

Company Name: Aegon
Company Ticker: AGN NA
Date: 2014-02-20
Event Description: Q4 2013 Earnings Call

Market Cap: 13,498.53
Current PX: 6.333
YTD Change(\$): -.529
YTD Change(%): -7.709

Bloomberg Estimates - EPS
Current Quarter: N.A.
Current Year: 0.669
Bloomberg Estimates - Sales
Current Quarter: N.A.
Current Year: 31402.750

Q4 2013 Earnings Call

Company Participants

- Willem van den Berg
- Alexander Rijn Wynaendts
- Darryl D. Button

Other Participants

- Farquhar Murray
- Michael van Wegen
- Benoît Pétrarque
- David Andrich
- Nick Holmes
- Ashik Musaddi
- William Elderkin
- Maarten Altena
- William Hawkins
- François Boissin
- Peter Testa
- Gordon Aitken
- Maud van Gaal
- Archie van Riemsdijk

MANAGEMENT DISCUSSION SECTION

Operator

Ladies and gentlemen, welcome to the Aegon Fourth Quarter 2013 Results Conference Call on the 20th of February 2014. Throughout today's recorded presentation, all participants will be in a listen-only mode. After the presentation, there will be an opportunity to ask questions. [Operator Instructions]

I will now hand the conference over to Willem van den Berg. Please go ahead, sir.

Willem van den Berg

Good morning, everyone. We appreciate that you've joined us for this call on Aegon's fourth quarter 2013 results. Today's presenters are CEO, Alex Wynaendts; and CFO, Darryl Button. As always, we welcome your questions after the presentation in our usual Q&A session. We have again combined the analyst and media earnings calls, but we will still keep the Q&A sessions separate, and we will start with the analysts. Before we begin, I would like to remind you to review our disclaimer on forward-looking statements which is at the back of this presentation.

I would now like to turn over the call to Alex Wynaendts. Please go ahead, Alex.

Alexander Rijn Wynaendts

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Thank you, Willem, and good morning to everybody. I am pleased to report this morning a solid set of results for the Q4. This quarter completes a good year for Aegon and provides [ph] more (01:23) evidence that we're delivering on our objective of growing our business profitably.

We achieved again a strong set of underlying earnings, sales and value of new business. Capital levels and cash flows also remain strong. And we will be proposing a final dividend of €0.11 per share in line with our stated objective of sustainable dividend growth.

I'm now turning to slide 3 which provides you with a good summary of how we are performing against our key performance indicators. As you can see, 2013 was a year during which we've made considerable progress. Underlying earnings rose 5% or 8% at constant currencies. A third of our earnings came from fee business. Normalized cash flows were strong. And we increased our returns, writing profitable new business and addressing our low-return businesses will contribute to high returns going forward.

Let's now turn to slide 4 to the highlights of the strategic action we've taken in 2013. During the last year, we've made solid progress on the four strategic objectives we are pursuing throughout the organization to achieve our ambition to become a leader in all of our chosen markets.

We began the year by simplifying our capital structure with a successful transaction that eliminated the preferred shares owned by the Aegon association. Throughout the year, we made add-on acquisitions including in Central and Eastern Europe, and successfully completed the transformation of our business in Spain which enabled us to upstream a net amount of €800 million through the holding. And we are now offering products through Santander's extensive branch network in Spain, and early results of this new joint venture are positive.

At the same time, all our businesses stepped up their efforts to strengthen customer engagement by improving service levels and by simplifying products and by enhancing their online presence for the user technology. 2013 saw us launch major new digital platforms at propositions in most of our markets worldwide.

These new propositions have been received very positively and many of them have been recognized for their innovation and customer centricity. I'm, therefore, confident that our focus on creating a positive customer experience will continue to support the growth we are achieving in our business.

Turning to slide 5, in 2013, we continue to see strong sales, as highlighted on this slide. Total sales for the year increased 6% to €7.2 billion driven primarily by variable annuity, pensions and asset management businesses.

Gross deposits increased 15% to €11 billion during the fourth quarter, while net deposits more than doubled to €2 billion. I will address our deposits in more detail on the next slide. New life sales were strong, but somewhat below the level we experienced in an exceptionally strong quarter last year. In the UK, we successfully launched our platform with now more than £1.3 billion of assets under management.

Accident and health and general insurance sales were slightly lower compared to the fourth quarter of last year, mainly due to adverse currency effects and lower production level as a result of our focus on improving profitability. As you can see, we continue to experience strong customer demand for our core products and services, a clear reflection of strength of our franchise, the depth of our distribution, and the focus on offering the right products to our customers.

Here on slide 6, we provide an overview by deposits. Let me start with the Americas. The increase in deposits was mainly driven by variable annuities and pensions. This was an exceptional year for variable annuity business with sales of \$8.5 billion. And although we do see competitive pressure slowly increasing in the variable annuity market, the addition of new partners such as Edward Jones and Voya Financial during the year has further strengthened our position and we continue to expect healthy flows going forward.

Our U.S. Pension business also had another very successful year, adding deposits of more than \$21 billion. The rise was driven by planned takeovers [indiscernible] (06:02) particularly in the education and health segments, as well as the successful focus of retirement readiness to grow participation and contribution rates. Our strong proposition is supported by fully scalable platform that enables us to continue to grow [ph] rights (06:19) profitable business.

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Our New Markets deposits of €3.2 billion for the quarter mainly reflect the significant growth of our third-party asset management business. But also, our joint venture in Japan is being a strong increase variable annuity production driven by the expansion of a distribution network of regional banks.

Turning to slide 7. We are committed to offering products and services that provide value to both our customers and to the company. This commitment is clearly reflected in a significant increase in the market consistent value of new business achieved this quarter and over the year.

In the Americas, variable annuities were a key driver of this increase as a result of higher volumes and higher margin supported by increasing interest rates. The improvement in the U.S. life business is the result of active repricing and the withdrawal of products that did not meet our profitability standards.

In The Netherlands, the market consistent value of new business was lower compared to the fourth quarter of last year due mainly to lower margins of mortgage transaction; contribution from our pension business was stable as some margin improvement fully offset lower sales.

As the slide indicates, market consists of revenue base in the UK was impacted by lower margins and volumes on annuities and lower pension volumes. And the MCVNB of new markets benefited from a strong sales in Asia. This, however, was offset by the impact of divestments in Spain and lower sales in Poland. In addition to increasing shares are profitability supported by cost efficiencies across all our businesses, and we continue to seek ways to further improve these efficiencies.

Here on slide 8, I want to highlight the successful shift we've made towards rebalancing our business. Today, a third of our earnings are generated by fee businesses. This has been achieved by growing our revenue-generating investments by over 7% per year since 2008 to €475 billion. And as you can see on the slide, this has been driven by growth in investments for the account of policyholders and off-balance sheet investments for third parties.

Now, on the other hand, our spread-based business had been significantly reduced over same period. Institutional spread-based balances are down \$28 billion and fixed-annuity balances are down almost \$20 billion. This reduction in balances over the last five years has reduced market risk and freed up substantial capital.

I'm now turning to slide 9. 2013, we executed on significant cost reduction program to grow the company, and you're aware of the extensive business transformation program in UK and significant cost reductions in The Netherlands. We're also improving efficiency in the Americas with the creation of a shared service center. This is a new group within the U.S. which will provide services to the whole of our U.S. organization and it will result in significant cost savings going forward.

The savings realized allowed us to invest in growth and to make strategic investments in technology to better connect and engage with our customers. We have already online direct sales channels in all our markets, and in the UK, we are preparing to launch a new the direct-to-consumer proposition during the quarter that gives individuals without a financial advisor access to a platform, providing them a full-service capability. This is a significant and fast-growing segment of the market. The investments we are making are needed to ensure that our proposition remained strong, compelling and differentiated.

I will now turn it over to Darryl for more insight on our earnings and financial position. Darryl?

Darryl D. Button

Thank you, Alex. Here on slide 10, I would like to take a closer look at underlying earnings which, despite negative currencies impact, rose by 7% in the fourth quarter to €491 million. In the Americas, earnings declined to €327 million, which was mainly due to adverse persistency in the life and protection and a weaker U.S. dollar, partly offset by higher pension earnings.

Underlying earnings in the Netherlands increased to €110 million, as observed mortality was better than expected. As we have announced, beginning January 1, 2014, we have moved to prospective tables, bringing our IFRS reporting in

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line with our statutory and economic frameworks. In the UK, underlying earnings decreased to €21 million as we invested in the development of our new direct-to-consumer proposition as Alex mentioned earlier.

Earnings from new markets amounted to €49 million. Higher earnings in Asia were more than offset by the negative impact of divestment in Spain and the recently introduced insurance tax in Hungary. Holding results improved by €40 million, mainly the result of lower interest expenses following debt redemptions, reduced operating expenses and a one-time gain of €18 million related to interest on taxes.

Net income was down for the quarter and for the year. Here on slide 11, you can see that our strong underlying earnings for the quarter were mitigated by fair value results. Higher-equity markets and interest rates impacted our hedges, which I will address in the next slide. Realized gains were mainly driven by further adjustments to our general account investment portfolio in The Netherlands to bring it better in line with the new regulatory yield curve.

Impairments were very low this quarter as a result of the current benign credit environment. The little impairments we had were offset mostly by recoveries on investments in subprime RMBS in the U.S. Other charges were mainly related to restructuring in the Americas and the UK. In addition, the new pension legislation approved by the Polish parliament was more adverse than anticipated. And as a result, we have impaired the remaining €10 million of intangibles related to this business.

By now, you will be familiar with the way we address the results of fair value items, as shown on slide 12. The results from fair value investments were, again, positive for the quarter mainly driven by returns on alternative investments and credit derivatives. Fair-value hedging programs where we largely have an accounting match were effective. However, there was a negative impact from the movement in our own credit spread in addition to model refinements in The Netherlands. Fair value hedging without an accounting match resulted in a loss of €123 million following strong equity market performance in the fourth quarter. As a result we saw losses again on both the equity collar hedge as well as on the macro hedge in the U.S. These hedges have now been restructured as outlined on the next slide.

Slide 13. We have replaced the U.S. macro hedge and the collar hedge with one single new hedge program. The goal of the hedge program remains to protect the capital position and dividend-paying ability of our U.S. business. Given the strong equity market performance in 2013, higher interest rates and lower market volatility, we were able to put in place a new hedging program that will achieve the same level of capital protection but at a reduced expected cost and lower market sensitivities.

Assuming a total equity market return at 2% per quarter, the new hedge will have an expected cost of \$60 million per quarter and will vary by plus or minus a further \$60 million at the actual market returns vary by plus or minus 10%. The source of the volatility from this program continues to be the accounting mismatch that exists between the insurance treatment of the liabilities versus the fair-value treatment of the hedging instruments.

Turning now to Aegon's capital position at the end of the fourth quarter here on slide 14. Our group IGD ratio of 212% reflects the continued strong regulatory capital positions of our business units. This slide illustrates our capital management framework in practice. In the U.S. and the Netherlands, the improvement in the capitalization as a result of operational free cash flows allowed for dividend payment due to holding during the year. In the UK, we have reset our target and buffer capital levels based on Pillar 1 at 145% and 165%, now including the with-profit fund.

In the fourth quarter, we contributed another £150 million of capital and we are now comfortable with the level of capital in the UK. Each of our major business units is now capitalized within the target range. The next slide covers the consolidated operational free cash flows and excess capital at the holding.

Slide 15. Operational free cash flows were €228 million in the fourth quarter. Excluding market impacts and one-time items, operational free cash flows amounted to €304 million for the quarter and €1.3 billion for the year. We ended the year with €2.2 billion of excess capital in the holding, reflecting €1.5 billion of dividend [indiscernible] (16:03) by our business units. As previously communicated, €900 million of this capital will be used during 2014 to further reduce leverage. At the end of 2013, our gross leverage ratio was 30.1% and our fixed charge coverage was 5.1 times. With the further deleveraging later this year, we expect to be within our target ranges.

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Slide 16. Given our strong capital position and solid cash flows, as Alex mentioned in the introduction, we will be proposing at the Annual General Meeting of shareholders in May a dividend of €0.11 per share, covering the second half of 2013. This results in a full-year dividend over 2013 of €0.22 per share. As shown on the slide, the cash allocated to common dividends has increased substantially over the past few years. Our aim is to grow the dividend in a sustainable way, taking into account our capital position and our cash flows.

Alex, back to you. Wrap it up.

Alexander Rijn Wynaendts

Thank you, Darryl. And before taking your questions, allow me to summarize here. We are pleased with our financial results over 2013, and the fourth quarter was, again, a strong quarter. And looking ahead, we are confident that our strong financial position, combined with a continued execution of our strategy will enable us to take advantage of the many opportunities we seek in all our markets and to create value for both our customers and our shareholders.

We're happy to take now your questions. Thank you.

Q&A

Operator

Thank you, sir. [Operator Instructions] The first question comes from Farquhar Murray from Autonomous. Please go ahead.

<Q - Farquhar Murray>: Good morning, gentlemen. Just a couple of questions actually around the cash flow on slide 16, if I may. If we look at the €1,335 million kind of normalized figure for the full year, I just wonder if you could outline the contributions coming from the U.S. and the run-off book and the track coming from the UK securitization.

And then specifically with regards to the U.S. component, I just wonder if you could help us in terms of how much that figure might be depressed by the absence of financing solutions this year and presumably at what stage we might see some [ph] back (18:40) on that? Thanks.

<A - Darryl Button>: Yeah, Farquhar, it's Darryl. Let me just give you a feel for the cash flows. They're actually pretty close in line with where we had highlighted in my June presentation on the expected cash flows for the year. So, obviously, the bulk of that is coming from the U.S. about €900 million; the Netherlands, about €250 million. The UK is actually contributing about zero right now from an operational free cash flow perspective. And as we've signaled in the past, we expect that to come up as we go into 2015 as we complete the transformation in that part of the business. And the rest of it is really coming from the rest of the organization.

<Q - Farquhar Murray>: Okay. And the run-off book and the UK securitization components?

<A - Darryl D. Button>: Yeah, the securitization components in the UK, it was about – little less than €50 million in 2013. That's going to drop down to about €25 million in 2014 and largely be gone in 2015. And that's down from over €100 million in 2012. So, that's been a trajectory on the way down. In terms of from the run-off books in the U.S., the incremental impact from a year-over-year basis is pretty small, less than €100 million change on the delta. And I think that's the number that you're after there, and that would include the fixed-annuity portfolio in that as well.

<Q - Farquhar Murray>: Okay. Brilliant. [indiscernible] (20:11).

<A - Darryl D. Button>: Yup.

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Thank you. Our next question comes from Michael van Wegen from Bank of America. Please go ahead.

<Q - Michael van Wegen>: Yeah. Good morning, guys. Michael van Wegen from Bank of America, Merrill Lynch. One question actually. I think looking at these results, it becomes increasingly clear that some of the operations that you restructured are doing well, and some, I guess, are not doing so well. I think things in the U.S. look nowadays quite good on the core business, and The Netherlands is not doing too bad either. I guess, two areas where things still remain tough is the UK and Canada. Darryl, in January talked about the portfolio review. Can you talk a little bit more about that? And can you talk us through your idea behind Canada and the UK, why you are confident that you can turn them around? And when are you willing to take steps given that you've worked on this now for the past five years? Thank you.

<A - Alexander Rijn Wynaendts>: Michael, thank you for your question. Appreciate you recognize that while we have taken a lot of actions, we're seeing really good results. The U.S. is a good example in terms of making choices and what businesses we want to stay and what businesses we don't want to stay. We still have there a run-off portfolio. It's clearly a portfolio of businesses, but we said they are not core to our business. And we said, and Darryl has repeated that in January, that obviously we are looking at all the options we have in order to deal with them, but in a way that we do not destroy unnecessarily shareholders' value. So, we will continue to put emphasis on it, the runoff portfolio, probably taking into account somewhat favorable market conditions.

And you talk about the UK and Canada, and clearly a challenged market environment. Let me start with the UK. Three years ago, we said we have done a strategic review of all the options we have in the UK. And when I meant all the options, I really mean all the options, effectively putting it in runoff, running it or selling it. We've come to the conclusion at that point in time that the best way for us to protect shareholder value was for us to take the actions which we needed to take, and that means starting by taking our cost very significantly.

You see the 25% we promised in terms of cost reduction. We executed on it. We have been very creative. We will have further cost reductions needed in the UK, while at the same time, we are also positioning ourselves for the future in the new platform world. That will take time, but I'm confident that we are on the right track and that we will see the reserves emerge.

But Canada is a different situation, where we have had a business for a long time in a market that clearly is not an easy market. And Canada clearly is one of those operations, where we still see that we need to take more actions. And we will be doing that and hopefully we're able to share more with you later this year.

<Q - Michael van Wegen>: Okay. Thank you. Can I follow up on what you said on the UK, please? I appreciate that in the couple of years ago, you've done the strategic review and you decided to go the fixed rate, let's call it that way. Do you agree with me that since then, the situation has deteriorated in the sense that you've got the cost that you target, and the profitability is still not anywhere near where it's supposed to be?

Cash flows are still not anywhere near where it's supposed to be with the zero for 2013, and you had to inject capital in the past year significantly ahead of what you expected. So, isn't the situation now that despite the decision that you made a couple of years ago, things have deteriorated only further, and perhaps, yeah, conclusions might need to be drawn again?

<A - Alexander Rijn Wynaendts>: Well, Michael, you know when you take a decision, you have to be consistent with your decision. That doesn't mean that you don't change the way you look at things but once you take a decision, you have a management that's committed to execute on the plan, and we are executing on the plan. We are taking our expenses down. We will continue to take further expenses down. We have developed, I think, a great capability, well recognized by the market in terms of platforms. And we should see the benefits of it emerging.

Well, on the cash flow, you're making a valid point. The cash flow is zero, but debt was as planned because it has the impact of securitizations, as Darryl just mentioned. And Darryl also gave you the trajectory going forward. So, we will continue to take the actions in the UK that are needed to fix this business, and we will do that ourselves.

<Q - Michael van Wegen>: Thank you.

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Operator

Thank you. Our next question comes from Benoît Pétrarque from Kepler. Please go ahead.

<Q - Benoît Pétrarque>: Hi. Yes. Good morning. It's Benoît Pétrarque from Kepler Cheuvreux. The first question is on the dividend. I would like to come back on the decision to put the full year at €0.22. What has been your taking process beyond that? I just note that you have a strong excess capital at holding, excluding deleveraging it's still €1.3 billion ahead of the [ph] €600 million outflow (25:41), and how do you see your kind of dividend yield currently? I think it's about 3.2% on the €0.22, so how do you kind of view dividend yield versus the sector?

Second question will be on the fixed annuity. I mean, I know it's on the runoff, but I mean [indiscernible] (26:02) in the U.S., so how do you see this business going in the next two years? Do you see opportunities? And I've seen the [indiscernible] (26:13) rate actually on the new business going up by 20 bps quarter-on-quarter, so is that a kind of sign that you are a bit more aggressive commercially on the fixed annuity, or are you still out there?

And then just finally on the variable annuity business, you just mentioned during the presentation some more kind of – there'll be more competition on that, so, I mean, how do you see that moving in 2014? Do you expect still healthy margins and good volumes in 2014? Thanks.

<A - Alexander Rijn Wynaendts>: Benoît, thanks. Yes. On the dividend, I think we've been very consistent. We have a dividend policy. The dividend policy is based on the strength of our balance sheet and based on cash-flow generation. And what's really important here is that we want to have a dividend that is growing sustainably in the future. So, looking back at this year's full-year dividend, it's a 5% decrease over the previous year. In terms of yields, we are positioned somewhere between the U.S. sector. We're higher in terms of yield in the U.S. sector and a bit lower than the European sector, probably not surprising in view of the profile we have where we have nearly 60% of our businesses in the U.S.

I'll take your last question and – so that Darryl can give you more insight on your question about fixed annuities and variable annuity competition. You see what we're seeing is now is the results of a lot of hard work which is taking place in previous years to develop distribution. You see the sales coming from new distribution channels. I just mentioned the two: Edward Jones and Voya Financial. And I think that that is what is now emerging, and that is also the reason that we feel pretty comfortable that the positive trend will continue.

Now, we've had good margins, very good margins, and you could say these margins have been in the low, what we call them, the low 20s or margins, which we do not believe will be sustainable going forward, but they don't need to be sustainable going forward. So, we probably expect a little bit more competition and pressure on the margins, but still very healthy margins and a great momentum in the distribution. Darryl, do you want to answer the question – respond on the fixed annuities?

<A - Darryl D. Button>: Yeah, I could be very short on fixed annuities. I would not signal it. I see the fixed annuity for us, picking up anytime soon. We've said in the past that interest rates need to be significantly higher than where they are now. Obviously, they're starting to get – starting to jump up at the end of the fourth quarter and have come back down here again as we sit here today.

But we're really not really ready to run the credit risk that would be required to make the spreads work in today's rate environment. So, we need rates to be a lot higher than we are and a steeper curve. I just don't see that in the near-term forecast. So, I would take expectation down on that, perhaps.

<Q - Benoît Pétrarque>: Great. Thanks.

Operator

Thank you. Our next question comes from David Andrich from Morgan Stanley. Please go ahead.

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<Q - **David Andrich**>: Hi. Good morning. Thanks for taking my question, err, questions. I just want to follow up on the earlier question regarding [ph] captives (29:25) in the U.S. and kind of the – what the drag has been creating on U.S. free cash flow. I just wondered if you could just give a bit more comment on that in terms of the 4Q results. And then also year going forward, what do you expect to happen?

<A - **Alexander Rijn Wynaendts**>: Darryl?

<A - **Darryl D. Button**>: David, I'll take that one. The drag, it's been running above €40 million per quarter, that's what it was in the third quarter. We've had several quarters where we have not financed the redundant reserves of the XXX, AXXX issue in the U.S. We're actually looking at that for 2014. And I actually expect us to execute some financing of that in 2014, which we'll bring back some of that strain in the operational free cash flow somewhere in the next couple of quarters.

<Q - **David Andrich**>: Okay. Then that will impact the operational free cash flow, so we should – well, we would hope to expect about €40 million, so increase – is that going forward till the 2014?

<A - **Darryl D. Button**>: Yeah. We've had €30 million to €40 million kind of strain in our numbers each quarter for the last four, five quarters, as we've held off on financing. So, we'll be able to get some of that back when we catch back up. Yeah.

<Q - **David Andrich**>: Great. Thank you very much.

Operator

Thank you. Our next question comes from Nick Holmes from SocGén. Please go ahead.

<Q - **Nick Holmes**>: Hello. Hi there. Just a couple of quick questions. The first one is coming back on the portfolio optimization review, I wondered if you can turn us whether the rise in U.S. rates last year is going to help you to accelerate finding solutions for the runoff book.

And then second question is, again, coming back on the dividend. If you measure this as a payout of net underlying earnings, and I think it comes to something like 30%, and that seems a little bit low. And I just wondered whether you would agree with that and whether you think that there is scope for it to rise on that basis? Thank you.

<A - **Alexander Rijn Wynaendts**>: Nick, on your question of portfolio review, yes, I did say that the rising interest rate environment, the improvement in general of market conditions, investors looking for yield. Actually, all of that is – hopefully, they're going to make it all easier and more executable. There's better work done here to deal with issues of the runoff portfolio. And I think we've been very clear all along that it is our objective. And that's why we put them separately in the runoff bracket. It is our objective to address this but, again, in a way that we do not destroy unnecessarily shareholder value. So, it has clearly our attention, and the market condition is improving. We'll make things easier.

<Q - **Nick Holmes**>: Can you give us a little bit more color on the sort of solutions that you think might be possible?

<A - **Alexander Rijn Wynaendts**>: I don't think it would be a good idea for me to speculate on that right now. All I'm saying to you, Nick, is that we are looking at all options available to effectively accelerate the runoff in what we now see improved market conditions.

<Q - **Nick Holmes**>: Okay.

<A - **Alexander Rijn Wynaendts**>: In terms of you dividend, what I've said just in response to the previous question, what's important for us is that we had dividend that is growing sustainably over time. And that's part of our strategy where we said we wanted to take our risk on, improve our risk profile, be more predictable. And that also applies here to the dividend. And we believe that the €0.22 which represent a 5% growth over the previous year is a good basis for growth going forward.

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<Q - **Nick Holmes**>: Okay. I mean, you don't think that there is some – a structural issue with the dividend, that it's structurally low, perhaps, because of the legacy situation that you still have to some extent?

<A - **Alexander Rijn Wynaendts**>: Again, Nick, I can only repeat what I said. For us, the objective is clearly a steadily growing dividend, and we've grown it now 5% of the previous year. That brings us with a dividend yield, by the way, in excess of our U.S. peers, and I would admit a bit lower than our European peers. Not surprising if you look at the portfolio composition of Aegon being for a big part U.S.-based.

<Q - **Nick Holmes**>: Okay. That's great. Thanks very much.

Operator

Thank you. Our next question comes from Ashik Musaddi from JPMorgan. Please go ahead.

<Q - **Ashik Musaddi**>: Hi. Good morning, everyone, and thank you. Sorry to come back again on the same point on your runoff business. I know you have been trying to give some answer, but some parts on that – assuming interest rate starts picking up now, what would you think your book will look like? I mean, would you start looking for some potential disposals, or would you still be thinking from a runoff perspective of that book assuming interest rate pick up significantly from here on?

I know you have mentioned that you definitely look for shareholder-value-creation thing, but at least if you can give a bit more color would be great. Secondly, on the impairments, it looks like the impairments went down significantly in this quarter. Is it a real improvement in the RMBS market that is just driving that, or is it across the book which is going forward? I mean, how should we think about it going forward would be great. Thank you.

<A - **Alexander Rijn Wynaendts**>: Ashik, what I said on the runoff is that we obviously are looking at ways to accelerate the runoff. And, of course, if we are able to find a buyer for these blocks of business in the runoff business, we would certainly do that because it would accelerate the runoff.

<Q - **Ashik Musaddi**>: Yes.

<A - **Alexander Rijn Wynaendts**>: Difficult for me to give you more color right now.

<Q - **Ashik Musaddi**>: Okay.

<A - **Alexander Rijn Wynaendts**>: But I can say to you – what I can say, we are engaging conversations. We are looking at options. And I hope that of the course of the year, I can give you more.

<Q - **Ashik Musaddi**>: Okay. Thank you.

<A - **Alexander Rijn Wynaendts**>: Darryl, you want to respond on the impairments?

<A - **Darryl D. Button**>: Yes. Ashik, it's Darryl.

<Q - **Ashik Musaddi**>: Hi, Darryl.

<A - **Darryl D. Button**>: Look across the whole portfolio, credit is pretty benign everywhere right now. So, we're just really not seeing much in the way of gross impairments in any of our portfolios right now. And then it's further enhanced by we're actually getting some of the recoveries back in the U.S. RMBS portfolio. So, that's really – those two things together [indiscernible] (35:56)...

<Q - **Ashik Musaddi**>: So, should we expect it going forward as well, or is it just a one-off kind of an event?

<A - **Darryl D. Button**>: So, I think in the near term, I don't see anything – we're not hearing anything on our side from a credit perspective in the near term that anything should change this trend. Obviously, credit comes in cycles, but in the near term, I think this is to be expected.

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<Q - Ashik Musaddi>: Okay. Thank you. That's very clear. Thanks a lot.

Operator

Thank you. Our next question comes from William Elderkin from Goldman Sachs. Please go ahead.

<Q - William Elderkin>: Thank you. And good morning, everybody. A couple of questions. First of all, just pulling up on Farquhar's question, within the U.S. cash generation for 2013, was that €100 million of that €900 million you mentioned coming from the runoff businesses [indiscernible] (36:43) answered correctly?

And secondly within U.S. businesses, I just wonder do you have any meaningful exposure to long-term cap products? I understand there have been some reserving issues there and – just where do you stand on that?

And then finally, I was wondering if you'd help me with the UK business. I've been trying to understand what the potential earnings power of the pensions businesses going into 2014-2015. The way I was thinking about it, you were looking at the fourth quarter pensions earnings of £9 million loss have impact all the negatives that you've mentioned, which takes me to plus £4 million, and whether if you can give me a sense of how much of the IT expenses and [indiscernible] (37:24) may or may not recur as negative charges. Plus any other dynamics I should be bearing in mind when I'm thinking about my forecast.

<A - Alexander Rijn Wynaendts>: Yeah. Would you like to take the question on the runoff business?

<A - Darryl D. Button>: Yeah, I will. Sorry, there's lot of questions, but we're trying to get those all. It was jotted down there. No, the €100 million was not the actual capital released for the runoff business. It was more of the delta effect, if you will, that we're seeing coming from those on a period-over-period basis. I actually don't have the actual capital that was released from those runoff businesses, and I'm going to have to ask IR to follow back up with you on that.

On the second question, I think it was long-term share related.

<A - Alexander Rijn Wynaendts>: Yeah, that's long-term share related in there. I think you know we have some exposure to long-term care, limited exposure. We're comfortable with the reserves and the provisions we have.

In terms of the UK business, clearly, this has been a quarter we have a number of exceptionals. The exceptionals are related to persistency, as we highlighted, but also to a number of investments which we are making to make our business more ready for today's environment. You know we're making significant investments in our platform capability. We're also, as we announced, as I announced, making investments in a proposition which is a proposition which is going [ph] to be focused (38:55) on the end consumer directly which is a very different model and a new model in our business. So, a lot of these investments, effectively, are impacted – are impacting this quarter.

<Q - William Elderkin>: Sorry, guys, just coming back on that. On – so, on the UK side, are those investments likely to continue into 2014 or is that base has begun for the timing being?

<A - Alexander Rijn Wynaendts>: I think it's fair to say, William, that you can expect that these investments will continue in a similar range in terms of run rate going forward.

<Q - William Elderkin>: And then just, sir, finally again on the UK, I was under the impression that you have been paying out cash commissions which [indiscernible] (39:36) to 2013. Will that now stop going into 2014, and what's the order of magnitude in terms of potential earnings uplift if indeed that perception was correct?

<A - Alexander Rijn Wynaendts>: We are certainly benefiting from the new environment from RDR. So, for new business which has been written after 2013 that is indeed done on a commission-free basis, but we still have a lot of [ph] effective trail (40:06) commission on previous contracts which we continue to pay commission on. So, the commission level has come down which, by the way, is a very good thing for our business going forward, but we do feel that trail commissions in particular in our workplace so the group pension space.

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<Q - William Elderkin>: I don't know if you could sort of comment on it. But, I mean, the most [indiscernible] (40:26) things, I mean, it's difficult for that pension business to be delivering much beyond sort of low-double-digit earnings for some time. Is that fair?

<A - Alexander Rijn Wynaendts>: What is clear, Will, we need to increase scale. And that's why we invest in the capabilities we have. As you know we have I think a platform capability for pension business which is very much recognized. So, we are now really focusing on scale, indeed, in order to get our cost levels on a more efficient basis which should be driving earnings going forward.

<Q - William Elderkin>: Okay. Thank you.

Operator

Thank you. Our next question comes from Maarten Altena from Mediobanca. Please go ahead.

<Q - Maarten Altena>: Yeah. Good morning, gentlemen. Three questions from my side. The first is a follow-up on the UK, the capital position in particular as you mentioned now to be more satisfied with the capital position. Does this mean that we should expect the upstreaming of dividends to the holding as of the first quarter 2014 already, or is that still too early?

The second thing is on rolling expenses because what should we expect for a run rate – quarterly run rate given that the fourth quarter was impacted by a one-off and taken to account the earlier-announced that the deleveraging measures for 2014. And maybe on the Netherlands, would you able to update us on what you have seen in group pensions in the fourth quarter 2013 and how you see the pipeline competitions and maybe also the outlook for 2014? Thanks.

<A - Alexander Rijn Wynaendts>: Darryl?

<A - Darryl D. Button>: Yeah. I'll take the first two. On the UK capital, no, I wouldn't expect the dividend here in the first quarter of 2014, not after just putting a contribution in the fourth quarter of 2013. The reality is we expect a step change in the cash flow generation in the UK starting in 2015. I think 2014 is really a transformation year, where we complete the investment that Alex was mentioning in terms of the cost and the transformation cost that we're investing in the UK. That will also complete the run rate expense reduction by the end of 2014, so not only will we stop investing with the expenses will come down. In addition to that, the securitization will run out in the UK as well in 2015.

And then as Alex said, we're really – the new business stream has come down substantially in the post-RDR world, where we don't have the high commission or the commission environment. Those four things will all interact by the end of 2014 and really create 2015 being a positive cash flow year for the UK. And I think a step change to the cash flow. So, you could assume that 2015 will be the transition year and we'll – we should be ready to pay dividends in 2016 based on calendar year 2015 performance.

You also asked about holdings. Yeah, there was an extraordinary interest on taxes in the holding, that was 18 million this quarter. There is a about 5 million of noise that went the other way. So, I think you will look at the holding run rate results to be about 13 million high for this quarter.

<A - Alexander Rijn Wynaendts>: I think the last question was on – [ph] that's on the bench of the Netherlands (43:32)...

<Q - Maarten Altena>: [indiscernible] (43:32).

<A - Alexander Rijn Wynaendts>: ...which I'm happy to answer. I think what's important to see is that coverage ratio is improving, as you know. High equity markets, slightly higher interest rates. So, it means that it's easy now to consider transfers. As such, we have a good pipeline. It's important for us, and we've been very consistent that we price these products in line with our pricing policy. But I believe that not only our strong capital position which is clearly recognized in the Netherlands but also the improved back-office capabilities – we really invest a lot in improving our back-office capabilities – will all be the basis for – to see that the pipeline which is coming will also convert into actual

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business.

The second element I'd like to bring maybe to your attention, because I think it's an important change going forward, you're well aware of the tax changes in the Netherlands. So, the contribution rate, effectively, which is tax-free, is being reduced. But probably more important also is that the – there is a cap now on the amount that is pensionable, and that's €100,000 now. And that means that we see a lot of opportunities effectively to offer our customers that has a pension which is in a tax-efficient place to be complemented with more capabilities in terms of saving for the future.

So, we'll be focusing not only on our group pension customers and the contributors but also to that, individually, in particular for all of those, that now I see a [indiscernible] (45:04) and need to find different ways of replacing their retirement savings for the future. So, that is an additional capability where we're very much focusing on and with all the efforts we're putting in place of connecting better with our customers. Those have contributed the pension plan, with all the digital and technology investments we're making, we believe we're well positioned to take advantage of that new opportunity emerging as a result of the legislative changes in – here in the Netherlands.

<Q - Maarten Altena>: Okay. Very clear answers. Thanks.

Operator

Thank you. Our next question comes from William Hawkins from KBW. Please go ahead.

<Q - William Hawkins>: Hello. Thank you. Two questions, please. First one, can you update your guidance, please, of what would be the impact on underlying earnings if yields stayed unchanged where they are today? And then secondly, can you remind me your dividend policy now with regards to interim dividends? Are we back to the former times' policy of interim dividends being sort of fixed at the final dividend, or do you retain flexibility for interim dividend movement? Thank you.

<A - Darryl D. Button>: On the interest rate sensitivities, we really haven't updated those from what we've previously put out in the market. So, what we're seeing, I think, it's – I think the biggest thing to keep in mind is that the book yields, particularly in the U.S., and this is where most of the interest rate sensitivity comes from, the book yields are down around 5% now, maybe just a little bit below that.

And we're getting new money investments in the low fours now, so that differential versus what we had two or three years ago when the book yields were six and we were getting new money investment yields of three, so that differential has shrunk significantly. We've also lowered our long-term interest rate assumptions back in the third quarter when we took the DAC right off and the assumption changed back in the third quarter. So our expectations for rising interest rates have been pushed out significantly. So, that lowers the overall sensitivity, but we haven't put any new guidance in the market, and I'm not prepared to give any here today.

<A - Alexander Rijn Wynaendts>: On the interim dividend, William, we will obviously maintain flexibility in terms of what we do between the interim and the final dividend. All I can say here, again, is we are looking for a dividend that is growing sustainably in the future.

<Q - William Hawkins>: All right. Thanks.

Operator

Thank you. Our next question comes from François Boissin from BNP Paribas. Please go ahead.

<Q - François Boissin>: Yes. Good morning, everybody. This is François Boissin from Exane BNP Paribas. Two questions, please. The first one is on your cash flows. Basically you've reported a stronger market value of new business over the past years. I was wondering if this could translate into higher cash flows going forward, basically if there are room to improve your midterm guidance on that. And the second point is on dividends, just to come back on the interim dividend and what you put in slide 16 in your presentation. Is the €460 million a fixed amount, or are you

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ready to go beyond this for 2014? And basically should we assume that €0.11 is what you aim to pay as an interim dividend or could you go higher than that? Thank you.

<A - Darryl D. Button>: Hi, François. It's Darryl. I'll take those. The short answer is yes. The MCVNB will translate into higher operational free cash flow, higher earnings, higher ROEs going forward. That's an important part of our story. We've been able to get all of the products we said to be very attractive, very profitable margins in this low-rate environment, and I think that's the most important of the MCVNB is that we have the profitable new business which is going to take our ROE, earnings, and operational free cash flows and propel them forward going forward. So, I think the answer is a definitive yes.

In terms of the interim dividend on slide 16, I wouldn't read too much into this. We've tried to caveat with the footnotes that are there. We're not going to forecast or give guidance on our dividend. So the footnote is simply saying we're assuming it's flat although Alex has stated very clearly that our ambition and our goal is to provide a sustainably growing dividend going forward.

<A>: And a sustainable dividend as well as buying back any scrip dividend that we pay to those of our shareholders that elect specifically to have scrip dividends, so we want to pay it fully in cash.

<A>: Cold cash dividend.

<A>: Full cash dividend, yeah.

<Q - François Boissin>: Okay. It's very clear. Just coming back on the potential improvement in free cash flow, basically, what timeframe should we be thinking of in terms of significant improvement in your opinion?

<A>: Well, in the short term, you really – obviously, the new business is an accretion over time and so it has a horizon – where long-term business and it has a long-term horizon associated with it. It's incremental and over a long period of time.

In the short term, the operation of free cash flows will probably most be impacted by the step change that I mentioned earlier in the UK. Really, when we cleared 2014 and head into 2015, we expect the UK consistent with the guidance that I showed back in the summer, we expect the UK to come out of the zero to a small loss territory that they're in up into the \$150 million, \$200 million range by 2015.

<Q - François Boissin>: Okay. And then for basically the high-margin business being sourced in the U.S., this is something that you see beyond 2016 basically?

<A>: Yeah. The U.S., the other phenomenon that we've talked about in the U.S., obviously, [indiscernible] (50:55) and the profit on the new business and the transition to the fee business is all accelerating free cash flow generation from that part of the growth business, but we have to offset the other issue that was raised earlier which is the incremental impact and the decline that's coming from the rundown of the runoff businesses and the spread businesses as those get smaller.

<Q - François Boissin>: Sure. Thank you very much.

Operator

Thank you. Our next question comes from Edward Donahue from One Investments. Please go ahead.

<Q - Peter Testa>: Hi. Actually, it's Peter Testa. I have a couple of questions, please. Firstly, just on the discussion about your capital. I mean you've been quite clear on what you expect in the UK, but just looking on, say, a wider perspective, you have clear 2015 return on equity goals. The largest, say, obstacles, it seems, to getting those are realizing the runoff and getting the returns up in the UK on those large blocks of capital employed. Can you maybe just give us a sense on how you perceive the opportunity to make those goals in 2015 through these businesses as part of Aegon? Or think about what – give some sense, if that is not the case, whether there are opportunities to review these

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situations again.

And then on the variable annuity business, you talked about a potentially more competitive market. Can you give a sense as to whether this is something you're really seeing in new business working on now, or was that just a long-term view expressed that returns are very good, and you're not expecting it stay that way, but that you haven't seen any change at this moment? Thank you.

<A - Alexander Rijn Wynaendts>: Thank you for your question. Yeah. I think we have been again very clear that we want to address those runoff businesses. These businesses are not part of our core businesses, and obviously if we can accelerate that through a sale, we would certainly entertain it. But again, I said we want to do that in a way that we're not destroying shareholder value. On the other side, we're now seeing that there is more appetite for this type of transactions, and we're putting all our efforts in trying to get this executed.

On the UK, I can only repeat what I repeated earlier is we've looked at the various options we have. We do recognize that the returns are far from where they need to be. We have had a number of options explored. As I said, with some – putting in a run-off which we felt was not an attractive option. We would have lost enormous amount of value. Dealing with it ourselves, taking ourselves the measures that need to be taken, taking our cost down very significantly – 25% cost reduction we've had. We will have further cost reductions. We've had also a lot of significant reduction of employees, so over 4,500 to something around above 2,000 right now, and more will have to take place. So, we're taking these actions.

And the final one is obviously [ph] resources (53:57). And it would – there'd be possibility to transact, and we've come to the [audio gap] (54:02-54:03) us taking the measures we need to take was really the best option at that point in time, and we are really executing on that option. And I think we're also delivering on what we're promising, which is important: taking our cost down, restructuring our business in the UK, at the same time positioning it that we are able to maintain these assets which we have on our book, in our system from an old-platform environment to a new model platform which I'm very pleased also to say has been receiving quite a number of rewards. So, that is promising. We'll continue to execute on the plans in the UK.

Now, in terms of the margins of variable annuity business, yeah, these margins are high margins in the low-20s. And it's more a reflection of the fact that these margins [ph] are high (54:55) that I made a comment that we do expect and have to expect that these margins will come down. But what is important is that we continue to be committed in maintaining an all-time pricing discipline for new business. And at least there's more than enough room in this environment to be able to maintain that.

<Q - Peter Testa>: Okay. Thank you. But I got this one follow-up question on capital. You make the – make a statement that you look to grow your dividend over time, which is a good – a strong goal. To what extent do you think there's an opportunity to go beyond delevering with the excess capital streamed up, maybe not in early 2014, but over the medium term of the business because you've delevering now for some time, we paid a lot of high-yield debt. You have a strong balance sheet structure, [indiscernible] (55:44) based, respectively, given the cash flow comments earlier. To what extent should we just expect continued delevering or other capital steps in the medium term?

<A - Darryl D. Button>: Well, I'm pleased to hear that you recognize that we have a sound policy on dividends, stable but growing dividends. And clearly, we're also looking and we have signaled in the past, and I do like to reiterate that right now, that it is our intention to neutralize the effect of the dilution, which came with the transaction to cancel our preferred shares with the Aegon Association. We've given that intention over a longer period of time and that could be one of the ways of redeploying our capital.

<Q - Peter Testa>: Yeah. And okay, thanks very much for the answers.

Operator

Thank you. Our next question comes from Gordin Aitken from RBS. Please go ahead.

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<Q - Gordon Aitken>: Hi. It's Gordon Aitken from RBC. A couple of questions, please. First on your Dutch pensions buyout business. You mentioned you got a good pipeline because it compares to this morning reporting an acceleration of that business in the fourth quarter with improved margins. Just wondering if you can see what the IRR on that pensions buyout business is for you in the Dutch market?

And the second question on the UK, I mean, you pulled away from annuities in recent years, but you built a very decent drawdown capability. Now, drawdown sales for the market returned 40% in 2013 and probably the more – I think it had more to do with demographics and anything else, but drawdown has to improve presumably as pension [ph] pot sizes (57:19) increase in the UK. Can you talk a bit about what your growth prospects are in drawdown and how much competition there is in that market? Thank you.

<A - Alexander Rijn Wynaendts>: Yeah. In terms of the buyout business in the Netherlands, which are effectively addressed some assets to us and us taking over the liabilities. Again, here, we are committed to maintaining strict pricing discipline. We've done that all along. And it means that you see also somewhat of the lumpiness in the sales quarter-over-quarter. So, our pricing discipline means we have to achieve at least returns of 10%. And you can be sure that we are delivering on that target as well.

In terms of drawdown, Darryl?

<A - Darryl D. Button>: Yeah. The only thing I can say, I agree with you. We agree with you that the drawdown in the UK is going to be an increasingly important product going forward. And so, we're actually very bullish about the prospects for enhanced drawdown products, and that's going to be something – in fact, that's something we're undertaking and enhancing that on our platform, enhancing that [indiscernible] (58:23). Over the next 18 months, taking two enhancement product there. So, I would say, we're bullish there.

<Q - Gordon Aitken>: Can I just come back on the first part on the Dutch Pensions business. I mean, there's a real lack of supply. I mean, as I understand, there's only a couple of players in this market at the moment. So, you talk about needing to maintain IRRs. I mean, who's keeping the pricing tight, is it consultants? Because presumably, the pension funds have got nowhere else to go apart from this, there's only two people right in this business.

<A - Alexander Rijn Wynaendts>: Gordon, you're right to say that the number of suppliers in these businesses have been reduced. And I would say that we at Aegon, particularly, I think are an attractive provider because we have strong capital position. And I think it's easy to understand that when a company – a corporate CFO of a corporate – takes the decision to transfer liability and these liabilities are liabilities of a very long period of time, it is important that they look at a provider such as Aegon that has a strong capital position and is committed to maintain a strong capital position.

We, at the same time, also want to maintain our pricing discipline. And that's where we find – we're looking for the right balance. You're absolutely right. There is a flow coming. We want to maintain our pricing discipline. We're not in a hurry to take off all the schemes at once. Taking over scheme, setting up a new scheme requires a lot of work. We want to make sure we do that right. And that's why we invest also in our back-office capabilities because it's important that we provide excellent quality of service to not only the corporate [ph] transfers, the pension (59:58), but to each and every single contributor, employee in the pension scheme because we believe not only the opportunities with the other corporate scheme but all the add-on business we can do in particular now in the context of the changing tax legislation which means we'll get more access and there will be more need to save outside of the corporate pension plan.

So, it is a business which we are clearly very much focused on. But we look at it beyond, purely, a corporate pension transaction. It is about all the millions of employees which effectively we have as part of these corporate pension themes where we think the big opportunity is going along forward.

<Q - Gordon Aitken>: Thank you.

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Thank you. [Operator Instructions] The first question comes from Maud van Gaal from Bloomberg. Please go ahead.

<Q - Maud van Gaal>: Hi. Good morning. I have two questions both on the Netherlands actually. I was wondering – so many competitors in the Dutch market are preparing to be sold or for sale and I was wondering if you see that as an advantage or a disadvantage competitively for you this year. My second question was – and I'm sorry if I missed it – if you can give an update on how your talks are going with [indiscernible] (01:01:41) another unit-linked client. And also if you've seen new proceedings coming your way and you are seem to be sort of warning for that, and I was wondering if you can comment on that. Thank you.

<A>: Maud, in general, the Dutch markets, I think, there is an absolute – a broad recognition that result to capacity. So, any form of consolidation on the longer run will be positive for our market. Let me repeat our position here and we said that clearly this morning, our focus is on growing our business organically.

Now your second question is about the [indiscernible] (01:02:22). We have come to an agreement with [indiscernible] (01:02:25) as you know and that means we have agreed to implement shared agreements, and that is an agreement with 35,000 policyholders. And our priority now is to get this done and implement it. And we've already dealt with certain groups of the 35,000 and I hope and expect that before the summer, we can have that process entirely completed.

You asked me if we had more proceedings as you call it for the time being, we have not in more proceedings coming to us.

<Q - Maud van Gaal>: Thank you.

Operator

Thank you. Our next question comes from Archie van Riemsdijk from Dow Jones. Please go ahead.

<Q - Archie van Riemsdijk>: Yes. Good morning. This is Archie of Dow Jones. I was wondering on the run-off businesses that you might want to try to sell and you see increased appetite, can you give some – well, can you describe them a little bit and which kind of parties would be interested in buying them?

<A>: Archie, you know the run-off businesses we have, so they're clearly stated in all our reporting. And I think it's too early now to speculate on what pieces or what parts could potentially be sold to what. What I did say and happy to repeat that is clearly it has our attention and we would like to be able to accelerate that run-off. And obviously, if we're able to transfer it to another party, that would help the run-off and accelerated run-off.

<Q - Archie van Riemsdijk>: Okay. And you don't have a target or expectation that you can show at least one of them or something like that?

<A>: No. I've been very clear that we're working on it and that's all I can say right now.

<Q - Archie van Riemsdijk>: Okay. Thank you.

Operator

Thank you. Our next question comes from Chris [indiscernible] (01:04:28) Please go ahead.

<Q>: Good morning, [indiscernible] (01:04:31) I would like to come back on the [indiscernible] (01:04:34) discussions. I would like to know what the average compensation is you will be paying to these 35,000 customers you mentioned earlier. And the second question is about the [indiscernible] (01:04:50) performance process. I understood that they having talks with Aegon about compensation as well. Do you recognize them as a party, are you making progress in the talks and have you made provisions for an actual number of clients that need to be compensated? Thank you.

Company Name: Aegon
 Company Ticker: AGN NA
 Date: 2014-02-20
 Event Description: Q4 2013 Earnings Call

Market Cap: 13,498.53
 Current PX: 6.333
 YTD Change(\$): -.529
 YTD Change(%): -7.709

Bloomberg Estimates - EPS
 Current Quarter: N.A.
 Current Year: 0.669
 Bloomberg Estimates - Sales
 Current Quarter: N.A.
 Current Year: 31402.750

<A - Alexander Rijn Wynaendts>: Yeah. In terms of average compensation, the best way I can guide you is that we have announced a provision of €25 million and we have around 35,000 customers. But again these are very different customers, so I'm not sure if that, on average, tells you a lot. What's important is that we have come to an agreement with shifting on how to implement the measures and what we want to do to make sure that every single of those customers that were part of that shifting gets what we've [ph] read (01:05:43) they should receive before the summer. And that's really what we're focusing on.

On the second question I said to you that our priority today is let's focus on dealing with the 35,000 members of the shifting. And we want to get this done before we start in anything else.

<Q>: Okay. But at least the question about just taking [indiscernible] (01:06:06) process, could you elaborate on that?

<A - Alexander Rijn Wynaendts>: Yeah. We are continuing to be in discussions with them, and obviously it is way too early to share anything with you. We'll certainly share something with you when it's time, but we are discussing consistent with what we've always said, we would like to have this all issue around reselling behind us. It is not a good thing for the industry. It's not a good thing for Aegon. What we would like is that the customers feel the trust in the sector, the trust in Aegon. And what we are doing is therefore executing very diligently on the shifting and the 35,000 customers there make sure that they get what we have promised and they get it in a timely way.

<Q>: But can you tell me how many people this [indiscernible] (01:06:57) is representing?

<A - Alexander Rijn Wynaendts>: 35,000 roughly.

<Q>: [indiscernible] (01:07:01) I mean, speaking [indiscernible] (01:07:03) process?

<A - Alexander Rijn Wynaendts>: I'm not aware of the number, I'm not aware of that number. And I'd be happy to look into it and ask Joven Bone, who is the head of our communication to come back to you if that number is available.

<Q>: Okay. Great. Thank you.

Operator

Thank you. There appears to be no further questions. Please continue with any of the points you wish to raise.

Alexander Rijn Wynaendts

Yeah, I would like to thank you for joining our call. It's always a pleasure for us and, of course, we appreciate your interest in Aegon. Thanks a lot and have a great day. Bye.

Operator

This concludes the Aegon fourth quarter 2013 results conference call. Thanks for participating. You may now disconnect.

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