

# Accelerate, connect, deliver

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Analyst & Investor  
Conference



# Today's storyline

## Achievements since 2010

- Transformed the profile of the company by focusing on fee business
- Substantially improved the strength of our balance sheet
- Doubled free cash flows after holding expenses

## Priorities going forward

- Broaden relationships with our customers throughout their financial lifecycles
- Expand in asset management, administration and guidance & advice
- Improve our performance by growing our business and reducing expenses
- Allocate capital to businesses that create value and cash flow growth

## Financial targets

- Achieve a return on equity of 10% by 2018
- Reduce annual operating expenses by EUR 200 million by 2018
- Increase capital return to shareholders: EUR 400 million share buyback and growing dividends



# Achievements since 2010



# Changed profile of the company by executing on our strategy

## Addressed legacy issues

- ✓ Divested EUR 3.4bn non-core activities at >0.8x P/B on average
- ✓ Improved quality of our financial modeling
- ✓ Addressed several long-dated disputes

## Optimized value of backbone

- ✓ Realized material cost savings in established markets
- ✓ Significantly reduced size of run-off portfolio
- ✓ Freed up capital from legacy annuity businesses
- ✓ Optimized hedging of financial market and underwriting risks

## While growing our fee business

- ✓ Generated average annual sales growth of 12% since 2010
- ✓ Invested in digital business models
- ✓ Created highly successful asset manager
- ✓ Secured distribution deals and JVs with strong partners
- ✓ Grew our pension customer base from 6 to 11 million

# Maintained a strong capital position and returned capital

## Robust balance sheet

**Solid group Solvency II ratio**

~160% end-2015

**Strong ratings**

S&P AA- financial strength rating

## Growing cash flows

**Operational free cash flow growth**

Doubled free cash flows since 2010

**Reduced holding expenses**

## Return of capital

**Growing cash dividends**

EUR 1.4 billion cash dividends since 2010

**Significant deleveraging**

Over EUR 2 billion debt reduction

# Not all targets have been met despite management actions

2015 Target	Delivery	Key drivers
Return on equity >10%	✘	<ul style="list-style-type: none"><li>• Impact of low rates, including on policyholder behavior and old-age mortality</li><li>• Significant adverse impact from<ul style="list-style-type: none"><li>- Regulatory changes in the UK</li><li>- Portfolio changes in Spain and CEE</li></ul></li></ul>
Earnings growth of 7-10%	✘	
Operational free cash flows +30%	✔	<ul style="list-style-type: none"><li>• Successful shift to capital-light products</li><li>• EUR 200 million cost savings in NL and UK</li><li>• Capital release from spread-based portfolios</li></ul>
Double fee-based earnings	✔	

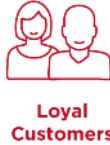




# Priorities going forward

# Aegon's strategic priorities

- Offer solutions throughout the lifecycle
- Provide omni-channel distribution
- Expand guidance and advice capabilities
- Engage directly and connect digitally with our customers



- Allocate capital to businesses that create value and cash flow growth
- Enhance value of backbooks
- Achieve scale in New Markets
- Divest non-core businesses



- EUR 200 million expense reduction program in US, NL and holding
- Simplifying our business by digitizing processes and increasing self-service
- Grow scale in asset management, administration and advisory services



- Increase digital capabilities and expertise to support growth
- Focus leadership on advocating ownership, agility and customer-centricity
- Additions to management board reflect key strategic priorities





# Well positioned to benefit from global trends



Persistently **low interest rates**



Shift from state and corporate benefits to **individual responsibility** for financial security



**Increased competition** as a result of blurring boundaries in the financial services industry



**Reduced accessibility to traditional advice** for mass customer segments



Consumer demand shifting towards **digital first, multi-channel access** and **personalized** offerings



Customers expect **transparent, simple, superior service** and **fair products**



A tightened **regulatory environment** that **increases complexity** and **reduces returns**

# Living up to our purpose

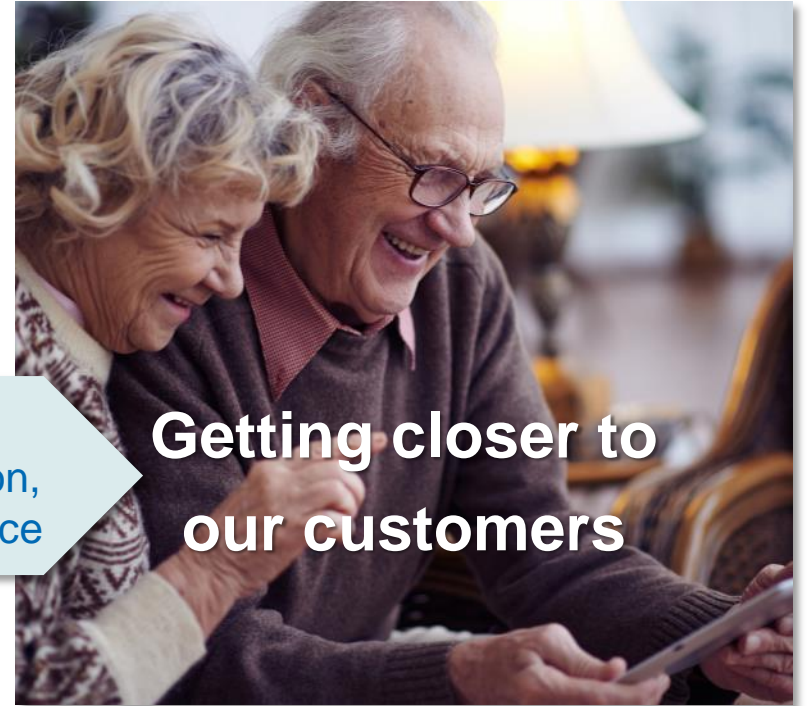
*'to help people achieve a lifetime of financial security'*

Develop  
longer-term  
relationships

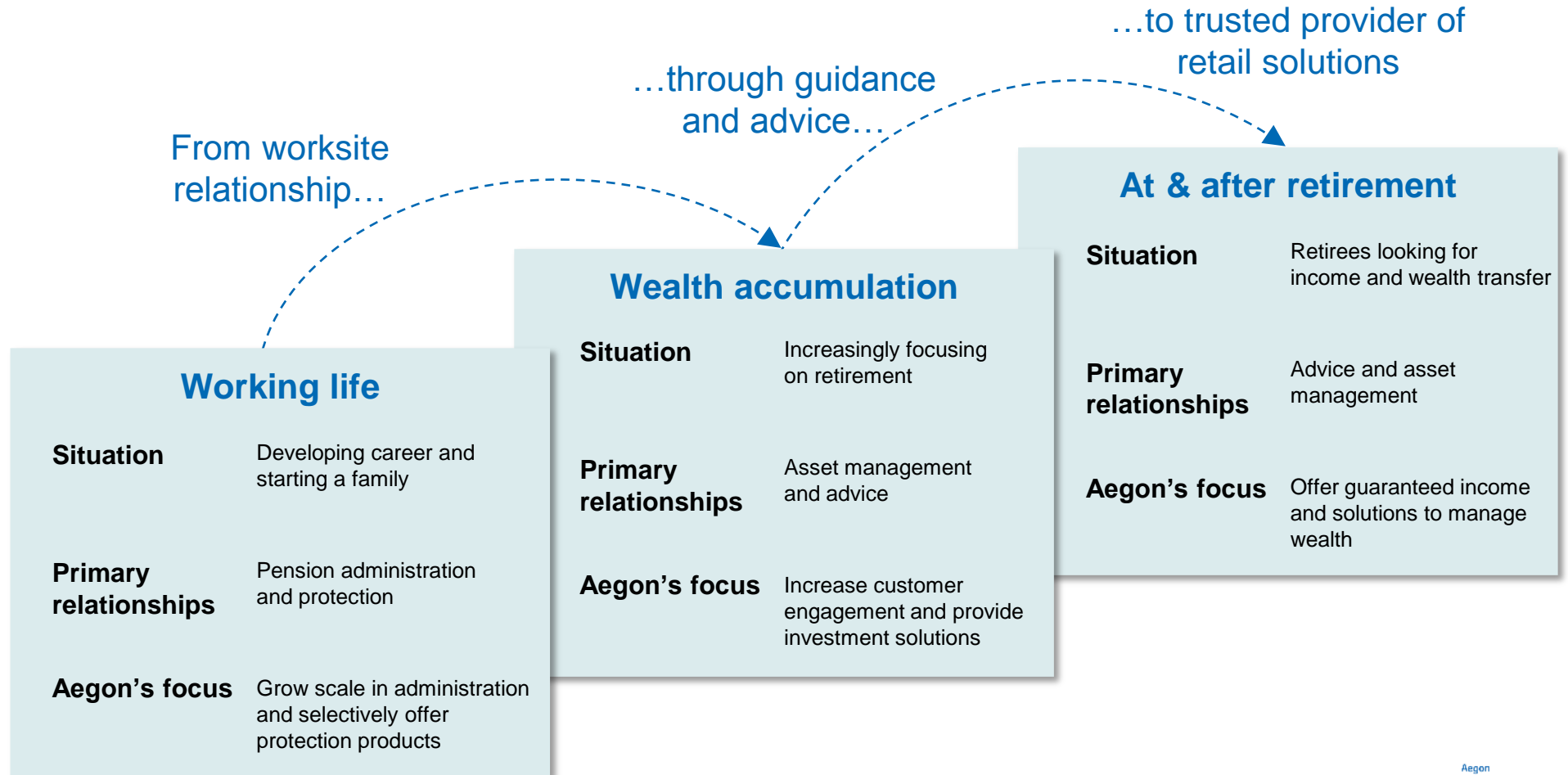
Offer more  
simple, convenient  
solutions

Provide more  
relevant information,  
guidance and advice

**Getting closer to  
our customers**



# Opportunity to serve along customer lifecycles



# Capturing more of the value chain to fulfill customer promise



- Selectively provide protection and guaranteed solutions
- Further digitize product administration and drive scale on platforms to offset margin erosion
- Expand asset management capabilities
  - Provide investment solutions to our customers
  - Leverage capabilities to third-party customers
  - Expand distribution
- Increase engagement with customers via direct guidance and advice

# Connecting with our customers digitally

## IT systems



- Modular IT architecture
- Modernize and merge existing infrastructure
- Source new IT systems

## Digital platforms

- Customer portals
- Direct-to-consumer propositions
- Digital sales tools

## Digital services

- Customer guidance and advice, combining technology and remote human interaction
- Retirement outlook tools and self-service

- One client view with 
- Built new UK platform
- Single US retirement plan administration system 

knab



Retiready  
from AEGON

nextcapital

eyeopen.nl



# Reducing expenses by simplifying the business

## Strong expense track record 2010-2015



Expenses up only 1% per year while growing sales by 8% per year\*



Reduced expense base of insurance activities by ~20% or EUR 100 million



Expense base reduced by ~35% or GBP 100 million since 2010

## Additional cost savings in 2016-2018...

USD 150 million savings

EUR 50 million savings

Stabilize cost at low level

## ...by simplifying the business

- Reduce complexity
- Taking out management layers
- Straight-through processing
- Customer self-service
- Product simplification
- Outsourcing

*Note: Cost savings based on adjusted operating expenses. Total cost savings target of EUR 200 million includes cost savings at the holding*  
*\* Percentages shown are compounded average growth rates for 2010 to 2015 year-to-date*

# Increasing amount of capital allocated to core businesses

## Optimized Portfolio

### Divest non-core business

- Exploring options for UK annuity book
- Considering options for commercial line non-life business in the Netherlands and mortgage book in Hungary
- Further reduce capital allocated to US run-off businesses

### Enhance backbook value

- Operationally separate UK backbook from platform business
- Rationalize US Accident & Health portfolios
- Optimize longevity hedging in the Netherlands
- Continue variable annuity lump sum offering

### Optimize capital allocation

- Grow asset management earnings by another 20% by 2018
- Achieve scale in emerging markets
- Transition from DB to DC in the Netherlands
- Grow UK platform assets to GBP 30 billion by 2018



# Improving performance through business growth and cost savings

## Increasing profitability

- RoE of 10% by 2018 through organic growth, cost savings and capital return
  - Achieve growth in asset management, administration and guidance & advice
  - EUR 200 million expense reduction program in US, the Netherlands and holding
  - EUR 400 million share buyback to be launched today

## Growing returns to shareholders

- EUR 1.7 billion dividends in 2016-2018
- Dividend pay-out ratio of 50% of free cash flows after holding costs
- Raise final dividend to EUR 0.13 – full year 2015 dividend increases by 9%
- Execution on share buyback to neutralize preferred share transaction

# Cultural transformation program to improve delivery

## Key themes

### Ownership

- Clear accountability
- Balancing new initiatives and execution on inforce

### Agility

- More experimentation and 'fast fails'
- Fact-based decision making

### Customer centricity

- Being digital and human
- Pursuing customer engagement and real-time feedback

### Responsible business

- Creating positive impact for all our stakeholders
- Extending our responsible investment approach

## Actions

### Structure

Additions to management board  
reflect key strategic priorities

### Leadership

Strengthen management capabilities  
US management organized by function

### Digital

New Chief Technology Officer  
Digital academy

# Additions to management board reflect key strategic priorities

## Existing members



Alex Wynaendts



Darryl Button



Allegra van Hövell-Patrizi



Mark Mullin



Marco Keim



Adrian Grace



Gábor Kepecs

## Additions



Sarah Russell



Mark Bloom



Carla Mahieu



Onno van Klinken

Note: Executive Board consists of Chief Executive Officer and Chief Financial Officer. Management board additions subject to regulatory approval



# Execution in the units



# Transforming the US business to improve performance

## Management actions

### Operational excellence

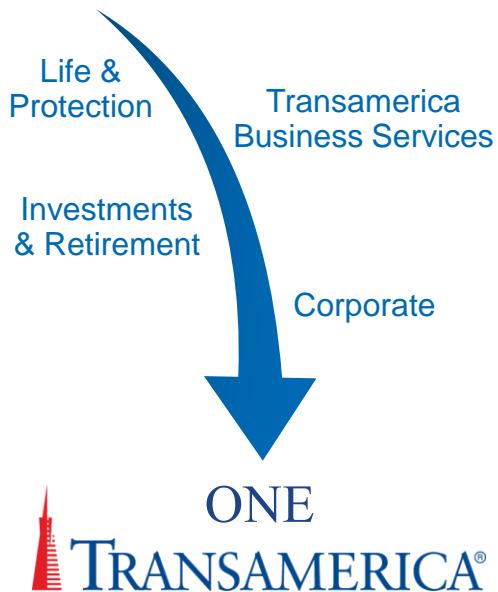
- Restructure into functionally organized business to get closer to our customers
- Deliver on 'mobile-first, multi-product, omni-channel and advice-ready' strategy

### Loyal customers

- Create one customer experience across all distribution channels for all 18 million Transamerica customers

### Optimized portfolio

- Further reduce run-off businesses
- Rationalization Accident & Health portfolios
- Grow fee-based businesses



## Delivering results

- Reduce expenses by USD 150 million by 2018
- Generate annual cash flows of ~USD 1 billion
- Reduce capital allocated to run-off businesses by USD 1 billion by 2018
- RoC of 9% by 2018

# Accelerating shift towards fee-based business in Dutch market

## Management actions

### Operational excellence

- Leverage pension leadership position
- Simplify and digitize products and processes leading to operational efficiency

### Loyal customers

- Significantly grow digital sales
- Increase direct contact in omni-channel distribution

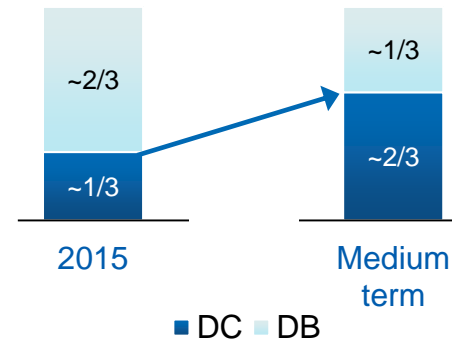
### Optimized portfolio

- Considering options for commercial line non-life business
- Transition from DB to DC
- Grow DC pension proposition and new initiatives

*Strong position  
in pensions*



*Shift new business  
mix to DC*



## Delivering results

- Reduce expenses by EUR 50 million by 2018
- Generate annual cash flows of ~EUR 250 million
- Resume dividend payments in 2016
- Maintain RoC of 10%

# Delivering on UK platform promise as #1 retirement specialist

## Management actions

### Operational excellence

- Maintain cost base at competitive level
- Continue upgrading clients to platform

### Loyal customers

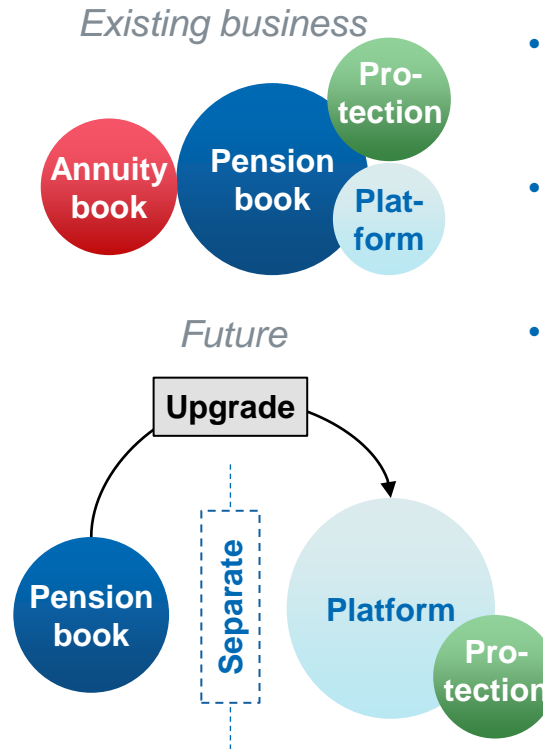
- Digital engagement to drive asset consolidation and growth
- Further expand workplace capabilities

### Optimized portfolio

- Simplify our business
- Optimize our existing business value
- Continue to grow platform

## Delivering results

- Generate annual cash flows of ~GBP 100 million
- Resume dividend payments in 2017
- Platform assets of ~GBP 30 billion by 2018





# Continuing strong growth in Asset Management

## Management actions

### Operational excellence

- Optimize product development across units
- Focus on technology convergence, data and centers of excellence

### Loyal customers

- Thought leadership in asset allocation and solutions offering best in breed products to our customers
- Develop and distribute global products leveraging fixed income and multi-asset capabilities

### Optimized portfolio

- Deepen presence in existing markets
- Expand geographic reach
- Continue to execute responsible investment approach



## Delivering results

- 20% increase in underlying earnings by 2018
- Third-party assets under management to increase to over 65% of total AuM by 2018
- Cash flows and remittances of at least EUR 100 million by 2018

# Achieving scale in other markets

## Management actions

### Operational excellence

- Optimize operating model in CEE
- Invest to support value creating growth

### Loyal customers

- Focus on protection
- Continue expansion of distribution
- Digital front-runner or challenger

### Optimized portfolio

- Divest activities with unattractive risk/return
- Joint ventures to reach critical mass
- Further roll-out direct offerings

*Expanding direct offerings*



*Strong partners*



## Delivering results

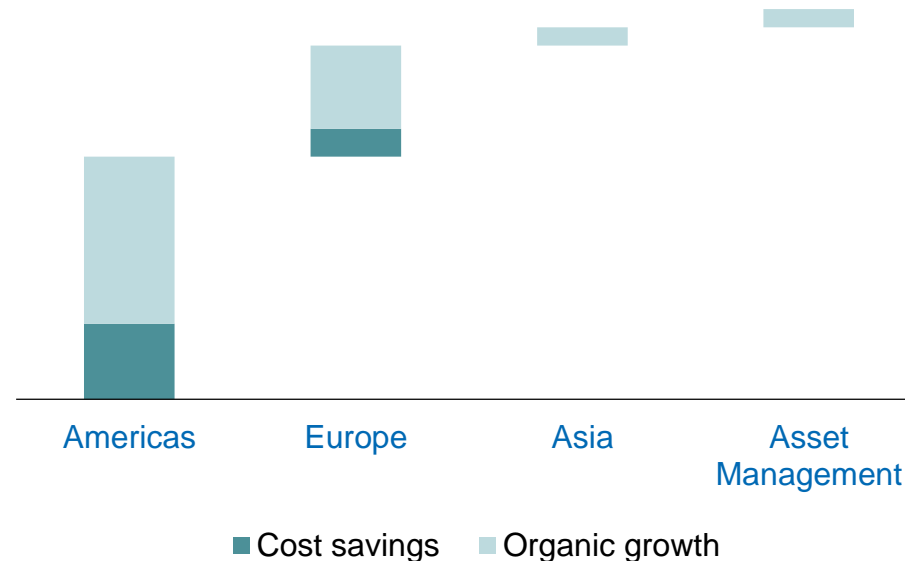
- Meaningful contributions to the group by 2018
- EUR 200 million underlying earnings by 2018
- Remittances outlook
  - Asia: invest in growth
  - CEE: remittances of EUR 50 million
  - Spain & Portugal: remittances of EUR 25 million

# Strong earnings growth supports 10% RoE target

**Strong increase in earnings driven by organic growth and EUR 200 million cost savings**

- **Americas:** Cost savings and growth of fee businesses
- **Europe:** Cost savings in the Netherlands as well as earnings growth in CEE and UK
- **Asia:** JVs to reach critical mass and growth in high-net-worth segment
- **Asset Management:** Continued strong earnings growth from third-party business

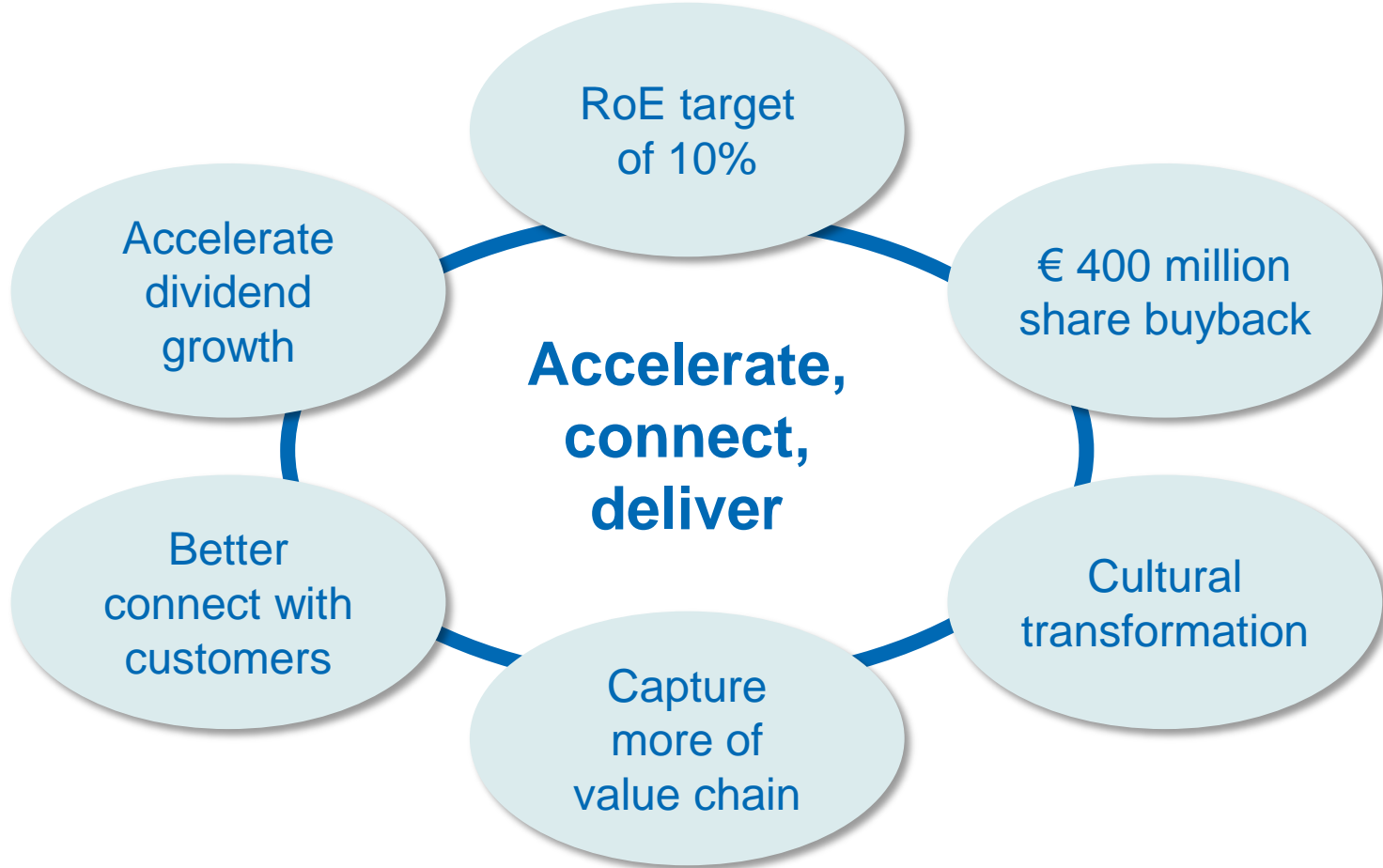
Earnings growth supports RoE target





# Concluding remarks







# Appendix



# Main economic assumptions

<b>Overall assumptions</b>	<b>US</b>	<b>NL</b>	<b>UK</b>
Exchange rate against Euro	1.10	N.a.	0.71
Annual gross equity market return (price appreciation + dividends)	8%	7%	7%
<b>Main assumptions for financial targets</b>	<b>US</b>	<b>NL</b>	<b>UK</b>
10-year government bond yields	Develop in line with current forward curves		
<b>Main assumptions for US DAC recoverability</b>			
10-year government bond yields	Grade to 4.25% in 10 year time		
Credit spreads	Grade from current levels to 110 bps over two years		
Bond funds	Return 4% for 10 years and 6% thereafter		
Money market rates	Remain flat at 0.1% for two years followed by a 3-year grading to 3%		



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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 and income before tax. These non-IFRS measures are calculated by consolidating on a proportionate basis Aegon's joint ventures and associated companies. The reconciliation of these measures to the most comparable IFRS measure is provided in note 3 'Segment information' of Aegon's Condensed Consolidated Interim Financial Statements. 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.

## 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. 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 or the potential 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, 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 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, which 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.