Financial strategy supports strategic transformation

Analyst & Investor Conference, London – June 19, 2013

AEGON
Transform Tomorrow

Darryl Button

Chief Financial Officer

aegon.com

Today's topics

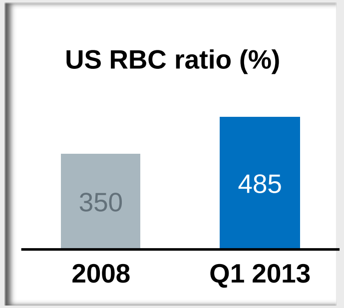
Financial strategy framework

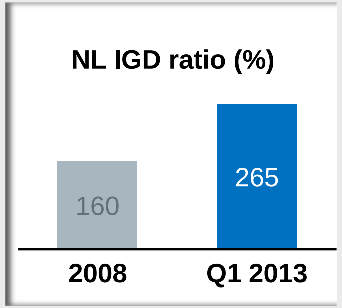
- Strong operating unit balance sheets
- Disciplined capital management policy
- Fungibility of cash flows
- Development and use of excess capital
- 2015 financial targets

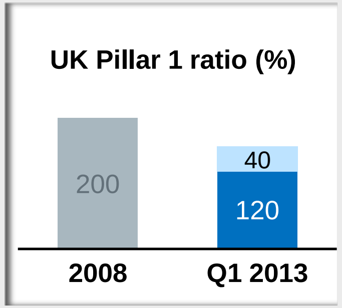
AEGON

Strong operating unit balance sheets

Significant balance sheet de-risking since 2009







- Strong local solvency ratio
- Binding capital constraint has shifted to S&P AA capital model
- Stabilized capital volatility through extensive asset-liability management and hedging programs

- Strong local solvency ratio
- Binding capital constraint is IGD ratio excluding Ultimate Forward Rate (UFR) and Aegon Bank
- Stabilized capital volatility through extensive asset-liability management and hedging programs

- Capital support arrangement in place since 2009 to strengthen Pillar 1 ratio (removed from holding excess capital)
- Aiming to strengthen and stabilize highly volatile Pillar 1 capital position

Capital support arrangement

Managing capital across multiple frameworks

United States	The Netherlands	United Kingdom	In Development
RBC ratio ~485%	**IGD ratio** ~265%	**Pillar 1 ratio** ~160% (~120% excl. CSA*)	**Solvency II** > 2016
S&P 'AA' excess capital USD ~900 million	**IGD ratio** ex. UFR ~205%	**Pillar 2 ratio** ~140% (~130% excl. CSA*)	**Solvency 1.5 – NL** Stressed Solvency 1
	IGD ratio ex. Aegon Bank ~285%		
	IGD ratio ex. UFR & Bank ~220%		

Local solvency ratios per Q1 2013 *= current binding constraint* ** Capital support agreement*

Disciplined capital management policy

Local capital policy	Management action	Use of operational free cash flows
▪ Local excess capital ▪ Buffers assessed at least annually	▪ Fungibility analysis ▪ Dividends to the holding increased above plan	**Dividends to the holding**
Buffer level		
Buffer to ensure stable dividends to the holding, based on assessment of: ▪ Volatility of local capital position ▪ Threats to local capital position ▪ Forecasted capital generation capacity	▪ Desired capitalization ▪ Dividends to the holding per plan	
Target level		
▪ Adequate capitalization level ▪ Satisfies local regulatory and rating agency requirements ▪ Fluctuations around Target expected	▪ Restore capitalization ▪ Dividends to the holding subject to additional internal governance	**Strengthen local balance sheet**
Floor level		
▪ Threshold for local capitalization ▪ Falling below Floor could result in pressure from regulators	▪ Restore capitalization ▪ Dividends to the holding suspended	

Dividends from subsidiaries to the holding may be subject to regulatory approval

AEGON

Capital management policy in practice

	United States	The Netherlands	United Kingdom	New Markets
Buffer	'AA' + USD 700m	250%	200%	Varies by country
Target	S&P 'AA'	IGD 200% (excl. UFR & Bank)	Pillar 1 175%	
Q1 2013	'AA' + ~USD 900m	~220% (10% IGD = EUR 165m)	~160% ~120% excl. CSA (10% Pillar 1 = GBP 50m)	

Operational free cash flows (OFCF) defined –

'The capital generated in a local operating unit measured as the change in the local binding capital metric for that period and after investments in new business'

AEGON

OFCF fund dividends to the holding and/or strengthen local capital positions

- 2012 normalized operational free cash flows in target range of EUR 1.3 – 1.6 billion
- Americas stable as run-off of capital-intensive spread business is replaced by growth of fee business
- Netherlands stable as new business replaces back-book cash flows
- UK to increase as a result of lower commissions post-RDR and cost reductions
- New Markets contributing to increasing operational free cash flow going forward

Normalized operational free cash flows*

(EUR million)

	2012
Americas	~900
Netherlands	~250
United Kingdom**	~175
New Markets	~50
Total normalized operational free cash flow	1,375

	2012
Earnings on in-force	~2,100
Return on free surplus	~100
Release of required surplus	~425
Operational cash flow before new business	~2,625
Investments in new business	~(1,250)
Total normalized operational free cash flow	1,375

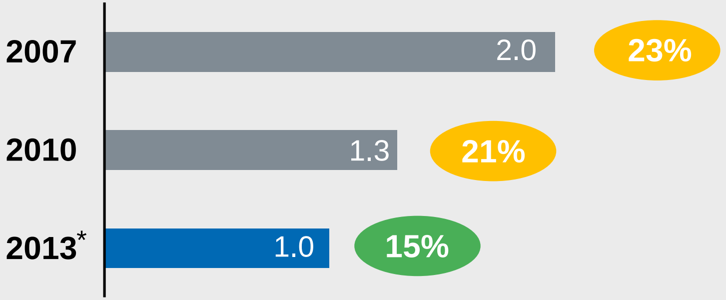
** OFCF normalized for the impact of financial markets and one-time items*
*** excluding the impact of securitizations*

AEGON

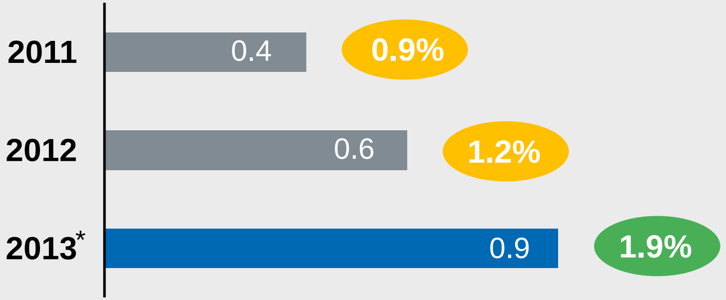
New business – improved capital efficiency and higher returns

- Successful strategic shift in business mix towards less capital-intensive products
- Strict pricing discipline has led to increased profitability despite lower interest rates
- Profitable new business growth driver of RoE expansion going forward

Capital investments in new business and as a percentage of sales
(EUR billion)



Market consistent value of new business and as a percentage of PVNBP
(EUR billion)



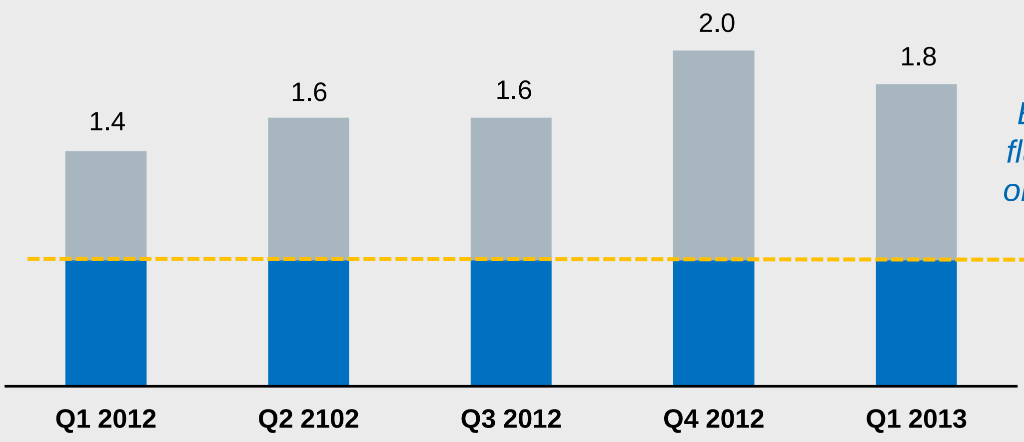
** Q1 2013 annualized*

AEGON

Buffer at the holding to stabilize dividends and create flexibility

- Disciplined capital management policy applies to holding as well
- Strong excess capital position remains necessary in the current market environment
- Excess capital buffers allow management flexibility and ability to act counter-cyclical

Development of holding excess capital
(EUR billion)



Excess capital will fluctuate depending on timing of cash in- and outflows

Holding excess capital levels

- Immediately deployable

Buffer level

- Flexibility
- Stability of dividend
- Pre-fund commitments

Floor level

- 1.5x annual holding costs (EUR 750 million)

Balanced capital deployment strategy 2013 – 2015

Base case plan – excluding management action to release additional capital

	EUR million
Dividends to the holding after investments in new business	~4,000
Additional cash held for 2013 senior debt maturity	~600
Proceeds from divestments in Spain	~800
Cancellation of preferred shares	(400)
Joint venture with Santander	~(200)
Estimated funding & operating expenses	~(1,300)
Available for deployment	**~3,500**

Reduce leverage *(2013 & 2014 senior debt maturities)*

~EUR 1.1 billion

Common dividends[1] *(including neutralizing stock dividends)*

~EUR 1.2 billion

Execution of strategic priorities

~EUR 1.2 billion

1. Assuming constant level of current amount of common shares outstanding and full year 2012 level of dividend of EUR 0.21 per share for the plan period
In line with the company's dividend policy, dividends will only be declared and paid if the company's capital and cash position allows so
There is no requirement or assurance that Aegon will declare and pay any dividends or will neutralize any stock dividends

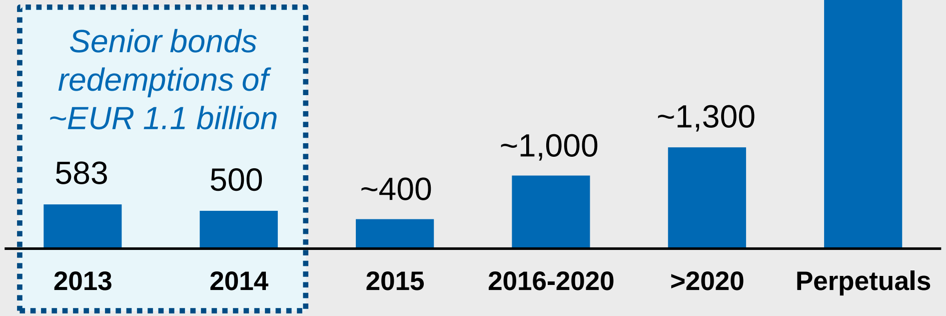
AEGON

New leverage targets to further enhance stability

- Reduce leverage to improve financial flexibility – supporting AA financial strength rating
- Shift from net to gross leverage ratio to increase transparency and simplicity
  - Both hybrid capital and senior debt are part of gross leverage
  - Multiple rating agency metrics – all slightly different
- 2013 and 2014 senior debt redemptions will add ~EUR 25 million to underlying earnings before tax annually

Key leverage metrics	2012	2013E	Target range
Gross financial leverage	32.0%	~30%	26% – 30%
Fixed charge coverage	4.5x	~5.5x*	6.0x – 8.0x

Senior and hybrid debt maturity schedule
(EUR million)



** Based on Bloomberg UEBT consensus and pro-forma excluding preferred dividend*

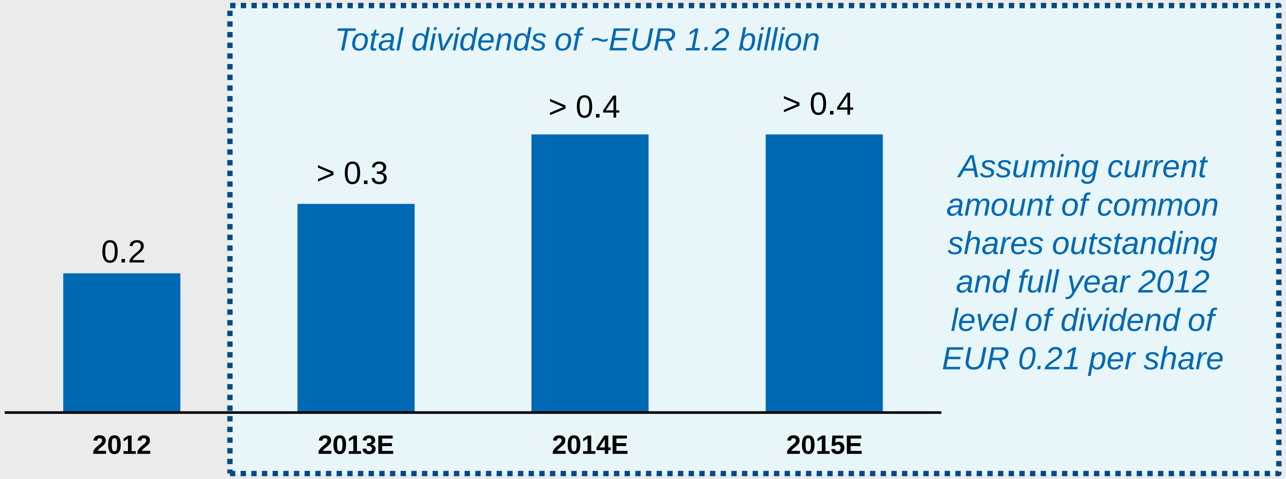
Coupon of 4.75% for 2013 and 4.125% for 2014 maturities; 2014 bond swapped to floating
Perpetuals callable at the company's discretion

AEGON

Returning cash to shareholders through sustainable dividends

- Sustainable dividend to allow investors to share in the performance of the company
- Offer an attractive dividend based on strong capital position and cash flows
- Intention to neutralize stock dividends going forward to prevent dilution

Cash outflow related to common dividend payments
(EUR billion)



In line with the company's dividend policy, dividends will only be declared and paid if the company's capital and cash position allows so
There is no requirement or assurance that Aegon will declare and pay any dividends or will neutralize any stock dividends

Strategic initiatives including returning *additional* capital to shareholders

Execution of strategic priorities

~EUR 1.2 billion

- Strategic initiatives to enhance growth
  - New distribution agreements
  - Investments to accelerate business transformation
- Returning *additional* capital to shareholders
  - Further neutralize dilutive EPS effect of preferred share transaction
  - Grow the dividend
- Additional deleveraging
- Add-on acquisitions that solidify current market positions

Progress on delivering 2015 targets

Double fee-based earnings to	Increase annual normalized operational free cash flow to	Grow underlying earnings before tax by	Achieve return on equity of
30-35%	**€ 1.3-1.6 billion**	**7-10%**	**10-12%**
of underlying earnings by 2015	by 2015	on average per annum between 2010 and 2015	by 2015
Fee-based earnings	Operational free cash flow*	Underlying earnings before tax	Return on equity
33%	**€ 1.6 billion**	**1%**	**6.3%** (7.0% excluding run-off capital)
of Q1 2013 underlying earnings	FY 2012	2010 – 2012 CAGR**	Q1 2013
On track	On track	Grow from 2012 base	More action required

See slide 21 for main economic assumptions
** Excluding market impact*
*** Compound annual growth rate based on restated 2012 results*

AEGON

2015 financial targets sensitive to today's reality

TARGETS			TRAJECTORY
Grow underlying earnings before tax by **7-10%** on average per annum between 2010 and 2015	**(3)%** Impact low interest rates in line with sensitivities		Grow underlying earnings before tax by **4-7%** on average per annum between 2010 and 2015
Achieve return on equity of **10-12%** by 2015	**(1)%** +	Preferred share transaction and cash used for deleveraging **(1)%**	Achieve return on equity of **8-10%** by 2015

AEGON

Underlying earnings growth driven by execution of strategy

- Earnings growth rate impacted by persistent low interest rates
  - Annual review of assumptions in Q3
- 2012 – a good year to benchmark underlying earnings
  - Limited number of exceptional items
- Organic growth in underlying earnings driven by
  - Strong growth in fee businesses in the Americas, while reducing spread businesses
  - Turn-around of business in the United Kingdom
  - Cost reductions in established markets

Grow underlying earnings before tax by

4-7%

on average per annum between **2010** and 2015

Grow underlying earnings before tax by

7-10%

on average per annum between **2012** and 2015

Clear path for RoE growth – 2015 target remains ambition

TARGETS	TRAJECTORY	AMBITION
Achieve return on equity of **10-12%** by 2015	Achieve return on equity of **8-10%** Current trajectory for 2015	Achieve return on equity of **10-12%** by 2015

Targets impacted by

- Persistent low interest rates
- Preferred share transaction and cash used for deleveraging
- Equity boosted by realized gains (EUR 1 billion over 2011 – 1Q13 period)

Management actions to achieve ambition

- New business growth at attractive returns
- Further operating efficiencies, particularly in established markets
- Additional balance sheet optimization
  - Reviewing low return businesses
  - Review consistency of accounting policies

Strategic focus supports future RoE improvements, continuing beyond 2015

AEGON

Conclusions

- Strong local balance sheets and buffer at holding
- Disciplined capital policy to promote sustainable cash flows
- Transparency on development and use of excess capital
- Clear trajectory towards higher earnings and RoE growth

Financial strategy supports strategic transformation

Appendix

Transparent leverage metrics

EUR million	**Q4 2012**	**Q1 2013**
Shareholders' equity	23,488	23,600
Non-controlling interests & share options	114	125
Adj. for revaluation reserves	(6,073)	(5,721)
Adj. for remeasurement of defined benefit plans	1,085	1,020
Adjusted Shareholders' equity	**18,614**	**19,024**
Junior perpetual capital securities	4,192	4,192
Perpetual cumulative subordinated bonds	453	453
Non-cumulative subordinated bonds	271	271
TRUPS	155	156
Subordinated loans	61	63
Currency revaluation on hybrid debt	(123)	(38)
Hybrid leverage	**5,008**	**5,097**
Senior debt	3,287	3,286
Commercial paper and other loans	469	450
Senior leverage	**3,755**	**3,735**
Total financial leverage	**8,763**	**8,832**
Total adjusted capitalization	**27,378**	**27,857**
Financial leverage ratio	**32.0%**	**31.7%**

EUR million	**2012**
Underlying earnings before tax	1,851
Interest on senior leverage	138
Adjusted underlying earnings before tax	**1,989**
Interest on hybrid leverage	246
Interest on senior leverage	138
Preferred dividends	59
Fixed charges	**443**
Fixed charge coverage	**4.5x**

Main economic assumptions

Main US economic assumptions

- 10-year US Treasury assumption of 4.75%
- Credit spreads are assumed to grade down over two years to 110 bps
- Bond funds are assumed to return 4% for 5 years and 6% thereafter
- Money market rates are assumed to remain flat at 0.1% for two years followed by a 3-year grading to 3%
- Annual gross equity market returns of 9% (price appreciation + dividends)

Assumptions	NL	UK
10-year interest rate	4.5%	5.6%
3-month interest rate	2.5%	4.5%
Annual gross equity market return (Q3 2012 base) (price appreciation + dividends)	9%	9%

EUR/USD rate of 1.35
EUR/GBP rate of 0.82

For questions please contact Investor Relations
+31 70 344 8305
ir@aegon.com

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

Disclaimer

Cautionary note regarding non-IFRS measures
This document includes the non-IFRS financial measures: underlying earnings before tax, income tax, income before tax and market consistent value of new business. 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. Aegon believes that its 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 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 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 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 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.