on the company by increasing the market value. So you've got the return on equity of a share buyback and the most -- return on investment, rather. And then we talk to shareholders to find out what they want. So mechanically, 10% versus some estimated return on investment. And whether you accomplish that depends on the situation because it starts with solvency above 200%, then you can engage in that discussion.

Q - Unidentified Participant

Thank you for the answer. Because at many companies, you see that they distribute award when the share price is too high. So it erodes value. So thank you very much for considering that.

A - C. Van der Pol {BIO 2376815 <GO>}

The joy almost makes you topple. And that's great. You didn't have all these very interesting things for an insurance company. And I'll conclude we have no further questions concerning the discussion of the annual report of the Executive Board. And that brings me to the report of the Supervisory Board. You'll find the detailed text in Chapter 2. And a few points. We had 13 formal meetings. And we particularly looked at the acquisition of Generali and also concerned to the decision making about the Loyalis acquisition. We discussed at length about the amendment of the management structure, something I will cover under 2c. We also discussed a lot about the strategy, the strategy of the company, about our portfolio, about the solvency, the capital structure, some issues that have already been covered. A lot of questions and that Jos and Chris have already addressed. We spoke a lot also about the structure, the framework for M&As, making it clear what we want to do and what we don't want to do.

We spoke a lot about IT, innovation, also education of employees, trying to see what's happening in the field of innovations. It will come as no surprise to you that also the remuneration policy of the Executive Board demanded quite a lot of time of the Supervisory Board. But I'll come back to that under Item 3. Then a lot of the work of the supervisory directors took place in the committees of the Supervisory Board. And you've seen that the Remuneration Committee, the Audit and Risk Committee and the Nomination Committee have given very detailed reports on the item or Chapter 6 of the super -- of the annual report. Any questions about the Supervisory Board work? Yes, please?

Q - Unidentified Participant

(Jesper Jensen) on behalf of VEB, thank you for the clear and very detailed report of the Supervisory Board. We had a real insight into events. But that leads to follow-up questions as well because when the auditor says that there are some additional points of interest, you need to be cautious. And the Supervisory Board report mentions this. The essential message is that internal controls for Non-life and Generali isn't operating adequately yet. Can you say a few more words about what's happening there exactly?

Then a second question. The way I interpret things, the statement is that in some part of the organization you have understaffing. And that it's difficult to cope with the amount of work. What part of the organization are we talking about? Is this a structural problem? Or will it be solved next year? Some more information, please.

A - C. Van der Pol {BIO 2376815 <GO>}

Both questions obviously lie in the table of the Executive Board. In terms of execution and operation, we have been informed about Generali a lot. We, as Supervisory Board, were informed permanently about the progress of the integration. And this is one issue where the auditor indeed made a remark about. Then the Audit Committee followed this matter very closely, has been working -- is working on the solution of the issue. Now obviously, when you acquire a company, you can always safely assume that the high standards that we have in respect of internal controls and related issues will automatically also apply to the acquired company as of day 1 of the acquisition. And in the integration plan, we gave a lot of attention to this. And also, the speed of bringing things in line was very high.

If you read 2019 annual report on Generali, you'll see that most issues dating back from 2018 will be behind us. Then the other issue is the labor market. This is a multifaceted issue. First of all, a positive element. The way we deal with issues in society, issues of sustainability. And also, the reputation we have in the field of remuneration leads to the possibility of acquiring by and large very, very good people. And I have to inform you that we have acquired lots of people who have ambitions in the financial field that were attracted by the DNA of our organization.

Nevertheless, we face the same labor market as our competitors and when you're talking about data analysts or people with expertise in the field of climate modeling, we are all looking at a very limited group of people. Nevertheless, I'm confident that we, as employers, will always have an advance on our competitors by who we are.

Any other questions? If not, that brings me to Item c of the agenda, which is corporate governance.

In 2018 and even in late 2017, we had lengthy discussions with the then 4 members of the Executive Board to see whether the management structure that we had would work for the -- adequately for the coming 4 to five years. Where did that question come from and why did the question arise among the members of the Supervisory Board? Well the reason was very simple. In the past. And rather distant past, we had quite some operational issues, some issues around the implementation, the execution of policies. And as a result, we amended the management system to the extent of focusing more on the execution side of the Executive Board and Mr. Bergstein and Mr. Verwoest were very heavily focusing within the Executive Board on operational and execution issues. The ambition always was to place these issues lower in the organization, lower than the Executive board and we, as Supervisory Board, stimulated the Executive Board to do this. We invested a lot in renewing the management layers below the Executive Board, lots of developments took place. There has been a lot of renewal. And as I said before, we are very proud of the high number of talented people we could attract from outside the organization. And therefore, more and more of the operational management has been placed below the level of the Executive Board. And based on this conclusion, in a very positive consultation with the Executive Board, we decided to amend the management structure with the expression of great gratitude to Karin and Michel for their roles for aligning our operations and also for selecting and training the people that basically made them superfluous. The good news is that Michel Verwoest who was sitting at that side -- this side of the table last year is now in the room as a shareholder. The room is pretty dark. But still I'm very happy to see him among us as a shareholder.

And as a result, the organizational model, the structural model has been amended. I think we have a sheet here. Yes. First, the key issues on this slide. So the management structure has been amended. We moved from 4 members to 3 members in the Executive Board. And we have set up a Business Executive Committee, a committee that will take a large extent of the operational control of the company upon this. Well this was the complicated chart I saw because it gives you the distribution of tasks between the CEO, CFO and the new member of the Executive Board. Then in very small print, it will give us, in the next slide with pictures, gives you an impression, a nice impression of the members of the Business Executive Committee.

You see that CEO, CFO are represented, CRO and 5 business managers. And based on this model, operations started as of January 1 -- or February 1. You may forgive me for mixing up the month. And we are now in the concluding phase of hiring a third member of the Executive Board. And as soon as we have a final decision, as soon as white smoke comes out of the chimney, we will inform you. That concludes the discussion of the major amendments to the governance and management structure of the company. Any questions? Yes, please go ahead.

Q - Unidentified Participant

Thank you for the very clear explanation. I have a question about the rather striking timing of the announcement. It was made on the 20th of November and a month before we had a Capital Markets Day, where Bergstein and Verwoest gave detailed presentations on their plans for the coming three years within their field of responsibility within a.s.r. When you inform me that a process has been ongoing since 2017, I wondered why you didn't present it at the Capital Markets Day and whether you can committed to that, it really wasn't connected to any different insights or other issues.

A - C. Van der Pol {BIO 2376815 <GO>}

Yes. Timing to a high extent was determined by the fact that when we had concluded our reflection on the new management structure in a rough sketch, we still had to start consultations with the regulator and, obviously, with the Works Council. And particularly consultations with the regulator took longer than the timing of the Capital Day made possible. So this is absolutely not about any issues of strategy. Simply when the rough outline was ready, the central bank took ample time to discuss our management model. Any other questions?

If that's not the case, that brings me to Item 2d, which is the implementation or the execution of the remuneration policy in 2018. Here, we report on, what we call internally, the old remuneration policy because under Item 3, we will discuss the new remuneration policy that will come into force as of 2020. And the 2018 Annual Report shows us that the amendments of the remuneration have taken place in line with what was decided in 2016 and '17 and made public. I think the annual report is very clear about this. And therefore, I wonder whether we need any further explanations or have to answer questions. If that's not the case, we now turn to Item 3, which is remuneration.

This is the first voting item. So in a moment, after my explanatory remarks, we will have our vote. And therefore, it's worthwhile to see whether all devices work. It's always unpleasant when after introductions you start voting and your device doesn't work. All of you have installed the app. And currently 140 million votes can be cast as a maximum. At this meeting, 754 shareholders are either present or represented, which represents 100,257,515 shares, which is 71.1% of the total number of votes. These votes will be cast in a moment. You will be voting. And also some votes were cast electronically. They will be merged. But first of all, I want to check whether the system actually works. You can cast your vote for, against or abstain. If you play a musical instrument and you're used to pressing several buttons at the same time, that won't work. You have to press only one key. So -- and we're now going to have a test round. Well the result is always revealed in the presentation of the CEO, still we should have a test run. So the slogan or the statement is this: The a.s.r. head office will be completely carbon neutral by June 2019. Well the really challenging bit is reaching June. So let us see what happens. You can now cast your vote for, against or you can abstain. The vote is now open. You have 10 seconds.

(Voting)

The vote is now closed. And let us see what's not happening. Please raise your hand if you have some issues. I saw one person over there. As we are still fixing the issues with a number of cellphones, we can conclude that most people trust Jos' words because 99.95% of the votes cast believe that we will be completely carbon neutral by June 2019, which indeed is the case.

So any other issues? Are the issues solved by now? Excellent. In the first row, I think, we have a question. No? Still not working? Well let's imagine the next AGM with all phones supplied by China, it shouldn't happen now. Okay.

Now we come to more serious matters, the remuneration policy. When we became a fully privatized company, we amended or we maintained, rather, the existing remuneration policy and at the same time announced that in 2018, there will be intensive consultations with various stakeholders. And allow -- in order to allow us to present to today's AGM a report on the way we wish to deal with the amendment or not of the remuneration policy of the Executive Board, we have carried out very detailed and very ample consultation. And this has been led by the Chair of this Remuneration Committee of the Supervisory Board.

We have taken 4 different perspectives on the remuneration policy. First of all, we have taken an organizational perspective, trying to understand what is suitable for an insurance company, the kind of insurance company we want to be in the marketplace, a useful insurance company, which responsibly and sustainably uses the assets entrusted to us by customers. We took this perspective on the remuneration policy.

The second perspective was to see to which extent the logic, the rationale used in central bargaining agreements with employees in the way we remunerate the members of the Executive Board.

The third angle, the third perspective was the labor markets. In other words, what's happening outside a.s.r.? What is happening on the labor market that we operate in? And how does this relate to what we want to happen?

And finally, the philosophy, the rationale we developed was viewed from the perspective of various stakeholders. What does it mean for the shareholders? What does it mean for the appreciation by our customers? What does it mean for our employees? So in this way, we tried to reconcile to connect the various perspectives on remuneration. And this led to a situation where we present an amended remuneration policy with the following elements. Based on the position we want to occupy as an organization, based on the internal, the in-house salary system and the central bargaining agreements response, it didn't seem appropriate to have variable remuneration for the members of the Executive Board. Based on the way we increase salaries in-house, it made sense to use what we use for everybody else, which are salary scales as well for the members of Executive Board.

We have arranged for all employees that they will receive the CLA increase and as long as they're not at the highest level of their salary scale, they will have a 3% increase every year until they come to the top of their CLA. We have concluded a completely different CLA, or central bargaining agreement, in which we have disconnected salary scales and salaries, meaning that we pay much more attention to the content of evaluation compensation, something we want to do with the members of the Executive Board as well. At the same time, we received some critical remarks saying that this is very unusual for an Executive Board to have an annual wage increase. What if you perform very badly? And some shareholders said that we should review this commitments to 3% that has been committed in CLA and make it more variable, meaning that in very bad years it can be under 3% and in very good years above. So the aim is to follow the same kind of increase logic as we have for the other employees, having a 3% bandwidth. But at the same time, we must be answerable for the performance that took place.

Then we have the indexation that already was part of the central bargaining agreement. And while looking at the external labor market, we took a new critical view on the way we compare to other Dutch companies. And in the notice convening this AGM, you will see the transparency we want to show in terms of selecting the peer group and results of this. Now if subsequently you look at the various interests of stakeholders, we were perfectly aware that the absence of a variable remuneration scheme for many shareholders would be going too far. Therefore, in addition. And not as a part of the remuneration policy, we made binding agreements with the members of the Executive Board about acquiring ordinary shares through the regulatory release with the obligation not to sell any shares until they've come to the minimal amounts and in other cases not within a period of five years.

We have had detailed consultations with the different stakeholders. This is a sensitive issue in Dutch society, meaning that we had several consultations with some groups of stakeholders, particularly with the political parties present in the House of Representatives at the moment. We've had detailed consultations with the Works Council, which has made valuable suggestions during the process. We also looked at the way customers look at these kind of issues. And we had detailed consultations as well with our shareholders. We are comfortable that we have found a responsible equilibrium in a field where the perspectives on remuneration are different and where the policies you find in Dutch society are under great scrutiny and to create lots of emotions. And also, in a period to when the financial sector is still recovering confidence. We submit this policy proposal to you. We're convinced that this is the best possible balance we could strike.

Every four years, we will submit the system to the shareholders. And if in the process we would propose amendments of a substantive nature, we will also submit them to the approval of the AGM in an intermediate way or we will -- and we will also indicate the implementation in remuneration report.

Who would like to ask questions about this issue?

Q - Unidentified Participant

I have no questions. But a number of observations. My name is (Marguerite Salvas). I work for PGGM. And I'm speaking both on behalf of our customers, including the pension fund for health and well-being. I'm also speaking on behalf of (Menzies) and APG Asset Management. First of all, we are very glad with the process. As Kick said, the Supervisory Board has consulted us in a timely and detailed way about the process. Also, the feedback provided has actually been taken on board in the amended version. We are very glad to see this. We are of the opinion that the remuneration is suitable both in level and in structure, giving the industry specific, the social and geographic context and also the size of a.s.r. a.s.r. has a broad group of shareholders with very diverse views on remuneration. We know from experience, it's a challenge to strike a balance between all the various groups of shareholders and stakeholders. It is important that a.s.r. takes stock of these function the company has in society.

a.s.r. also bases its assumptions on the intrinsic motivation of employees and managers without the need for an external stimulating factor. Some principles we appreciate are the scope for the long-term shareholding by managers, the simplicity of the remuneration structure and transparency about the maximum increase, which is between 0% and 6%. In conclusion, we consider that a.s.r. managed to create a simple and reliable remuneration policy that is the fruit of consultations. And this is why the shareholders whom I represent support the proposal.

A - C. Van der Pol {BIO 2376815 <GO>}

Thank you for these kind words. Any other speakers? Yes, please.

Q - Unidentified Participant

My name is (Jesper Jensen) on behalf of VEB. We are also very glad with the process that we were part of as well. And we understand that this is an extremely, yet delicate balancing act to find a suitable remuneration system with all stakeholders. And we think that it's succeeded pretty well with a.s.r. We think it's also audacious to waive variable remuneration. We think this is a positive feature because too frequently we see remunerations being paid out based on meager performance. Last week, we saw this happening at Aegon where the maximum bonus was paid out with the share price under pressure and a significant decrease in profits.

Nevertheless, we still have a number of questions. The first question concerns the long-lasting nature of this policy. After two years, if I understand correctly, there's a possibility of an amendment and then after 2 -- four years. Can you commit to your intention to maintain such a policy without any bonuses for the long term? That is my first question.

And the second question still is about your competition position. It's a question I should mention Nationale-Nederlanden, Aegon and other top-level companies pay out significantly higher amounts. Wouldn't that be a risk for the business model of a.s.r. for the long run? Can you attract or maintain or retain top-level managers? Then a more fundamental question. The attempt has been made to create a balance with the shareholders by creating (foreign language). Then we think this is important initially to create a shareholding by management. And we think this is in the interest of the company. However, this -- the shareholding is small. In other companies, it can be 3 or 5 or even more times the amount we see here. And this is in order to align the interests. And obviously, when things are not going well, 100% is still a very nice payout where the variable component can be put to 0. So how did you determine the percentage of shareholder for holding for the CEO and the CFO? Then a question directly to Mr. Baeten. Is that the maximum or the lowest threshold? Do you think that in five years or so, you should accrue even more shareholders to further align the interests? That were my questions.

A - C. Van der Pol {BIO 2376815 <GO>}

Annet will explain how we reached those percentages, how enduring is it, you mentioned two years. And Annet will also explain what we'll be doing in two years. But our intention and we've -- that's why we've invested so much time and energy in this process. The objective is to, in general, not offer variable compensation for the Board and staff in general. And it's not just something that the Executive Board decides and as soon as they leave, things will change. This is explicitly at the request of the Works Council. That's was at their request that we did not opt for such a course and after the responses from the staff -- the response from the staff to our decision not to introduce variable compensation was particularly positive.

One issue in this company is that the problems arising from variable remuneration, that often it's a disappointment and it doesn't provide people with an incentive. We don't want to resume that. And I would advise any company interested to visit us. We also sell excellent pension insurance and disability insurance. So there's always room for improvement. As for our competitive edge, I've already explained that, thanks to this policy and also the sustainability of our investments, we've managed to recruit and retain top talent. And we believe in intrinsically motivated employees.

What we will be doing in two years and what was the foundation for those percentages. Okay, 2 questions. So each year, we submit the remuneration report for advice. And we'll account for the increase from 0% to 6% and why we've chosen that bandwidth, then you can provide feedback. Every two years, we conduct the benchmark again. So that concerns the benchmark not only for the executive board. But a slightly different benchmark for staff and if we see that those benchmarks are diverging too much, we've also arranged a correction system. So that the benchmark at the executive board is adjusted. We do that every two years. And every four years, we have a vote on remuneration policy. That's about the pace as per the share accumulation rate, ordinarily companies have 50% fixed and 50% variable. So the factor of triple to quintuple you mentioned is only about fixed components. So having 100% fixed would be 50% accrual for executive board members and 75% for the CEO. That is the same as the factor of 100% versus 150% at other companies. So optically it appears lower than it actually is. It's not identical, it is less. So it's a bit lower. But not so much lower as it might initially appear. And we've also said we're going to increase incrementally, in small increments. So each salary increase to the executive board in subsequent years will arise from share accrual. So that's the structure that we've introduced. So that concerns salary structure and shareholdings.

Well I'm wondering because there was also a question about private investment policy of Jos Baeten over the course in seven years from now. He will retire by then, I assume.

Nonetheless, you want to know whether he will continue to invest in a.s.r. Well it would reflect confidence if the executive board says that this percentage is bottom threshold in that they have confidence in the firm and that in the long run they don't think it's strange that shareholders would expect a bit more. I regard this as a minimum percentage. That's what my commitment is and what lies ahead, time will tell. We have a good policy for the elderly and if possible -- if I'm still able to keep up at that pace then I might be one of them. That's clear that the EB would like this to be increased if it grows along after 2 or four years. Okay. That was good input for the next round. And we'll certainly take that on board. You have the floor.

Q - Unidentified Participant

Thank you, Mr. Chairman. I'm Mr. (Stevense) from the foundation for legal protection of investors. We applaud your new remuneration policy. And thank you to Mrs. Aris for explaining that so clearly as chairperson of the remuneration committee. And soon we will have a new executive board member. What will happen then if that person required at the time of appointment to purchase a set number of shares for a set amount? I remember that in the late 1950s, a new director was brought on board and was expected to purchase shares to the tune of ANG 100,000. He already owned his home and so he was able to get ANG 100,000 mortgage. And he was -- used that money to buy the shares. That was alluded to that. I'm curious what will happen?

A - C. Van der Pol {BIO 2376815 <GO>}

Well we are going to accommodate your pension for having Annet answer this question.

A - Antoinette P. Aris {BIO 7465696 <GO>}

Okay. A new executive board member will over the course of time accrue shares as the other executive board members have. And we assume that the net salary will be enough for -- will be sufficient for that. But when he joins, he doesn't have to purchase shares in a lump amount. Note the accrual starts from the first day over time and as with the other executive board members, they can purchase their shares over time.

Q - Unidentified Participant

That bothers us. We would prefer him to have a buy-in upon joining. And that would also provide an incentive for him to remain with a.s.r. for longer.

A - Antoinette P. Aris {BIO 7465696 <GO>}

No. It's a one-size-fits-all approach. Well there's a German expression. But the Dutch adage is equal monks, equal hoods.

A - C. Van der Pol {BIO 2376815 <GO>}

We're going to introduce the new German expression in the dictionary -- in the Dutch dictionary. Okay, the entire executive board accrues shares incrementally over time. And we're confident that any new members will do likewise. Are there any other questions? If not, we're going to vote and please use your voting handsets. The vote starts now. You have 10 seconds.

(Voting)

Okay. Your votes are still being added in the calculators. And we see it has not settled yet. Okay. We've got a stable result. 83.74% of shareholders has voted in favor of this policy and 16.26% has voted against. As supervisory board, we have ample reason to welcome the support for this proposal. And we also note that a group of shareholders objects to the remuneration policy that we proposed and that's clear especially from -- because of the lack of a variable remuneration and obviously, in the years ahead, we will continue communicating with these shareholders. And we will safeguard against the risks they envisaged. So we're not closing the chapter. But as we're -- today, we're happy with the support we received for this proposal.

Okay. That covers agenda Item 3. Then takes us to agenda 4, the financial statements for 2018 and -- wait a minute, I made a mistake, says the speaker, there you have it. It's almost a Freudian slip of the tongue. I forgot to cover the remuneration policy for the supervisory board. And that's certainly necessary. But as the board said, it never sleeps and the same holds true for this agenda item. We noted that we have not adjusted the remuneration for the supervisory board in the past nine years and the code provides for remuneration that aligns with the current practice and the burden of the office. So that's why we're proposing to the shareholders meeting that the remuneration of the supervisory board and the committees be amended and you see the changes reflected on the sheet. So that the chairman would receive EUR 50,000 and the regular members EUR 35,000. The audit and risk committee, the chairman would receive EUR 15,000 and the regular members EUR 10,000. And on the remuneration and nomination selection committee, the chairman receives EUR 10,000 and the regular members EUR 5,000.

Does anybody have questions or comments about this?

Q - Unidentified Participant

The (VEB) will agree to this increase. We need good supervision merits, good compensation. We read between the lines in this policy that it seems to be getting harder to find good supervisory board members and that might be part of the reason for increasing the remuneration. Is that the case? And the second question, which we perhaps could have asked previously, is what can a.s.r. do outside of offering good remuneration to address the issue of recruiting and retaining good supervisory board members for a.s.r.?

A - C. Van der Pol {BIO 2376815 <GO>}

I'm not sure whether that's visible between the lines. In finance, it's very difficult to find supervisory board members because it's huge -- it's very labor and time intensive. And it's also in the limelight, not everybody appreciates all that attention. Later on, on the agenda, I'm sure you can still see that it is a concern for us. But my impression is definitely not that remuneration is related. The reason we're proposing this is because according to the code, it needs to relate somewhat to the time and the burden of the office -- for the time required and the burden of the office. If you want board availability, I would review the restraint that supervisory board members can be appointed only if they don't already have 5 points. And since good regulators tend to have 5 points, that is certainly an obstacle. And it's a far more important factor than remuneration.

If there are no additional questions or comments, let's vote. You know the drill. You may now cast your vote. You have 10 seconds.

(Voting)

Okay. The votes have been counted. And we call the results North Korean style. Thank you for your support. Thanks for your support in this.

That takes us to the agenda item that I almost started on earlier by accident, that's concerns the financial statements for 2018 and the dividend proposal as explained by Jos in his presentation. I'm pleased to give the floor to Cor van den Bos, the Chairman of the Audit Committee.

A - Cor H. van den Bos

Thank you, Kick. You'll see an extensive report of the audit and risk committee in the annual report on Pages 126 and 127. In addition, I'd like to bring a few items to your consideration here. First, I'll tell you that conversations with our external auditor, Maarten Koning, we discussed finance risk management and audit of the financial statements. They were constructive and open and that certainly benefits the work we have to do. And I believe that, that's mutual both for the external auditor and to us as a committee.

Each year, the external auditor issues a management letter reporting the observations at a.s.r. with respect to administrative organization and internal control. We discuss this memo with the a.s.r. management and are adhering to the follow-up of improvements to be made. In the previous management letter for the past year, there were no serious issues throughout the organization. There were focused actions, for example, of that individual procedures or a specific product. And the positive remark of EY in the management letter, which was that a.s.r. generally has well-functioning internal control is certainly worth sharing with you. EY's audit for the previous financial year revealed a few discrepancies, which were discussed within the auditing risk committee and obviously on the supervisory board as well. These discrepancies were cumulative. But immaterial. A special consideration of the auditing risk committee was also dedicated to the integration of Generali Nederlands, which was quite aggressive and to ensure that the financial targets of the acquisition were exceeded.

In its meetings, the committee regularly exchanged ideas with actuaries and officials about the estimates underlying the biggest item on our balance sheet in addition to investments, which concerns insurance obligations. And we noted that these estimates and assumptions were devised carefully and prudently. As was mentioned, nowadays there's a lot of interest in fraud. That's a major concern. For years, the committee receives a report from the compliant section every quarter and as needed. It's discussed with the management with consideration for the nature of frequency and what measures were taken to avert any fraud issues identified. Special consideration of the committee was also allocated in 2018 to cyber risks, compliance with sanctions and progress toward preparing for IFRS 17 and 9, which are important for insurance. With regard to the first 2 topics, a.s.r. is operating adequately and as far as IFRS 17 and 9, IFRS is on track.

And the final point as I did last year, I'd like to call your attention to Page 102 in the annual report, which reflects the risk priorities, the most serious risks that a.s.r. faces, listed as the management has observed, which -- and the mitigating measures by a.s.r. to control these risks as well as possible are indicated there as well. That was for my explanatory remarks.

A - C. Van der Pol {BIO 2376815 <GO>}

Let's move on to the presentation by the auditor, Maarten Koning. You have the floor.

Q - Maarten Koning

Thank you very much, Mr. Chairman, for this opportunity to address you and tell you about the audit and results for 2018. I'm Maarten Koning, ladies and gentlemen. I'm the EY auditor. And I'm responsible for auditing a.s.r. I prepared a presentation that should not exceed 10 minutes. And I'd like to tell you about the audit and scope of the strategy and its implementation as well as the results and the key what it matters as well as some other current themes, such as cyber risks and operations addressing fraud and noncompliance with legislation regulations as well as privacy. Those are current themes. And I'm going to wrap up with our communication interaction with a.s.r. and the executive and supervisory boards.

First, the scope. We audited the corporate and the consolidated financial statements of a.s.r. and examined whether the annual report meets legal requirements, whether the content corresponds with our impression of the financial statements and whether the annual report aligns with our knowledge of the organization. Those are the legal requirements to audit a.s.r. In addition, the firm asked us to do some other things, including the CSR report with sustainability information. We assessed that and issued a separate statement about that. We were also involved in the release of press releases about the year figures. And we also assessed the half-year figures for 2018.

As stated, I am the responsible auditor. I don't work alone. I have a huge team, very broad with many specialists, including IT auditors and tax specialists. Please note that we also assign other specialists, especially valuation experts that's to audit the investments in companies not listed on the stock exchange, monitoring property investments, goodwill and other intangible fixed assets. We use many actuaries in auditing an insurance company, especially to evaluate technical provisions and Solvency II figures. And we also assign EY forensic service specialists to do justice to our responsibility concerning fraud and considering legislation and regulations in the audits. We also work closely with the internal audit service of a.s.r. and coordinate targets in subordinate investigations and share our findings.

Now materiality. Our audit is intended to yield the high degree of certainty that the financial statements provide an accurate impression. This means that the financial statements need to be drafted according to the applicable standards of IFRS as led by EU and the Dutch Civil Code 92 to ensure no material errors. The materiality is the designation of the threshold for discrepancies in the figures that we consider acceptable. The materiality that we have applied in the consolidated financial statements of a.s.r. is EUR 36 million. Discrepancies above that amount might impact the impression of the annual financial statements. This materiality is the same as last year and is based on approximately 5% of the operating results. There may be smaller errors in the audit and any errors above EUR 1.8 million are discussed with the supervisory board.

Now execution of the audit. To that end, we use various audit teams. Checking for example, ASR life insurance, ASR nonlife, ASR banks. And we evaluate their duties and results will follow reviewing the reports in various meetings. As for the scope of the audit because most of these company participating in a.s.r. are supervised institutions and require an audit also according to the Dutch National Bank, we achieve a balance sheet total of 95% in our audit concerning the operating result.

Now the findings and our conclusions. We have issued an unqualified audit opinion for both the consolidated and the corporate financial statements, which mean that they reflect an accurate impression according to IFRS and as led by the EU and Dutch Civil Code 92. In addition, we consider continuity in our statement. We have a special clause on continuity. The a.s.r. management compiled the financial statements. Based on the principle of continuity, we have evaluated this assumption in part by examining the liquidity planning for the coming year, the profit potential that was in funding plan of the firm and solvency progression. We did not identify any uncertainties of material importance that would lead us to have justified us about the application of continuity principle. As for the sustainability information in the annual report, we issued an unqualified audit opinion meaning that based on our duties, the sustainability information did not prove to be an inaccurate depiction of a.s.r.'s policy and operations relating to sustainability and the results achieved in 2018 of this in accordance with the reporting criteria selected by the global reporting initiative. And we evaluated the reliability as a material customer indicators such as customer satisfaction, customer focus and sustainable investments as well as long-term value creation in 2019. We have also considered the succession -- we have also considered whether a.s.r. follows up on upcoming legislation concerning sustainable finance.

And now key audit matters. On this list, you see our key audit matters. Our audit approach first of all is top down and risk based. We identify where the chance of material errors is most likely in the financial statements and do more work in those fields than in others. And we do our risk assessment at the start of the audit year and update it continuously according to the audit plan, which we discuss with the auditing risk committee. The auditing risk committee agreed to the audit plan. So we reported on underlying risks as well as our duties.

Now the most important key audit matters or highlights in the audit are on this slide. I'm not going to cover them individually. But -- because many are identical to those last year. I would just like to tell you about the main changes. The main change is a new one and that's the classification of ASR Bank and concerning the -- as held for sale and discontinued operation. And a.s.r. has to meet a specific provision, which is a complex standard that sets specific requirements for evaluating the held-for-sale assets and liabilities as explained in the annual report. ASR Bank at the end of 2018 in keeping with IFRS 5 was evaluated on the balance sheet at the lowest book value and the fair value.

In our audit, we used IFRS specialist to review whether a.s.r. meets the IFRS provisions and check the book value, which consists mainly mortgages and savings deposits. We validated the fair value determination with management based on what was received and conducted the audit. Based on our duties, we conclude that the classification of ASR Bank was correct at the end of 2018 corresponds with IFRS 5. We agree with the justified impairment and are confident that the disclosure requirements are being met.

Now Generali was one of the core issues in our audit. It was already discussed. We examined the acquisition balance sheet as well as the purchase price allocation or PPA of Generali Netherlands, focusing mainly on the largest estimate in the calculation, which is the fair value of the technical facilities. And we signed our own actuaries to examine that and checked whether all the IFRS 3 disclosures are being made. We ascertained that the management did an accurate evaluation of the acquisition balance sheet of Generali and met the requirements for the PPA as well.

As for other highlights that you've been seeing for several years and that are logical for an insurance company, which are the evaluation of technical provisions. In the context of evaluating technical provisions and determining adequacy, according to IFRS, according to the provision of Solvency II, the best estimate liabilities, a.s.r. is required to estimate noneconomic liabilities for life insurance, mortality and there is also redemption for cancellation. Those are the most significant estimates in life insurance. As for nonlife, this includes disability insurance, give assumptions about invalidity, rehabilitation, inflow and outflow, post reports, major claims and settlement pattern from previous nonlife years estimated according to the most recent nonlife year. In keeping with the audit standard of COS 540, we asked our actuaries to apply benchmarks and determine bandwidths for estimates. Based on (Aaron's) assessment, we're convinced that the foundations applied by a.s.r. and the estimates in evaluating and determining technical provisions have been established according to IFRS and Solvency II. Given the internal challenges in the methods and assumptions, we observed a healthy and transparent discussion between the first and second line of a.s.r.

Now I'm going to say a bit about several current themes. First, cyber risks. Part of our work with our IT auditors is to gain insight into a.s.r.'s risk management with respect to cybersecurity. a.s.r. measures about this assumed curtailment of intervention as well as mitigation external threats as well as resilience in the event that they actually occur. This risk is continuously present and it's progressive. So that's why we discuss this risk at length with the auditing risk committee.

Now about fraud. We adhere to the COS 240 audit standards in fraud. We perform specific procedures to address the required fraud risk management. And we also assess processes and measures taken by a.s.r. to manage internal and external fraud risks. We also evaluate a.s.r.'s compliance and integrity framework based in part on subordinate observations. And we discuss quarterly reports for integrity with the compliance and security department. So we're supported by a forensic auditor. And we discuss the fraud risk with the auditing risk committee.

As for compliance with legislation regulation, we do these duties in keeping with Standard 250. We identify the existence and structure of the measure that a.s.r. has introduced to ensure compliance with reading, correspondence with regulators as well as integrity and legal affairs quarterly reports and minutes and interview management.

Now the final current theme is privacy. You are aware that as of 25 May 2018, the General Data Protection Regulation became effective in such organizations and the GDPR provides an explicit duty of care in processing personal data. In 2017, a.s.r. introduced a vast program to meet GDPR rules and monitoring now takes place based on compliance, privacy risks and incidents reported to the privacy officer and the management. And a.s.r. addressed this in detail on Page 106 of the annual report.

Now finally, communication and interaction. It's already been asserted that in our audit we use internal control measures that a.s.r. has implemented. a.s.r. has 3 lines of defense in internal control measures to ensure effectiveness of the internal control measures. And we have reviewed this and tested using the 4 key functions at a.s.r.: the risk management function and internal actuarial function, internal audit function and compliance function. They report and we review the reports. And we report any additional findings and observations in our management letter and audit reports. We've already covered this.

Now to wrap up, I would qualify our relationship with management as open. We also have a transparent relationship with the audit and risk committee and the supervisory board and frequently report our findings both in writing and orally. We have ascertained that management, the auditing risk committee takes our observation seriously and follows up on them adequately.

Finally, we depend on the company and adhere to specific EU legislation -- no, we're independent of the firm. We did not do any consulting. We merely provided the audits including the statutory financial statements and QRTs and related audit services to provide the required reports.

Thank you very much for listening. Mr. Chairman, you have the floor again.

A - C. Van der Pol {BIO 2376815 <GO>}

Thanks for your clear explanation. Any questions or remarks about the financial statements for 2018? Yes, please.

Q - Unidentified Participant

Thank you very much for both very clear presentations. Many of my questions were already covered. I have one question left and this is about IFRS 17. Does a.s.r. know what the total cost will be of the implementation of IFRS 17? The reason for this question is that a.s.r. as we like to see is very cost-conscious when looking at accountants, auditors' costs and the regulator costs. And this is why you still have internal model for saving costs. So what is your perspective on IFRS 17 from the costing point of view?

A - C. Van der Pol {BIO 2376815 <GO>}

Chris, can you cover this?

A - H. Chris Figee

Absolutely. IFRS 17 is a very expensive project. And I don't think we have any option not to participate. But from point of view of costing, the total costs post factoring will be EUR 20 million to EUR 30 million easily.

Q - Unidentified Participant

And my question is. And it's difficult in presence of the auditor. But for those using the annual report, the Solvency II is much more relevant and sometimes you wonder about the relevance of IFRS 17. So what is the cost benefit analysis of implementing such a project? What is your perspective on this?

A - C. Van der Pol {BIO 2376815 <GO>}

Well your question seems that we have a choice. If we had such a choice, we would have made such a cost benefit analysis. But my impression is we have no option whatsoever. Well there are different ways of implementing IFRS 17. So I hope to get some kind of sentiment. But I think we're on the same page.

A - H. Chris Figee

I can say something. We have no option, we have to implement. And I think that very few people, except consultants and auditors, are getting happiness out of annual report. But we simply have to do it. In our approach, we will select a modest method as a way of spending as little money on this as possible.

A - C. Van der Pol {BIO 2376815 <GO>}

Any other questions on the financial statements? Then we're now going to vote on the financial statements. The 10 minutes are running now.

(Voting)

I conclude the 10 seconds have passed. The vote is now closed. And we now wait for the moment the results will be projected on the screen. As you can see that with 100% majority of the votes cast, the annual financial statements have been adopted.

That brings me to happy point for you shareholders. This is the dividends as already voiced by Jos in his presentation to have a cash dividend for EUR 1.74 per share, meaning that half year interim dividend will still have EUR 1.09 in remaining dividend. Any questions about the dividend policy or the dividend proposal? If that's not the case, let us proceed immediately to the vote. The vote is now opened.

(Voting)

The vote is now closed. And with 99.97% of the votes, the proposal has been adopted, meaning that dividend will be paid out in line with the proposal. Which brings me to Item 5. The appointment of the external auditor. Cor, the floor is yours. Cor van den Bos.

A - Cor H. van den Bos

Yes. I'm happy to comment this item of the agenda. The current auditor E&Y was appointed for a term until the end of the financial year 2019. In the fall of 2018, the International Accounting Standards Board decided that the date of IFRS 17 entering into force should be postponed with one year starting with the period starting with January 1, 2022. The implementation of IFRS is a very important project and for a.s.r., it is of key importance for this to happen well. The currently lead part of EY, Maarten Koning, who based on independent rules needs to discontinue for rotation rules. In order to have the stability in the transition of IAS to IFRS 17 to be safeguarded, we have importance -- we have special importance to having a stable team. For this reason, we have decided to launch the selection procedure earlier than usual, the selection leading to the nomination of an external auditor for the coming year.

As you have seen in the explanatory notes of agenda, a tender committee was set up, which will conduct the selection procedure and that has made a recommendation to the supervisory board. This committee, chaired by myself, was made up by members of the audit and risk committee; the CFO, Chris Figee, sitting here as well as 2 directors, Director for Internal Audit and the Director for Group Accounting Control. We carried out a market survey -- or review rather, leading to the conclusion that in the Netherlands only a small number of audit firms was qualified and set up for the audit of major listed companies. We have launched a request for proposals. And we have approached several parties to be part of this. In the request for proposals, we have laid down some criteria in terms of the qualifications of the auditor, the experience, the availability and the references of the team, the audit, scope and approach, the ways of corporation and the fee. And the last criteria, the fee wasn't one of the key elements. The seniority of the team, experience with auditing listed insurance companies and familiarity with IFRS were the 3 criteria for selecting firms. Two audit firms participated in the request for proposal. And both have submitted a good proposal and have presented a presentation to the tender committee of the executive -- of the supervisory board. And this is how the tender committee has come to recommendation. And based on this recommendation of the tender committee, based on the ongoing selection procedure, the supervisory board now proposes KPMG to be appointed as the current auditor for the financial years 2020 through 2024. And the audit for the current year 2019 will be conducted as contracted by the current auditor, Ernst & Young. EY, therefore, like this year, will be present at next year's AGM in order to answer any possible questions about its audit and about the annual financial statement.

And that's concludes my explanation, my comment.

A - C. Van der Pol {BIO 2376815 <GO>}

Do we have any questions or remarks? If that's not the case, we will now proceed to the vote on this point on the agenda. We have the vote now.

(Voting)

The vote is now closed. And we see that the proposal has been adopted.

That brings me to Item 6, which is discharge of the members of the supervisory board and subsequently, the discharge of the members of executive board. It is proposed to grant to the current and previous members of the executive board discharge for the execution of their functions in the financial year 2018 as reflected in the 2018 annual report or in any other information provided to this meeting or elsewhere known to the annual general meeting of shareholders. Are there any people wishing to ask questions about the discharge? That is not the case. So we can now proceed to the vote. The vote has now been opened.

(Voting)

The vote is now closed. And we see on the screen that the discharge has been granted to the members of the executive board.

Now we have a similar request, a similar proposal for the members of the supervisory board for the execution of their duties in the financial year 2018 as reflected in the financial statements, as reflected in the information provided in this meeting or otherwise known. Any remarks or questions about this proposal? That is not the case. So that brings us immediately to the vote, the vote which is opened now.

(Voting)

The vote is now closed. And we see that once again, discharge has been granted. Both the members of executive board and the members of the supervisory board.

So that brings me to Item 7. The extension of authorities of the executive board. We are asking for 3 authorities, the same authorities we asked for at last year's AGM. And the first authority is, authority for eight years authorizing the executive board to issue ordinary shares and to grant the right to subscribe for shares up to a maximum of 10% of the issued share capital. And starting at today's date and under the condition that this will be only done with the approval of the supervisory board. Any questions or remarks about this item? That's not the case. And therefore, I propose to immediately proceed to the vote. The vote is now opened.

(Voting)

The vote is now closed. And we see that this authorization once again has been granted for a period of 18 months.

We now come to 7B, which is the proposal to exempt the authorities of the executive board to limit or exclude the statutory preemptive right. It is proposed starting today to authorize the executive board for a period of 18 months to limit or exclude the statutory pre-emption rights in connection of the -- with the issue of the authorization granted under 7A. Once again, this is subject to approval of the supervisory board exclusively. Any questions? Any remarks? That's not the case. We now proceed with the vote. The vote is now opened.

(Voting)

The vote has now been closed. And we see that the shareholders have also granted this authorization to the executive board.

That brings us to 7C. The proposal to extend the authority of the executive board to acquire the company's own shares for a period of 18 months on the stock exchange or otherwise. The supervisory board will only authorize this or -- the executive board will only do this with the approval of the supervisory board. Any questions or remarks? That's not the case. We now proceed to the vote and the vote has now been opened.

(Voting)

The vote has now been closed. And we conclude that the third authorization has also been granted by the AGM. Thanks for this, which brings me to Item 8. The composition of the supervisory board. It's a great pity that we are forced to part with Annet Aris as a member of the supervisory board, particularly as a member of the remuneration and selection committee for the past more than eight years and has played a major role in the work of the supervisory board. She has a vast contribution to our discussions on strategy, on digitalization and the remuneration policy, which has been well received. It's something she made a crucial contribution to. And I also want to point out that she played a major role in building the excellent relationship that we have established with the works council. Plenty of other things can be mentioned. But we did so last Friday with a good glass of wine, we have no such wine on the table now. I can only share that we will immensely miss Annet for her substantive contribution. But also for the kind of person she is and let us give her a warm hand.

So I think this a suitable moment for me to hand over the chairmanship of the meeting to the vice chair.

A - Cor H. van den Bos

Thank you. That brings me to Item 8. This is a proposal for reappointing Kick van der Pol. In the light of the need for continuity within supervisory board, we have made an appeal on Kick van der Pol to be available for an extraordinary reappointment for a maximum term of two years as chairman of the supervisory board. Over the past years as chairman, he made a key contribution to the further development of a.s.r. We also foresee that he will do the same over the coming years. So with his vast knowledge of the industry, his connecting qualities and also his quality to safeguard the interests of all stakeholders and to balance them. As you have read in the documents through this meeting, the supervisory board has been asked to formulate its position on the nomination of Mr. van der Pol. They have given such an expression of their opinion and it is positive. They support the nomination and the board has decided not to further comment on this nomination. The supervisory board keeps looking for a successor for Mr. Kick van der Pol. Somebody with the right profile and experience who embraces the vision or experience of Kick van der Pol. That's what I wanted to say. Any questions or remarks? I see no questions. Then we can quickly proceed with the vote. The vote has been now been opened. You have 10 seconds to cast your vote.

(Voting)

The vote has now been closed. And we see that 93% of the votes were cast in favor, meaning that Kick has now been reappointed as a member and chairman of the supervisory board. Warm congratulations. And I'm giving him back the floor to conduct the last points of this meeting.

A - C. Van der Pol {BIO 2376815 <GO>}

Thank you, Cor, for chairing this part of the agenda, quick and swift. And thank you for this confidence for this coming period. And we come to any other business. Who would like to address the AGM?

Q - Unidentified Participant

Two little questions still. First of all, the remuneration policy. As it will be, we are positive about the policy. But you are a major investor in the Netherlands in particular. And I was wondering, therefore, to which extent your policy will be reflected in the share portfolios of a.s.r.? And where the a.s.r. will become actively involved in limiting the remuneration and bonuses in other companies, if not abolish them? Then a specific question for Ms. Aris. Well (RAD) Bank has no bonus. a.s.r. recently amended the policy. They do have a bonus system. I have the impression as a stimulating force by the person of Ms. Aris, in the course of your career as a supervisory director in other listed companies, is there something we see reflected as well? The idea that bonus is not a necessity for good performance?

A - C. Van der Pol {BIO 2376815 <GO>}

Before I hand over this question to Annet, I want to repeat my appeal to Annet in expressing the wish for her to lay down her vision on remuneration in a book. And now I will hand over the question to Annet to provide an answer, both for the question about the book and remuneration.

A - Antoinette P. Aris {BIO 7465696 <GO>}

Well I just published a book. But it's about something else.

A - C. Van der Pol {BIO 2376815 <GO>}

Well the next book then.

A - Antoinette P. Aris {BIO 7465696 <GO>}

Yes. I don't want to be known as the lady kicking out bonuses. That would be a bit simple. I'm very much in fav of a balanced perspective on companies, their stakeholders and suitable remuneration. And if you look at such a high-tech international company as

(ASNL), you're dealing with a different situation than a Dutch financial institution. I think it should be tailor-made. But I think that perspective of stakeholders is important. Over the past six months, I myself went through a very destructive process. I learned a lot from the process. I gained a lot of new insights. And therefore, I hope that what I have learned can be taken on board and the other directorships, I hope.

A - C. Van der Pol {BIO 2376815 <GO>}

Then the question about the way we act as investors on the various AGMs. Jos?

A - Jos P. M. Baeten {BIO 2036695 <GO>}

We certainly apply our view on remuneration on the discussions we conduct as investors. So with supervisory boards and executive boards or management boards, not to the extent that we would automatically vote against variable remuneration. In Europe and rest of the world, it isn't a common practice yet. But we certainly focus on the rationale of remuneration the way it has been structured, the way it is easy or not easy to have a very well remuneration. So certainly this is an element of our dialogue and it has been laid down in the ESG policy that we have formulated a.s.r. for the way we deal with our investments.

A - C. Van der Pol {BIO 2376815 <GO>}

Any other questions in any other business round? That's not the case. Then we're very close to the finish. But I wouldn't close the meeting if I wouldn't have said thank you, shareholders, for your presence, for your involvement with the company. I also want to express my gratitude for the members of the executive board, the managers and the employees of a.s.r. for their immense efforts for our customers, for our shareholders, for the company. And with these words of gratitude, I close this meeting. And you're all welcome to have lunch. The meeting is now closed.