



# UK strategy update

**Adrian Grace**

CEO - UK

**Stephen McGee**

CFO - UK

London – September 21, 2017

*Helping people achieve a lifetime of financial security*

# Today's storyline

## Transformed business profile

- Accelerated transformation with acquisition of Cofunds and Blackrock's DC business
- UK's #1 investment platform leading shift from spread to fee-based business
- On-track with execution of upgrade program and the integration of acquisitions

## Attractive market opportunities

- Well positioned to capitalize on expected platform market growth to GBP 1.2 trillion by 2021
- Leveraging omni-channel distribution strategy to capture larger share of the growing platform market
- Diversified product mix across pensions, ISAs, general investment clients and long term savings

## Strong financial position

- Underlying earnings expected to grow from 2017 onward due to improving fee-based earnings
- Solvency II ratio well within new target range of 145% to 185% enabling future dividends to the Group
- Special dividend of GBP 150 million to be paid in 2H 2017

# Aegon UK at a glance



London



Witham



Edinburgh



Lytham



Salford



Peterborough



Focusing on long term savings, retirement, workplace savings and protection



>3,000 employees



£151 billion Revenue-generating investments



Award-winning multi-channel investment platform



>3.5 million customers



#1 Platform with >20% market share\*

Source: \*Fundscape Five Year Platform Projections Jan 2017, NMG adviser survey, Platform

# Transformation from traditional to digital model well underway

## Completed

- ✓ Split company into a '**digital future**' and a '**legacy past**'
- ✓ **Divested annuity book**
- ✓ **Grew inorganically:**
  - Blackrock DC (£15bn in AUA)
  - Cofunds (£87bn in AUA)
- ✓ Launched market leading **investment solutions**

## In-progress

- **Upgrade** program for existing customers to new platform
- Service customers to & through retirement via **multiple distribution channels**
- Consider **options for residual unit-linked/with profits business** following upgrade program

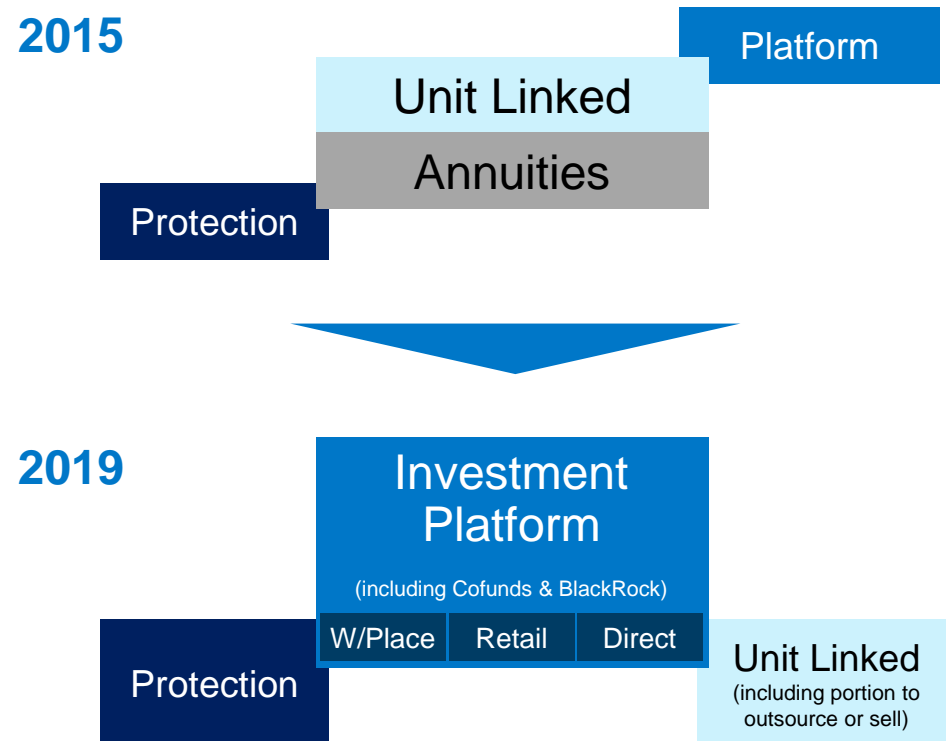
## Key outcomes

- Become long term savings business, not just an insurance company
- Build trust with advisers leading to B2B2C
- Attain critical scale and achieve continued growth
- Operationally efficient platform that creates sustainable, scalable investment returns for all stakeholders

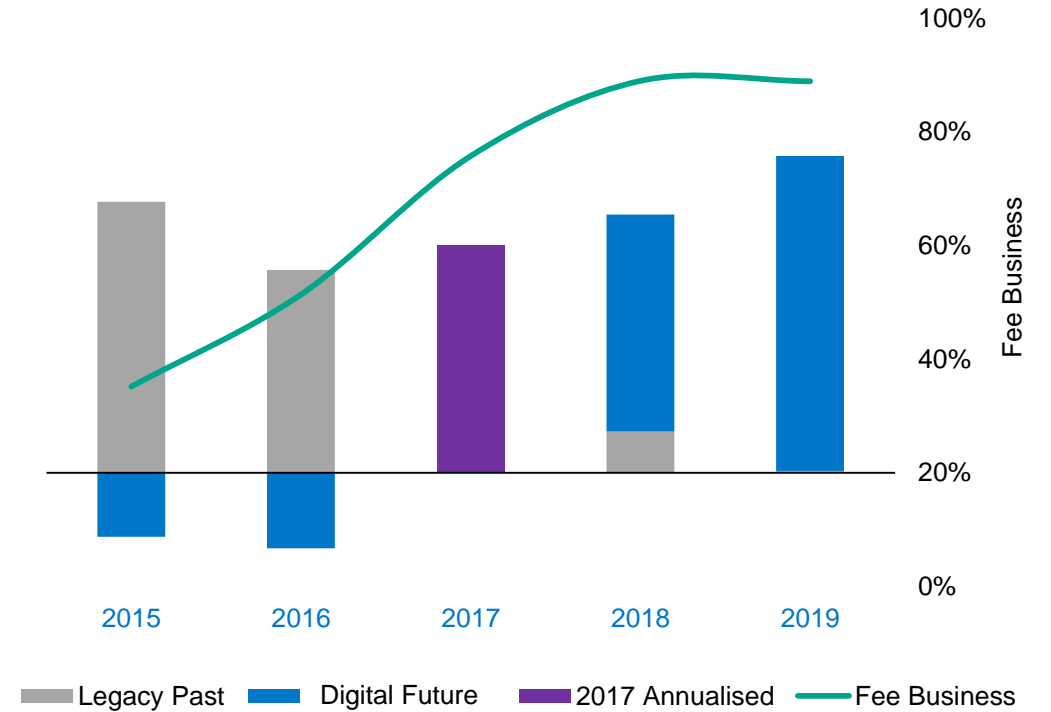
Creating a 21<sup>st</sup> century digital business that delivers customer-centric solutions

# Business model in place to move to a capital light fee-based business, improving earnings

Evolving business model

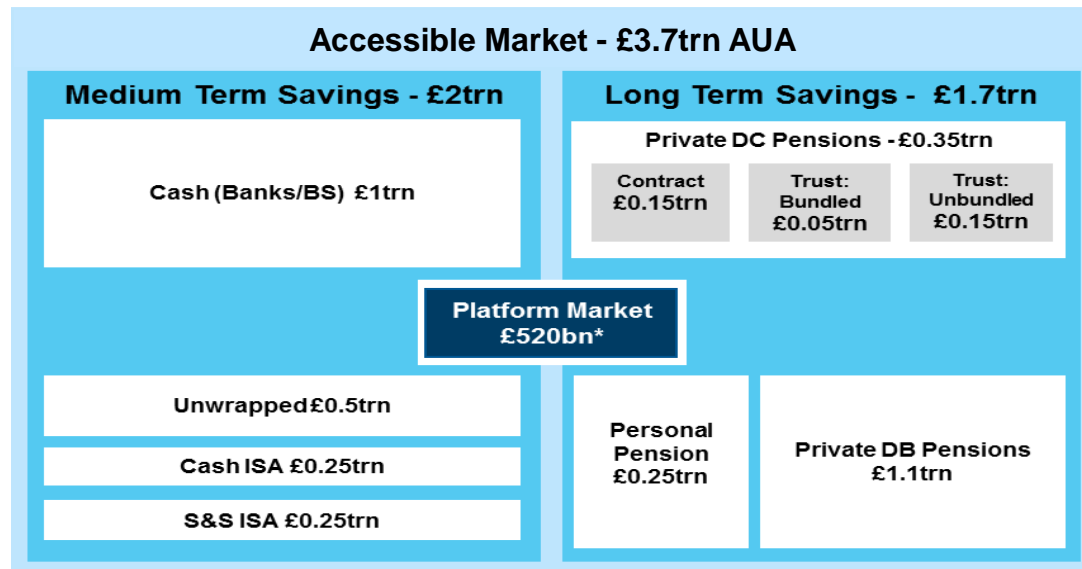


Improving earnings trajectory



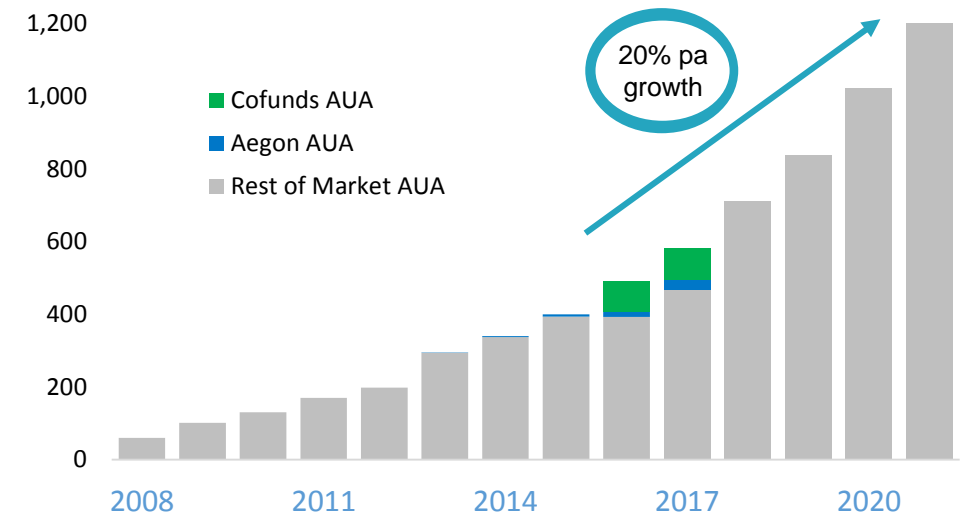
# Well positioned to capitalize on the evolving UK market with Aegon currently leading the platform market

## Aegon's market opportunities



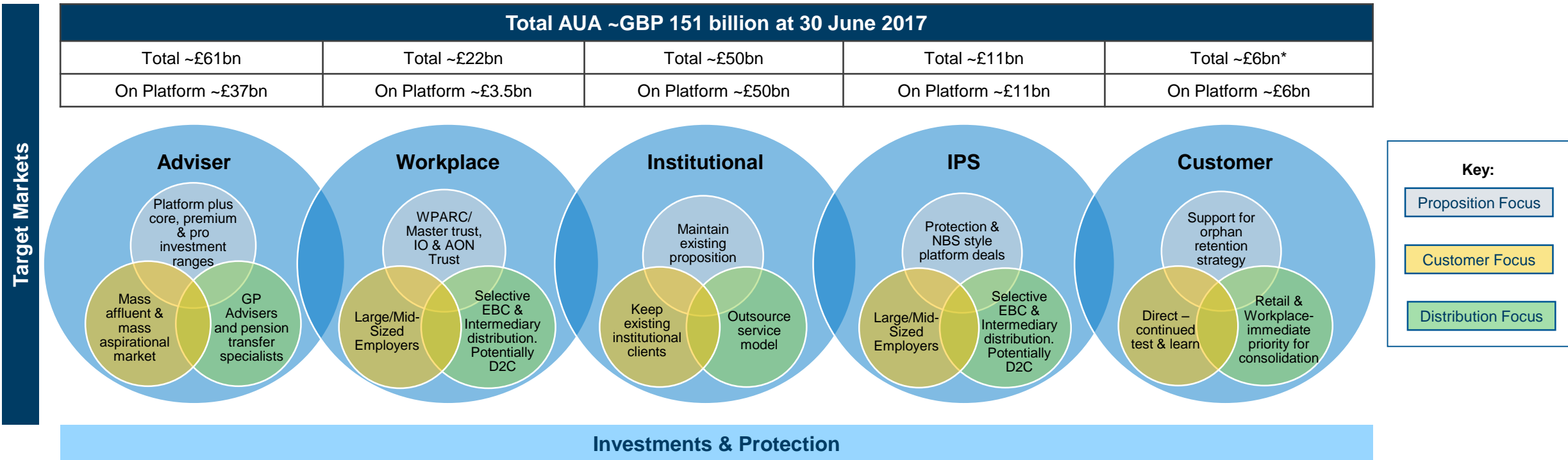
- ~14% of stock on platform, ~86% is off platform
- ~80% of new business flow is now on platform driven by advisers and migrating legacy assets
- Market growth YOY is expected to be ~20% through 2021

## Expected platform market growth (AUA in GBP billions)



- Investment platform market covers Retail Advisers, Workplace Solutions and Direct to Customer
- Platform market is expected to surpass GBP 1.2 trillion by 2021
- Aegon currently leads the platform market with >20% market share

# Transforming Aegon’s UK market position, leveraging our scale to deliver a multi-channel strategy



With clear positioning to achieve the our ambition ‘to transform Aegon and create the UK’s leading long term savings and investment business’

**#1** Advisory market

**#3** Workplace market

**Significant Player**

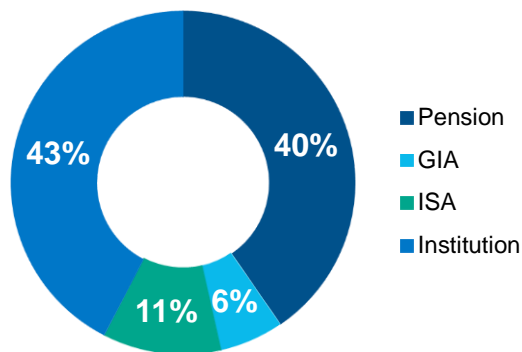
Institutional, IPS & Direct markets

Source: Fundscape Five Year Platform Projections Jan 2017, NMG adviser survey, Platform;  
\* Captures platform direct to customer only

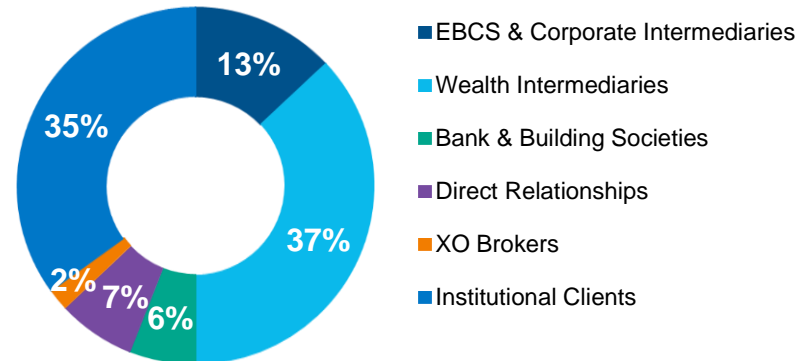
# Long term savings mix fully aligned with distribution strategy

- Diversified product mix across pensions, ISAs, general investment clients and other long term savings
- Strong blend of distribution sources to deliver products
- Broad reach across more than 5,000 advisers in the UK

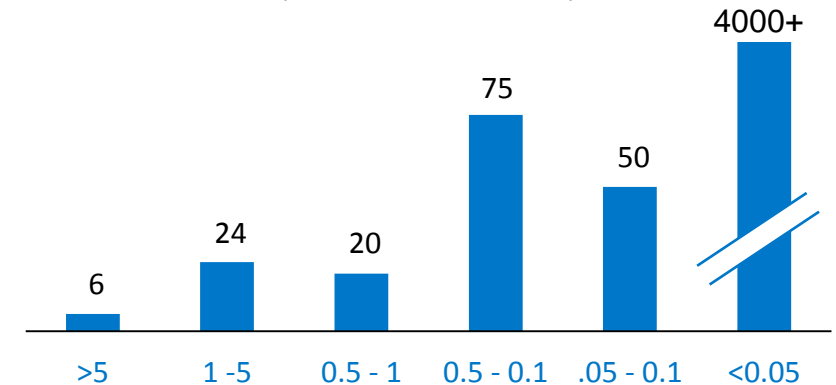
AUA by product  
(% of total AUA)



AUA by distribution channel  
(% of total AUA)



Number of Adviser by AUA  
(AUA in GBP billions)





# 2016 acquisitions have collectively transformed the ability to execute the UK strategy at pace

## BLACKROCK

Our combined strength and breadth of expertise makes us a compelling choice in the workplace market

- Propelled Aegon to a **top-3 position** in UK **workplace savings** market
- Provided access to **larger employers** and Trust and Investment Only markets.
- Gained expertise in individual and **master trust** based DC plans
- Provided a significant **cross-sell opportunity**
- Enabled the restructure of investment fund mandates to **drive investment performance** aligned with customer expectations

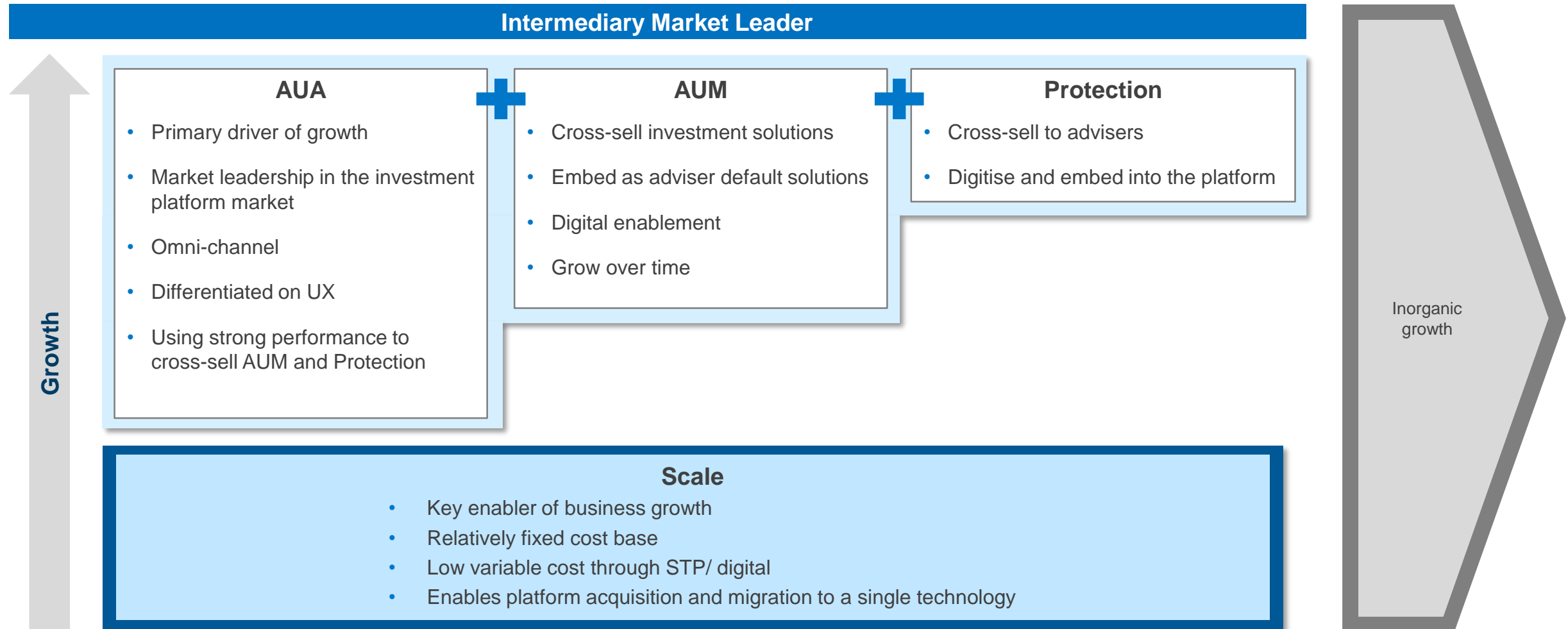


## c.funds

We are the largest platform in the UK after accumulating more than £70bn assets

- Became the **largest UK Retail platform**
- Enabled us to deliver a **platform at scale** with strong consolidation and cross-sell opportunities
- Enabled plans to **drive automation**
- Supported a **complementary distribution** footprints
- Achieved new business relationship with **Nationwide**
- Provided open architecture for **investment solutions**





# Clear strategy to continue to grow shareholder value











# Strong Executive Committee with skillset to deliver our strategy

Executive Team

**Executive Committee**

<p>Adrian Grace, CEO</p> 	<p>Stephen McGee, CFO</p> 	<p>Jim Ewing, CRO</p> 	<p>James Crispin, Chief Actuary</p> 
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Management Teams

Digital Solutions		Existing Business
<p>David Hobbs, CEO Cofunds</p> 	<p>Mark Till, Chief Distribution &amp; Marketing Officer</p> 	<p>Dougy Grant, MD Existing Business</p> 
<p>Richard Denning, COO</p> 	<p>Karen Cockburn, Finance Director</p> 	
Shared Services		
<p>Tommy Young CIO</p> 	<p>Gill Scott, HRD</p> 	<p>James Mackenzie, General Counsel</p> 

# Program structure ensures clear management and control

## External Resource

**KPMG**  
KPMG: Business Case/ Due Diligence / Planning

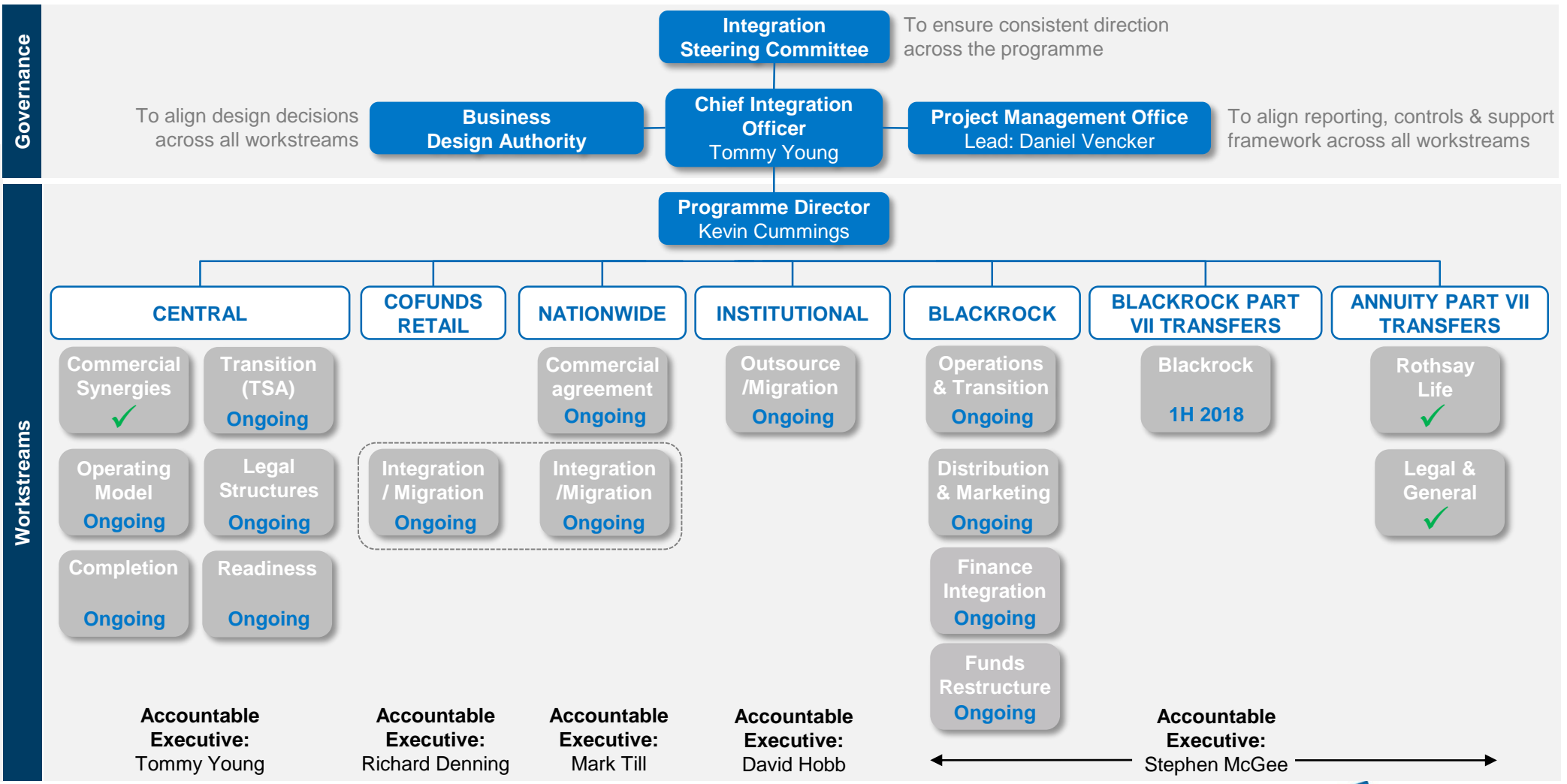
**TATA**  
TCS: Data Migration

**proteus**  
MyProteus: Program Resource

**Altus**  
Altus: Target Operating Model

**GBST**  
GBST: Core Composer

**dunstan thomas**  
DT: Adviser Portal



Supported by an experienced and agile team

# Delivered on key milestones to date and remain well on track

## Cost savings

£20m

Remove overheads and immediate contract rationalization

## Progress of savings

**Achieved**

£15m

Technology contract rationalization

**On track**

£10m

Operations straight through processing

**On track**

£15m

Synergies to provide more efficient delivery

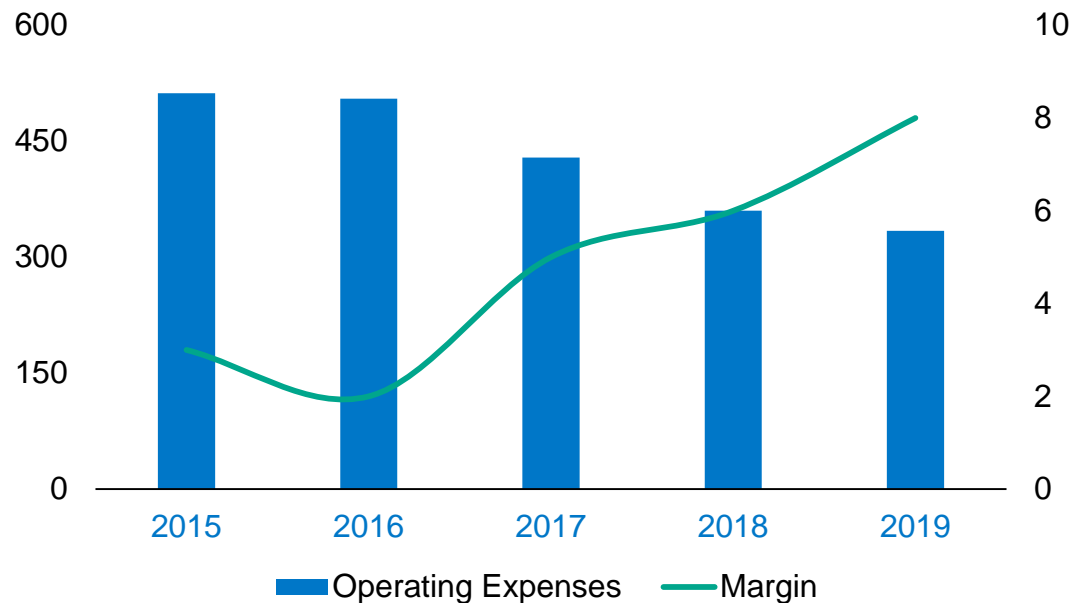
**Planned**

## Integration growth levers

- Retail Distribution Integration – 32% ahead of 2016
- Institutional Solution – flows ahead of plan and project on track
- Workplace Distribution Integration – new business flows on plan
- Retention – asset attrition on plan

# Scale and cost reductions drive future profitability and improve return on capital

Declining expenses and increasing margins  
(expenses in GBP millions, margins in bps of AUA)



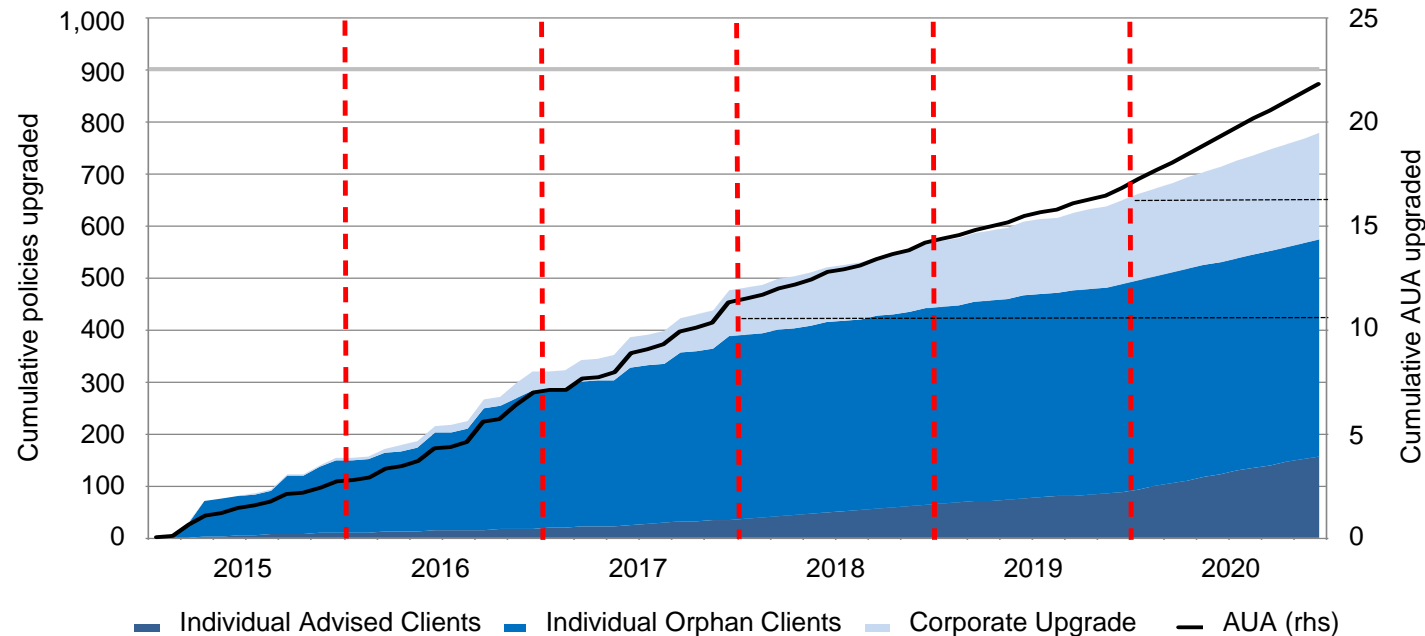
- The UK market has seen significant changes, with investors moving to simpler, less expensive products
- The changes have been accelerated by the Retail Distribution Review and DWP charge cap on Workplace schemes
- The average income has declined over time as old, high charging policies lapse
- The acquisitions and investment in the business help to drive scale and reduce costs

Note: all years include costs relating to the Blackrock DC and Cofunds business to allow like-for-like comparison

# Upgrade program progressing to plan

## Upgrade program plan by client type

(Policies in thousands, AUA in GBP billions)



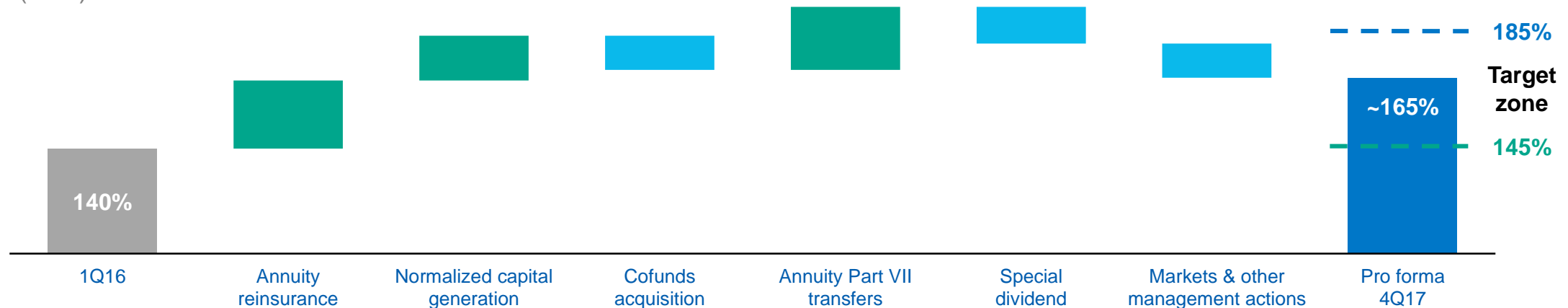
- Upgrade program has moved over GBP 8 billion of assets and 380k customers to date
- Target remains to upgrade GBP 21 billion of assets and 700k customers over time
- Continuing positive customer persistency

# Strong capital position

- Annuity sale delivered through two stage process – reinsurance and legal transfer – main driver of improvement
  - Legal ownership to Rothesay Life Q2 2017 – **COMPLETE**; Legal ownership to L&G Q3 2017 – **September 22<sup>nd</sup>**
- Special dividend of GBP 150 million to be paid in 2H17
- Market movements & other management actions include integration expenses for Cofunds and inclusion of operational risks in the partial internal model
- Increased target zone to 145% to 185% to better absorb sensitivities and maintain dividend paying capacity

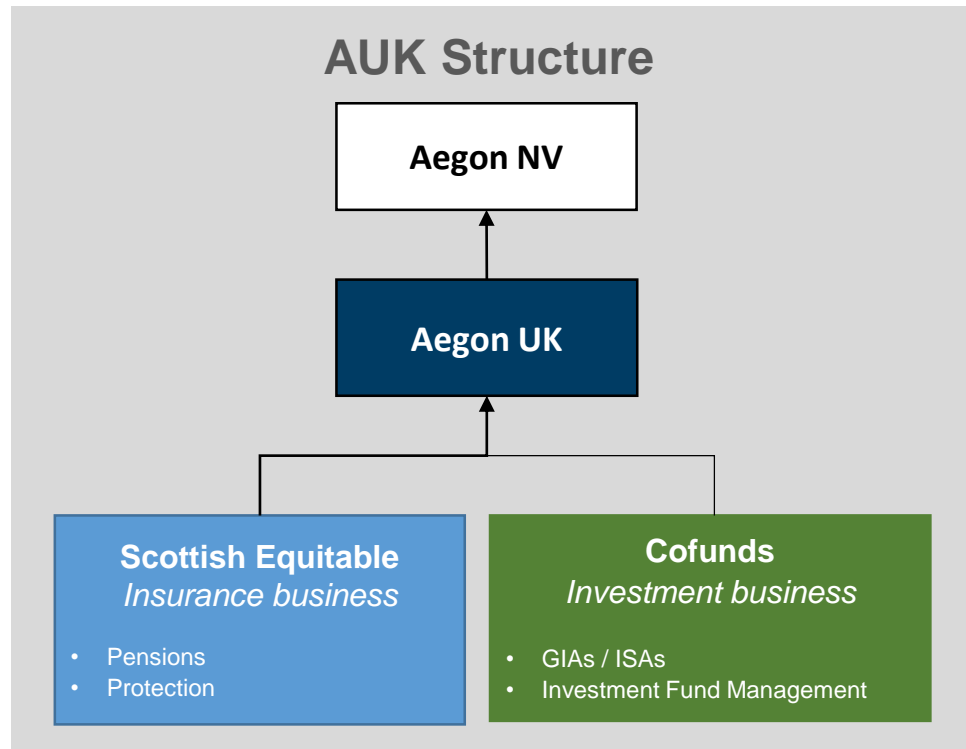
## Aegon UK Solvency ratio development

(in %)





# Dividends to Group begin in 2H17 with GBP 150 million

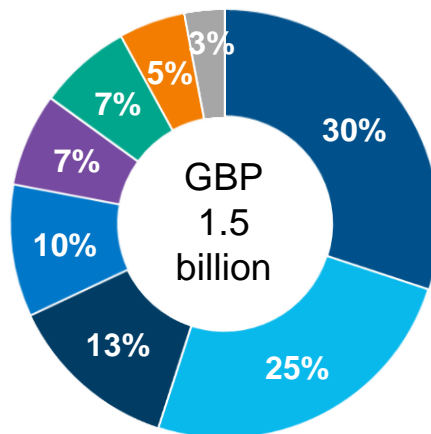


- Capital generation from business growth and the annuity sale fund the purchase of Cofunds
- Strong capital position supports GBP 150 million dividends to Group in 2H17
- In 2018 capital generation is expected to be GBP 100 million from Scottish Equitable and Cofunds combined
- UK's new structure designed to create opportunities in the long term market and to target enhanced returns
- Comprehensive plan to establish regular dividends against new target capital management levels

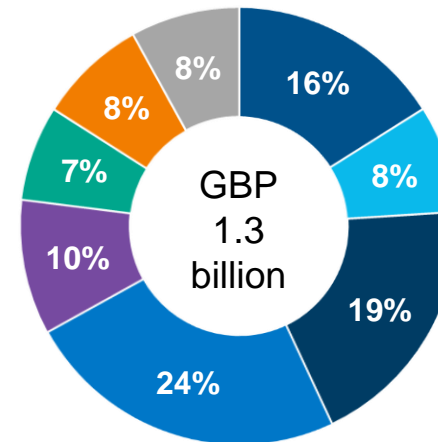
# Evolving risk profile following annuity book divestments

- Risk profile is more balanced after annuity book divestments, as it reduces longevity and credit risk
- Remaining exposure to credit and interest rate risks primarily related to own employee pension fund
- Equity risk and persistency now the largest growing exposures
- The SCR provides a natural hedge to capital ratio movements but need to manage the economic risks

Solvency II SCR by risk type  
(4Q 2015, % of total SCR)



Solvency II SCR by risk type  
(2Q 2017, % of total SCR)



# Transformation underway with strong growth outlook

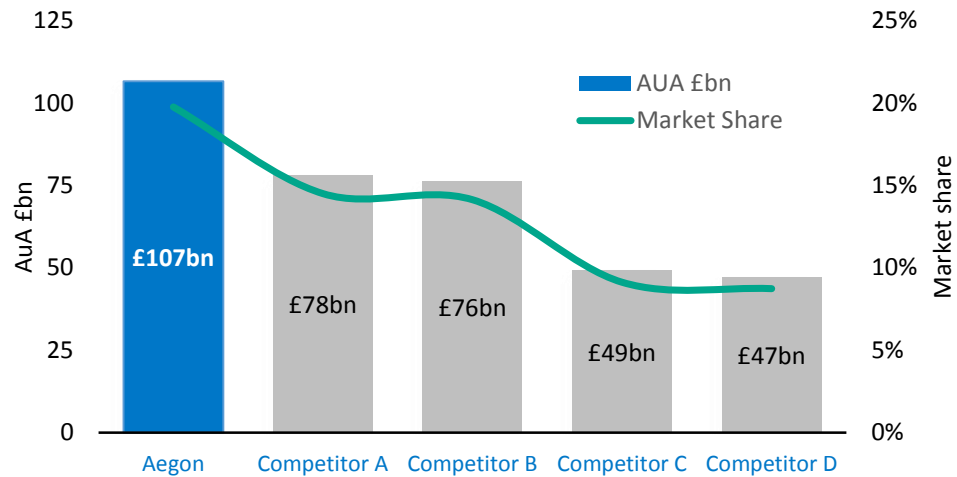
- ✓ A model that has Customers, Advisers and the Shareholder at it's center, aligned to the regulatory and legislative agenda
- ✓ Built a scalable, fee-based, multi-channel investment trading platform
- ✓ Integration plan is on track, on budget and will realize expected cost savings
- ✓ Direct to Customer will be a 'slow burn' and we will not compete with advisers
- ✓ Uniquely positioned with broad distribution and product wrappers
- ✓ Transformed and improved underlying earnings profile
- ✓ Strong cash flow generation and dividend paying capacity



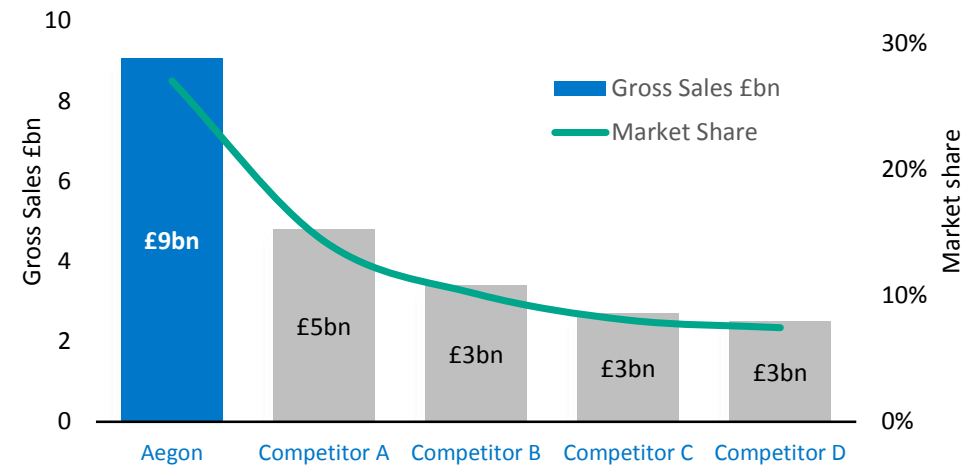
# Appendix

# Leading market AUA and Market Share

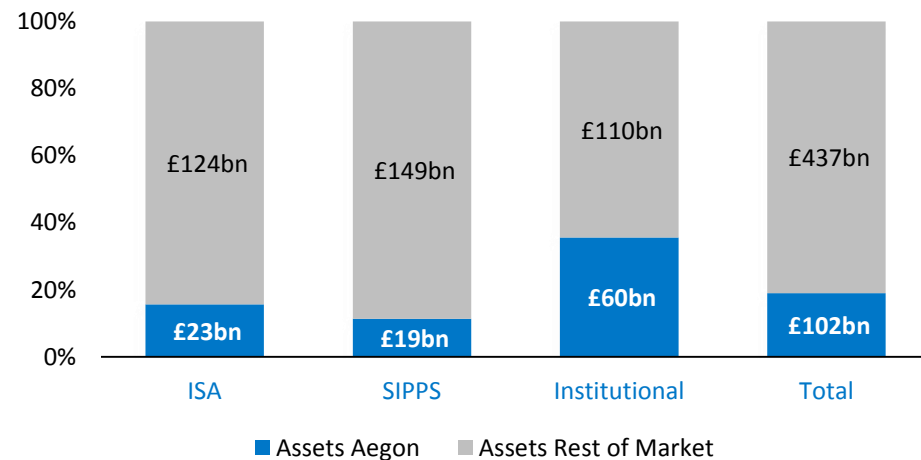
2Q 2017 Platform AuA & Market Share



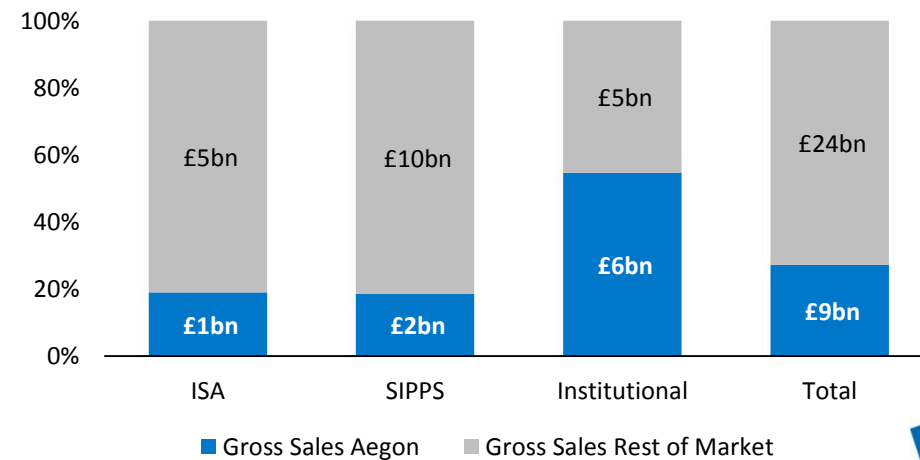
2Q 2017 Platform Gross Sales



2Q 2017 Aegon share of Product AuA



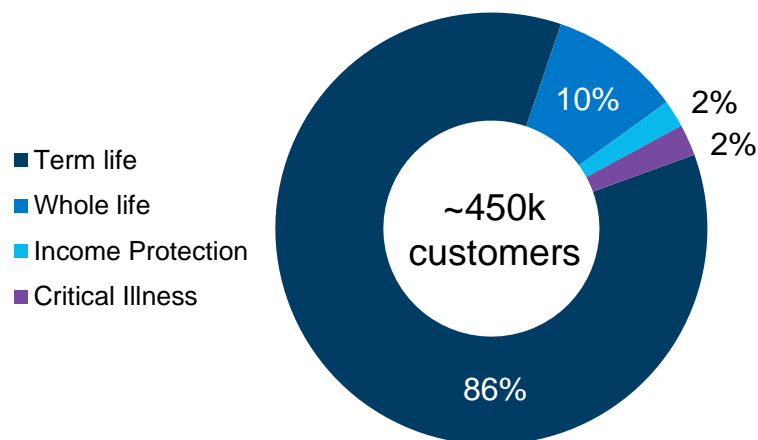
2Q 2017 Aegon Gross Sales Share by Product



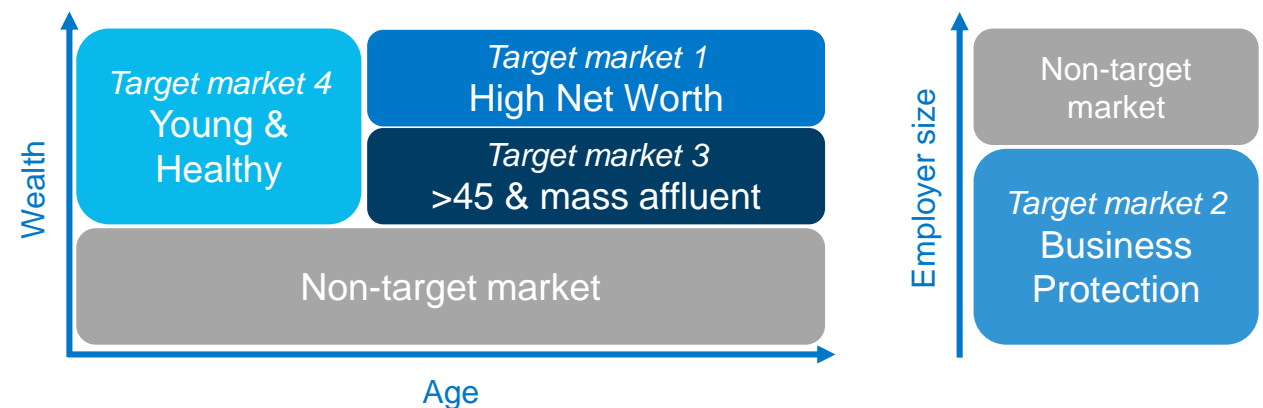
# Niche protection business that enhances platform offering

- Protection products are distributed 100% through advisers with 2.3% share of the intermediated market
- Offers a diversification of underlying earnings and reduces revenue dependency on investment returns
- Expect to grow new business 10% YOY through 2020 from GBP 33 million in 2016
- Operate a lean cost model by outsourcing back office functions and reinsuring claims risk when possible

2016 Protection product mix  
(% of total protection cases)



Protection products target markets



# Thank You!

**For questions please contact  
Investor Relations**

+31 70 344 8305  
ir@aegon.com

P.O. Box 85  
2501 CB The Hague  
The Netherlands



# Disclaimer

## Cautionary note regarding non-IFRS measures

This document includes the following non-IFRS-EU financial measures: underlying earnings before tax, income tax, income before tax, market consistent value of new business and return on equity. These non-IFRS-EU measures are calculated by consolidating on a proportionate basis Aegon's joint ventures and associated companies. The reconciliation of these measures, except for market consistent value of new business, to the most comparable IFRS-EU measure is provided in note 3 'Segment information' of Aegon's Condensed Consolidated Interim Financial Statements. Market consistent value of new business is not based on IFRS-EU, which are used to report Aegon's primary financial statements and should not be viewed as a substitute for IFRS-EU financial measures. Aegon may define and calculate market consistent value of new business differently than other companies. Return on equity is a ratio using a non-IFRS-EU measure and is calculated by dividing the net underlying earnings after cost of leverage by the average shareholders' equity, the revaluation reserve and the reserves related to defined benefit plans. Aegon believes that these non-IFRS-EU measures, together with the IFRS-EU information, provide meaningful information about the underlying operating results of Aegon's business including insight into the financial measures that senior management uses in managing the business.

## Local currencies and constant currency exchange rates

This document contains certain information about Aegon's results, financial condition and revenue generating investments presented in USD for the Americas and Asia, and in GBP for the United Kingdom, because those businesses operate and are managed primarily in those currencies. Certain comparative information presented on a constant currency basis eliminates the effects of changes in currency exchange rates. None of this information is a substitute for or superior to financial information about Aegon presented in EUR, which is the currency of Aegon's primary financial statements.

## Forward-looking statements

The statements contained in this document that are not historical facts are forward-looking statements as defined in the US Private Securities Litigation Reform Act of 1995. The following are words that identify such forward-looking statements: aim, believe, estimate, target, intend, may, expect, anticipate, predict, project, counting on, plan, continue, want, forecast, goal, should, would, is confident, will, and similar expressions as they relate to Aegon. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. Aegon undertakes no obligation to publicly update or revise any forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which merely reflect company expectations at the time of writing. Actual results may differ materially from expectations conveyed in forward-looking statements due to changes caused by various risks and uncertainties. Such risks and uncertainties include but are not limited to the following:

- Changes in general economic conditions, particularly in the United States, the Netherlands and the United Kingdom;
- Changes in the performance of financial markets, including emerging markets, such as with regard to:
  - The frequency and severity of defaults by issuers in Aegon's fixed income investment portfolios;
  - The effects of corporate bankruptcies and/or accounting restatements on the financial markets and the resulting decline in the value of equity and debt securities Aegon holds; and
  - The effects of declining creditworthiness of certain public sector securities and the resulting decline in the value of government exposure that Aegon holds;
- Changes in the performance of Aegon's investment portfolio and decline in ratings of Aegon's counterparties;
- Consequences of a potential (partial) break-up of the euro;
- Consequences of the anticipated exit of the United Kingdom from the European Union;
- The frequency and severity of insured loss events;
- Changes affecting longevity, mortality, morbidity, persistence and other factors that may impact the profitability of Aegon's insurance products;
- Reinsurers to whom Aegon has ceded significant underwriting risks may fail to meet their obligations;
- Changes affecting interest rate levels and continuing low or rapidly changing interest rate levels;
- Changes affecting currency exchange rates, in particular the EUR/USD and EUR/GBP exchange rates;
- Changes in the availability of, and costs associated with, liquidity sources such as bank and capital markets funding, as well as conditions in the credit markets in general such as changes in borrower and counterparty creditworthiness;
- Increasing levels of competition in the United States, the Netherlands, the United Kingdom and emerging markets;
- Changes in laws and regulations, particularly those affecting Aegon's operations' ability to hire and retain key personnel, taxation of Aegon companies, the products Aegon sells, and the attractiveness of certain products to its consumers;
- Regulatory changes relating to the pensions, investment, and insurance industries in the jurisdictions in which Aegon operates;
- Standard setting initiatives of supranational standard setting bodies such as the Financial Stability Board and the International Association of Insurance Supervisors or changes to such standards that may have an impact on regional (such as EU), national or US federal or state level financial regulation or the application thereof to Aegon, including the designation of Aegon by the Financial Stability Board as a Global Systemically Important Insurer (G-SII);
- Changes in customer behavior and public opinion in general related to, among other things, the type of products Aegon sells, including legal, regulatory or commercial necessity to meet changing customer expectations;
- Acts of God, acts of terrorism, acts of war and pandemics;
- Changes in the policies of central banks and/or governments;
- Lowering of one or more of Aegon's debt ratings issued by recognized rating organizations and the adverse impact such action may have on Aegon's ability to raise capital and on its liquidity and financial condition;
- Lowering of one or more of insurer financial strength ratings of Aegon's insurance subsidiaries and the adverse impact such action may have on the premium writings, policy retention, profitability and liquidity of its insurance subsidiaries;
- The effect of the European Union's Solvency II requirements and other regulations in other jurisdictions affecting the capital Aegon is required to maintain;
- Litigation or regulatory action that could require Aegon to pay significant damages or change the way Aegon does business;
- As Aegon's operations support complex transactions and are highly dependent on the proper functioning of information technology, a computer system failure or security breach may disrupt Aegon's business, damage its reputation and adversely affect its results of operations, financial condition and cash flows;
- Customer responsiveness to both new products and distribution channels;
- Competitive, legal, regulatory, or tax changes that affect profitability, the distribution cost of or demand for Aegon's products;
- Changes in accounting regulations and policies or a change by Aegon in applying such regulations and policies, voluntarily or otherwise, which may affect Aegon's reported results and shareholders' equity;
- Aegon's projected results are highly sensitive to complex mathematical models of financial markets, mortality, longevity, and other dynamic systems subject to shocks and unpredictable volatility. Should assumptions to these models later prove incorrect, or should errors in those models escape the controls in place to detect them, future performance will vary from projected results;
- The impact of acquisitions and divestitures, restructurings, product withdrawals and other unusual items, including Aegon's ability to integrate acquisitions and to obtain the anticipated results and synergies from acquisitions;
- Catastrophic events, either manmade or by nature, could result in material losses and significantly interrupt Aegon's business;
- Aegon's failure to achieve anticipated levels of earnings or operational efficiencies as well as other cost saving and excess capital and leverage ratio management initiatives; and
- This press release contains information that qualifies, or may qualify, as inside information within the meaning of Article 7(1) of the EU Market Abuse Regulation.

Further details of potential risks and uncertainties affecting Aegon are described in its filings with the Netherlands Authority for the Financial Markets and the US Securities and Exchange Commission, including the Annual Report. These forward-looking statements speak only as of the date of this document. Except as required by any applicable law or regulation, Aegon expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in Aegon's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.