Aegon to implement accounting changes and reduce leverage

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AEGON Transform Tomorrow

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Key messages

- Accounting changes to improve consistency, comparability and transparency
  - Consistent Deferred Policy Acquisition Costs (DPAC) accounting policy across the group
  - Use of prospective mortality tables for determining longevity reserves in the Netherlands

- Further deleveraging consistent with financial strategy
  - Call of USD 550 million 6.875% perpetual capital securities
  - On track to improve gross financial leverage and fixed charge coverage ratios
  - Lower leverage costs and operating expenses reducing capital needs at the holding

Accounting changes improve consistency, comparability and transparency

DPAC accounting changes

- Consistent with proposed DPAC accounting under IFRS and more comparable to standard used by peers
- DPAC policy to only defer costs directly attributable to the acquisition of insurance contracts
- Uniform application of accounting policies across the group
- Estimated after tax impact on shareholders' equity of EUR (1.4)-(1.6) billion at January 1, 2014
- ~EUR 50 million negative underlying earnings impact in 2014, as certain expenses are no longer deferred

Longevity methodology change (NL)

- IFRS valuation improves consistency with IGD solvency, Solvency II and internal economic framework
- Change to prospective rather than observed mortality tables for determining longevity reserves
- Closer aligned with market pricing of longevity risk
- Estimated after tax impact on shareholders' equity of EUR (0.8)-(0.9) billion at January 1, 2014
- ~EUR 130 million positive underlying earnings impact in 2014

Group implications

- Implementation of amended accounting policies per January 1, 2014
- No impact from accounting changes on operational free cash flows, local solvency ratios or group IGD ratio
- Financial statements reflecting accounting changes to be published in mid-April

Estimated impact of DPAC accounting changes

- Retrospective application of DPAC accounting changes reduce IFRS capital in units
  - Americas: EUR (0.5)-(0.6) billion
  - UK: EUR (0.9)-(1.0) billion
  - Rest of world: EUR 0-(50) million
- Lower underlying earnings in near term as less costs are deferred
  - Expensing of indirect costs partly offset by reduction in DPAC amortization
- Future cost savings to contribute more quickly to underlying earnings

Estimated underlying earnings before tax impact in 2014		
Americas	L&P	~EUR (10) million
	FA	~EUR 10 million
	VA	~EUR (20) million
	ES&P	~EUR 0 million
	Canada	~EUR (15) million
UK	Life	~EUR (0) million
	Pensions	~EUR (15) million
Rest of World		~EUR 0 million
	Total	**~EUR (50) million**

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Longevity accounting now based on prospective mortality tables

- IFRS valuation of longevity reserves in the Netherlands fully aligned and consistent with IGD solvency, Solvency II and internal economic framework
  - Match between accounting for longevity and related hedge programs
  - Consistent with internal market consistent pricing principles

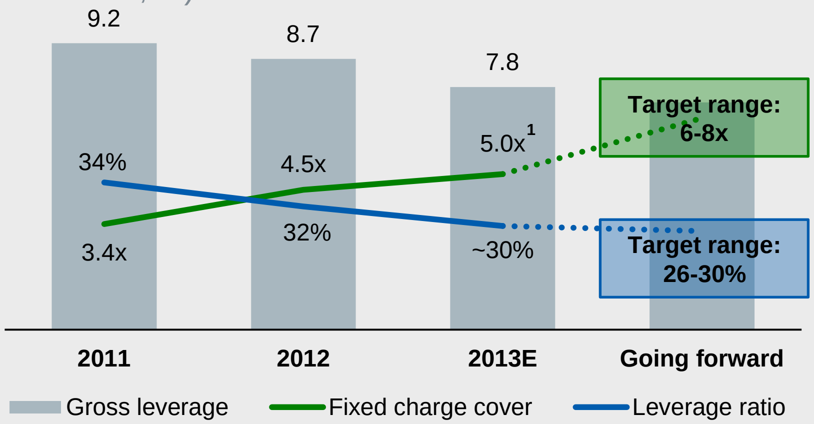
Regime	Treatment
IFRS reserves (old)	Observed longevity
IFRS reserves (new)	Prospective longevity
Solvency I	Prospective longevity
Solvency 1.5 & II	Prospective longevity

- IFRS capital in the Netherlands reduced by EUR 0.8-0.9 billion at January 1, 2014 as reserves are based on prospective mortality tables
- Positive impact on underlying earnings of ~EUR 130 million in 2014
  - Reserving based on prospective longevity instead of updating observed longevity through P&L
  - Future changes in prospective longevity will be recognized in P&L

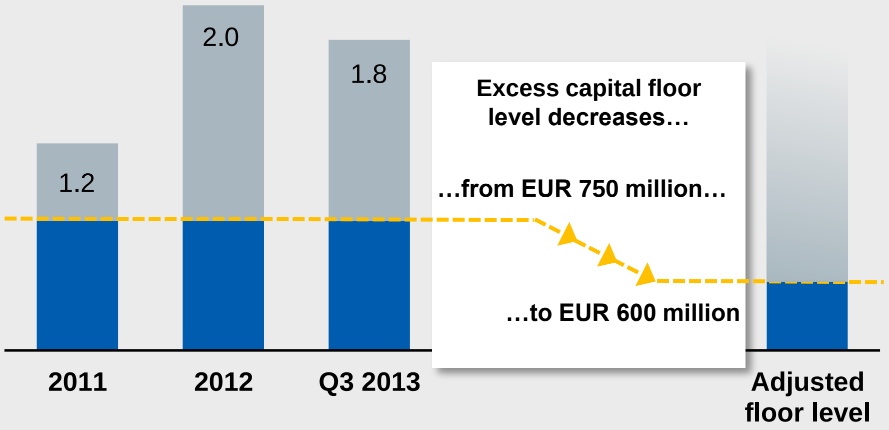
Additional deleveraging improves financial flexibility

- Call of USD 550 million 6.875% perpetual capital securities further reduces leverage and associated leverage expenses
  - Annual fixed charges reduced by approximately EUR 200 million since 2011
- Excess capital floor level at the holding decreases to EUR 600 million (from EUR 750 million) on lower fixed charges and holding expenses, increasing financial flexibility
  - Additional buffer over floor maintained to ensure sufficient liquidity and stability of dividends

On track to achieve leverage target ranges
(EUR billion, %)



Reduced charges allow for lower floor level at the holding
(EUR billion)



1. Based on 2013E Bloomberg UEBT consensus

Estimated impact on key metrics

	Group IGD ratio	Gross leverage ratio	Fixed charge cover	Underlying Earnings	Return on Equity	Comments
Change in accounting policies	≈	↑	↑	↑	↑	- Changes impact underlying earnings before tax - Effective January 1, 2014
Call perpetual capital securities	↓	↓	↑	≈	↑	- Deleveraging lowers interest expense on hybrids - Effective March 15, 2014 - Perpetuals included as capital in group IGD ratio
Combined impact	↓ ~6%-points[1]	↑ 1.6-2.1%-points[1]	↑ ~0.9x[2]	↑ EUR ~80 million	↑ 1.3-1.6%-points[1]	- Group IGD ratio remains strong - Gross financial leverage ratio expected to be within target range by year-end 2014

1. *Based on Q3 2013 reported results; average equity used for RoE adjusted for preferred share transaction*
2. *Based on 2013E Bloomberg UEBT consensus and adjusted for preferred dividend*

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Appendix

Details DPAC accounting changes

New policy	Previous policy
Definition DPAC: directly attributable costs of selling, underwriting and initiating an insurance contract	Generally DPAC defined broader across the group, including sales support cost
Indirect acquisition costs mainly expensed	For some regions both direct and (partially) indirect acquisition costs (e.g. marketing and sales) are deferred
Renewal commissions generally expensed as they are considered to be paid for administration, maintenance and retention	Renewal commissions mainly deferred
Compensation for costs like development, supervision and training expensed	Compensation for costs like development, supervision and training (partially) deferred
Sales costs like determining sales strategy, securing and retaining distribution, implementing and managing relationships expensed	Sales costs like determining sales strategy, securing and retaining distribution, implementing and managing relationships (partially) deferred
Compensation of supervisory-level personnel generally expensed	Compensation of supervisory-level personnel (partially) deferred
Direct-response advertising costs mainly deferred	Direct-response advertising costs mainly deferred
Sales support costs generally expensed	Sales support costs (partially) deferred
No distinction between successful and unsuccessful sales efforts*	No distinction between successful and unsuccessful sales efforts
No change to amortization schedule	Amortization schedules that vary by product and business line

** Unlike comparable US GAAP standard, expense deferral under current IFRS proposal does not depend on success of sales efforts*

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Details longevity accounting changes

New policy	Previous policy
Insurance contract reserves in the Netherlands based on prospective mortality tables	Insurance contract reserves in the Netherlands based on observed mortality tables
Prospective mortality tables for IFRS reporting, aligned with Solvency I, Solvency II and internal economic framework	Observed mortality tables used for IFRS reporting, while prospective tables used for Solvency I, Solvency II or internal economic framework
A measurement and valuation of insurance contract longevity reserves closely aligned with capital markets transactions	A measurement and valuation of insurance contract longevity reserves *not* consistent with capital markets transactions

Detailed estimated financial impact of accounting changes

Accounting policy subject	Unit	DPAC balance Q3 2013	Post-tax equity impact	Est. UEBT impact in 2014
DPAC	The Netherlands	147	~0-25	~0
	Americas	7,783	~(525)-(625)	~(35)
	United Kingdom	3,457	~(900)-(1,000)	~(15)
	CEE	151	~(25)-0	~0
	Asia	412	~(25)-(50)	~0
	Other	88	~0	~0
	Sub total	**12,038**	**~(1,400)-(1,600)**	**~(50)**
Longevity	The Netherlands	N.a.	~(800)-(900)	~130
	Total		**~(2,200)-(2,500)**	**~80**

IFRS equity	Q3 2013 end of period	Impact accounting change	Pro forma Q3 2013
Shareholders' equity	20,332	~(2,200)-(2,500)	~17,800-18,100
Adjusted shareholders' equity[1]	17,904	~(2,200)-(2,500)	~15,400-15,700
Shareholders' equity per share	9.6	~(1.1)-(1.2)	~8.4-8.6
Adj. shareholders' equity per share[1]	8.5	~(1.1)-(1.2)	~7.3-7.4

Note: amount in EUR millions, except per share data

1. Excludes revaluation reserves and remeasurement of defined benefit plans, includes non-controlling interests and share options

Disclaimer

Cautionary note regarding non-IFRS measures
This document includes the non-IFRS financial measure underlying earnings before tax. This non-IFRS measures is calculated by consolidating on a proportionate basis Aegon's joint ventures and associated companies. The reconciliation of this measure to the most comparable IFRS measure is provided in note 3 'Segment information' of Aegon's Condensed Consolidated Interim Financial Statements.

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 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;
- 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, the products Aegon sells, and the attractiveness of certain products to its consumers;
- Regulatory changes relating to the insurance industry in the jurisdictions in which Aegon operates;
- Changes in customer behavior and public opinion in general related to, among other things, the type of products also 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, may affect Aegon's reported results and shareholders' equity;
- 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.

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.