

# Aegon Bank N.V. Conditional Pass-Through Covered Bond Programme



Helping people take responsibility for their financial future

November 2015



[aegon.com](http://aegon.com)

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# Introduction



# Executive Summary

## Aegon Bank N.V.'s profile

- Aegon Bank N.V. is strategically important to Aegon N.V.
- The activities of Aegon Bank N.V. show sound financials and the operations are strongly tied into the Aegon Group
- Aegon NL is one of the top 5 lenders in the Dutch residential mortgage market and has demonstrated the flexibility to adjust to changing market conditions
  - Higher sales volumes in a decreasing mortgage market
  - Decreased risk profile of the loan portfolio
- Covered Bonds will enable Aegon N.V. and Aegon Bank N.V. to diversify funding sources next to RMBS – Saecure programme
- Aegon Bank N.V. is expected to be a committed issuer
- Aegon Bank N.V. is key in the strategy of Aegon N.V. to enable customers to take responsibility for their financial future by offering:
  - insight and oversight to the customer
  - low cost transparent products for individual wealth accumulation
- Substantial investments have been made to set up Knab (see page 14)

## Aegon Bank N.V. Capital Management Medium Term Targets

	Medium term targets	2014
▪ BIS ratio (%)	>15	17.7
▪ Return on Equity (%)	8-12	25
▪ Cost / Income ratio (%)	55-65	87

## Mortgage portfolio

- Aegon NL has a high quality and low risk mortgage lending business
  - Predominantly NHG guaranteed mortgage loans
  - Broad distribution channel
  - Conservative underwriting criteria linked to robust application process
  - Reliable servicing
- The historical performance of Aegon NL's residential mortgage loan portfolio has been stable over the last ten years
- Successful arrears management and recovery procedures resulted in minimal default and loss rates
- Aegon NL's portfolio of prime residential mortgage loans amounted to EUR 30.6 billion (including fee business) on September 30, 2015
- In 2015 Aegon Bank N.V. increased its mortgage portfolio from EUR 4.7 billion to EUR 6.1 billion

## Aegon Bank N.V. - Solid performance on all key financials

	Sept 2015	2014	2013
▪ Return on Equity <sup>1</sup> (% , yoy)	10.4	24.9	-4.0
▪ Common Equity Tier I ratio <sup>2</sup> (%)	16.4	13.6	16.7
▪ BIS ratio (%)	16.5	17.7	16.7
▪ Leverage ratio (fully loaded) (%)	4.0	4.6	3.9
▪ Total assets	EUR 9.9 bn	EUR 9.0 bn	EUR 8.1 bn

<sup>1</sup>Return on IFRS equity (post tax); <sup>2</sup>Phased in Common Equity Tier 1 ratio

# Aegon N.V. at a glance

## Focus



Life insurance, pensions & asset management

## History



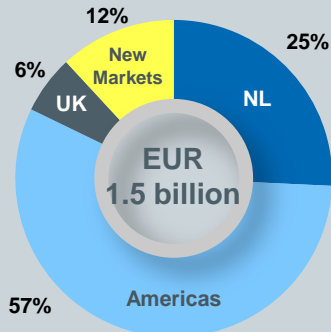
Our roots date back to first half of the 19<sup>th</sup> century

## Employees\*



Around 28,000 employees

## Underlying earnings before tax\*



## Revenue-generating investments\*



EUR 635 billion

## Paid out in claims and benefits\*



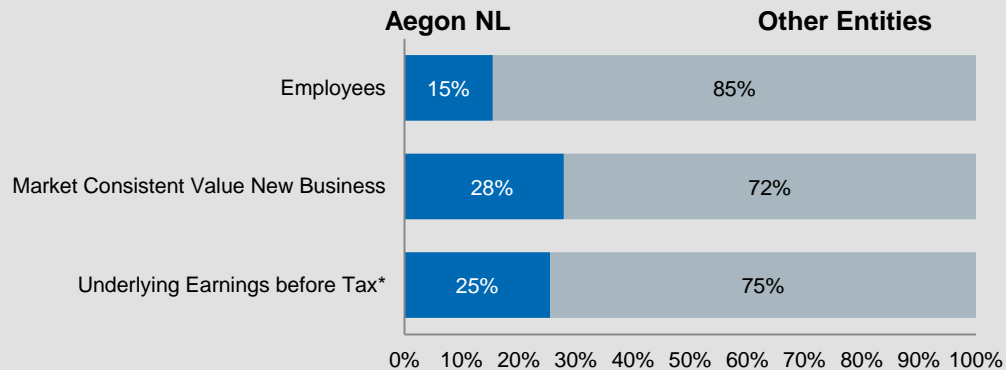
EUR 32 billion

# Aegon Netherlands N.V. (“Aegon NL”)

## Underlying earnings before tax

EUR millions	YTD 2015
Life and Savings	242
Pensions	155
Non-life	(8)
Distribution & associates	13
<b>Underlying earnings before tax</b>	<b>402</b>

## Aegon NL YTD 2015 results as a % of total



\*Excludes negative contribution from Holdings

- Aegon NL is wholly owned by Aegon N.V. and a core member of the Aegon group
- Aegon NL offers a wide range of financial products and services to its clients, including pensions, insurance (life and non-life), mortgage loans, savings and investment products
- Aegon Bank N.V. and Aegon Hypotheken B.V. are part of Savings. Jointly attributing EUR 86 mn YTD 2015 in underlying earnings before tax
- YTD 2015, Aegon NL represented 25% of Aegon N.V.’s total underlying earnings before tax

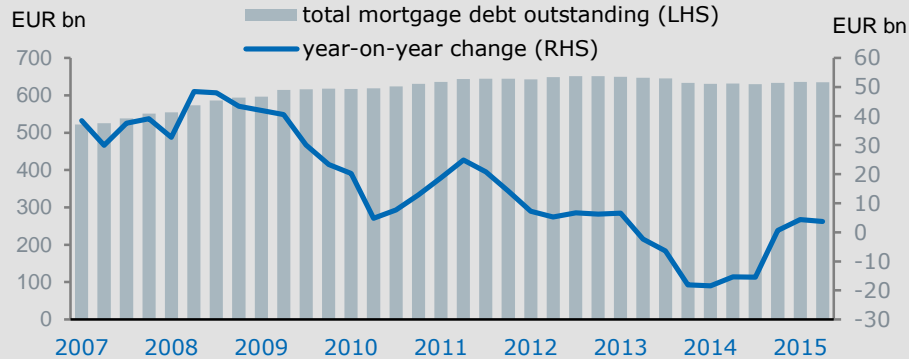
## Simplified Aegon NV Structure



# Aegon NL's successful Dutch mortgage loan operation

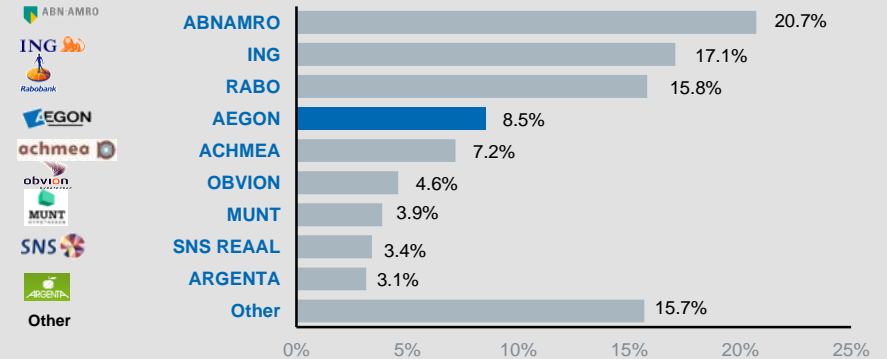
## Mortgage debt outstanding

Source: Dutch Central Bank



## Mortgage lending market shares in the Netherlands

(YTD 2015); Source: Land Registry (Kadaster)



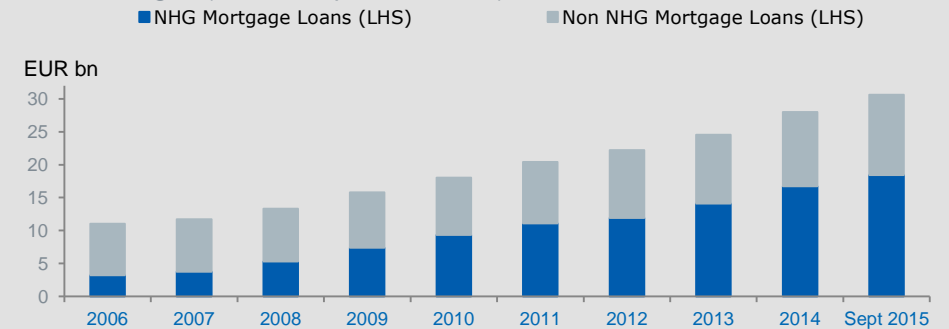
## Overview of the Dutch mortgage market

Source: DNB, Land Registry (Kadaster)

- As of June 30, 2015 the total outstanding residential mortgage debt in the Netherlands was EUR 635 billion
- New mortgage lending in the first 6 months of 2015 was EUR 26.1 billion
- Mortgage originators in the Netherlands include banks, insurance companies and specialized mortgage originators
- The mortgage loan portfolio of Aegon NL grew significantly over the last years. Aegon views mortgage loans as an attractive asset class for its balance sheet, which offer a good risk and return profile

## Mortgage loan portfolio Aegon NL

Source: Aegon (2006 – September 2015)





# Diversified funding supports strong mortgage origination capabilities

## Competitive advantages

- Strong position with IFAs (Independent Financial Advisors)
- Straight through processing
- Leading mid-office capabilities
- Active in all maturities
- One IT platform

Origination vehicle  
**Aegon Hypotheken\*\***

## Mortgage allocation

- Vertical slice allocation

Nominal mortgage amounts per Sept 2015  
(in EUR bn)

Comments

6* ▲	<b>AEGON Bank</b> <b>knab</b>	<ul style="list-style-type: none"> <li>▪ Mostly short interest rate reset periods</li> <li>▪ Offering products to clients on both sides of the balance sheet</li> </ul>
6 ≈	RMBS – Saecure programme	<ul style="list-style-type: none"> <li>▪ Funding diversification</li> <li>▪ Low spreads</li> </ul>
4 ▲	<b>AEGON</b> Asset Management Dutch mortgage fund	<ul style="list-style-type: none"> <li>▪ Full risk transfer</li> <li>▪ Attractive fee business</li> </ul>
13 ≈	Life & Pension	<ul style="list-style-type: none"> <li>▪ Long-dated assets</li> <li>▪ Good match against liabilities</li> </ul>
1 ▼	Non-life	<ul style="list-style-type: none"> <li>▪ Mostly variable rate mortgages</li> <li>▪ Supports investment income</li> </ul>

\* Bank with RMBS, Saecure 13 NHG

\*\* Mortgage origination vehicle since 2011. Aegon Levensverzekering (Aegon Life) was the origination vehicle prior to that

# Ratings reflective of strong capitalization and prudent risk management

## Aegon N.V. Issuer Credit ratings

Ratings	Long-term	Short-term
Standard & Poor's	A-, Stable	A-2
Moody's	A3, Stable	P-2
Fitch	A, Stable	F1

## Aegon Insurance Financial Strength ratings

Ratings	Aegon USA	Aegon NL	Aegon UK
Standard & Poor's	AA-, Stable	AA-, Stable	A+, Negative
Moody's	A1, Stable	NR	NR
Fitch	AA-, Stable	NR	AA-, Stable

## Aegon Bank N.V. ratings

Ratings	Long-term	Short-term
Standard & Poor's	A+, Stable	A-1
Fitch	A-, Stable	F2

# Aegon Conditional Pass-Through Covered Bond Programme \*

## Key Features Aegon Conditional Pass-Through Programme

- [AAA / AAA] (S&P / Fitch)
- Dutch law based, registration with Dutch Central Bank
- Overcollateralisation and Asset Percentage:
  - ✓ Contractually committed minimum OC of 10%
  - ✓ Regulatory minimum OC of 5%
  - ✓ Asset Percentage of 93%
- High quality collateral
  - ✓ 64% of the mortgage loans benefit from a NHG guarantee
  - ✓ Remainder of the Cover Pool has a WA LTMV of 76%
  - ✓ Relatively low share of interest only mortgage loans
- Covered Bonds will be UCITS and CRR Article 129 compliant
- Covered Bonds are expected to:
  - ✓ qualify as LCR eligible (Level 1)
  - ✓ be Solvency II eligible
  - ✓ be ECB CBPP3 eligible
  - ✓ be exempt from bail-in
  - ✓ be ECB repo eligible
  - ✓ have ECBC Covered Bond Label

## Summary Dutch Covered Bond Framework

- In general:
  - ✓ Less principal based more rule based
  - ✓ Main aim: increase transparency and protection for investors
  - ✓ Applicable to all issuers, both existing and new applications
- Dutch issuers now obliged by law to be UCITS and CRR compliant
- Regulatory minimum OC of 5%
- Legal basis for liquidity buffer:
  - ✓ Interest and principal for at least six months
  - ✓ If redemption can be postponed > 6 months, no liquidity buffer requirement for principal payment
- More extensive and proportional sanctions regime
- More detailed rules for valuation of assets: fully CRR 129 compliant
- Minimum reporting requirements towards investors

# Comparison to other Dutch Covered Bond programmes

Issuer	Van Lanschot	NIBC	Aegon Bank N.V.	ABN	ING <sup>5</sup>	SNS
Size programme	EUR 5bn	EUR 5bn	EUR 5bn	EUR 30bn	EUR 5bn	EUR 15bn
Type programme	Conditional Pass-Through	Conditional Pass-Through	Conditional Pass-Through	Soft bullet	Soft bullet	Soft bullet
Issuer Rating (S/M/F)	BBB+ / NR / BBB+	BBB- / Baa1 / BBB-	A+ / NR / A-	A / A2 / A	A / A1 / A	BBB / Baa1 / BBB
Mortgage lending position <sup>1</sup>	Not in top 10	Number 10	Number 4	Number 1	Number 3	Number 7
<b>Pool information</b>						
NHG% <sup>2</sup>	0.0%	47.4%	63.9%	0.0%	13.9%	17.0%
IO% <sup>2</sup>	70.8%	45.2%	31.9%	66.8%	71.7%	77.1%
CLTIMV <sup>2</sup>	76.7%	86.8%	82.5%	78.7%	80.6%	83.5%
Maturities	Max. 47-year <sup>3</sup>	Max. 47-year <sup>3</sup>	Max. 47-year <sup>3</sup>	Max. 30-year	Max. 45-year	Max. 40-year
Transfer of assets	Assignment and sale	Assignment and sale	Assignment	Assignment	Assignment	Assignment
Asset Monitor	PwC	PwC	PwC	EY	EY	KPMG
Asset Percentage <sup>2</sup>	90.0%	95.0%	93.0%	76.6%	77.7%	75.0%
Documented minimum OC (%) <sup>2</sup>	15.0%	15.0%	10.0%	N/A	N/A	N/A
Indexed Valuation <sup>2</sup>	90% incr / 100% decr	90% incr / 100% decr	90% incr / 100% decr	85% incr / 100% decr	90% incr / 100% decr	100% incr / 100% decr
Maturity of mortgage loan >30 years allowed	Yes <sup>4</sup>	No	Yes <sup>4</sup>	Yes	Yes	Yes
Maximum size of mortgage loan	No	No	No	EUR 1.5m	EUR 1.0m	EUR 1.5m
Minimum IR on mortgage loan	1.5%	3.0%	1.0%	N/A	N/A	N/A
Swap active	No (option possible)	No (option possible)	No (option possible)	Yes	Yes	Yes
Rating Agencies	S&P, Fitch	S&P, Fitch	S&P, Fitch	S&P, Moody's, Fitch	S&P, Moody's, Fitch	Moody's, Fitch

<sup>1</sup> Land registry (Kadaster); <sup>2</sup> Source: NIBC, ING, ABN AMRO, SNS Bank, Van Lanschot Covered Bond investor reports as at Oct-2015; <sup>3</sup> including Extended for Due Payment Date; <sup>4</sup> Long Term Mortgage Loans may have longer tenors or no maturities; <sup>5</sup> ING has 2 Covered Bond programmes outstanding

# Aegon Bank N.V. at a glance



# Aegon NL committed to Aegon Bank N.V.



## Aegon Bank N.V. is a core asset of Aegon NL:

- Aegon Bank N.V. is Aegon NL's entity for offering savings and investment products
- Aegon NL benefits from Aegon Bank N.V.'s large valuable customer base
- Aegon NL benefits from online traffic generated by Aegon Bank N.V.'s customers (60% online-accounts: Bank)
- Aegon Bank N.V. is Aegon NL's transition tool from the Dutch life insurance market to banking products
- Aegon Bank N.V. is a platform for funding mortgage loans for Aegon NL
- Aegon NL benefits from the (client) innovations developed and introduced by Knab

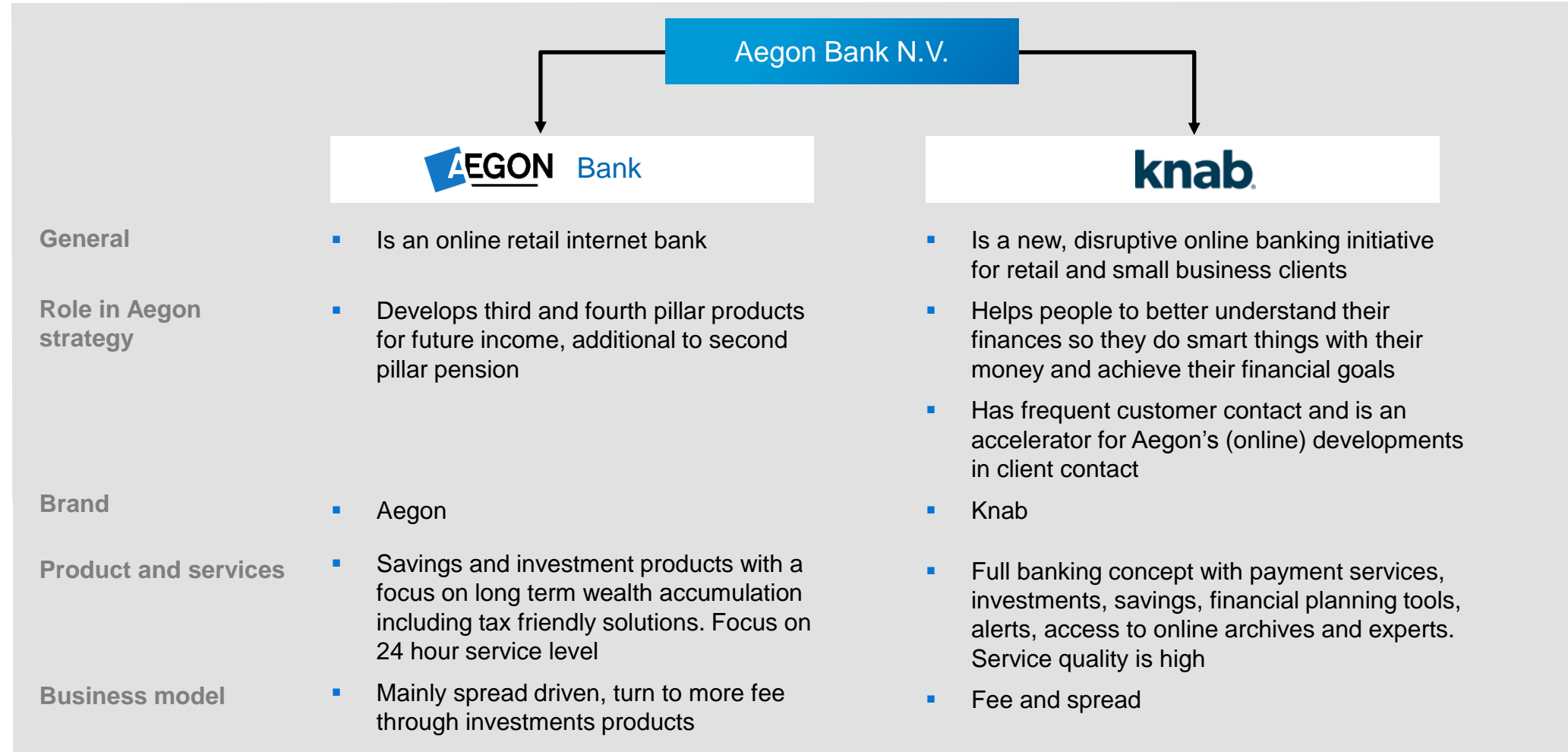


## Aegon NL continues to demonstrate its commitment to developing Aegon Bank N.V.'s potential:

- Aegon NL uses one website and one brand for banking and insurance business
- Aegon NL is committed to maintain a strong capital base for Aegon Bank N.V.
- Aegon Bank N.V. integrated within Aegon's strong risk management culture

Joint approach for building customer relationships, retaining customers  
and for the intermediary strategy

# Aegon Bank N.V. at a glance





Shift from company pension into individual wealth accumulation



One of the largest providers of life insurance and pensions, with multi-channel distribution

- ▶ Independent intermediaries
- ▶ Banks
- ▶ Online & direct marketing

Knab is part of Aegon Bank N.V.



Knab has won the international 2015 Celent Digital Bank Award, being the first Dutch Bank to win this award

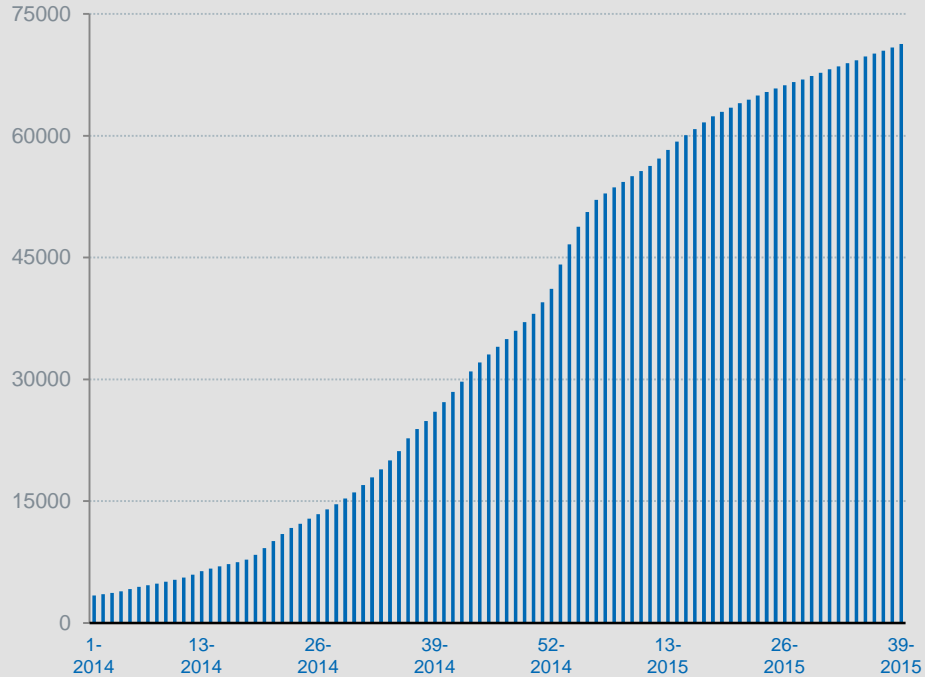




# Knab delivered considerable growth during the last year

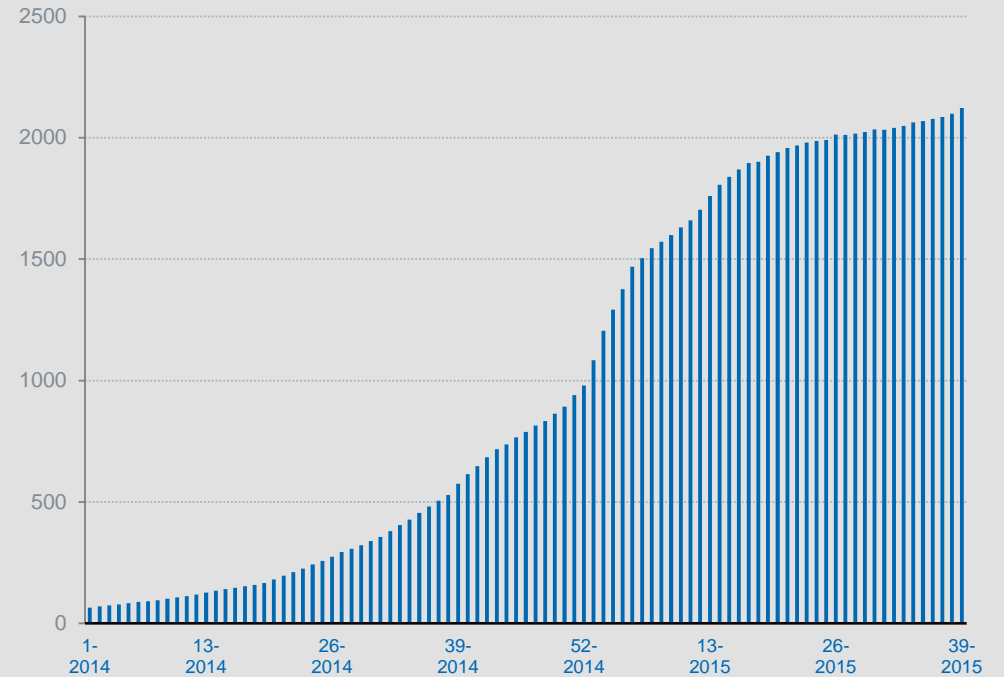
## Number of customers

From January 1st 2014 until September 27<sup>st</sup> 2015 (in weeks)

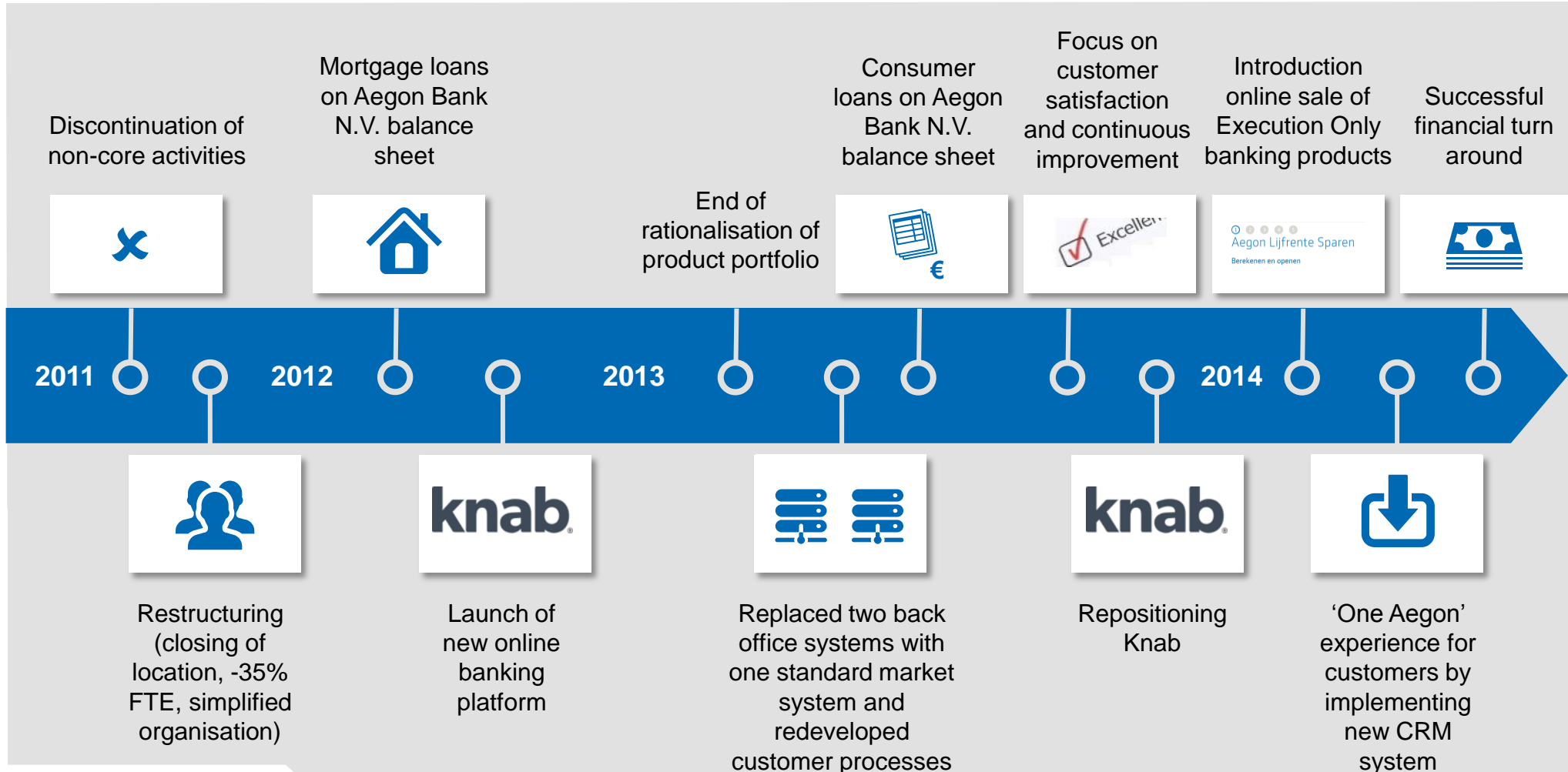


## Assets under Management (EUR million)

From January 1st 2014 until September 27<sup>st</sup> 2015 (in weeks)



# Execution of Aegon Bank N.V.'s strategy



# Aegon Bank N.V. is key in the execution of Aegon NL's income & living strategy

## Key conclusions

- In the Dutch wealth accumulation market a retail banking activity is essential
- Savings and mortgage markets are still (but less) distorted due to crisis
- Aegon Bank N.V. is transforming from a mono line short term savings bank into a long term customer oriented solutions provider

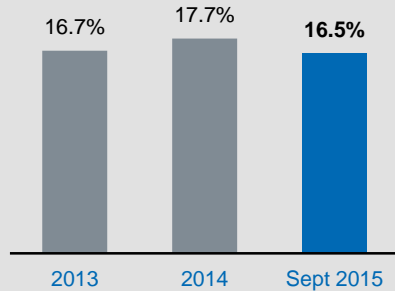
## Key transitions Aegon Bank N.V.

- Shift from spread business to fee business and improve customer focus
- Match both sides of the balance sheet (with retail products), e.g. by setting pricing, spread duration and liquidity
- Build scale in on balance and off balance products
- Reduce risk and wholesale financing
- Manage costs and reduce client rates (increase margin)

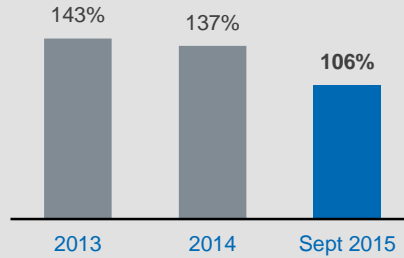
**Aegon Bank N.V. is key in the execution of Aegon's strategy**

# Aegon Bank N.V. in a snapshot

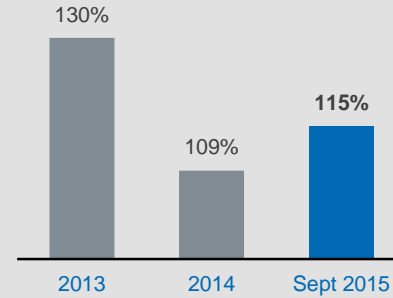
## BIS



## LCR

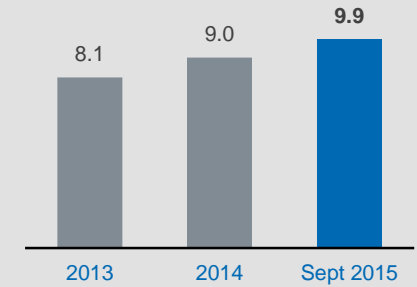


## NSFR



## Balance sheet

(EUR billion)



## Ratings

Standard & Poor's

Fitch

## Long-term

A+, Stable

A-, Stable

## Short-term

A-1

F2

- Aegon Bank N.V. is key in the execution of Aegon's strategy
- Prudent capitalisation
- Stable long term funding profile
- Strong liquidity buffer in place

# Conservative risk profile and strong risk management

## Prudent capitalisation

- ▶ Solid BIS ratio in place to ensure sufficient capitalisation
- ▶ Equity funding to increase – anticipated growth matched by retained earnings and client participations
- ▶ Leverage ratio targeted above 3% requirement

## Strong liquidity buffer in place

- ▶ Sizeable buffer of high quality liquid assets in place to be able to cover potential stress outflows
- ▶ High quality liquid asset portfolio with the largest holding in sovereign bonds and treasuries
- ▶ Additional asset classes (RMBS/credits) to increase yield/return on investment portfolio

## Stable long term funding profile

- ▶ Extending duration of funding profile by switching to more long term retail deposits
- ▶ Setting up Covered Bond programme to be able to diversify funding sources and issue long-term capital markets funding

## Spread / risk matching

- ▶ Credit spread risk matching of assets and liabilities resulting in lower P&L volatility
- ▶ Adding consumer loans to match retail savings
- ▶ Lower dependency on derivatives to eliminate interest rate risk

## Operational risk management

- ▶ Aegon employs a holistic risk governance to optimize business support and oversight
- ▶ Integrated risk reporting and databases in place, incl. process documentation across risk types
- ▶ Aegon has defined three “lines of defence” for risk management

# Aegon Bank N.V. Balance Sheet

## Composition of assets

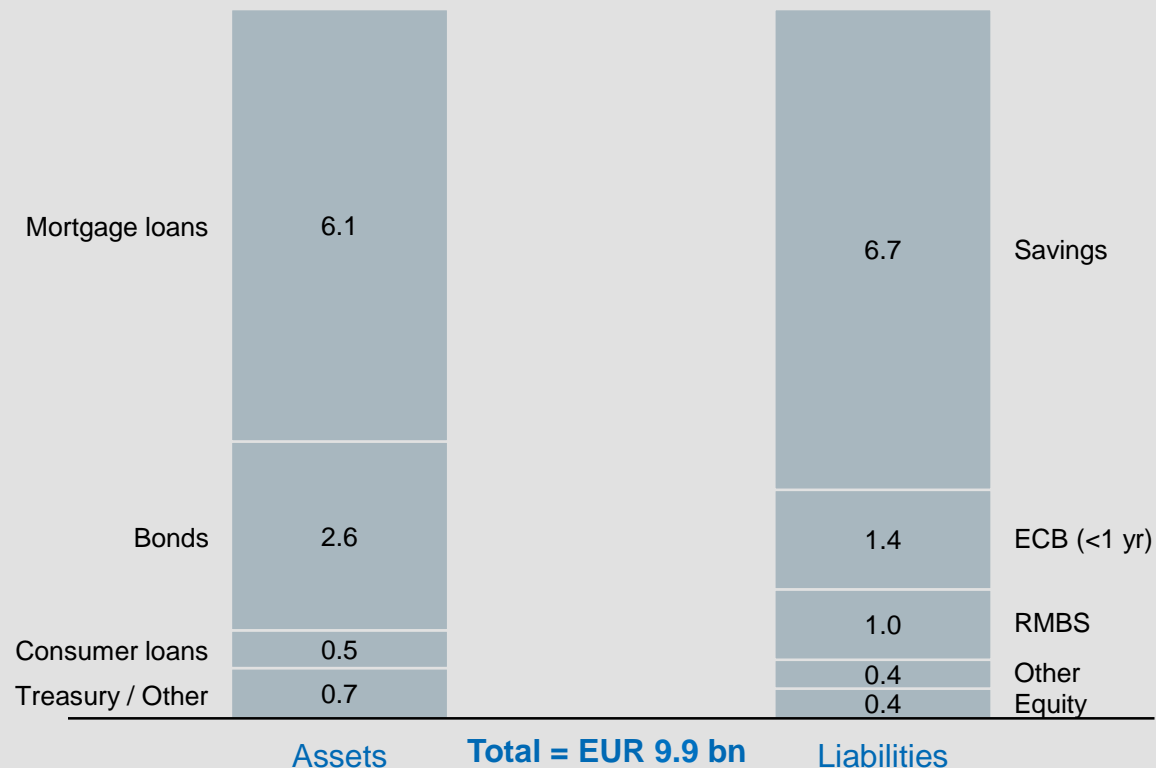
- Mortgage loans are an important asset class on the balance sheet. They offer attractive risk-adjusted-returns
- Consumer loans currently represent around 5% of total assets. Aim is to increase this share over time
- The bond portfolio is of high quality (97% investment grade, >60% AAA rated) and is mainly used as a liquidity buffer

## Composition of liabilities

- Retail savings are the main source of funding for Aegon Bank N.V. Savings have grown rapidly in the last year and are expected to continue to grow with the success of Knab
- Capital market funding is attracted using the Saecure programme and ECB facilities. Our funding plan aims to refinance both with long dated Covered Bonds
- Aegon Bank N.V. maintains a strong capital position and already meets the Basel 3 requirements

## IFRS Balance Sheet as of September 2015

(EUR billion)



# Aegon Bank N.V. Profit & Loss Account

Continued improvement in income	<ul style="list-style-type: none"> <li>▶ Interest margin is improving as a result of an increasing balance sheet, lower savings rates and the addition of mortgages and consumer loans</li> </ul>
Costs under control	<ul style="list-style-type: none"> <li>▶ Operating costs of Aegon Bank have dropped due to STP and replacement of bank system</li> <li>▶ Substantial investments have been made to set up Knab, and due to the sharp increase in number of clients the servicing cost went up</li> </ul>
Operating result	<ul style="list-style-type: none"> <li>▶ Operating result improved significantly in the recent years, despite Knab's negative operating result</li> </ul>
Non-operating income	<ul style="list-style-type: none"> <li>▶ Result from financial position includes realized gains and hedge accounting impact swaps valuation at OIS (Overnight Index Swaps)</li> <li>▶ Impairments increased in line with increased retail loans</li> </ul>

## Profit & Loss Account

Amounts EUR millions	YTD 2015	2014	2013	2012
Total interest and fee margin	76.9	90.1	45.9	40.0
Total costs*	68.0	90.0	78.7	94.0
Operating Result	8.9	0.1	(32.8)	(54.0)
Result from financial transactions	(6.9)	131.4	20.5	33.1
Impairment charges/reversals	(5.1)	(5.4)	(4.8)	(0.7)
Result before tax	(3.1)	126.1	(17.1)	(21.6)
Result after tax	(2.3)	92.2	(12.8)	(16.2)

\* In 2014 EUR 9.6 mn tax levy for SNS resolution

# Aegon Bank N.V.'s mortgage loan portfolio



# Performance of Aegon Bank N.V.'s mortgage loan portfolio

## Recovery & Losses

- Mortgage loans are originated through Aegon Hypotheken B.V. and distributed over various Aegon entities including Aegon Bank N.V.
- Approximately 71% of the mortgage loans is NHG guaranteed
- Recovery rate on NHG mortgage loans within the Aegon Bank N.V. portfolio from 2009 until YTD 2015 is 94.3% (stable compared between 2013 (94.1%) and 2014 (94.0%))
- Recovery rate on Non NHG mortgage loans within the Aegon Bank N.V. portfolio from 2009 until YTD 2015 is 72.9% (given low numbers of Non NHG defaults, recovery rates from the last two years differ considerably: 2013 average recovery rate of 86.1% for 3 mortgage loans vs. 2014 average recovery rate of 35.0% for 3 mortgage loans)
- Net losses year to date 2015 amount EUR 0.70 million

## Loss statistics loans across Aegon Bank mortgage loan portfolio

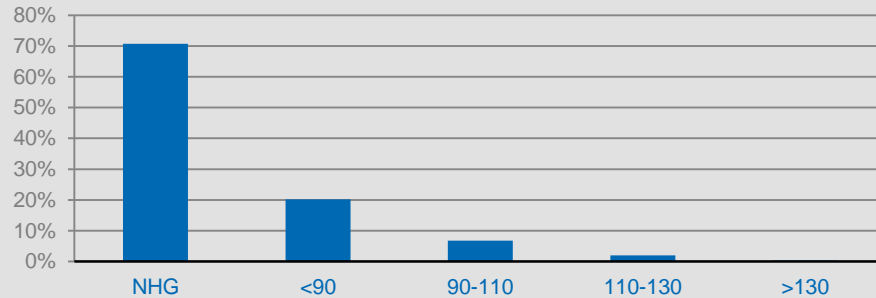
Source: Aegon (2009 – YTD 2015)

Period	Outstanding gross balance (EUR m)	Total net losses (EUR m)	Total net losses (bps)
2009	1,559	0.38	2.4
2010	2,754	0.72	2.6
2011	2,683	0.02	0.1
2012	4,178	0.05	0.1
2013	4,069	0.51	1.3
2014	4,680	1.36	2.9
YTD 2015	5,800	0.70	NA

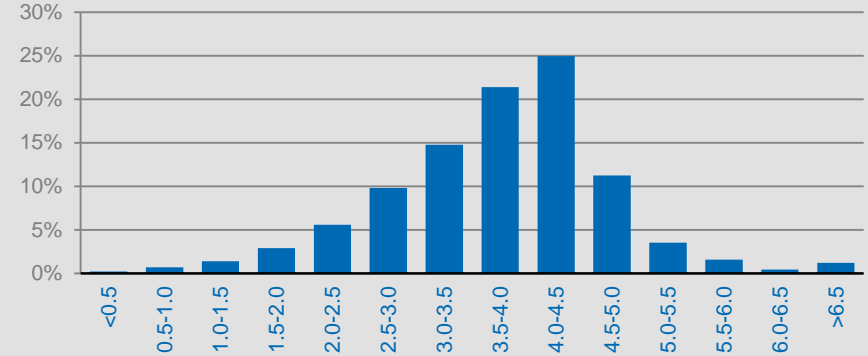
*Note: Historical performance is not an indicator of future performance which may differ materially*

# Overview of Aegon Bank N.V.'s conservative mortgage loan portfolio

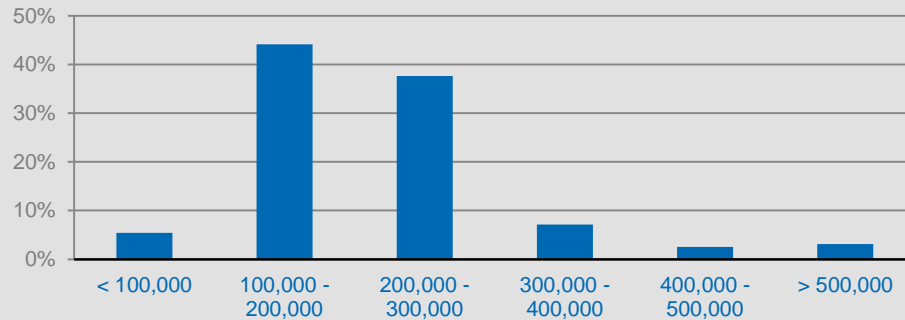
**Current Loan to Indexed Market Value** (September 2015)



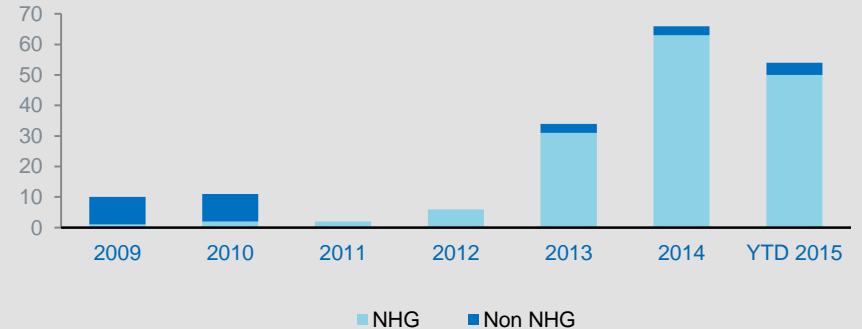
**Loan-to-income** (September 2015)



**Mortgage Loan Size** (September 2015)



**No. of defaulted loans across Aegon Bank N.V. mortgage loan portfolio** Source: Aegon (2009 – YTD 2015)



# Dutch mortgage and housing market



# Key characteristics of the Dutch residential mortgage market

## Products

- ▶ Predominantly prime, owner occupied
- ▶ Virtually no buy-to-let, non-conforming and sub-prime
- ▶ Mainly fixed rate mortgage loans

## Underwriting

- ▶ Mortgage loans are provided predominantly on the basis of income (LTMV's are a less significant basis due to tax incentives)
- ▶ "Full-doc" underwriting, no self certification of income
- ▶ Industry wide credit database (BKR) and Fraud Register (SFH)

## Code of Conduct

- ▶ The Code of Conduct aims lenders to compete on service and price rather than aggressive lending practices
- ▶ Nationwide affordability calculation assuming a 30 year amortizing loan regardless of product and interest rate

## NHG

- ▶ The NHG programme is the public mortgage loan guarantee scheme supporting home ownership in the Netherlands
- ▶ All people in the Netherlands can obtain a guarantee from the Dutch State guaranteed non-profit organization (Stichting WEW) subject to the applicable terms and conditions

## Framework

- ▶ Lenders can repossess and sell properties by public auction without a court order
- ▶ Full recourse to the borrower. After foreclosure, any remaining debt remains enforceable until discharged in full
- ▶ Strong social support and pension system

# Changes in Aegon's underwriting criteria

- 2008**
  - ▶ Credit mortgage loan discontinued
- 2009**
  - ▶ LTMV capped at 109%
- 2010**
  - ▶ Investment mortgage loan discontinued
- 2011**
  - ▶ LTMV capped at 106% by all market participants
  - ▶ Introduction of bank savings mortgage loan
  - ▶ Interest-only part capped at 50% of market value of property
- 2012**
  - ▶ Legal maturity date for Interest-only mortgage loans set at max. 30 years
  - ▶ Mortgage loans for recreational homes discontinued
- 2013**
  - ▶ LTMV capped at 105% by all market participants
  - ▶ Prepayment without penalty for loan balance in excess of the WOZ value of the property (temporary arrangement from November 2013 to January 2015)
- 2014**
  - ▶ LTMV capped at 104% by all market participants
  - ▶ Outstanding interest-only mortgage loans can be refinanced to a maximum of 50% of market value of property
  - ▶ Residual debt after sale of property can be refinanced. Only for existing Aegon customers and under current underwriting criteria
- 2015**
  - ▶ LTMV capped at 103% by all market participants
  - ▶ Prepayment without penalty for loan balance in excess of the WOZ value of the property (temporary arrangement extended to January 2016)

# The Dutch housing market: supply and demand

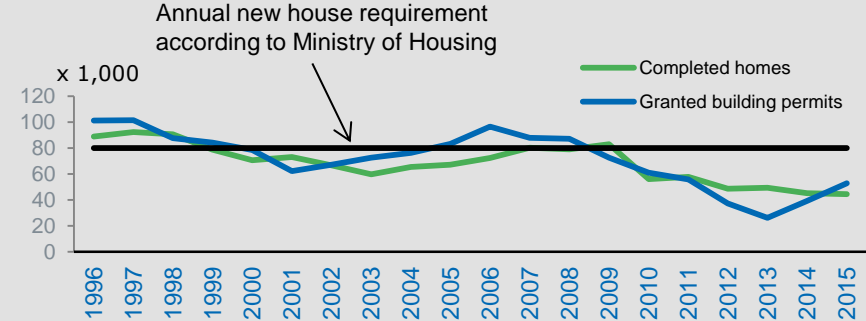
## Supply dynamics

Source: CBS, Ministry of Housing, VROM

- Supply in the Dutch housing market is relatively inelastic:
  - Limited land available for housing
  - Regulations and planning permissions
- The Dutch Ministry of Housing has estimated that at least 80,000 new homes will be required annually
- The number of completed homes reached its lowest point since 1953. Given the growing demand for new homes and increased number of granted building permits it is to be expected that the number of completed homes will increase coming years

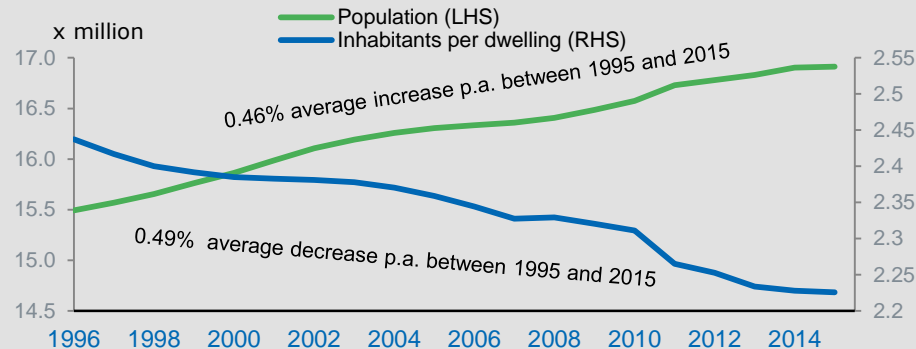
## Building permits and newly built homes

Source: CBS



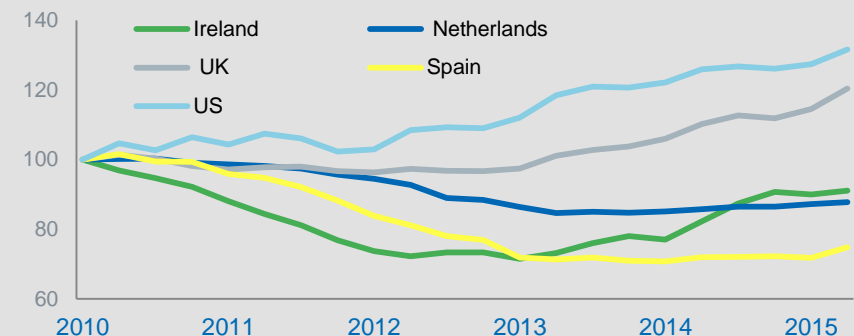
## Dutch population and housing occupation

Source: CBS



## Dutch housing prices development

Source: CBS



# Dutch household financials

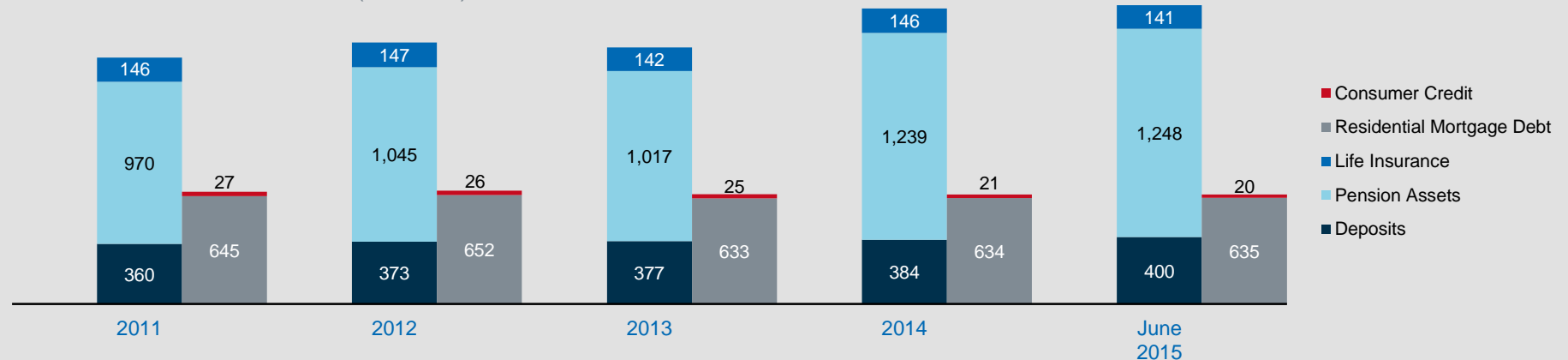
## Overview

Source: Eurostat, Dutch Central Bank

- The vast majority of household debt in the Netherlands is residential mortgage debt (EUR 635 bn as per June 2015) vs other consumer credit (EUR 20 bn as per June 2015)
- The incentive for consumers to maximise their mortgage debt (tax incentives) results in relatively high gross debt to income levels compared to other European countries. These incentives have been gradually reduced since 2001
- Dutch household wealth including pension assets far exceeds mortgage debt

## Dutch household debt and wealth composition

Source: Dutch Central Bank (EUR bn)



# NHG mortgage loan guarantee

## NHG

- NHG (Nationale Hypotheek Garantie) refers to the public mortgage loan insurance scheme supporting home ownership in the Netherlands
- WEW (Stichting Waarborgfonds Eigen Woningen) is the foundation responsible for granting NHG guarantees
- All people in the Netherlands can apply for a NHG guarantee over an amortizing residential mortgage loan up to an amount of EUR 245k and by paying an upfront premium of 100bps over the loan amount
- Mortgages that benefit from a NHG guarantee will:
  - ▶ receive an interest rate discount varying between 10 - 70bps depending on LTMV
  - ▶ receive full or partial compensation for a mortgage loss caused by a divorce, unemployment, occupational disability, decease or a non culpable drop in income
- Mortgage lenders that apply for a NHG guarantee on behalf of their clients are responsible for ensuring that the guarantee application meets NHG conditions:
  - ▶ If the NHG conditions are not satisfied, the mortgage lender may not be fully covered by the guarantee
  - ▶ NHG conditions may change over time:
    - Starting July 1st 2015 the maximum NHG mortgage loan was reduced from EUR 265k to EUR 245k
    - Starting January 1st 2014 the mortgage lender is accountable for 10% of the realized loss
    - Starting January 1st 2013 NHG guarantee is only available for amortizing mortgage loans

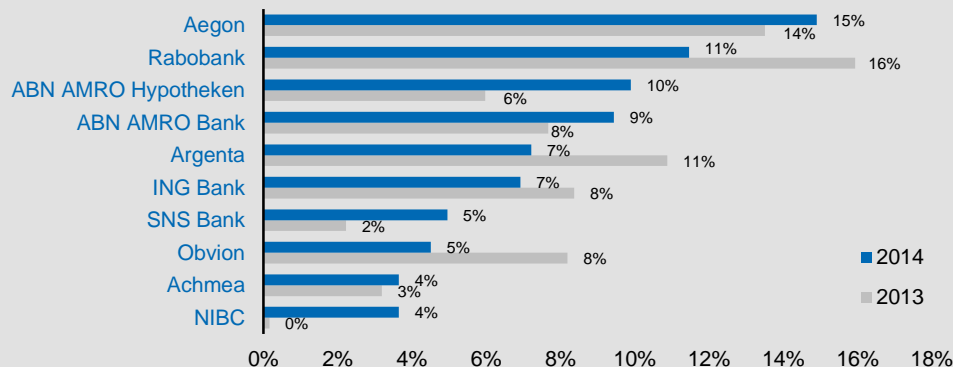
## WEW

- Moody's and Fitch have confirmed Stichting WEW 's Aaa/AAA rating and stable outlook in 2014
- Since January 1st 2011 the Dutch State is providing a full back stop for all new guarantees granted by Stichting WEW, before 2011 this back-stop is provided by the Dutch State (50%) and Dutch Municipalities (50%)
- In 2014 the guaranteed amount increased with EUR 12 bn to EUR 176 bn and the WEW's capital position increased with EUR 28 mn to EUR 818 mn, resulting in a capital ratio of 0.46%



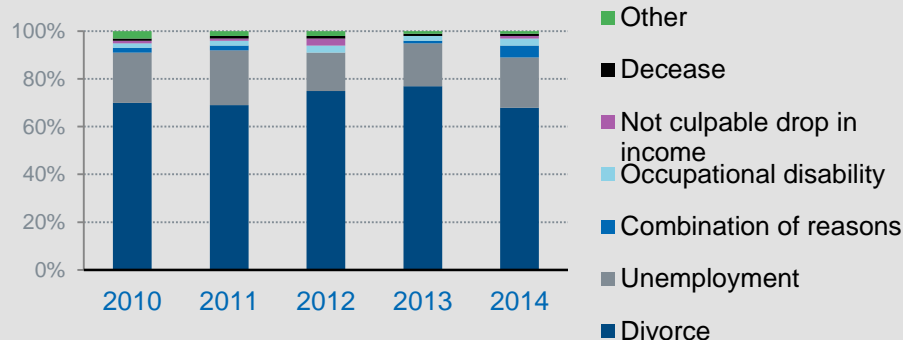
## NHG Mortgage lending market share

Source: NHG Annual Report 2014



## Reasons for submitting a NHG claim

Source: NHG Annual Report 2014



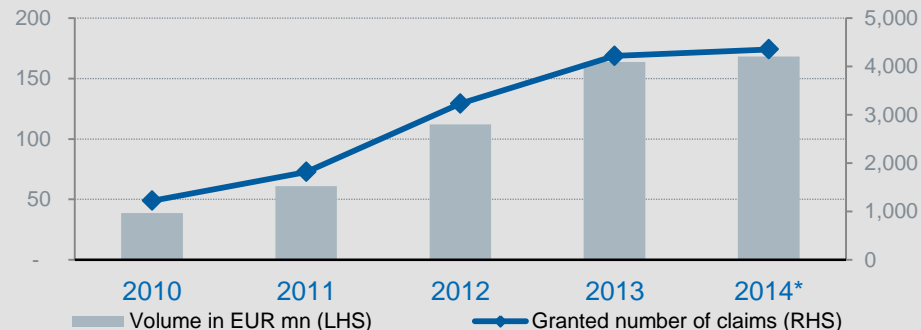
## NHG statistics

Source: NHG Annual Report 2014

- Aegon has originated 15% (14% in 2013) of the total number of NHG guaranteed mortgage loans in 2014
- In 2014 a total of 123,384 (106,199 in 2013) borrowers have taken a NHG guarantee on their mortgage loan
- 68% (2013: 77%) of the forced sales resulting in a loss were caused by divorce, while 21% (2013: 18%) were caused by unemployment
- In 2014 94% (95% in 2013) of the submitted claims were paid out by NHG

## Granted NHG claims

Source: NHG Annual Report 2014



\*At year end (2014) there were still 95 claims being processed amounting EUR 4.8mn

## Summary - Aegon Bank N.V. Conditional Pass-Through Covered Bond Programme

- Aegon Bank N.V. is key in the execution of Aegon's Strategy
- The activities of Aegon Bank N.V. show sound financials and the operations are strongly tied into Aegon N.V.
- Aegon NL is one of the top 5 lenders in the Dutch residential mortgage market and has demonstrated the flexibility to adjust to changing market conditions
- Aegon NL has a high quality and low risk mortgage lending business
- The historical performance of Aegon NL's residential mortgage loan portfolio has been stable over the last years
- Aegon Bank N.V. is rated by S&P (A+) and Fitch (A-)
- As at closing, the Cover Pool contains a high % of NHG and a low % of interest only mortgage loans
- Covered Bonds will enable Aegon N.V. and Aegon Bank N.V. to diversify funding sources in addition to RMBS – Saecure programme
- Aegon Bank N.V. is expected to be a committed issuer

# Aegon Bank N.V. Conditional Pass-Through Covered Bond Programme



# Summary

## Key features of the Covered Bond Programme

Issuer	Aegon Bank N.V.
Programme size	EUR 5 bn
Currency	Euro
Format	Conditional Pass-Through
Extension period	Maximum of 32 years
Guarantor	Aegon Conditional Pass-Through Covered Bond Company B.V.
Ratings	[AAA/AAA] (S&P/Fitch)
Collateral	Prime Dutch residential mortgage loans
Documented minimum OC	10%
Robust structure	<ul style="list-style-type: none"> <li>✓ Registered programme with DNB</li> <li>✓ Strong programme tests (Asset Cover Test &amp; Amortisation Test)</li> <li>✓ No interest rate swap counterparties*</li> <li>✓ Back-up administrator in place</li> <li>✓ External account bank</li> </ul>

## Key benefits

- Dual recourse:
  - ✓ Highly rated issuer: Aegon Bank A+/A- (S&P/Fitch)
  - ✓ Obligation for Aegon Bank to redeem the bond at expected maturity date
  - ✓ Recourse to CBC in case of default of Aegon Bank
- Stability of ratings:
  - ✓ De-linkage from issuer rating; a downgrade of the issuer rating does not directly affect the Covered Bond rating
- Favourable regulatory treatment. Covered Bonds are expected to:
  - ✓ qualify as LCR eligible (Level 1)
  - ✓ be Solvency II eligible
  - ✓ be ECB CBPP3 eligible
  - ✓ be exempt from bail-in
  - ✓ be ECB repo eligible
  - ✓ have ECBC Covered Bond Label
- Cover Pool:
  - ✓ High quality portfolio of prime Dutch residential mortgage loans
  - ✓ All mortgage loans backed by eligible collateral
  - ✓ 64% of the mortgage loans benefit from a NHG guarantee

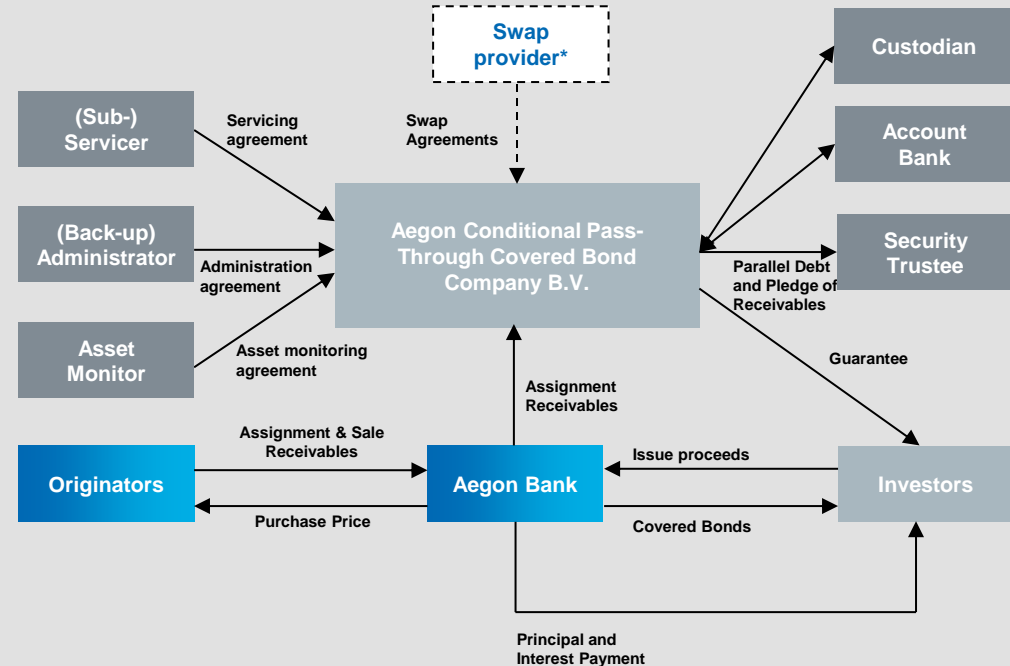
\* Portfolio swap and Interest rate swap are optional for the Programme

# Programme highlights

## Key Programme Parties

Originators:	Aegon Bank / Aegon Hypotheken / Aegon Leven
Transferor:	Aegon Bank
Issuer:	Aegon Bank
Servicer:	Aegon Bank / Aegon Hypotheken / Aegon Leven
Administrator:	Aegon Bank
Back-up Administrator:	Intertrust
Asset Monitor:	PwC
Director CBC:	Intertrust
Security Trustee:	Stichting Security Trustee Aegon Conditional Pass-Through Covered Bond Company
CBC Account Bank:	N.V. Bank Nederlandse Gemeenten
Principal Paying Agent:	Citibank
Custodian:	Rabobank

## Transaction Structure

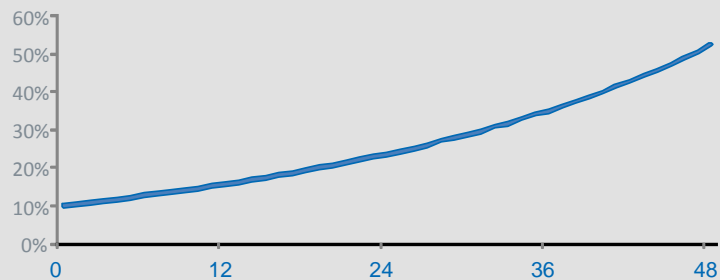


\* Portfolio swap and Interest rate swap are optional for the Programme

# Conditional Pass-Through vs Hard and Soft Bullet Covered Bonds

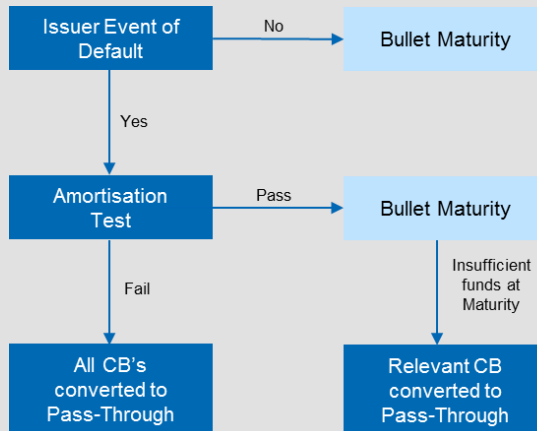
- The Conditional Pass-Through structure ensures an orderly wind-down of the Cover Pool and avoids the risk of a fire sale
- The Covered Bonds are bullet obligations of the issuer. Ahead of issuer default, Aegon Bank will make both coupon and principal payments under the programme
- Once the Pass-Through mode is entered into:
  - ▶ All cash flows received by the CBC in respect of the Cover Pool (principal and excess interest) can be used to pay down the relevant outstanding Covered Bonds
  - ▶ Every six months an attempt will be made to sell (a randomly selected part of) the Cover Pool
- The sale can only proceed if the Amortisation Test does not deteriorate
- During the Pass-Through phase, the OC is expected to increase as a result of the pay down of the outstanding Covered Bonds, and a sale of the Cover Pool becomes more likely

**Expected increase of OC in pass-through scenario**  
(by month)\*

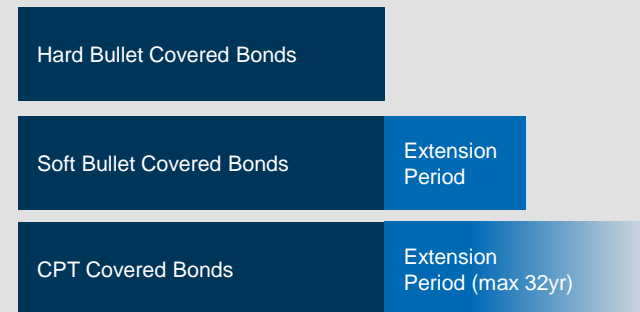


\* Assuming, inter alia, all bonds in pass-through mode, 5% CPR, no losses

## Conditional Pass-Through Mechanics



## Comparison Covered Bond structures



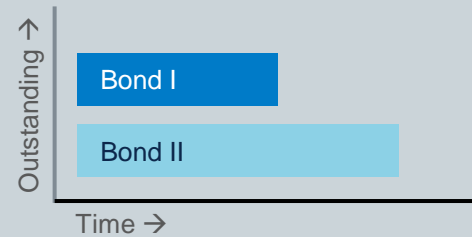
# Four Potential Scenarios - Conditional Pass-Through Covered Bonds

To illustrate the CPT mechanism this slide shows CB repayments for various scenarios. Here we assume a programme with two bonds outstanding

For the scenarios a combination of three events can occur:

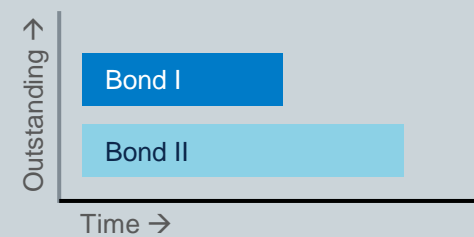
- Bank default
- Pool sale not possible
- Breach Amortisation Test

## A - CPTCB



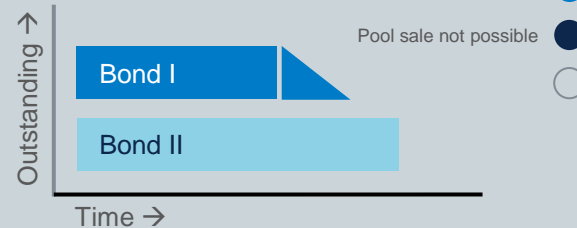
- Base case: The bank redeems bond at scheduled maturity

## B - CPTCB



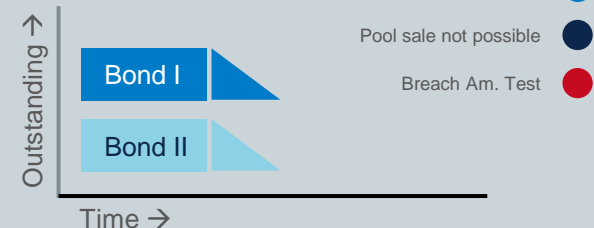
- Following a bank default, available cash is retained by the CBC and the bonds are redeemed at scheduled maturity date by available cash and potentially by sale of part of the Cover Pool. Principal and interest tests are included to protect later maturing bonds

## C - CPTCB



- ..if in addition, at scheduled maturity of a bond part of the Cover Pool cannot be sold, that bond becomes pass-through. Every six months such sale is attempted again, in the mean time available cash is paid out on the pass-through bonds

## D - CPTCB



- ..if in addition, the pool deteriorates and the Amortisation Test is also breached, all bonds become pass-through bonds

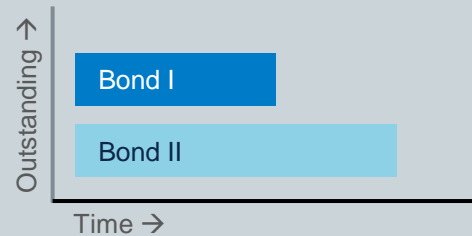
# Four Potential Scenarios - Conventional Covered Bonds

Conventional CB (hard bullets) and CPTCB are very similar, only under severe stress the work-out scenario differs

For the scenarios a combination of three events can occur:

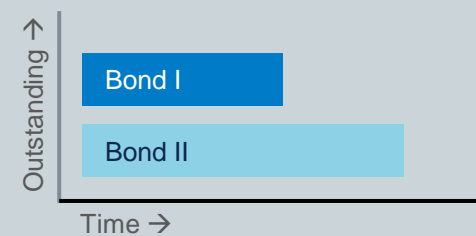
- Bank default ●
- Pool sale not possible ●
- Breach Amortisation Test ●

## A - conventional CB



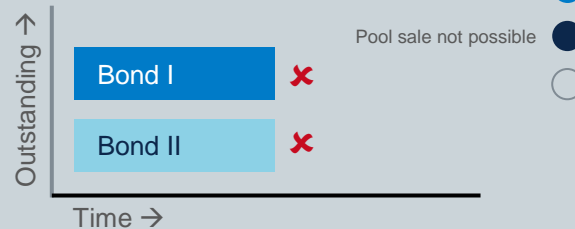
- Base case: The bank redeems bond at scheduled maturity

## B - conventional CB



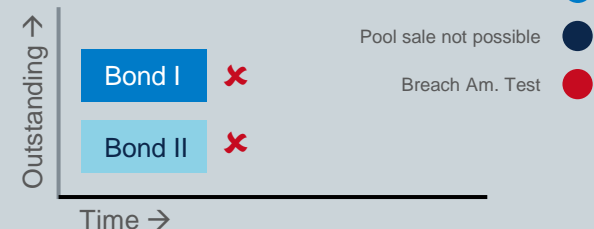
- Following a bank default, available cash is retained by the CBC and the bonds are redeemed at scheduled maturity date by available cash and sale of part of the Cover Pool. Principal test is included to protect later maturing bonds

## C - conventional CB



- ..if in addition, at scheduled maturity of a bond part of the Cover Pool cannot be sold to redeem the bonds at par, all bonds accelerate and the pool is sold, which may result in a loss on the bonds

## D - conventional CB



- ..if in addition, the pool deteriorates and the Amortisation Test is also breached, all bonds accelerate and the Cover Pool is sold resulting potentially in a loss on the bonds

Conventional CB



# Key Triggers in a Conditional Pass-Through Covered Bond

## Normal performance

Issuer meets all interest and principal payment obligations in respect of the Covered Bonds

- Expenses paid by Issuer
- No asset cashflows through CBC

## Assignment Notification Event

An Assignment Notification Event takes place upon, amongst others:

- Transferor default;
- Breach of obligations stated in the Transaction Documents;
- Notice to Pay or Issuer Acceleration Notice has been served;
- CBC Event of Default; or
- Security Trustee Pledge Notification Event

- The borrowers are informed that they will have to make payments to the CBC directly
- Issuer can still make interest and principal payments on Covered Bonds
- Interest and principal on Cover Pool received by CBC only paid back to Issuer as long as ACT is met and Issuer makes required payments

## Breach of Asset Cover Test

The amount of collateral is lower than the amount of Covered Bonds outstanding, amongst others:

- $(A \text{ (min[A(a);A(b)] + B + C - Z) is } < 100\%$  of Covered Bonds outstanding
- Nominal value of Cover Pool is  $< 110\%$  of Covered Bonds outstanding

- After 1st breach: no further issuances of Covered Bonds allowed
- After consecutive breach: cash flows on Cover Pool are on-paid to the CBC
- No cashflows are paid back to the Issuer until the breach is remedied

# Key Triggers in a Conditional Pass-Through Covered Bond

## Issuer Event of Default

Non-payment by the Issuer of an interest or principal payment due on the Covered Bonds (= also one of the Assignment Notification Events)

- The CBC receives all cashflows in relation to the Cover Pool
- The CBC is responsible for all payments related to the Covered Bonds
- CBC priority of payments is applied
- If Amortisation Test is not breached but an individual Covered Bond series reaches maturity, this series will enter pass-through mode

## Breach of Amortisation Test\*

The Amortisation Test is similar to the ACT:

- with the exclusion of A(b) and certain set-off components when calculating A (Sum of Current Balances)
- $(A(a) + B + C - Z) / OB < 100\%$  of Covered Bonds outstanding

- The Amortisation Test exists to mitigate the risk that certain series of Covered Bonds are subjected to time subordination
- A breach of the Amortisation Test will cause all Covered Bonds to enter the pass-through mode

## CBC Event of Default

Non-payment by the CBC of an interest or principal payment due on the Covered Bonds

- The CBC receives all cashflows in relation to the Cover Pool
- Post CBC Acceleration Notice Priority of Payments is applied
- Only when maturity is reached and the CBC does not have sufficient funds to repay the Covered Bonds, or when the Amortisation Test is breached, will the pass-through mode be entered

\* Following a Notice to Pay the Amortisation Test is calculated each month

# Priority of Payments

## CBC Priority of Payments

- 1 ■ Security Trustee (excl. Parallel Debt)
- 2 ■ Tax authority
- 3 ■ Paying agent, Registrar and Calculation agent expenses (if applicable)
- 4 ■ Servicer expenses  
■ Administrator expenses  
■ Back-up administrator expenses  
■ Account bank expenses  
■ Asset Monitor expenses  
■ Directors expenses
- 5 ■ Portfolio swap counterparty
- 6 ■ Other swap counterparties  
■ **Interest due on Covered Bonds**
- 7 ■ Replenishment Reserve Account
- 8 ■ **Principal due on Covered Bonds**
- 9 ■ Cash trapping (for 1-8) for next payment date (until maturity date)
- 10 ■ (Remaining) swap termination amounts (if swap counterparty is the defaulting party)
- 11 ■ Indemnity amounts to transferor  
■ Costs and indemnity amounts to asset monitor
- 12 ■ Remaining moneys to the issuer

## Post CBC Acceleration Priority of Payments

- 1 ■ Security Trustee (excl. Parallel Debt)
- 2 ■ Paying agent, Registrar and Calculation agent expenses (if applicable)
- 3 ■ Servicer expenses  
■ Administrator expenses  
■ Back-up administrator expenses  
■ Account bank expenses  
■ Directors expenses
- 4 ■ Portfolio swap counterparty
- 5 ■ Other swap counterparties  
■ **Interest due on Covered Bonds**
- 6 ■ **Principal due on Covered Bonds**
- 7 ■ (Remaining) swap termination amounts (if swap counterparty is the defaulting party)
- 8 ■ Indemnity amounts to transferor  
■ Costs and indemnity amounts to asset monitor
- 9 ■ Remaining moneys to the issuer

# Asset Cover Test

1

**Adjusted aggregate asset amount\* >= outstanding Covered Bonds**

**Adjusted aggregate asset amount = A+B+C-Z**

- The calculation of 'A' includes:
  - ▶ 93% asset percentage
  - ▶ 80% LTMV cut-off
  - ▶ Deductions of savings deposits above €100k (if issuer rating trigger hit)
  - ▶ Deduction of arrears and defaulted receivables
  - ▶ Deduction of construction deposits
  - ▶ Deduction of Long Term Mortgage Loans if > 10% of Cover Pool
- 'B' and 'C' represent cash and substitution assets
- 'Z' represents the 'Interest Reserve Required Amount'

2

**Minimum OC level**

**The Net Outstanding Principal Amount of all Mortgage Receivables**

- Any Defaulted Receivables
- + Substitution Assets
- + All amounts standing to the balance of the CBC Transaction Accounts
- Swap Collateral Amounts;

Will always be at least equal to 110%\*\* of the aggregate Principal Amount Outstanding of the Covered Bonds

\* Please refer to section 16 of the base prospectus for a detailed overview; \*\*10% committed minimum OC level, regulatory minimum OC requirement is 5%

# Amortisation Test

1

## Amortisation Test Aggregate Asset Amount\* >= outstanding Covered Bonds

### Adjusted aggregate asset amount = A+B+C-Z

- The calculation of 'A' includes:
  - ▶ 80% LTMV cut-off
  - ▶ Deduction of arrears and defaulted receivables
  - ▶ Deduction of Long Term Mortgage Loans if > 10% of Cover Pool
- 'B' and 'C' represent cash and substitution assets
- 'Z' represents the 'Interest Reserve Required Amount'

2

## Minimum OC level

### The Net Outstanding Principal Amount of all Mortgage Receivables

- Any Defaulted Receivables
- + Substitution Assets
- + All amounts standing to the balance of the CBC Transaction Accounts
- Swap Collateral Amounts;

Will always be at least equal to 110%\*\* of the aggregate Principal Amount Outstanding of the Covered Bonds

\* Please refer to section 16 of the base prospectus for a detailed overview; \*\* 10% committed minimum OC level, regulatory minimum OC requirement is 5%

# Cover Pool characteristics

A close-up photograph of two people's hands signing documents on a white table. The person on the left is wearing a light blue striped shirt and holding a blue pen. The person on the right is wearing a light-colored sweater and holding a black pen. The documents are white with some text and lines. The background is a bright, out-of-focus office setting.

# Cover Pool characteristics

## Key characteristics as at 31 October 2015

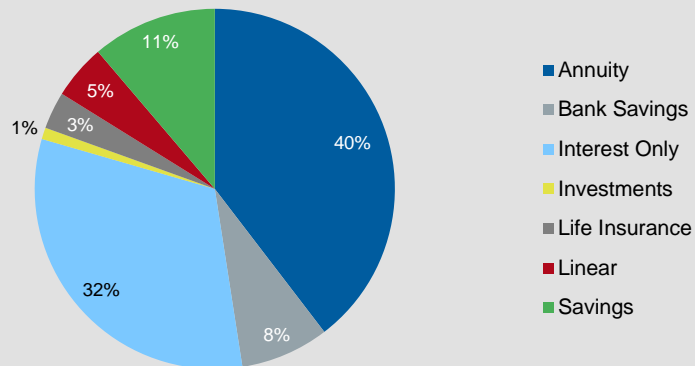
Principal balance (EUR)	949,412,591
Value of saving deposits (EUR)	45,521,741
Net principal balance (EUR)	903,890,849
Construction deposits (EUR)	4,958,981
Net principal balance excl. construction and saving deposits (EUR)	898,931,868
Number of loans (#)	4,861
Number of loan parts (#)	9,863
Average principal balance per borrower (EUR)	185,948
Long Term Interest Only loans (%)	8%
Weighted average current interest rate (%)	3.94%
Weighted average Remaining Fixed Rate Period (in years)	12.43
Weighted average maturity (in years)	29.05
Weighted average seasoning (in years)	2.40
Weighted average LTMV (%)	82.10%
Weighted average LTMV (indexed) (%)	82.47%
Weighted average LTFV (%)	91.95%
Weighted average LTFV (indexed) (%)	92.37%

## Key eligibility criteria

- Each mortgage loan is either an Interest-only Mortgage Loan, Linear Mortgage Loan, Annuity Mortgage Loan, Investment Mortgage Loan, Savings Mortgage Loan, Bank Savings Mortgage Loan, Life Mortgage Loan, Universal Life Mortgage Loan or a combination thereof
- The maximum Outstanding Principal Amount per borrower, originated (i) if originated in and after August 2011 did not exceed 104% LTMV and (ii) if originated before August 2011, did not exceed 130% LTFV at origination or (iii) the maximum amount as may be applicable under the relevant regulations at the time of origination
- First and sequentially ranking mortgages only
- Borrower is a private individual, resident of the Netherlands and not an employee of Aegon
- Each Mortgage Loan has been originated by one of the originators
- Each Mortgage Loan is governed by Dutch law and is denominated in euro
- Mortgage conditions provide that all payments by the Borrower should be made without any deduction or set-off (other than in respect of Construction Deposits)

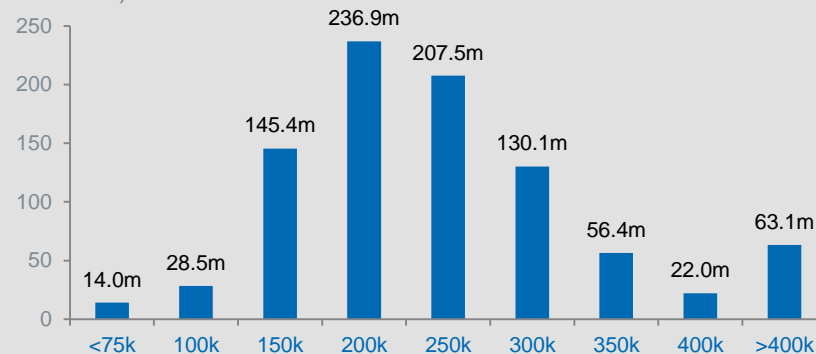
# Cover Pool characteristics

## Redemption Type

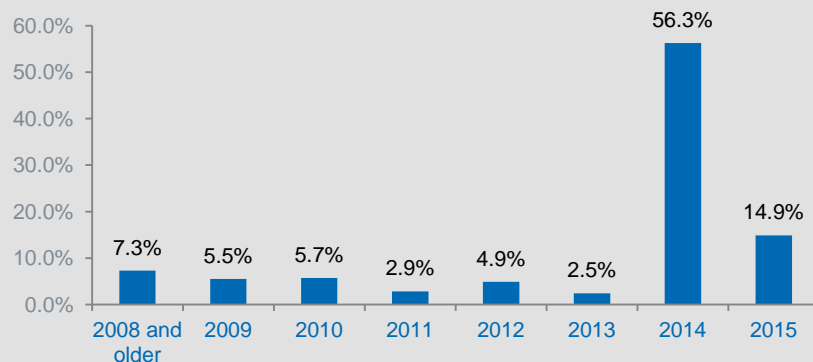


## Outstanding Loan Amount

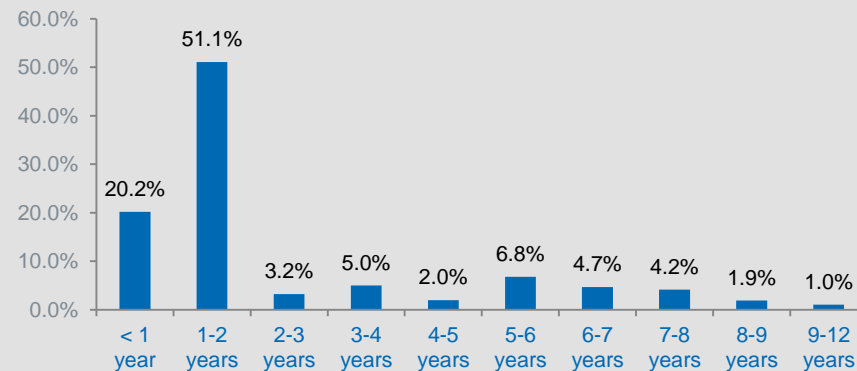
(in EUR mn)



## Origination Year



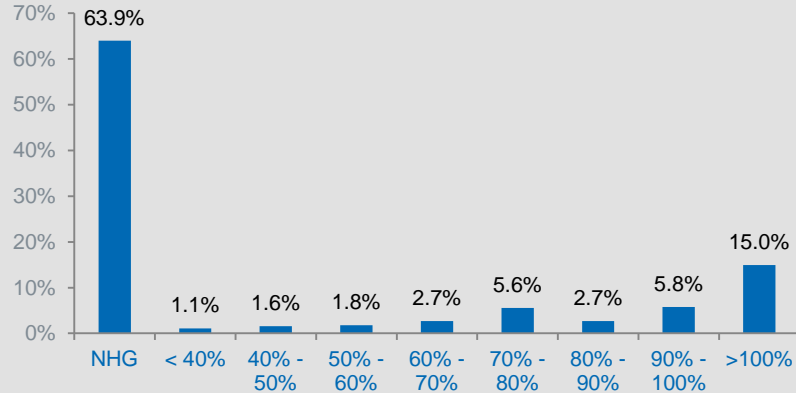
## Seasoning



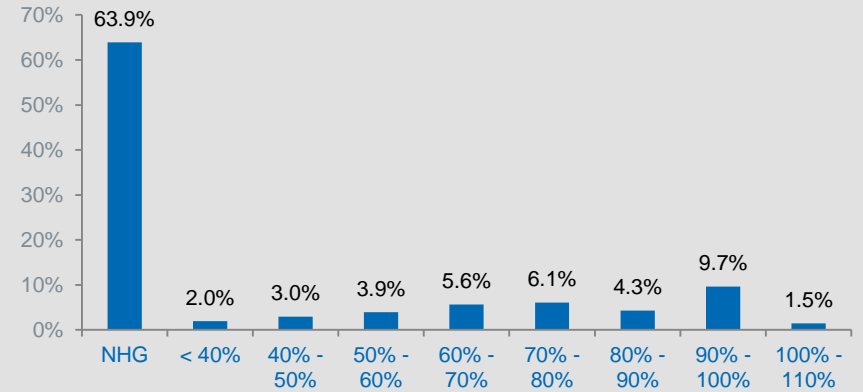


# Cover Pool characteristics

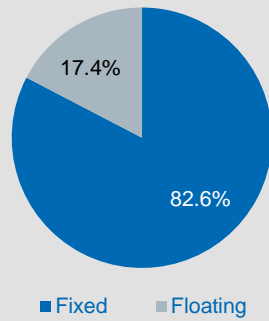
## Original Loan to Original Market Value



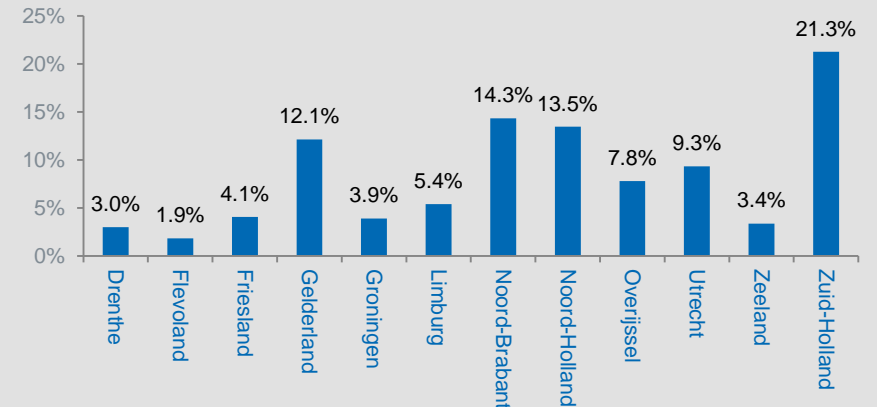
## Current Loan to Indexed Market Value



## Interest Payment Type

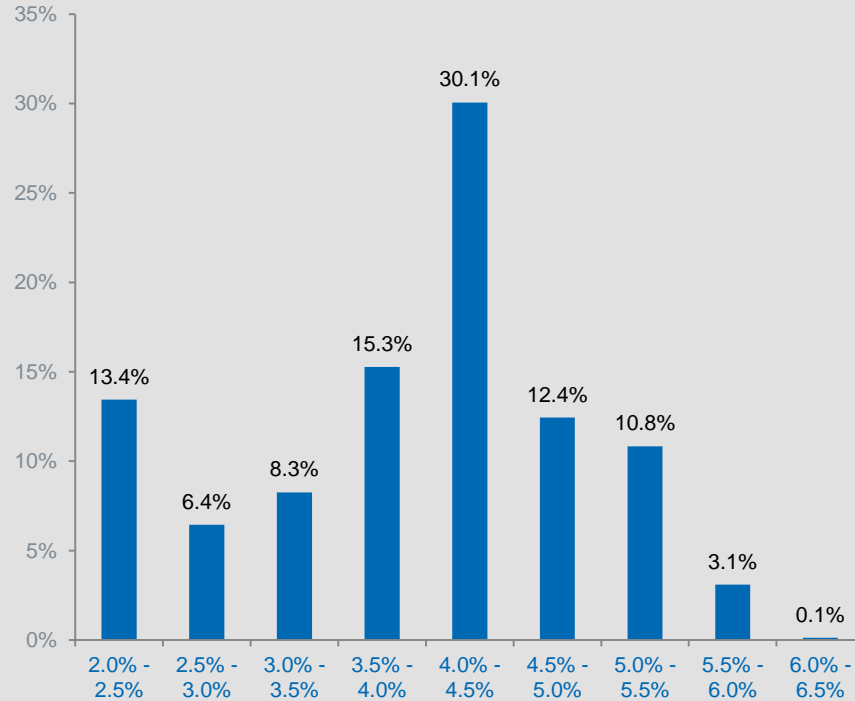


## Geographical Distribution (by province)

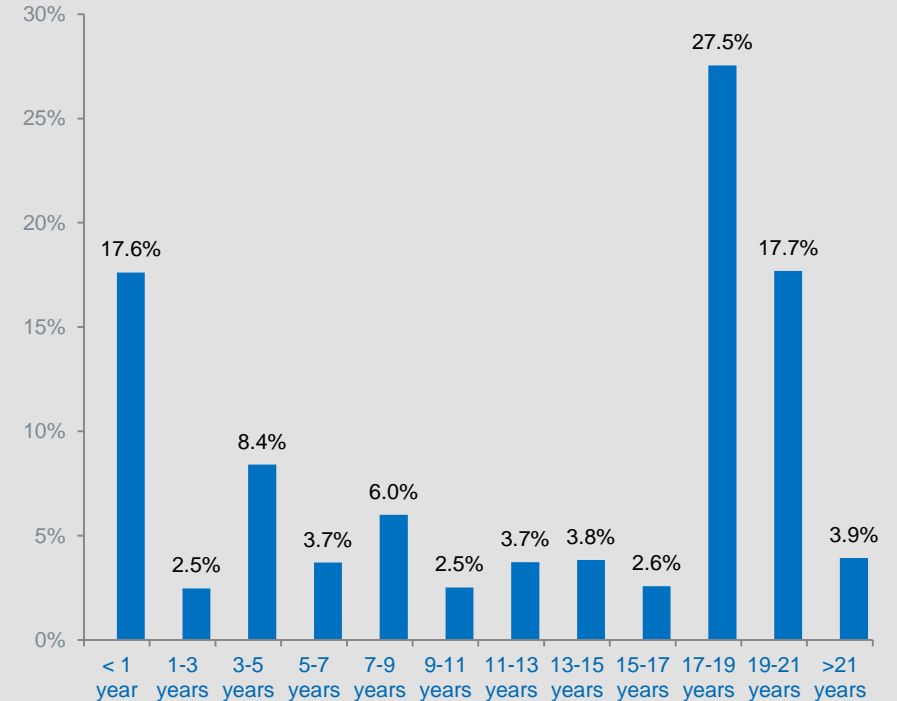


# Cover Pool characteristics

## Mortgage Rates



## Remaining Interest Rate Fixed Period



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# Thank you



Helping people take responsibility for their financial future

