

JP Morgan Media and Telecoms CEO Conference

Company Participants

- Dave Paulsen, President
- Unverified Participant
- Willem van den Berg, Head-Investor Relations

Other Participants

- Iris Wang, Analyst

MANAGEMENT DISCUSSION SECTION

Unverified Participant

Okay. We're going to get started here with our last session, and before I begin and introduce our next guest here, I guess one suggestion we can consider this for next year all the IROs here is that it currently says the Des Moines Insurance Conference. Aegon is not from Des Moines. They are from Cedar Rapids. So maybe we need to change this to the Iowa Insurance Conference. So suggestion noted and maybe we'll make that change.

So we are honored to have a new company present at this event, and we truly appreciate some of them made quite a bit of travel plans to make it here, so we truly appreciate that. But nevertheless, I'll turn it over to you Willem and Aegon and similar format to what we've had the last couple of sessions. So take it away. Thank you.

Willem van den Berg {BIO 15203834 <GO>}

Thank you, John (00:49). My name is Willem van den Berg, and I'm Head of Investor Relations for Aegon. I'm here today with Dave Paulsen and Dave will do his own introduction.

Dave Paulsen {BIO 17012079 <GO>}

Awesome. Thank you all for having me. I'm Dave Paulsen. I'm Chief Distribution Officer and I wanted to thank the group for being here today in Des Moines, which is actually where I live. So I live just off the town and so welcome those of you from out of town to Des Moines.

You're probably wondering if we have a big office here in Des Moines, and we don't. We actually have our closest office here is in Cedar Rapids as was mentioned before. We employ about 4,000 people in the Cedar Rapids area. I want to thank Principal for hosting today and just a little bit of background. Our distribution organization is very broad. And

so, I'll spend a little bit of time in talking about that, because I think it's a competitive position for us. (01:54)

Willem van den Berg {BIO 15203834 <GO>}

Yeah.

Dave Paulsen {BIO 17012079 <GO>}

Okay. So give a little background and overview of the organization, as you know or should know, we operate in over 25 countries around the globe, but we're going to spend most of our time today talking about our Transamerica business which is here in the U.S. And probably well-known is the Transamerica Pyramid in San Francisco. I think you've all probably seen it on a magazine or on a movie set or something to that effect.

Tell you a little bit about how we approach our business, that is an asset that we actually lease all of the space in that building out and when you think about our organization which was started over 100 years ago, the same values that we started the organization with still exist today and that is we look people on the eye, we tell the truth, we do the right thing, we're a customer based organization. And part of that means making sure that we watch the balance sheet very closely and that means that it's cheaper and more effective for us to have 4,000 people in Cedar Rapids and try to fill the Transamerica Pyramid, and so, it's once again good for our customers and for our shareholders.

When you think about the product lines that we are in, we've created - we've done a really good job of capturing market share and really over the years creating an identity at Transamerica based on the product lines that we provided to our customers. We are in the process of evolving that and thinking more about the solutions that people need throughout their financial lives.

I like to think that at Transamerica what we do is we help people, specifically help Americans who need at the most, save, invest, protect, and then, ultimately, have retirement income. And we do that the savings portion through our pretty robust 401(k) defined contribution and defined benefit of business.

We also help people save and invest through our mutual fund business, which is a sub-advised business that is kind of a best-in-breed institutional money managers where we're able to bring to the general public investment options that they might not be able to get on their own, but coming through the Transamerica process and Transamerica label, it allows us to manage the managers, it allows us to deliver best-in-class investment options in all asset classes and allows us to have a robust due diligence process on who we partner with to manage those assets.

When we think about our protection part of our business, like I said before, save, invest, protect, we help people protect their priced assets that would include, obviously, their lives through both individual and group policies. We help people with long-term care

insurance. And we actually help people protect their retirement income through our annuity business and the living benefits that we offer.

When you think about our focus though, once again, it's not necessarily about the products; our focus is about our customer and their needs throughout their different stages of life and we want to make sure we're relevant to those customers throughout their entire financial life. And we also focus on, what I would consider, the delivery mechanism, and that is how do we get in the hands of people who need our solutions the most. And we do that through four primary channels, distribution channels.

We have what we consider kind of our wholesale distribution channel and that is registered broker dealers that we've partnered with, and I would say, have shown some real expertise in for many, many years. That group once again delivers 401(k) and defined benefit plans; that group delivers annuity products as well as mutual fund products through kind of, what I would consider, owned wholesale distribution.

We have institutional channels. Think of those as the worksite opportunity where, once again, we're delivering retirement plans through consultants or directly to institutions. We're also working with those plan sponsors to deliver worksite benefits, a voluntary or what we consider employee benefits business.

Part of that institutional channel is also our mutual fund platform for delivering large mutual fund offerings through our partner firms and their research and advisory teams. And then, we also have what we consider the brokerage channel. The brokerage channel is - typically a brokerage channel agent distribution is for primarily our non-registered products, that's where we sell quite a bit of our life insurance, as well as the long-term care.

And then the final distribution channel that we have is kind of a closely affiliated distribution group. We have a strong career agent field force as well as some closely affiliated independent advisors through our ownership of World Financial Group. Our philosophy when it comes to manufacturing and delivering products to once again our customers, we know that they not only need, but the products that they utilize is very simple. And that is we sell business at the right price, not at all cost.

And I think what you'll see specifically are there are times especially in an economic environment like we're in today with very, very low interest rates. What that allows us to do is make sure that we're balancing all three legs of the stool. Those three legs for us would be the customer first and foremost, our distributors and then of course our shareholders and if we continue to maintain the philosophy of selling business at the right price versus all cost, that allows for long-term growth, it allows for sustainability of the organization, it allows us to deliver on our promises to all three legs of the stool.

A couple quick facts down at the bottom of this, I'll just point you to ones that, I think, are very pertinent. As you can see, we delivered over €2 billion in earnings in 2015. Little over 60% of that came from the U.S. We also had over €700 billion in revenue-generating

investments and we had €78 billion in deposits which is a pretty staggering number, €78 billion in deposits in 2015 as well.

I mentioned that as the slide here shows that we've got just shy of 30,000 employees globally. We've got about 10,000 employees based here in the U.S. and of those, about 40% are here in Iowa.

Willem van den Berg {BIO 15203834 <GO>}

(09:17) you next.

Dave Paulsen {BIO 17012079 <GO>}

Okay. I'll just summarize this a little quicker because I hit on a lot of the highpoints already. Once again, everything we do starts and ends with focus on the customer. With over 20 million customers here in the U.S., what we think about is the solutions that we offer throughout their entire lifecycle. We want to make sure that we're relevant in their financial lives and once again relevant in saving, protecting, investing and having retirement income. Once again, we do that through an omni-channel type of distribution. And we're very, very focused on engagement with the customer and the experience that they have. We want to be easy to do business with both for our customers and for our distributors.

We have used data in ways over the last several years to help us provide some science to our business that I think the industry has maybe been lacking, and that is not that we're lacking information on mortality, it's that we're lacking information at times on how customers behave and what products they actually need and ways that they will engage and interact with companies like Transamerica. We've committed to save or add to the bottom line another \$150 million in earnings by 2018. We are going to do that through a combination of growth as well as looking at ways we can be more efficient and find places where we can reduce expenses or reduce cost.

And really what we're in the process of doing is kind of aligning our insides to match with the customer views on the outside. And we've operated our business for many years based on product line, I don't want to say in silos, but we've operated with blinders on in some cases and what we're able to do when we tear it all apart and look at our organization as one company, we're now able to once again be more meaningful to our customers, to our distributors, and cross-sell in some cases products through our advisor network and through our partnerships.

We have transitioned our business over the years away from a reliance on spread-based earnings to fee-based earnings. We've made that commitment and, I think, delivered on that commitment. And then, I would tell you we have a very skilled workforce. I'm really proud to represent Transamerica and really proud of our employee base. This is a group of people that work hard, have fun, have the customer in mind and very highly educated hardworking group.

We really focus - I think the industry doesn't focus enough on employees. We think about the three Rs all the time, which is we've got to recognize, we pat them on the back when they deserve it, we have to reward them and then of course retain them. And you do that by making sure that they know what they do every day is meaningful.

I think my last slide here and we'll open it up for questions is when you think about investing in our organization, we're traded on both the stock exchange in Amsterdam as well as the New York Stock Exchange. We have long-term relationships with our distributors, and we have growing multi-pronged relationships with our customers.

When I think about the footprint of Transamerica and I've mentioned before €78 billion in deposits in 2015, that came through about 45,000 financial advisors that sell annuities, mutual funds, or retirement plans with us, as well as 60,000 active relationships with non-registered advisors who sell insurance products with us.

And our opportunity to go deeper with each of those advisors and allow them to deliver Transamerica the suite of solutions to their customers is how we're going to continue to grow our business without growing the expenses or the head count. As you know, we're highly rated. Our RBC ratio is at approximately 480% and when you look at kind of our proven track record, we continue to be meaningful by paying out over €43 billion in claims in 2015. Once again that tells us that our customers not only need our solutions, but they're utilizing them as well.

So, finally when I think about the three legs of the stool, once again we're selling business at the right price, we're making sure that we're taking care of our customer, our distributors and then of course our shareholders and we're doing that by once again paying out dividends that are on average a higher percent than the rest of the industry.

Bill, turn it back over to you.

Q&A

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

Thank you. I see no immediate questions from the crowd. So let me just kick off with the first one. Since you're President of our Distribution Group, could you maybe give us a little more insight in what one of our faster-growing divisions is, the Transamerica employee benefits.

A - Dave Paulsen {BIO 17012079 <GO>}

Yes, absolutely. So our employee benefits business we kind of consider everything that you can purchase at the worksite is a combination of products that we manufacture as well as in some cases where we partner to deliver products that don't fit our risk profile, but we know that the customer needs. The opportunity exists where we can be meaningful in every area of the worksite by providing both the retirement plan - a defined benefit plan for those who still offer it and then all the worksite-type products, and those areas are rapidly growing.

I also think of those channels as customer acquisition opportunities. And when we think about creating a multi-pronged lifelong relationship with Americans to, once again, help them save, invest, protect and retire, the way to create a lot of relationship at one time is through the worksite, right, and through the retirement business. So, that has been - both the retirement and the employee benefits have been two of our fastest-growing parts of our business.

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

Which one of our products do you think is where do we distinguish ourselves most?

A - Dave Paulsen {BIO 17012079 <GO>}

Yeah. So, what's interesting about Transamerica is, you'll probably never see us win business based on price. And that comes back to once again making sure that we balance the three legs of the stool. So we have competitors in all of our lines of business that will probably win more business based on peer price than us.

When I look at where we've had success though, I've been able to look at our product lineup like every other individual would look at their investment portfolio. And so at times like today when the interest rate environment is low, we're going to kind of reduce our emphasis on the variable annuity business just based on our competitive nature at times and increase our emphasis on things like worksite and retirement products.

At times when the interest rate environment is higher, which I echo the last speakers, I am hoping for the days that it does go back up, then you'll see us probably lean in a little bit more and have a more competitive offering in the annuity business. So I don't think we have one particular product that is a focal point for us. We think about all of our products as part of our overall portfolio. And, just like our individual investment portfolio, sometimes one piece goes up and the other piece might go down, but when you look at the entirety of it, that's what makes our company a great investment opportunity.

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

Great. I expect at least three questions from here or so (18:01), but I'll do one more. A couple of the other companies have presented today talked about their investments in technology, and how it would help to connect with the customer. Could you maybe elaborate a bit on what Transamerica story and why?

A - Dave Paulsen {BIO 17012079 <GO>}

Yeah. Technology is a difference maker, right? Everybody knows that. All of the firms that you work with probably preach that all the time as well. And then, being able to collect, house, and utilize the data that you have on all of your customers or all of our customers is the key to long-term success once again growth without adding expense, where we have a homegrown recordkeeping system that we built years ago for our retirement business that's very nimble. It allows us to - it has a billing process that allows us to interact with the plan sponsors and with each organization in a way that we could tap into that for our employee benefit business as well.

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We're looking at ways today and are making investments on a customer engagement platform. Once again, we're looking at how we can help Americans become more retirement-ready, and part of that is the technology-based platform that allows us to be mobile first and allows us to have customers access their information or their accounts with us anytime at any place. It allows us to engage with them in the way they want to be engaged. And ultimately - we're not here yet, but ultimately we need to provide a different level of experience that's based on generational differences as well.

We've done lot of work over the years and looking at how we communicate with people kind of what words make sense for them and how we can take our products that (19:54) I believe are simple, but sometimes the general public might think are complex, and how we're going to explain them in a simply way. And then, we also recognized that generational differences require not just what you say, but how you say it. And when we incorporate that into our technology platform, that allows us to once again be closer to our customers.

I will say, I don't know any insurance company that would look at their admin systems and (20:26) say it's industry leading or innovative technology; however, when you think about admin systems for insurance products, they simply have to do what they're designed to do, and that is make sure that values are correct and allow you to make sure you're paying claims.

I know I'm the last - we're the last group today and I also know we didn't bring apathy of people, so some smiles. That's good.

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

You've a question right over there.

Q - Unverified Participant

I'll kick it off. So being a European based parent company, what's your thoughts on Brexit and how disruptive this would be for Europe, U.S. economy, et cetera.

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

You can go ahead and take it. (21:13)

A - Dave Paulsen {BIO 17012079 <GO>}

Well, I'll start, but if (21:17) it's going to be extremely disruptive, not just to Europe, but to the entire world, right. And what took years and years of work to bring the European community together is going to be obviously torn apart very, very quickly. It won't take as many years to tear it apart as it took to build it. It's obviously going to have some financial impacts here in the U.S. and as well as our organization globally, but any detail you want to provide?

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

Well, I think that what we see currently already is the lower rates here in the U.S. which is obviously not good for the insurance industry, is a direct effect of the votes from last Friday or the results from that we saw last Friday. And I think it just adds up to the uncertainty about growth in China, the elections later here in the year in U.S., so it's a not a very helpful environment for insurance space.

Q - Iris Wang {BIO 19008149 <GO>}

Hey. This is Iris Wang from Miles Capital. I only have one question, so someone has to make it out, so I'm going to take the rest two. I have a question about just the segue that you mentioned after the Brexit vote, after what we see in U.S. is going to be a longer the lower interest rate environment. What is Aegon Asset Management is going to do in terms of portfolio changes? Are you guys – can you provide some details about the breakdown of investments in European assets versus here in the U.S.? Thank you.

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

Yes, we can. I'm not sure how deep you're in our investment portfolio, but these are the details. We have general account investments of over €160 billion, so well, dollar, that would be \$175 billion or so, the majority of which is invested here in the U.S. It's about just over half of that. Then the rest €70 billion is in Europe €5 billion is in Asia and that adds up to €163 billion of general account investments, the majority of which is invested in cash treasuries, agencies, and investment grade corporates. Like every U.S. company, we have an extensive financial supplement we've data that we publish on a quarterly basis. Do you have a follow up? Yeah, question number two.

Q - Iris Wang {BIO 19008149 <GO>}

No. Actually, it was just the front part of the question. Are you guys envisioning any changes in the portfolio? Are you trying to grab any sub-investment grade bonds try to actually achieve a little bit higher of the yield or are you looking at different asset classes to kind of search for that yield?

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

I think every investment manager is always looking for opportunities to add yield, but we're not going to go down the path of re-risking the portfolio just in search of yield.

Q - Unverified Participant

All right. Well, if there is no further questions, maybe a closing remark from you then (24:42).

A - Dave Paulsen {BIO 17012079 <GO>}

Absolutely and maybe get you guys to the busiest airport in the world early, right. Oh my god, you laughed (24:49) that's good.

So when I think about our organization, I think about how we're continuing to evolve it. I mentioned before over a 100 years of history here in the U.S. and the plans to be around

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for hundreds of years more. When you think about the size and the scale of our organization, what that allows us to do is be meaningful and relevant to the American public. And when you think about the fact that they need our solutions, our products, more now than they've ever needed them before.

I think we're very, very well-positioned to continue to have strong growth across all of our product lines that we've chosen to compete in. We have done a good job over the years of making sure we divest the product lines that we didn't like the makeup of. But - and we've reinvested in the product lines that we believe can be meaningful to our customers, and once again, to our shareholders.

We will continue with our focus on technology and focus on how we can engage customers and how we can be easy to do business with. I've mentioned before we're probably not in any of our product lines ever be known as the price leader. But what we want to do is make sure that if we're easy to do business with, we've built solutions that customers need and we can deliver them to our partners in our extensive distribution channels that we can fulfill our mission, which once again is to bring value and be relevant to the American public.

We're here to simply help people save, invest, protect and retire, and we're good at it. We really are. And we also recognize that we reserve our (26:47) products that customers need that we might not manufacture, but that doesn't mean that we can't utilize our robust distribution system to bring - be the conduit of other partners' products to those customers as well.

I want to thank you all for coming into Des Moines. It made my life a little easier. My commute is like 15 minutes home. And I want to thank Principal once again for hosting.

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

And I hope to be here again next year, John (27:19).

A - Unverified Participant

So maybe just with closing remarks, I guess, couple of thank yous, A, on behalf of all my IR peers here, we want to thank everybody, A, that listened via the webcast, and certainly, everybody attended, we truly appreciate you coming to Des Moines. We look forward to kind of showcasing what we have here at Des Moines and all of Iowa for that matter.

We want to build off what we've done over the last three years, so if you have feedback, please pass it off to any of the IR people here or even via e-mail.

There will be a survey (27:58) e-mail.

Oh, there you go, so there's even a survey, because we do want to do this, and we want to grow and make it bigger and better. So just a big thank you, and certainly, let me one more thank you to the CFA Society of Iowa. They've been a great partner. So just, once

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again, we truly appreciate and safe travels home. And yeah, thank you everybody for attending.

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