

Aegon UK strategy update

Citi's European Insurance Conference

London – January 8, 2019

Investor presentation

Helping people achieve a lifetime of financial security

AEGON
Transform Tomorrow

Aegon UK at a glance



London



Witham



Edinburgh



Lytham



Salford



Peterborough



Hove



Focusing on long term savings, retirement, workplace savings and protection



>3,000 employees



£171 billion Assets Under Administration*



Award-winning multi-channel investment platform



>3.6 million customers



#1 Platform with >20% market share**

* As of June 30, 2018 pro forma for completion BlackRock Part VII

** Fundscape Q2 2018

Aegon UK's transformation from a traditional to digital model is well underway...

...with the strategy unchanged from 2015

Aegon UK 2020 Vision

- ✓ **Split business** into a 'digital future' & a 'legacy past'
- ✓ **Grow capital-light**, fee-based platform business providing customer solutions 'to & through' retirement via multiple distribution channels and **inorganic growth**
- ✓ Provide market leading **investment solutions**
- ✓ **Upgrade** customers from heritage systems to digital platform business
- ✓ **Simplify** the business and address our historic **DAC position** and **selling annuities**
- ✓ Consider **options for residual** unit linked/with profits business



Completed

- ✓ Split company into a '**digital future**' and a '**legacy past**'
- ✓ **Divested annuity book**
- ✓ **Grew inorganically:**
 - Blackrock DC
 - Cofunds
 - Non-Nationwide IPS
 - Institutional
 - Retail
- ✓ Launched market leading **investment solutions**
- ✓ Payment of **regular dividends**

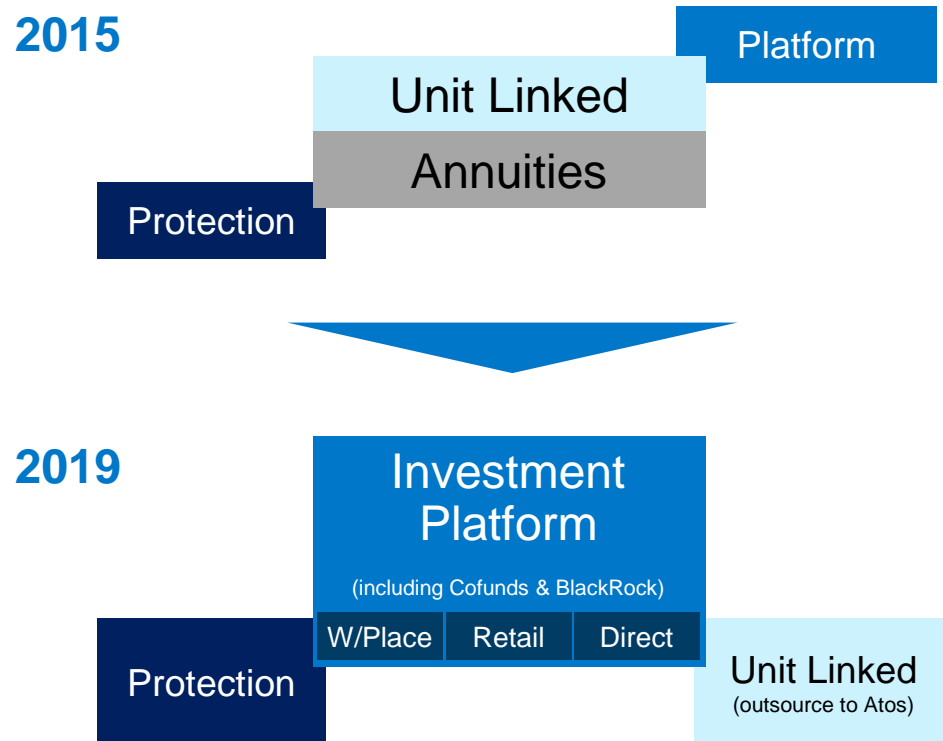
In-progress

- ✓ **Grow inorganically:**
 - Nationwide Integration
- Service customers to & through retirement via **multiple distribution channels**
- **Stabilising** and **Optimising** Operations
- Transition **Upgrade** programme into BAU
- **Execute the operational outsource** to ATOS for residual unit-linked/with profits business

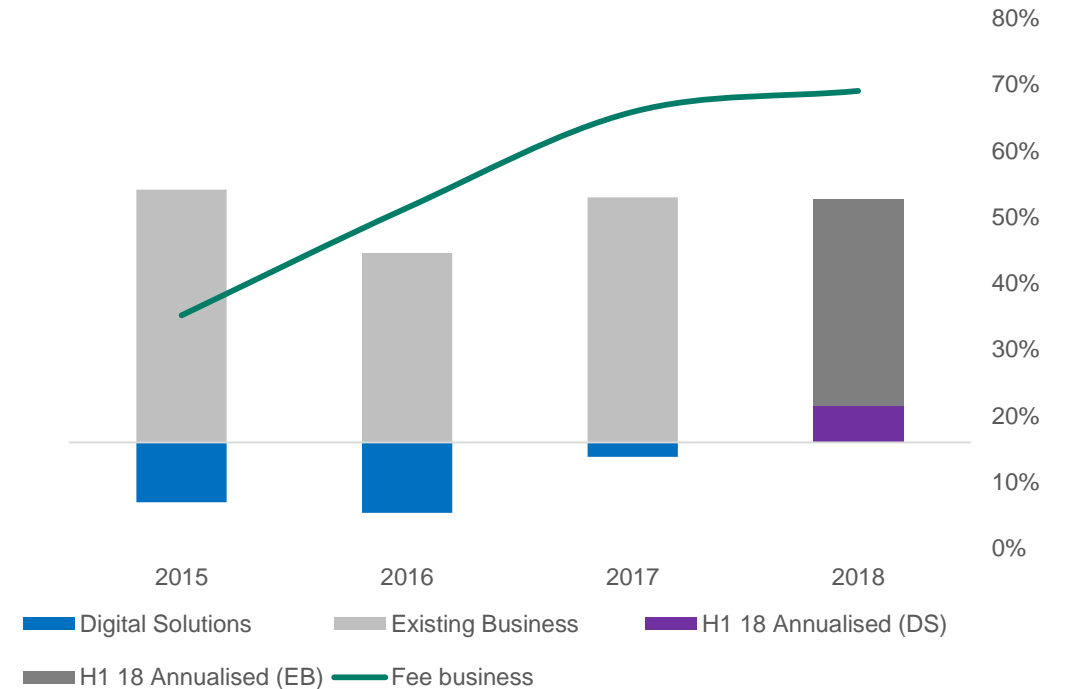
Creating a 21st century digital business that delivers customer-centric solutions

Business model in place to grow capital light fee-based business

Evolving business model



Improving earnings trajectory



The Aegon UK strategy has not changed

To continue to grow shareholder value

Intermediary Market Leader – B2B(2C)

AUA

- Primary driver of growth
- Market leadership in the investment platform market
- Nationwide platform & auto advice
- Leverage new Pension in ex-Cofunds from 2019
- Maintain Aegon ARC growth
- Workplace growth through leveraging BlackRock + Aegon
- Workplace into ex-Cofunds advisers

AUM

- New opportunity
- Build and cross-sell OEIC investment solutions
- Embed as adviser default solutions
- Nationwide foundation client

Protection

- Optimise as cross-sell to advisers
- Digitise and embed into the platform

Scale

- Key enabler of earnings growth
- Relatively fixed cost base
- Low operational variable cost through STP/ digital
- Opportunity to further drive down unit costs and shared services charges

Growing the UK market

Inorganic growth

A strong Aegon UK Executive and Management Team

Executive Team



Executive Committee

<p>Adrian Grace, CEO</p> 	<p>Stephen McGee, CFO</p> 	<p>Jim Ewing, CRO</p> 	<p>James Crispin, Chief Actuary*</p> 
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Management Teams





Digital Solutions

Existing Business

<p>Mark Till, MD Digital Solutions</p> 	<p>Dougy Grant, MD Existing Business</p> 
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Shared Services

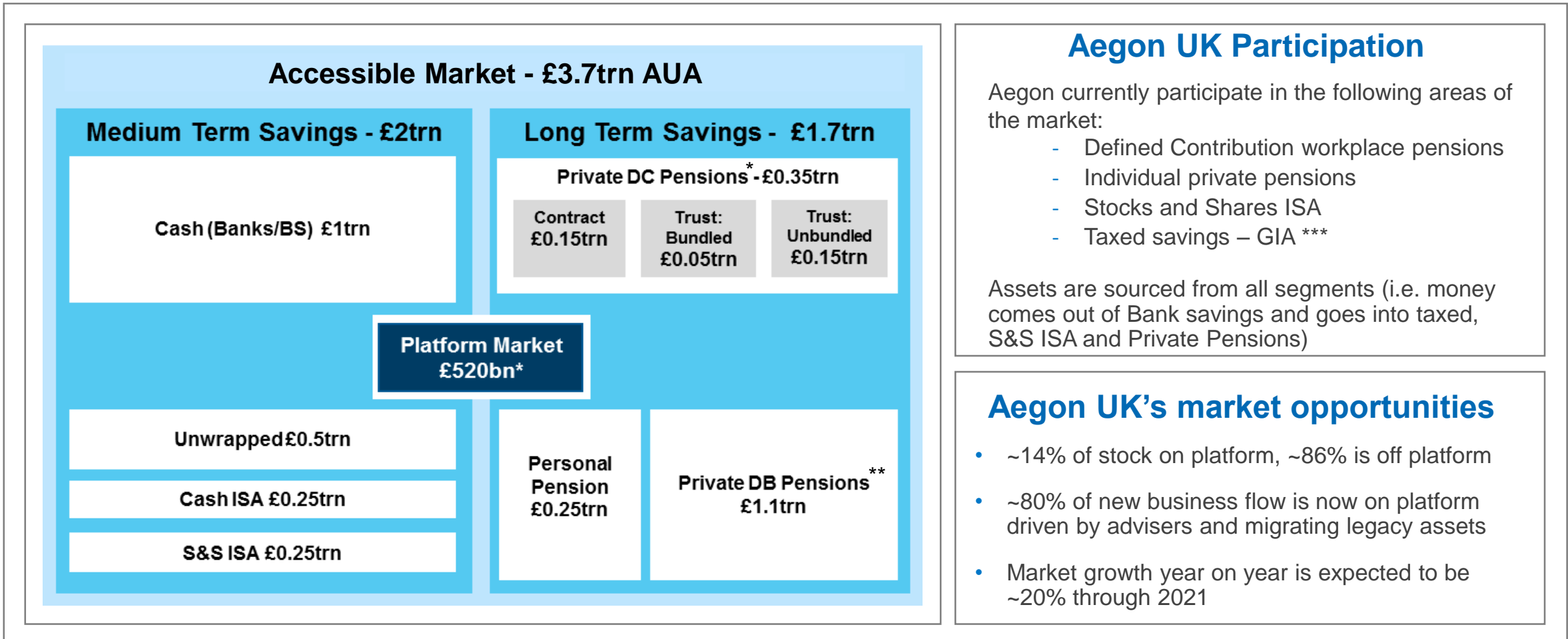
Transformation

<p>Gill Scott, HRD</p> 	<p>James Mackenzie, General Counsel</p> 	<p>Caroline Macefield, Chief Internal Auditor*</p> 	<p>Ed Dymott, MD Innovation, Transformation & Growth</p> 
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• Promoted to Global roles and recruitment ongoing. Additional Vacancy – Chief Technology Officer

Aegon UK well positioned to capitalize in the UK market...

...and are currently leading the platform market



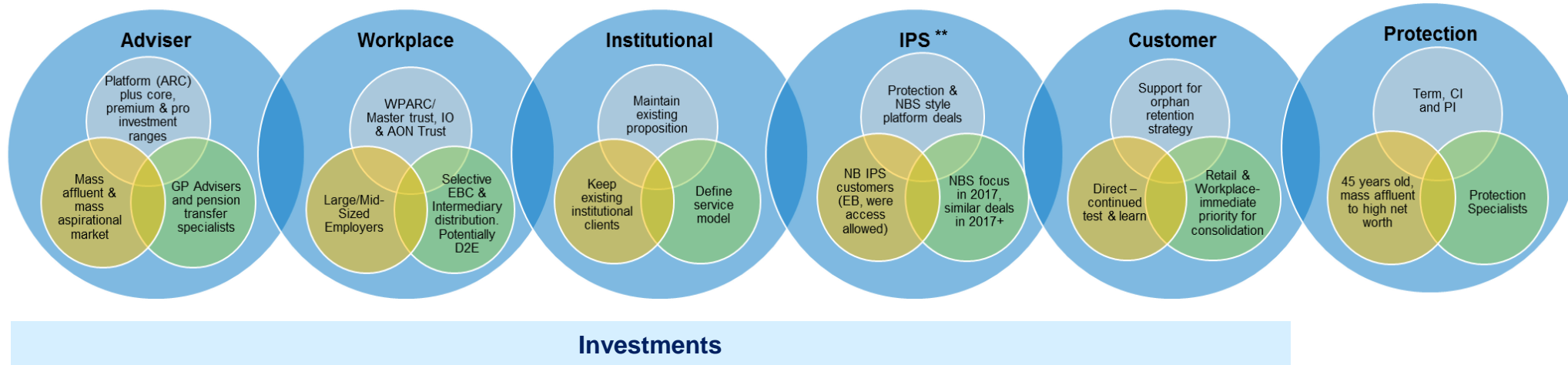
Source: *NMG adviser survey, Platform * Defined Contribution Pensions ** Defined Benefit Pensions *** General Investment Account
Note Does not include any assumed impact from Brexit

Transforming Aegon UK's market position... ...leveraging scale to deliver a multi-channel strategy

Total AUA ~£171 billion at 30 June 2018 (including BlackRock)

Total ~£58bn	Total ~£36bn	Total ~£57bn	Total ~£10bn	Total ~£8bn *	380,000 customers
On Platform ~£40bn	On Platform ~£22bn	On Platform ~£57bn	On Platform ~£10bn	On Platform ~£8bn	£32m API in 2017

Target Markets



With clear positioning to achieve our ambition 'to transform Aegon and create the UK's leading long term savings and investment business'

#1 Advisory & Institutional market

#3 Workplace market

Significant Player

Banks/Building Society (IPS); Direct & Protection markets

Source: Fundscape Five Year Platform Projections Jan 2017, Spence Johnson, Platform;
* Captures platform direct to customer only ** Investment Portfolio Service

Clear initiatives identified that will grow the Aegon UK business

Revenue Scale		
Current	2019 Delivery	2019 Development
<ul style="list-style-type: none">Platform and omni-channel distribution strategy has established Aegon as #1 platform providerPlatform market share is >20% and market growing strongly (20% CAGR)Maintaining #3 position in the Workplace Platform market and growth driven by auto-enrolment & new businessBlackRock Part VII delivers Workplace growthProtection digitization - Phase 1	<ul style="list-style-type: none">Complete Platform delivery commitments (Institutional, Master Trust, Retail and NBS)Implement Extended Outsource Partnership of Existing Business with AtosAegon investment solutions to platform marketCross-sell Distribution model – AUM + AUA + ProtectionCost synergiesProtection digitization – Phase 2	<ul style="list-style-type: none">Create new Decumulation products and propositions (investments into retirement)Making our business easier for distributors to connect to (e.g. becoming “PayPal for Platform”)Consider inorganic growth to achieve further scaleFuture transformation agenda formed
Cost Efficiency		

Realising the benefits of being the largest investment platform in the market

Aegon UK has delivered on key milestones to date and remains on track

**Cost Savings
£60m**



Integration Actions

- Remove overheads, immediate contract rationalization and operating model alignment
- Technology contract rationalization
- Operations straight through processing



Progress on Savings

Achieved

On Track

In Progress



Integration Growth Levers

- Retail - Cofunds Net flows ahead of plan and Aegon Retail delivering double digit year on year growth
- Institutional – flows and project on track
- Workplace - net business flows growing, particularly post Part VII
- Nationwide implementation – on track

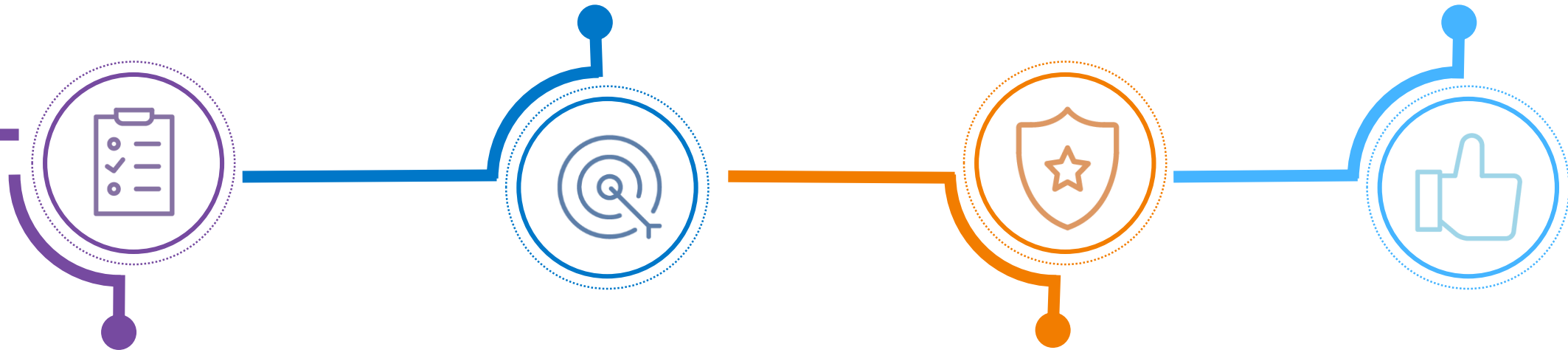
Retail Recovery will move to Stabilize and Optimize in 2019

Stabilize – 1H 2019

- Active management of strong, sustainable SLA performance
- Strengthen control environment
- Robust organisational model
- Platform functionality strengthened

Best in Market – 2020>

- Embed Operational optimization to lower cost further
- Introduce new functionality to differentiate the proposition



Retail Recovery – 2H 2018

- Returning to an acceptable level of customer service
- Platform functionality repair

Optimize – 2H 2019

- Operation remodelling synergies
- Re-engineered processes to optimised operating model
- Strong continuous processes improvement
- Deliver deferred new adviser and customer functionality

Delivering the Aegon UK Nationwide integration

Nationwide

Migration

2Q 2019



Nationwide

TPA Launch

3Q 2019

Nationwide

IT Decommission

3Q 2019



Nationwide

Hove Location Closure

4Q 2019

Migration

- Migration of c.300k existing customers
- A new technology set (platform & portals), Reduces unsupported technologies and unlocks technology operating costs savings
- Secures large back-book in high margin proposition

TPA Launch

- Commencement of 7 year contractual relationship
- Launch support of Nationwide's 'My Savings Choices' proposition with integrated auto-advice
- Aegon to become the default Investment solutions provider

IT Decommission

- Decommission of DST technology
- Storage of historical data records

Hove Location Closure

- Property lease arrangements will cease at end of 2019
- Optimising DS operations operating model

Extending the Aegon UK Outsource Partnership with Atos

Lowering cost base

- GBP 30 million annual expense savings
- Attractive return: GBP c.400 million benefit in underlying earnings over duration of contract for GBP 130 million investment

Retaining AM fees

- Approximately GBP 25 million annual asset management fees retained, which would have been lost in case of divestment

Focusing on long-term

- 15 year contract with well-known partner
- Expenses more variable: cost per policy expected to decrease by c. 40%



Improving customer experience

- Servicing 1.4 million customers with a multitude of different policy types

Significant capital benefit

- Additional capital benefit expected of over GBP 100 million from lower and more variable expenses

Securing jobs in the region

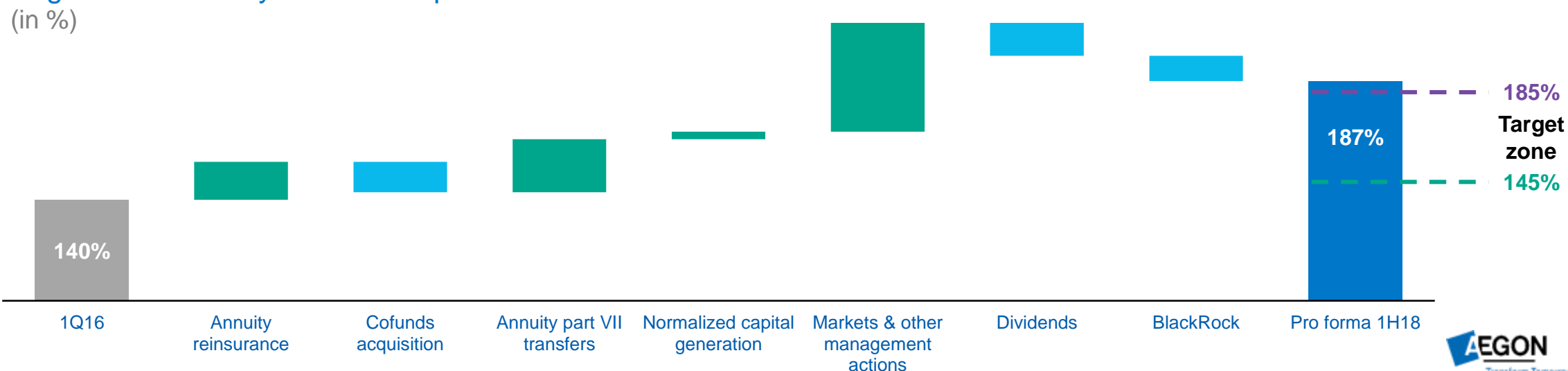
- 800 employees will transfer to Atos

Note: AM = Asset Management

Strong capital position

- Annuity sale and Cofunds acquisition completed during 2017
- GBP 150 million special dividend to Aegon Group in 4Q 2017
- Resumed regular dividend payments with GBP 50 million interim dividend to Aegon Group in 1H 2018
- We have seen market movements and completed other management actions, including IMAP model developments and fund reconstruction.
- The 1H 2018 ratio was 197%, which included a temporary benefit from changes in the equity hedging program which is expected to reverse in the second half of the year.
- The BlackRock Part VII transfer was completed on July 1, 2018 and is expected to lead to an approximate 10%-points reduction of Aegon UK's Solvency II ratio in 2H 2018

Aegon UK Solvency ratio development



Politics

- Aegon UK is preparing for all scenarios, including a hard Brexit

Structure

- Aegon UK locally incorporated and limited cross-border activities
- No significant operational issues; preparing contingency plans for Customer Service
- Ability to continue to operate European data centre in Edinburgh

Capital

- UK capital ratio resilient to declining equity markets, falling interest rates and rising credit spreads
- Well hedged against market shocks – unit matching in place; extensive reverse stress testing completed
- Balance sheet management in recent years has been key – annuity disposal for example

Operational

- Continuity plans in place to cover sustained customer demand
- Liquidity management plans in place where needed – e.g. Property Funds
- Full 'Hard Brexit' continuity test completed in December 2018

Key risks in the business now and in the future

	Product / Proposition	Aegon UK alignment to strategy	Financial considerations
Retain	Unit Linked Packaged business	Aegon UK has a large book of unit linked packaged business, generating significant levels of fee income . Retention of this book is key.	New business is now generally capital light . Some strain on low premium auto enrolment business. Capital generation is driven by future fee income, main risks to which are market performance and persistency .
Grow	Unit Linked Platform business	Platform is core to the Aegon UK strategy (across each of Retail and Workplace channels).	New platform business is capital light : <ul style="list-style-type: none"> removal of commission under RDR means that capital strain is more limited market risks are predominantly retained by the customer Capital generation is driven by future fee income, main risks to which are market performance and persistency .
Run Off / Sell	Annuity portfolio	Aegon UK c£9bn annuity portfolio was sold to Rothesay Life and Legal & General in 2017 via a Part VII.	The remaining Guardian (c£800m) annuity book has limited longevity and credit exposure . Aegon UK will consider a sale at the right price.
Grow	Protection	Protection is a central element of the Aegon UK proposition , and sits alongside savings products as a key tool in helping our customers financial needs.	The capital consumption and generation for the Protection book is small in comparison to the unit linked and annuity books. Aegon UK primarily focuses on advised distribution and larger case business. Significant parts of the book are reinsured .
Run-off	With-profits sub-fund	The with-profits fund is not a core growth area of the business, and was closed to new business in 2013. The fund is running off at approximately 10% per annum.	Excess capital in the with-profit fund is 100% owned by the policyholders. The fund is managed to be self-supporting with no capital strain on the shareholder.

Transformation underway with strong growth outlook

- ✓ A model that has Customers, Advisers and the Shareholder at its centre, aligned to the regulatory and legislative agenda
- ✓ Built a scalable, fee-based, multi-channel investment trading platform
- ✓ Integration plan is on track, on budget and will realise expected cost savings
- ✓ Direct to Customer will be a 'slow burn' and we will not compete with advisers
- ✓ Uniquely positioned with broad distribution and product wrappers
- ✓ Transformed and improved underlying earnings profile
- ✓ Strong cash flow generation and dividend paying capacity

Disclaimer

Cautionary note regarding non-IFRS measures

This document includes the following non-IFRS-EU financial measures: underlying earnings before tax, income tax, income before tax, market consistent value of new business and return on equity. These non-IFRS-EU measures are calculated by consolidating on a proportionate basis Aegon's joint ventures and associated companies. The reconciliation of these measures, except for market consistent value of new business, to the most comparable IFRS-EU measure is provided in note 3 'Segment information' of Aegon's Condensed Consolidated Interim Financial Statements. Market consistent value of new business is not based on IFRS-EU, which are used to report Aegon's primary financial statements and should not be viewed as a substitute for IFRS-EU financial measures. Aegon may define and calculate market consistent value of new business differently than other companies. Return on equity is a ratio using a non-IFRS-EU measure and is calculated by dividing the net underlying earnings after cost of leverage by the average shareholders' equity, the revaluation reserve and the reserves related to defined benefit plans. Aegon believes that these non-IFRS-EU measures, together with the IFRS-EU information, provide meaningful supplemental information about the underlying operating results of Aegon's business including insight into the financial measures that senior management uses in managing the business.

Local currencies and constant currency exchange rates

This document contains certain information about Aegon's results, financial condition and revenue generating investments presented in USD for the Americas and Asia, and in GBP for the United Kingdom, because those businesses operate and are managed primarily in those currencies. Certain comparative information presented on a constant currency basis eliminates the effects of changes in currency exchange rates. None of this information is a substitute for or superior to financial information about Aegon presented in EUR, which is the currency of Aegon's primary financial statements.

Forward-looking statements

The statements contained in this document that are not historical facts are forward-looking statements as defined in the US Private Securities Litigation Reform Act of 1995. The following are words that identify such forward-looking statements: aim, believe, estimate, target, intend, may, expect, anticipate, predict, project, counting on, plan, continue, want, forecast, goal, should, would, could, 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 and/or governmental conditions, particularly in the United States, the Netherlands and the United Kingdom;
- Changes in the performance of financial markets, including emerging markets, such as with regard to:
 - The frequency and severity of defaults by issuers in Aegon's fixed income investment portfolios;
 - The effects of corporate bankruptcies and/or accounting restatements on the financial markets and the resulting decline in the value of equity and debt securities Aegon holds; and
 - The effects of declining creditworthiness of certain public sector securities and the resulting decline in the value of government exposure that Aegon holds;
- Changes in the performance of Aegon's investment portfolio and decline in ratings of Aegon's counterparties;
- Consequences of an actual or potential break-up of the European monetary union in whole or in part;
- Consequences of the anticipated exit of the United Kingdom from the European Union and potential consequences of other European Union countries leaving the European Union;
- The frequency and severity of insured loss events;
- Changes affecting longevity, mortality, morbidity, persistence and other factors that may impact the profitability of Aegon's insurance products;
- Reinsurers to whom Aegon has ceded significant underwriting risks may fail to meet their obligations;
- Changes affecting interest rate levels and continuing low or rapidly changing interest rate levels;
- Changes affecting currency exchange rates, in particular the EUR/USD and EUR/GBP exchange rates;
- Changes in the availability of, and costs associated with, liquidity sources such as bank and capital markets funding, as well as conditions in the credit markets in general such as changes in borrower and counterparty creditworthiness;
- Increasing levels of competition in the United States, the Netherlands, the United Kingdom and emerging markets;
- Changes in laws and regulations, particularly those affecting Aegon's operations' ability to hire and retain key personnel, taxation of Aegon companies, the products Aegon sells, and the attractiveness of certain products to its consumers;
- Regulatory changes relating to the pensions, investment, and insurance industries in the jurisdictions in which Aegon operates;
- Standard setting initiatives of supranational standard setting bodies such as the Financial Stability Board and the International Association of Insurance Supervisors or changes to such standards that may have an impact on regional (such as EU), national or US federal or state level financial regulation or the application thereof to Aegon, including the designation of Aegon by the Financial Stability Board as a Global Systemically Important Insurer (G-SII);
- Changes in customer behavior and public opinion in general related to, among other things, the type of products Aegon sells, including legal, regulatory or commercial necessity to meet changing customer expectations;
- Acts of God, acts of terrorism, acts of war and pandemics;
- Changes in the policies of central banks and/or governments;
- Lowering of one or more of Aegon's debt ratings issued by recognized rating organizations and the adverse impact such action may have on Aegon's ability to raise capital and on its liquidity and financial condition;
- Lowering of one or more of insurer financial strength ratings of Aegon's insurance subsidiaries and the adverse impact such action may have on the premium writings, policy retention, profitability and liquidity of its insurance subsidiaries;
- The effect of the European Union's Solvency II requirements and other regulations in other jurisdictions affecting the capital Aegon is required to maintain;
- Litigation or regulatory action that could require Aegon to pay significant damages or change the way Aegon does business or both;
- As Aegon's operations support complex transactions and are highly dependent on the proper functioning of information technology, operational risks such as system disruptions or failures, security or data privacy breaches, cyberattacks, human error, failure to safeguard personally identifiable information, changes in operational practices or inadequate controls including with respect to third parties with which we do business 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, shareholders' equity or regulatory capital adequacy levels;
- Aegon's projected results are highly sensitive to complex mathematical models of financial markets, mortality, longevity, and other dynamic systems subject to shocks and unpredictable volatility. Should assumptions to these models later prove incorrect, or should errors in those models escape the controls in place to detect them, future performance will vary from projected results;
- The impact of acquisitions and divestitures, restructurings, product withdrawals and other unusual items, including Aegon's ability to integrate acquisitions and to obtain the anticipated results and synergies from acquisitions;
- Catastrophic events, either manmade or by nature, could result in material losses and significantly interrupt Aegon's business; and
- Aegon's failure to achieve anticipated levels of earnings or operational efficiencies as well as other cost saving and excess cash and leverage ratio management initiatives

This document contains information that qualifies, or may qualify, as inside information within the meaning of Article 7(1) of the EU Market Abuse Regulation (596/2014). 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.