

# Strong foundations for growth



Helping people take responsibility for their financial future

January 2015

**Citi European Insurance Conference**

Investor presentation



[aegon.com](http://aegon.com)

# Aegon at a glance

Over 150 years of history

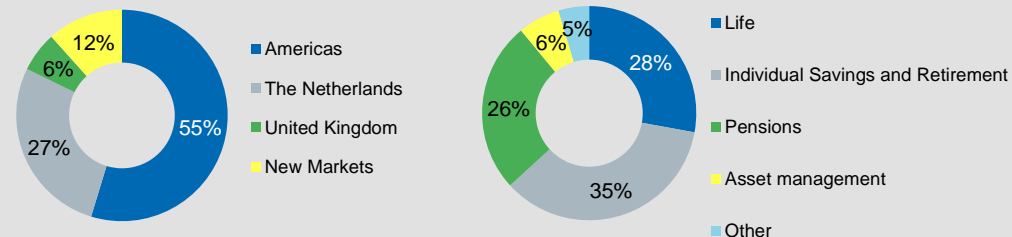


Life insurance, pensions & asset management



Present in **more than 25 markets** throughout the Americas, Europe and Asia

Underlying earnings before tax of EUR 1.3 billion YTD through Q3 2014



AA- financial strength rating

**STANDARD & POOR'S**

Revenue-generating investments EUR 538 billion

Over >28,000 EMPLOYEES



# Well positioned to benefit from global trends



## Economic environment

- Reduced social benefits
- Changing demographics
- Volatile financial markets
- High growth of financial assets

**Helping people take responsibility for their financial future**

## Customer behavior

- Disintermediation, shift to do-it-yourself (UK, NL)
- Rising demand for transparent products
- Using workplace for insurance and savings
- Increasing awareness of retirement needs

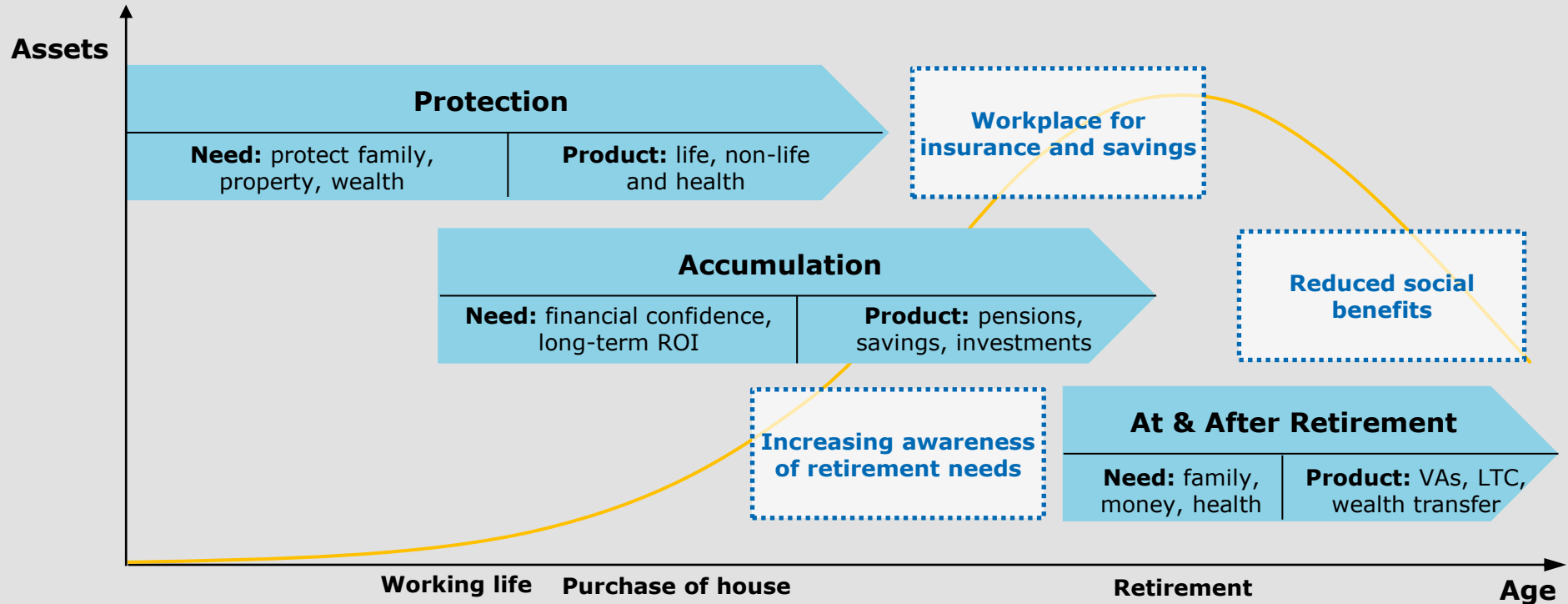
**Attractive propositions for customers**

## Regulatory changes

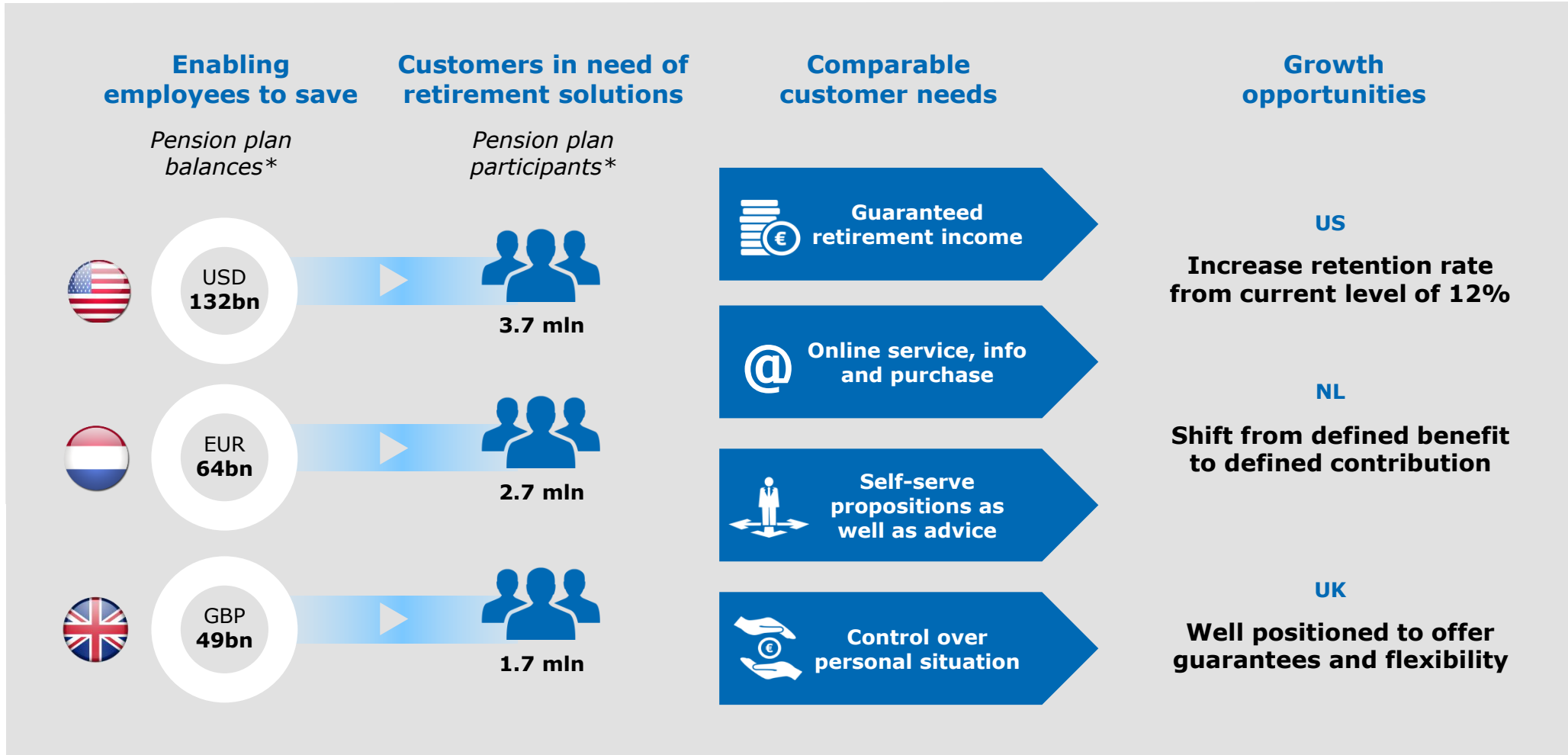
- Changing frameworks, including Solvency II
- Increased consumer protection
- Changes to fiscal incentives
- Ban on commissions in certain markets

**Diversified distribution and optimized product offering**

# Attractive propositions across the customer life cycle



# Focusing on pension participants to drive growth in established markets



\* Data per September 30, 2014. The Netherlands data incl. TKP account balances and pension participants. Americas data excl. Stable Value Solution balances  
 Note: Retention rate is percentage of participant withdrawals retained through Aegon retirement products

# New Markets' strategy driving continued growth

Asia

Central &  
Eastern  
Europe

Latin  
America

Spain

- Focus on protection
  - ▶ Leadership in risk/rider products in key CEE markets
  - ▶ Strong growth in high-net-worth segments in Hong Kong and Singapore
- Expanded distribution
  - ▶ Successful Spanish joint-ventures with Santander expanded to Portugal
  - ▶ Continued growth of tied agent networks in CEE
- Direct propositions
  - ▶ Developing new online propositions in CEE following success in Hungary
  - ▶ Leader in Indian online term life insurance market

Asset  
Management

- Successfully growing share in US fund flows
- Expanding our third-party business

# Stepping up investments to accelerate execution of strategy

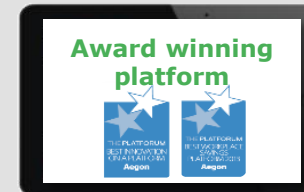
- Similar customer-centric investments across our markets
  - ▶ Creating awareness of retirement needs through retirement apps
  - ▶ Diversifying distribution through self-serve propositions
  - ▶ Enabling customers to access their products and transact online
- Investments enable Aegon to retain pension customers and their assets when they retire
  - ▶ Retiready (UK)
  - ▶ Your Financial Life (US)
  - ▶ Speel je toekomst (NL)



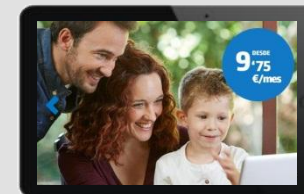
**US**  
~950k participants  
created retirement  
outlooks



**NL**  
~400k customers  
registered for  
MijnAegon.nl



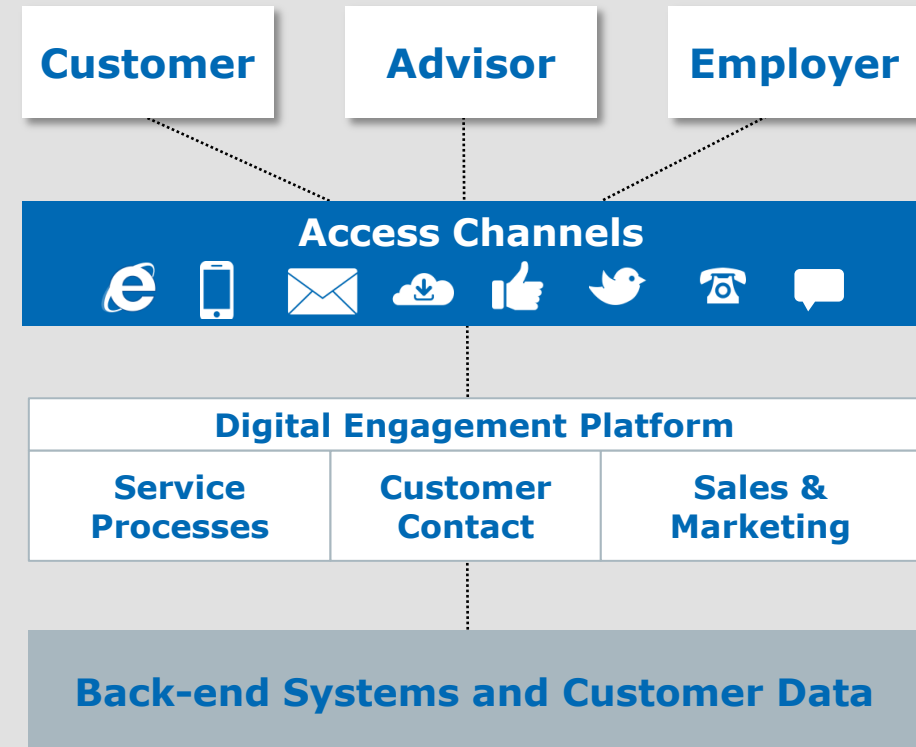
**UK**  
Customers who  
consolidate assets  
have on average 80%  
higher AuM



**Spain**  
Full range of life &  
protection products  
available online

# Digitizing from front to back office

- Digitizing platforms, processes and systems
  - ▶ Platforms to service all key counterparties
  - ▶ Digital processes allow for self-service
  - ▶ Enhanced data quality as a result of system improvements
  - ▶ Improving data analytics supplemented with big data
- Improved accessibility will lead to higher satisfaction and commercial effectiveness
  - ▶ Enabling customers to choose how they do business with us
  - ▶ Competing effectively with both existing players and new entrants
  - ▶ Improving customer satisfaction and retention



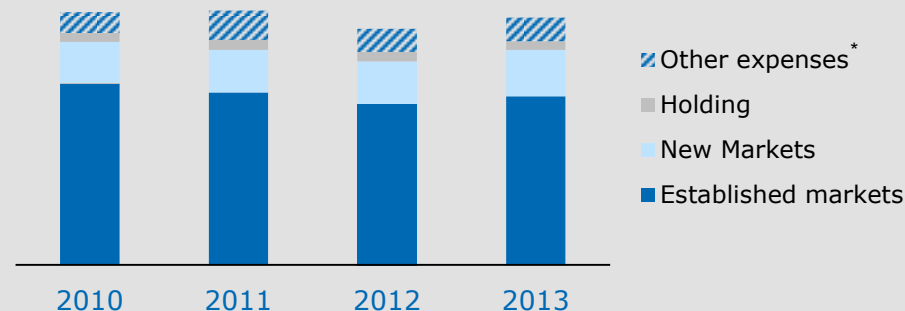


# Reducing expenses while growing and investing in our businesses

- Expense reduction primarily realized in established markets
  - Expenses increase in New Markets driven by business growth
- Expense savings create room to accelerate execution of strategy
  - Efficiency improved due to cost control and growth of our businesses

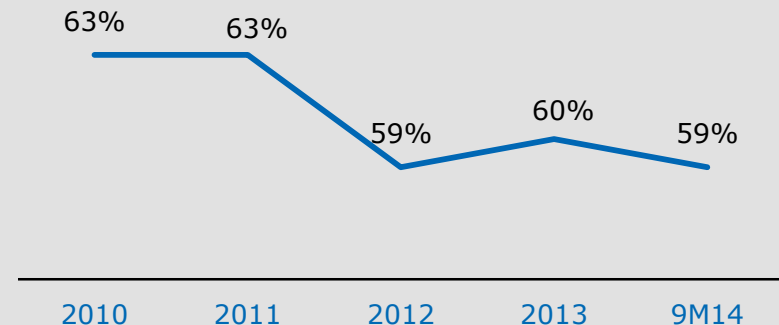
## Operating expenses reduced by 3%...

Established markets expenses down 7%



## ...while efficiency improved

OpEx / (OpEx + UEBT)

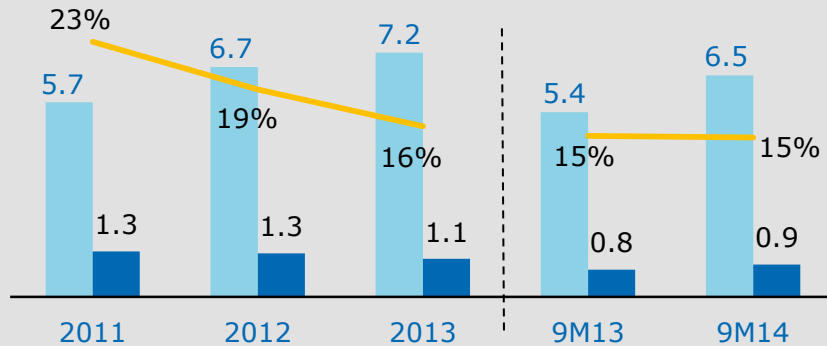


\* Other expenses include defined benefit expenses, restructuring charges, exchange rate impacts and expenses from run-off businesses  
Note: Operating expenses exclude 'other expenses' unless stated otherwise

# Continuous profitable sales growth with lower capital intensity

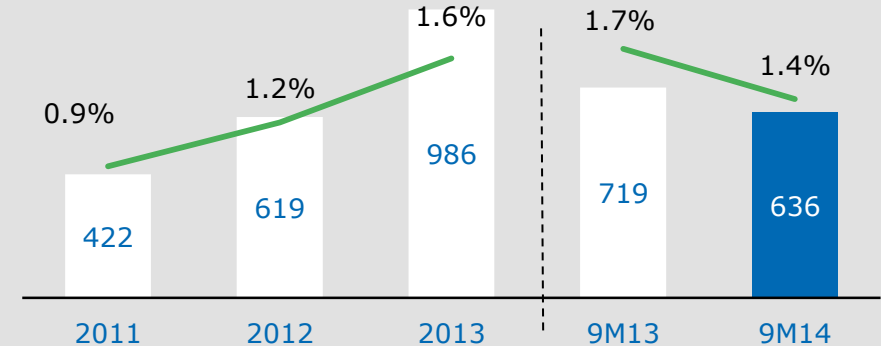
- Strong sales growth with low new business strain as a result of strategic shift in business mix
  - ▶ Focus on fee-based products with lower investments in new business
  - ▶ Hedging of guarantees at point of sale leads to improved risk/return profile
- Significant rise in market consistent value of new business (MCVNB)
  - ▶ MCVNB driven by strong sales and improved margins

**Sales growth with lower new business strain**  
(EUR billion)



■ Sales  
■ New business strain  
— New business strain as % of sales

**Increased profitability of sales**  
(EUR million)

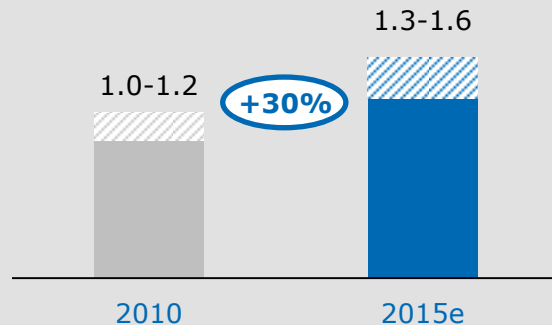


■ MCVNB  
— MCVNB as % of present value of new business premiums

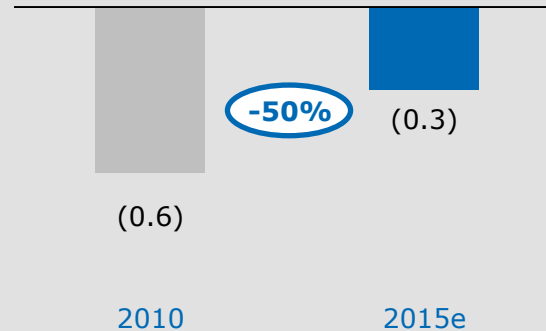
# Strong free cash flow growth

- Free cash flow up strongly as a result of higher operational free cash flow (OFCF) from business growth and lower holding expenses
  - OFCF growth from fee-based businesses more than offsets lower spread-related cash flows
  - Holding expenses halved as result of cost savings and capital management actions

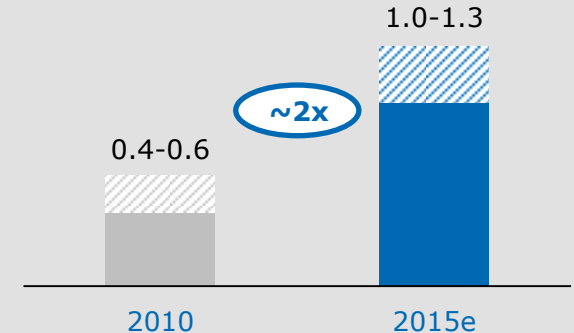
**Targeted growth of OFCF\***  
(EUR billion)



**Reduced holding expenses**  
(EUR billion)



**Doubling of free cash flow**  
(EUR billion)

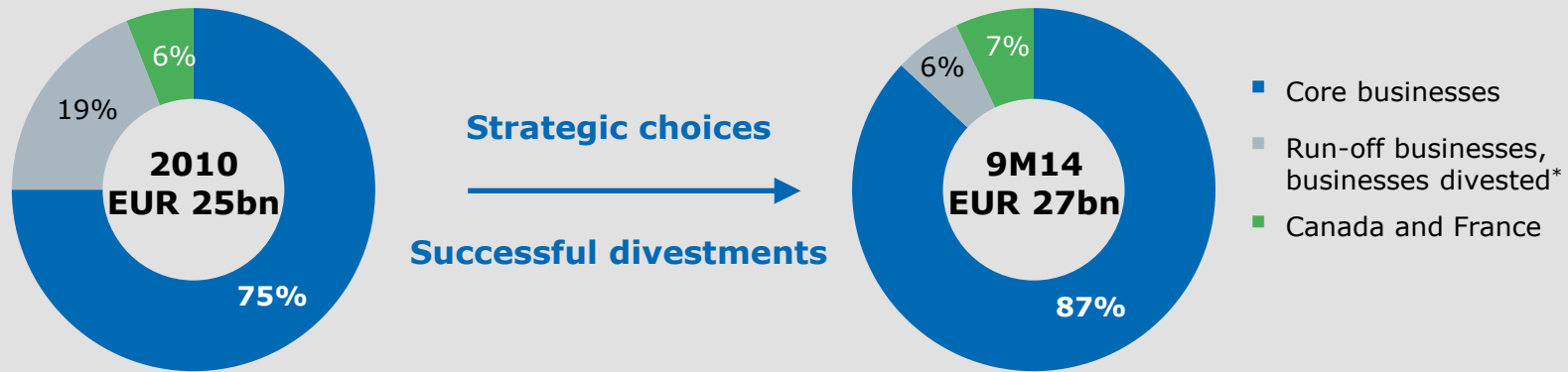


# Increasing share of capital allocated to core businesses

- Objective to further increase share of capital allocated to core businesses
  - Organic capital release from run-off businesses to continue
- Divestments between 2010-2013 of EUR 2.4 billion – on average at book value
- Divestment of Aegon's life insurance businesses in Canada and France expected to close early 2015
- Capital allocated to run-off businesses reduced by EUR 1.1 billion since 2010

## Capital base optimization since 2010

(Capital invested in units)



\* Capital in the units per year-end 2010 includes book value of businesses divested since 2010

# Continued portfolio optimization in 2014

## Divestments

- Agreement on sale of Canadian activities for CAD 600 million
- Agreement on sale of stake in La Mondiale Participation for EUR 350 million
- Divestment of the stake in the joint venture with Caja de Badajoz

## Enhance growth

- Exclusive negotiations with La Banque Postale Asset Management
- Joint-venture with Santander in Spain extended to Portugal
- Dutch mortgage fund reaches EUR 2 billion milestone

## Free-up capital

- Run-off and FA balances reduced by USD 3 billion in trailing four quarters
- Financing solution for redundant life reserves
- Preparations for second VA lump sum program to be launched in 2015

# Core businesses deliver attractive returns and drive cash flow growth

- Core businesses delivering return on equity within group target range
- Increase in cash flows will be driven by growth in core businesses
- Cash flows from run-off businesses expected to remain around current levels
  - Cash flows primarily driven by relatively stable decline of balances
  - Management actions could accelerate cash flow generation

## Solid RoE for core businesses

(%)



## Operational free cash flow split 9M 2014

(EUR million)



\* Excluding assumption changes and model updates

\*\* Excluding market impact and one-time items

# 2015 financial targets

**30-35%**

Fee-based earnings as % of underlying earnings by 2015

**€ 1.3-1.6**

Annual operational free cash flow by 2015\* in billions

**7-10%**

Grow underlying earnings on average per annum between 2012 and 2015

**10-12%**

Return on equity by 2015

*See slide 45 for main economic assumptions*

# Q3 2014 Results



Helping people take responsibility for their financial future

**For questions please contact  
Investor Relations**  
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[ir@aegon.com](mailto:ir@aegon.com)

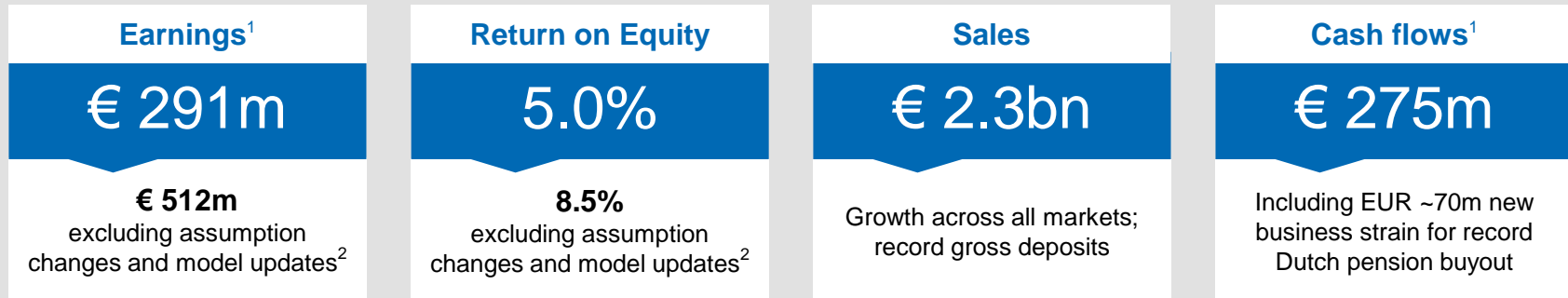
P.O. Box 85  
2501 CB The Hague  
The Netherlands





## Q3 performance impacted by exceptional charges

- Underlying earnings and return on equity lower due to assumption changes and model updates
  - ▶ Announced sale of Canadian business to improve RoE by ~40bps
- Profitable sales growth continues across the group
- Operational free cash flows include new business strain for record Dutch pension buyout
  - ▶ IGD ratio in the Netherlands impacted by valuation methodology change for Dutch mortgages



1) Earnings = underlying earnings before tax; Cash flows = operational free cash flows excluding market impacts and one-time items  
2) Non-recurring impacts of assumption changes and model updates excluded for comparisons

# Assumption review and model enhancements key to operational excellence

- Annual Q3 review of assumptions
  - ▶ Updated old-age mortality assumptions based on industry studies and own experience
  - ▶ VA policyholder behavior assumptions updated to reflect actual experience
  
- Ongoing model review
  - ▶ Recently reviewed >60 high-priority models
  - ▶ Q3 impact mostly driven by methodology changes and adjustments to modelled values for premium persistency and hedging costs
  - ▶ Review of lower-impact models will continue throughout 2015
  - ▶ Models will be maintained in a controlled environment and subject to strict governance

## Q3 earnings impacts (EUR million)

	Assumption changes	Model updates	Total
US Life & Protection	(265)	(29)	(294)
US Fixed Annuities	(29)	-	(29)
US Variable Annuities	156	(27)	129
Asia	-	(26)	(26)
<b>Underlying earnings</b>	<b>(138)</b>	<b>(82)</b>	<b>(221)</b>
Fair value items	(4)	(42)	(46)
Run-off businesses	(5)	(27)	(32)
<b>Total impact</b>	<b>(147)</b>	<b>(151)</b>	<b>(299)</b>

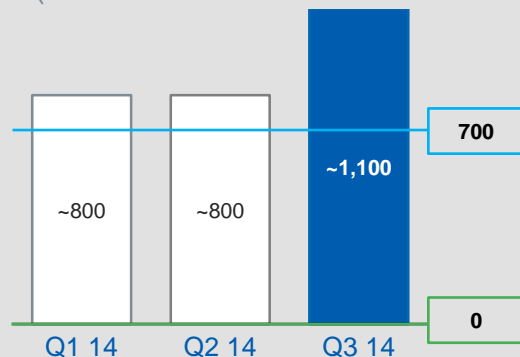
- EUR (20) million per quarter recurring underlying earnings before tax impact in Life & Protection

# Capital position impacted by mortgage valuation change

- Group IGD solvency ratio of 202%; Holding excess capital of EUR 1.5 billion
- Continued strong capital position in the US
- NL IGD ratio impacted by ~25pp due to valuation methodology change for Dutch mortgages
  - ▶ Use of additional market observable data points reduced available capital by EUR 0.5 billion
- Pillar 1 ratio in the UK remains stable
  - ▶ Cash flow generation challenged by ongoing regulatory changes

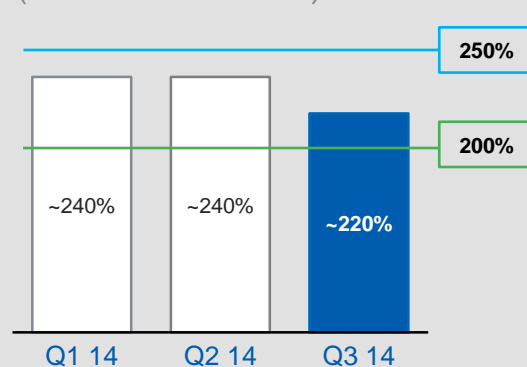
## United States

(USD million excess over S&P AA)



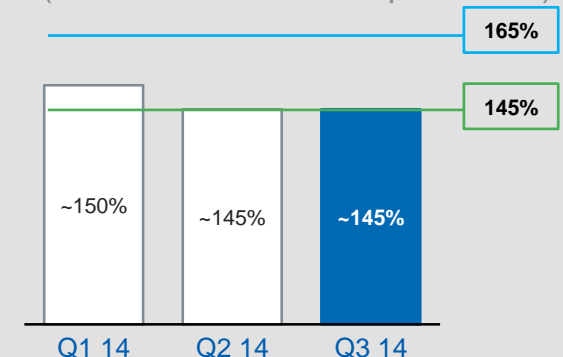
## The Netherlands

(IGD ratio ex. Bank)



## United Kingdom

(Pillar 1 ratio incl. with profit fund)

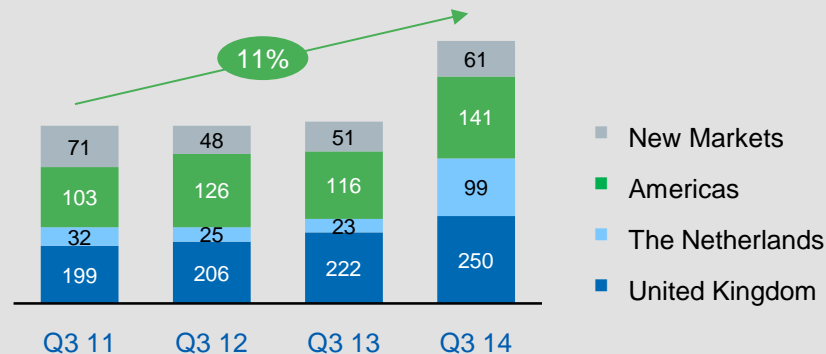


# All markets contribute to growth in new life and accident & health sales

- New life sales up 34% driven by growth across all markets
  - ▶ Record buy-out deal underscores leadership in insured solutions for Dutch pension funds
  - ▶ Growing demand in US for universal life products
  - ▶ New Markets sales increase due to expansion of distribution and increased broker productivity
- Accident & health sales up 44% as a result of new distribution and new products in the US
  - ▶ Accident protection sales driven by new distribution agreements
  - ▶ Supplemental health sales continue to benefit from Affordable Care Act

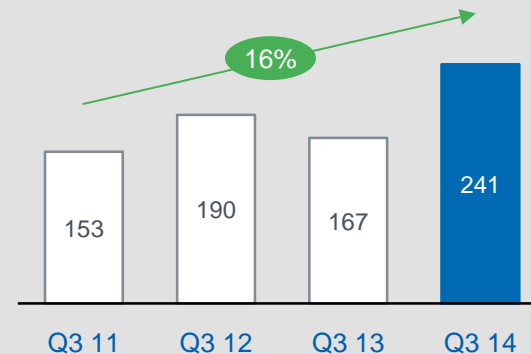
## New life sales

(EUR million, CAGR in %)



## Accident & health sales

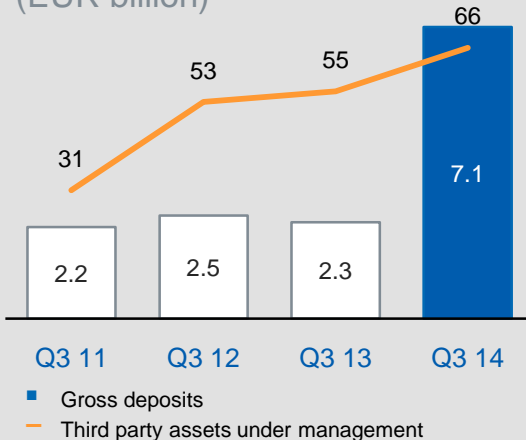
(EUR million, CAGR in %)



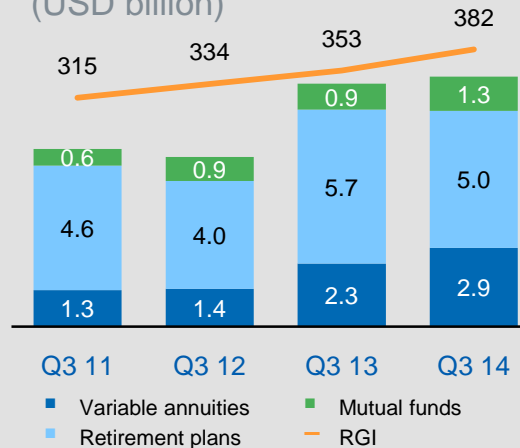
# Record gross deposits as strong momentum continues

- Asset Management inflows more than triple to EUR 7.1 billion on mandate wins in all markets
- Americas gross deposits of USD 9.3 billion on continued growth of fee business
  - ▶ US variable annuity deposits up 25% to USD 2.9 billion; record net deposits of USD 1.8 billion
  - ▶ US retirement plan deposits of USD 5.0 billion; net deposits of USD 1.0 billion
- UK platform assets reach GBP 2.4 billion as deposits increase to GBP 449 million
- Gross deposits in NL more than double to EUR 0.7 billion due to successful Knab repositioning

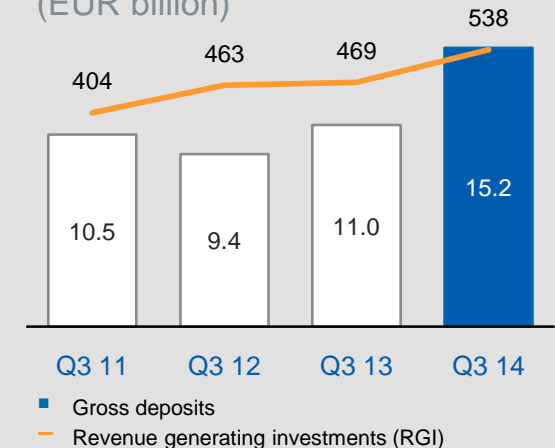
**Aegon Asset Management**  
(EUR billion)



**Americas**  
(USD billion)



**Aegon**  
(EUR billion)



# Key messages

## Q3 results

- Results impacted by assumption changes and model updates
- Continued sales momentum throughout group reflects strong commercial progress
- Operational free cash flows\* includes strain from record Dutch pension buy-out

## Capital and risk management

- Controlled environment and strict governance for models
- Group capital position impacted by mortgage valuation change

## Execution of strategy

- Strategic decision to divest Canadian business; RoE increase of ~40bps
- Record gross deposits reflect successful shift to fee business
- Accident & health and new life sales fuelled by growth in all markets

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**3Q14  
Reconciliation  
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sensitivities**

Slide 43-46

# Sustainability ingrained in our strategy

## Products and services customers can trust

- Clear and easy to understand products
- Value to the customer taken into account at every step of the product design process
- Market conduct principles focus on meeting customers' needs

## A responsible approach to investments

- Decisions guided by Aegon's *Responsible Investment Policy*
- Clear standards in areas such as child labor, the environment and corruption
- Using our influence to promote sustainability governance and economic development

## Supporting local communities

- Long history of working with and investing in local communities
- Volunteering programs encourage employees to take paid time off to work on local initiatives
- Supporting local charities and good causes worldwide

## Aegon's approach to sustainability recognized externally





# Investing in Aegon

- Aegon ordinary shares
  - ▶ Traded on Euronext Amsterdam since 1969 and quoted in euros
- Aegon New York Registry Shares (NYRS)
  - ▶ Traded on NYSE since 1991 and quoted in US dollars
  - ▶ Attractive option for US investors
  - ▶ One Aegon NYRS equals one Aegon Amsterdam-listed common share
  - ▶ Cost effective way to hold international securities

## Aegon's ordinary shares

Ticker symbol	AGN NA
Underlying ISIN	NL0000303709
SEDOL	5927375NL
Trading Platform	Euronext Amsterdam
Country	Netherlands

## Aegon's New York Registry Shares

Ticker symbol	AG US
NYRS ISIN	US0079241032
NYRS SEDOL	2008411US
Trading Platform	NYSE
Country	USA
NYRS Transfer Agent	Citibank, N.A.

## Aegon NYRS contact details

### Broker contacts at Citibank:

Telephone: New York: +1 212 723 5435  
London: +44 207 500 2030  
E-mail: citiadr@citi.com

**AEG**  

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**LISTED**  

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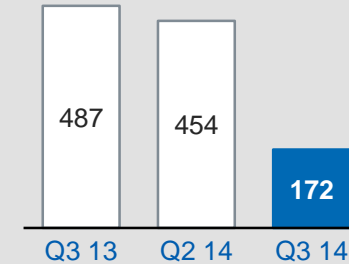
**NYSE**

# Underlying earnings of EUR 291 million

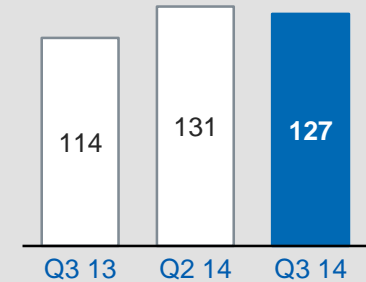
- Lower earnings in the Americas as growth in VA, pension and mutual fund balances were more than offset by the impact of assumption changes and model updates
- Higher earnings in the Netherlands due mostly to higher investment income and improved margins on savings
- UK earnings higher driven mostly by improved persistency in the pension business
- New Markets earnings lower as strong earnings growth in Asset Management more than offset by EUR 48 million change in assumption changes and model updates

## Underlying earnings before tax

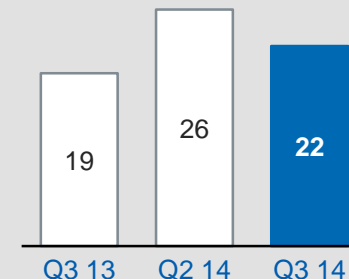
**Americas**  
(USD million)



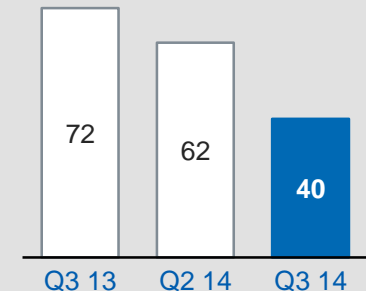
**The Netherlands**  
(EUR million)



**United Kingdom**  
(GBP million)



**New Markets**  
(EUR million)

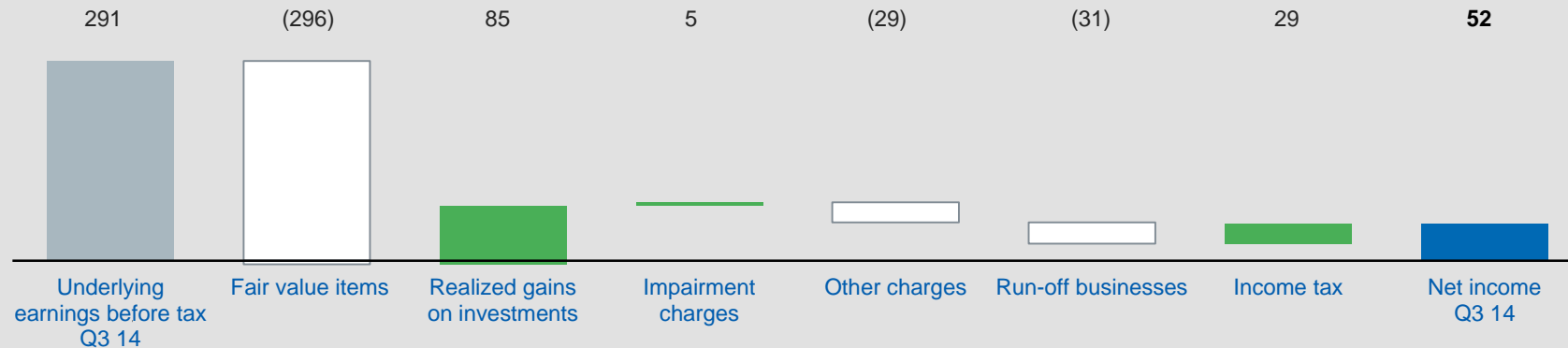


# Net income of EUR 52 million

- Fair value items mainly reflect hedging programs without accounting match in the US and NL, and model updates in the US
- Gains on investments mainly driven by fixed income portfolio rebalancing in NL
- Impairments on mortgages in CEE more than offset by net recoveries in the US
- Other charges primarily caused by a provision taken for the closed block of European direct marketing activities

## Underlying earnings to net income development in Q3 2014

(EUR million)



# Fair value items impacted by hedge programs and model updates

## Total fair value items of EUR (296) million

FV investments  
EUR (40) million

FV hedging with  
accounting match\*  
EUR (109) million

Derivatives  $\Delta$ : EUR 904m  
Liability  $\Delta$ : EUR (1,013)m

FV hedging without  
accounting match  
EUR (114) million

Derivatives  $\Delta$ : EUR (114)m  
Liability  $\Delta$ : -

FV other  
EUR (33) million

### Americas: (48)

- Alternative investments
- Credit derivatives
- Real estate

### US GMWB: 4

- Guarantees net of hedges

### US macro hedging: (40)

- GMIB/DB hedges
- Other extreme event hedges

### Other: (33)

- Credit spread on MTN
- Foreign currency exchange
- Model updates

### Netherlands: 8

- Real estate

### Netherlands guarantees: (59)

- Guarantees net of hedges including movement of own credit spread

### Holding: (25)

- Swaps related to hybrids

### Netherlands: (49)

- Longevity swap
- Hedging mortgage portfolio
- Other

### Other: (54)

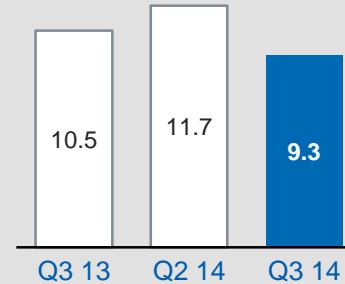
- Model updates

# Gross deposits of EUR 15.2 billion

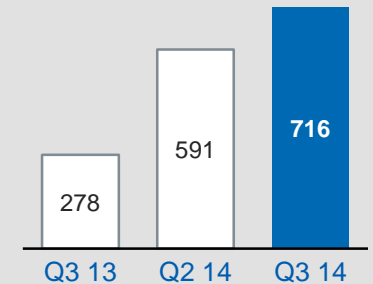
- Strong variable annuity and mutual fund deposits in the Americas more than offset by lower deposits from pensions
- Surging gross deposits in the Netherlands driven by inflows at on-line bank Knab as proposition gains market traction
- Continued strong Platform deposits in the UK support growth and business transformation
- Higher gross deposits in New Markets driven by increased Aegon Asset Management deposits in all markets

## Gross deposits

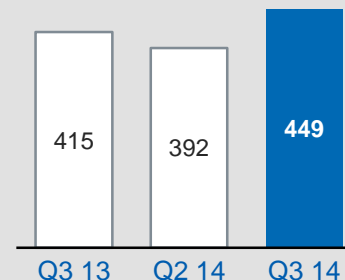
**Americas**  
(USD billion)



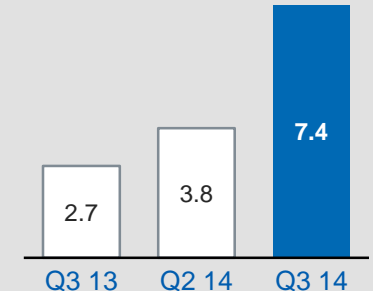
**The Netherlands**  
(EUR million)



**United Kingdom**  
(Platform, GBP million)



**New Markets**  
(EUR billion)

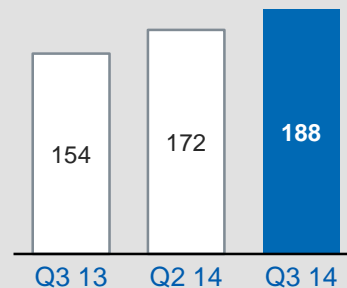


# New life sales of EUR 552 million

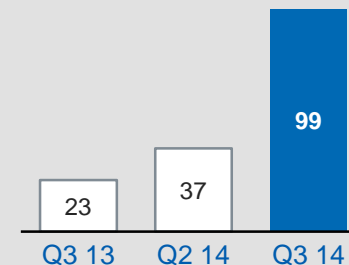
- New life sales in the Americas up 22% driven by higher universal life sales
- Higher new life sales in the Netherlands driven mostly by largest ever pension buy-out deal
- New life sales in the United Kingdom up 5% driven by growth in protection, traditional pension and platform volumes
- 20% higher new life sales in New Markets due to stronger universal life sales in Asia

## New life sales

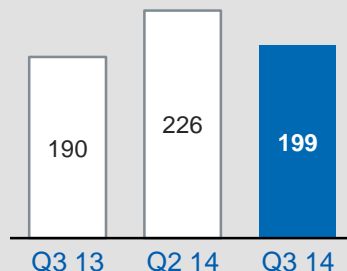
**Americas**  
(USD million)



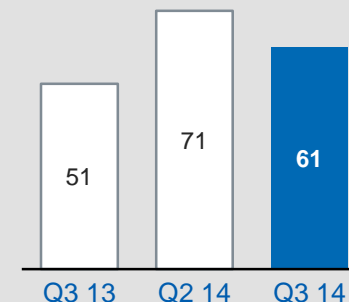
**The Netherlands**  
(EUR million)



**United Kingdom**  
(GBP million)



**New Markets**  
(EUR million)



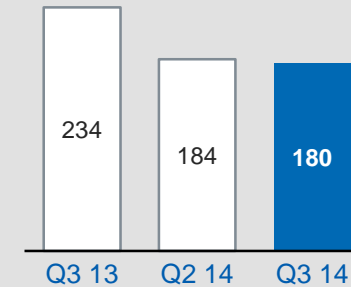
# MCVNB of EUR 192 million

- Lower MCVNB in the Americas as the impact of lower interest rates more than offset higher sales
- MCVNB in the Netherlands declined driven by lower contribution from mortgages resulting from a higher allocation to third party investors
- Lower MCVNB in the UK driven by lower margins due to auto-enrolment and lower margins and volumes on annuities
- Stable MCVNB in New Markets

## Market consistent value of new business

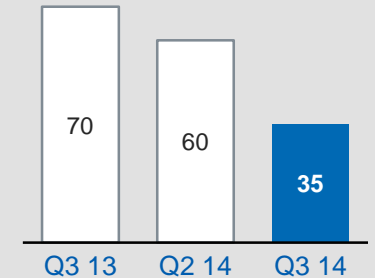
### Americas

(USD million)



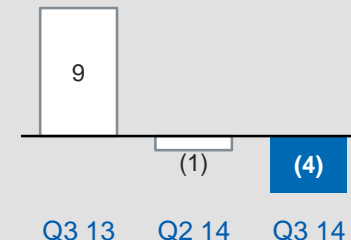
### The Netherlands

(EUR million)



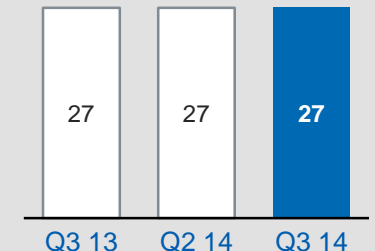
### United Kingdom

(GBP million)



### New Markets

(EUR million)



# Operational free cash flows and holding excess capital

- Operational free cash flows\* of EUR 275 million reflect new business strain related to large pension contract win in the Netherlands
  - ▶ Market impacts of EUR (99) million due mostly to the impact of lower interest rates
  - ▶ One-time items of EUR (300) million driven by a valuation methodology change for Dutch mortgages
- Holding excess capital of EUR 1.5 billion following payment of the interim dividend

## Operational free cash flows

(EUR million)

	Q1 14	Q2 14	Q3 14
Earnings on in-force	802	734	362
Return on free surplus	14	16	16
Release of required surplus	(234)	(71)	(117)
New business strain	(251)	(309)	(386)
<b>Operational free cash flow</b>	<b>331</b>	<b>370</b>	<b>(124)</b>
Market impacts & one-time items	26	51	(399)
<b>Normalized operational free cash flow</b>	<b>305</b>	<b>319</b>	<b>275</b>
Holding funding & operating expenses	(71)	(88)	(65)
<b>Free cash flow</b>	<b>234</b>	<b>231</b>	<b>210</b>

## Holding excess capital development

(EUR billion)

	Q1 14	Q2 14	Q3 14
<b>Starting position</b>	<b>2.2</b>	<b>1.7</b>	<b>1.7</b>
Net dividends received from business units	(0.0)	0.4	0.0
Acquisitions & divestments	-	-	0.0
Common dividends	-	(0.2)	(0.2)
Funding & operating expenses	(0.1)	(0.1)	(0.1)
Leverage issuances/redemptions	(0.4)	(0.1)	-
Other	(0.0)	0.0	(0.0)
<b>Ending position</b>	<b>1.7</b>	<b>1.7</b>	<b>1.5</b>
<i>Capital allocated to additional deleveraging</i>	<i>(0.5)</i>	<i>(0.5)</i>	<i>(0.5)</i>

\* Excluding market impacts and one-time items



# Capital allocated to run-off businesses

- Current capital allocated to run-off businesses of USD 2.0 billion
  - ▶ Return on capital of run-off businesses of 0.2% year to date
- Capital intensive run-off businesses negatively impact return on equity
  - ▶ Capital allocated to run-off businesses included in RoE calculations, but earnings are excluded
  - ▶ 5.4% RoE excluding run-off capital (5.0% including run-off capital)

## Allocated capital to run-off businesses\* (USD billion)

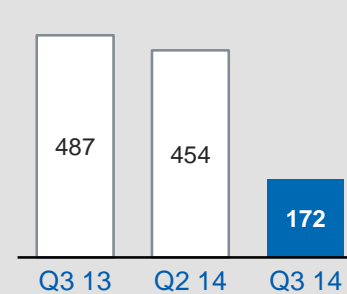
	Run-off period	2010	2011	2012	2013	2014 Q3	2015E
▪ Payout annuities	> 20 years	0.5	0.5	0.5	0.5	0.5	0.4
▪ Institutional spread-based business	~ 5 years	0.8	0.7	0.6	0.4	0.3	0.3
▪ BOLI/COLI	> 10 years	0.7	0.5	0.5	0.5	0.6	0.5
▪ Life reinsurance	~ 15 years	3.1	1.3	1.1	0.7	0.6	0.6
		<b>5.1</b>	<b>3.0</b>	<b>2.7</b>	<b>2.1</b>	<b>2.0</b>	<b>1.8</b>

\* IFRS equity, excluding revaluation reserves

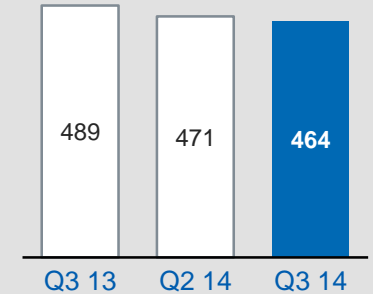
# Americas

- Lower earnings as growth in VA, pension and mutual fund balances more than offset by assumption changes and model updates
- Decline in operating expenses mainly driven by lower restructuring costs
- New life sales increase mainly driven by higher universal life sales
- A&H sales up 53% to USD 306 million
- Lower gross deposits driven mostly by fewer pension plan take-overs which more than offset higher recurring deposits; VA gross deposits up 25% to USD 2.9 billion
  - Asset retention of ~12% YTD up from 10%
- MCVNB down 23% to USD 180 million due mostly to the impact of lower interest rates

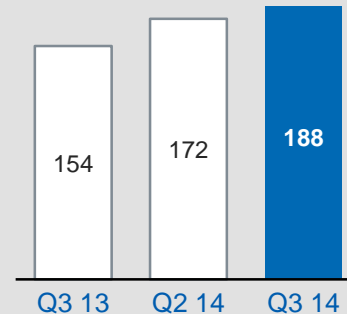
**Underlying earnings before tax** (USD million)



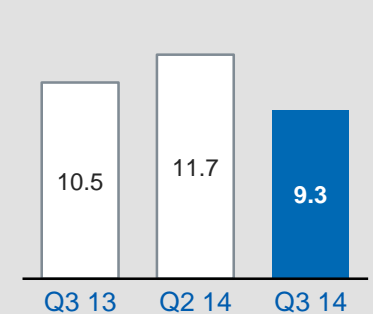
**Operating expenses** (USD million)



**New life sales** (USD million)



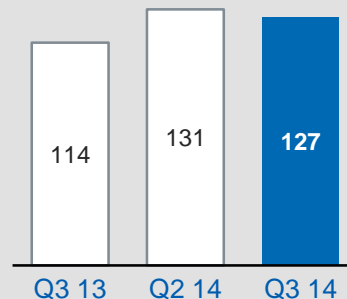
**Gross deposits** (USD billion)



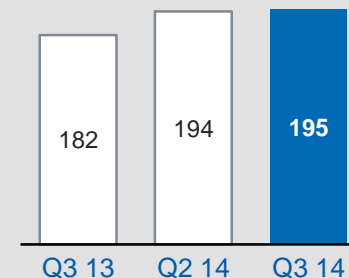
# The Netherlands

- Earnings increase due mostly to higher investment income and improved margins on savings
- Higher operating expenses driven by a reclassification of expenses and increased investments to support growth
- New life sales up due mostly to record pension buyout deal
- Mortgage production of EUR 1.4 billion driven by demand from third party investors
- Gross deposits more than doubled driven by strong performance from online bank Knab, following its successful repositioning
- MCVNB declined to EUR 35 million as a greater portion of mortgage production directed to third party investors

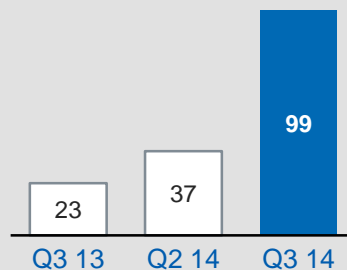
**Underlying earnings before tax** (EUR million)



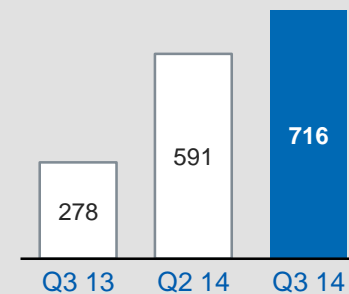
**Operating expenses** (EUR million)



**New life sales** (EUR million)



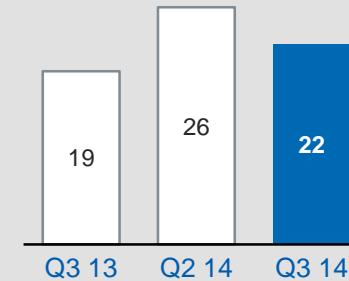
**Gross deposits** (EUR million)



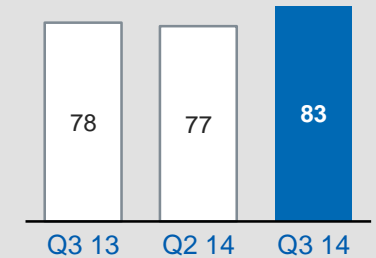
# United Kingdom

- Higher underlying earnings driven mostly by improved persistency
- Operating expenses increased due mostly GBP 9 million provision for restructuring European direct marketing activities transferred from the US
- Higher new life sales driven by growth in protection, traditional pensions and platform volumes
- Platform balances increased to GBP 2.4 billion on continued strong deposits
- MCVNB decreased to GBP (4) million due to lower margins in pensions from auto enrolment and lower margins and volumes on annuities

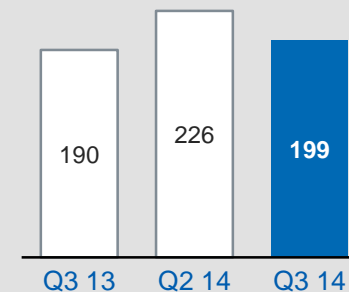
**Underlying earnings before tax** (GBP million)



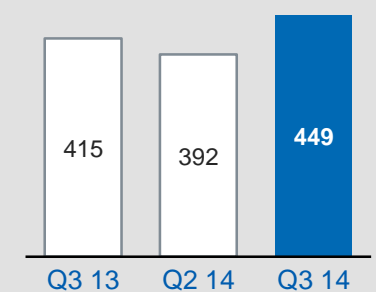
**Operating expenses** (GBP million)



**New life sales** (GBP million)



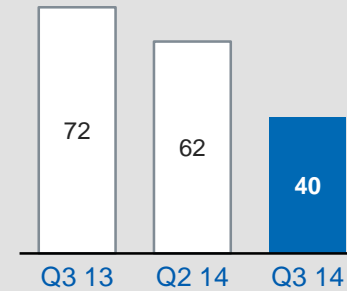
**Gross deposits** (Platform, GBP million)



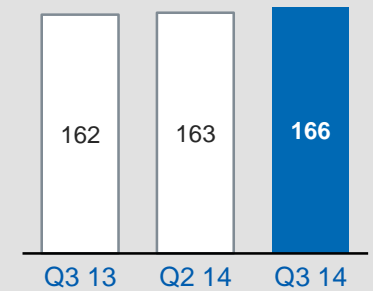
# New Markets

- Lower earnings as strong earnings growth in Asset Management more than offset by EUR 48 million change in assumption changes and model updates
- Higher operating expenses due mostly to higher sales related costs in Aegon Asset Management
- New life sales increased driven by stronger universal life sales in Asia
- Higher gross deposits due to increased Aegon Asset Management deposits in all markets
- MCVNB remained stable at EUR 27 million

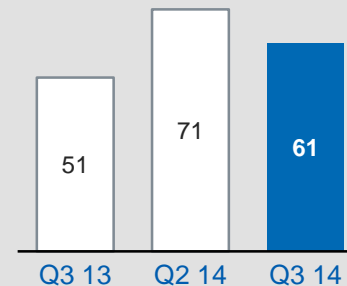
**Underlying earnings before tax** (EUR million)



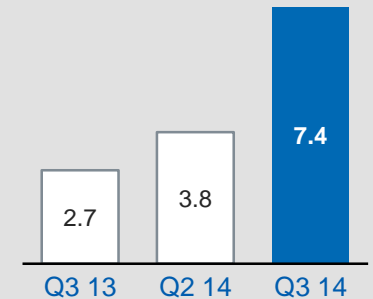
**Operating expenses** (EUR million)



**New life sales** (EUR million)



**Gross deposits** (EUR billion)



# Reconciliation of effective tax rate Q3 2014

Reconciliation of effective tax rate Q3 2014									
EUR million	Americas		The Netherlands		United Kingdom		New Markets/ Holdings		Total
<b>Income before tax</b>		<b>(48)</b>		<b>70</b>		<b>27</b>		<b>(26)</b>	<b>23</b>
Nominal tax rate	35.0%	18	25.0%	(18)	21.5%	(6)	N/A	17	12
Actual income tax		52		(26)		(2)		5	29
<b>Net income</b>		<b>4</b>		<b>44</b>		<b>25</b>		<b>(22)</b>	<b>52</b>

- Actual income tax can deviate from the nominal tax rate, amongst others due to:
  - Tax exempt income
  - Tax credits
  - Valuation allowances
  - Tax rate changes
- Cross border intercompany reinsurance
- Policyholder tax UK (offsetting)
- Other items

# General account investments roll-forward

General account investment roll-forward					
EUR billion	Americas	The Netherlands	United Kingdom	New Markets & Other	
<b>Opening balance June 30, 2014</b>	<b>77.9</b>	<b>48.4</b>	<b>11.8</b>	<b>4.1</b>	
Net in- and outflow	0.2	0.9	0.1	0.2	
Unrealized / realized results	(0.3)	0.9	0.4	(0.0)	
Foreign exchange	6.2	0.0	0.3	0.2	
<b>Closing balance September 30, 2014</b>	<b>84.1</b>	<b>50.2</b>	<b>12.7</b>	<b>4.5</b>	

- Americas includes balance reductions from fixed annuities of EUR 0.3 billion as the product is de-emphasized and from the run-off of the institutional spread business

# Main economic assumptions

## Main US economic assumptions

- 10-year US Treasury assumed to grade to 4.25% by 2024
- 3-month US Treasury assumed to grade to 2.5% by 2024
- Credit spreads are assumed to grade to 110 bps by 2016
- Bond funds are assumed to return 4% until 2024 and 6% thereafter
- Annual gross equity market returns of 8% (price appreciation + dividends)

Assumptions	NL	UK
10-year interest rate (2015)	1.8%	2.9%
3-month interest rate (2015)	0.1%	0.4%
Annual gross equity market return (price appreciation + dividends)	7%	7%
EUR/USD rate of 1.25		
EUR/GBP rate of 0.80		



# Earnings sensitivities to equity markets and reinvestment yields

- Protection of capital position main purpose of macro hedging program
- IFRS accounting mismatch between hedges and liabilities
  - ▶ GMIB liability carried at amortized cost (SOP 03-1)
  - ▶ Macro hedge carried at fair value

## Macro hedge equity sensitivity estimates

Total equity return in quarter	Fair value items impact
-8%	~USD (10) million
+2% (base case)	~USD (60) million
+12%	~USD (140) million

- Limited reinvestment risk moderates impact of low US interest rates on underlying earnings
  - ▶ Assets and liabilities closely matched
  - ▶ ~5% of general account assets reinvested per annum as a result of declining spread balances

## Estimated sensitivity for underlying earnings to flat reinvestment yields\*

2014:	~USD (10) million per quarter
2015:	~USD (15) million per quarter
2016:	~USD (25) million per quarter

\* Average impact of flat reinvestment yields on underlying earnings per quarter in 2014, 2015 and 2016 compared to 2013



# Upcoming events

## February

**Q4 results**  
February 19, 2015

## March

**AIFA conference, Florida**  
March 2, 2015

**Publication of 2014  
Annual Report**  
March 20, 2015

**HSBC Conference, London**  
March 23, 2015

**Morgan Stanley  
Conference, London**  
March 26, 2015

# Disclaimers

## Cautionary note regarding non-IFRS measures

This document includes the following 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 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. In addition, return on equity is a ratio using a non-GAAP measure and is calculated by dividing the net underlying earnings after cost of leverage by the average shareholders' equity excluding the preferred shares, the revaluation reserve and the reserves related to defined benefit plans.

## 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.