

# Press release

Utrecht, the Netherlands, 27 October 2022, 07.00 am CEST

## **a.s.r. and Aegon Nederland to create a leader in Dutch insurance**

**Today, ASR Nederland N.V. (“a.s.r.” or the “Company”) announces that it has reached a conditional agreement on a business combination with Aegon N.V. (“Aegon”), to create a leading insurer in the Netherlands (the “Transaction”). The Transaction covers all insurance activities, including the mortgage-origination and servicing operations, the distribution and services entities and the banking business of Aegon Nederland N.V. (“Aegon Nederland”).**

### **Rationale highlights: a compelling in-market consolidation opportunity**

- Compelling in-market consolidation, reinforcing a.s.r.’s position as a leading insurer in the Netherlands, strengthening its leadership positions in profitable and growing market segments.
- The combination of a.s.r. and Aegon Nederland will create sustainable value for all stakeholders, with strong capabilities to enhance the customer proposition of both insurers in the Netherlands.
- Combining the businesses offers an attractive and unique opportunity to capture potential run-rate cost synergies of approximately € 185 million pre-tax (per annum), expected to be achieved three years after closing.
- The business combination is expected to accelerate the implementation of a Solvency II partial internal model<sup>1</sup> (“PIM”) on a.s.r.’s businesses, allowing for further capital synergies, reducing the amount of invested capital and further enhancing the return on invested capital.

### **Transaction highlights: financial discipline underpinning sustainable value creation**

- The business combination includes all insurance activities (Life, Pensions and Non-life), the mortgage-origination and servicing operations, the distribution and services entities and the banking business of Aegon Nederland.
- Total consideration amounts to € 4.9 billion and comprises of i) newly issued ordinary shares to Aegon (29.99% interest in a.s.r. post Transaction<sup>2</sup>) and ii) a cash consideration of € 2.5 billion which is expected to be funded through existing surplus capital, and the potential issuance of various instruments which may include Solvency II compliant debt instruments and/or new shares within the existing authorisation, subject to market conditions. A fully underwritten bridge facility is provided by UBS.
- Organic Capital Creation (“OCC”) of the combination expected to amount to approximately € 1.3 billion by 2025<sup>3</sup>, of which approximately € 600 million from the acquired Aegon businesses, unlevered and including synergies, delivering OCC accretion per share.
- Dividend step-up of 12% to € 2.70 per share for FY22<sup>4</sup>, and mid-to-high single digit dividend growth per annum until 2025. a.s.r.’s share buy-back program is halted.

<sup>1</sup> Subject to regulatory approval.

<sup>2</sup> The value of the 29.99% equity interest (shares to be issued) is based on the closing price of the a.s.r. ordinary shares on 26 October 2022 equating to 57,427,564 ordinary shares (based on 134,118,564 outstanding ordinary shares (excluding treasury shares) on that date). Should a.s.r. decide to use its existing authorization to issue additional ordinary shares, the number of outstanding shares might increase up to approximately 211 million, which will include up to approximately 5.9 million shares issued to Aegon following an adjustment mechanism. Pursuant to this adjustment mechanism the cash component would be reduced accordingly.

<sup>3</sup> Assumes closing of the Transaction at the earliest on 1 July 2023.

<sup>4</sup> Compared to €2.42 dividend per share for FY21.

- Total invested capital amounts to approximately € 4.3 billion, delivering expected returns post integration in excess of our hurdle rate of 12% for M&A.
- a.s.r. expects to maintain a sustainable and robust capital structure post Transaction, Solvency II ratio expected to exceed 190% after financing and synergies<sup>5</sup>. Strong pro-forma Solvency II balance sheet with ample room for hybrid financing expected post-Closing<sup>6</sup>.

#### **Operational highlights: drawing upon our proven integration capabilities**

- a.s.r. will be the main brand, while leveraging the strong brand of Aegon Nederland in Mortgages and Pensions for a period of three years.
- The headquarters of the business combination will be in Utrecht.
- a.s.r. is confident in the successful execution of its integration plan, drawing upon its extensive experience and proven integration capabilities.

#### **Governance highlights: unanimity and focus on integration**

- The a.s.r. Executive Board and Supervisory Board unanimously support the Transaction.
- a.s.r.'s Executive Board will remain unchanged with existing responsibilities, CEO term extended up to annual general meeting of 2026, to oversee the integration. a.s.r.'s Supervisory Board will be expanded post Transaction.

**Jos Baeten, CEO and Chairman of the Executive Board of a.s.r.:** 'We are excited to announce that a.s.r. and Aegon, two renowned Dutch companies deeply rooted in Dutch society with strong brands, will combine to create a strong and sustainable insurance leader in the Netherlands. Combining Aegon Nederland's business on our platform will reinforce our strengths in the Dutch market, significantly enhance our strategic positioning across both Life and Non-Life and improve our distribution and services capabilities.'

The combined business will be well placed to successfully leverage the expertise and scale of both companies to drive operational excellence and to capture the opportunities that are emerging in growing market segments, such as Pension DC and Disability. Given the joint strength of both companies in the Dutch market, the enlarged a.s.r. will prove to be a good home for all customers of Aegon Nederland.

We will continue to pursue profitable, long-term growth. As one of the leading insurers in sustainability, we remain committed to value creation for all our stakeholders: our customers, our employees, our shareholders, our investors and society at large.

I am confident that we will successfully leverage our proven integration capabilities to the benefit of all our stakeholders. We look forward to welcoming all employees and customers of Aegon Nederland in the near future.'

**Lard Friese, CEO and Chairman of the Executive Board of Aegon:** 'Aegon and a.s.r. share a rich Dutch heritage during which we both have built great, strong businesses. The combining of our companies creates a leader in the Dutch insurance market that will deliver added value to our joint customers and employees. This gives me confidence in a prosperous shared future in the Netherlands where we will remain involved as shareholder, while Aegon is able to accelerate its ambition to create leading businesses outside the Netherlands.'

#### **Strategic rationale**

The combination of a.s.r. and Aegon Nederland will create a strong and sustainable leader in Dutch insurance. The integration of Aegon Nederland into a.s.r., and resulting strengthened capabilities, will enhance the customer proposition and sustainable value creation for the Dutch customers of both insurers.

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<sup>5</sup> Includes €2 billion of Solvency II compliant financing. Excludes any PIM related capital benefits.

<sup>6</sup> The pro-forma data is solely based on simple addition of stand-alone a.s.r./ Aegon Nederland figures and no adjustments, reconciliations or calculations have been made by the Company and/or its auditor. RT1 headroom is approximately €1.6 billion, T2/T3 headroom amounts to approximately €1.6 billion.

This in-market consolidation delivers attractive value:

- Increased scale of the Life and Non-life insurance businesses is expected to enhance cost efficiency and deliver run-rate cost synergies of approximately €185 million pre-tax (per annum) expected to be achieved three years after Closing.
- The OCC of the combination is expected to amount to approximately € 1.3 billion annually by 2025, of which approximately € 600 million from the acquired Aegon businesses unlevered and including synergies<sup>7</sup>, and is accretive on an OCC per share basis.
- The initial capital investment, excluding financial leverage, amounts to € 4.3 billion, offering an expected return on invested capital above our hurdle rate of 12% for M&A, generating strong returns for shareholders.
- The capital position is expected to remain robust. Aegon Nederland is an unlevered entity, resulting in pro forma<sup>8</sup> leverage ratio (pre-financing) of approximately 20%. Post financing, the leverage ratio is expected to amount to approximately 30%, remaining well below management limit of 35%. The business combination is expected to accelerate the implementation of a Solvency II PIM, allowing for further capital synergies.

As a signal of confidence in the merits of the Transaction, a.s.r. will offer shareholders a dividend step-up of 12% to € 2.70 per share for FY22<sup>9</sup> and will commit to progressive dividend growth of mid-to-high single digit per annum until 2025. a.s.r.'s share buy-back program is halted.

The combination is expected to benefit the major insurance business lines as follows:

- Pensions: The combined businesses will improve a.s.r.'s competitive position due to increased scale, renowned brands and improved systems. On a combined basis a.s.r. will have a leading position in both Pensions DC and Pensions DB. Further growth can be expected, particularly in Pensions DC and IORP. TKP Pensioen, a subsidiary of Aegon Nederland and a leading player in the Dutch market for pension administration, will further enhance a.s.r.'s proposition for pension funds. Additional scale in Pensions DB will help offset the gradual decline of the existing individual life book.
- P&C: The added scale in P&C will reinforce a.s.r.'s #3<sup>10</sup> position in the market. a.s.r. will have a leading position in the authorised agents and intermediary channels. Additional scale will drive synergies, and help form the foundation for future growth. Best practices in underwriting, portfolio management and claims handling will be shared to improve profitability.
- Disability: Aegon Nederland will complement the strong position of a.s.r. in Disability, both in the Individual segment as well as in Group business. The combined businesses will benefit from a.s.r.'s extensive expertise in claims prevention, claims handling and reintegration services. a.s.r. will have a leading position in the intermediary channel for Disability.
- Individual Life: The addition of Aegon Nederland's Individual life portfolio to a.s.r.'s allows for synergies. The combination will be an efficient closed book player that will be able to align its cost base with decreasing Life reserves, hence optimising the value within this segment, and enhance operating leverage.
- Mortgages: Aegon Nederland's strong position in the Dutch residential mortgage market complements a.s.r.'s operations allowing to benefit from Aegon Nederland's distinct mortgage sourcing and funding capabilities. The combined businesses will become a leading insurer in the Dutch mortgage market. a.s.r. will focus on mortgage origination and servicing while Aegon will manage the Mortgage Funds.
- Distribution and Services: Robidus and Nedasco will strengthen a.s.r.'s existing D&S capabilities. Robidus advises corporations on absenteeism and disability and acts as an insurance broker for income related insurance products. Nedasco is an intermediary service provider that is mainly active in Non-life business domains. These entities will increase capital-light fee-income.
- Asset Management: The combination will use the extensive experience of Aegon AM for the management of specific illiquid asset categories for a period of at least 10 years. a.s.r. will transfer the management of the 3<sup>rd</sup> party mortgage and illiquid funds to Aegon. Furthermore, Aegon AM will retain the management of assets related to Aegon Nederland's PPI, Pensions DC

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<sup>7</sup> Excluding life cost synergies as these are capitalized.

<sup>8</sup> The pro-forma data is solely based on simple addition of stand-alone a.s.r./ Aegon figures and no adjustments, reconciliations or calculations have been made by the Company and/or its auditor.

<sup>9</sup> Compared to €2.42 dividend per share for FY21.

<sup>10</sup> Based on Dutch Central Bank Data over 2021, excluding Health insurance.

and the Unit-linked portfolios whilst a.s.r.'s asset management department will manage all other asset categories relating to affiliate and general account assets.

- The combination will benefit from a.s.r.'s expertise in Funeral and Health insurance.

a.s.r.'s strong positioning in the market will be enhanced by the expertise and capabilities of Aegon Nederland. "One company, one culture" is the overarching principle for the combination. a.s.r. has the proven capabilities to successfully integrate Aegon Nederland and unlock all of the identified synergies. The integration process will be executed respecting the talents and strengths of people in both organisations. The integration is expected to be largely completed within three years of Closing.

### **Consideration details**

The consideration of € 4.9 billion comprises: i) a 29.99% stake in the enlarged a.s.r. Group post Transaction (representing approximately 57 million newly issued a.s.r. ordinary shares) and ii) a cash consideration of € 2.5 billion. The Transaction and the issuance of the new a.s.r. ordinary shares are subject to approval of the EGM, certain antitrust and standard regulatory approvals. Aegon's shareholding in a.s.r. will be subject to customary standstill restrictions, being a requirement to maintain its shareholding in a.s.r. below 30%, and a 180 day lock-up which may be waived by a.s.r. and is subject to a limited exception. The standstill restrictions shall cease to apply at the later of (i) five years after the date of the Closing or (ii) three years after the termination of the relationship agreement (as referred to below).

### **Financing**

The cash component is expected to be financed through existing surplus capital, and the potential issuance of various instruments which may include Solvency II compliant debt instruments and/or new shares within the existing authorisation, subject to market conditions. a.s.r.'s obligation to pay the cash component is supported by an acquisition bridge facility underwritten by UBS. UBS is also acting as sole financial adviser to a.s.r. on the Transaction. N.M. Rothschild & Sons Limited ("Rothschild & Co") is acting as Independent Financial Adviser to the Company.

### **Synergies and value enhancement**

The combination of a.s.r. and Aegon Nederland is expected to deliver run-rate cost synergies of approximately € 185 million pre-tax (per annum) three years after Closing. These cost synergies will be prevalent across most business lines, and specifically for Individual Life, Pensions DB and mortgages. These cost synergies are expected to be achieved through the integration of operational and support activities, rationalisation of systems and admin, the removal of overlap in centralised functions as well as alignment of target operating models across the enlarged business.

### **Process and conditions**

The Transaction is subject to approval by the shareholders of both a.s.r. and Aegon; both companies will invite shareholders to an extraordinary general meeting on Wednesday, 18 January 2023 (the "EGM"). The a.s.r. Executive Board and Supervisory Board unanimously support the Transaction. Accordingly, the a.s.r. boards recommend that the shareholders of a.s.r. vote in favour of the resolutions related to the Transaction at the EGM.

a.s.r.'s works council has issued a positive advice on the Transaction. The Transaction is further subject to positive advice from Aegon's central works council. The Transaction is subject to the approvals by the Dutch Central Bank, the European Central Bank and the Dutch Authority for Consumers and Markets, which are expected at the earliest on 1 July 2023. The Transaction is currently expected to close at the earliest on 1 July 2023 ("Closing"). Aegon and a.s.r. will closely cooperate in respect of satisfying all conditions to Closing.

### **Corporate governance**

Upon the successful Closing of the Transaction, the a.s.r. Supervisory Board will be expanded. In connection with the Transaction, a.s.r. and Aegon will enter into a relationship agreement, providing for, among other things, arrangements with respect to a.s.r.'s governance post Transaction.

As part thereof, Aegon will have the right to nominate two additional members to a.s.r.'s Supervisory Board, of which one (i) shall be female and qualify as independent from Aegon and a.s.r. and (ii) the other shall be the CEO or CFO of Aegon. The two nominees are Mr Lard Friese, CEO of Aegon N.V. and Mrs Daniëlle Jansen Heijtmajer. The conditional appointment of these two Aegon nominees to the a.s.r. Supervisory Board shall be submitted to the EGM.

The duration of their appointment to the a.s.r. Supervisory Board is linked to Aegon's continued shareholding in a.s.r. The non-independent member has an affirmative vote within a.s.r.'s Supervisory Board on certain topics, in line with the size of Aegon's shareholding. Once Aegon's shareholding no longer exceeds 20%, but remains above 10% of the ordinary shares in the capital of a.s.r., the independent Aegon nominee will resign and Aegon continues to have the right to nominate one member for the a.s.r. Supervisory Board, being the CEO or CFO of Aegon. Aegon shall no longer have the right to nominate any a.s.r. Supervisory Board member once its shareholding in a.s.r. no longer exceeds this 10% threshold. In any event, these nomination rights expire once a period of five years since the Closing has passed.

The composition of the a.s.r. Executive Board will remain unchanged post Transaction, with existing responsibilities maintained. As part of the Transaction, Jos Baeten's term will be extended until the AGM of 2026 to oversee the integration. Jos Baeten has been chair of the Executive Board of a.s.r. since January 2009. His current term of office ends at the AGM to be held in May 2024. The reappointment of Jos Baeten will be submitted for discussion at the EGM. The convocation for the EGM will be published ultimately by Thursday, 24 November 2022.

### **Customers**

The combination of a.s.r. and Aegon Nederland will create a strong and sustainable leader in Dutch insurance. Customers will benefit from a broader product offering, enhanced distribution and richer digital services. a.s.r. and Aegon Nederland will take great care in looking after the interests of their policyholders and aim to deliver excellence in servicing their customers.

### **Employees**

a.s.r. endeavours to provide sustainable employment for all of its employees. The new combination offers new career opportunities and professional development and will enrich its talent pool. The labour market is relatively tight and a.s.r. has a considerable number of vacancies which could potentially be filled with the additional workforce from Aegon Nederland. Through natural attrition and the filling of vacancies by internal candidates, a.s.r. will make every effort in the coming years to retain employees and limit the loss of jobs due to the integration. The integration will take account of our responsibility towards the employees of both businesses that have made them so successful.

For more information, please be referred to the investor presentation as available on a.s.r.'s [website](#) where the investor presentation is available.

### **Press conference at 08.00am CEST via Teams**

Jos Baeten and Lard Friese will host a press conference via Teams at 08.00 am CEST on Thursday, 27 October 2022. Journalists can join the conference at 08.00am CEST via this [link](#).

### **Investor call and webcast**

Jos Baeten (CEO) and Ewout Hollegien (CFO) will host an analyst and investor conference call at 09.15 am CEST on Thursday, 27 October 2022. Members of the investment community can join the conference call by pre-registering via this [link](#). After registering, you will be provided with Dial In Numbers, and a unique passcode. In the 10 minutes prior to call start time, you will need to use the conference access information provided in the e-mail received at the point of registering. It is also possible to follow the webcast on our [website](#).

This press release contains inside information within the meaning of Article 7(1) of the EU Market Abuse Regulation (Regulation 596/2014).

This press release does not constitute an offer to sell or the solicitation of an offer to buy any securities of the Company in any jurisdiction. Any offers, solicitations or offers to buy, or any sales of securities will be made solely in accordance with applicable law. Any securities offered by the Company have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements of the Securities Act.

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**About a.s.r.**

ASR Nederland N.V. (a.s.r.) ranks among the top 3 insurers in the Netherlands. a.s.r. offers products and services in the fields of insurance, pensions and mortgages for consumers, self-employed persons and employers. In addition, a.s.r. is active as an asset manager for third parties. a.s.r. is listed on Euronext Amsterdam and included in the AMX Index. For further information please visit [www.asrnl.com](http://www.asrnl.com).

**About Aegon**

Aegon is an integrated, diversified, international financial services group. The company offers investment, protection, and retirement solutions, with a strategic focus on three core markets (the United States, the United Kingdom, and the Netherlands), three growth markets (Spain & Portugal, Brazil, and China), and one global asset manager. Aegon's purpose of Helping people live their best lives runs through all its activities. As a leading global investor and employer, the company seeks to have a positive impact by addressing critical environmental and societal issues, with a focus on climate change and inclusion & diversity. Aegon is headquartered in The Hague, the Netherlands, and listed on Euronext Amsterdam and the New York Stock Exchange. More information can be found at [www.aegon.com](http://www.aegon.com).

**About Aegon Nederland**

Aegon Nederland's purpose of *Helping people live their best lives* runs through all activities of Aegon Nederland, whether be it retirement, mortgages, investments, banking or non-life insurance. As a leading investor and employer, the company aims to make a positive contribution to important social issues, with a focus on climate change and diversity & inclusion. Aegon Nederland is the proud parent company of [TKP](#), [Knab](#), [Nedasco](#) and [Robidus](#).

## **Disclaimer**

### **Cautionary note regarding forward-looking statements**

The terms of this disclaimer ('Disclaimer') apply to this press release of ASR Nederland N.V.. and all ASR Nederland N.V. N.V.'s legal vehicles and businesses ('ASR Nederland N.V.'). Please read this Disclaimer carefully.

Some of the statements in this press release are not (historical) facts, but are 'forward-looking statements' ('Statements'). The Statements are based on our beliefs, assumptions and expectations of future performance, taking into account information that was available to ASR Nederland N.V. at the moment of drafting of the press release. The Statements may be identified by words such as 'expect', 'should', 'could', 'shall' and similar expressions. The Statements may change as a result of possible events or factors.

ASR Nederland N.V. warns that the Statements could entail certain risks and uncertainties, so that the actual results, business, financial condition, results of operations, liquidity, investments, share price and prospects of ASR Nederland N.V. may differ materially from the Statements.

The actual results of ASR Nederland N.V. may differ from the Statements because of: (1) changes in general economic conditions; (2) changes in the conditions in the markets in which ASR Nederland N.V. is engaged; (3) changes in the performance of financial markets in general; (4) changes in the sales of insurance and/or other financial products; (5) the behaviour of customers, suppliers, investors, shareholders or competitors; (6) changes in the relationships with principal intermediaries or partnerships or termination of relationships with principal intermediaries or partnerships; (7) the unavailability and/or unaffordability of reinsurance; (8) deteriorations in the financial soundness of customers, suppliers or financial institutions, countries/states and/or other counterparties; (9) technological developments; (10) changes in the implementation or execution of ICT systems or outsourcing; (11) changes in the availability of, or costs associated with, sources of liquidity; (12) consequences of a potential (partial) termination of the European currency: the euro or the European Union; (13) changes in the frequency or severity of insured loss events; (14) catastrophes or terrorist-related events; (15) changes affecting mortality or morbidity levels or trends or changes in longevity; (16) changes in laws or regulations and/or changes in the interpretation thereof, including without limitation Solvency II, IFRS and taxes; (17) changes in the policies of governments and/or regulatory or supervisory authorities; (18) changes in ownership that could affect the future availability of net operating loss, net capital or built-in loss; (19) changes in conclusions with regard to accounting assumptions or methodologies; (20) adverse developments in legal and other proceedings and/or investigations or sanctions taken by supervisory authorities; (21) risks related to mergers, acquisitions, or divestments (22) other financial risks such as currency movements, interest rate fluctuations, liquidity, or credit risks and (23) the other risks and uncertainties detailed in the Risk Factors section contained in recent public disclosures made by ASR Nederland N.V.

The foregoing list of factors and developments is not exhaustive. Any Statements made by or on behalf of ASR Nederland N.V. only refer to the date of drafting of the press release, except as required by applicable law. ASR Nederland N.V. disclaims any obligation to update or revise and publish any expectations, based on new information or otherwise. Neither ASR Nederland N.V. nor any of its directors, officers, employees give any statement, warranty or prediction on the anticipated results as included in the press release. The Statements in this press release represent, in each case, only one of multiple possible scenarios and should not be viewed as the most likely or standard scenario.

All figures in this press release are unaudited.

ASR Nederland N.V. has taken all reasonable care in the reliability and accurateness of this press release. Nevertheless, information contained in this press release may be incomplete or incorrect. ASR Nederland N.V. does not accept liability for any damages resulting from this press release in case the information in this press release is incorrect or incomplete.

This press release does not constitute an offer to sell, or a solicitation of an offer to buy, any securities.