
**[00:00:16]**
Mr. **Hülters**: Good afternoon and good morning to those of you listening in from the US. Thank you for joining this conference call on a.s.r.'s full year 2016 results.

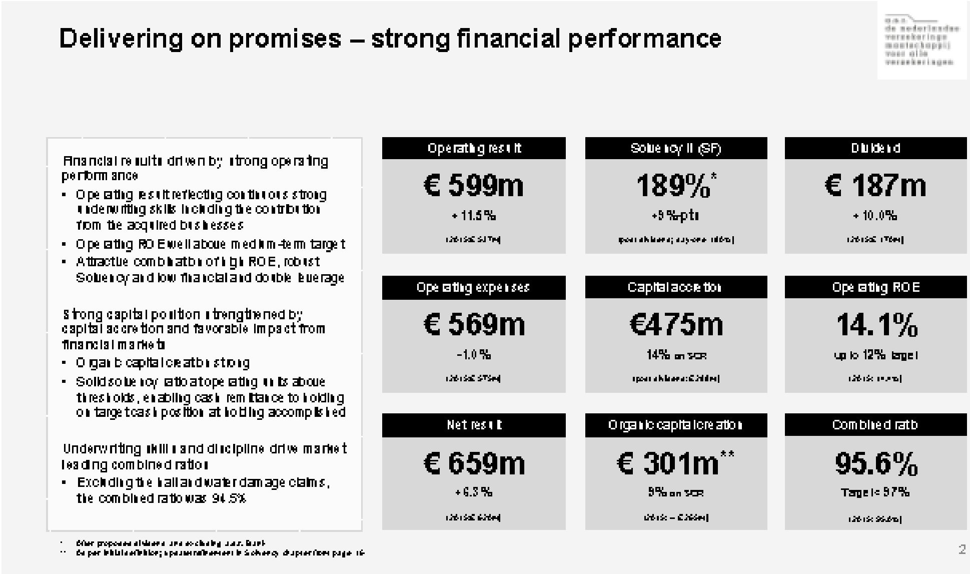
Presenting today are Jos Baeten, CEO and Chris Figee, CFO. Jos will start today's call with a summary of the full year results and he will also discuss some strategic highlights and business progress. Chris will then provide further detail on the financials and he will talk you through solvency and capital as well.

Following these presentations, we will have ample opportunity for Q&A, but please also have a look at the disclaimer in the back of the presentation.

Having said that, Jos, you're on!

**[00:01:09]**
Mr. **Baeten**: Thanks Michel! Ladies and gentlemen, 2016 was to our opinion without doubt a successful year for a.s.r. Our strategy of value over volume delivered on its promises and we are proud to report a very strong set of financial results for 2016. Throughout the year, we have been able to keep our business momentum at a high level and our full-year performance is in line with and sometimes even better than our medium-term targets. But make no mistake: these targets are challenging and it is hard work to get these results. We will continue to work hard and that is a promise.

We will discuss our financial performance and strategic developments in more detail, but let me start off with an overview of some of our key metrics and those are on slide 2.




**[00:02:07]**
The highlights on this slide clearly show that our performance in 2016 has been strong on almost every key metric. Our Solvency 2 ratio is robust, at 189%. This is based on the standard formula, as you may know, and after deduction of the proposed dividend and already before the dividend the ratio by the way was 194%.

The quality of our capital remains high as well, with Tier 1 capital alone representing almost 160% of the SCR and then there is still plenty headroom to manoeuver in both terms of Tier 1, over € 1 billion, and Tier 2, almost € 700 million.

Our operating result was up 11.5% to almost € 600 million. This yielded an operating return of more than 14% compared to our target of up to 12%.

The strong capital position, combined with the business operating results and the return on equity above target show the strength of our franchise.

This performance triangle is key in assessing how well we are doing. We are particularly proud on the combination of a solid return on equity, robust solvency and low leverage.

The operating expenses went down by 1%. This already includes the absorbed regular cost base of € 13 million from the business that we acquired as well as IPO-related costs. The focus on continuous expense reduction delivers results.

In our Non-life segment, we have been able to keep the combined ratio in the 95-ish range, ahead of target of 97%. Please bear in mind that this combined ratio already includes the significant claims from hail and water damages in the first half year of 2016.

We noticed recent comments in the industry on exposure to bodily injury claims. We have only limited exposure to this, with reserves amounting to almost € 400 million i.e. less than two thirds from our annual operating profit. We do not expect any adverse developments from this.

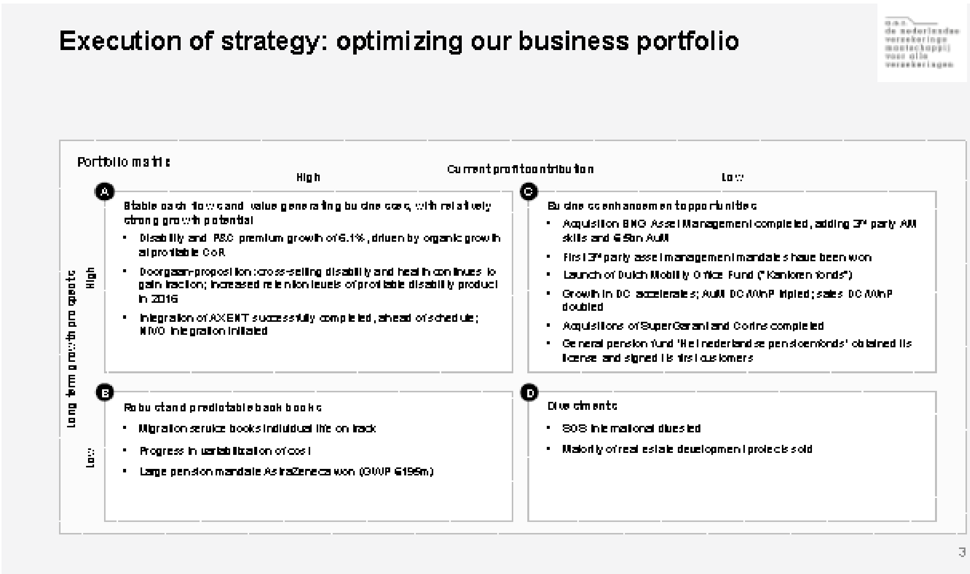
Our business generated more than € 300 million of organic capital in 2016. This is in line with the guidance that we gave at our IPO and is still based on our original investment return assumptions. For your reference, in 2015 we generated € 264 million of organic capital.

When we also take into account the additional capital generated by excess investment returns and operational efficiencies, the total capital accretion amounted to € 475 million. Chris will come back to this later. This last number is of course before dividend.

Our strong solvency position enables us to remain entrepreneurial. As we have said, everything above 160% makes us to be entrepreneurial, to pursue profitable growth and pay an attractive dividend to our shareholders.

Talking about dividend, this is significantly up, too. Driven by the strong financial performance and the confidence that we have in our business, we have decided to raise the dividend to € 187 million. This is up from the € 170 million last year and also exceeds the guidance at the IPO of a discretionary dividend for 2016 of € 175 million. Our strong solvency enabled us to also participate in the recent sell-down from the Dutch state. We purchased 3 million shares in this transaction, roughly € 66 million. In doing so, we reached the limit of our current mandate to buy back shares and, as already said several times, at the upcoming annual general meeting we will request a new market-consistent mandate to buy back our shares. This may provide us with the flexibility to participate in further sell-downs by the State.

Let's now turn to our business portfolio and show some strategic developments during the past year.




**[00:06:58]**
In 2016, we have also made considerable progress in executing our strategy and optimizing our business portfolio. I am sure you are familiar with this matrix, in which we plot our businesses. This slide highlights some important developments and achievements.

In the top left, in box A, are our businesses that provide stable cash flows. Here, we focus on organic growth. Disability is a key product line in this segment. The proposition that combines Disability & Health – the so-called “Doorgaan”-proposition – is gaining traction. An advantage from this combined offering is the increased retention levels of the profitable Disability products. Both in Disability and P&C we were able to grow our premium levels. Market share data are not available yet, but we believe that we have been able to grow our market share significantly, while at the same time maintaining a very healthy combined ratio.

Our Funeral business has successfully completed the integration of AXENT. This was executed very well, ahead of schedule, and we have been able to absorb the business with minimal additional headcount. When we acquired that business, headcount was 62 FTE and we now run the same portfolio with only 29 FTE. Now that it is integrated it can actually achieve the cost benefits from the migration to our low-cost platform. Our Funeral business will now turn into integrating NIVO, which was acquired at the beginning of last year. This should be done at the latest in the first quarter of 2018. Further on, we remain interested in the Funeral books. However, it may take some time before a book becomes available.

In the capital-light space – box C – we have made further progress as well. We have acquired BNG Asset Management and the integration and the acquisition in the meantime have been completed. So today, the business is fully integrated in our own business.

Another example is the launch of the Dutch Mobility Office fund. In December of last year we bought the office portfolio from NS, the Dutch railways. This portfolio comprised 15 offices and 9 offices were included in a newly funded a.s.r. Dutch Mobility Office Fund. In February, we sold the other 6 offices. Clearly, we have strengthened our position in asset management and fee income business, as promised at our IPO.

Thirdly, in this segment C we are also pleased to see organic growth in the DC-business. This has been accelerated over the last year. Assets under management in DC more than tripled and sales doubled.

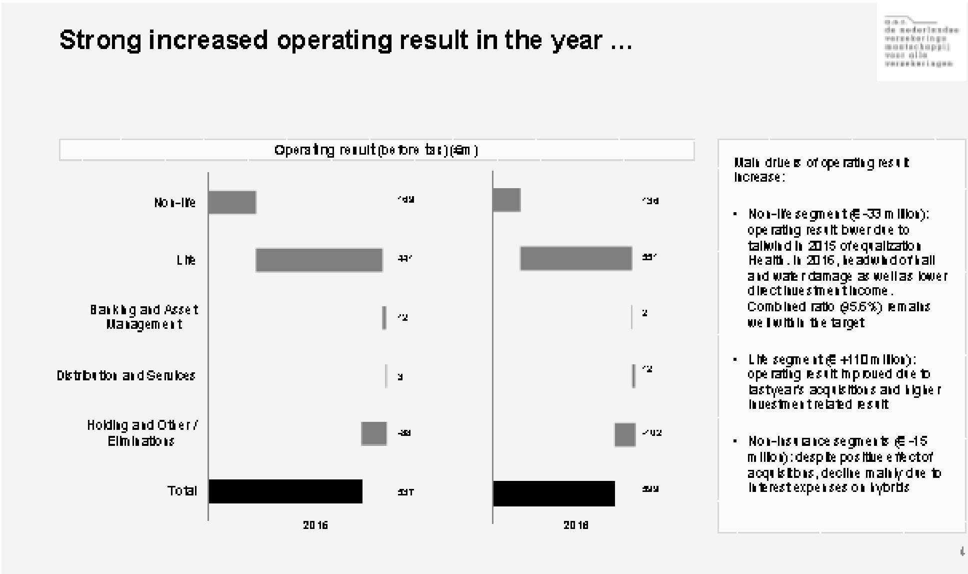
Finally, the acquisition of SuperGarant and Corins have been completed. Together with the existing distribution activities, we expect this to show further traction in 2017.

In Box B, on the left angle down, are the large service books that we manage. Maintaining a low cost base is crucial. We have expected the clients in particular in the Individual Life portfolio roughly 50% in the next ten years, we are variabilising the cost base, so that our costs keep pace with the declines of the book. We are on track in realising the medium-term cost decrease.

Finally, Box D. As you already know, we also dare to take tough decisions in divesting businesses. Last year, we divested SOS International and stopped our real estate development business and divested some of the real estate development projects.

Finalising this slide, the heart of our equity story is about capital generation, reflecting in an accretive solvency number, which we can invest in our business and to pay attractive dividend. We are much disciplined in deploying our capital in areas where our skills and expertise allow us to offer customer's good value in products and services, while achieving attractive returns for our shareholders. We are not capital hoarders.

Let's now turn to the next slide.




**[00:11:52]**
The operating result increased € 62 million to € 599 million. Lower earnings in the Non-life segments were more than offset by an increase of € 110 million in our Life segments. While the combined ratio remains strong at 95.6% in 2016, exceeding the target of 97%, the operating result in Non-life was mainly impacted by lower direct investment income, the hailstorms in June, and lower contributions from the equalisation system in Health, the lower contribution of € 16 million.

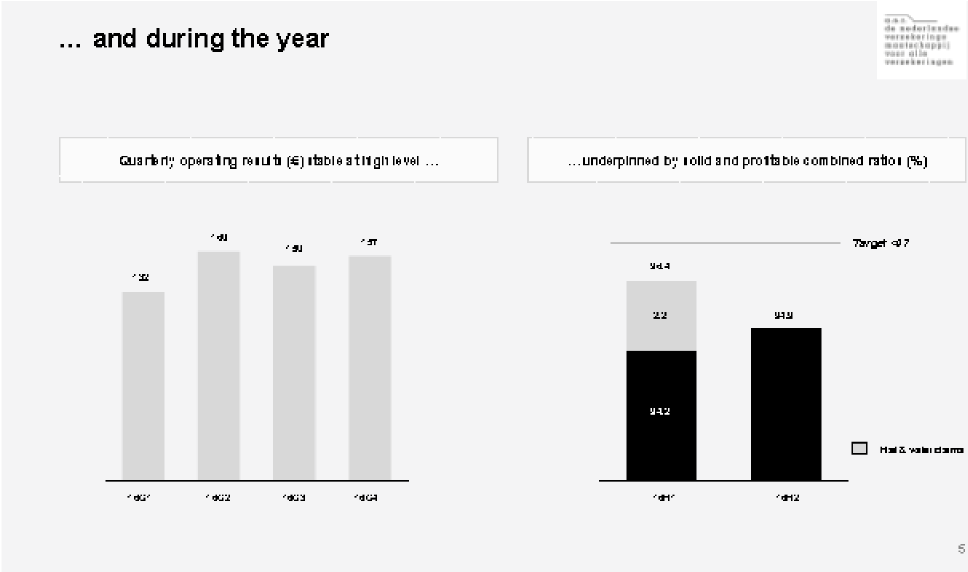
The P&C business performed well, including the absorption of the hail and water damage claims, which impacted us by € 25 million earlier in the year.

The increase of € 110 million in earnings in Life is primarily related to the positive contribution of the acquired companies – € 22 million – and higher investment-related results on swaptions. The increase release of realised gains reserve compensated the lower direct investment income, as you may notice.

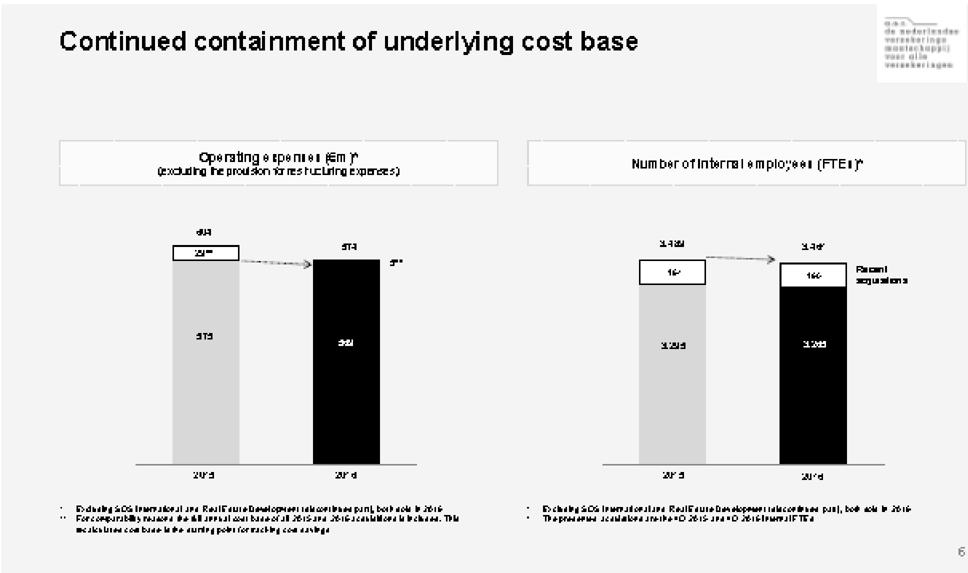
The operating results of non-insurance activities showed a decline of € 15 million, mainly due to higher interest expense in the holding of € 17 million. This is related to the issuance of the Tier 2 subordinated debt of € 500 million in September 2015.

Acquisitions contributed to an increase of the operating result by € 8 million in the Distribution and Services segment.

Let's now turn to slide 5.




**[00:13:40]**
Not only the full year went well, also the quarter-by-quarter developments show the strength of a.s.r. I am especially proud of the quarter-on-quarter combined ratio. This is already the twelfth consecutive quarter that our combined is below 100%. This, in combination with the organic growth of our Non-life business shows that structural underwriting loss-making Non-Life business is not necessary to grow our top line.



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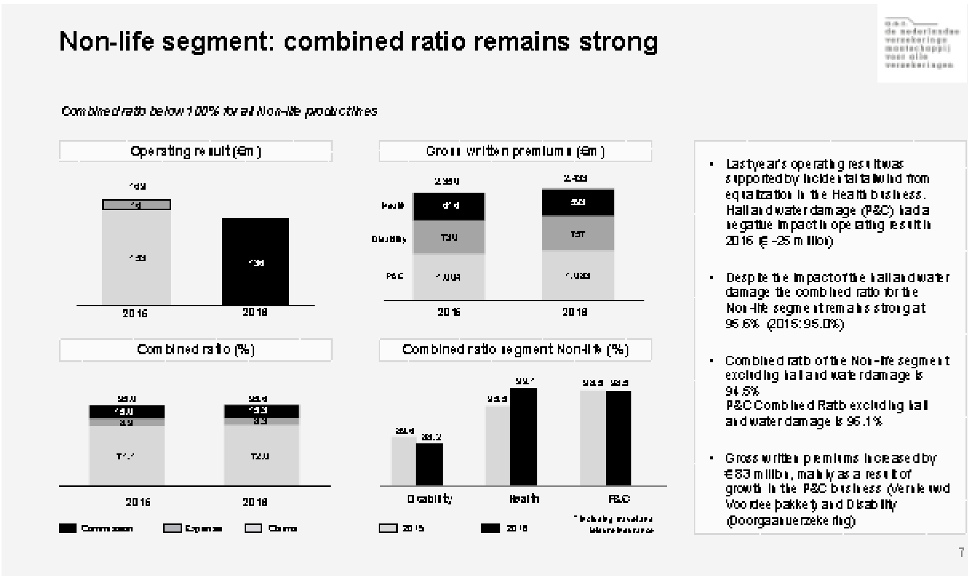
verzekerings
maatschappij
voor alle
verzekeringen

**[00:14:15]**
One of the key drivers of solid operating earnings and long-term value creation is our ongoing focus on cost. A discipline which has become part of our culture and daily operations. In Non-life, the expense ratio improved from 8.9% to 8.3%. In Life, the expense ratio was also better: 11.7% instead of 12.3% of 2015.

All in all, operating expenses decreased from € 575 million to € 569 million, a decline of 1%. This picture by the way is actually somewhat distorted by the acquisitions we have done in 2015 and 2016. On a like-for-like basis, that means including the full annual cost base of all acquisitions, the 2015 comparative cost level would have been € 604 million. This would then result in a decline of € 35 million. We have been able to absorb the full cost base of the acquired businesses. Measures taken to reduce our cost base are fully on track and on target.

Let me now turn to slide 7, the Non-life segment.




**[00:15:38]**
Let's have a closer look on this segment. In the Non-life segment our underwriting expertise is market leading. All Non-life product lines showed combined ratios below 100% and we are proud of that.

Even including the impact of hail and water damage claims, we have been able to keep the combined ratio in a 95-ish range, better than the target of 97%. Also noteworthy is the favourable development in our expense ratio, as I already mentioned.

The market developments towards more rational prices allowed us to both grow our top line with an overall growth of 6% in the P&C and Disability business.

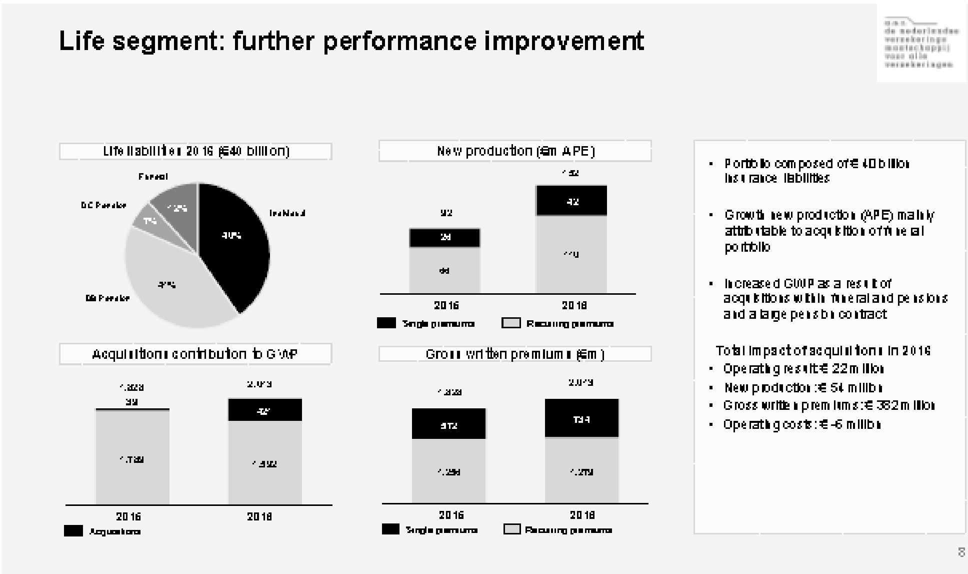
The operating result in the Non-life segment continues to be strong. The exceptional hail and water damage led to a specific claim of cost of € 25 million after reinsurance. We also by the way experienced an increase in the number of large claims – roughly € 7 million – relative to multi-year historic averages, which have been covered in part by reinsurance contracts.

Even after those our P&C combined ratio has remained strong without unduly relying on reserve releases.

The underwriting results of the Disability business improved. This is driven growing business volumes reflecting the recovery of the economy in combination with the expertise in claims handling, prevention and reintegration.

Our Health insurance businesses reported lower earnings, due to lower benefits in combination with higher claims estimation from the Dutch National Healthcare Institution. In addition, we also experienced higher dentist claims for Supplementary Health insurance. The total effect amounts to a decrease of € 25 million, but still delivering an IPO-target of 99% combined ratio.

Let's turn to our Life segment.

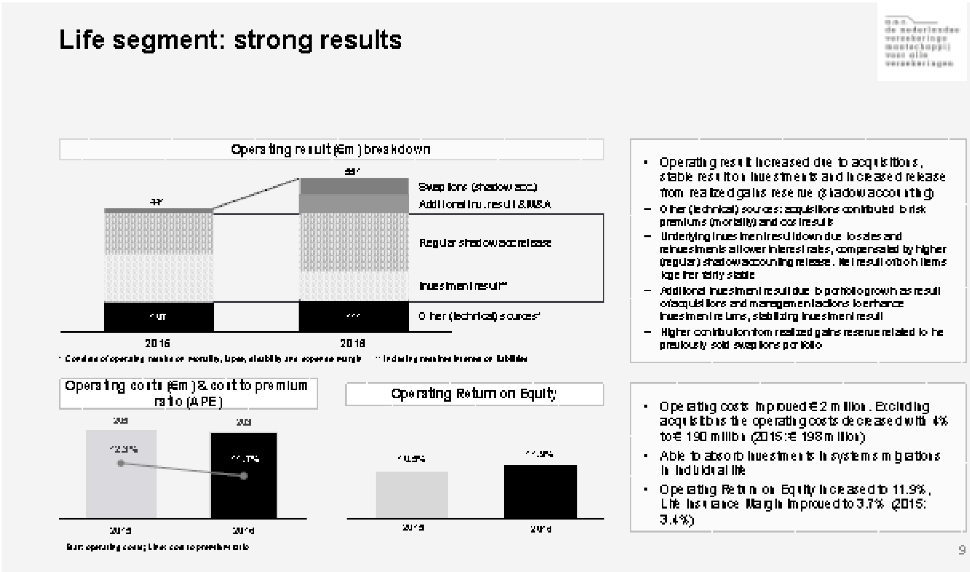



**[00:17:41]**
As you may know, our Life segment comprises three major product lines: Individual Life, which is 40%, Pensions, which is 50% in terms of reserves, and Funeral insurance, which is 10%, although by the very nature of the product, we would expect Funeral to increase gradually in the future.

Gross written premiums of the total Life segments rose by 10% to more than € 2 billion. The decrease in the Individual Life portfolio was more than offset by the growth in the Funeral business, including the acquisition of AXENT and NIVO and our pension business, due to the acquisition of De Eendragt. The DC pension also contributed to the growth, including customers switching as a result of the commercial integration of De Eendragt. Single premiums in the Life segment increased by € 162 million to € 734 million. The increase includes the transfer from the Funeral portfolio of NIVO and the pension contract for AstraZeneca.

New business went up by € 60 million to € 152 million in 2016. By the way, excluding NIVO the underlying growth of the Life segment was € 8 million.

In the pension business, the shift from capital-intensive defined-benefit products to capital-light products is making progress. As already mentioned, we noticed a doubling of new business.

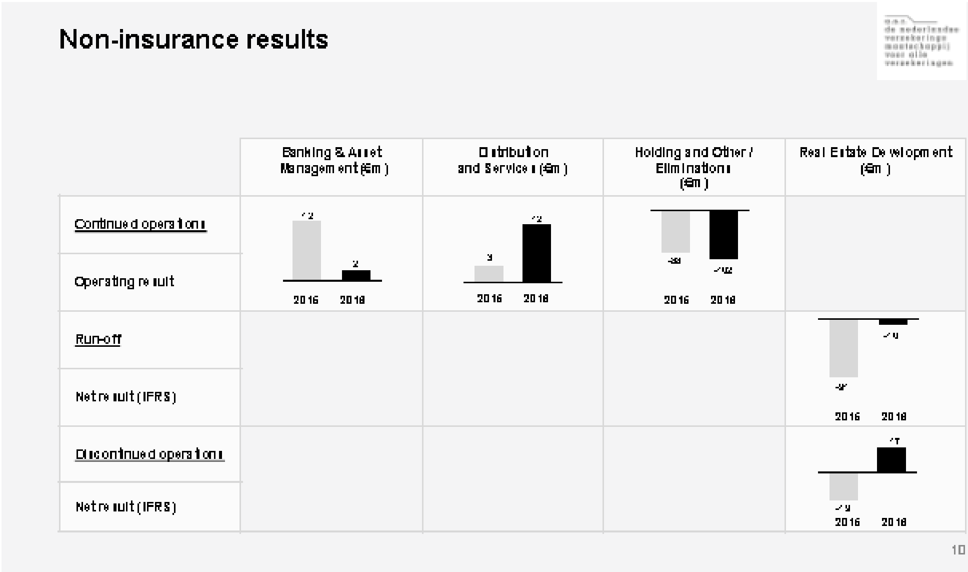



**[00:19:22]**
From an earnings perspective, the Life segment is a major contributor to the overall group earnings. The operating result rose by € 110 million, driven by higher income from first of all the realised gains reserve – shadow accounting – a higher contribution from acquired businesses as well, and from a higher investment-related result on swaptions, whose gains also feed through our capital gains reserve.

We also benefitted from some portfolio management decisions. Chris will discuss those later. Important to note here is, as the bar chart on the top shows, that the lower direct investment income is offset by higher regular contribution from the realised gains reserve under shadow accounting. This shows the stabilising effect from the shadow accounting method under our interest rate hedging program.

Operating expenses in the Life business including the additional costs of acquisitions, which by the way were € 8 million in the Life segment, decreased by € 2 million to € 203 million. Due to the successful integration of the acquired businesses into a.s.r.'s ICT-platform, we were able to capture scale benefits. As a result, the cost premium-ratio improved 6 percentage-points to 11.7%. During 2016, further steps were taken to achieve cost savings ambitions. As discussed, this includes the migration of several product and system combinations into a new single platform.

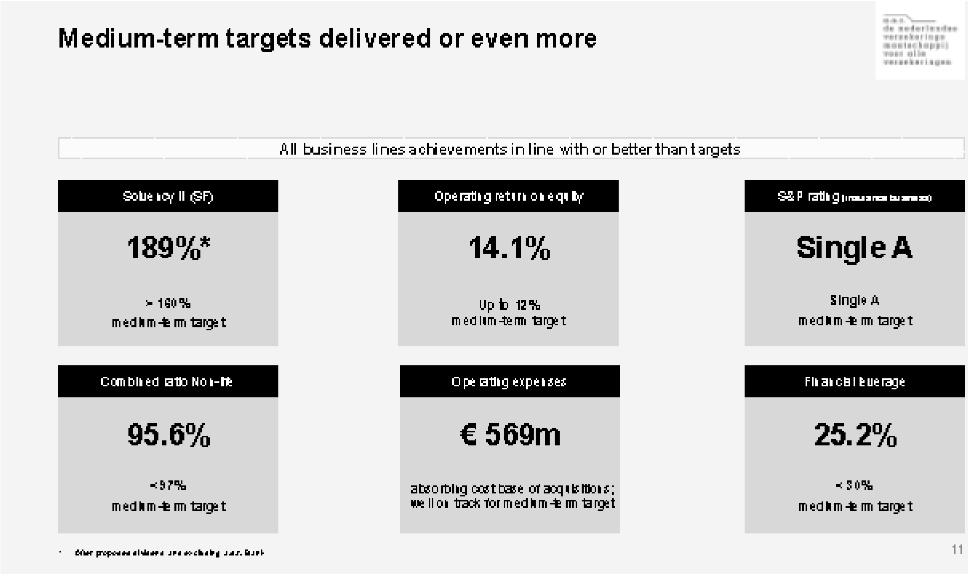
Overall, the Life segments delivers very good returns. The operating return on equity increased to 11.9%, while the Life insurance margin rose to 3.7%, being 3.4% in 2015.




**[00:21:24]**
Turning to the various activities in non-insurance. These are performing broadly in line with expectations. In the Distribution & Services segments we have acquired SuperGarant and Corins and we expect them together with the existing distribution entities of the Van Kampen Groep and Dutch ID to gain further traction this year.

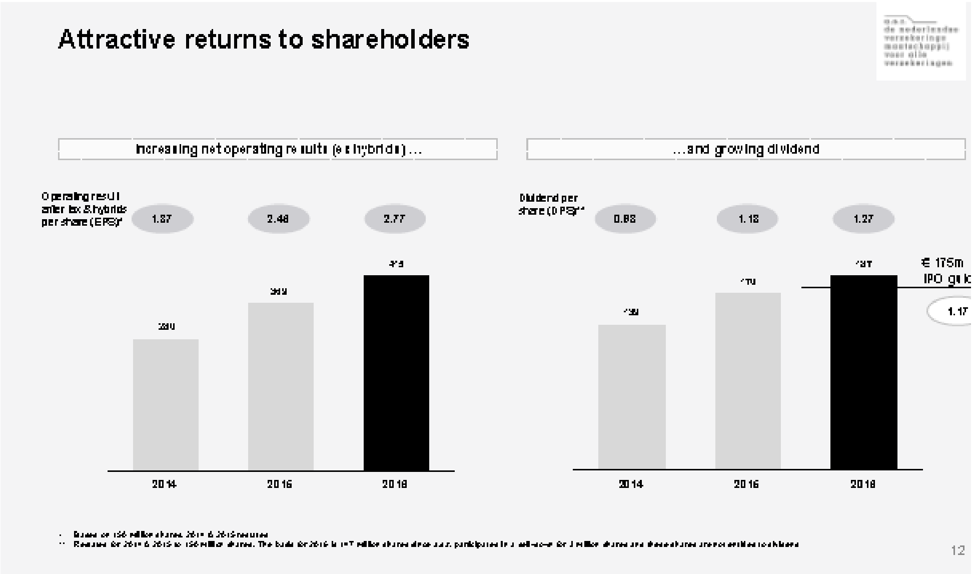
In the banking and asset management segment, the acquisition and integration of BNG asset management has been completed and showed early success in winning an asset management mandate of € 1.7 billion. The operating result of a.s.r. bank was lower than expected, reflecting actions to further improve the organisation.

Let's move to the comparison with our IPO-targets.



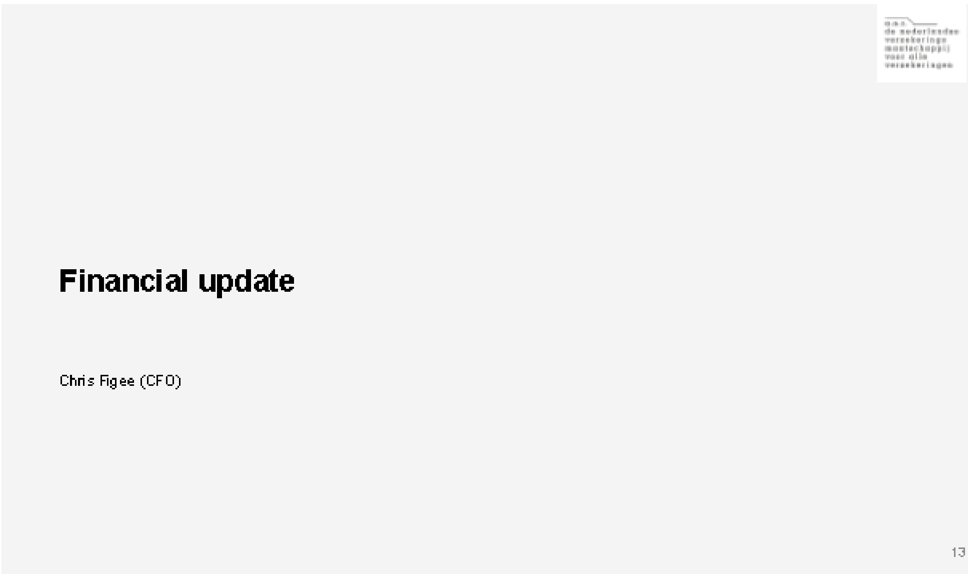

**[00:22:11]**
I believe that in the past year we have delivered the proof that we are executing our strategy diligently and consistently with our equity story. One quote in the reports we have seen this morning summarised it even better 'a.s.r. continued undisturbed on its path of over-delivering on its IPO-promises'. We could not have said it in a better way.

Our financial results are strong and profitable and our balance sheet is robust. As I mentioned in the beginning of the call: make no mistake. It is hard work to get these results and these targets are challenging in the Dutch insurance environment. I am confident that our ambition stands high in any fair comparison in the Dutch market.



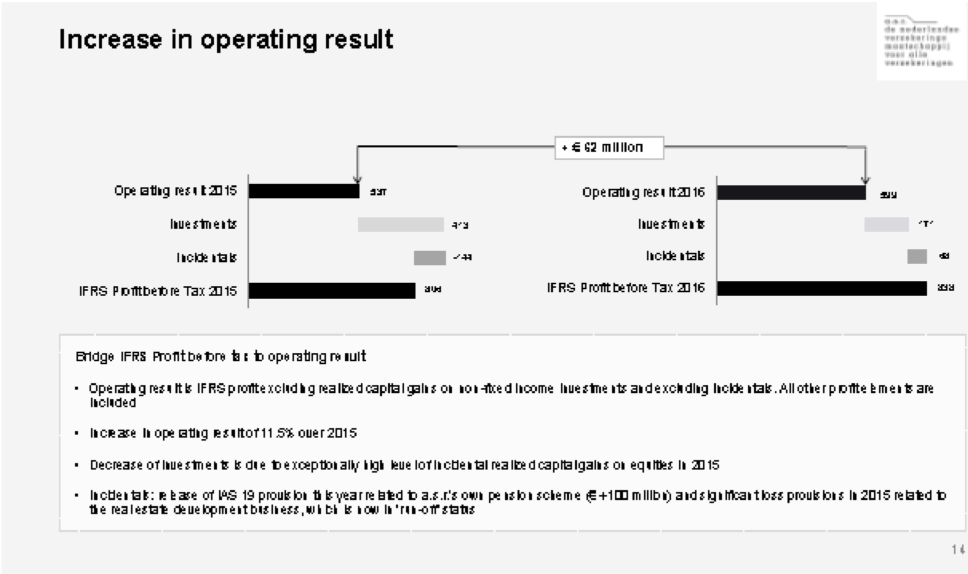
**[00:23:10]**
Year on year we achieved better financial results, driven by a strong business performance. A steady increase of operating results has enabled us to also increase the returns to our shareholders. Over the past years, we have built a solid track record of paying dividends. The proposed cash dividend of € 1.27 per share is an increase of 12% compared to last year. The return of cash to shareholders is also underpinned by our recent share buy-back of 3 million shares in the sell-down of the Dutch State. This year, 2017, a new dividend policy has become effective. The annual dividend will be based on the pay-out ratio of 45% to 55% of the net operating result attributable to shareholders i.e. net of hybrid cost. By the way, we apply a boundary condition based on our Solvency 2 position, where we would not consider to pay a cash dividend should the Solvency 2 ratio fall below 140%. The proposed dividend of € 187 million is fully in line with the new dividend policy.

For more financial detail and further information on our solvency position and capital generation, I will hand over to Chris. He will continue to build momentum towards slide 22 and 23.




**[00:24:50]**
Mr. **Figee**: Thank you, Jos.

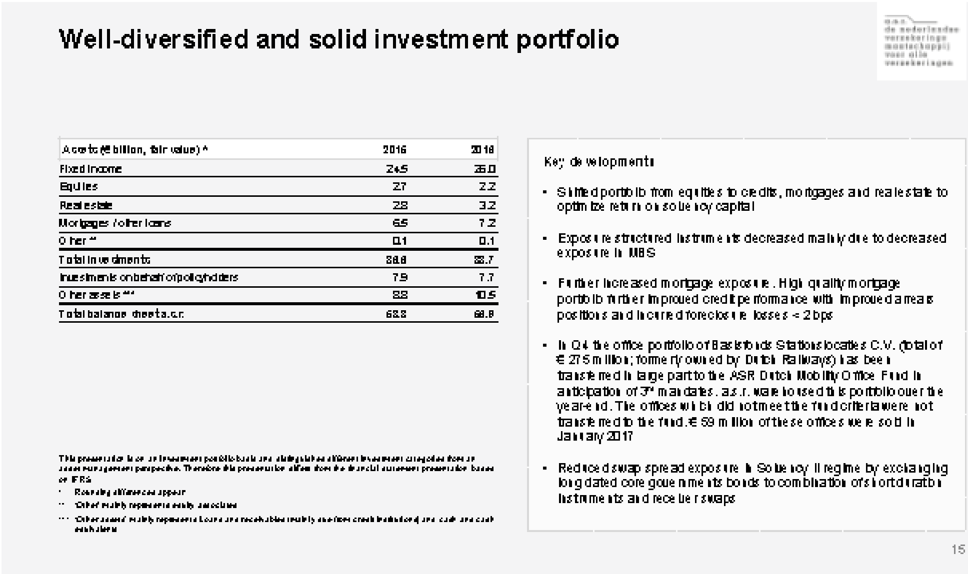
Over to the financial update and continuing on the momentum that characterises our stock for our company. We will move from page 13 to page 25. I will take a few pages that I will talk short and a few pages that I will elaborate more, starting with the financial update on page 14.




**[00:25:15]**
Here you see the increase in operating results. Whether we look at the IFRS results, which is up 4%, or the operating result, which is up 11.5%, we see an increase in results. Details are in the appendices A to E. Just a reminder on this page: the difference between the operating result and the IFRS result are the capital gains and incidentals. On the investment side we this year we had a more normal year in terms of capital gains of around € 170 million. That is kind of where we were in the long run in terms of capital gains. You might argue it is slightly lower than normal, because we traded a bit less in our land portfolio and last year we had exceptionally high capital gains, as we rebalanced our equities portfolio.

In terms of incidentals, last year we had a negative € 93 million incidental relating to the provisions for real estate development. This year, we had a € 100 million plus positive incidental from the finalisation of the modernisation of our pension scheme. We bought off the previous unconditional installation commitment. This elimination of inflation exposure led to € 100 million reduction of the defined benefit obligation, so a plus.

Overall, the IFRS result up about 4%, operating result up about 11.5%, operating ROE this year 14.1%, similar to the 14.5% operating ROE we had last year. The decline in the ROE was solely due to the higher base. In the appendix C you can see the ROE calculation and the denominator in the ROE calculation moves up from € 2.5 billion to € 2.9 billion. So, the small decline of ROE is simply because the denominator went up. Had we had the same denominator as last year, our ROE would have 16%.




**[00:27:14]**

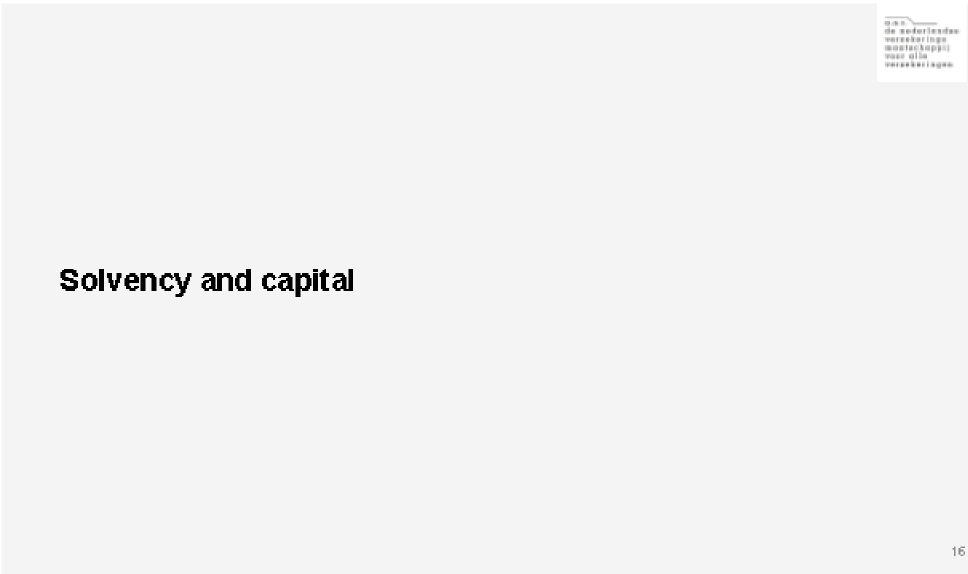
Moving on to the investment portfolio, we see that the portfolio increased in value to about € 57 billion. Details are provided in the appendix H and I; there you can find break-downs by asset class and by sub-asset classes. Here, we have a couple of points to make. During the year, we made a sort of tweak to the portfolio to further optimize our return on capital, especially in a Solvency 2 context. We basically continue to rotate out of equities and shift to credits, to mortgages and real estate. In this move, the direct investment income of our book went up 3%, despite lower interest rates. The direct yield, the direct IFRS yield is about 2% to 3%, so 2.5%. If we include release from the shadow accounting the capital gains reserve, the direct yield is still safely above 3% and appears to stay there for the planned period.

Highlighting mortgages and real estate: our mortgage is now 18.6% of the total asset base. Gross mortgage production was € 1.3 billion and the net increase was € 700 million mortgages. Our book is now 50-50 split between government guaranteed and non-government guaranteed. I would like to point out that 75%, three quarters of our mortgage book, either has a government guarantee or a loan to value of below 75%. Given this high-quality nature you will understand that the performance is good and that the book is developing very healthfully. The arrears-numbers: 90 days in arrear are less than 1.5% of the mortgage portfolio and the actually default or foreclosure costs are less than 1.5 basis points. So, a very healthy and solid mortgage book. There is actually quite a lot client-demand from institutional investors, wanting or desiring to invest in our mortgages and we are turning it into a mortgage product.

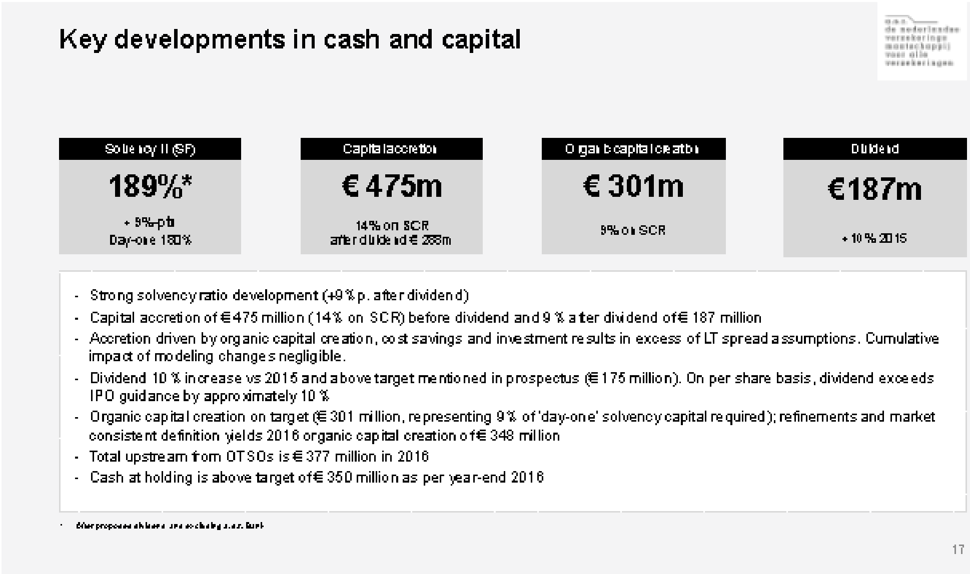
In terms of real estate, Jos already alluded to the fact that we acquired the office portfolio of the Dutch railways: € 275 million. Effectively, we warehouse these assets over the year-end. We bought them in December and they are on our balance sheet. In January, we saw € 60 million of non-core assets. We placed € 20 million already in funds or third-party clients and the remainder of about € 200 million will be partly on our own book and partly managed for third parties in a new fund. So, please note that € 275 million office acquisition in real estate is actually a step towards another real estate asset management solution. And also please note that about 40% of our real estate portfolio is in land. People say that they do not make that stuff anymore, so we say that we are very pleased with our land business.

The yield after vacancies in our real estate portfolio is 4.3%. For those of you with a more black perspective on the world and on our risks: the exposure to the Italian banks is € 130 million, all in fixed income, all in as we see it high quality institutions, exposure to Monte Dei Paschi is € 7 million in a senior bond, so the amount of direct risks from some of the remainders of the crisis is very, very limited.

Finally, we made a number of changes in our liquidity portfolio to deal with swaps-exposure and the lock in our Swaps –spread: we will talk more about that when we get to page 25.

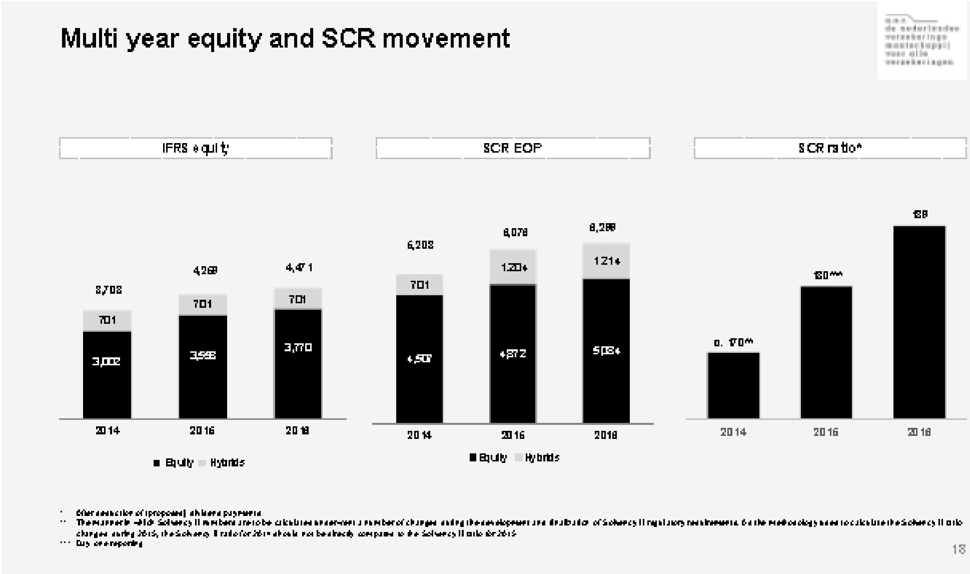



Let's first turn to page 17.

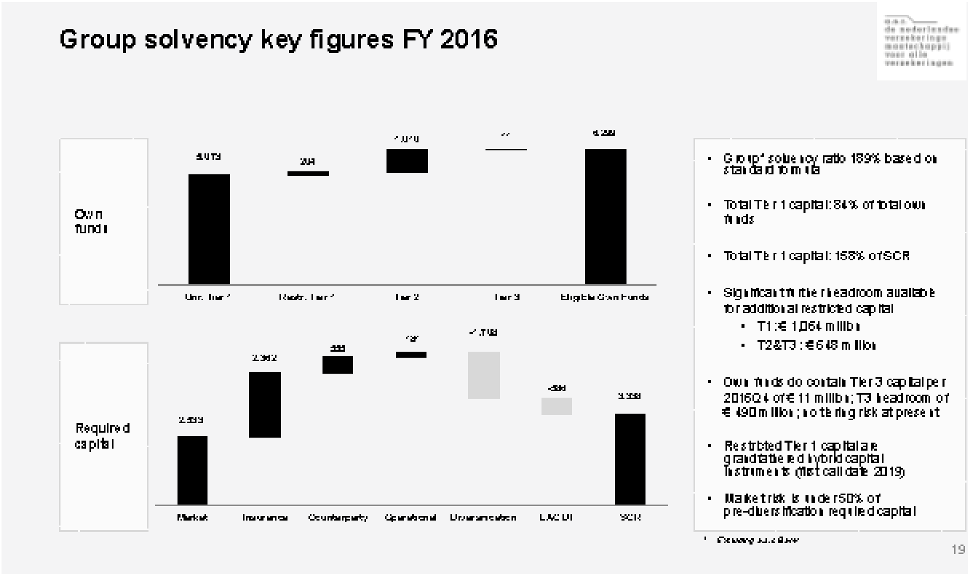



**[00:30:50]**
Here we kick off the discussion on capital. This is one of the pages that I will talk about very shortly, because Jos has gone through the numbers. The Solvency 2 standard model 189% post the foreseeable dividend, and 194% pre-dividend. Compare that to 180% in our Day 1 report means a total accretion of capital since the beginning of the year of 14 percentage-points. Organic capital creation came out at 9%, in line with the IPO guidance. During the year we had numbers of comments and suggestions to harmonise and update our definition. We will talk about that later. Important to mention is that the 9% is per the existing, the old methodology. So, we met our targets not by changing the model, but by delivering on our goals.

Dividend at € 1.27 per share. If you add back the cash dividend of € 187 million plus the € 66 million shares we bought back – the value of the shares we bought back in January – the total cash return since the IPO is € 253 million, or 8.7% of the IPO valuation. So, we hope and trust that those who had confidence in our stock at the IPO were duly rewarded.




**[00:32:17]**
We continue to build momentum on SCR developments. Some people call me old-fashioned, but I sometimes like to look at book values. In this chart you can see the IFRS equity book values and the solvency-eligible own funds. IFRS equity moved up, from € 4.2 billion to € 4.4. billion. If we exclude the hybrids from € 3.6 million to € 3.8 million, so an increase in book value ex hybrids of about 6% over the year. If you look at the equity base that we use for ROE calculation – you can find it in the appendix – you see it moved up by 5% during the year. Eligible own funds up to € 6.3 billion, excluding hybrids moved up by 4%. So, if you take different book values, whether it is Solvency own funds, whether it is IFRS, in- or excluding hybrids or with or without realised capital gains, by all means the book value of the group went up. We think in the long run, book values are good guidance for the development of any company. So, we are pleased with the continuous accretion of funds, of book value.




**[00:33:28]**
Page 19 depicts the own funds and the required capital. Eligible own funds of € 6.3 billion, required capital of € 3.3 billion, divide one by the other and you will get 189% post-dividend solvency.

A couple of points on stock that are worth mentioning. Tier 1 is 84% of total funds, Tier 1 ratio 158%, so a pretty solid construction of solvency. We had significant headroom available. We have noticed some discussion in the market around Tier 3 and Tier 3 capacity and tiering risks. Our DTA of the group is € 11 million, which compared to the total gross headroom of € 501 million for Tier 3 capital. So, the net headroom in Tier 3 capital is € 490 million = € 501 million minus € 11 million. That means that even if our DTA goes up and even if interest rates move, the Tier 3 capacity or the Tier 3 tiering is not at risk. Of course, if you were to use the Tier 2 or Tier 3 space you need to think about your ability to absorb changes, but at this point in time no tiering risk to the solvency of a.s.r.

In terms of eligible own funds: in the year we absorbed a decline in the volatility adjustor, which moved from 20 basis points in the beginning of the year to 18 per half year and 13 at the end of the year, so effectively a drag or a headwind of around 9 points in solvency. So, when you compare the 180% on day one to 194% pre-dividend, please note that it is after absorption of a 9 percentage-point VA-drag, so to speak. This is just to give a bit of colour on the underlying accretive capacity of the group.

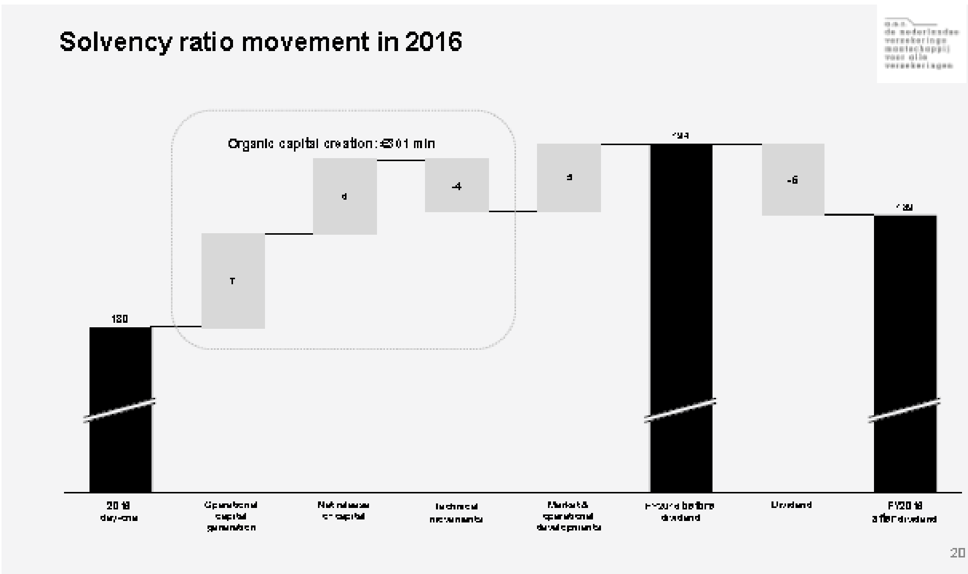
Double-clicking or zooming in on the required capital: in the appendix D you will find more intelligence or data on the sources of the changing capital.

Our market risk is still 49% of the pre-diversification required capital. Where do you want it to be. Remember that we are an insurance company and not an investment fund, so we believe that market risk will hover around 50%. It could be a bit above or a bit below, but not too far off. 50% is a number we feel very comfortable with.

Inside the market risk bucket, during the year, we lowered allocation or capital allocation to equities, we lowered capital location to currency risks and we increased capital allocation to spread risks and to real estate risks. That actually is a reflection of the portfolio choices we made. There was a slight increase in allocation to the long-term interest rate shock, which is a technical phenomenon as the curve changed during the year. The curve steepened during the year. The interest shock, the capital charge were shocked and Solvency 2 went up. But by en large, out of equities, out of currencies into corporates, credits, and into real estate. That is the delta behind the market risk number.

Let me go to other capital components. The Life risk charge went down for the year. In the Life bucket we had an increased charge for longevity, which is a second order effect from the changing interest rates, offset by reduced lapse risks – remember our mass lapse insurance – and due to lower cost risk, which is a benefit from the integration of AXENT. So, in Life and increase in longevity more than offset by a decrease in lapse and cost charges. Counterparty risk went up, due to the allocation of mortgages and LACDT, a small support to capital from delta and LACDT. We will come to talk more about this later and no doubt we will talk about it in your questions.

So in summary, when you look at the capital requirements, we had reductions in required capital or an increase in the availability of capital if you wish. To reduce the charges for lapse risks, costs, equity, currency risk and LACDT and we allocated more required capital to spread risk, real estate risk, counterparty risk and in our business P&C to some extent longevity risk. Please note that real estate reflected the € 275 million effective warehousing we did on real estate for the office fund. So, looking at our numbers we believe we have a rock solid solvency number, strong tiering, no tiering risks and we are pleased with the level and the quality of our solvency. Again, from our perspective well controlled measured developments in the underlying solvency components where we continue to assess the sources and used of capital to optimise our balance sheet and to provide good returns to all our shareholders.



**[00:38:24]**
Let's go into the organic capital creation. Let's go into the delta of our solvency development. As per the half year we would like to break down the delta solvency in underlying components. Now, one word of caution here. Any break down in the delta solvency is judgmental by its nature, but the insurance industry is still trying to find stable ground here. We aim to run at the forefront of capital disclosure and share how we think, but any bucketing of delta capital has an element of judgment to it.

Then we will follow on with the approach we took last year by defining organic capital generation, organic capital creation in three buckets: operational, net release of capital, and technical movements. The remainder, the category 'Other', is called market and operational developments.

Let's start with the technical movements, work away from right till left. The box technical movements contains the UFR unwind and equity transitionals. The UFR unwind for the year was € 110 million or about 3.3% of SCR. Also it includes in this metric the equity transitionals, the amortisation of transitional rule for equities. After diversification it is about 0.6 SCR points. So, the total technical movement, technical drag is 4%. Please nota again that this has nothing to do with management skills or whatsoever; this purely is a technical shift between stock and between flow. It is almost like running up on a downward-moving stairway, on a running escalator: you would have to run faster than the stairway to make progress. The annual drag from this point is about 4 percentage-points in the last year.

The second bucket is the net release of capital. This consumes or contains the release of SCR, the release of risk margin, and investing it in new business. The resulting number here is 5.7%. Think about SCR minus new business and risk margin of equal size. The 5.7% you can divide into 2; half of it is the risk margin and the other half is the release of SCR minus new business investments. The SCR-release was tilted up a bit, because the lapses on our nominal Life would have moved up a bit during the year. In our country, people redeem or have redeemed their mortgages more than they used to do, so we used to run at unnatural, unexpected lapses of about 50 basis points a quarter. That has moved up to 60 basis points a quarter and has been stable throughout the year. So, some acceleration of release of capital through the redemption of mortgages, but again pretty well sustainable, 5.7% in terms of net release of capital, 50-50 between risk margin release, and SCR minus new business.

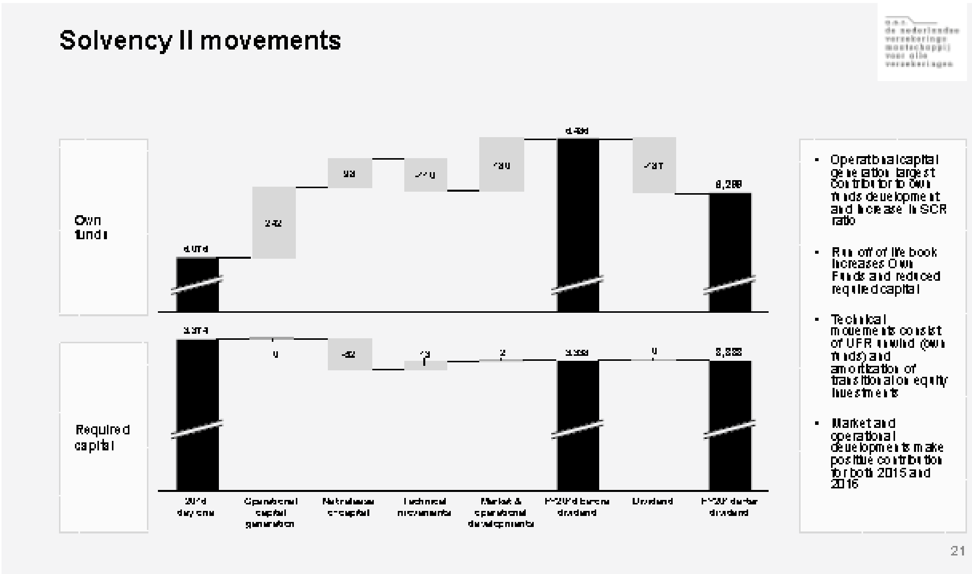
Then we have the operational capital generation. That is comprised of excess returns, technical results, fees, and then holding cost and hybrid cost. In total 7.2% of day-one capital, with excess returns the largest component and with technical results exceeding the holding cost. So, that gives an approach where our business generated about 7% of capital plus a release of capital of 6%, eaten up partially by a 4% technical drag in stock inflow. Measured in euros it gives € 301 million of organic capital generation or 9% of day-one solvency, which is in line with our guidance and expectation. The € 301 million you can break down into own funds and SCR-charges, on average € 213 million in increase in own funds and € 38 million in lower SCR-charges.

The bucket 'Other', market and operational development, is a plus for the second year in the row. We outperform, we added for the last two years over and above the organic capital creation. In this bucket you have a number of plusses. You have excess returns over and above the assumption in the OCC, the cost benefits, lapse insurance, LACDT positives are a plus. Negatives would be the decline and the volatility adjuster and the increase for example allocation to interest rates and to real estate, and finally some modelling changes, but all modelling changes have basically been cancelled out.

Where does this leave us? Compared to the model we chose at the beginning of the year, we have delivered on our guidance: 9%, € 300 million capital creation up from € 264 million last year in what was not an easy environment.

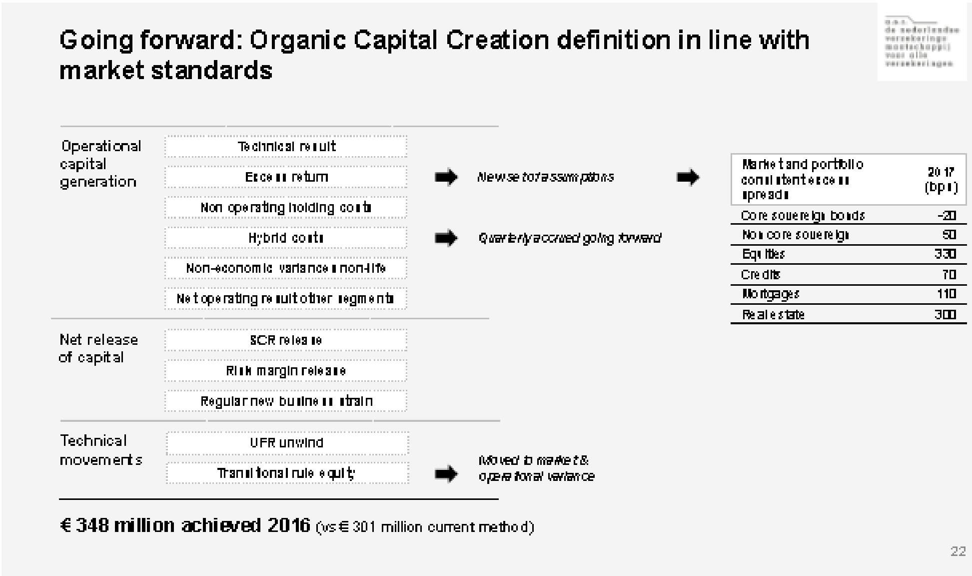
The second important point to note is that the operational capital generation exceeds the release from our book, the business generates more than the release from the book. This is the way we organise our company; we are a book, a business about capital generation and not just capital release. In the way we manage our company, the factor 'Other' was again a plus over and above the OCC.

To give a little more colour we have moved to page 21.




**[00:43:50]**
Here, you can see the movements, the numerator and the denominator, the delta in own funds, and the delta in required capital. I will not spend too much time talking about it; it is more for your perusal but again, you can see about € 230 million net increase in own funds and € 38 million benefit in required capital. If you multiply that € 38 million by the average solvency of 184% during the year, you get to the € 301 million OCC. Again, here is shows that operational capital generation – € 242 million – is the largest component of what we deliver in terms or organic capital increase.

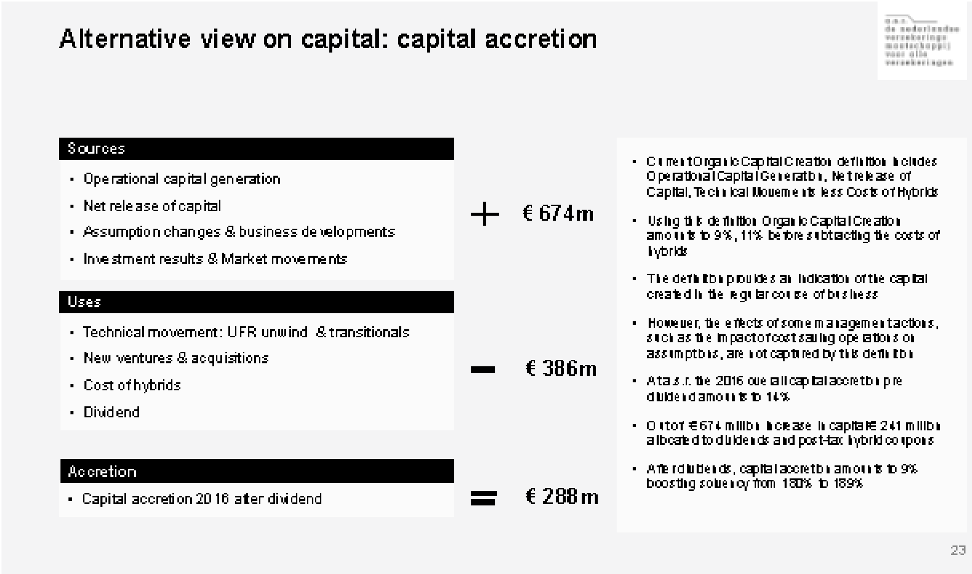
Finally, please note the market and operational developments. The required capital element of that is only € 2 million, so € 2 million in required capital from market and operational developments. That is actuarial speak for 'there were no major net modelling changes to speak of'. So, if there were modelling changes it cancelled out, this did not lead to a massive increase of required capital. So, page 21 elaborates further of the organic capital generation.




**[00:45:01]**
Here, you see the definition of 'going forward'. As said in our interaction, we have invested in analysts. We have lots of feedback on the way we calculate the OCC. We have been challenged if we were not too conservative, especially in the assessment in the long-term spreads. We have conducted a very thorough analysis and also used some external support, and looked at UFR unwinds, traditionals, spread assumptions, and what have you. With that, we have updated our models. Again, not with the purpose to meet our goals, but with the purpose to be market consistent in our assessments of organic capital generation. After the assessment, we have concluded it better to move the transitional rule for equities – like others do – to the bucket market and operational, and we have adapted our spreads. Most notably, we moved up the spreads and mortgages, equities and real estate. We stratified our bond spreads and we are differentiating between core govies and non-core governments. Let's be true and responsible: liquidity does come at a price. We observe some industry participants to plot a zero spread for government bonds. In these days and age that is not realistic; government bonds do provide a drag compared to these solvency curves. We estimate for the medium term spreads on core sovereigns are minus 20 basis points.

Using this, we get a refined of € 348 million for capital generation in 2016, so on a market-consistent methodology, market-consistent way of measurement we get to € 348 million of capital. Think of it like this: take the start in OCC of € 301 million, add about € 14 million from excess spreads, deduct € 15 million from the negative drag from government bonds and add € 24 million on a full-year basis from the reclassification of transitionals. That will give you € 348 million to € 350 million for the year. Going forward, we will work on that definition.

The long-term investment margins are what they are: long-term investment margins, so we intend to keep them stable from now on. The one thing we will continue to assess is of course the government bond spread, as interest rates and swap-curves move. At this point in time, it is fair to assume that there is a drag for any insurance company holding government bonds. That is roughly the price for holding liquidity.

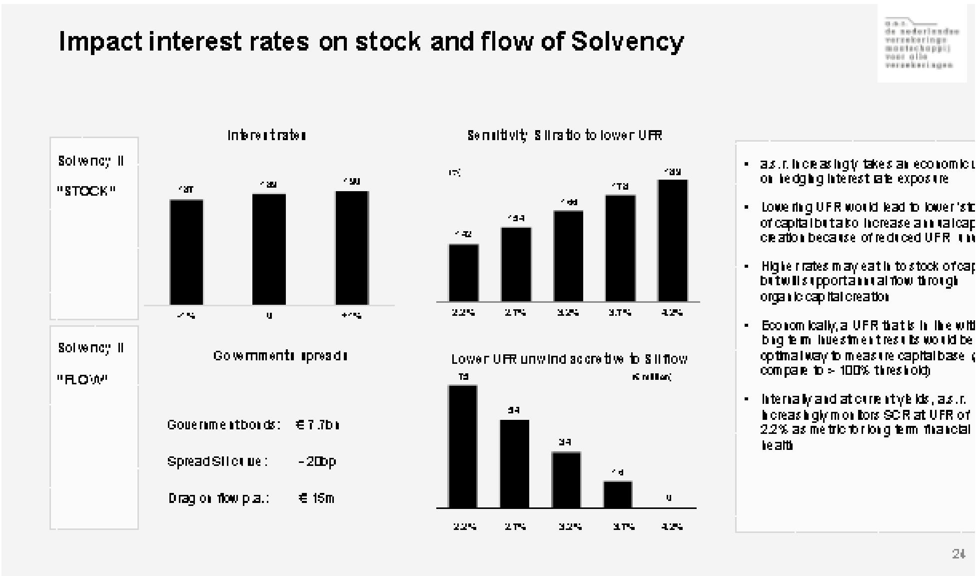



**[00:47:32]**
An alternative view on capital: capital accretion. As we said before, OCC, organic capital creation is just one way to slice and dice your delta in solvency. In reality of course, this is a number that hinges in an assumption, on assumptions you make on spreads. We have shown you how we have define it. We want to be fully transparent, but the definitions make the number. The numbers that cannot be changed are the number at the beginning of the year and number at the end of the year. Those are hard numbers, audited numbers. In order to give full disclosure – and we would like to lead the pack here – we have also provided you with an alternative view on solvency developments, namely through sources and the uses of SCR. Again, this is the number based on the audited figures at the beginning of the year and at the end of the year solvency. If we include all relevant elements, the sources of capital were € 674 million and the uses of capital € 386 million, out of which € 241 million was returned to capital providers, namely dividends – € 187 million – and hybrids, € 54 million. So € 674 million minus € 386 million gives an accretion after dividend of € 288 million and a total return to capital providers in this is € 241 million.

Why do we believe this model is important? Because it reflects the way we run our business. We strive to outperform the long-term investment margin. Excess return do not show up in OCC; they show up in the bucket 'Other' and the bucket 'Other' may therefore sometimes have a structural component to it. So, we strive to outperform the LTIM. That is we are mandated to do and it shows up in sources of capital.

Secondly, we run a Life book that effectively grows to M&A. Post-M&A we restructure the acquired business, we take out costs and when cost are out of an acquired business and taken out that adds solvency, not through OCC, but in the bucket 'Other', namely through lower cost. For example, the integration of AXENT and we expect the integration of NIVO will lead to cost savings that will show up in the component 'Other'. Actually, it is a source of capital. So, we believe that assumptions change, but that business developments do contain some things that are the heart of our business model, but that cannot be captured in the OCC-number. This means that the capital accretion of the group, bucketing the sources and use of funds, is a good way of looking at how this business develops, how we run our shop. It was € 288 million or € 475 million pre-dividend. As you remember, we January we used another chunk of this buying back € 66 million of shares. So, I think it is only fair to complement or accompany traditional capital generation numbers with capital accretion, sources and uses of funds.

I understand you are all getting tired, but hang in there, because we have a few more slides to go through. It is almost like a game of cricket; once you understand the rules, you are ready for tea. So, two more pages to go.



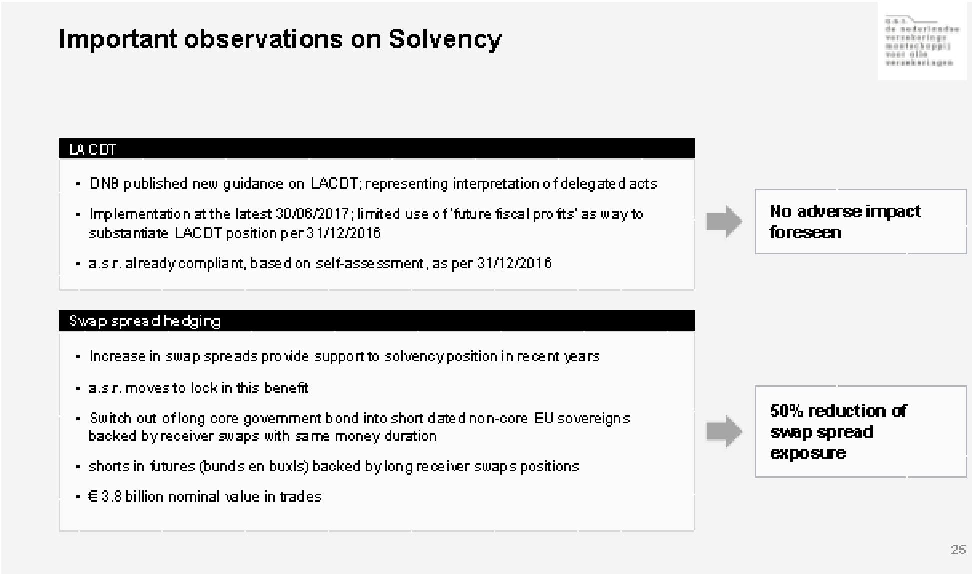

**[00:50:44]**
On this page you can see the impact of interest rates on stock and flow. The interest rate sensitivity is limited, stable, and not so much because we changed our hedging policy, but because the increase in interest rates in the last months of the year reduced the convexity of our business and the convexity change reduced interest rate sensitivity. More important is exactly the sensitivity of SCR to a lower UFR. On this page you can see the solvency ratio, but different levels of UFR. 189% is where we are today, 178% at 3.7%, the number that used to be contemplated by EIOPA, and a number of other figures. Please note the bottom end of 2.2%. In our industry everybody – participants and regulators – are all struggling to define the long-term across-the-cycle UFR, what is the right rate to use? There is a long debate whether 4.2% is a relevant number to plug in as a UFR.

Internally, we start to take another view: what if we plugged in the long-term investment yield that we are making today? The basis of that is that you should not discount your long-time liabilities at a rate that is higher than you make today – because then you eat up your own solvency – or at a rate that is lower than you make today, because then you understate your solvency i.e. what if we plugged in a UFR that is really to your investment yields? Would you then still have a solvency that is safely above 100%. The IFRS yield on our book is 2.3% - 2.5%, so in today's market the long-term direct yield is probably somewhere between 2% and 2.5%, ex capital gains. Of course, if rates moves this also moves up.

So, we plugged in a 2.2% UFR and ask ourselves the question whether at that level, which is somewhere close to where the long-term direct yield is, there would still be safety above 100%. That means we could freely distribute cash or invest in future ventures. Then again, we found a solvency level after the SCR shock and after tiering of 142%. That means that at this level we could have responsible, thoughtful financial management and feel confident on future distributions.

We have developed a fairly advanced set of modelling technologies, analyses and tests and played around with different numbers. We will adjust it if rates move, but for us a UFR that is linked to your investment yield should give you a more economic view in the standard model, although we understand that this maybe is a contradictio in terminis, but an economic view in a standard model is what we strive for. We believe this is the way forward for the industry. It is not our formal policy, not an internal model, but a way to think about economic solvency.

Also in this page, for your perusal and by popular demand, we have plotted the impact of different UFR levels on capital generation. As you can see, lowering the UFR to the EIOPA ambition level would reduce our solvency a bit, but also make us still safe above the hurdles and also increase the annual flow, the annual capital generation. Here you can see the move between stock and flow and various solvency levels. Needless to say that strategically we would not mind if the UFR would be lowered a bit. Again, you can also see the impact of government bond spreads and we have € 7.7 billion core government bond book, a spread in the OCC of 20 basis points, the cost of interest rates is a € 15 million drag a year. That is the cost of liquidity.




**[00:54:28]**
Let me give some final observations, on LACDT and on swap-spreads. A lot has been said on LACDT and I guess a lot will be said on LACDT and let me give a few points by us. Our regulator has given new guidance in February on how to think about LACDT and how to model it. Remember, this time around last year we as a group marked down our LACDT considerably, out of prudence and out of anticipation. We wanted to limit the dependence on future fiscal profits. We further developed the model during the year. We received feedback on our Day One model and moved on. To the best of our abilities, DNB guidance that is supposed to be implemented by June, has been reflected in our models. Some points may require some further clarification, but our models appear to be fully in line. We do not expect any major negatives. Actually, some points could be a small positive, depending on how we interpret some of the more complicated elements of the guidance.

For the full year 2016 we have a LACDT of the Life business at 60% and Non-life at 75%, Basic Health at zero, and Supplementary Health at 25%, which is in line with the model that we used and the model that as far as we can see is consistent with DNB guidance. It has very limited use on component 4, on future fiscal profits, and it is robust against fiscal year 2015, historical fiscal years falling out the equation.

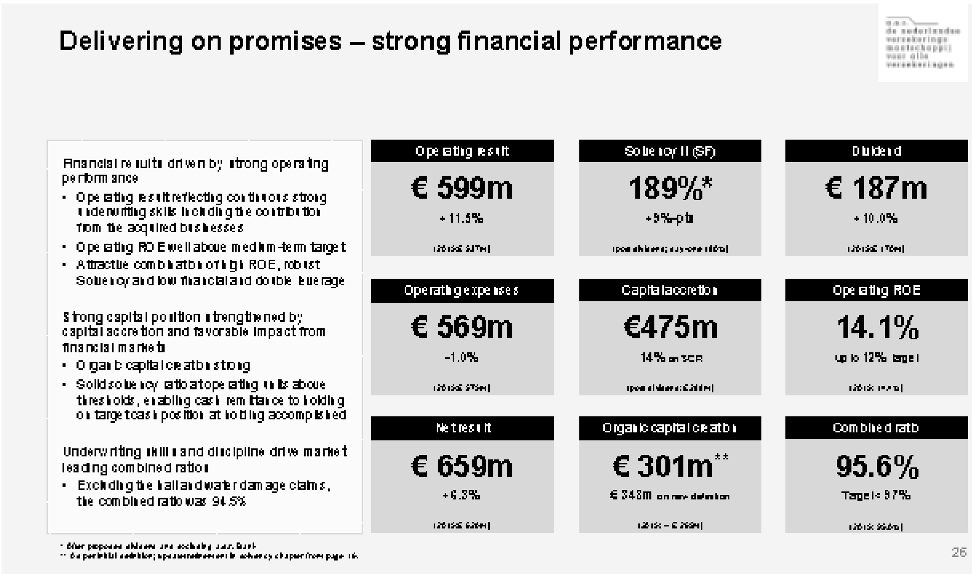
So, when it comes to the complex world of Solvency 2 in combination with taxes, it is relatively lucky then to be smart, that we believe that when you plan well when you anticipate well you increase the also being lucky. So, this development shows that in the industry, in this first formal year of Solvency 2, things are still in discovery mode. From our perspective, LACDT has been implemented in a very limited to no material downside.

On swap-spread hedging, please note in Solvency 2 your liabilities are discounted on the basis of swaps and the assets comprise a larger investment. They are not swap-related or at least priced on the basis of the government curve i.e. almost € 8 billion of government bond portfolio in our liquidity book.

In this pace, the swap-spread widening, which as we have seen in the last years has supported solvency across the industry. Also we have benefitted from this. Given market developments, we have decided to lock in some of these benefits whilst maintaining the liquidity thresholds in our portfolio. On a relative basis, you sell government bonds and increase swap-exposure. In total, we trade about € 4 billion in transactions and effectively we sold long-dated core government bonds buying back short-dated credits, short and medium-term government bonds from France, Belgium, Spain, and Ireland plus some of the receiver swaps. With this we have the intend to lock in the swap-spread benefits.

At this point and after a few last trades in January, we believe the swap-spread exposure of the group has been halved. That means that at least half of these swap-spread benefits has been locked in and the swap-spread exposure has been halved significantly. We think that is the way to be ahead of any changes in interest rates and in swap developments.

In summary, Solvency 2 is and will be a complicated world with market value effects, tax effects, second order effects all playing a role. In our risk management we aim to identify opportunities and threats early and anticipate. This means that our group was well prepared for any changes in LACDT and is well prepared for any changes in the world of swap spreads.




**[00:58:14]**
I will not repeat the numbers anymore. We hope this presentation has shown that our performance in 2016 has been strong on nearly every metric. We delivered on our promises and we are especially proud of the combination of operating performance and solid ROE, or market-consistent capital generation or capital accretion. We are very pleased with the solvency levels, up to 189% standard model with no tiering risk. Not just capital gains, underpinned by strong technical results from our business, the combined ratio in the 95%-range, and low financial and double leverage, which you will find in the appendix. And again, the increased dividend to € 1.72 per share shows the confidence we have in a.s.r.'s operations and our willingness and ability to share the good fortunes of our group with our shareholders. That concludes our presentation. Let me give back the floor for questions.

## QUESTIONS AND ANSWERS

**[00:59:34]**

- **Cor Kluis – ABN AMRO**

Good afternoon. I have a few questions, first of all on Disability insurance and the BEZAVA of legislation. Can you already give an idea of what the impact might be on the premiums for 2017 and 2018? Last year, your Disability premium went up 4%, but this could be somewhat more material and positive.

My second question is about the internal model. Could you give an idea of what the impact would be if you put your own internal model? How much higher would the Solvency 2 ratio be then?

My third question is about the AGM. I thought you asked for a share buy-back request of a maximum of 10%, given the share overhang and your very strong capital position and cash flow. Why are you not asking for a larger share buy-back possibility?

My last question, a more technical question, is about the size of the realised capital gain reserve. What is the size at the end of 2016 of that figure?

Mr. **Baeten**: Let me start with the question on Disability. It is too early to give final guidance on how the season went, but a first view on it is that a lot of smaller companies decided to return to the public system. So, in terms of number of customers that returns to the public system, we have seen more going to that system than expected. In terms of premium, so in terms of new business, we see a neutral effect until today. Probably we will not fully meet the expectations we had for the medium term, but this was only the first year. We think it may require a little bit more time to meet the top line growth target. But those are only the first views on it because the number are not final yet and new business is still coming in. The main reason for that is that we have kept to be disciplined in our underwriting and premium. We could have done more if we had wanted, but, as we have done before, we told Disability management that they were allowed to do as much business as they want as long as they stick to the underwriting principles. We have seen a fairly disciplined market, but not everybody was a disciplined as the market in general. So, some participants have been fairly aggressive and we have decided not to take part in the aggressive pricing. That on Disability.

Then your question why we do not ask for more than 10%. In our view, we have an AGM every year so every year we can ask for a new 10%. In our view, there should be a balance between the year-on-year generated capital and the capital return. So, from our point of view, given the developments in Solvency, the uncertainty where EIOIPA ends up with the UFR we have said that the total return of capital should be balanced with the capital generation. Then, in our opinion, 10% should be sufficient on a year-on-year basis.

Mr. **Figee**: On your question on the internal model and where we stand: we do not have an internal model. An internal model is a fully complex beast. The closest thing we have is an ECAP model. The ratio of the ECAP model is 226%, but this is not a model that is going through the same rigorous validation process as the Solvency 2 standard model has.

On your question whether we will move to an internal model: as this point we have no plans. The reason is that we believe that the regulator will also look at both models when it comes to distributing cash and capital to shareholders. If I look at the banking sector, I am not sure the banking sector will provide guidance, but there we can see a harmonisation or internal movements and obviously internal models and standard models move towards each other. Internal model is with a floor and an internal model with a floor becomes a very expensive version of a standard model. So, we believe that at this point in time we are not sure whether this is the best way to spend shareholder money to go through all the length in validating and approving the ECAP model if solvency if what it is because we are already at a pretty safe level.

You had a fourth question and I cannot even read my own handwriting.

**Cor Kluis – ABN AMRO**: The realised capital gains reserve, the size of it.

Mr. **Figee**: The realised capital gain reserve at the end of the year is about € 3.6 billion. There was still a net addition to that reserve. To give you some colour, we believe that the release from that realised capital gains reserve in the plan period, assuming rates stay relatively where they are, will be similar in the next three years as to what they were last year. So, if I look at the amortisation schedule, the amortisation pattern of that € 3.6 billion, if rates stay roughly where they are today, the contribution of that will be the same for the plan period as it was last year.

**Cor Kluis – ABN AMRO**: Very clear. Thank you very much.

**[01:05:55]**

- **Albert Ploegh – ING**

I have a few questions on the capital generation. I first want to be clear on the new methodology on slide 22. You mentioned the move to transitional equity rule to the operational variance and market bucket, so to speak. I thought it was something like € 45 million per annum. Is it then correct that in the € 348 million on the new definition that is printed on the slide, it is not including that drag while the € 301 million did include it?

My second question on the capital generation is a little bit on the non-core sovereign bonds, the minus 20 basis points. On slide 24 you mentioned that this basically has a drag of € 15 million or so on capital generation, but how to square that with the actions taken to basically locking the spread that you also mentioned in your opening remarks. Is the starting point for 2017 already meaning that maybe that € 15 million drag is already reduced by 50%?

Mr. **Figee**: On the transitional rule: in the movement from € 301 million to € 348 million is a plus of about € 23 million from the traditional rule. That was moved out, so there was a negative in the € 301 million that no longer occurred in the € 348 million. It was reduced during the year. Two effects; one is that diversification kicked in, due to the portfolio developments, the impact of the transitional post-diversification was a bit less and secondly, we sold some equities, reduced equities, partly equities that we divested were subject to the transitional rule.

So, that is left to amortise you have less equities. So, partially it is technical, it is a diversification effect and secondly, the equity base that was subject to transitional was lower.

In terms of non-core spreads, the € 15 million drag is one going forward. It is actually a bit less than last year. I agree to that, because the government bond portfolio will decline. € 7.7 billion in the portfolio is that we have and where we are today. That is a small decline.

The swap-spread is not so much to lock in the spreads, but to lock in the delta in these spreads. The spreads widened in the last year. That supported our solvency levels. You discount your liabilities at a higher rate than you discount your assets. We wanted to lock in that benefit and that means that if swap-spreads reverse and the spreads decline you do not lose that benefit. So, the swap-spread change itself does not do too much on organic capital creation, but it aims to protect the stock of solvency that we have.

**Albert Ploegh – ING**: Very clear.

**[01:09:23]**

- **Steven Haywood – HSBC**

Thank you very much for the presentation. Just a couple of questions. Can you go back to your core and non-core sovereigns? One is now minus 20 basis points excess spread and the other is plus 50 basis points. In reference to slide 36, can you define which bonds are core and which ones are non-core?

Secondly, when you talk about the UFR changes on slide 24, I just want to know your opinion about what you think is most appropriate to use, whether you should use the direct yield or the total yield, including gains, so whether you would use the 2.2% or over 3% as your assumed UFR.

Mr. **Figee**: We define Dutch and German government bonds as core and all the remaining in Europe is non-core.

In terms of the right level to use: the direct yield, which is coupons, dividends, rents, et cetera is between 2% and 2.5% ex shadow accounting release. The actual yield that we make on our portfolio is larger. Last year we made € 170 million capital gains. If you look at the average of the last three to four years, it has always been in the € 170 million to € 200 million range of capital gains. So, the actual yield one makes is over 3%. If you think about a fully economic UFR, probably a number of over 3% is justifiable. However, capital gains fluctuate over time. You may have a bad year in which there are capital losses. So, we felt from a long-term prudent perspective that it is arguable that you could it move to over 3% including a fair amount of capital gains. In terms of being prudent and being fair to our policyholders that direct yields are things that we can observe and barring defaults that will happen year on year. You can bank on that. But your point is valid; you could argue that the yield you make, the return you make is probably above 3%.

**Steven Haywood – HSBC**: Thank you very much.

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**[01:12:02]**

- **Farquhar Murray – Autonomous**

When was the broad timing of when you did the swap-spread lock-in i.e. the € 4 billion transaction? More generally, has that increased your spread sensitivity to Belgian and French sovereigns? I presume it does. Are you able to give the sovereign spread sensitivity overall for the group? Can you give any indication on how Solvency 2 has developed so far this year, given we have seen quite some significant moves overall?

Mr. **Figee**: Regarding your question on when we execute the swap-spread change steps: that is since September. It was done in Q3 and Q4 and the remainder in January. It was a series of trades. Also we started doing this by shorting 30-year bond futures. That was the most efficient and liquid way to do it. We found liquidity in the market was too limited and at some point we owned too big a share of that market. So, we moved to a peripheral plus swaps. It did increase exposure to the non-core bonds. On page 36 you can see the holdings in French govies up went up from € 800 million to € 1.4 billion and Belgian from € 600 million to € 1.2 billion, so basically an increase of almost € 800 million to € 900 million in government from Belgium and France. We feel very comfortable with holding those government bonds, especially if they have a mid-term maturity. We do not yet disclose sovereign spreads sensitivity; that is something to pick up and to think about going forward. There is no issue around it; we just have not disclosed it and we have not really even tracked that much, but you can see on page 36 the changes in the portfolio.

Mr. **Baeten**: And on your last question on the development of solvency during the first six to seven weeks of the year: without giving any numbers, we have seen a fairly stable development until now.

**Farquhar Murray – Autonomous**: Brilliant. Thanks very much indeed.

**[01:14:20]**

- **Matthias De Witt – KBC Securities**

I would like to start with a small follow-up question on the equity transitional. Could you comment what the remaining benefit is to the Solvency 2 ratio at this point in time and how that benefit amortises over time?

Secondly, I have a question on the organic capital generation at € 348 million for 2016. I guess this is based on the start of the year balance sheet or averages whereas there are some changes in mix and rates in the meantime, so I am just eager to get your comments on how that number could develop in 2017. How should we think about capital generation in 2017?

My last question is on LACDT. I noticed that the benefit to SCR increased to € 586 million from around € 500 million at the end of H1. What is exactly the key driver behind that increase? Is it in the Life business where you move from 50% to 60%? Is there any conservatism left in your current approach or do you think it is currently taken into account some regulatory risk that might remain?

Mr. **Figee**: On the transitional let me look it up, I do not have the number off the top of my head. We will look it up and feed it back to your through IR.

The OCC was defined on the beginning-of-year asset mix last year in 2016. For 2017 we also used the beginning-of-the-year asset mix.

You asked us where we are on that number. One thing we learned throughout 2016 is that a number, especially the interest rate component, is pretty sensitive to interest rate movements. In 2016 we saw a v-shape long-term yield development and especially the UFR unwind is pretty volatile and sensitive to rate moves. The business performance that underpins, that is behind or underneath this OCC, we feel very comfortable with the performance of our business. The year 2017 is only a couple of weeks old, but has kicked off in the same notion as we ended last year. So, business wise this company is still performing at the same level as we ended last year. Rates have been stable, moved up a bit in the first half of the year, but we need to see how they develop. OCC is a number that is very vulnerable to interest rates. Not so much a total solvency number, but delta solvency relatively stable. With a bit of slicing and dicing the OCC has a rate volatility, which could be headwind, but could also be tailwind. I find it hard to give major guidance on this number at this point, but it is safe to say that the business trading has gone off to a good start. The investment portfolio has not changed much during the year, so that gives you some clue going forward. We just need to see how rates develop.

Let me give you a feel for sensitivity for example: one point of combined ratio better or worse is about € 5 million to € 6 million in OCC. So, when you model this that is where the sensitivity is. The rest is really all about rate movements.

LACDT on the P&C business remains stable at 75%. There with no use yet of the famous component 4, so no use of future fiscal profits. On the 60% in Life, it has been very limited. I think about 58% of the 60% is DTLs and historical profits, no future profits. So, it is a pretty stable and solid number.

The use of component 4 of future fiscal profits has been limited substantially by the DNB regulator. You have to make pretty strong assumptions to substantiate significant use of component 4. That is something that we will look into. It will require a bit of work and dialogue in the industry to understand exactly how to interpret some of the rules. At some points we may have interpreted conservatively. We believe the 60% is well supported.

Is there conservatism left in the numbers? There is a realism left in the numbers. That is one thing for sure. I still think they are responsible numbers. The downside risks to that extent are limited from our point of view.

**Matthias De Witt – KBC Securities**: That is very clear. Could I just follow up on the organic capital generation? I also had some difficulties in analysing how or in getting a sense of a sustainable recurring SCR-release, because there were a lot of changes in the organic numbers. Is there anything you could say in that respect?

Mr. **Figee**: On the SCR-release the number we provided you with for the full year was about 6%. If you look at the first half year, it was about 3.5%, so the total release of capital in the first half year was 3.5% and 5.7% for the full year. The difference between the two is an increase in new business. You may see in our numbers that our P&C volumes have grown by € 80 million and Disability has grown by € 20 million. The growth in our Non-life business took place in the second half of the year, so we believe that something like 6% release of capital is not a strange number, but the main driver actually is how much new business we write. Again, from H1 to H2 you can see an increase in volumes in what we see is profitable Non-life business. So, we were happy to spend some capital release in organic growth in our business. I think the number we have produced so far has been relatively stable and you could apply it going forward. The key driver here is the amount of P&C and Disability volume that we were able to attract.

**Matthias De Witt – KBC Securities**: Very good. Thanks, Chris!

**[01:20:57]**

- **Bart Horsten – Kempen & Co**

Good afternoon. I have a bit of a bad line, so hopefully you can hear me well enough. Also on capital generation, if I may. In your guidance on the net operating Life results you gave an indication of 75% to 85% translating into capital generation within Life. Is that bandwidth still valid or do you think that would move upwards as well? [bad line […] assumptions on […] is that a periodic schedule?]

Secondly, you said that your Life insurance margin went up from 3.4% to 3.7%. I recall that during the IPO you already stated that you expect the Life insurance margin to go up. I went up higher than I anticipated. Is that a level which you are to assume going forward or do you see further improvements?

My final question relates to the right to buy back shares. I think the lock-up of the NLFI will end in April 2017 and your AGM will be in May. I suppose the NLFI will sell down before your AGM. Do you have an opportunity to participate or will you be able to do that only after the AGM?

Mr. **Figee**: On the Life insurance business, the capital conversion ratio from Life to capital generation is a bit lower than we thought. The shadow accounting contribution at the Life business was higher than last year. Going forward, it is probably easier to model off the OCC-number than to model of the Life profit conversion figure. The chunk of the share of capital gains release in Life was higher last year, so the conversion ratio this year is in the lower end of the bandwidth we provided, simply because there were larger capital gains. Going forward, it is better to model off the absolute number of OCC. To the Life insurance the margin moved up to 3.7%. It moved up faster and more than we guided for at the time of the IPO. It appears to be a reasonably stable number. If I look at the Life insurance business I have no reason to doubt that this will change materially. It appears to be sustainable.

In terms of assumptions, we tend to have Q3 as the assumptions quarter. Normally, we update all our non-economic assumptions once a year, so cost assumptions, lapse assumptions tend to take place in Q3 with some overflow in Q4. Unless there is during the course of the year a really striking phenomenon that you have to take into account, but normally as in most insurance companies Q3 is an assumptions season in the actuarial family.

Mr. **Baeten**: On your last question, whether we still have room to manoeuvre if and when the NLFI would decide to further sell down before the AGM and after the lock-up period has ended. The answer is as simple as clear: we have used our full capacity with the first buy-back opportunity, because we wanted to give a strong signal to the market. So, if and when the NLFI would decide to do a further sell-down before the next AGM we will not have room to manoeuvre in terms of buying back shares. The limitation is not our capital position or the unwillingness to do so, but we are just not allowed to do so.

Mr. **Figee**: It is probably fair to say that we do have the intention to participate in placings during the year, as we have done in the past. The timing is out of our control, because that is something for our shareholder to decide. The magnitude depends on the time at hand, but it is our intention to support the sell-down by the State, as we have done in the past.

**Bart Horsten – Kempen & Co**: Thank you. There is one other question that I would like to ask and that is on your DC business. It is moving quite okay; it tripled in assets. Could you tell what the recent dynamics are and is there also some capital release already showing in 2016 from this move from DB to DC, if I assume that these were mainly existing clients?

Mr. **Baeten**: The increase in our DC portfolio were mainly new customers. We were happy with welcoming new customers and that did not lead to significant releases in the DB book. The main driver behind that is our improved product and I think some of the other market participants decided not to be as active in this market as they were before. Today, we see three to four active pension insurance companies in the Netherlands, actively involved in new business. So, I think the market becomes pretty small in terms of number of providers. That is helpful in acquiring new business.

**Bart Horsten – Kempen & Co**: Thank you very much.

**[01:27:00]**

- **Ashik Musaddi – JP Morgan**

Just a few questions. First of all, can you give us a bit of colour about the UFR drag? If I understand correctly and if I remember correctly, at the first half year it was 2.2 percentage-points and at the full year it is 3 percentage-points or something. Your capital UFR drag in the second half went down compared to the first half, whereas given what interest rates have done the UFR drag should have gone up materially. So, what is going on there?

Secondly, going back to slide 32, you are using some spread of core government bonds of minus 20 basis points and non-core of 50 basis points. What are your thoughts behind this? When I look on Bloomberg at the moment, year-end spreads for Germany for instance were 60 basis points minus, for France is was 40 basis points minus.

Your core sovereign spread should be in the minus 50 range as well as your non-core sovereigns. If I look at France, Belgium, Austria, everything was negative and you are assuming 50 basis points positive. What is the rationale behind using this? These are market-consistent data, which we can track down every day on Bloomberg.

Thirdly, can you give us some colour on your Life earnings? On slide 9 there is something called additional investment results. It looks like it roughly € 16 million, which includes Germany as well. In the previous slide you mentioned M&A at € 20 million. That means that the additional investment income is € 40 million. That is a big jump from € 414 million to € 480 million. What is driving that, because the majority of the asset allocation shift you have done is in the second half. Any thoughts on that would be great.

Mr. **Figee**: In terms of the UFR drag, we calculate it in every period from the beginning of the period interest rate and the ending of the period interest rate. So, we looked at the UFR contribution as per Jan 1st and the UFR contribution as per 31st of December. That is the number we use in our analysis. So, rates through the year had a V-shape development, so the beginning-of-the-year and the end-of-the-year rate we put in our model. We used the constant-zero model. Other people use an averaging method, we have a constant model with beginning-of-the-year and end-of-the-year solvency. That reflects where we believe the right way the UFR drag developments. It does frontload some of the UFR drag instead of averaging it over time, but we are using beginning-of-the-year and the end-of-the-year numbers.

In terms of the long-term investment spreads, we slice and dice. We slice the delta solvency over time. The number that is hardest is the beginning-of-the-year solvency and the end-of-the-year solvency and then you have the solvency accretion, which is a number that you cannot argue with. OCC is a way of bucketing in to what is a sustainable replicable level of capital generation and long-term investment margin reasonably stable across the cycle. Again, some of these numbers are a bit more optimistic. In real estate the direct investment yield is still 4.3%. If you look at the numbers it comes out at 3.7% applying our spreads. On equities they use 3% and the actual return you make on equities is larger. So, the spreads we make are actually a blend of direct income plus capital gains across the cycle where we believe in core government bonds there is a clear drag today of holding those. Others may yield better and again, in other categories for example real estate and categories, we still have a fair degree of conservatism. Across all categories we believe in the long run, this is the bankable set of indicators, especially if you take into account that capital appreciation of some of the other investments. Our mortgages are at 110 basis points, the actual spread is higher and the default cost is virtually nil. We have also absorbed those in the numbers, though not completely. The 110 basis points is also reasonably conservative. So across the numbers, we feel this is a sustainable, defendable and bankable number across the cycle.

In terms of the Life earnings on page 9, the shaded bars. Let me just give you the numbers that are in those bars. In 2015, the top number is € 441 million. If you go down, we add € 15 million for swaptions, € 146 million for shadow accounting release, € 173 million for investments and € 107 million for Other. That fills the chart. If you go to 2016, the € 551 million breaks down in € 57 million, which is doing a shadow accounting release from swaptions valuation, € 65 million from M&A and additional investment result – in M&A we acquired businesses – € 212 million from regular shadow accounting release and € 105 million from investment results. If you look at those numbers, the investment result plus the regular release was € 319 million last year and € 317 million this year, so a pretty stable number. On top of that is an additional result in M&A of € 65 million and at € 57 million contributing earnings from capital amortisations and capital gains on the swaptions portfolio.

**Ashik Musaddi – JP Morgan**: That is very clear, but that is what I was trying to get some clue about is this € 65 million in the second bucket in 2016. In slide 8 for example it is mentioned that the operating result from your acquisitions was € 22 million. This was the same in the first half as well, so I do not understand how this happened as well. The number in the first half is unchanged in the second half. Anyway, even if we say € 22 million of acquisition benefit, that still means that the additional investment result is plus € 43 million. That is quite a lot on a base of € 440 million. What is driving that? Is it asset re-risking or is it some sort of capital gains, which may or may not disappear? Any thoughts on that? The only thing I am trying to understand is that this € 40 million number sounds a bit large, given the base of € 400 million.

Mr. **Figee**: € 40 million may sound large on the base of € 400 million, but on the basis of a € 30-odd billion investment portfolio you are actually talking about something like 10 to 13 basis points of additional returns. So, the € 40-odd million is the right number. € 65 million minus € 22 million gives € 43million. The € 43 million is a reflection of a few things. Some increase in shadow accounting release. You may recall in our half year result that post Brexit we re-risked our portfolio a bit. We took advantage of a widened spread in that point in time to take a bit more risk. So, in the second half of the year we added some more risk to our investment portfolio, partially by buying then what we thought were under-priced UK bonds. We allocated a bit to equities and to mortgages. So, during the year the re-risking paid off and indeed, € 40 million is a lot against € 400 million, but against a € 30-odd billion investment portfolio you are looking at about 10 to 15 basis points of additional returns. That puts things in perspective from our point of view.

**Ashik Musaddi – JP Morgan**: And this is recurring for whatever is the life cycle of the business? It is not like a one-off or something like that?

Mr. **Figee**: If I look at our mid-year plans, at least for the planned period that we can foresee this is a fairly sustainable number.

**Ashik Musaddi – JP Morgan**: Just going back to UFR. How should we think about the UFR? If you take a starting and ending and in-between and the interest rate remains zero, is that the right way of reflecting the UFR drag? The thing is that interest rates went down in the second half. They were definitely much lower in the second half than in the first half. The drag was actually lower, so I just go a bit confused here.

Mr. **Hülters**: Ashik, can we take this offline and I will come back to you?

**Ashik Musaddi – JP Morgan**: Sure! Thanks a lot for your answers.

**[01:36:15]**

- **Arjan Van Veen – UBS**

Just a couple of follow-up questions. First, it does not sound like the LACDT change you made to be in line with the new guidance. It is particularly material. Could you give a bit of colour on that?

Secondly, you gave us a lot of very clear guidance or commentary around the buy-back, but can you also give a bit of colour about a couple of bolt-ons you did during 2016? What is the outlook for potentially more bolt-ons going forward?

Mr. **Figee**: We are actually very pleased that the LACDT guidance of DNB was not material to us, so there is certainly no material negative. There was a small positive, a couple of points that it added to our capital, but if you look at the way our capital developed it is offset by the warehousing of the real estate portfolio, so the net-net impact on our capital was limited. But again, our key message here is that LACDT does not have a materially negative impact on our business. Actually, it is a small positive. More to come? Who knows, that depends on how the market will interpret the number, but there is certainly no negative on LACDT to us.

Mr. **Baeten**: On the bolt-ons: we are open for business. Our solvency position is strong. We continue to look for options. On the other hand, we have very strict investment criteria. If we look at businesses to acquire they should at least meet our financial criteria. So, we more often have said 'no' to options over the last two years than 'yes'. If you take a look at slide 3, we show our portfolio. We would be willing to look at options in the Non-life area if there would be Non-life book for sale, as long as it comes at the right price. We are very interested in Funeral business, because it hedges with our longevity. In the area of business enhancement opportunities, the fee business: in terms of distribution we are done for the time being. We are particularly looking at business that can strengthen our assets under management, our fee business.

In sector B, we are in the middle of converting our own portfolios to a Software-As-A-Service book. We are halfway and if that is done, then we would also be in consolidating the Dutch Life insurance business market, especially the smaller insurance company. So, we are open for business. We have a very strict valuation in terms of finance metrics and we never comment on particular deals where we are looking at, at the moment.

**Arjan Van Veen – UBS**: that is very clear and thank you for your additional solvency disclosure. It is market leading and it is 524. That is very helpful. Thank you.

**[01:40:04]**

- **Matthias De Witt – KBC Securities**

I just have some small follow-ups. On Solvency 2 you stated that part of the increase in the ratio in 2016 was linked to cost savings. I am just wondering if these are positive variances or if this is more linked to changes to your cost assumptions.

Secondly, on the risk margin release. Could you provide somewhat more colour on the amortisation pattern of that release? I think it could be quite long in nature.

Lastly, on banking and asset management. The operating results dropped quite significantly, but I guess it is mainly linked to start-up costs and integration costs. Could you confirm whether that is the case and, going forward, what could we expect from this business line in 2017 and 2018?

Mr. **Figee**: On the cost savings there was the integration of the AXENT Funeral business at Ardanta. We believe and we are pretty convinced in that belief that we are the lowest cost operator in the Funeral business. In our Q3 call we said there were a number of FTEs that came in and a number of FTEs that were left. We do this with much less people, from 60-70 people to less than 30 people for the same portfolio. That is reflected in the lower cost charges in your best estimate liabilities to provide a capital uplift. In the solvency model that shows up in the capital charge in the Life business, and the delta capital shows up in the bucket Variances and Other. So, in terms of stock it is lower Life capital charge and in terms of flow it shows up in the bucket of Other.

The risk margin release is something that happens over a significant period of time, so over the coming years we believe that it is still risk margin release to come. It is somewhat frontloaded, so it is not an equal number over the entire period. So the first years will be a bit higher than the latter years and the Individual Life book runs off. I do not have the exact pattern at hand here but … .

**Matthias De Witt – KBC Securities**: Then I guess for the UFR benefit it is the other way around, so it starts high and gets lower over time?

Mr. **Figee**: You get the UFR unwind; the UFR drag is higher in the first period and moves down over time. The offsetting risk margin release is higher and lowers over time. So, there is plus and a minus that are both higher in the early years.

In terms of banking and asset management there are two things at play. In our bank – we have a relatively small bank – the profit was more a financial profit and an operating profit. They were more in the shape of capital gains on a fixed income book. So you can see the IFRS profit in the segment keeping up reasonably well, but the operating profit lower. In terms of the business we believe that asset management is a growth business, but we made costs in terms of launching the offices fund. We made costs in terms of hiring people, we had integration costs of BNG without the full year results kicking in. So, it is really more cost-preceding returns. It is the investment rather than the underlying performance. We believe that if our funds kick off and our goals materialise, this will be a profit contributor going forward.

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**Matthias De Witt – KBC Securities**: Very clear. Thanks a lot.

**[01:44:15]**

- **Robin Van Den Broek – Mediobanca**

Just one question to clarify. It is probably an answer given before, about the € 348 million of capital generation. You have indicated that you are locking in some core spreads during H2 and early 2017, but does that effectively mean that half of that portfolio should be assigned the 50 basis points excess return rather the minus 20 basis points excess return, which is basically inflating that € 348 million further?

Mr. **Figee**: I am not sure I understand your question, Robin. Could you please elaborate?

**Robin Van Den Broek – Mediobanca**: On slide 25 you indicated € 3.8 billion has moved from core to short-dated non-core sovereigns. I assume that € 348 million you reported on the new framework that takes into account the average mix of the portfolio in 2016. So, the fact that the mix now is more towards non-core sovereigns – although it is very short-term papier, it is still non-core sovereign – should we assume that this is an incremental excess return compared to the € 348 million?

Mr. **Figee**: The € 348 million is actually based on the beginning-of-the-year portfolio, so the beginning of the year 2016. So compared to the portfolio in the beginning of the year you will see a relative decline of core versus non-core. The swaps that trade should support the operating capital generation rather than dilute it. The € 348 million was based on the Jan 1 portfolio and now we have a portfolio that has more yielding assets.

**Robin Van Den Broek – Mediobanca**: So, your answer is 'yes'?

Mr. **Figee**: Yes.

**Robin Van Den Broek – Mediobanca**: That is what I wanted to hear. Thank you.

**[01:46:14]**
Mr. **Baeten**: As there are no more questions, thanks for the time you took to listen to our story. Hopefully, we were able to reflect on your questions in a proper way. To close this call, we were very happy with the results we could present today. We delivered on our promises and, as said in my introduction, it was hard work and we intend to keep on doing so, to deliver at least in line with our promises also in 2017. We hope to see you all in person somewhere over the next period.

Thanks and have a good day!

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End of call.

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## Appendix

A. Financial ratios
B. Combined ratio per product line
C. Calculation of operating ROE
D. Operating result per segment
E. Key metrics breakdown
F. Sensitivities on group solvency ratio
G. SCR movement during 2016
H. Details fixed-income portfolio
I. Details equities and real estate portfolio

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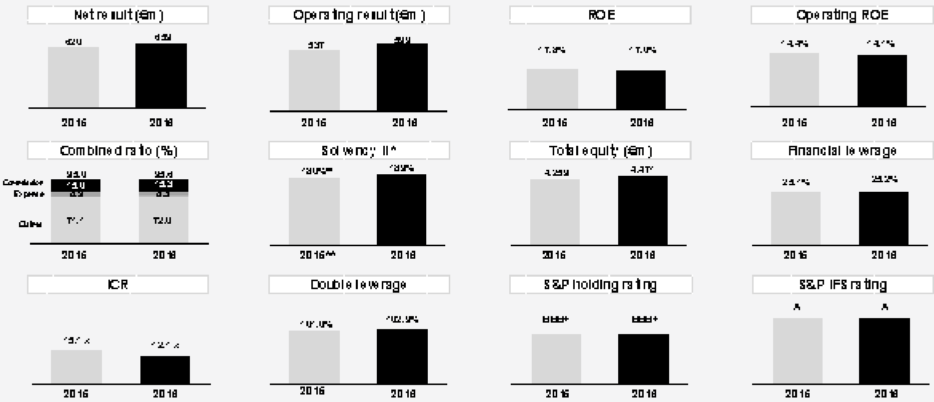
## A. Financial ratios

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## B. Combined ratio per product line

| | | 2016 | 2015 |
|---|---|---|---|
| Segment Non-Life | Claims ratio | 72.0% | 71.1% |
| | Expense ratio | 8.3% | 8.9% |
| | Commission ratio | 15.3% | 16.0% |
| | Combined ratio | 95.6% | 96.0% |
| Disability | Claims ratio | 69.5% | 69.5% |
| | Expense ratio | 8.9% | 8.8% |
| | Commission ratio | 9.8% | 11.3% |
| | Combined ratio | 88.2% | 89.6% |
| Health | Claims ratio | 93.0% | 89.4% |
| | Expense ratio | 4.9% | 5.3% |
| | Commission ratio | 1.6% | 0.9% |
| | Combined ratio | 99.5% | 95.6% |
| Property & Casualty * | Claims ratio | 61.9% | 60.9% |
| | Expense ratio | 10.3% | 11.3% |
| | Commission ratio | 26.7% | 26.7% |
| | Combined ratio | 98.9% | 98.9% |

* Including travel and leisure insurance

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## C. Calculation of operating ROE

| (€ in million) | | FY 2015 | FY 2016 |
|---|---|---|---|
| Operating result (before tax) | | 537 | 599 |
| Minus: Interest on hybrid instruments (1) | | 45 | 45 |
| Operating result after hybrid costs (before tax) | | 492 | 554 |
| Tax effect (25% tax rate) | | 123 | 139 |
| Operating results after hybrids costs (net of taxes) | | 369 | 415 |
| (€ in million) | FY 2014 | FY 2015 | FY 2016 |
| Equity attributable to shareholder | 3,022 | 3,574 | 3,780 |
| Minus: Unrealized gains and losses reserve (2) | 737 | 683 | 726 |
| Minus: IFRS Equity Real estate developments and SOS (3) | 33 | 8 | 25 |
| Adjusted IFRS equity | 2,252 | 2,883 | 3,029 |
| Average adjusted IFRS equity | | 2,568 | 2,956 |
| | | | |
| Operating ROE | | 14.4% | 14.1% |

1 Interest on hybrid instruments is deducted to show the return to equity shareholders after hybrid costs.
2 Unrealized revaluation reserves are excluded as the operating results adjusts all capital gains and losses
3 Real estate development and SOS's equity are excluded from calculation as they are also excluded from the operating result due to their 'held for sale' classification

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## D. Key metrics breakdown

| Operating result | Q1 2016 | Q2 2016 | Q3 2016 | Q4 2016 |
|---|---|---|---|---|
| Non-life | 32 | 30 | 37 | 37 |
| Life | 121 | 152 | 127 | 152 |
| Banking and Asset Management | 0 | 0 | 2 | 0 |
| Distribution and Services | 8 | 2 | 2 | 0 |
| Holding and Other / Eliminations | -29 | -24 | -18 | -31 |
| Total a.s.r. | 132 | 160 | 150 | 157 |

| Operating result | H2 2016 | H1 2016 | H2 2016 |
|---|---|---|---|
| Non-life | 55 | 62 | 74 |
| Life | 219 | 273 | 279 |
| Banking and Asset Management | 7 | 0 | 2 |
| Distribution and Services | -1 | 10 | 2 |
| Holding and Other / Eliminations | -23 | -53 | -49 |
| Total a.s.r. | 257 | 292 | 307 |
| | | | |
| COR | 97.5% | 96.4% | 94.5% |
| | | | |
| GWP Life | 657 | 1,338 | 675 |
| GWP Non-life | 975 | 1,396 | 1,037 |

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## E. Operating result per segment

| | IFRS profit before tax | Investment related | Incidentals | Operating result | IFRS profit before tax | Investment related | Incidentals | Operating result |
|---|---|---|---|---|---|---|---|---|
| | 2015 | | | | 2016 | | | |
| Segment Non-life | 187 | 30 | 21 | 136 | 217 | 63 | -15 | 169 |
| Segment Life | 642 | 115 | -24 | 551 | 716 | 287 | -12 | 441 |
| Segment Banking and Asset Management | 7 | 6 | -1 | 2 | 10 | -1 | -1 | 12 |
| Segment Distribution and Services | 12 | - | - | 12 | 4 | - | 1 | 3 |
| Segment Holding and Other / Eliminations | 5 | 20 | 87 | -102 | -48 | 62 | -22 | -88 |
| Segment Real Estate Development | -15 | - | -15 | - | -93 | 2 | -95 | - |
| Total | 838 | 171 | 68 | 599 | 806 | 413 | -144 | 537 |

*Operating result:* *profit before tax*
*adjusted for* *(i) investment income of an incidental nature (including realized capital gains, impairment losses and realized and unrealized changes in value)*
*and* *(ii) incidental items not relating to ordinary activities as a result of accounting changes, consulting fees for acquisitions, restructuring expenses, start-up costs, privatization expenses and shareholder-related expenses*

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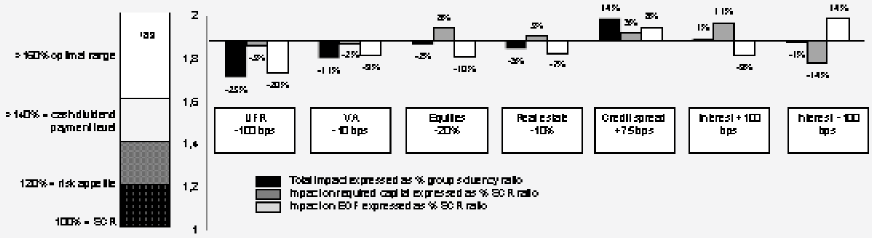
## F. Sensitivities group solvency ratio




- Due to the decrease of the interest rates, UFR sensitivity increased in comparison to the beginning of 2016
- The sensitivity to UFR-100bps at the end of 2016 is -23% (-17% as per the beginning of 2016)
- Lowering UFR would also reduce UFR drag in organic capital creation

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## G. SCR movement during 2016

| H1 reduced of SCR | H2 reduced SCR | FY reduced SCR |
|---|---|---|
| • Equity risk<br>• LACDT<br>• Currency risk<br>• Diversification<br>• Lapse risk | • Longevity risk<br>• Lapse risk<br>• Conc. risk<br>• LACDT<br>• Counterparty risk<br>• Health risk | • Lapse risk<br>• LACDT<br>• Currency risk<br>• Conc. risk<br>• Health risk<br>• Equity risk |

| H1 uses SCR | H2 uses SCR | FY uses SCR |
|---|---|---|
| • Spread risk<br>• Counterparty risk<br>• Longevity risk<br>• Conc. risk | • Interest risk<br>• Equity risk<br>• Real estate risk<br>• Diversification<br>• Spread risk | • Spread risk<br>• Real estate risk<br>• Longevity risk<br>• Counterparty risk<br>• Health risk<br>• P&C risk |
| Delta required capital H1: €78 million | Delta required capital H2: €-113 million | Delta required capital FY: €-35 million |

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## H. Details fixed-income portfolio

**Key highlights**

- The core of our portfolio consists of AAA government bonds, with selective peripheral sovereign exposure. 2016 saw an increase in exposure in Spain and Ireland
- The increase in value of the investment portfolio is mainly the result of an increase in value of the fixed income portfolio and interest rate derivatives, due to the sharp decline in interest rates
- The fall in interest rates resulted in further pressure on solvency levels, which led to lower market risk budget. Measures taken to mitigate the impact:
  - reduction of equity exposure
  - reduction of credits exposure largely in favor of government bonds
  - expansion of the interest rate hedge through long swaps and bonds
  - decision to hedge a part of the swap spread exposure
- Exposure structured instruments decreased mainly due to decreased exposure in MBS
- High quality mortgage portfolio with credit losses < 1 bp

| Fixed income (€m) | 2016 | 2018 | Delta |
|---|---|---|---|
| Government | 12,380 | 13,032 | 5% |
| Financials | 4,897 | 4,792 | -2% |
| Structured | 402 | 205 | -49% |
| Corporate | 5,014 | 5,472 | 9% |
| Derivatives | 1,788 | 2,490 | 39% |
| Total | 24,481 | 25,991 | 6% |

| Mortgages (€m, book value)* | 2016 | 2018 | Delta |
|---|---|---|---|
| LtFV < 75% | 1,160 | 1,551 | 35% |
| LtFV < 100% | 574 | 753 | 31% |
| LtFV < 125% | 675 | 925 | 37% |
| LtFV > 125% | 72 | 95 | 32% |
| NHG | 4,041 | 3,889 | -4% |
| Total | 6,622 | 7,202 | 10% |

* [illegible]

| Governments (€m) | 2016 | 2018 | Delta |
|---|---|---|---|
| Germany | 5,205 | 4,150 | -20% |
| Netherlands | 3,584 | 3,672 | 2% |
| France | 830 | 1,391 | 68% |
| Belgium | 653 | 1,233 | 89% |
| Periphery | 636 | 1,061 | 67% |
| Austria | 606 | 693 | 14% |
| Supranationals | 333 | 288 | -14% |
| Other | 372 | 404 | 9% |
| Scandinavia | 171 | 140 | -18% |
| Total | 12,380 | 13,032 | 5% |

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## I. Details equities portfolio and real estate portfolio

**Key highlights**

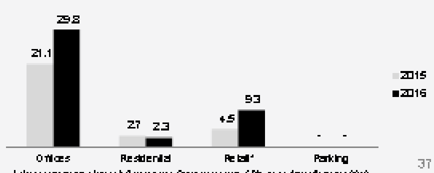
Equities
- De-risking because of lower market risk budget specifically in the first half of 2016 by, amongst others, a reduction of the equity exposure
- Continuation of the active hedging policy for the liquid part of the portfolio

Real estate
- In Q4 the office portfolio of Basisfonds Stationslocaties C.V. (€ 202 million) has been transferred to the ASR Dutch Mobility Office Fund. The offices which did not meet the fund criteria were not transferred to the fund (€ 59 million) and were sold in January 2017
- The vacancy rate of Retail increases due to bankruptcy V&D, redevelopments. New contracts have been closed with Hudson's Bay
- The increase in the vacancy rate of Offices is mainly due to the relocation of Amersfoort based division to the a.s.r. headquarter in Utrecht and the shift from offices own use to the investment portfolio as a consequence
- The net yield after vacancy in 2016 is 4.3%

| Equities (€m) | 2015 | 2016 | Delta |
|---|---|---|---|
| Equities | 2,278 | 1,793 | -21% |
| Private equities | 76 | 82 | 8% |
| Hedge funds | 1 | 0 | -87% |
| Other funds | 321 | 289 | -10% |
| Derivatives | 31 | 16 | -50% |
| Total | 2,707 | 2,180 | -19% |

| Real estate (€m) | 2015 | 2016 | Delta |
|---|---|---|---|
| Offices | 173 | 410 | 137% |
| Residential | 681 | 715 | 5% |
| Retail | 603 | 586 | -3% |
| Parking | 41 | 42 | 2% |
| Projects | 12 | 54 | 350% |
| Total real estate (excl. rural & own use) | 1,510 | 1,807 | 20% |
| Rural | 1,154 | 1,248 | 8% |
| Total real estate (excl. own use) | 2,664 | 3,056 | 15% |
| Offices own use | 153 | 145 | -5% |
| Total real estate | 2,817 | 3,200 | 14% |

**Real estate vacancy rates**

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## Disclaimer

**Cautionary note regarding forward-looking statements**

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