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verzekerings
maatschappij
voor alle
verzekeringen

Strong results in Q1 2017

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Q1 2017 Trading Update

31 May 2017

Strong financial performance and improvement in earnings quality in Q1 2017

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Financial results driven by strong operating performance

- Results up in terms of quantity and quality: driven by improvement in underwriting results and increase in direct cash investment income
- Operating result up 38.4% to € 191m, mainly due to strong combined ratio in Non-life and higher investment income in Life both from direct cash returns and a higher release of the realized gains reserve
- Operating ROE at 17.3%, well above target of up to 12%

Robust Solvency II ratio absorbing additional market risk and share buyback

- Strong underlying accretion of capital, own funds up € 240m
- Absorbed investment in market risk (~ 5% pts) and share buyback in January (~ 2% pts) as part of government selldown

Profitable growth and underwriting skills drive market-leading combined ratio

- Strong combined ratio of 92.1% as a result of expertise and continuous pursuit of profitable growth, benefitting from favourable weather conditions and absence of large claims

Operating result	Operating ROE
€ 191m	**17.3%**
+38.4%	Target: up to **12%**
(Q1 2016: € 138m)	(Q1 2016: 13.3%)

Solvency II (SF)	Combined ratio
188%	**92.1%**
-1% pt	Target < **97%**
(full year 2016: 189%)	(Q1 2016: 96.0%)

Gross written premiums	Operating expenses
€ 1,383m	**€ 137m**
-14.9%	**+6.2%**
(Q1 2016: € 1,626m)	(Q1 2016: € 129m)

GWP down due to NIVO portfolio transfer in Q1 2016

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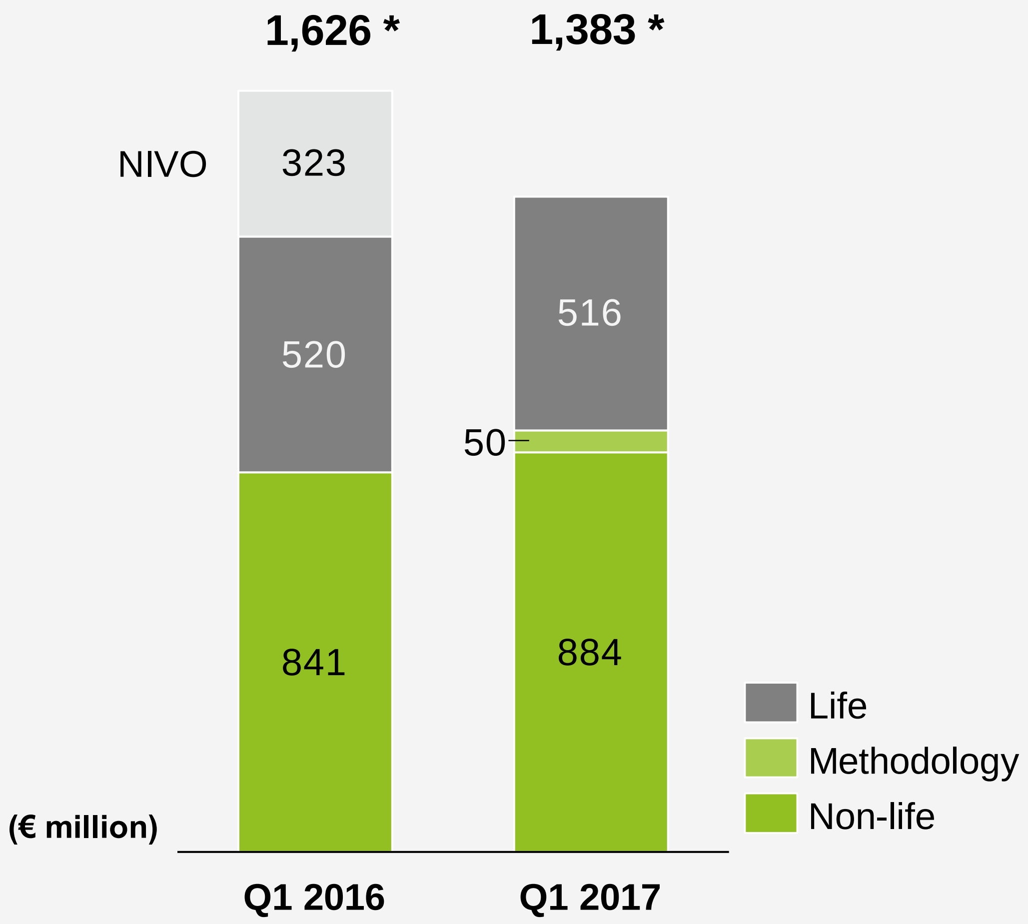
Gross written premiums

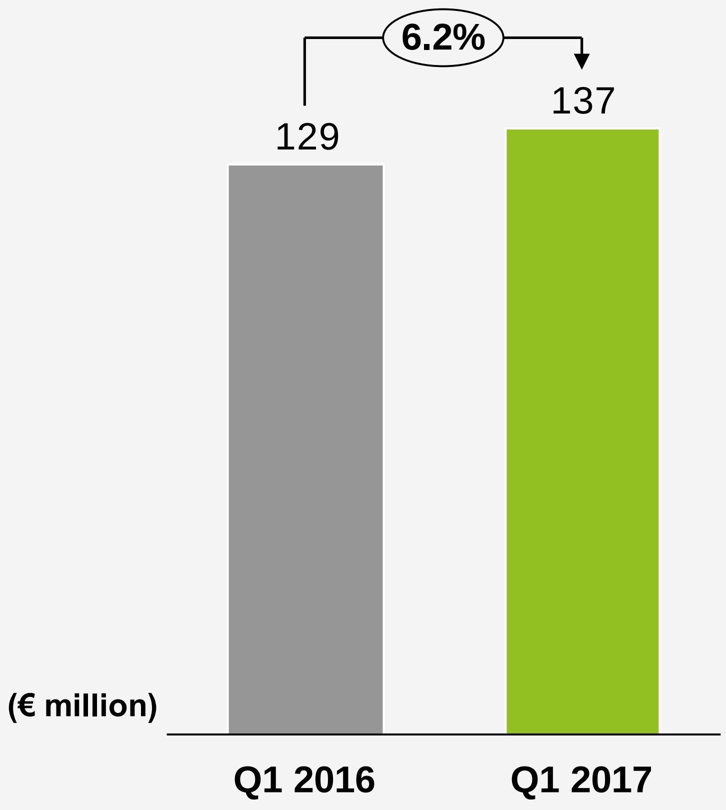


- In Q1, GWP decreased by 14.9% to € 1,383m. Decline in premiums due to one-off portfolio transfer of NIVO in Q1 2016 (€ 323m)
- In 2017, GWP was positively influenced by € 50m due to a change in methodology of the processing of premiums collected by authorized agents at Disability
- Disregarding both aspects, premiums increased by € 30m (2.3%) in Q1 compared to Q1 2016
- Increase mainly in P&C and Disability
- Underlying premium volume in Life effectively stable

* Total GWP includes elimination of € 67m in Q1 2017 and € 58m in Q1 2016 which relates primarily to the own pension plan

Acquisitions and investments drive increase in expenses

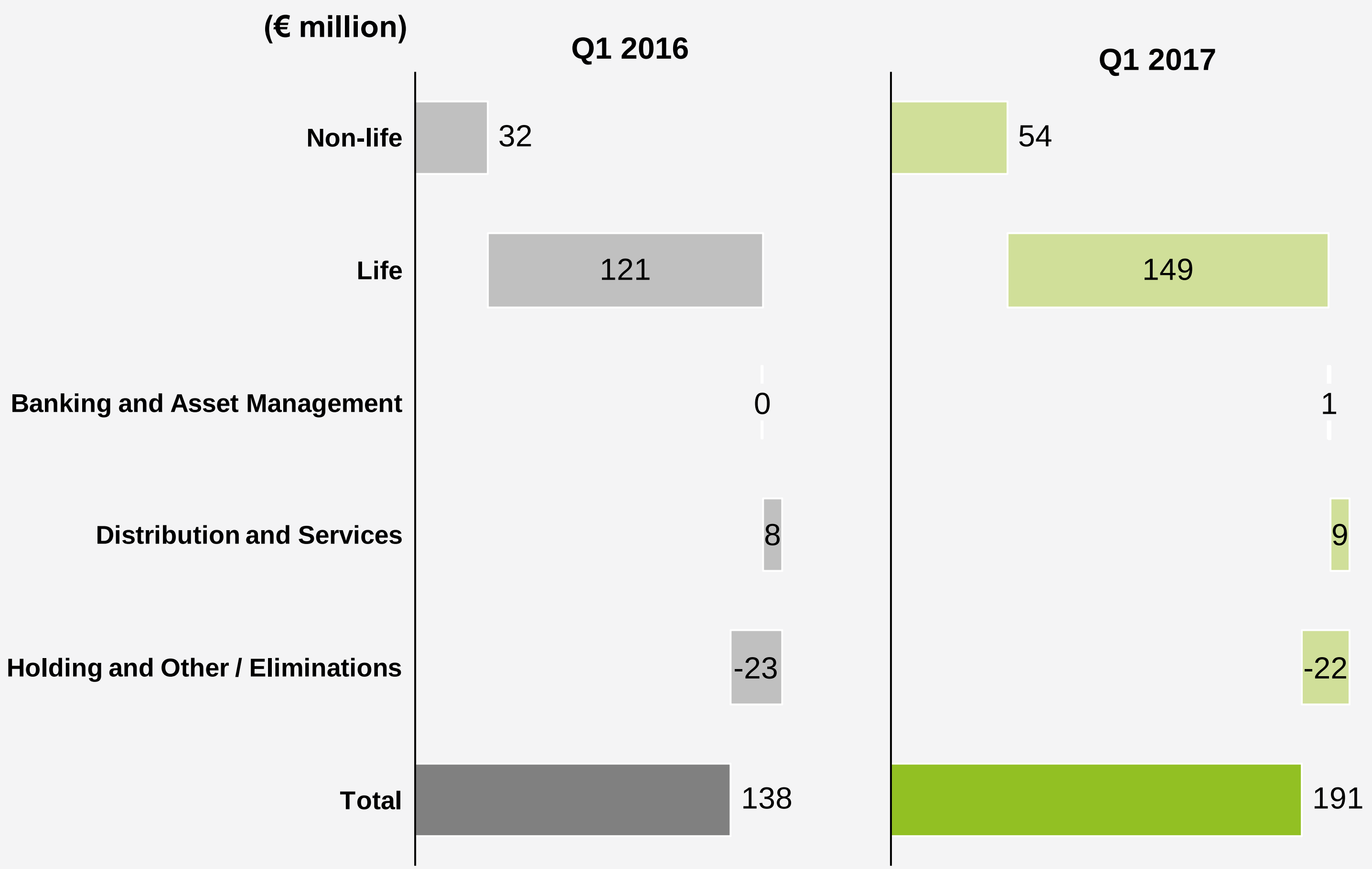
Operating expenses associated with ordinary activities
(excluding provision for restructuring expenses)



- Operating expenses were up 6.2% to € 137m compared to € 129m in Q1 2016
- This increase is driven by the additional cost base of acquired companies SuperGarant, Corins and BNG Asset Management as well as investments in the Banking and Asset Management segment in order to gain traction in third-party asset management. The increase was mainly attributable to the cost of attracting third-party investors in the recently launched Dutch Mobility Office Fund (DMOF)
- Additional pension costs due to a lower discount rate as a result of lower interest rates
- Underlying cost development fully aligned with LT cost reduction objectives

All segments drive strong increase in operating result

Operating result

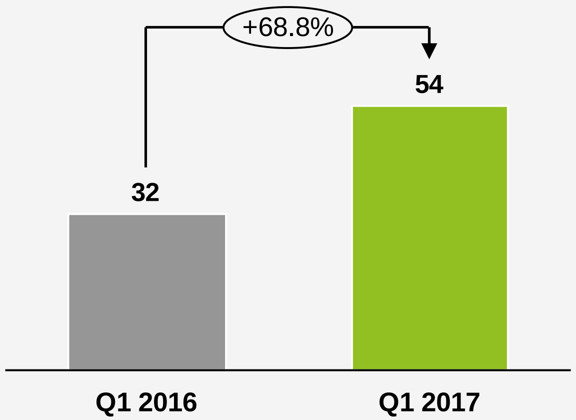


- **Non-life segment (+ € 22m):** operating result significantly better due to higher premium income in all product lines, disciplined underwriting combined with a mild winter, absence of large claims and a contribution from the equalization system. Combined ratio (92.1%) remains well below target
- **Life segment (+ € 28m):** operating result improved due to a higher direct investment result and a higher contribution from the realized gains reserve
- **Non-insurance segments (+ € 3m):** all three segments showed a slight improvement of + € 1m each in operating result

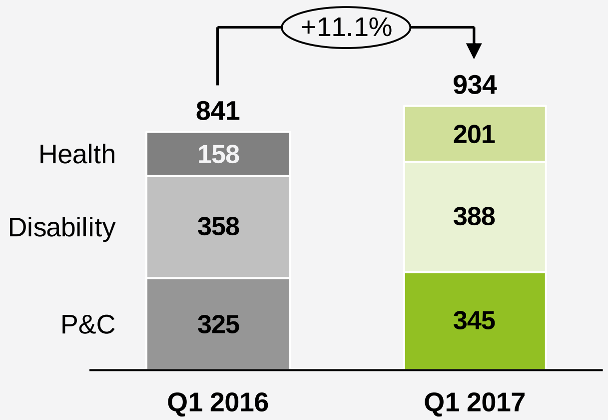
Non-life segment: combined ratio exceptionally strong

Combined ratio below 100% for all Non-life product lines

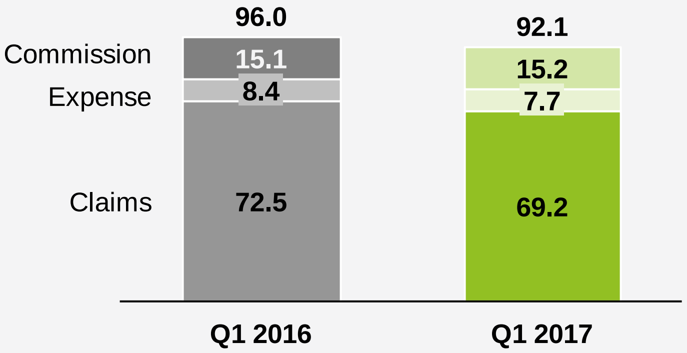
Operating result (in € million)



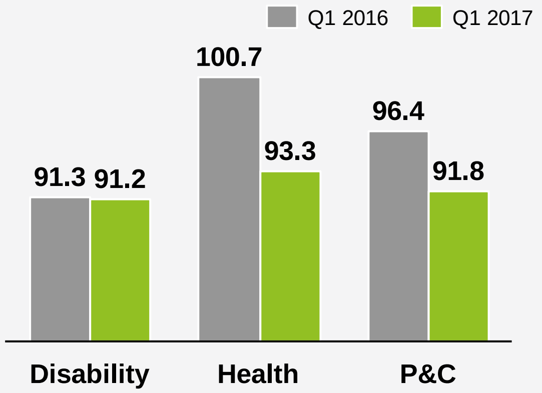
Gross written premiums (in € million)



Combined ratio (%)



Combined ratio by product line (%)



- Operating result increased due to the improvement of the combined ratio within Health and P&C; Disability remains stable. Operating result increased to € 54m compared to € 32m in Q1 2016
- Combined ratio of 92.1% in the Non-life segment was very strong due to benign conditions in P&C in addition to continued underwriting improvements and continued profitable underwriting results in Disability
- Health benefitted from an increase in premiums in the segment due to better pricing and new customers. The equalization system also resulted in a positive contribution of € 7m
- Gross written premiums increased by € 93m as a result of growth in P&C and Health and a non-recurring € 50m GWP increase in the mandated broker channel in Disability

Life segment: further performance improvement

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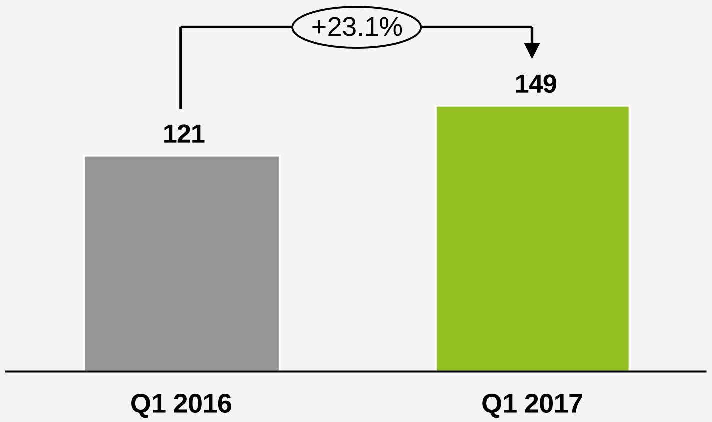
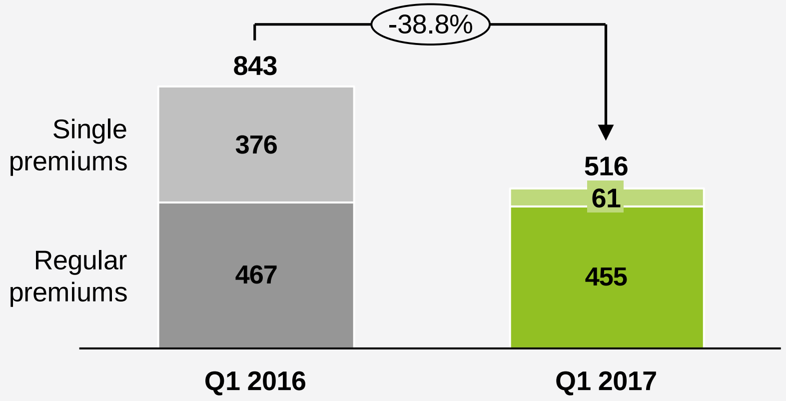
Operating result



Gross written premiums



- Operating result increased to € 149m, up 23.1%. Higher direct investment result and a higher contribution from the realized gains reserve, partly offset by lower results in mortality and cost coverage by decline of individual life portfolio
- Gross written premiums decreased by 38.8% mainly due to the transfer of the NIVO portfolio in Q1 2016, in which process a single premium of € 323m was received
- Strong capital position enables allocation of capital to market risks, which in turn increases direct cash investment income and provides further support to Life earnings
- Direct investment result increased mainly due to management actions: 1) re-risking of the investment portfolio, and 2) roll-out of a swap spread hedging programme, also enhancing direct portfolio yield

Well-diversified and robust investment portfolio – strong capital position offers opportunity for re-risking

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Assets (€ billion, fair value)	2016	Q1 2017	Delta
Fixed income	26.0	24.8	-1.2
Equities	2.2	2.5	0.3
Real estate	3.2	3.2	-
Mortgages / other loans	7.2	7.5	0.3

- Rise in interest rates in Q1 impact fair value of fixed-income securities
- Re-allocation of market risk budget to equities, mortgages and other loans; allocation to real estate stable at the current level
- Further increase in mortgage exposure. High-quality mortgage portfolio further improved the credit performance with better arrears positions and incurred foreclosure losses at < 2 bps
- In Q4, the office portfolio of Basisfonds Stationslocaties C.V. was transferred to the ASR Dutch Mobility Office Fund in anticipation of third-party mandates. a.s.r. warehoused this portfolio over the year end. The offices that did not meet the fund criteria were sold in January 2017
- Lower swap spread exposure under the Solvency II regime by exchanging long-dated core government bonds for a combination of short-duration instruments and receiver swaps

Solid Solvency II ratio at Q1 2017

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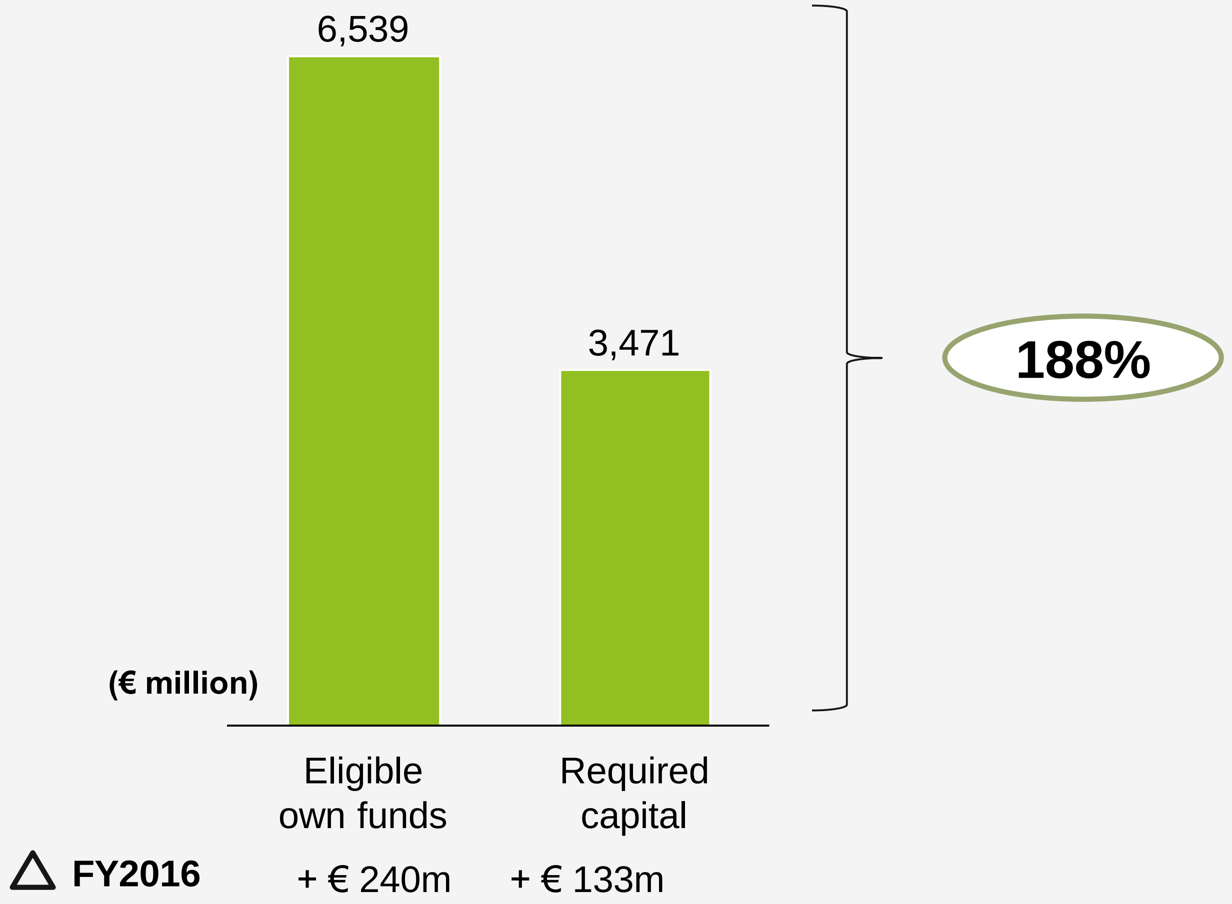
Solvency II



- Solvency II ratio (standard formula) at 188% (FY2016: 189%), absorbing additional allocation to market risk (~ 5%-pts) and the share buyback (~ 2%-pts), compensated by organic capital creation, business and market developments
- Eligible own funds increased to € 6,539m in Q1 2017 (FY2016: € 6,299m); required capital amounted to € 3,471m at Q1 2017 (FY2016: € 3,338m)
- Tier 1 capital: 85% of total own funds
  - Tier 1 capital: 159% of SCR
  - Unrestricted Tier 1: 153% of SCR
  - Restricted Tier 1: € 204m
  - Tier 2: € 1,010m
- Significant scope available
  - Tier 1: € 1,127m
  - Tier 2 & 3: € 725m
  - Own funds do not contain Tier 3 capital
  - No tiering limitations

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Contact details

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