Aegon UK strategy update

Citi's European Insurance Conference
Investor presentation

Helping people achieve a lifetime of financial security
Aegon UK at a glance

- Focusing on long term savings, retirement, workplace savings and protection
- Award-winning multi-channel investment platform
- >3,000 employees
- >3.6 million customers
- £171 billion Assets Under Administration*
- #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

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

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

Note: Book values as at end June 2018, DAC = Deferred Acquisition Costs, DC = Defined Contribution, IPS = Investment Portfolio Service, TPA – Third Party Administrator.
Business model in place to grow capital light fee-based business

Evolving business model

2015
- Unit Linked
- Annuities
- Protection
- Platform

2019
- Investment Platform
  (including Cofunds & BlackRock)
- W/Place
- Retail
- Direct
- Protection
- Unit Linked
  (outsourced to Atos)

Improving earnings trajectory

- 2015
- 2016
- 2017
- 2018
- Digital Solutions
- Existing Business
- H1 18 Annualised (DS)
- H1 18 Annualised (EB)
- Fee business
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

Adrian Grace, CEO
Stephen McGee, CFO
Jim Ewing, CRO
James Crispin, Chief Actuary

Management Teams

Digital Solutions
Mark Till, MD Digital Solutions

Existing Business
Dougy Grant, MD Existing Business

Shared Services
Gill Scott, HRD
James Mackenzie, General Counsel
Caroline Macefield, Chief Internal Auditor*

Transformation
Ed Dymott, MD Innovation, Transformation & Growth

* 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

**Accessible Market - £3.7trn AUA**

**Medium Term Savings - £2trn**
- Cash (Banks/BS) £1trn

**Long Term Savings - £1.7trn**
- Private DC Pensions - £0.35trn
  - Contract £0.15trn
  - Trust: Bundled £0.05trn
  - Trust: Unbundled £0.1trn
- Unwrapped £0.5trn
- Cash ISA £0.25trn
- S&S ISA £0.25trn

**Platform Market £520bn**

**Personal Pension £0.25trn**

**Private DB Pensions £1.1trn**

**Aegon UK Participation**

Aegon currently participate in the following areas of the market:
- Defined Contribution workplace pensions
- Individual private pensions
- Stocks and Shares ISA
- Taxed savings – GIA ***

Assets are sourced from all segments (i.e. money comes out of Bank savings and goes into taxed, S&S ISA and Private Pensions)

**Aegon UK’s market opportunities**

- ~14% of stock on platform, ~86% is off platform
- ~80% of new business flow is now on platform driven by advisers and migrating legacy assets
- Market growth year on year is expected to be ~20% through 2021

Source: *NMG adviser survey, Platforum * 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)

<table>
<thead>
<tr>
<th>Total AUA ~£171 billion</th>
<th>~£58bn</th>
<th>~£36bn</th>
<th>~£57bn</th>
<th>~£10bn</th>
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<th>380,000 customers</th>
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With clear positioning to achieve the 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, Platforum;
* Captures platform direct to customer only  ** Investment Portfolio Service
Clear initiatives identified that will grow the Aegon UK business

**Revenue Scale**

<table>
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<tr>
<td>Platform and omni-channel distribution strategy has established Aegon as #1 platform provider</td>
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<tr>
<td>Platform market share is &gt;20% and market growing strongly (20% CAGR)</td>
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<tr>
<td>Maintaining #3 position in the Workplace Platform market and growth driven by auto-enrolment &amp; new business</td>
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<td>BlackRock Part VII delivers Workplace growth</td>
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<td>Protection digitization - Phase 1</td>
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<th>2019 Delivery</th>
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<td>Complete Platform delivery commitments (Institutional, Master Trust, Retail and NBS)</td>
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<tr>
<td>Implement Extended Outsource Partnership of Existing Business with Atos</td>
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<tr>
<td>Aegon investment solutions to platform market</td>
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<tr>
<td>Cross-sell Distribution model – AUM + AUA + Protection</td>
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<tr>
<td>Cost synergies</td>
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<td>Protection digitization – Phase 2</td>
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<table>
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<th>2019 Development</th>
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<td>Create new Decumulation products and propositions (investments into retirement)</td>
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<tr>
<td>Making our business easier for distributors to connect to (e.g. becoming “PayPal for Platform”)</td>
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<tr>
<td>Consider inorganic growth to achieve further scale</td>
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<tr>
<td>Future transformation agenda formed</td>
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**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.

**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

Optimize – 2H 2019
- Operation remodelling synergies
- Re-engineered processes to optimised operating model
- Strong continuous processes improvement
- Deliver deferred new adviser and customer functionality

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
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

**IT Decommission**
- Decommission of DST technology
- Storage of historical data records

**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

**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

(in %)

- 1Q16: 140%
- 1H18 Pro forma: 187%

Target zone: 185% - 145%
## Aegon UK’s considerations on Brexit

### 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

<table>
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<tr>
<th>Product / Proposition</th>
<th>Aegon UK alignment to strategy</th>
<th>Financial considerations</th>
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<td><strong>Retain</strong></td>
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| 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:  
  - 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**. |
| 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. |
| **Run Off / Sell**    |                                |                          |
| 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**. |
| 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
Cautionary note regarding non-IFRS measures

This document includes the following Aegon 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, 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 required to report Aegon's primary financial statements and should not be viewed as a substitute for IFRS-EU 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 leveraging 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 performance 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, intend, may, expect, anticipate, predict, project, project, going forward, include, plan, estimate, want, forecast, hope, 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 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 portfolio;
  - 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, insurances such as bank and capital markets funding, as well as conditions in the credit markets in general and in particular, 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;
• Changes affecting the health, liability, finance and earnings of the insurance, 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 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-SIFI);
• Changes in consumer behavior and public opinion in general related to, among other things, the type of products and services Aegon offers, 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 the Aegon business or both;
• As Aegon's operations support complex financial models 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 or terms for products Aegon offers;
• Changes in accounting regulations and policies or a change in 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;
• Aegon's failure to achieve anticipated levels of earnings or operational efficiencies as well as other cost saving and enhance 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 the annual and other Aegon reports filed with 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 publicly update or revise 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.