



# Transforming and innovating

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CEO Aegon Bank

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*Helping people achieve a lifetime of financial security*



# Summary

## Cornerstone of strategy

- Aegon Bank is a focused player in financial services and enabler of strategy
- Operating with two strong, distinct propositions: Aegon Bank and Knab
- Leading in BankSparen market and top-ranked for customer and intermediary satisfaction

## Growth of fee businesses

- Knab is transforming from online bank into an all-round financial services platform
- Aegon Bank is focused on providing relevant 3<sup>rd</sup> & 4<sup>th</sup> pillar investment solutions
- New online lending platform aimed at replicating success of Dutch mortgage fund

## Significant earnings contribution

- Successful management actions have led to balance sheet, revenue and earnings growth
- Attractive margins supported by investments in mortgages and consumer loans
- Banking activities already represent 20% of Aegon NL's underlying earnings

# Aegon Bank at a glance

## Highlights



**360**  
Employees  
September 30, 2017



**EUR 7.3 billion**  
Deposits  
95% of Aegon NL



**EUR 78 million**  
Underlying earnings  
20% of Aegon NL YTD



**19.3%**  
CET-1 ratio  
September 30, 2017

## Key market positions

#2

ranked bank by NPS

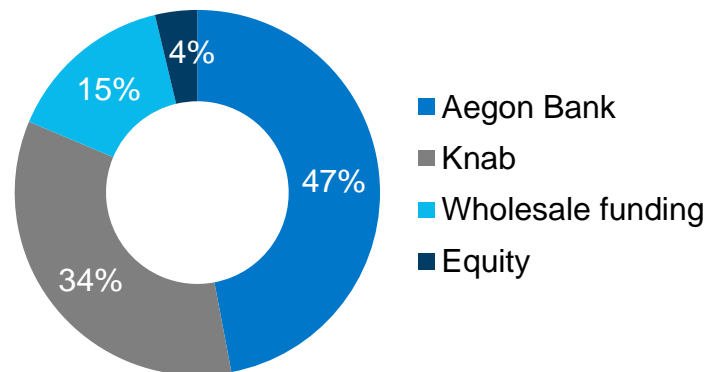
#5

in savings market

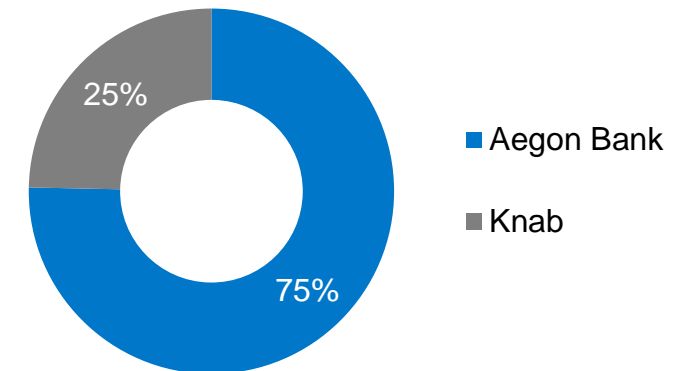
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crowd-funding platform

## Balance sheet of EUR 13 billion

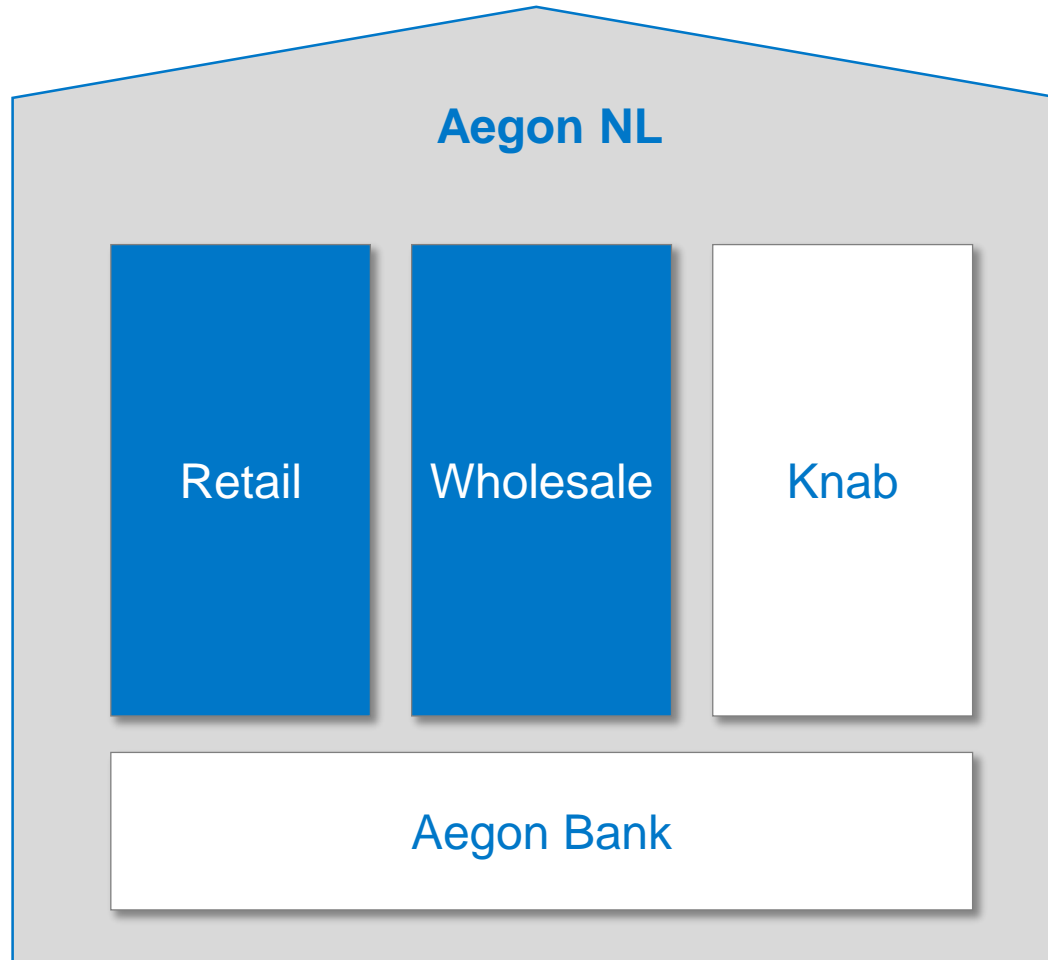


## Over 600k customers



Note: Deposits based on last four quarters. NPS = Net Promoter Score

# Aegon Bank cornerstone of NL strategy

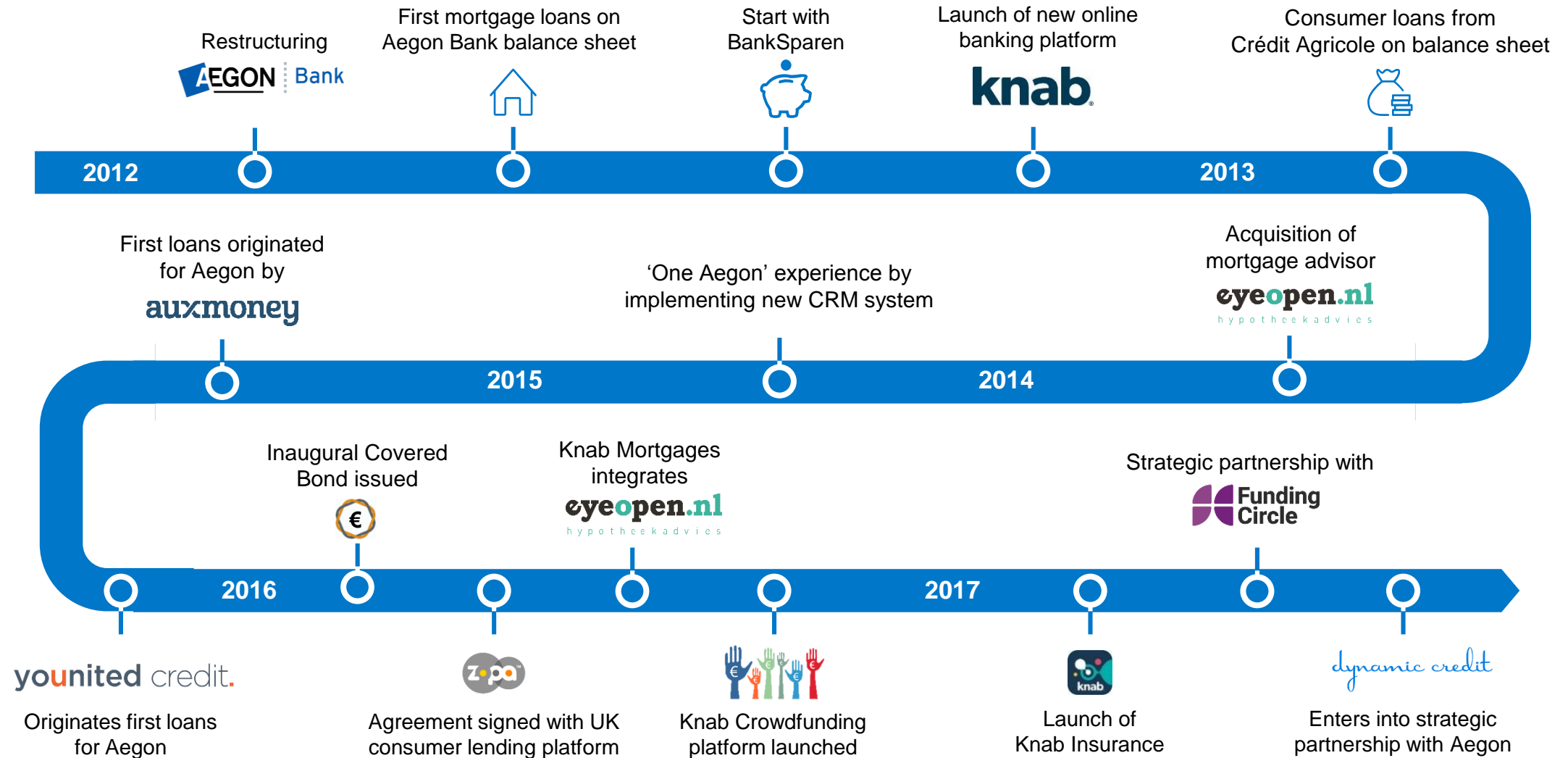


- Bank operates with two strong, distinct propositions



- Online-only bank Knab provides consumers and entrepreneurs with insight in their personal financial situation and a state-of-the-art banking experience
- Aegon Bank offers efficient and tax-friendly third and fourth pillar products to consumers, directly and through intermediaries
- Aegon Bank provides (retail) investment solutions where possible to complement offerings in Retail and Wholesale segments

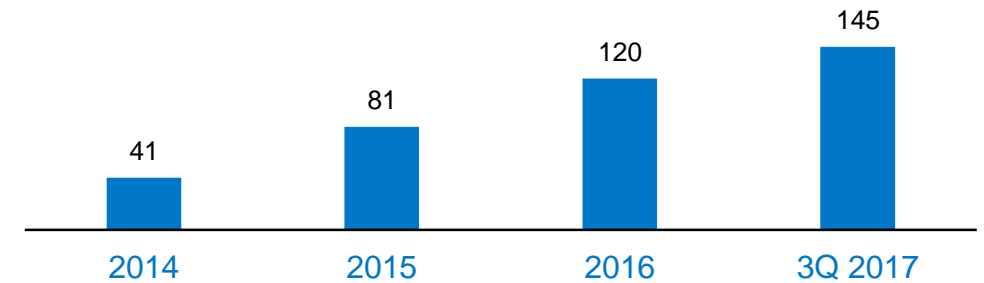
# Banking activities completely transformed



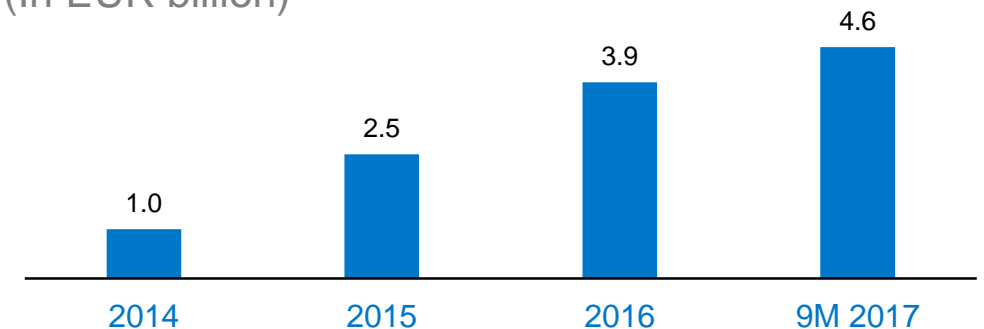
# Knab delivers consistent strong growth

- Knab's attractive offering leads to strong growth...
  - 40,000 customers joined annually since launch
  - 85% are paying a monthly fee
  - EUR 4.6 billion gross deposits and EUR 0.7 billion net deposits during 9M 2017
- ...and satisfied customers
  - Highest NPS score in the Dutch banking market (+35) with strong results for both retail and small business owners<sup>1</sup>
  - NPS score is ~65 points ahead of the average for large Dutch banks
  - Small business owners represent almost 50% of customers
- Success allows for expansion of services: Knab 2.0

## Consistent growth of customer base (In thousands)



## Strong growth in deposits (In EUR billion)



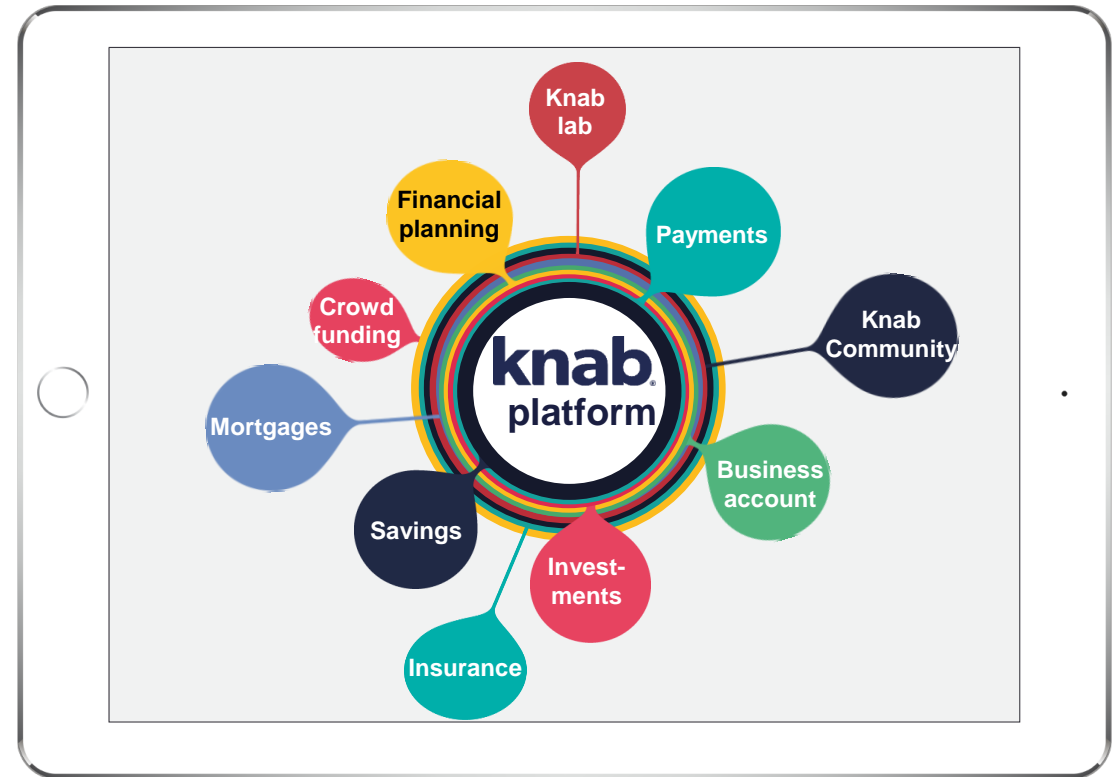
<sup>1</sup> Full year 2016 Net Promoter Scores

# Evolving into independent financial services platform

2014



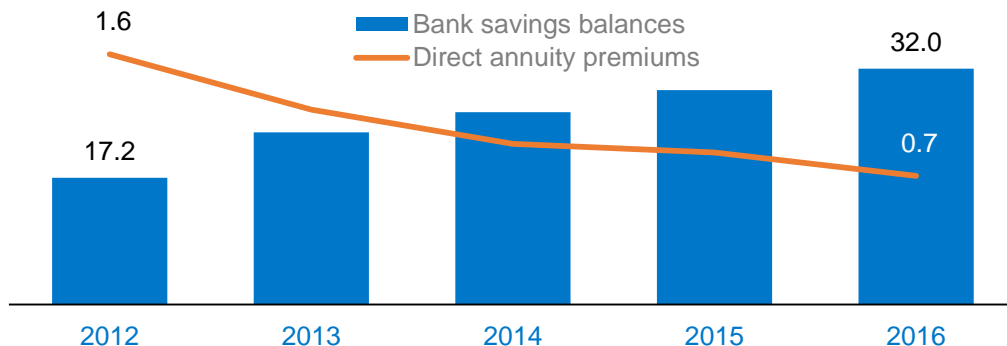
2018



# Appealing third and fourth pillar solutions

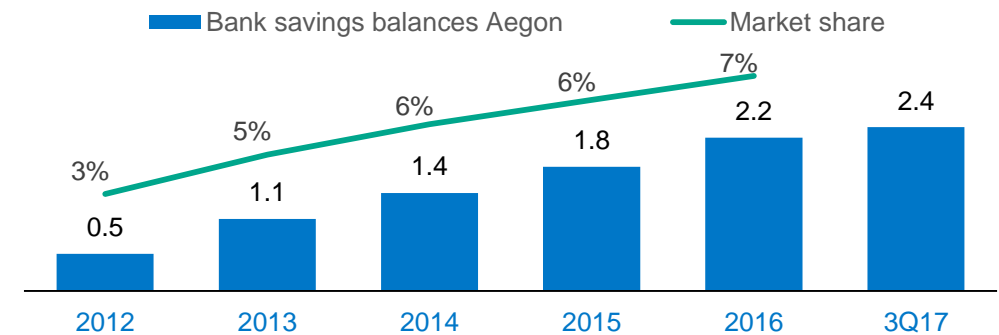
- Aegon Bank secured a strong market position in bank savings
  - Third pillar wealth accumulation has shifted from insurance products to tax-friendly bank savings (BankSparen)
  - Aegon Bank's competitive rates on bank savings are supported by attractive yields on mortgages and consumer loans
- Development of new administration and distribution platform
  - Efficient platform for Aegon Bank's savings, pension and investment products to drive down expenses and optimize customer experience
  - Leveraging due diligence knowledge and experience of TKPI for manager selection
- Leverage leading position in 2<sup>nd</sup> pillar pension market to drive future growth in 3<sup>rd</sup> & 4<sup>th</sup> pillar solutions
  - Focus on individual investment solutions offered through employers as well as intermediaries

## Bank savings growing at expense of annuities (In EUR billion)



Sources: DNB, Dutch Association of Insurers

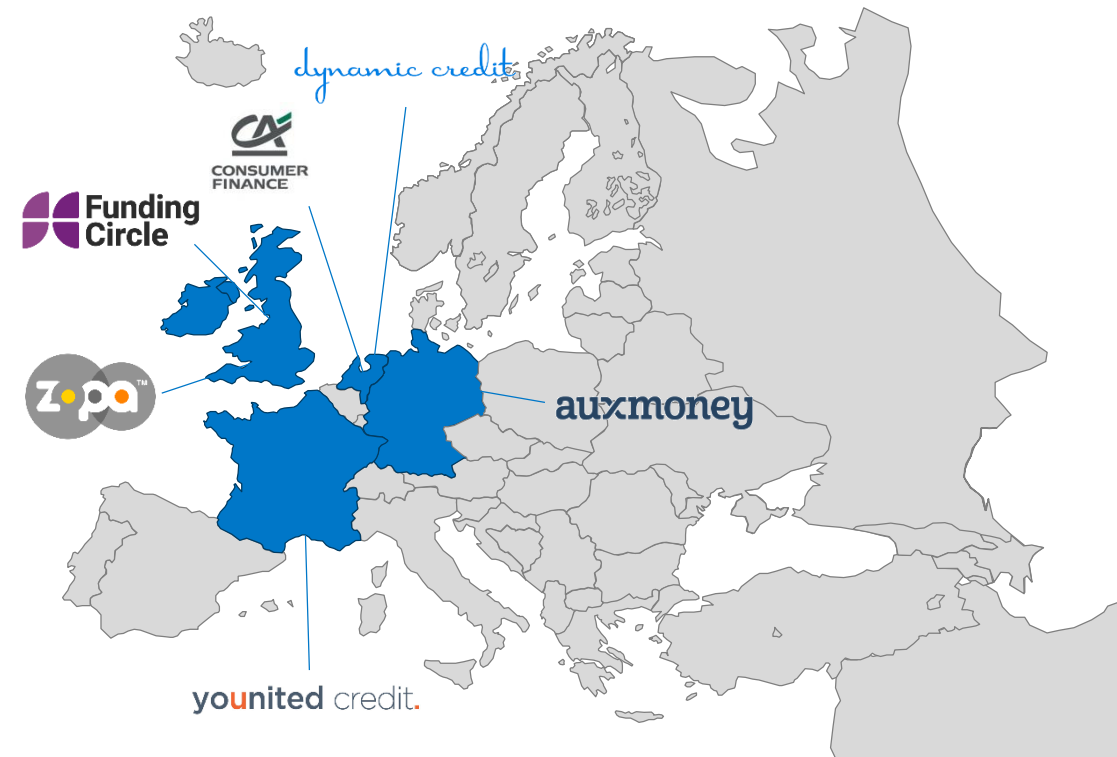
## Aegon's increasing market share (In EUR billion and in %)



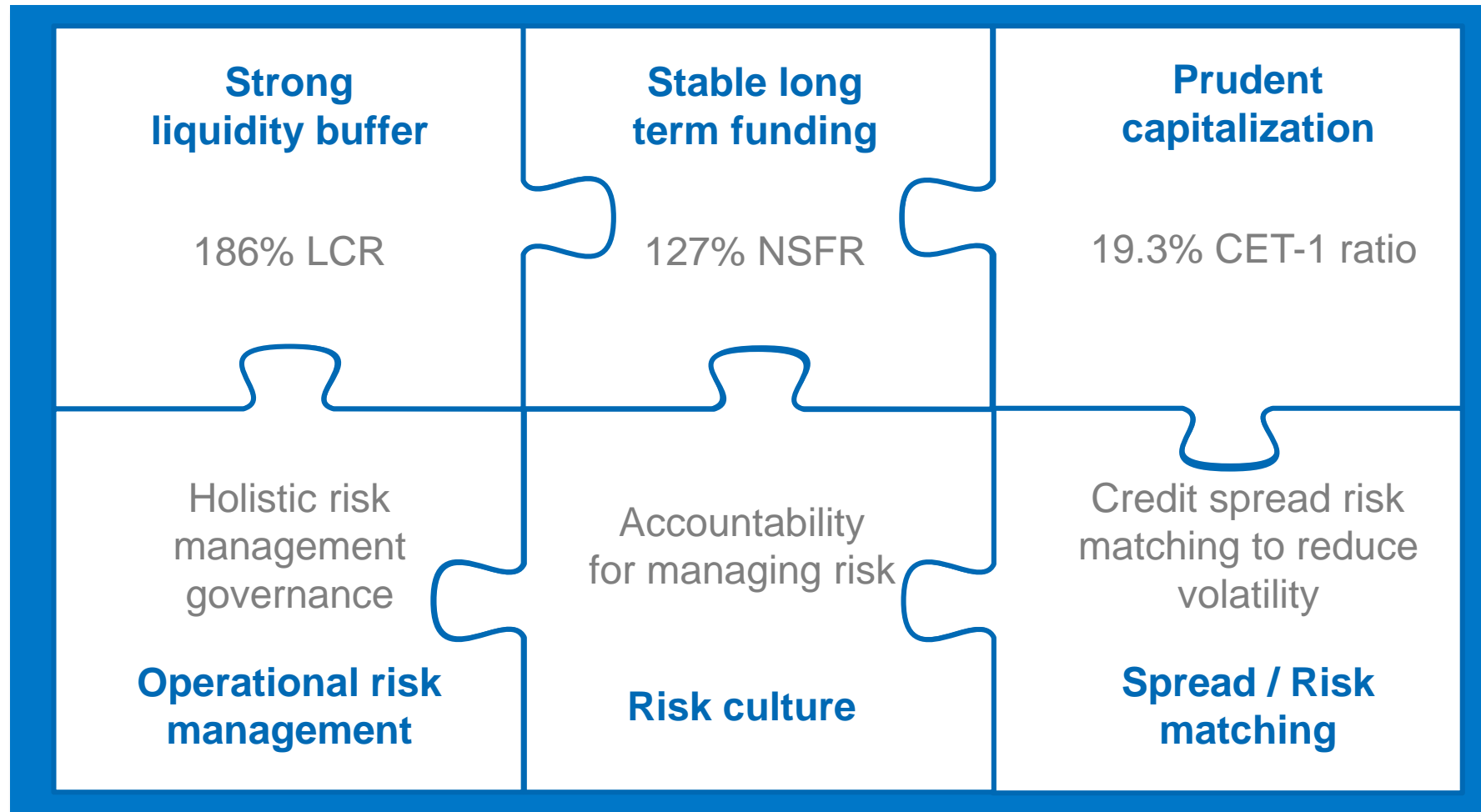


# Strategic alliances to diversify online lending

- Aegon Bank has strategic partnerships with international partners to invest in consumer and SME loans
  - Each platform is a leading player in its local market
  - Total funding rights with 6 partners of EUR 3.5 billion
  - Further expansion of network currently underway
- Multi-channel approach provides geographic diversification and flexibility in allocating liabilities across assets
  - Production per platform is dependent on performance of loan portfolios
- Aegon Bank recognized as a key player in online lending market

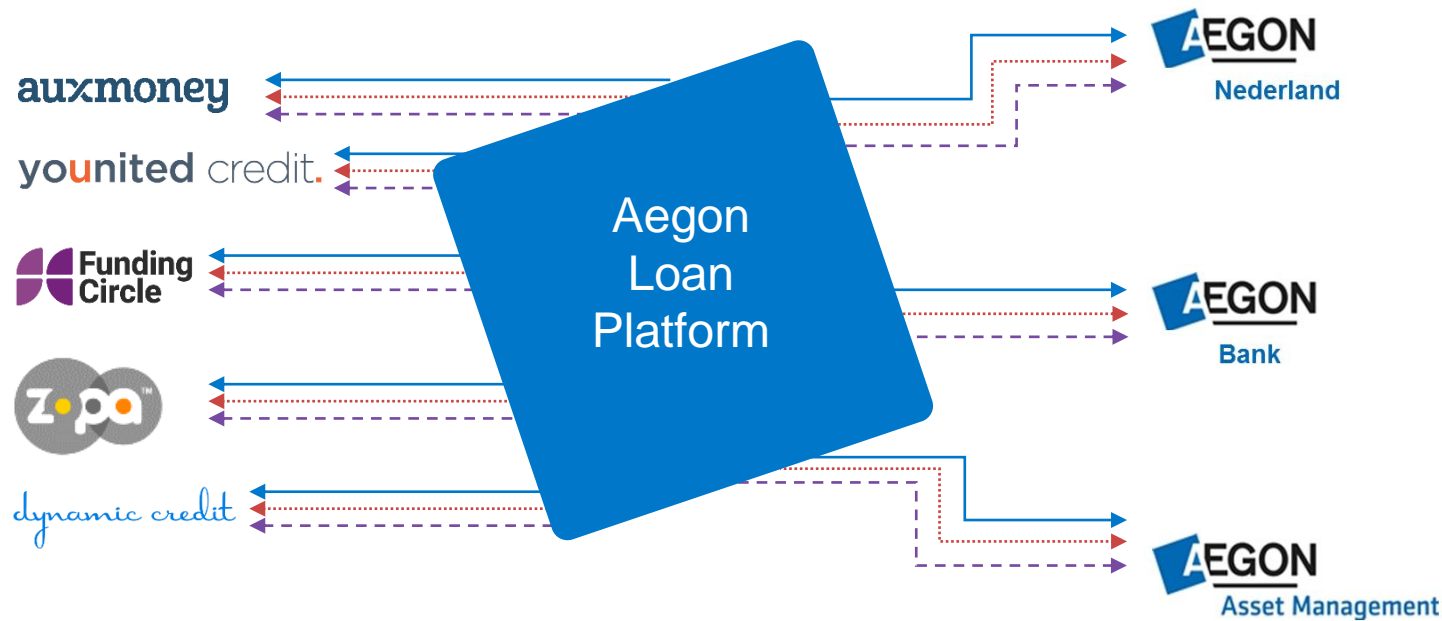


# Strong liquidity and prudent capital position



Note: LCR = Liquidity Coverage Ratio, NSFR = Net Stable Funding Ratio, CET-1 = Common Equity Tier 1. All data per September 30, 2017

# Loan platform to replicate success of mortgage fund



- Various Aegon entities join forces in setting up online lending service providing platform
- Part of this portfolio will be used for the balance sheets of Bank and Leven
- Part will be available to third-party investors generating fee business for both Aegon Bank and Aegon Asset Management

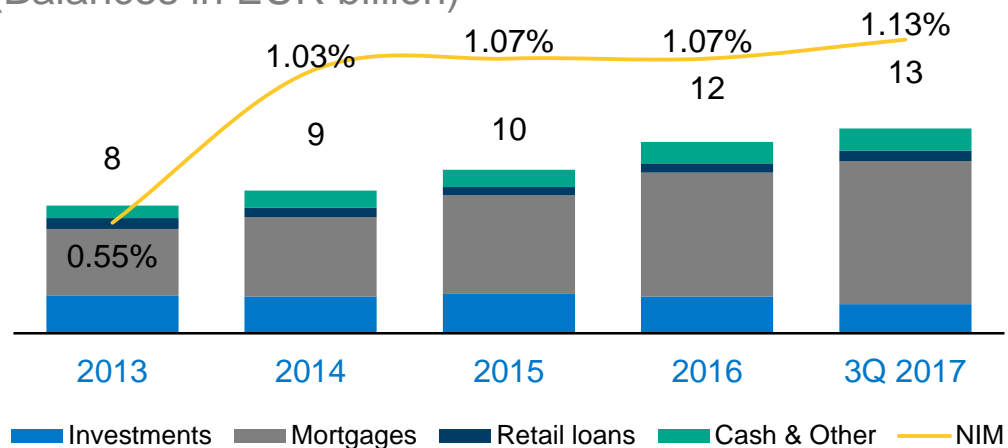
**A service providing platform to facilitate many-to-many relationships**

# Transformation and innovation lead to strong growth

- Successful management actions lead to balance sheet, revenue and earnings growth
  - Balance sheet has grown ~40% since 2013 as a result of increased market share in bank savings and Knab customer growth
  - Revenues increased significantly as a result of increased savings margins as well as a higher allocation to mortgages
  - Shareholders' equity increased to over EUR 500 million as a result of retained earnings to support strong growth
- Banking activities represent ~20% of the underlying earnings of Aegon the Netherlands<sup>1</sup>
  - Underlying earnings exceed statutory profits as a result of adjustment for intra-group ALM transactions
  - Underlying earnings include investments of almost EUR 200 million for Knab since 2013; Knab break-even point reached in 2017

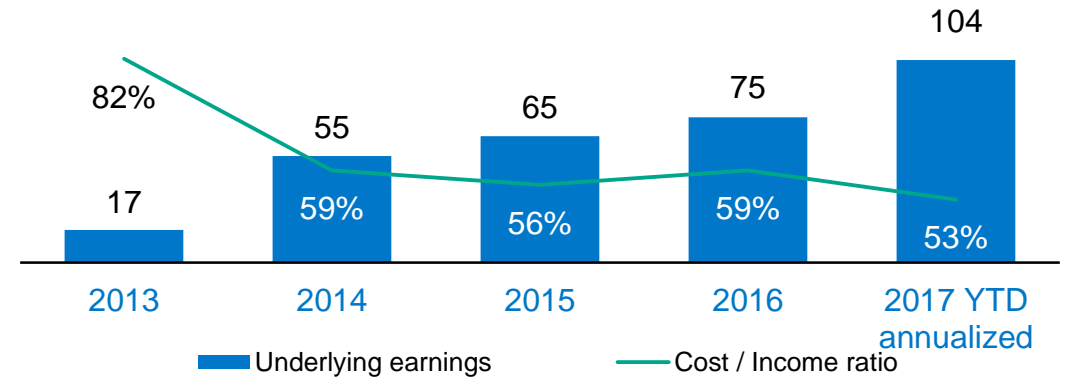
## Shift to higher yielding assets

(Balances in EUR billion)



## Improved efficiency and profitability<sup>2</sup>

(EUR million, %)



<sup>1</sup> Based on Aegon Bank's 2017 YTD underlying earnings

<sup>2</sup> Metrics adjusted for amortization of market premium of mortgages purchased as part of strategic asset & liability management transactions

# Conclusion



**Bank is a cornerstone of strategy**

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# 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 supplemental 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.