

# Investor Day

## Company Participants

- Alex Wynaendts, Chief Executive Officer and Chairman
- Jan Willem Weidema, Head of Investor Relation
- Maarten Edixhoven, Chief Executive Officer of Aegon The Netherlands and member of the Management Board of Aegon N.V.
- Pat Curtin, Chief Financial Officer of Aegon The Asia
- Patrick Curtin, Chief Financial Officer of Aegon Asia and Member of the Management Board of Aegon N.V.
- Tomas Alfaro, Chief Executive Officer of Aegon Spain and Member of the Management Board of Aegon N.V.

## Presentation

### Jan Willem Weidema {BIO 15133400 <GO>}

Good afternoon, everyone, and thank you for joining us for this interactive webinar. We are really excited to have so many analysts and investors listening in. Today's webinar will consist of four sections. Each action will be followed by a separate Q&A session.

During each presentation, you have the opportunity to ask questions via the chat function on your screen. Obviously, we will put as many of these questions to the presenters, as we have time for during each Q&A session.

Please note that the presenters will not return for follow-up questions. Questions that are submitted too late will be answered by Investor Relations after the webinar. And last but not least, today's presentation may include forward-looking statements. So, as always, please take a moment to review our disclaimer in the back of the presentation.

And with that, it's my pleasure to hand it over to Alex.

### Alex Wynaendts {BIO 1821092 <GO>}

Thanks, Jan Willem, and thank you analysts and investors online for your continued interest in Aegon. If you've just watched the video, let me start by saying a few words about Aegon's 175th anniversary that we celebrated last month. November 9, 1844, two Dutch entrepreneurs issued their first insurance policy. A small company built on the concept of solidarity and financial responsibility has evolved into what Aegon is today. A global community of passionate people, who make helping people achieve a lifetime of financial security their shared purpose.

Together with my fellow presenters today, I am very proud what we have achieved together. As we focus on creating value for our customers, society at large employees, and of course, also shareholders. In today's webinar, we will highlight a number of businesses that are important for our growth strategy. We believe they are underappreciated by the market and our objective today is to help you in making a better assessment of the value of these businesses.

I will start by giving you a short overview of these businesses, and will then zoom in on our business in Brazil, Mongeral Aegon. This will be followed by short presentation on Knab, Aegon Asia and the Spanish business leaving ample time for Q&As.

Let me start by reminding you on the next slide, how we have structured and how we manage our portfolio of businesses. As you are aware, we have structured our portfolio in three distinctive strategic categories, managed for value, drive for growth, and scale-up for the future. In this context, I would like to remind you of our key target for the period 2019 to 2021. As you know, we aim to create capital generation by increasing the contribution from our growth and scale-up for the future businesses.

We have laid out clear actions for each strategic category. For example, we've shared with you our plans to accelerate capital generation from our Dutch life business that we manage for value. Today, however, I will focus on the collection of businesses that show high growth and where we are creating significant value.

And the next slide, introduces these businesses. On Slide 3, you see the underlying earnings before tax for all businesses covered in this webinar. And when combined, they today represent about 15% of the group's underlying earnings. After having covered Brazil, myself, Maarten Edixhoven, CEO of Aegon Netherlands, will take you through the growth created by innovation and excellent service for our customers at Knab.

Next, Pat Curtin, CFO of Aegon Asia will discuss a significant value created in our Asian operations and the exciting opportunities in front of us. And to conclude, Thomas Wellauer, the CEO of Aegon Spain will discuss the Spanish and Portuguese businesses, and he will focus on the highly successful joint ventures, but also discuss the instrumental role that our own channels play.

Before moving to the individual businesses, I want to mention the creation of Aegon International, as we announced in September. This brings our operations in Asia, Southern and Eastern Europe under single leadership of Marco Keim. The objective of this new division is to accelerate growth and create value by further leveraging cross-border synergies through the development of new business models and the realization of further operational efficiencies.

Let me now turn to Mongeral Aegon. The Mongeral, a Brazilian insurance company has a long history. And in 2009, Mongeral and Aegon joined forces and set up a joint venture in which each have a 50% stake. The other owner is a founding family, which is very much involved in day-to-day management of the organization. The business historically focused on providing risk coverage in the life and pension space. And in addition, since 2013,

Mongeral Aegon also has a fast-growing asset management business. We are proud to serve today more than 3 million customers across the whole of Brazil.

Next, Mongeral Aegon, the country's third largest independent insurer that is not owned by a bank. And we primarily distribute our products and services through independent brokers. However, more recently, we established an exclusive partnership with Bancoob to also tap into the bank assurance channel, which remains the dominant channel for insurance sales in the Brazilian market.

A partner Bancoob, is a commercial bank, which belongs to the largest corporative system in Brazil, with more than 4.3 million customers and more than 3,000 points of sale across the country. Mongeral Aegon is known in Brazil for its strong focus on innovation. As an example, we launched WinSocial, thanks to this innovative method of underwriting and risk scoring, it enables people with diabetes for the first time to obtain access to life insurance in Brazil. But let me now share at least some of the key growth drivers for Mongeral Aegon on the next slide.

To first give you some context, you can see on this slide that the market for both life risk and pensions has increased significantly since 2013. Although our main focus has been and remains on life risk, we offer full suite of products in these markets, and are therefore very well placed to benefit from the positive trends.

The chart in the middle highlights the historic growth of the two main channels, bancassurance and independent distribution. And although bancassurance is still the dominant channel with 87% of the market, insurance that sell through other channels are growing much faster, and within this segment, Mongeral Aegon grows faster than the market.

And on the right-hand side of the slide, you see the opportunities offered by the pension reforms introduced by the Brazilian government last October. A long-awaited pension reform, it was approved by the senate and under this bill, the government is cutting back significantly on its spending on social benefits, which in turn increases the need for individuals to look for alternate solutions, as provided by private players. We are particularly well positioned to capture this opportunity as we have relevant solutions available for both individuals and employers.

Furthermore, we benefit from the fact that we are today the number one provider of risk benefits for government-related pension funds. The pension reform will also increase the demand for the services provided by fast-growing asset management company, which earlier this year reached the milestone of \$1 billion of assets under management. This puts us in a good position to compete meaningfully for managing assets our second pillar pension funds. And with that, I'd like to go to the next slide to share some of the key financials. Please note that these numbers are based on our 50% share in the joint venture.

The Slide 6 clearly shows that Mongeral Aegon is growing at a rapid pace, both new life sales and premium income have increased consistently, showing double-digit annualized

growth rate, since we joined forces with Mongeral. The new life sales development also illustrates that the partnership with Bancoob contribute meaningfully to our growth. And with regards to underlying earnings before tax, we also see solid progress here. Results have been positive from the outset and clearly showed continued positive trend. As we are achieving more scale rapidly, I'm confident that the results will continue to grow substantially in the future.

And with that, I'd like to conclude and take you to my final slide. The today's webinar is about growth opportunities and transforming them into value. And I briefly walk you through Mongeral Aegon's strong foundation and provided our view on exciting and significant future growth opportunities. The combination underscores the value we are creating on Brazil and the next presenters will do the same for their businesses.

So, before going there, I now would like to hand over to Jan Willem for some Q&As.

**Jan Willem Weidema** {BIO 15133400 <GO>}

Thank you, Alex. Before going into Q&A, I would like to remind the viewers that you have the opportunity to ask questions via the chat functions on your screen.

Alex, let me start with a question on a topic that is not on today's agenda. Can you please provide an update on the Dutch capital position?

**Alex Wynaendts** {BIO 1821092 <GO>}

Yes, I will do that. As you all know, we now provide only half yearly figures. And therefore, we have not been publishing the capital position of the Netherlands in Q3. However, in view of the importance of this, what I would like to say here is that, the Solvency II position of Aegon Netherlands at the end of the third quarter is between 1% and 50% and 160%. And this brings us back above the minimum target level.

As you know, we have guided you, we've been working hard on a number of actions, management actions to improve our capital position of Netherlands. One is on the ALM side to ensure that we optimize our investments, and the other one is working on the reinsurance transaction, which we have shared the market with. Both, we expect will have a positive impact on the Solvency II ratio for the end of this year, as we expect the longevity transaction to be completed before the end of the year.

**Jan Willem Weidema** {BIO 15133400 <GO>}

Thank you. The follow-up question in this respect is, what does it mean for potential dividend in 2019 from the Dutch unit?

**Alex Wynaendts** {BIO 1821092 <GO>}

We follow a process, a process that I believe you all well aware of, and we will wait first for the final numbers of 2019, then we have a process, which we assess the strength of the

balance sheet, the Solvency II ratio, the cash flow generation, and we ensure that on that basis, we take the decision on a dividend, which we will share with you in February.

**Jan Willem Weidema** {BIO 15133400 <GO>}

Thank you. The next question that we have received is on capital generation and more specifically the \$4.1 billion target that you discussed earlier. Can you explain, what the impact is of recent market movements and potential regulatory changes on this target?

**Alex Wynaendts** {BIO 1821092 <GO>}

So, we have set a target for a period of three years, it's -- again here too early, Jan Willem, to share the numbers for Q3 and Q4, we'll have to wait for the end of the year. What I can say and we said previously a number of times is that, the effect of low interest rate is not support of the capital generation. So, if I take a bit more and specifically the Dutch situation, where we have seen clearly a drop of interest rates. We also have seen a drop of the spreads in our mortgage business, while the EIOPA VA numbers haven't changed so much. You could say that based on where we are today comparing that to the first half of this year, we should be around 50 million lower on an annualized basis for the Dutch capital generation.

**Jan Willem Weidema** {BIO 15133400 <GO>}

Thank you. And with respect to regulatory changes, can you update us on what the implications of the EIOPA 2020 review might be for Aegon?

**Alex Wynaendts** {BIO 1821092 <GO>}

I am sure you're all aware there is a big document with over 800 pages and we've been going through that document of course, try to get a better understanding. I would say, it's still too early now for us you say, where is all going to lead. We are in an active and then the positive dialogue with our regulator the Dutch Central Bank. So, at this point in time, I cannot say much more, other than repeat, what also our regulated Dutch Central bank has said, is they're not aiming for further increases in capital requirements for the Dutch businesses in general, and therefore, also for Aegon.

**Jan Willem Weidema** {BIO 15133400 <GO>}

Thank you. Shifting from capital generation to capital allocation. The next question is, what are the milestones, each business needs to reach before you decide to cease operations, and redeploy capitals in other areas, where Aegon already has scale?

**Alex Wynaendts** {BIO 1821092 <GO>}

So, in this segment, where we are looking at those businesses that should be part of the future, we have a very strict capital discipline. So, we look at these businesses, we want to make sure that they have achieved an amount of scale, that's relevant for the market. They need to be able to make returns well and excess of the 10%, because these are

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growth markets. And on that basis, we take decisions either to stay with these businesses or exit the number of these businesses. And on that basis, we have as you know exited recently Japan. We've exited two countries in Central and Eastern Europe, Czech and Slovakia. We will continue to be very disciplined with the way we allocate capital.

Now in terms of capital allocation, the amount of capital that we have allocated to the businesses that we covered today, actually has been relatively limited. Let me give you a few examples, in Brazil, we have acquired our 50% stake for around EUR70 million. And since then, we have not added more capital, we have actually received a little bit of dividend.

In our business in China and Asia and also in Spain, I will leave it to the presenters of their businesses to talk more about it. But what you see there is that, the amount of capital that we are locating to these business actually -- and they are becoming now self-sustainable, which is really what they need to be. And they need actually to start paying dividends and a number of them start paying dividends.

**Jan Willem Weidema** {BIO 15133400 <GO>}

Thank you. The next question is on the Brazilian business that you highlighted. Can you use the existing platform in Brazil to add other partners?

**Alex Wynaendts** {BIO 1821092 <GO>}

Partnership we have in Brazil is a more than 10-year partnership between Aegon and family that has been the founder of this company, the Molina family. It's a very strong partnership, where we work together on the basis of parity. We bring in our scales, also bring enough financial capabilities. We bring in innovation and they bring in also a lot of management and knowledge in particular, of course, of the Brazilian market. So, the intention is to stay on the 50/50 basis. Having said that, we should never say never and if it's acceptable for both of us, we would certainly consider another part in, that is not the base case for Brazil.

**Jan Willem Weidema** {BIO 15133400 <GO>}

Then one last question, which comes to a capital allocation and new business stream. The question is a large part of the growth area is highlighted today seem to be capital-light or protection businesses. Do you expect for the group as a whole reduction of new business stream, as these businesses become bigger and cannot be a meaningful driver of capital generation for the next few years for Aegon at all?

**Alex Wynaendts** {BIO 1821092 <GO>}

Of these businesses clearly are contributing positively to capital generation. And we also believe that they're operating a market, where there's a lot of potential to grow further. So, we see very clearly a very positive trajectory on these businesses. And you're right, I am going to say, these businesses are more in the capital-light area. It is specifically we want to position ourselves in those parts of the market that we can grow, that we can

grow positively. And therefore, I expect these businesses to contribute significantly in capital generation going forward, not only by reducing new business stream, but by really creating a big in-force, which will pay out capital generation, and of course, also dividends.

## **Jan Willem Weidema** {BIO 15133400 <GO>}

Thank you, Alex. There are no further questions at this time. So, I would like to thank you once more for your presentations and answering the questions. And we will move on to the second part of the webinar. For this presentation on Knab, I would like to introduce Maarten Edixhoven, who is the CEO of Aegon the Netherlands.

## **Maarten Edixhoven** {BIO 20017931 <GO>}

Thank you very much, Jan Willem. Good afternoon and welcome everybody. In my presentation, I will discuss Knab, and illustrate how we are turning a high customer satisfaction into sustainable value. You've already seen this slide in Alex deck. It shows Knab's recent earnings and sales growth.

I would like to make three important remarks here to provide some relevant context for you. Firstly, I want to highlight that we use the brand name Knab and not Aegon Bank anymore. Knab will be the leading brand for the bank going forward, as we announced during the first half 2019 results that Knab has a very good reputation in the market.

Secondly, you're right that Knab is managed has a scale-up for the future business. Although Knab has already of meaningful size and contributed 15% of the underlying earnings of the Dutch business in the first half of 2019, is not yet self-funding. In my presentation, I will explain how this is going to change in the near future.

Thirdly, the EUR96 million underlying earning shown on this slide are based on the segment reporting view. In the rest of my presentation, I'll talk about statutory figures, as those are driving Knab's dividend paying capacity. In the appendix, a bridge is included that explains how to move from the segment reporting view to the statutory view.

I've been giving you the context, please, let me move to Slide 3, which explains the Knab business in more detail. In the two columns on the left, you see that our offer to customers focuses on daily banking services and wealth accumulation. Our daily banking offering is a mix of commodity products, such as payments and tailored solutions for the fast-growing market of self-employed people. Such as a link between their bank account and their accounting software, very intuitive. For wealth accumulation, we offer more traditional saving products. These are supplemented with financial planning tools and managed investments.

For all of our offerings, we are fully digital and focus on providing our customers with relevant insights that are easy to access and to implement. As I said, we are integrating the previous two banking brands in to Knab, our single brand going forward. Aegon's fully online bank Knab, has grown significantly in the past few years due to very strong focus on customer experience. The Aegon bank brand has also been successfully focused on

bank savings for intermediaries and investment products in recent years. By combining the labels Aegon bank and Knab, we will strengthen our leading position, as a fast-growing digital bank in the Dutch market.

Furthermore, the integration is expected to lead to significant efficiency gains, enhance significantly lower cost in the future. In order to stay at the forefront of developments of customer behavior and needs, we have set up Knab lab. In this lab, we test and co-develop new solutions with real customers and make the feedback loop transparent.

The recent proof point of the successful launch via Knab lab, was a third-party health insurance product, of very attractive prices for self-employed customers that well received in the market. To ensure we stay on top of our game in this rapidly evolving world of online banking, we have attracted leadership from multiple background, and I am really proud of the team. I would like briefly mention our new Knab CEO Nadine Klokke, who joined recently and brings in a lot of leadership experience from ING. Furthermore, Knab's Chief Technology Officer and Chief Marketing Officer were hired from disruptors outside of the banking for their technical and online knowledge.

Let's move on to Slide 4 and discuss some of the key drivers of the Dutch market. On the left hand -- on the left-hand side, you see that Dutch market of self-employed has been growing steadily for years. In 2018, this group made up 12% of the Dutch working population. Knab is focused on the vast and growing market for self-employed from the start. Servicing this group is paying off, as I'll go on to show you in a moment.

The middle of the slide shows market developments with regard to wealth accumulation. The market for bank savings, a tech-friendly retirement savings product in the Netherlands, has been showing double-digit growth. The investment market sometimes called the fourth pillar is also grown steadily. Our broad product mix allows us to capture these encouraging market trends.

On the right-hand side, you see the spectacular uptake of online banking. It's going so fast that I'm already feeling nostalgic about 10% adoption rate, we witnessed in 2015. Obviously, our branding of being an online bank from the outset, helps us greatly in capturing this clear market opportunity.

Let me now please take you to the next slide and share some of the key numbers illustrating our growth so far, it's impressive. Most importantly in my view is to increase of already good customer satisfaction scores at Knab over the years. Since 2016, we have been able to consistently increase our relationship, net promoter score or RMPS. This is an important measure of the quality of the ongoing relationship with our customers, and hence, enables us to grow.

In the middle of the slide, you can see our customer base is growing. Those shows clearly that this growth is wholly due to the Knab label. In particular, our self-employed customer base has increased significantly. Main drivers of that growth our excellent service and competitive pricing. In 2018, 28% of starting self-employed chose Knab, as their financial services provider, which means, we clearly lead this market segment.



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Thanks to our continuous growth in number of customers, we have been able to grow the funds entrusted by our customers and our balance sheet. This is further driven by our success in the bank saving segment. Our growth in this segment is clearly faster than the overall market, as we saw on the previous slide. As part of our focus on efficiency and in light of increasing regulatory cost, we are considering terminating the accounts of some inactive customers and those with low account balances. This may lead to a decline of customers from the former Aegon bank label in the next few years.

Now, let's move on to Slide 6, which shows some of the key financial metrics of Knab. This slide shows two things. First, we have improved our financial results considerably since 2016. This is demonstrated by all key indicator showing a clear positive trend. Having said that, we need to continue just going forward in order to become first self-funding, and then capital generative.

The next slide makes it more tangible, as we look at our goals and medium-term targets. In the coming years, we aim to at least maintain our net promoter score at the current high level of plus 40 points. Given that our customers always expect better and faster services from financial service provider, we consider this a challenging, thus also feasible target, whilst we grow.

In terms of financial performance, we have set an ambitious target of 9% return on capital. We aim to achieve this by further growing the balance sheet and reducing expenses, whilst increasing fee income. The integration of the Aegon bank and Knab labels, will be a main driver for decreasing the cost base. However, in the short run, we expect to make investments related to anti-money laundering or AML processes and KYC. I'm sure you have noticed the increased regulatory emphasis on AML, is therefore essential to carry out thorough due diligence, checks in order to better know our customers. We have proactively initiated the program to enhance our processes in this regard.

The cost associated with this program will be a drag on earnings in a short run. This leads me to my final slide, which wraps up my part of the story today. We have built a solid foundation for Knab in recent years, is underscored by our very good customer MPS, and also the leading position we have achieved in the self-employed market. In addition, we have discussed today the increasing demand for wealth accumulation solutions and the overwhelming uptake of mobile banking. I am very confident that these market opportunities together with our competitive advantages will lead to a sustainable value creation for Knab and Aegon, as a whole.

With that, I conclude this presentation. I would like to thank you for listening, and I'll pass on the microphone to Jan Willem, so we can go on with the Q&A. Thank you very much.

**Jan Willem Weidema** {BIO 15133400 <GO>}

Thank you, Maarten. Let me first turn to our viewers, because before we start the Q&A, I would like to once more remind you, that you have the opportunity to ask questions via the chat function on your screen.

Maarten, the first question is, can you give us an update on AML and KYC of Knab? How is that organized? And could you also please elaborate on the cost involved?

**Maarten Edixhoven** {BIO 20017931 <GO>}

Yes. Thank you, Jan Willem. Obviously a very relevant question in the context of Dutch financial services today. I think as I mentioned before, we have been very much looking in our processes, in our customer files and self-assessed with external help, the quality of our files and processes.

With that -- with those insights, we also shared with the regulators, we have started a program to further optimize those files. As I said before, that will have an impact on non-underlying earnings. We expect that program will cost a one-off of about EUR50 million over the next year. And yes, needless to say, this is very important part of our efforts moving forward on KYC and on AML, and also this is expected to be a key attention from management moving forward.

**Jan Willem Weidema** {BIO 15133400 <GO>}

Thank you. To what extent this program driven by DMB or the Dutch prosecutor? Can you elaborate on that a bit, please?

**Maarten Edixhoven** {BIO 20017931 <GO>}

Yes, of course, we are on this topic in contact with the regulators, as it is an industry wide phenomenon, that we have no specific investigation from either the prosecutor or the Dutch Central Bank into this part of our operation.

**Jan Willem Weidema** {BIO 15133400 <GO>}

All right. Thank you. Moving on to the target that you laid out. The first question is on the return on capital target of 9%. The question is does that mean effectively that you expect underlying earnings to double over the medium term? And if so, how do you think to achieve that?

**Maarten Edixhoven** {BIO 20017931 <GO>}

Yes. The short answer is, that's what we expect Jan Willem. And I think we've shown over the last three years that we are able to double that. I think there are three important drivers for the growth of the ROC from where we are today. First of all, it's the growth -- further growth of the balance sheet from around 15 billion to around 20 billion in the medium term with net interest margin that roughly remains to the same.

Second, it's by what I already mentioned cost reduction because of the merging of the Aegon bank and Knab platforms. And actually, it's quite exciting that we move, let's say, the older Aegon bank on the new fully online Knab platform. It's expected to reduce about 25 million in costs over a three-year period. And thirdly, we also expect to

significantly increase our fees. We have tripled them over the last four years, our net fees and we expect to continue to grow our fees, as our customers appreciate our service over the next period. Those three drivers shoot double our ROE over the medium term.

**Jan Willem Weidema** {BIO 15133400 <GO>}

Thank you. And when it comes to the split of earnings, you mentioned daily banking, both for self-employed and retail and wealth accumulation, so bank savings and investments. To what extent are those -- or is one of those a bigger driver than the other. Can you talk a bit about that? And is there synergy between on the one hand, your daily banking, and on the other hand, your wealth accumulation offering?

**Maarten Edixhoven** {BIO 20017931 <GO>}

Yes, excellent question. At this stage, let's say, the spread from the net interest margin from balance sheet is the most important driver of our earnings and returns, the most significant part by far. We do see especially over the last two to three years, the fees we receive for wealth management solutions, but also for the third-party services we offer to our self-employed customers increase pretty rapidly. So, we expect over time that those fee-based services will become a more significant part of our earnings moving forward.

**Jan Willem Weidema** {BIO 15133400 <GO>}

All right. Thank you. The next question is on the capital side of the return on capital. The first question, is Knab using internal model or the standardized model to calculate risks? And are you considering migrating from standard model, if that's the case to internal model?

**Maarten Edixhoven** {BIO 20017931 <GO>}

Yes. The bank is on fully on the standard model at the moment. And we have no plans at the moment to move towards a more internal model, approach as for example the largest Dutch bank use.

**Jan Willem Weidema** {BIO 15133400 <GO>}

Thank you. Then shifting from the capital to capital generation, do you expect more capital will be -- have to injected into the bank in the coming two years?

**Maarten Edixhoven** {BIO 20017931 <GO>}

Yes. The future is always uncertain, but at this stage, we don't expect to inject further capital, as a capital injection from either the Netherlands or the group into Knab. We expect that Knab is able to self-fund the growth moving forward.

**Jan Willem Weidema** {BIO 15133400 <GO>}

What does the capital generation pattern for Knab look like? How much capital do you expect it to generate? And what will that look like at a group level?

**Maarten Edixhoven** {BIO 20017931 <GO>}

Yes, I think that's too early to say, but over the medium term, I expect that there should be the first dividend payments. Right now, and what is very important, we always will make the trade-off, whether it's better to continue the growth, as we can achieve that growth, or to turn to more capital-generative situation and that is evaluation we make continuously.

**Jan Willem Weidema** {BIO 15133400 <GO>}

All right. You've highlighted that's the targets are for the medium term. The question is, what's the medium term, what kind of periods if we look like before you hit the 9% ROE target?

**Maarten Edixhoven** {BIO 20017931 <GO>}

Yes. I think it was, John Maynard Keynes said, in the long term, we are all dead. So, the medium term is for me at period, which is from three to five-year horizon.

**Jan Willem Weidema** {BIO 15133400 <GO>}

Maybe one clarification question. One of the questions is that we have 50 million program for anti-money laundering and KYC, but I want to clarify that's 15 million, so 15?

**Maarten Edixhoven** {BIO 20017931 <GO>}

15, yes. Very important.

**Jan Willem Weidema** {BIO 15133400 <GO>}

So, the follow-on question is that might seem to imply that your systems are not adequate, but I would like you to respond to that as well. And is there a risk of the prosecutor stepping in from that perspective?

**Maarten Edixhoven** {BIO 20017931 <GO>}

Yes, we don't see that risk at the moment. It's effect that the bar is raised in the industry continuously in fighting money laundering and terrorism activities. So, our systems are good, are up to speed, are modern, we have -- we are fully digital bank. So, we, most of the customers, we also onboarded recently. So, from that perspective, I think the 15, the 15 million amount is adequate and actually a reflection of the endeavor ahead of us.

**Jan Willem Weidema** {BIO 15133400 <GO>}

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Question coming back on one of the previous topics on fee income. Do you expect to grow fee income by charging more to your customers for the same services? Or, do you expect growing customer balance and growing customer numbers? And if higher fees, on which products would that specifically be?

**Maarten Edixhoven** {BIO 20017931 <GO>}

Yes. The key drivers of the fees, we of course charge to our customers, will for Knab be the growth of the customer base, as it has been over the past. We continuously will assess, whether the fees we charge are also reflecting the real cost we make for our customers, and whether, our customers are willing to pay those fees in a competitive field. So, most important, the growth of the number of customers, especially in the self-employed segment. Secondly, for example with KYC, cost moving up evaluating we need to increase fees for certain product types.

**Jan Willem Weidema** {BIO 15133400 <GO>}

One of the services or products could be mortgages. Could you explain the offering of Knab in mortgages? And are you looking to cross-sell mortgages to -- from Aegon to the Knab customer base in the future?

**Maarten Edixhoven** {BIO 20017931 <GO>}

Yes, that's exciting thought actually. Aegon Netherlands is by now the fourth largest mortgage provider in the Netherlands. And obviously mortgages is a very important part of our business by now both from the balance sheet perspective, but also together with our colleagues from Aegon Asset Management as a spread business. So, mortgage is a key part of the strategy of Aegon Netherlands.

From a Knab perspective, at the moment, we only offer mortgages as an advice. We refer to partners for mortgage advice, if our customers would like to have that service. And we will evaluate, whether there is an interest in our customer base also to attract mortgages for Knab. At the moment, it's not in the direct planning for the next year or so. It might be one of the ideas that we will float in our Knab lab actually.

**Jan Willem Weidema** {BIO 15133400 <GO>}

Thank you. One final question. The 9% return on capital target, do you consider that sufficient? One could argue that the cost of capital for bank are growing in the current environment, and perhaps elaborate on your discussions with the group, on where that's going?

**Maarten Edixhoven** {BIO 20017931 <GO>}

Yes. It's excellent question. I think, with risk-free rates at the moment almost being zero negative. And in general, for banks, it's an adequate target for the medium term, also given where we are, I think, first getting to the 9% is makes a logical target. So, let's first make sure, we get there, and then we can have discussions in the current economic and

regulatory environment, whether it's possible to go beyond that. But for the moment, I think it's a very realistic target and also ambitious target to achieve.

## **Jan Willem Weidema** {BIO 15133400 <GO>}

Thank you, Maarten. Before we change speakers, I would like to thank both of you Maarten and you Alex for your time for answering the questions from the audience. And with that, we're going to change speakers right now. And that concludes the second section of our webinar. Thank you.

As I said this concludes the second part of the webinar, which means that we're going to move on to the next speaker. As you can see the third part of our webinar is on Asia, before we close it off with Spain and Portugal. So, for section number three, I would like to introduce to you Pat Curtin, who is the Chief Financial Officer for Aegon in Asia. Pat has been in this role since May 2017, and is therefore, perfectly suited to give you good insights into Aegon's operations in the region. Pat, over to you.

## **Pat Curtin** {BIO 1538221 <GO>}

Thank you, Jan Willem. And good afternoon to everyone. Asia is a fascinating region to do business in. The Asian markets and economies are developing rapidly. Aegon is well positioned to succeed in our selected markets. Our businesses in Asia are active in their respective markets for more than 10 years, while each business follows its own development path, we believe that they are all able to be future-growth engines for Aegon group.

Today, I will start by giving an overview of AIFMC, the asset management joint venture, and TLB our high net worth business. Both are in the categories of drive for growth. Our insurance joint ventures in China and India on the other hand are scale up for the future businesses. We see significant opportunities to grow in Asia and create value for our stakeholders. Combined these businesses present EUR129 million or about \$140 million of underlying earnings in Asia.

On the following slide, you will find breakdown of these earnings. Of the US\$140 million of underlying earnings from the Asian businesses, about \$18 million is generated in China through Aegon THTF, our insurance joint venture, and AIFMC, our asset management JV. Both are generating increasing new business volumes and growing profits. The high net worth businesses operate mainly out of Hong Kong, Singapore and Bermuda and are an important earnings contributor in Asia. In the last part of my presentation, I will zoom into India, which is still scaling up, but promises to be an interesting growth opportunity.

Let's turn to AIFMC on Slide 4. AIFMC is a joint venture with Industrial Securities, which is also one of the most important distributors of their funds.

which is also one of the most important distributors of their funds. The company focuses on mutual funds and separately managed accounts. Currently, AIFMC successfully

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distributes 26 different funds in China and has grown impressively as shown on the next slide.

AIFMC is one of the leading asset mass in China. Assets under management have grown by an average annual growth rate of 36% over the last eight years. Very recently, the company celebrated reaching the milestone of EUR40 billion of assets under management or EUR20 billion for Aegon share. Growth is supported by strong distribution capabilities, which enable it to quickly attract inflows into newly launched funds.

AIFMC's excellent investment performance achieved for its customers has also been recognized by several awards and five star ratings. The company has delivered strong earnings based on healthy margins every year since it was founded in 2008. With nearly EUR60 million underlying earnings per year, AIFMC is an important and growing contributor to the profitability of Aegon asset management. The JV is planning further growth which might also include a closer collaboration with other Aegon entities in the region.

Let us now turn to Slide 6 of the presentation to introduce Aegon THTF. This is a 50% joint venture in China with consumer electronics company Tsinghua Tongfang. Aegon THTF serves more than 1 million customers in China, either individually or through the group life policies. The company operates a full range of distribution channels and is currently expanding strongly in online distribution. We are for instance setting up partnerships with strong e-commerce partners in the market.

On the following page, we have summarized the financial successes of Aegon THTF so far. New premium production from life insurance as well as accident and health is increasing year-by-year with a growth rate of 34% over the last three-and-a-half years. It is expected to reach more than \$100 million in new production for Aegon's joint venture share in 2019.

New business is profitable and the market consistent value of new business is expected to reach more than \$30 million annually this year. Despite investments in growth, the joint venture generates positive underlying earnings since 2017. Aegon is planning with its joint venture partner to further grow the business as I will outline on Slide 8.

First of all, we expect continuous growth of the current business. China is a market with increasing wealth and an aging population leading to high growth rates in the insurance market. Aegon THTF will participate in this growth via our existing agent, broker, bank assurance, and direct marketing channels. Secondly, China is very tech savvy and for many Chinese customers, it is very natural to buy everything including insurance online.

Consequently, we expect the online insurance market to grow at an even higher rate than the overall insurance market. Aegon THTF is investing strongly to develop the online distribution channel and create partnerships with strong e-commerce players in China. We are already selling products on local e-commerce platforms. Our most recent product sold over 130,000 policies in the first five to six weeks.

Thirdly, and a little bit further down the line, Aegon expects to see an opening up of the private pension market in China. The government is shifting the responsibility for retirement further towards corporates and individuals. Aegon THTF wants to enter the private pension market in the medium term and is one of 15 insurance companies applying for a license from the Chinese regulator.

Let me now turn to Aegon's high net worth businesses. Aegon's high net worth businesses are operated through Transamerica Life Bermuda, mainly from offices in Hong Kong, Singapore and Bermuda with the former to being the largest sources of business currently. Transamerica has more than 70 years of experience in providing life insurance cover for high net worth customers in Asia.

The business is market leader for broker distributed universal life products for high net worth clients. The current situation in Hong Kong is not helping our business. Furthermore, low interest rates and the US-China trade conflict are also a challenge for us, as they are for everybody else too. Nevertheless, the business has held up well as I will demonstrate in the following slides.

As you can see in Slide 10, new sales have declined significantly in recent years due to the challenging macroeconomic environment. We had a very strong year in 2015, whereas 2016 and '17 were more in-line with our expected run rate. Since then, both macroeconomic uncertainties and low interest rates have resulted in high net worth customers postponing purchases.

Customers are maintaining more liquidity in their portfolios, are searching for alternative solutions for their assets. For example, by preferring whole life products over universal life products. Also, our traditional broker channel distribution is losing market share to other channels. Despite the unfavorable new business development, the asset base of this business is growing steadily due to the loyalty of existing satisfied customers. In addition the new premiums from new business had considerable assets with each new sale.

I am now turning to the financial results on Slide 11. The growing asset base and the benign claims experience has supported a consistent profit generation from the businesses, despite the challenging environment. The return on capital last year surpassed 9%. The market disruptions in the first half of 2019 have however left their mark on the results. The business is now also in positive territory with respect to normalize capital generation and is paid a dividend to the group of \$25 million in 2018. The following -- this followed on from a special dividend payment in 2017 and provided market and regulatory developments allow, we are planning for the high-net worth businesses to again remit a dividend in 2019.

As outlined, the high net-worth businesses have their challenges. However, we are focused on securing Aegon's market leading position in this segment with the measures outlined on the next slide. High net-worth customers are increasingly focusing on whole life products, which account for nearly a third of new business in the market. We are now expanding our product portfolio with this product type to offer our customers a broader range of suitable choices and will launch when the economics are attractive for us. We see



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a geographical expansion into Latin America and Middle East as a second driver for growth of the high net worth businesses. The number of high net-worth customers in these markets is growing fast and they are underserved.

We set these capabilities up in 2019 and are seeing the submission pipeline already starting to grow. Transamerica Life Bermuda can bring us expensive -- extensive experience in servicing and underwriting these customers into play and is expected to quickly gain a strong market position. Furthermore, we are also expanding our distribution activities beyond the traditional broker channel towards independent financial advisers. We have onboarded a number of these in both Singapore and Hong Kong and which will allow us to cover an even larger share of the market.

Last but not least, let me introduce our strategy on India in the next few pages. In India, Aegon operates a 49% joint venture with Times Group. Until now, Aegon life insurance company in India, in short Aegon Life, mainly follow a traditional direct-to-consumer distribution approach through agents and other channels.

Currently, the joint venture has more than 300,000 individual policies enforced and almost another 300,000 enforce policies in group, enforce lies in group policies. New premium volumes are relatively low at \$9 million in 2018 for Aegon's share, which is due to some restructuring efforts of these channels in that year.

However very similar to China, India is strongly developing towards an e-commerce economy and online sales are booming. Therefore, Aegon has decided together with its joint venture partner to significantly expand the digital and online distribution capabilities in India. The main growth drivers for our operation in India are summarized on Slide 14. The young and growing population is experiencing an increasing mortality gap, so the breadwinner die, many families do not have significant -- sufficient savings and insurance coverage to make up for the last income. Aegon Life wants to provide the necessary death and income protection for these customers.

Secondly, the online insurance market is growing rapidly. For 2020, we expect about \$2 billion online insurance sales in the Indian market, which drives Aegon Life to forcefully expand its online distribution capabilities. In line with the online insurance market, the e-commerce market is growing in size and is dominated by several large platforms. To tap into this growing distribution channel, we are starting to partner with leading e-commerce players in India. I will go into more detail on this in the next slide. At present, we have signed agreements with four of the largest e-commerce companies in India. We are one of three insurance partners for Paytm and MobiKwik, the two largest mobile wallet providers in India.

We also partner with FirstCry, Asia's largest online store for baby products and Walmart subsidiary Flipkart, India's leading e-commerce player. Both have selected Aegon Life as their sole life insurance partner on the platform. These platforms give us access to more than 0.5 billion potential customers in India. Initially, we are planning to sell simple term life products via these platforms and expect to develop more in journey propositions over

time, which will harness the power of the underlined data to position the right product at the right time to online customers.

The value here is not just in making insurance available to those who are searching for it, but also to make insurance relevant to those who might not even be aware of their need for insurance. The key reason for our partners to select Aegon Life is the ability to quickly integrate our insurance systems with the platform's own infrastructures.

Aegon Life is also able to provide seamless real-time online customer servicing integrated on the partners platform, which improves ease of use and keeps customers on the respective platforms. In order to showcase how well the proposed online distribution concept works, we have carried out a first trial with MobiKwik. I will show you some results on the next slide. We have tested three simple products on the MobiKwik platform. For us, it was important to be able to test the functionality, learn about the customer and optimize the customer experience. Aegon Life offered a standalone product as well as protection products linked to a loan that customers were able to buy on the platform. The trial has so far been very successful.

Aegon Life is leveraging the partners customer information, which very much simplify the sales process and led to a good conversion rate. We are now developing the propositions and services for our e-commerce partners to gradually increase their online presence and sales volume. We have already been able to apply the learnings with MobiKwik to the first product that was recently launched with Paytm. With this launch, we achieved higher sales volumes to date. These are already 10x the initial numbers with MobiKwik. We recognize that our operation in India is still in its infancy, but we see India as a promising growth opportunity.

Let me now summarize this part of today's webinar with the last slide of my presentation. Through our businesses in China and India as well as the high net-worth businesses which now have a more global reach, we have created strong strategic positions for further growth in the region. Aegon has a unique capabilities which will lead us -- which will lead to further growth in attractive markets.

The emphasis will increasingly be on developing online distribution strength in both markets for which we have a unique and expanding network of e-commerce partnerships. Overtime, the Asian operations will scale up and make more and larger contributions to Aegon's growth and value creation. Jan Willem, do we have some questions on Asia?

**Jan Willem Weidema** {BIO 15133400 <GO>}

Thank you for the presentation. Yes, we have indeed. Already got several questions on Asia. Let me start with this one. You presented four different businesses in Asia and where do you see synergies and common denominators between these businesses? And why do you believe Aegon is the best owner of these businesses?

**Patrick Curtin** {BIO 1538221 <GO>}

Yes. Thank you. We are finding distribution skills and product development can be leveraged across the region, for example in our e-commerce activities in India and China. We can share insights, we can share product development, we've also been able to share IT developments, because the e-commerce partners expect us to be able to meet their servicing requirements. So that's been very good.

In China, our joint venture, insurance joint venture is selling products via Industrial Bank, which is a sister company of our asset management joint venture. And TLB is actually using our asset management capabilities of Aegon asset management. So there are -- these are just a few examples of synergies that we have within the region.

**Jan Willem Weidema** {BIO 15133400 <GO>}

Thank you. Staying on the topic of e-commerce, what makes you believe you can be successful in this field?

**Patrick Curtin** {BIO 1538221 <GO>}

I think there are a few reasons. One which I've already mentioned, the technology development. We have invested in technology, both in India and China and that has helped us to integrate much faster into our partners. It allows us to roll out products or hold lot faster and allows us to give real time servicing to customers without them actually having to leave the ecosystem, which is extremely important. So that's one.

Secondly, we have very good partnership signed up and we have good relationships built within that. And lastly I would say D&A, it's a very different proposition putting an offline product online, that's not what we talk about, and I think with these e-commerce partnerships, there is quite alignment in how innovative we have to be and how we use data to capture this opportunity.

**Jan Willem Weidema** {BIO 15133400 <GO>}

Zooming in now on one specific examples you gave for instance Paytm and MobiKwik, can you give an impression of how much volume is ramping up there? How many loans are sold on the platform? What is Aegon's share of the loans that you cross-sell term life and how quickly can it ramped up to something that's meaningful for Aegon?

**Patrick Curtin** {BIO 1538221 <GO>}

In India, the e-commerce players are allowed to have a maximum of three life insurance companies on our platform, so we are one of the three. And again remember what we're trying to do is embed our insurance proposition in the purchase journey of these customers and allows us to reach out to customers who are not only looking for insurance, but also -- maybe you're purchasing another product don't know they have in need, but we can help making sure it's relevant, contextualizing.

By doing this, we are reaching out to hundreds of millions of customers. These platforms allow us to access 0.5 billion customers. So we expect this to scale up very quickly and we expect it to bring material value to Aegon, and we also expect us to be able to have a further reach and help close some of that protection GAAP that exists in India today.

**Jan Willem Weidema** {BIO 15133400 <GO>}

You also mentioned in China, you're working with a large e-commerce player. Can you get some feeling for premiums for instance that are created there? And again, how quickly can it be meaningful or will it take time before that's really moving the needle for Aegon?

**Patrick Curtin** {BIO 1538221 <GO>}

Yes. No, good question. The example that I gave in the presentation where about four, five weeks ago, we launched a term product with a local e-commerce partner and I had mentioned 130,000 policies, behind that was about \$30 million in premium.

So in the space of four five weeks, we got \$30 million. So it shows how quickly this can take off and it's what we're really, really excited about. And these -- China is a few years ahead of India. So we see this happening really quick, but it also gives a lot of confidence for what we're trying to do in India and why we're trying to do it. So we're very excited about it and so far this has been a really good start, but we got to push on from here.

**Jan Willem Weidema** {BIO 15133400 <GO>}

And can you put the \$30 million volume in a few weeks time into the annual -- in the context of the annual production of Aegon China?

**Patrick Curtin** {BIO 1538221 <GO>}

Its early days. We still see that the volumes are growing on this, but what we need to do is continue to innovate. We need to continue rolling out products, again which goes back to why we invested in our infrastructure, why invested in the architecture to be able to roll that out and that's what makes it different and that's what allows us to kind of keep that momentum going and keep capturing that volume.

**Jan Willem Weidema** {BIO 15133400 <GO>}

Related to that on the financial side, what was the capital generation profile of China look like? And do you expect at some point to remit dividends to the group? And if so, can that be 100% of capital generation or do you have to keep reinvesting in the business?

**Patrick Curtin** {BIO 1538221 <GO>}

In China, the regulatory regime is Syros. It's quite like a risk-based regime. The China business currently is self-funding, the capital generation is positive and it's growing and it's actually able to fund a lot of this growth itself. We do expect remittances in medium

term, but right now, we're actually excited about the growth that we're bringing, quite happy for that to be invested back into the business. So we expect this to continue over a period of while and ultimately the amount of capital that gets used in that is the function of the development of the growth path.

**Jan Willem Weidema** {BIO 15133400 <GO>}

We've received a similar question, whether it's then bigger picture for the Asia region as a whole? Asia has been remitting around EUR20 million to the group in recent history will this grow and where we're looking from?

**Patrick Curtin** {BIO 1538221 <GO>}

Yes. So TLB is you'll have seen the capital generation is growing in that business and we expect that also to continue to grow. There are some uncertainties with the market. The levels of volatility is and also some regulatory changes, but like I said China is still growing very well. To the extent of the growth slowdown, we should be able to give out more dividend, but really our focus for now is to invest in the growth, is to invest in the future and to drive that forward. So dividends will be further out for now.

**Jan Willem Weidema** {BIO 15133400 <GO>}

All right. Can we also expect a dividend payment from AIFMC, the Chinese asset manager?

**Patrick Curtin** {BIO 1538221 <GO>}

Every year, AIFMC has been paying a dividend and we expect it to continue do so. It's growing well. It continues to add more assets under management. We have plans to grow it even further. For example, we're discussing with them about distributing their products outside of China, which we should bring hundreds of billions to China, as the China market gets added to more, more indices. So we're very excited about that. And also with the pension market opening up in China, we also expect that that's also going to bring some large volumes down the line.

**Jan Willem Weidema** {BIO 15133400 <GO>}

And that as you've mentioned the pension opportunity, what is the timing for the private pension license in China? How fast do you expect to have that this?

**Patrick Curtin** {BIO 1538221 <GO>}

Yes. We have already submitted our application for the per pension license and we hope to get it over the next few months. There is a pilot phase at the moment in the local market. The numbers out of that are not big. So we want to have the license, so we can also help in the development. We can bring our global expertise to try and capture this value. So for next few years, we see this -- the pilot working out to see what is the best way to meet this pension gap, but we expected to hopefully bring some of the same

volumes that we saw when the 401K market in the U.S., for example, started off. We hope that will come, but I think it's a bit further out not, now we want to see that for the next few years.

**Jan Willem Weidema** {BIO 15133400 <GO>}

Thank you. On the strategic sides, there are opportunities now legally to expand your stake in China and there is rumors that there might be changes in India. Could you elaborate on what Aegon strategic position is here?

**Patrick Curtin** {BIO 1538221 <GO>}

Yes. We're very happy with our joint ventures at the moment. As I discussed with China is growing very, very fast. We have a very good relationship with our joint venture partners and we're strategically aligned and so we think that our joint ventures right now get access to everything that they need, whether it's resources or capabilities. So we continue on this trajectory and we're focused on the execution. But as always, we always look at market trajectory and try and do what's right to maximize value for all our stakeholders.

**Jan Willem Weidema** {BIO 15133400 <GO>}

On the flip side you could argue maybe selling part of the business that you've mentioned a couple of times, the value created and the value you see in the business. Why don't you sell or float part of the business to crystallize that value?

**Patrick Curtin** {BIO 1538221 <GO>}

We believe that the value that we bring to the joint venture is -- and the relationship we've built up, means that working together on an equal basis is actually the best way to grow this and to capture this value going forward. So we're focused on capturing this e-commerce opportunity and actually building on this really good start that we've had in China and that we're already starting to see in India.

**Jan Willem Weidema** {BIO 15133400 <GO>}

Thank you. Are there parts of the Aegon Asia that you feel are less strategic to?

**Patrick Curtin** {BIO 1538221 <GO>}

In the last few years, we have -- like Alex said earlier, we have taken some decisions. The Aegon insights business, the old items business was put into runoff and we have also selling our Japanese business. So we have made some conscious decisions to get us a lot more strategically focused and aligned and going forward, I think it's very clear. We have a strong foundation in place. We have good relationships on the ground. We have good partners and now we are focus on execution.

**Jan Willem Weidema** {BIO 15133400 <GO>}

Another one that's not on today's agenda explicitly, but the digital distribution initiatives like the e-broker for making losses for some time. And how do you believe that results will develop over the next few years? And how long are you willing to keep investing?

**Patrick Curtin** {BIO 1538221 <GO>}

Yes. The e-broker opportunity, what we did was, we took future-ready and e-broker in Indonesia and combined it with some of the assets that we had from the Aegon insights business to put it together and to grow it in markets -- in two markets specifically. So Indonesia and Thailand, markets where we don't exist, we don't currently have a license. So it's a less expensive way of us to get access to customers and get access to potential licenses to understand the regulatory environment. So it's a conscious investment to us to be able to do this and develop that market environment. It's a very tech led business again, so there are synergies with the technology that I mentioned earlier across the different businesses, e-broker is one of those examples. So it's very scalable and we're currently in Indonesia and Thailand and we actually expect to venture into further markets over time.

**Jan Willem Weidema** {BIO 15133400 <GO>}

And financially do you expect that those investments will continue to be a drag on the results or will there be an improvement pattern in the coming years?

**Patrick Curtin** {BIO 1538221 <GO>}

No. As I said with the market opportunities that we have and the scalability of the infrastructure, the business is very scalable and we expect it to improve over time.

**Jan Willem Weidema** {BIO 15133400 <GO>}

Moving on to the business, the high net worth business, how big of a driver are Mainland Chinese visitors to your high net-worth business?

**Patrick Curtin** {BIO 1538221 <GO>}

In my slides, I mentioned that Hong Kong and Singapore are two of the largest sources of the business and that remains to be the case. We've seen in the numbers already that the dip has kind of come to the uncertainty and part of that is for Mainland Chinese visitors.

However that's why we have also been focused on expanding our reach. So, whether it's across different types of distribution with the independent financial advisers or also to be able to sell more of Bermuda into Latin America. And we've also recently got United Arab Emirates as an approved country, which allows us to accept applications from other parts from there. So we're are expanding our reach to try and mitigate against that and continue to grow, but I reiterate with that high net-worth business despite the sales challenges, the assets under management are still growing, the capital generation is still going. So we're still happy with it.

**Jan Willem Weidema** {BIO 15133400 <GO>}

And then do you see Mainland Chinese customers moving from Hong Kong to Singapore or do you see the demand falling away all together?

**Patrick Curtin** {BIO 1538221 <GO>}

I think they're just postponing decisions that's what we here, that's what we see. There is some moving over to Singapore, but not in a material scope that worries us right now. So we think it's just a postponing of decisions, maintaining liquidity and this will turn around.

**Jan Willem Weidema** {BIO 15133400 <GO>}

Moving onto capital for the Hong Kong business and that's more specifically the risk-based capital framework. What risk could come from the introduction of that framework?

**Patrick Curtin** {BIO 1538221 <GO>}

Right now, it's too early to tell exactly what this New Hong Kong regime will mean for us. The industry recently just submitted a Quiz 3 study. So very similar Solvency 2 and there was the quiz studies as this evolved. So we've submitted that along with everybody else and that will continue to evolve. So exactly what it will mean for TLB in the future, we're not sure -- yet sure, partly because it will evolve and obviously our balance sheet today is not optimized for that new regime. So we have to monitor this and see how it plays out.

**Jan Willem Weidema** {BIO 15133400 <GO>}

Thank you very much. That was.

**Patrick Curtin** {BIO 1538221 <GO>}

I would like add actually that this is moving Hong Kong more to a risk-based regime and TLB itself is already using Aegon's market consistent way of looking at the business. We do have a risk-based approach to modeling our business. So, from that perspective, we are ready to bring it in. We don't expect it to be material. So there is the uncertainty, but we are already operating and doing business with that -- with this type of framework already.

**Jan Willem Weidema** {BIO 15133400 <GO>}

Thank you very much. It was very insightful and thank you for answering all those questions on the exciting opportunities in Asia. And we're now going to move on to the next topic of the webinar. The next topic of the webinar is Spain and Portugal, so I would like to hand over to Tomas Alfaro.

**Tomas Alfaro** {BIO 20663371 <GO>}

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Thank you, Jan William. Good afternoon to everyone. My name is Tomas Alfaro and I have been the CEO of Aegon Spain since 2018. In recent years, Aegon's activities in Spain have developed well and I am proud of where we stand today. In my presentation, I will touch upon the progress we have made and show how we are generating value for shareholders.

Let's first take a closer look at the organization on the next slide. I'd gone enter the Spanish insurance market in 1980 and we have been active in bancassurance for almost 15 years. In Spain and Portugal, we operate through long-term partnerships with Bank of Santander, offering both life and general insurance products.

Furthermore in Spain, we also have a similar partnership with Liberbank, offering Life products. These partnerships have been growing strongly and are key to our success and give us access to millions of potential additional customers. Also in Spain, we service more than 100,000 customers through our owned channels. These own channels providers with the right capabilities to support the Bancassurance JVs and the additional scale needed to operate efficiently.

Let us net now take a closer look at the footprint and product offering. Our Bancassurance partnerships with Santander and Liberbank have been commercially successful with over EUR280 million of gross within premiums. Let me remind you that our joint venture with Santander has been in place for just six years. The joint ventures are concentrated on term life, household and health insurance. Our own channels are supplementing the joint ventures with online distribution and direct sales of predominantly term life and health insurance products. Our Bancassurance and our own channels assure certain services, which has IT administration as well as finance and risk management.

Let me now give you some more insights into the growth potential going forward on the next slide. We see attractive prospects within the Spanish Market. Overall, the insurance market is growing and especially in the areas where we focused on, namely health and term insurance. In addition, we have a successful track record in managing Bancassurance alliances, which is growing faster than other distribution channels. The expansion of our joint venture as a result of branches acquired by Santander as for the growth potential. Within Bancassurance, the number of customers buying insurance products is gradually increasing. The joint ventures offer us access to a large and underserved customer base providing ample room for growth within this attractive part of the market.

Let us now take a closer look of the next slide, the successes achieved through the joint ventures in the past few years. From the very start of the partnership in 2013, Santander and Aegon have created a successful collaboration in Spain generating profitable new businesses and remittances to both shareholders, increasing sales to existing customers and expansion of the partnership for bank branches acquired by Santander resulted in a tripling of gross return premiums within six years.

The latest expansion took place in 2018 when Banco Santander acquired Banco Popular's franchises. This has given us access to millions of additional customers and is expected to lead to substantial growth going forward. We are proud that Santander selected Aegon

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for this extension. This is a testimony of our successful partnership further more a more favorable product mix led to an increase in earnings from the Bancassurance businesses. By growing term life sales through a joint ventures with Santander, we were able to boost profitability further from EUR40 million in 2015 to approximately EUR60 million in 2019.

On the next slide, I will highlight the importance of our own channels within the organization. Our position as a significant insurance and service operator in the Spanish market differentiates us from financial investors and allows us to add value to our joint ventures in key areas. Let me stress that this was an important reason for our Bancassurance partners to select partner. Our own channels operating on a standalone platform are mainly geared towards fast growing insurance segments within the market.

By concentrating on health and term life insurance, our own channels are tapping into that part of the market that is particularly relevant to customers being the protection of people and their main assets. The standalone insurance platform offers these products to customers by using multiple distribution channels, our network of brokers tied agents and an unlike direct channel.

Our owned channels are currently loss making, which is not acceptable to us. In order to improve the operational performance of this part of our business, we initiated a significant restructuring program in 2018. Through rationalization of distribution, more effective claims handling and other operating efficiencies, we expect to improve the financial results. Thus far, we have achieved more than EUR12 million of expense savings. With additional savings of EUR30 million to be expected, we anticipate the owned channels to reach back even in the short to medium-term.

Let us now take a closer look at the capital generation of the Spanish and Portuguese business as a whole on the next slide. As you can see on the graph on the left hand side, normalized capital generation has increased significantly since 2017. The greatest scale in the Bancassurance business and the operational restructuring program in the old channels are the key drivers behind this increase.

In addition, new business being written is very capital efficient demonstrated by attractive returns and short payback periods. The normalized capital generation is expected to increase further going forward as we executing our growth agenda. Let me share a few words on our capital position in Spain. As of the third quarter of this year, Aegon Spain will no longer use transitional measures and matching adjustment. Following this change, the group has injected EUR75 million to ensure that the Solvency 2 ratio of all entities in Spain remain in the target range. As a mitigating measure, we are executing a change of the legal structure of the entities in Spain. By moving our Spanish joint ventures under our own business, we expect to achieve a significant improvement of the Solvency 2 ratio of Aegon Spain. This puts us in a position to deliver an additional dividend to the group.

Let me conclude with Slide 9. I would like to leave you with the following conclusions: Our foundation is strong as we are active in the fastest growing market segments in Spain and have a strong track record with Bancassurance. And by expanding these partnerships,

increasing product penetration and growing our own channels, we are able to create value for the group.

This concludes my presentation, and therefore I would like to hand it over to Jan Willem to open the webinar up to your questions. Jan Willem?

**Jan Willem Weidema** {BIO 15133400 <GO>}

Thank you, Tomas. Before I start, I want to remind the viewers one more time that you can ask questions via the chat function on your screen. So with that Tomas, can you explain what's the benefit for you of being part of a bigger group?

**Tomas Alfaro** {BIO 20663371 <GO>}

Yes. So far us being part of Aegon Group, gives us many benefits, which I would like to highlight, just a few. So first, we get access to capabilities which we being a smaller unit don't have. Secondly, it enables us to leverage multiple shared resources as global IT infrastructure. Thirdly, it provides us with the strong brand. And lastly, it allows us to pursue our Bancassurance's strategy through access to capital.

**Jan Willem Weidema** {BIO 15133400 <GO>}

Thank you. The next question is on the different businesses within Spain. So one of the viewers is asking on the one hand you're successfully growing the earnings in the joint ventures, but it seems that what you create there is lost either in shared surfaces or in the owned channels. How do you look at that? And what should the trajectory be from here?

**Tomas Alfaro** {BIO 20663371 <GO>}

Yes. So it's a good question. So in the last few years, there has been in part of the case. Although since 2018, we're seeing as the earnings -- the growth in earnings in Bancassurance are more than offsetting the losses in owned channels.

In owned channels, we began last year a very ambitious restructuring program. We have already reduced more than 12 million cost and we aim to double this figure in the last -- in the next few years. And we expect to breakeven channels in the short to medium term. Regarding the short services, well, it is true that supporting this infrastructure of Bancassurance companies is -- there needs to be cost associated with that. We are also executing reductions in those costs and all in all we can see that the growth in the Bancassurance business is actually beginning to show a lot of capital generation to up -- to compensate for this different perspectives.

**Jan Willem Weidema** {BIO 15133400 <GO>}

Thank you. You mentioned the owned channels, the owned business in Spain. How important this is to you? And could it be divested if not successfully?

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**Tomas Alfaro** {BIO 20663371 <GO>}

So we believe it's strategic basically and I mentioned in the presentation one of the reasons why we actually are doing successfully Bancassurance is because we can add value to our partners and to our banking partners, and we can add value because we know about the business and we have local expertise. So it is important that we have a successful own channel operation, but it is true that -- we -- for us, it is very important that they are profitable and sustainable and that's what we working to achieve.

**Jan Willem Weidema** {BIO 15133400 <GO>}

And we could be able to run the joint ventures, if you wouldn't have the own channels?

**Tomas Alfaro** {BIO 20663371 <GO>}

I do believe that would have put us in the position of -- first of all of our financial investor, and we would be able to add much less value to what we had. Secondly, the shared infrastructure that we have that actually on which both the joint ventures and the own channels is running those cost would continue to exist anyway.

**Jan Willem Weidema** {BIO 15133400 <GO>}

The next question then is on the joint venture with Santander. How exclusive is it and is someone there are free to sell insurance products from other providers?

**Tomas Alfaro** {BIO 20663371 <GO>}

No. So right now the joint venture with Banco Santander is completely exclusive for us, for all products, all protection products that are linked to individual business. So basically except for auto insurance, which we don't do with them. We do term life, health insurance, home insurance, other ancillary products, all of them linked to individual people, everything that is company's outside of health insurance and term life insurance is not included in this facility we have with them.

**Jan Willem Weidema** {BIO 15133400 <GO>}

Thank you. And when you expect to close the expansion of the joint venture with Santander?

**Tomas Alfaro** {BIO 20663371 <GO>}

So first of all, there needs to be some regulatory approvals, but this is already happening. Banco Santander has already acquired the company from Alia [ph], they're still haven't closed the transaction. But once they have closed and it is our turn to enter, so it take some months, but it's happening.

**Jan Willem Weidema** {BIO 15133400 <GO>}

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Moving on to the capital side of things, you mentioned the loss of traditional measures and matching adjustment. So what drove that, why does it happen?

**Tomas Alfaro** {BIO 20663371 <GO>}

So I think there are two things that happen. One is of course the recurring losses that we had in Aegon Espana, the legal entity that owns the own channels and the shared services. And the second one is the structure where we have the joint ventures next to Aegon Espana supposed to being below Aegon Espana. So the separation of the two businesses.

**Jan Willem Weidema** {BIO 15133400 <GO>}

And why does changing that legal structure and helps your capital position?

**Tomas Alfaro** {BIO 20663371 <GO>}

Well, the joint ventures are very valuable assets that they do hold an important, great quantity of non-fungible capital. So the fact of actually putting them below Aegon Espana increases the -- increases significantly the solvency of Aegon Espana.

**Jan Willem Weidema** {BIO 15133400 <GO>}

And can you elaborate on what the current level solvency for Aegon Spain after the capital injection and where it will be after legal restructuring?

**Tomas Alfaro** {BIO 20663371 <GO>}

Yes. So after the capital injection, the current level is at the bottom end of our objective, so around 140%. After the restructuring will be well above 200%, which will allow us to do a additional dividend to group afterwards subject to regulatory approval.

**Jan Willem Weidema** {BIO 15133400 <GO>}

And can you quantify the size of that potential special dividend?

**Tomas Alfaro** {BIO 20663371 <GO>}

Well, it would be sizable. But of course, we are -- we need to go through the motions to actually first close the restructuring and then go through the internal process of the approval of the dividend.

**Jan Willem Weidema** {BIO 15133400 <GO>}

Thank you, Tomas. That was actually our last question from the viewers. So I would like to thank both of you, and you Pat for your contributions today. So for the viewers at home, this concludes today's webinar. Any questions that have not been addressed today will be

answered by Investor Relations and a replay of the webinar will be we available as of 4 PM on our website. At (inaudible) with were thank you, and enjoy your holidays and we'll see you again at out full year results in February. Thank you.

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