

Controlling risk through ALM and hedging strategies

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Helping people achieve a lifetime of financial security



Today's story line

Comprehensive management of economic risks

- Major hedge programs combined to better manage consolidated balance sheet
- Multi-disciplinary team coordinates seamless approach to cost-effective ALM & hedging
- Manageable impact from lower-for-longer interest rate scenario
- Macro hedge run-rate of USD 60 million per quarter

Disciplined approach to VA & GA

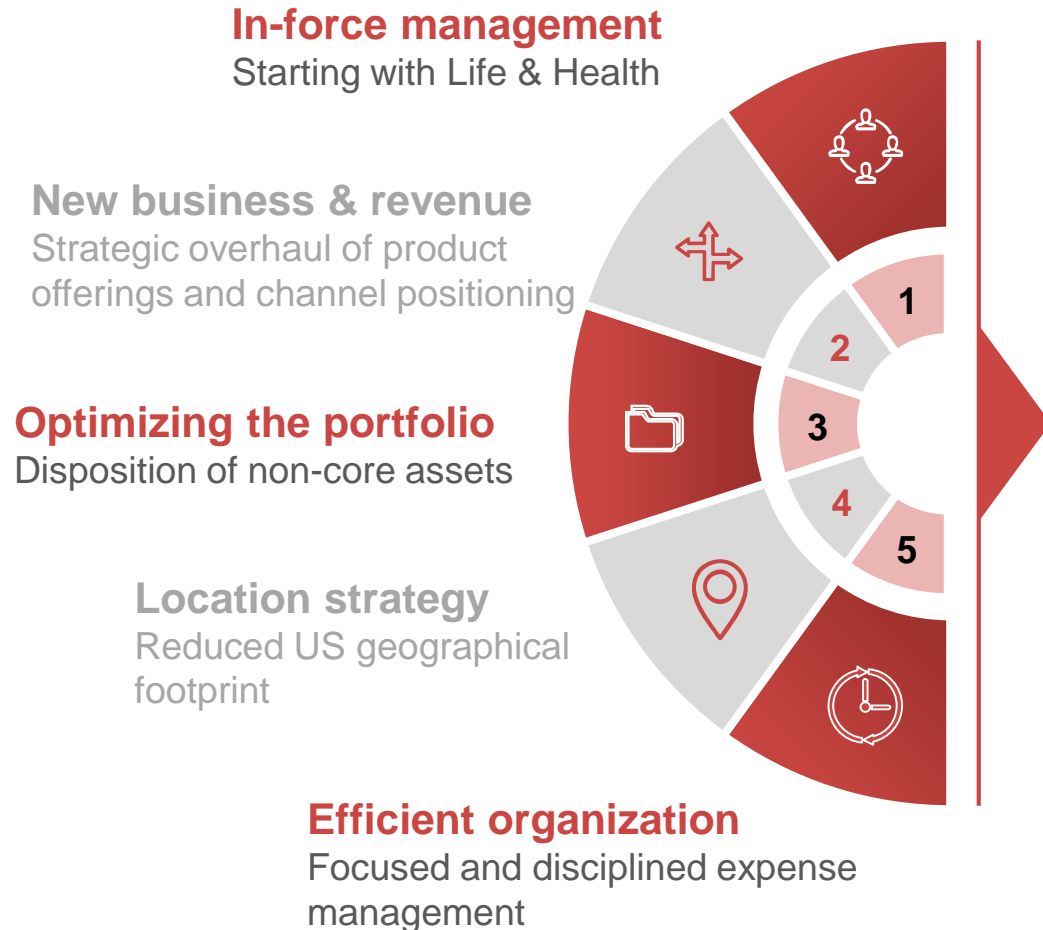
- Management of variable annuity programs under one team across multiple frameworks
- Optimized coverage of risk leads to lower earnings volatility
- Successful low interest rate protection for variable annuities
- Utilize Treasuries instead of credit to match long liabilities

Conservative liquidity framework

- Robust testing criteria, frequent reporting and formal policy limit liquidity risk
- All legal entities passed policy requirements for 10+ years
- Well-positioned to manage adverse market scenarios

Clear 5 part plan to improve performance

Focusing activity to deliver committed targets

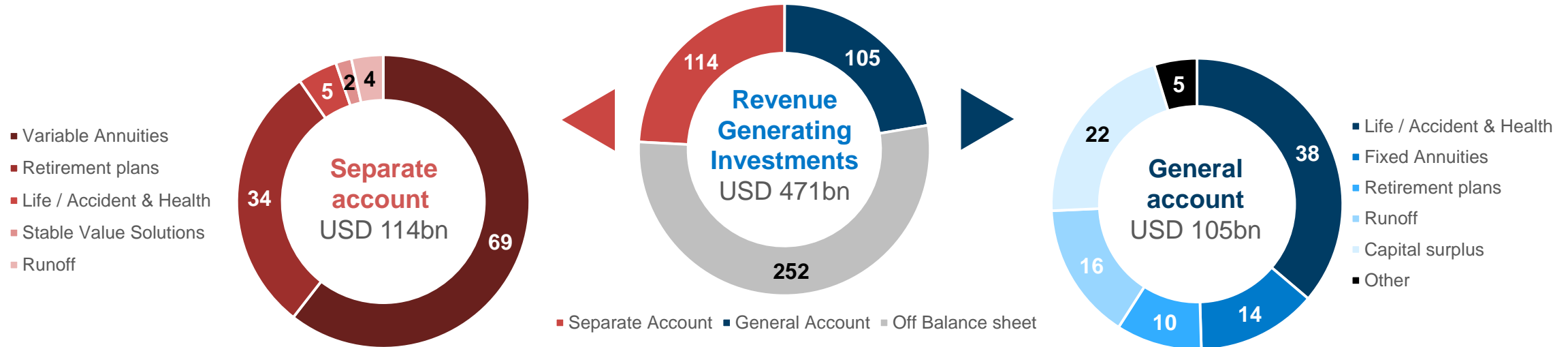


Comprehensive and disciplined risk management

- Balanced and disciplined risk management
 - Focusing on profitability of new Variable Annuity sales
 - Actively managing down Variable Annuity closed block
 - Effective Variable Annuity dynamic hedge program to stabilize IFRS earnings and protect capital
 - Conservative liquidity framework
- Capturing efficiencies under One Transamerica
 - Major hedge programs combined to better manage consolidated balance sheet
 - Multi-disciplinary team ensures coordinated approach to cost-effective ALM & hedging

Transamerica asset overview

Balanced and disciplined risk management at the enterprise level



- Strong management reporting supported by modern processes and tools enables real-time decisions which optimizes portfolio
- Seamless approach to ALM and management of hedging programs
- Comprehensive risk management across multiple frameworks (IFRS, statutory and economic)
 - Fully funded hedge programs ensure all future claims are covered
- Low risk funds in separate account portfolio leads to lower volatility in IFRS earnings

- Portfolio credit quality remains high
- Impairments continue to be low and are expected to remain below historical averages
- Focus exposures, such as energy, are closely managed
- Duration management tool kit includes Federal Home Loan Banks (FHLB) borrowing, repo facilities and derivatives

Managing through low interest rates

Manageable impact from lower-for-longer interest rate scenario

	Base assumption	Interest rates flat at 2% for five years*
Aggregated RBC ratio	Within target zone of 350-450%	Remains within target zone
Capital generation	USD ~1 billion pa, growing after 2018	USD ~0.1 billion pa lower on average
Dividends	USD 0.9 billion pa	Maintain total dividend plan
Return on Capital	Grows to 9% in 2018	Grows to 8.5% by 2018

Ongoing management actions to reduce the impact

- New business
 - Design products to be less interest rate dependent
- In-force
 - Rate increases on certain blocks of business
 - Expense savings
 - Continue to optimize hedging strategies

* 10-year Treasury yield

Note: Capital generation excluding market impacts & one-time items

Major hedge programs combined

Comprehensive management of consolidated balance sheet

Proactive and transparent risk management

- Large scale hedge programs across the enterprise facilitate proactive risk management practices
- Consolidated approach under one management team provides transparency on best execution of ALM & hedging strategy
- Distributable earnings maintenance program protects capital in adverse capital market environments

Hedge programs

Objective: Proactively manage market risks

- Variable annuity dynamic and semi-static hedges
- Interest rate hedge programs
- Indexed Universal Life dynamic hedge program
- Stable Value Solutions
- Cash flow matching programs

Distributable earnings maintenance program

Objective: downside protection for distributable earnings by limiting statutory capital losses

- Coverage includes hedged and unhedged legacy business units

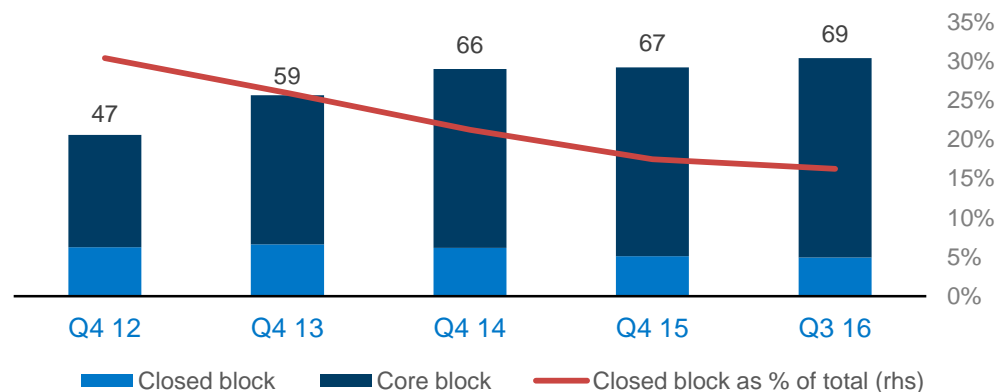
Active management of VAs

Managing down closed block, while focusing on profitability of new sales

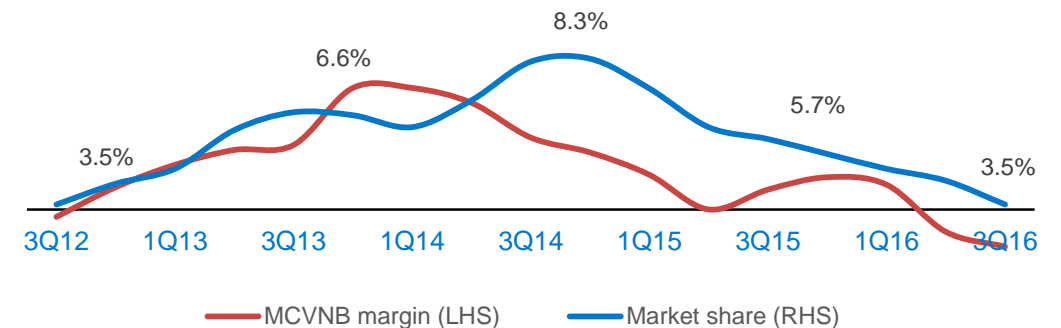
- Size of the closed block has been actively reduced and managed
 - ~15% shrinkage of closed block through Alternative Lump Sum Offer (ALSO)
 - In-force fee increase on income guarantee reset or step up
- Active management of product features secures profitable growth
 - Daily generation of economic risk reports calls management to action

Continued reduction of closed VA block

(USD billion and %)



Actively managing sales profitability¹



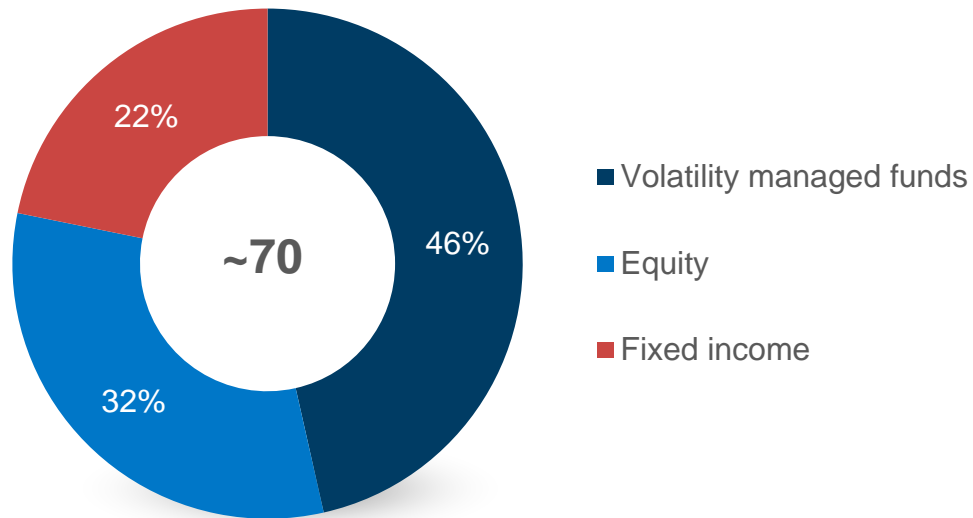
1) Source market share: Morningstar

Diversified, low risk VA fund line up

Actively-managing fund line up provides control on earnings expectations

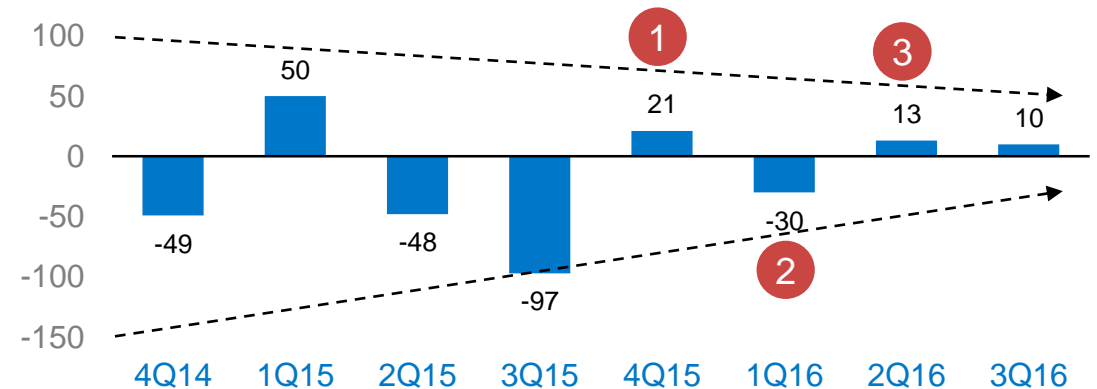
Low risk fund line up for VA portfolio

(AuM in USD billion, Q3 16)



P&L impact VA hedge program

(USD million)



- ① Broadened fixed income hedges
- ② Improved statistical techniques to capture risk
- ③ Switched to JP Morgan as sub-advisor for USD 12 billion AuM

R-squared between low risk fund line-up and hedge indices >98% leading to stable outcomes

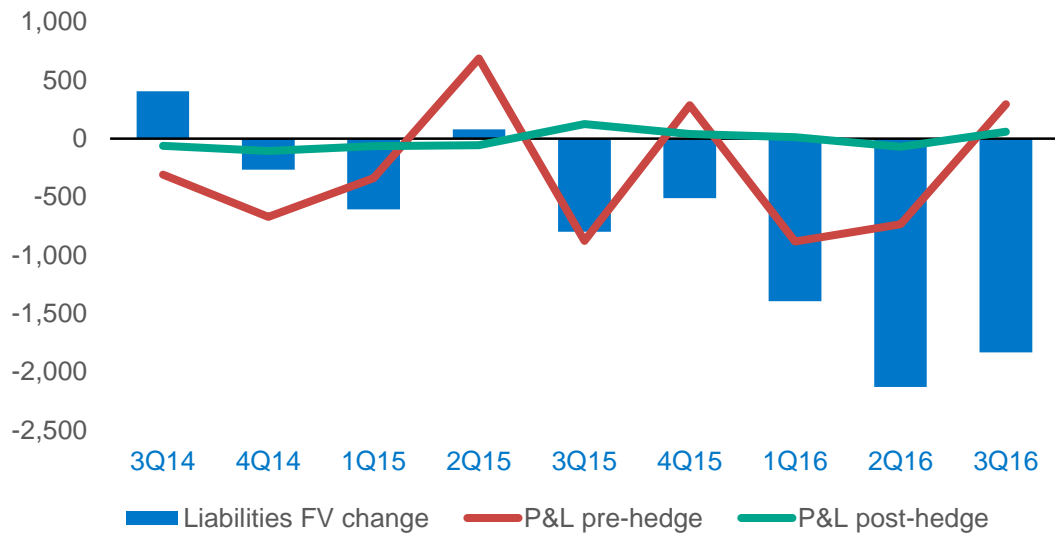
VA dynamic hedge program

Stabilizing IFRS earnings

- Dynamic hedge program matches fair value liabilities
 - Risk neutral projection for entire projection period
- IFRS stability due to protecting against interest rate, equity, credit, FX and volatility movements

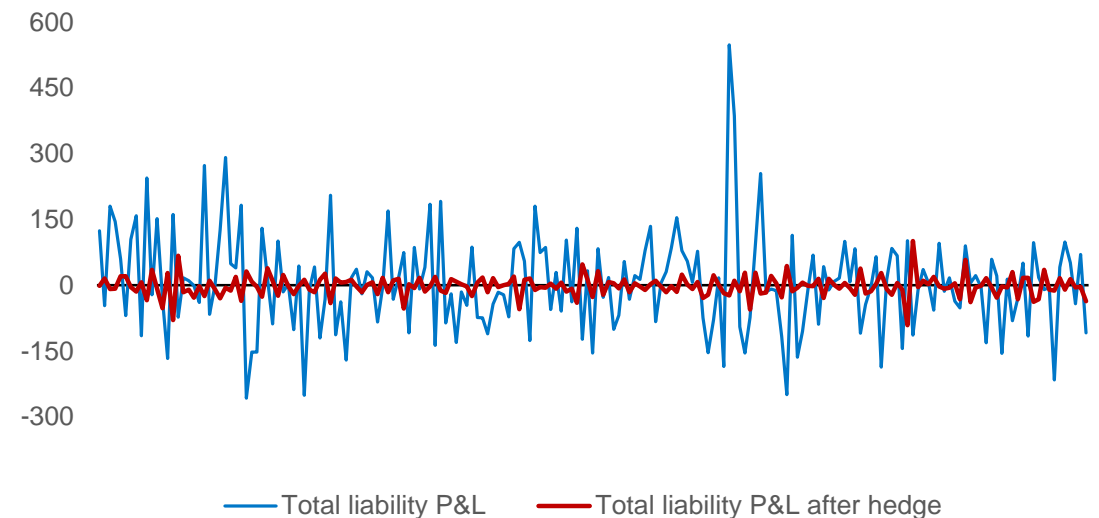
Dynamic hedge performance

(USD million)



P&L before and after hedging

(USD million & 2016 daily volatility)



VA macro and dynamic hedge program

Protecting statutory capital in adverse markets

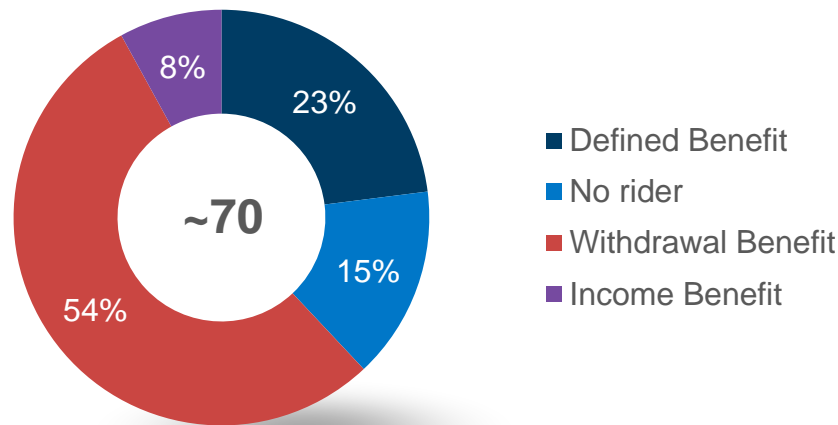
Distributable Earnings Maintenance Program (DEMP)

Objective: downside protection for distributable earnings by limiting statutory capital losses

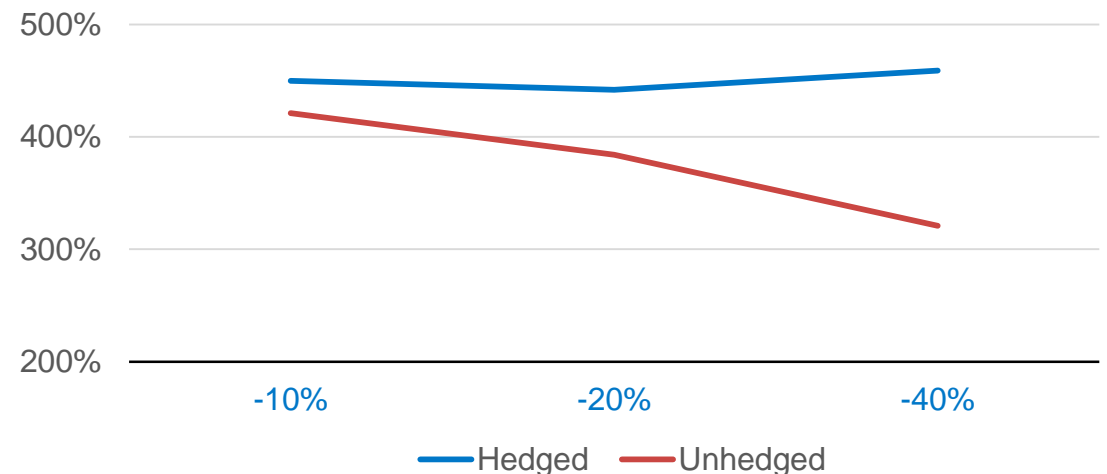
- Hedge coverage for total VA block (core and closed)
- Quarterly run rate cost for macro hedge of USD 60 million, which will decline following NAIC proposed framework changes (expected January 1st, 2018)

Variable annuity portfolio by rider type

(AuM in USD billion, Q3 16)



RBC sensitivities to declining equity markets¹



1) One year RBC capital sensitivities to declining equity market

Disciplined interest rate hedging for VAs

Additional capital protection in stressed markets

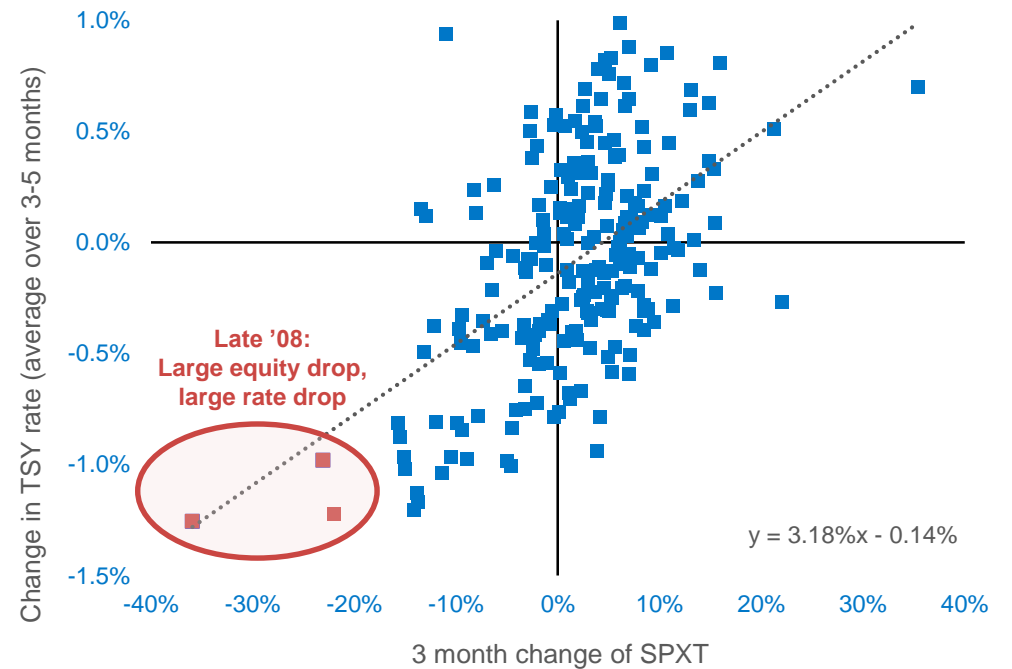
Successful low interest rate protection

- 100% fair value coverage of the interest rate risk
- Sensitivities to interest rates less dominant on a statutory basis
- Hedging IFRS interest rate risk results in capital generation under the statutory framework in a falling/low interest rate environment
- NAIC valuation framework scheduled to be changed January 1, 2018*

Co-movements between rate and equities strengthen outcomes

- Due to disciplined approach to interest rate hedging for VA, the strong co-movements between US interest rates and equities provide further benefit to hedge programs

Relationship b/w equity & rate changes in US (period '98-'16)



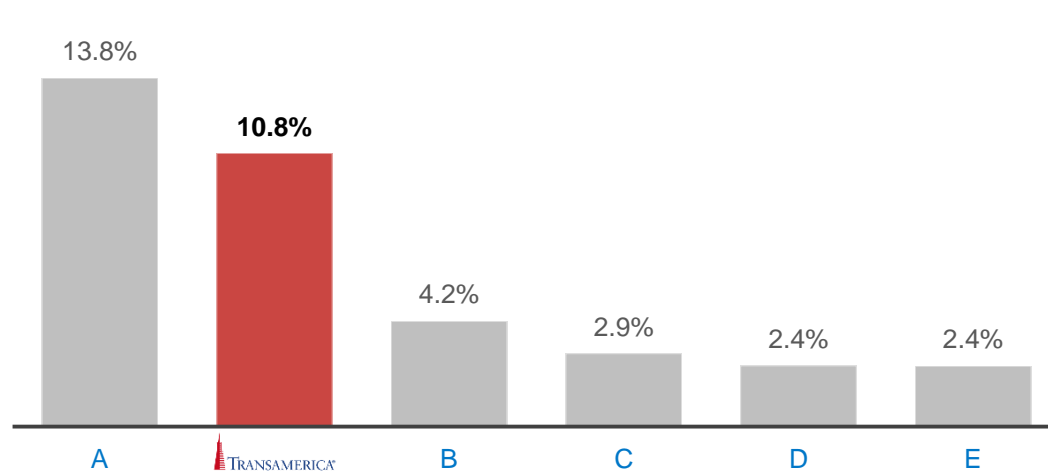
* Based on Oliver Wyman quantitative impact study

Disciplined equity hedging for VAs

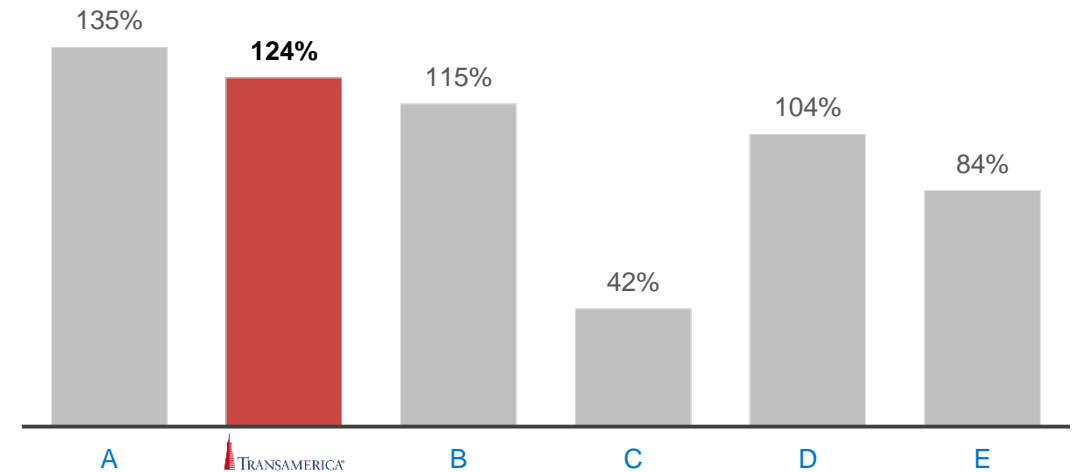
Focused on the economics of capital and earnings

- Market consistent pricing for VA full contract ensures fully-funded hedge programs and full coverage of equity risk

Equity total return swaps as % of account value



Normalized delta in products of key players



Source: Oliver Wyman research, selected key competitors
 Note: Company A just recently increased their TRS holdings

Conservative liquidity framework

Well positioned to manage adverse market scenarios

Worst scenario needs to be passed by legal entity

	Scenario 1	Scenario 2	Scenario 3
Interest rates	<ul style="list-style-type: none"> +150bps immediately +150bps additional over next 12 months 	<ul style="list-style-type: none"> +150bps immediately +75bps additional rise over next 12 months 	--
Credit spreads	<ul style="list-style-type: none"> +150bps immediately 	<ul style="list-style-type: none"> +100bps immediately +100bps additional over next 12 months 	--
Equities	--	--	<ul style="list-style-type: none"> +40% immediately
Other assumptions	<ul style="list-style-type: none"> No borrowing allowed No asset sales in first 6 months except Treasuries can be sold at market value Collateral encumbered per CSA agreements One letter downgrade of Aegon credit rating Policyholders exercise provisions dynamically Capital losses associated with asset sales limited to IMR balances 		

Results

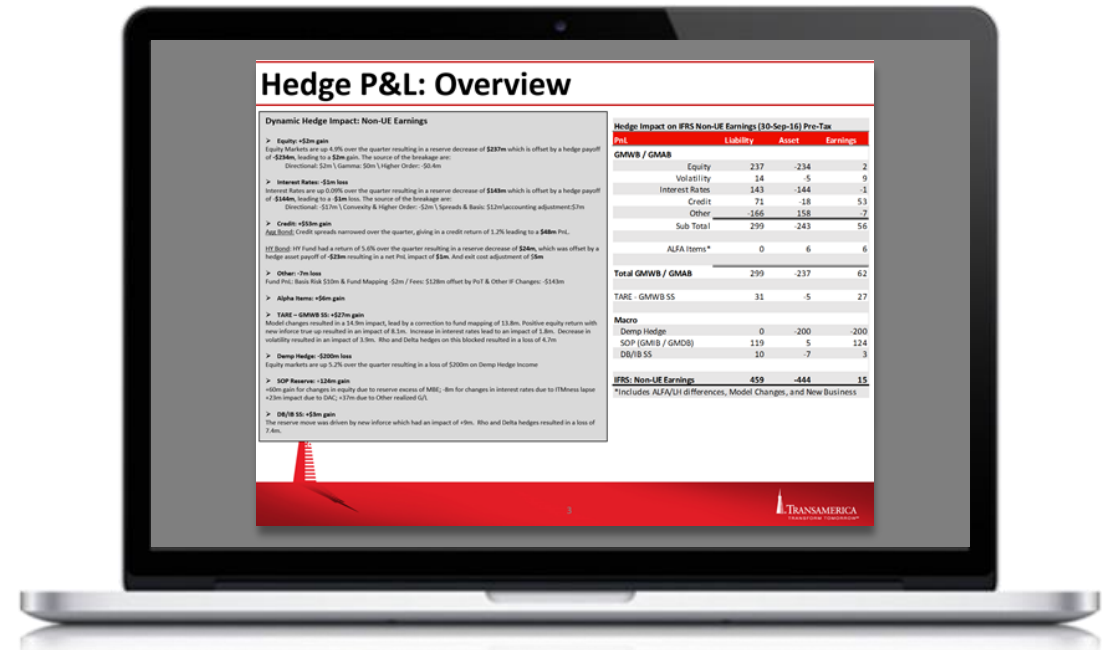
- All legal entities have passed each monthly testing period for past 10+ years
- In aggregate, more than 1% of assets is the lowest excess liquidity level

- 2 year testing criteria projection at legal entity level

ALM & hedging technology roadmap

Priorities over next two years

- Pillar 1:** Enterprise Trading Platform
 - Consolidation of all hedge program platforms into one provides further transparency on risk
- Pillar 2:** High speed intra-day valuation of sensitivities of liability hedge portfolios
 - Provides scalable solution which reduces costs, enhances innovation and increases speed to market



Strong foundation to deliver

Controlling risk through ALM and hedging strategies

Comprehensive
management of
economic risks



Disciplined
approach to
VA & GA



Conservative
liquidity
framework

Delivering strong risk management

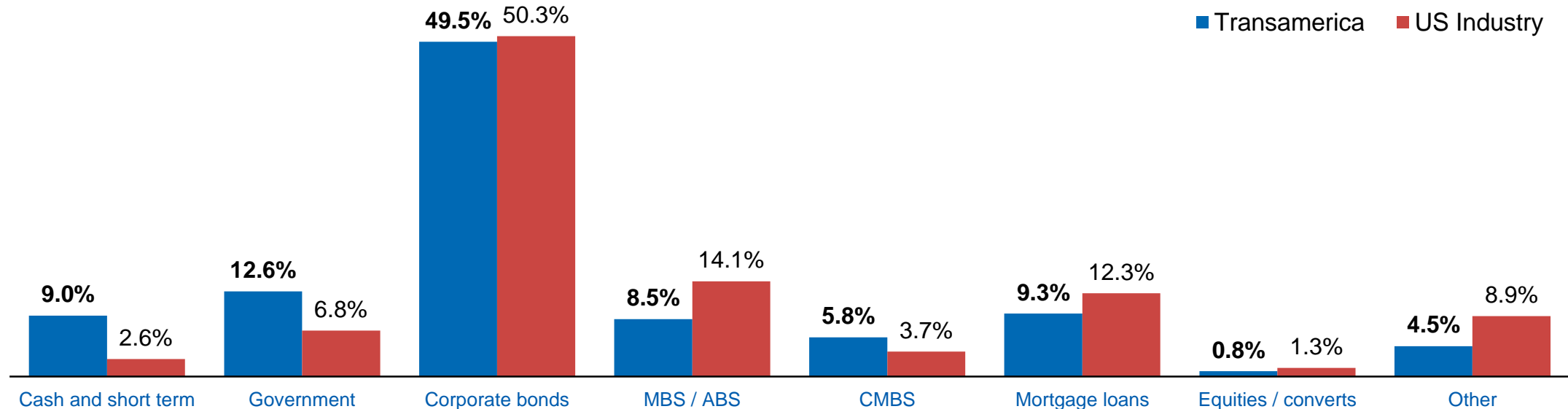
Appendix

Asset allocation compared to industry

Utilizing treasuries instead of credit to match long liabilities

Total invested assets USD 94.7 billion*

(September 30, 2016)



Industry data source: JPMorgan 2015 annual survey of top 20 insurance companies (source data as of December 31, 2015)

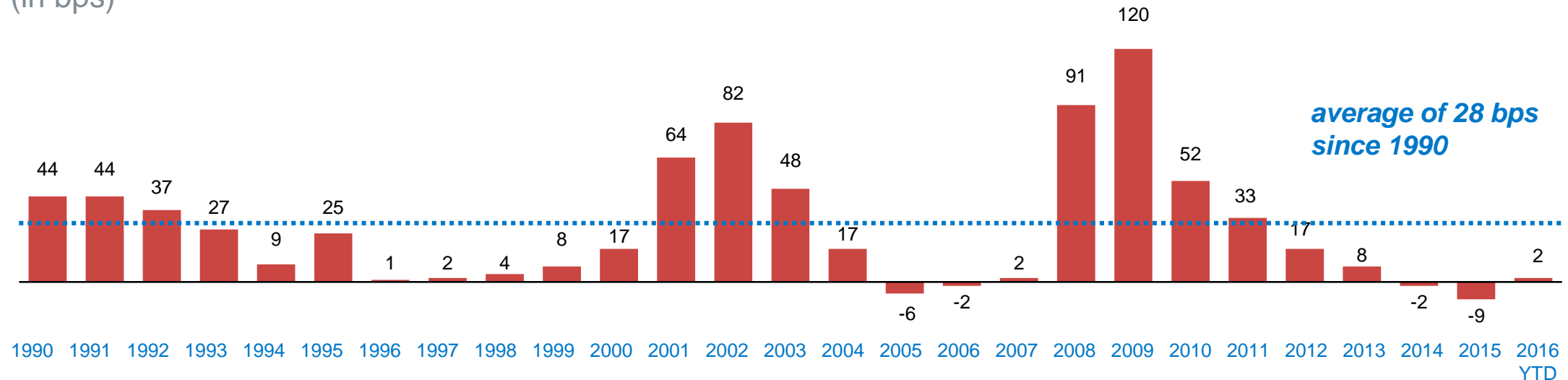
* Values are on an IFRS amortized cost basis, whereas US Industry numbers are based on US statutory carrying value; policy loans were excluded

Impairments reflect portfolio credit quality

- Through the cycle impairments average 28 basis points
- 2016 credit losses well below long-term expectations
- Impairments expected to trend up but remain below long-term average

Impairments on US general account fixed income assets

(in bps)



Periods prior to 2005 are based on Dutch Accounting Principles (DAP)
 Periods 2005 and later are based on International Financial Reporting Standards (IFRS)

Aegon USA portfolio composition

	12/31/13	12/31/14	12/31/15	9/30/16	Change Since 2015
Cash / short-term	7.9%	9.2%	8.7%	8.9%	↑
Treasuries / agencies	7.9%	8.4%	9.7%	12.6%	↑
Non-federal government	0.3%	0.3%	0.3%	0.3%	-
Investment grade corporate bonds	46.5%	45.4%	45.5%	44.3%	↓
High yield corporate bonds	3.2%	3.7%	3.6%	3.5%	↓
Emerging markets debt	2.0%	2.0%	1.8%	1.7%	↓
Commercial MBS	6.9%	6.6%	6.0%	5.8%	↓
Residential MBS **	6.2%	5.7%	5.1%	4.9%	↓
Non-housing related ABS	3.9%	3.9%	3.9%	3.7%	↓
Mortgage loans	9.4%	9.5%	9.6%	9.3%	↓
Convertibles – bonds & preferred stock	0.2%	0.2%	0.1%	0.1%	-
Preferred Stock	0.3%	0.3%	0.2%	0.2%	-
Common equity & bond funds	0.4%	0.4%	0.4%	0.5%	↑
Private equity / real estate / real estate LPs	3.0%	2.6%	2.4%	2.1%	↓
Hedge funds	0.9%	1.0%	1.9%	1.5%	↓
Other***	1.0%	1.0%	0.9%	0.6%	↓
Total	100%	100%	100%	100%	
Dollar value (USD billions)*	92.2	91.9	89.6	94.7	

* AEGON USA numbers are on an IFRS amortized cost basis and exclude policy loans

** Residential MBS includes ABS Housing related (ABS subprime mortgage and ABS manufactured housing)

*** Other primarily includes investments in tax credit limited partnerships

Notes: Excludes approximately USD 5.4 billion of assets that are reported as part of Aegon Asia for IFRS purposes.

High quality bond portfolio

NAIC Class	Rating Agency Equivalent	2011	2012	2013	2014	2015	Q3 2016
1	AAA, AA, A	62.1%	60.9%	61.1%	62.9%	62.9%	63.9%
2	BBB	29.2%	30.6%	31.7%	30.6%	30.8%	29.6%
3	BB	4.2%	3.8%	3.5%	3.4%	3.7%	3.6%
4	B	2.9%	3.1%	2.7%	2.2%	1.8%	2.0%
5	CCC	1.3%	1.2%	0.7%	0.6%	0.5%	0.6%
6	CC, C, D	0.4%	0.4%	0.3%	0.3%	0.3%	0.2%
Total %		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Total fixed income portfolio in USD millions*		74,692	71,078	71,007	69,707	67,725	72,408
Investment-grade as % of portfolio		91.3%	91.5%	92.8%	93.6%	93.7%	93.5%
Below investment grade as % of portfolio		8.7%	8.5%	7.2%	6.4%	6.3%	6.5%
Below investment grade as % total US assets**		6.1%	6.1%	5.5%	4.9%	4.8%	5.0%

Notes:

Data based on amortized cost of bonds on an IFRS basis; includes available for sale and trading assets

* Amortized cost, excluding interest rate and FX hedges

** Total general account assets on an IFRS amortized cost basis, excluding policy loans

Thank you!

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Disclaimer

Cautionary note regarding non-IFRS measures

- This document includes the following non-IFRS financial measures: underlying earnings before tax, income tax, income before tax, market consistent value of new business and return on equity. These non-IFRS 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 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, which are used to report Aegon's primary financial statements and should not be viewed as a substitute for IFRS 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 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 measures, together with the IFRS 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 private sector securities and the resulting decline in the value of sovereign 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; and
 - 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.
 - 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.