

Returning capital to shareholders

Darryl Button

CFO



Analyst & Investor Conference - London - January 13, 2016



Today's storyline

Solid capital position

- Group Solvency II ratio of ~160%
- Main country units at or above target capital levels
- Low sensitivity to capital market movements allows for a Solvency II target range of 140-170% at group level

Capital return to shareholders

- Dividend pay-out ratio of 50% of free cash flows after holding costs
- EUR 400 million share buyback to be launched today
- NL and UK expected to resume remitting to the group in 2016 and 2017

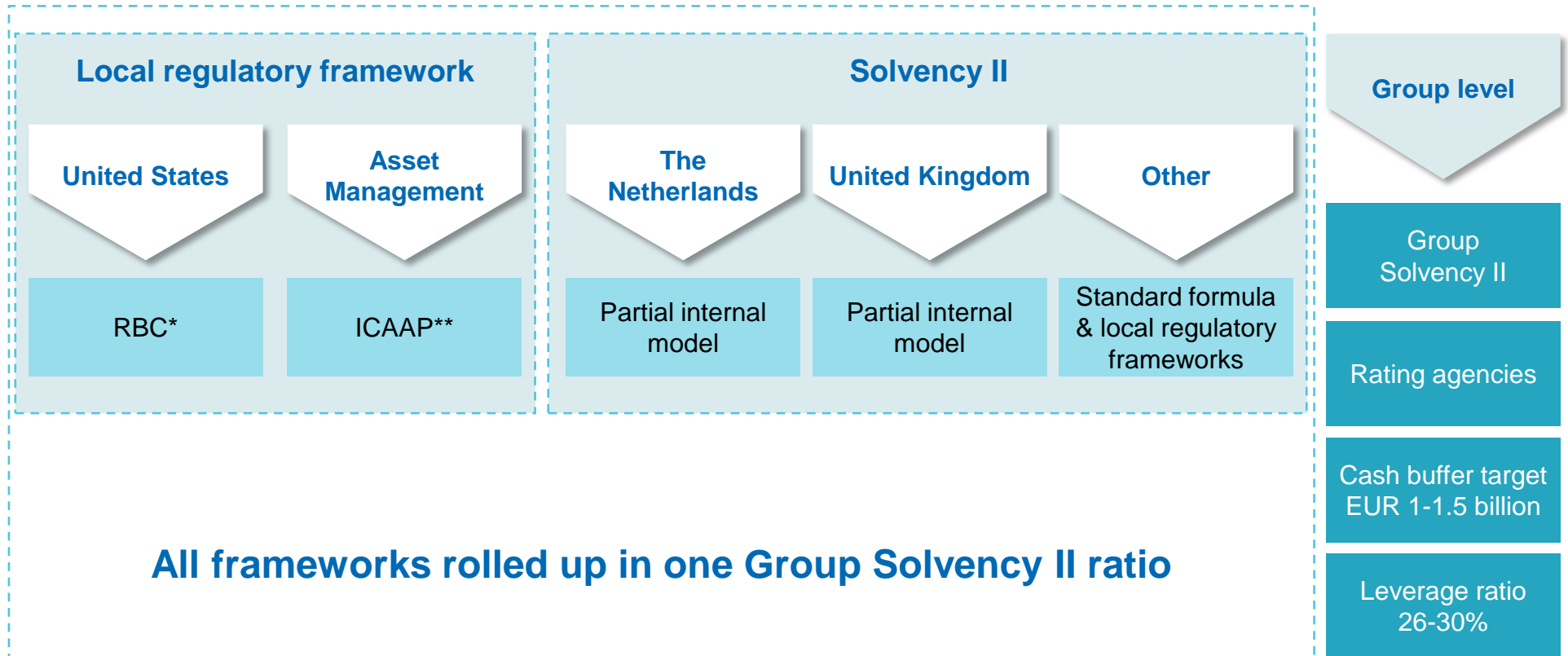
Achieve RoE of 10%

- Cost savings target of EUR 200 million by 2018
- Continued profitable sales growth
- Aligning accounting with inforce management



Solid Solvency II capital position

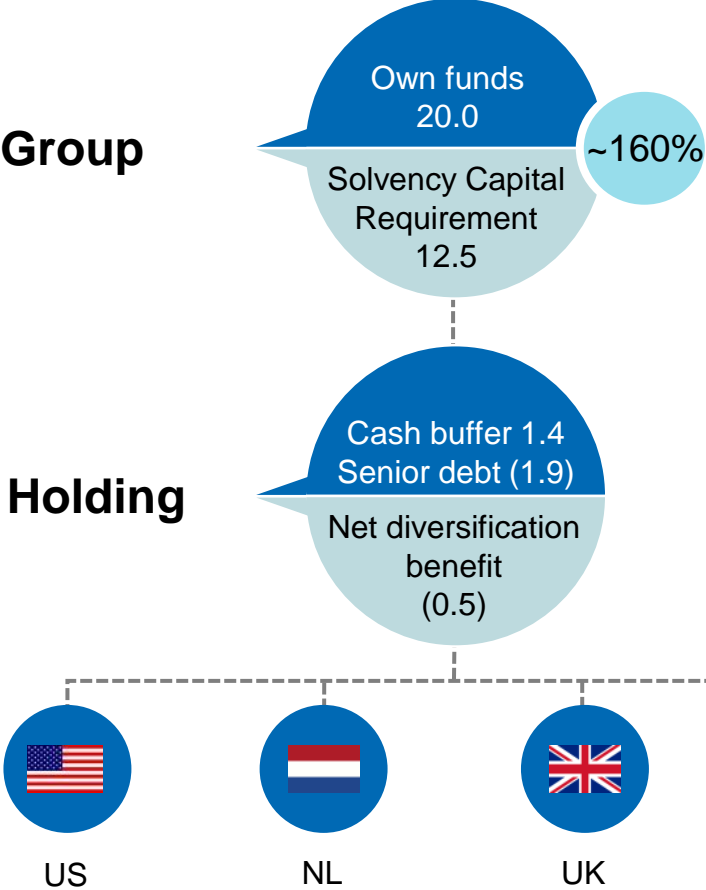
Managing capital across multiple frameworks



*NAIC Risk-Based Capital

**Internal Capital Adequacy Assessment Process

Solid capital position under Solvency II at year-end 2015



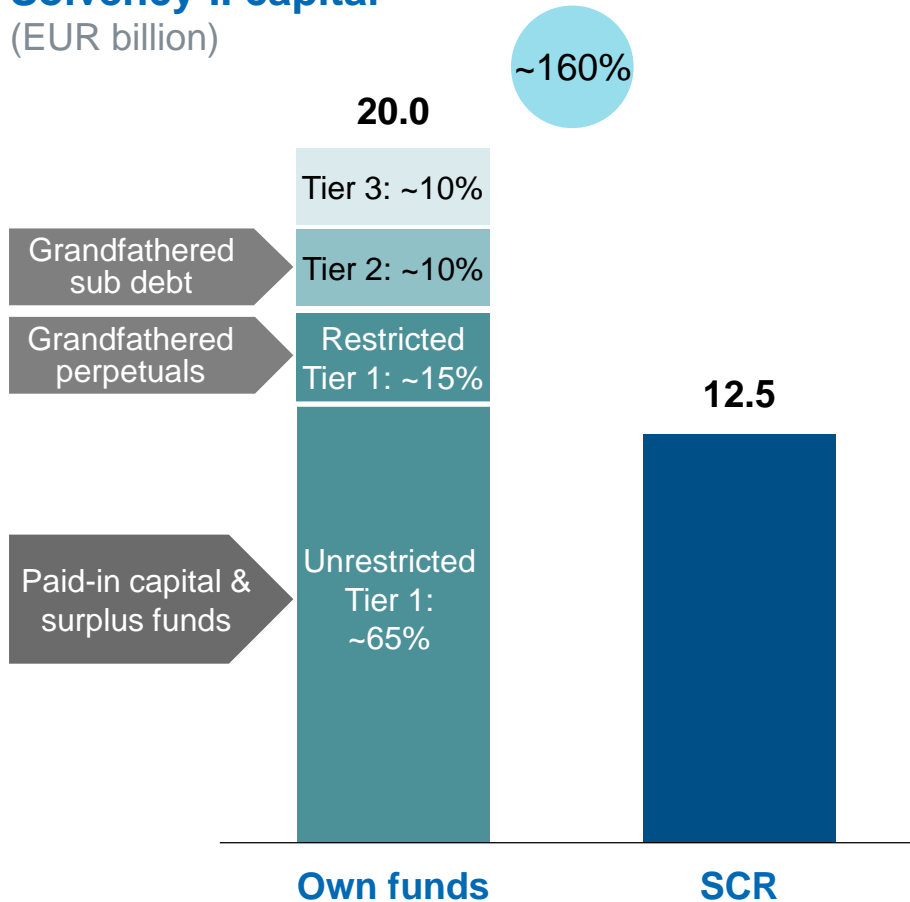
- Approval for the use of the partial internal model in NL and UK received in December 2015
- No diversification benefits at the Holding for the US business

Note: Solvency II information based on Partial Internal Model and management's best estimates. Amounts in EUR billion

High quality capital structure

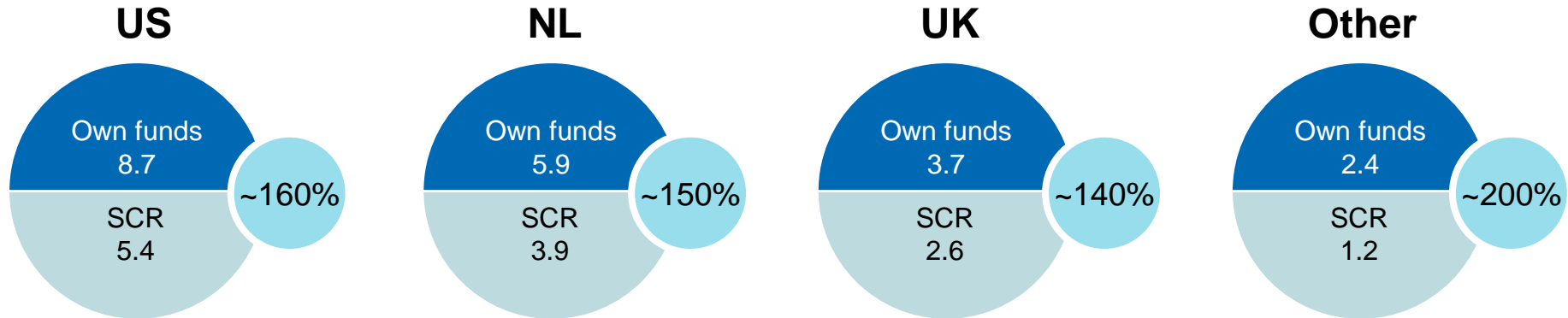
Solvency II capital

(EUR billion)



- High quality capital structure, Tier 1 accounts for 80% of own funds
- No capital benefit for EUR 1.9 billion of senior bonds under Solvency II
 - EUR 500 million senior bond to mature in 2017; to be refinanced with Tier 2 debt
- Tier 3 capital mainly consists of US deferred tax assets

Local units strongly capitalized



- SCR based on US RBC (at 250% CAL)

- No diversification benefits across US legal entities

- US employee pension plan on Solvency II basis

- SCR based on partial internal model

- No benefits from transitional measures

- Remaining uncertainty on loss absorbency of taxes (potential impact on NL ratio of -5% to +10% points)

- SCR based on partial internal model

- Transitional measures included

- Annuity portfolio accounts for ~40% of SCR

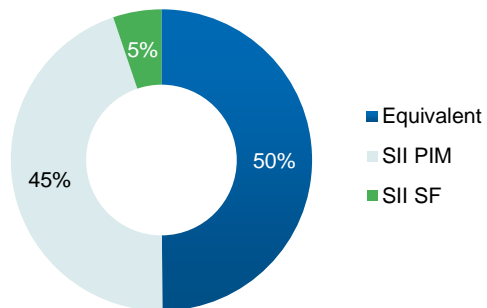
- SCR based on standard formula and local regulatory frameworks

- Individual ratios of units vary

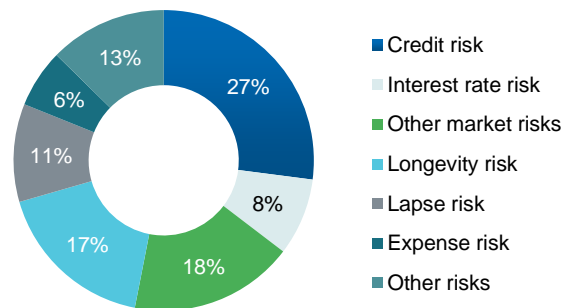
Well diversified risk exposures

- Approximately 50% of required capital not regulated on a Solvency II basis
- Well diversified risk exposures, both under Solvency II and RBC
 - Aim to further reduce required capital due to improved ALM and additional longevity hedges in NL

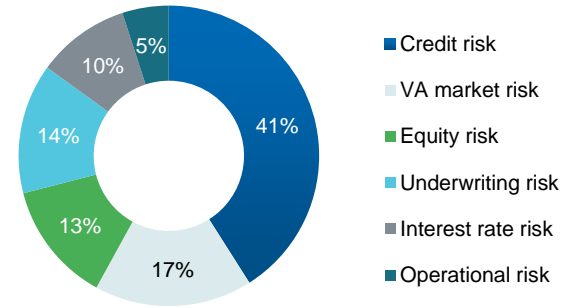
SCR by category



SCR by risk type EEA units



US 100% RBC by risk type



Note: Graphs present best estimate per year-end 2015

Low market sensitivities support capital framework

- Limited market sensitivities as a result of hedging of guarantees and geographical diversification
- Exposure to rising interest rates in the Americas is caused by RBC mismatch between assets, liabilities and hedges
- On an economic basis, rising interest rates are favorable for Aegon's US life business
- Dutch mortgage spread risk resulting from the mismatch with the volatility adjuster on the liabilities
- Shocks resulting from asset spread movements will be offset by higher (or lower) operational free cash flows going forward

Solvency II sensitivities

(in percentage points)

	Scenario	Group	US	NL	UK
Capital markets					
Equity markets	+20%	+2%	0%	+2%	+4%
Equity markets	-20%	-4%	-5%	-3%	-5%
Interest rates	+100 bps	-2%	-12%	-2%	+15%
Interest rates	-100 bps	-4%	+4%	+2%	-17%
Credit spreads	+100 bps	+3%	0%	+3%	+8%
US credit defaults*	~200 bps	-14%	-31%	-	-
Dutch mortgage spreads**	+50 bps	-3%	-	-10%	-
Ultimate Forward Rate	3.2%	-6%	-	-18%	-
Underwriting					
Longevity shock***	+10%	-9%	0%	-21%	-12%

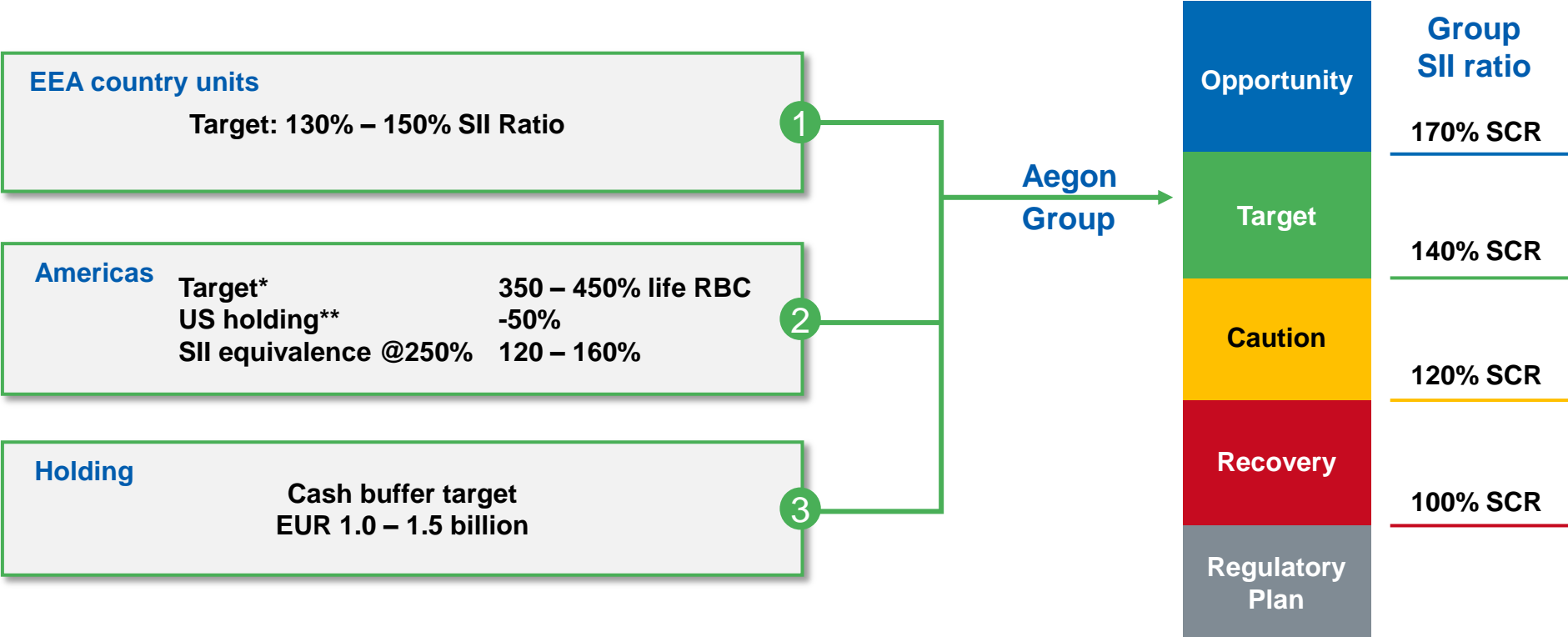
* Additional defaults for 1 year including rating migration

** Assumes no effect from the volatility adjuster

*** Reduction of annual mortality rate by 10%

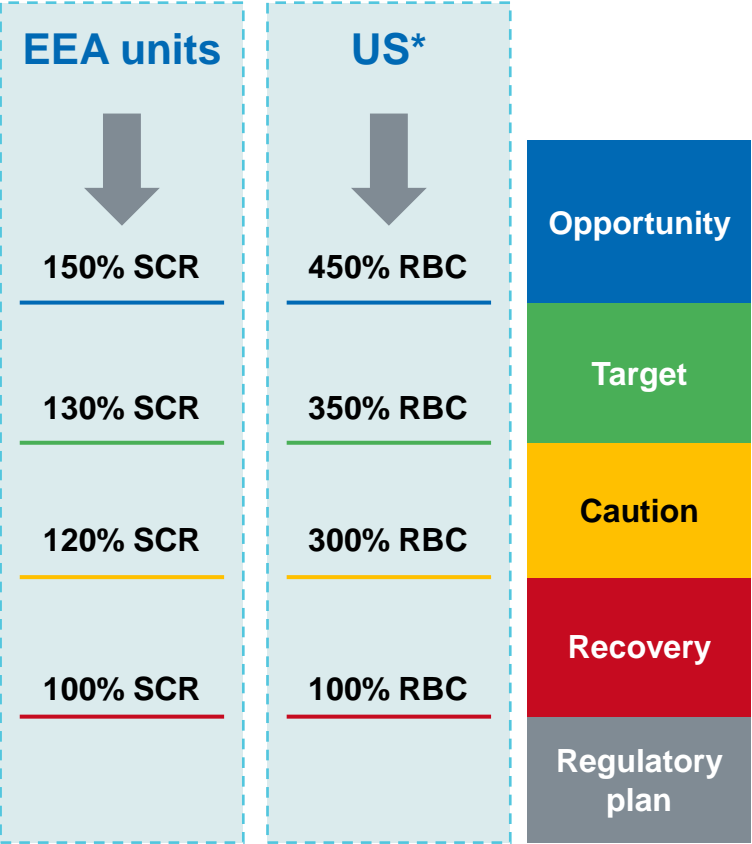
Capital management policy – group level

Low market sensitivities allow for 140-170% target Solvency II range at Group level



* Could be lowered if interest rates rise or RBC asset factors are increased
 ** Primarily impact of US holding companies, including US employee pension plan

Capital management policy – local units



Local capital management zones

- Opportunity**: Accelerated growth and/or additional remittances to the group
- Target**: Capital deployment and remittances according to capital plan
- Caution**: Capital plan and risk position re-assessed
- Recovery**: Capital plan and risk position re-assessed
Remittances reduced or suspended
- Regulatory plan**: Suspension of dividends
Regulatory plan required

* US life entities only



Cash and capital deployment



Substantial capital return to share- and bondholders achieved

Capital deployment strategy 2013-2015

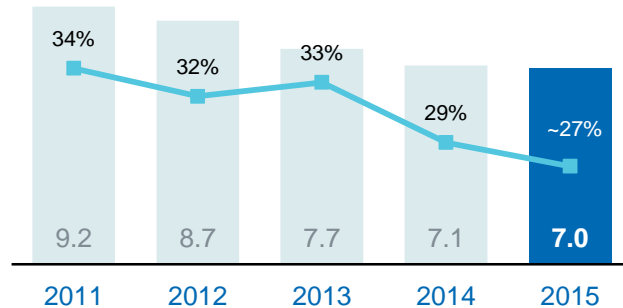
Target EUR 3.5 billion	EUR +0.9 billion	Achieved EUR 4.4 billion
<p>EUR 1.1 billion</p>	<p>1 Deleveraging</p>	<p>EUR 2.0 billion</p> <ul style="list-style-type: none"> Planned deleveraging: EUR 1.1 billion Additional deleveraging: EUR 0.9 billion
<p>EUR 1.2 billion</p> <ul style="list-style-type: none"> Dividends to shareholders 	<p>2 Capital return</p>	<p>EUR 1.3 billion</p> <ul style="list-style-type: none"> Dividends to shareholders
<p>EUR 1.2 billion</p> <ul style="list-style-type: none"> Acquisitions Additional deleveraging Share buyback 	<p>3 Execution of strategic priorities</p>	<p>EUR 1.1 billion</p> <ul style="list-style-type: none"> Acquisitions: EUR 0.2 billion Capital injections: EUR 0.9 billion Share buyback delayed to 2016

Leverage and fixed charge coverage strongly improved

- Gross financial leverage of ~27% in lower half of 26-30% target range
 - Leverage cut by ~25% since 2011
- Fixed charge coverage of ~7x in the middle of 6-8x target range
 - Fixed charges reduced by more than 45%
 - Preferred dividend eliminated

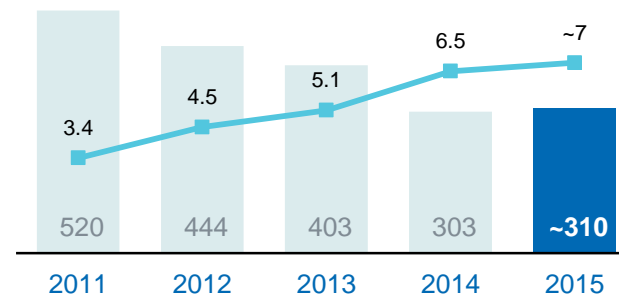
Gross leverage

(EUR billion, %)



Funding costs

(EUR million, fixed charge coverage)



Note: 2015 based on best estimate

Recalibrated cash flows to Solvency II framework

- Americas operational free cash flows expected to grow after 2018, as growth of the fee businesses more than offsets a lower contribution from fixed annuities and run-off businesses
- Netherlands remains stable despite shift from DB to DC
- Investments in new business in Asia to support growth

SII normalized operational free cash flows*

(EUR million)

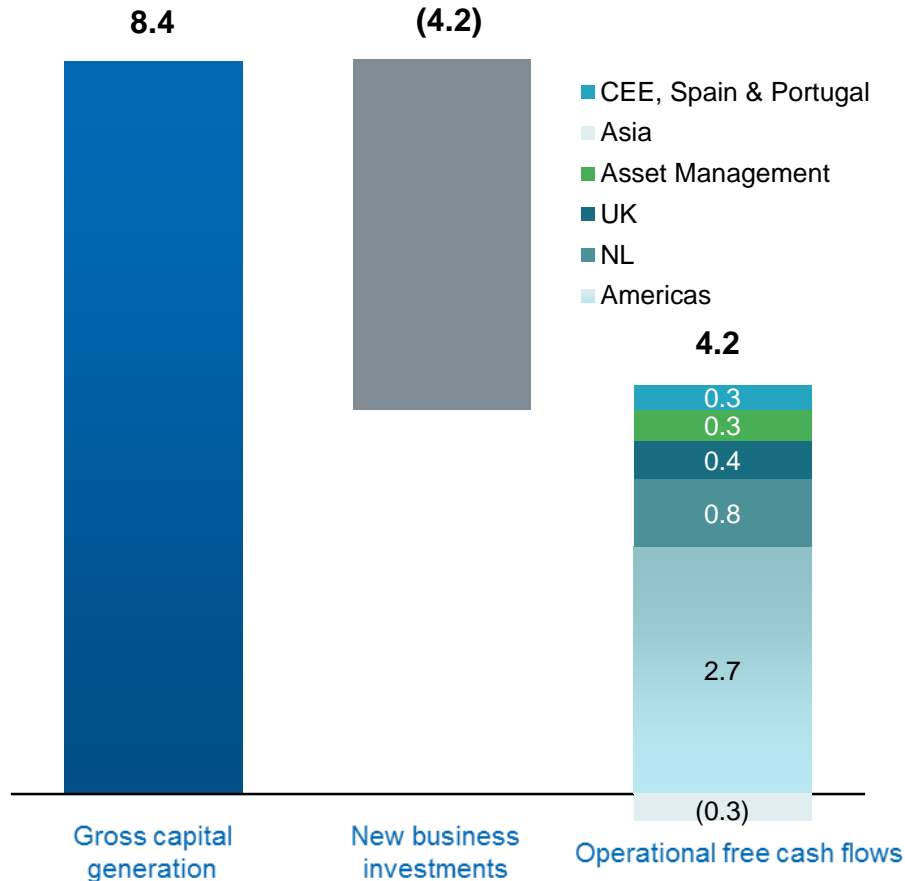
	2016	Direction
Americas	~900	Stable
Netherlands	~250	Stable
United Kingdom & Ireland	~100	Grow
Asset Management	~100	Grow
Central & Eastern Europe, Spain & Portugal	~50	Grow
Asia	~(100)	Improve
Total normalized operational free cash flow	~1,300	Grow

* Best estimate OFCF normalized for the impact of financial markets and one-time items

Investments in new business important driver of future cash flows

Normalized OFCF 2016-2018

(EUR billion)



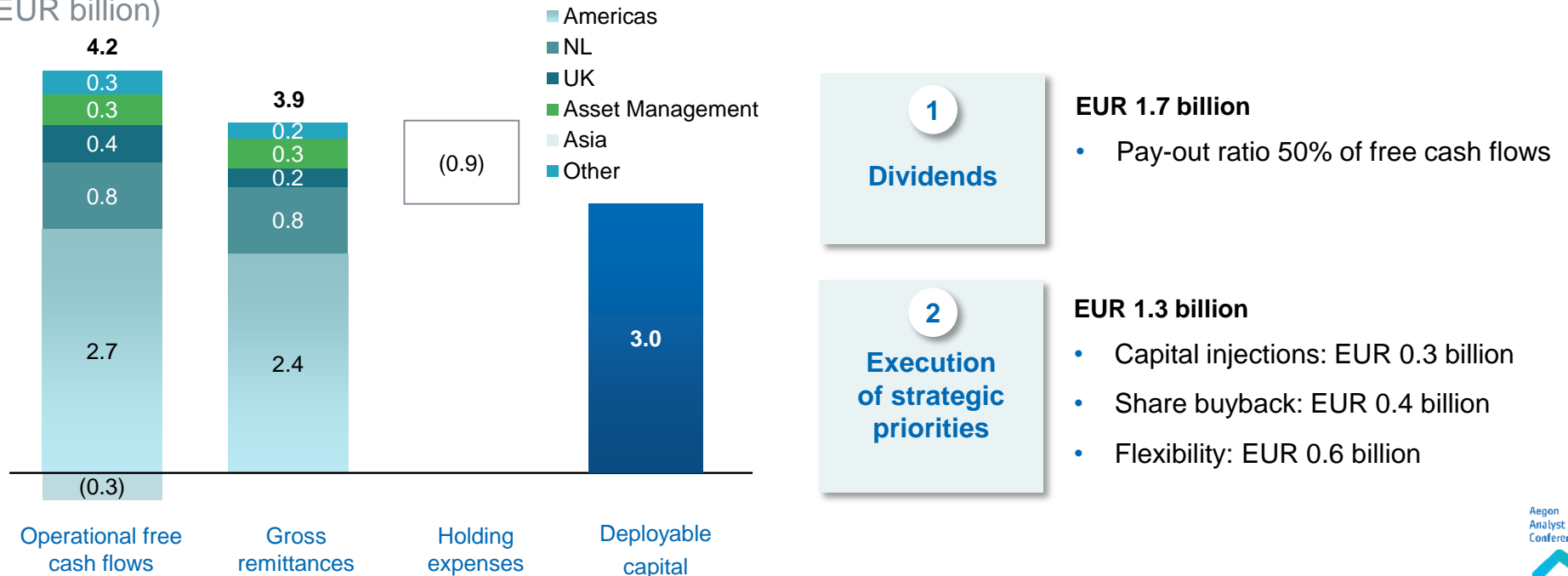
- Gross capital generation in the Americas and NL benefits from cost savings
- Rising contribution to free cash flow generation from UK, Asset Management, CEE and Spain & Portugal due to organic growth
- Investments in new business to drive
 - Earnings growth
 - Economic value (measured by MCVNB)
 - Future operational free cash flows

Capital deployment strategy focused on capital return

- 70% of EUR 3.0 billion deployable capital allocated to dividends and share buyback
 - NL to start paying dividends to the holding of EUR 250 million in 2016
 - UK to start paying dividends to the holding in 2017, increasing to EUR 140 million in 2018
- Capital injections mainly in Asia to support growth

Capital deployment 2016-2018

(EUR billion)

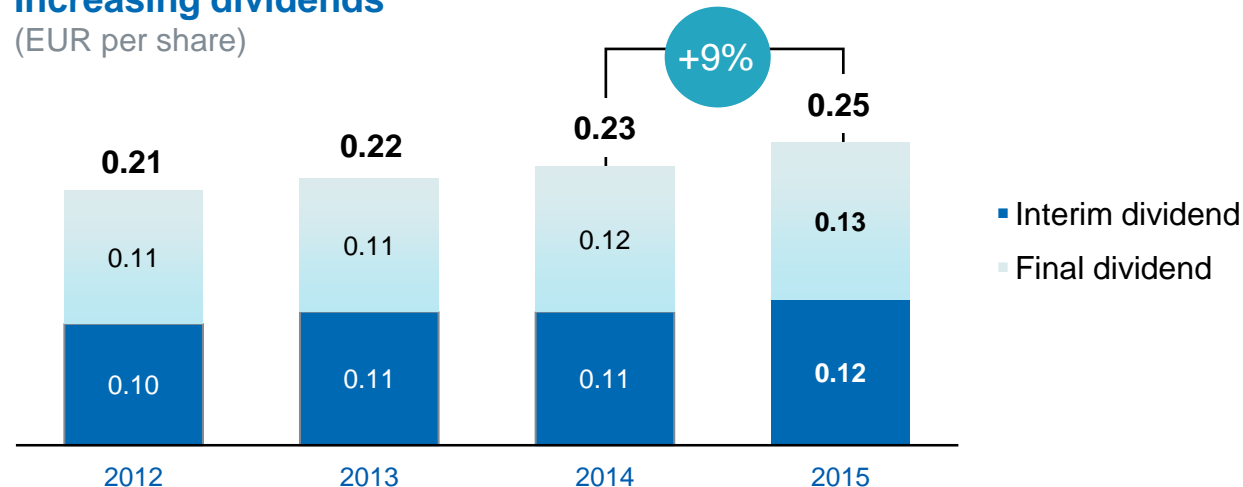


Capital framework supports sustainable and progressive dividends

- Solid capital position under Solvency II
- Growing operational free cash flows and resumption of dividends from NL and UK resulting in rising remittances
- Remittances support progressive dividends and investments in strategic priorities
- Proposed final dividend for 2015 of EUR 0.13 per common share*

Increasing dividends

(EUR per share)



* Subject to shareholder approval at the 2016 AGM



Improving returns and performance

Aligning accounting with inforce management

Scope for UK DAC

- Move from DAC recoverability testing on legal entity level to testing on portfolio level

DAC policy for upgrading

- Upgrade to platform considered substantial modification of contract leading to DAC derecognition
- Allows for value-added upgrading of customers to platform without continued drag on returns

Reinsurance accounting

- Immediately recognize gain or loss when entering reinsurance contracts as part of business exits
- Reflecting economic reality when using reinsurance as means to exit businesses (e.g. SCOR deal)

Estimated group implications

- Implementation of amended accounting policies as of January 1, 2016
- No impact on operational free cash flows, local solvency ratios or group Solvency II ratio
- Gross financial leverage remains within target range

IFRS equity
-EUR 1.3bn

Underlying earnings
+EUR 20m

Return on equity
+0.6%-pts

Financial leverage
+1.4%-pts

Simplified reporting underlines focused approach

- Asset management reported separately as importance for the group increases
- Clear geographical reporting segments
- Continue to provide details of underlying earnings by lines of business



Comprehensive program to review all our models

P&L charges mainly
related to US
Universal Life model

2013/2014

- Model review program launched worldwide
- Sets standards for development, testing and validation of models
- Scope covers all models: IFRS, regulatory, economic capital and pricing
- Phased approach with priority for most complex models

2015

- High and some medium risk model findings carried into 2015 for remediation
- Limited impact with the exception of US Universal Life

2016

- Transitioning to business-as-usual

2017

- Conversion of Universal Life model to new valuation platform

Reduce expenses by simplifying the business

Strong expense track record 2010-2015

US

Expenses up only 1% while growing sales by 8% CAGR

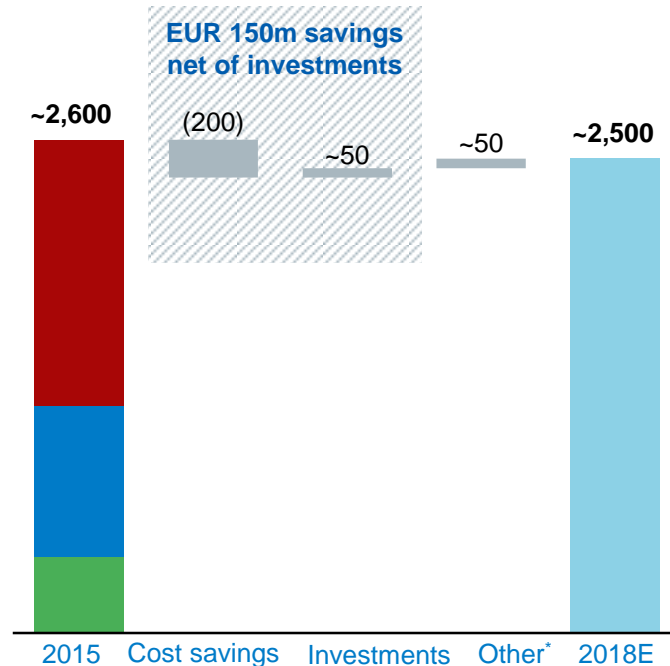
NL

Reduced expense of insurance activities by ~20%

UK

Expense base reduced by ~35% since 2010

Additional annual cost savings in 2016-2018...



...by simplifying the business

- Transforming into one Transamerica
- One touch point for the customer
- Continuing reduction of legacy systems in NL
- Continuous focus on digital solutions in the UK
- Streamlining support functions at the Holding

Note: 2015 based on 9M 2015 annualized. Figures based on operating expenses excluding employee benefits

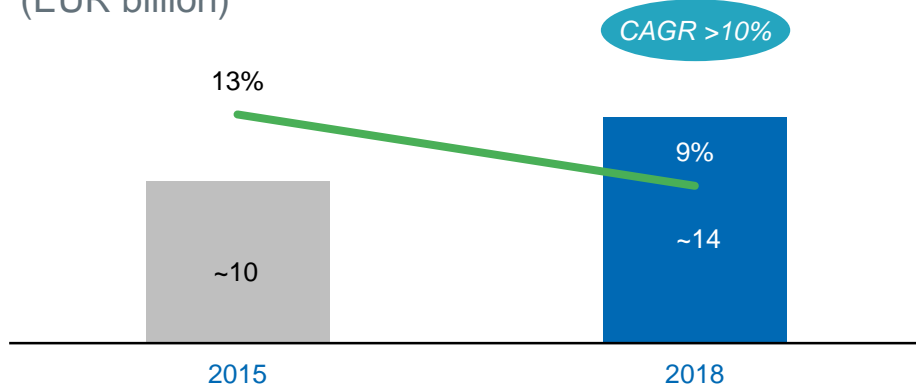
* Includes net impact from the recent divestments and the acquisition of Mercer's HR pension administration business

Continue to generate strong profitable sales growth

- Sales growth resulting from focus on fee products
 - Strong growth prospects in US retirement plans, indexed universal life products and Asset Management
- MCVNB margin improvement due to product improvements
 - Improved margins in the US due to adjustments to variable annuities and UK because of scale advantages
- Reducing pay-back periods
 - Priority to reduce pay-back periods to improve near term free cash flow and earnings growth from sales

Strong sales growth...

(EUR billion)

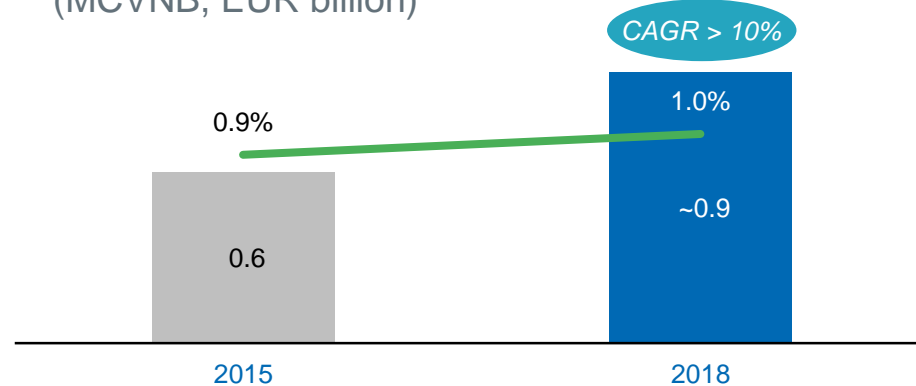


■ Sales

— New business investments as % of sales

...with continued strong profitability

(MCVNB, EUR billion)



■ MCVNB

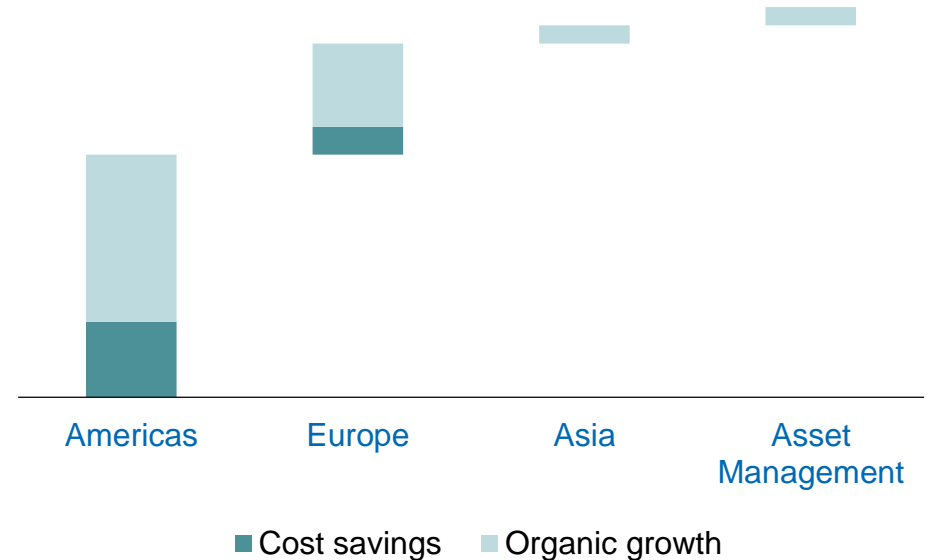
— MCVNB over PVNBP

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

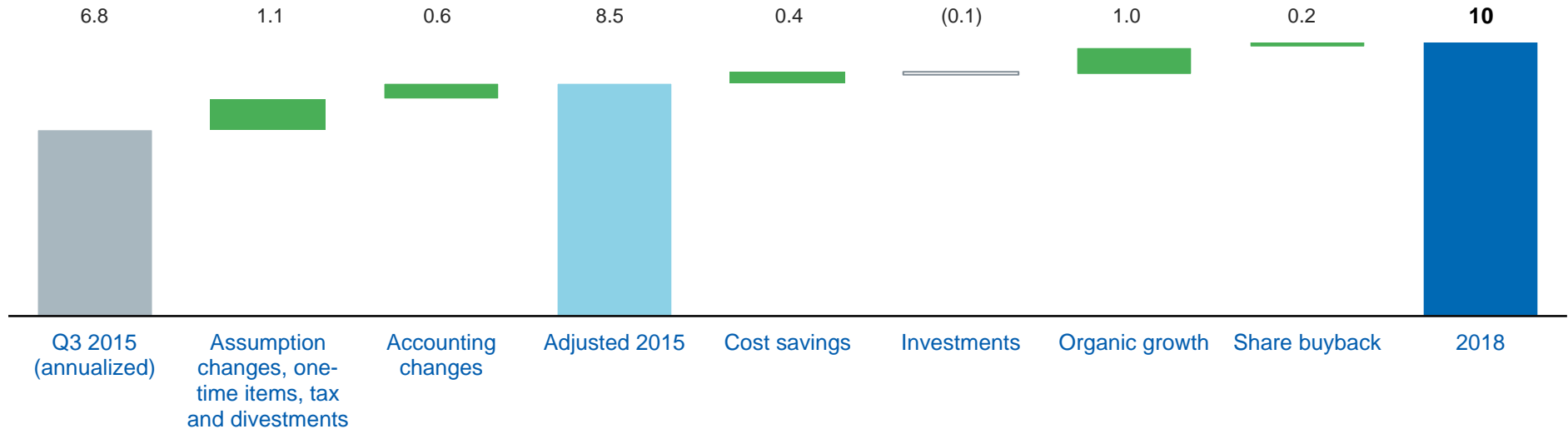


RoE target of 10% in 2018

- Target to reach a RoE of 10% in 2018, from an adjusted base of 8.5% in 2015
- Achieved through organic growth, cost savings and capital return

RoE

(in %)





Concluding remarks



Strong Solvency II ratio 160%

Attractive capital return in form of
dividends and share buyback €2.1bn

RoE driven by
cost savings and organic growth 10%



Appendix



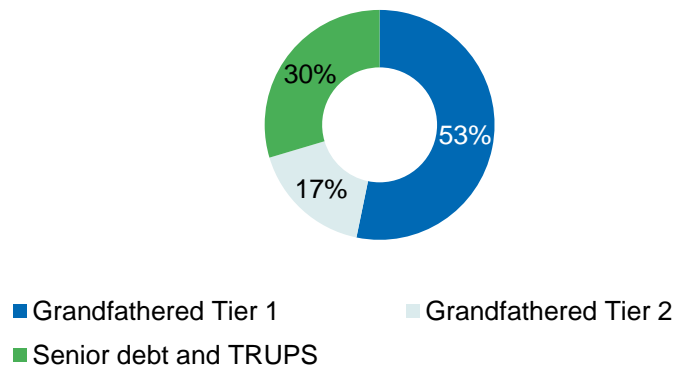
Maturity schedule and Solvency II treatment of debt instruments

- Solvency II treatment of outstanding debt instruments
 - ▶ Perpetual securities are grandfathered as Tier 1 capital*
 - ▶ Dated subordinated notes are grandfathered as Tier 2 capital
- Trust pass-through securities and senior debt instruments are treated as liabilities when calculating Solvency II capital (Own Funds)

* Aegon has committed to only call or amend these securities subject to prior approval by DNB

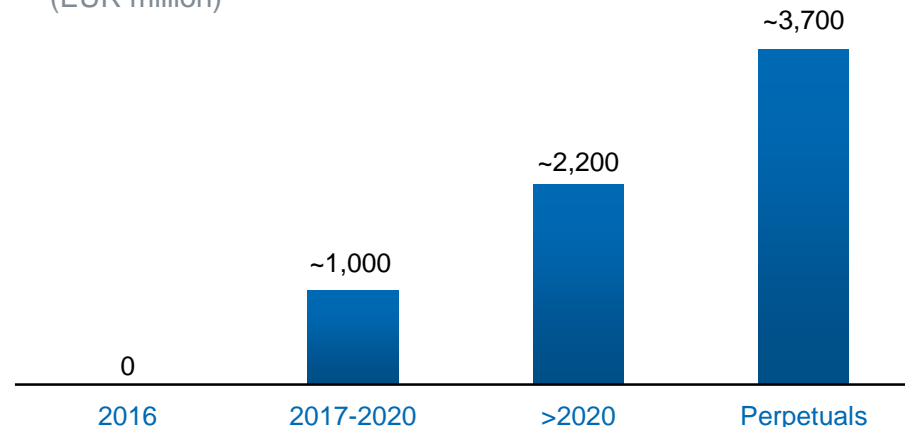
Solvency II treatment of debt instruments

(in % of total debt instruments)



Senior and subordinated debt maturity schedule

(EUR million)



Main economic assumptions

Overall assumptions	US	NL	UK
Exchange rate against Euro	1.10	N.a.	0.71
Annual gross equity market return (price appreciation + dividends)	8%	7%	7%
Main assumptions for financial targets	US	NL	UK
10-year government bond yields	Develop in line with current forward curves		
Main assumptions for US DAC recoverability			
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%		

For Investor Relations please contact

+31 70 344 8305

ir@aegon.com

For Media Relations please contact

+31 70 344 8344

gcc@aegon.com



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.

