1H 2019 Results

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August 15, 2019

Helping people achieve a lifetime of financial security

First step in delivery of 2019 – 2021 targets

Target delivery

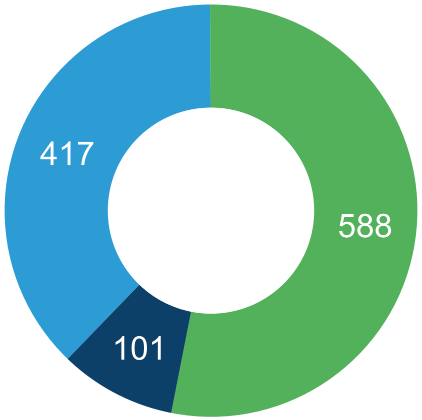
	Targets 2019 - 2021	Results 1H 2019	
Normalized capital generation[1]	**EUR 4.1 billion** cumulative for 2019 – 2021	**EUR 714 million** +20% vs 1H18	✓
Dividend pay-out ratio Of normalized capital generation[1, 2]	**45 – 55 %** assessed at full year	**43%** for 1H19; DPS up 7%	✓
Return on equity Annualized[3]	**> 10 %**	**9.6%** -0.5%-pts. vs. 1H18	✗
Gross remittances to the Holding	**EUR 1.5 billion** guidance for 2019	**EUR 765 million** >50% of guidance for 2019	✓

1. Capital generation excluding market impact and one-time items after holding funding & operation expenses
2. Assuming markets move in line with management's best estimate, no material regulatory changes and no material one-time items other than already announced restructuring programs
3. To align closer to definitions used by peers and rating agencies, Aegon has retrospectively changed its internal definition of adjusted shareholders' equity used in calculating return on equity for the group, return on capital for its units, and the gross financial leverage ratio. As of the second half of 2018, shareholders' equity is no longer adjusted for the remeasurement of defined benefit plans

Significant progress in all parts of the portfolio

Portfolio actions 1H19 by strategic category

Underlying earnings before tax
(in EUR million, 1H19)



Manage for Value

- **NL Life:** Started transfer of administration of defined benefit pension book to TKP to achieve a more variable cost base in the Life business; completion expected by 2023
- **NL Life:** Selectively consider options to optimize capital position and accelerate capital generation

Drive for Growth

- **US:** Increased business focus through organizational realignment with two dedicated leadership teams for Workplace Solutions and Individual Solutions
- **US TCS partnership:** Significantly improved customer experience in a digitally enabled way with tNPS increasing by 9 points[2]
- **UK Digital Solutions:** Successfully finalized Cofunds integration following Nationwide migration, and implementing remaining cost reductions by the end of 2019

Scale-up for the Future

- **NL Banking:** Operationally integrating Aegon Bank and Knab to strengthen leading position as digital bank[1]
- **Latin America:** Agreed to wind down JV with Akaan in Mexico
- **India:** Agreed partnership with leading mobile wallet MobiKwik to launch smart digital insurance product
- **Japan:** Announced divestment of variable annuity JVs with book gain of EUR 50m

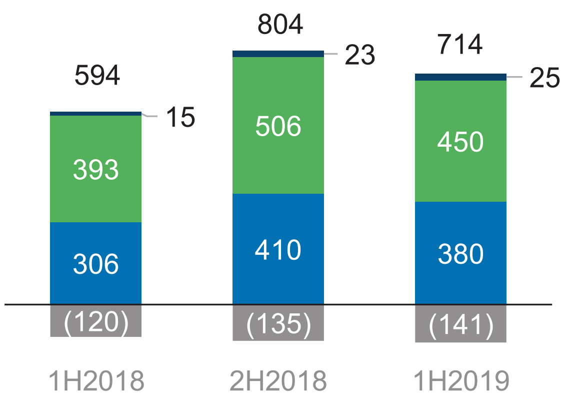
1. Including integration of Knab Advies en Bemiddeling N.V. (KAB), which is currently part of NL Service business
2. Transactional Net Promoter Score (tNPS) for 2Q 2019 compared with YE 2017

Capital generation and new business strain in line with 2019 – 2021 targets

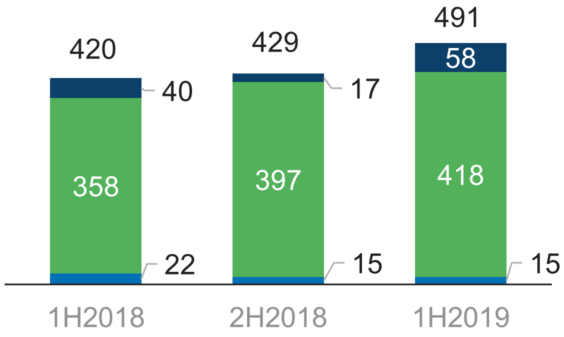
Key portfolio metrics

- Strong normalized capital generation in all strategic portfolio categories supported by inforce actions
- Investing the vast majority of new business strain in growth in Drive for Growth category
  - Increasing commercial momentum in the US, with new business strain mainly from the Life business
  - Evolving business mix also drives new business strain with increase in SCR for new UK workplace pensions and growth in Spain
- IFRS capital allocation slowly shifting towards Drive for Growth category
  - Run-off of US Fixed Annuity and NL Life book leads to less capital consumption, growth in US Life drives higher capital allocation

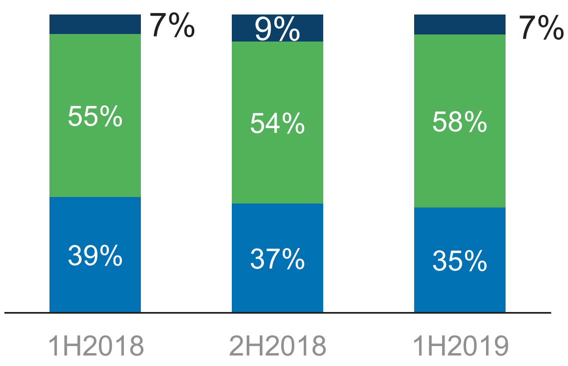
Normalized capital generation[1]
(in EUR million)



New business strain
(in EUR million)



IFRS capital allocated
(in %)



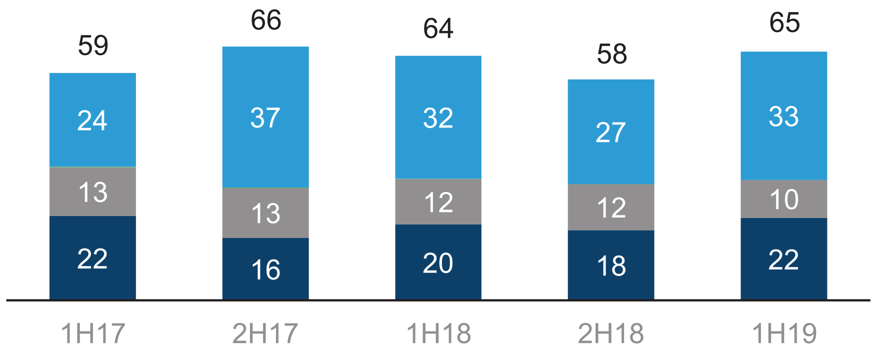
Strategic categories: Manage for Value | Drive for Growth | Scale-up for the Future | Holding & other units

1. 2018 figures have been adjusted, NL Banking to be reported as part of other in 2018

Net outflows despite higher gross deposits

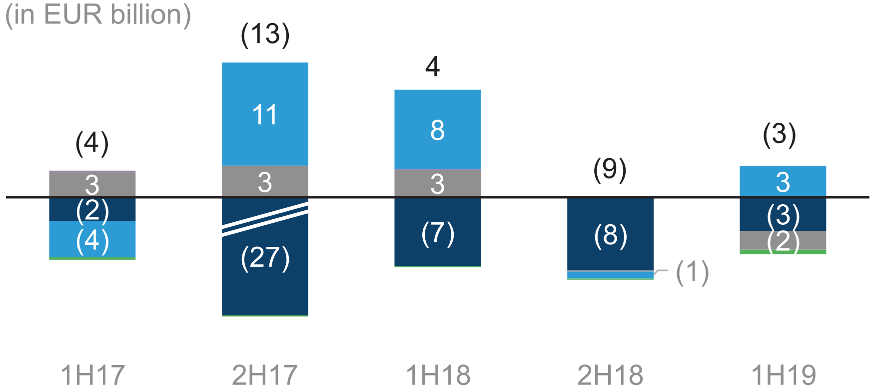
Deposits

Gross deposits
(in EUR billion)



- **US**: Retirement Plans with higher takeover and recurring deposits; growing inflows into Variable Annuities and increasing deposits in fixed indexed annuities
- **Europe**: Growth in NL Banking; lower UK inflows mainly due to lower institutional platform flows
- **AM**: Strategic partnership in China with strong gross deposits

Net deposits
(in EUR billion)



- **US**: Contract discontinuances in Retirement Plans and higher withdrawals in Variable Annuities and Fixed Annuities
- **Europe**: Institutional outflows in UK; stronger inflows in NL
- **AM**: Overall continued growth driven by Strategic Partnerships and NL (STAP); outflows in UK from exit of fund managers

Americas | Europe | Asia | Asset Management | Run-off business

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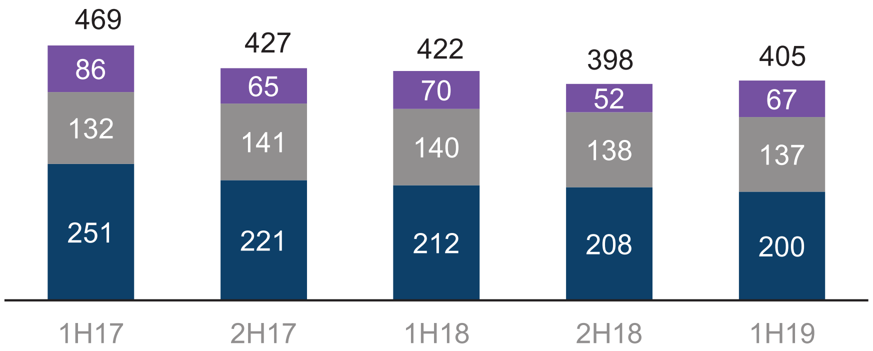
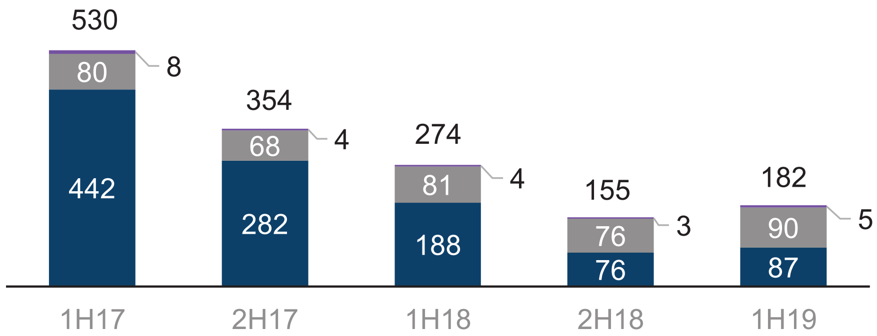
Life and protection sales impacted by headwinds and product exits

Insurance sales development

New Life sales
(APE, in EUR million)



New business in A&H and P&C
(new premium production, in EUR million)



- **Americas**: Sales focus enforced on indexed universal life, market share trend in WFG channel improves
- **Europe**: Stable sales when excluding the impact of the divestiture of Czech Republic and Slovakia
- **Asia**: In local currency 6% growth in China, offset by reduced High-Net-Worth production

- **Americas**: Discontinued non-strategic products; pricing enhancements drove growth in individual; challenging market environment in employee benefits
- **Europe**: Growth from new income protection products, especially an accident product in Spain, and in Hungary

■ Americas ■ Europe ■ Asia

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Clear actions to address current challenges

Group challenges and key actions

	Current challenges	Key actions
Financial markets	Low interest rates put Variable Annuity and Life sales under pressure	• Balancing competitive position with profitability of new sales
	Dislocated credit spreads impact capital position	• Considering options to optimize capital position • Continue to grow capital light service businesses
Propositions	Outflows in Retirement Plans and intense competition in employee benefits	• Improving service delivery, and expanding cross-selling and product bundling
	Brexit and aftermath of retail migration impact flows	• Investing in market leading propositions and platform functionality
Operations	Increasingly fierce competition in High-Net-Worth business	• Diversifying product offering, geography, and distribution channels
	Requirement to lower expenses and make them more variable	• Transferring administration of back book in UK (Atos), in the US (TCS), and in NL (TKP)
	Expanding partnership with Santander while own business is loss making	• Integrating Banco Popular business and restructuring own business

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Improved commercial momentum while investing in customer services

Deep dive: US Workplace Solutions

Organizational realignment

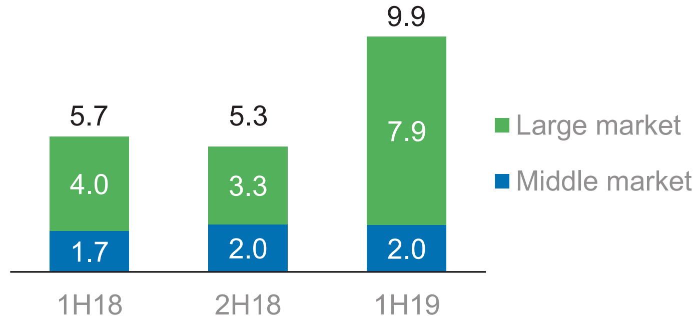
- Combined Retirement Plans, employee benefits and Stable Value Solutions under **one management team**
- Increased **responsiveness** towards customers and distribution partners in a competitive environment
- **Maintained the advantages** of enterprise support services

Customer service

- **Improving service quality** demonstrated by **higher tNPS** scores over 1H19 thanks to enhanced service concept
- Growing asset **retention** through IRA rollovers from Retirement Plans

Commercial momentum

Written sales Retirement Plans
(in USD billion)



- **Encouraging commercial momentum** in Retirement Plans supported by 74% increase in written sales
- Written sales reflect leverage of **large market capabilities** acquired from Mercer
- Increased total number of participants in **Managed Advice**, now officially **launched** in Middle Market as well

Increasing market shares for core products

Deep dive: US Individual Solutions

Organizational realignment

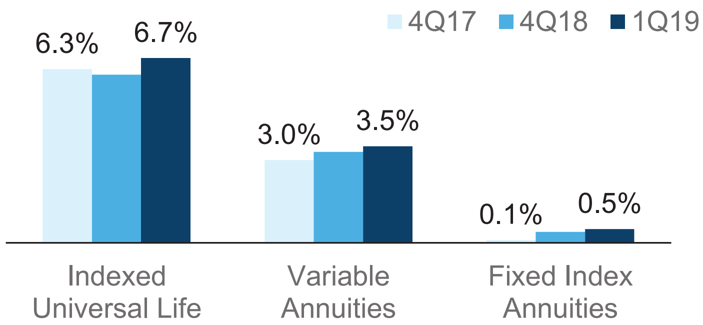
- Provide Variable and Fixed Annuities, Life, Mutual Funds and Accident & Health solutions by **one dedicated leadership team**
- **Align** agent, financial advisors, and WFG **distribution channels** to achieve maximum market penetration
- **Clear responsibilities** for TCS and Long Term Care Group (LTCG) partnerships

Customer service / administration partnerships

- Cooperation with TCS in full swing; marked improvement of **tNPS scores by 9 points**[2]
- **Implementing LTCG** as experienced partner for the administration of LTC book
- Planning **use of white labelled variable annuity product** for broader distribution

Commercial momentum in strategic products

Market shares[1]



- **Gaining market share** in key individual solutions in Life, Fixed and Variable Annuities
- Refurbished core riders for variable annuities **increase competitiveness**
- Successfully **expanded distribution reach** for enhanced fixed indexed annuity product
- **Increased share** of **indexed universal life proposition** within own agency network

Source: Market share data from LIMRA for Indexed Universal Life and Fixed Indexed Annuities, and from Morningstar for Variable Annuities
1. Last available data 1Q 2019
2. Transactional Net Promoter Score (tNPS) for 2Q 2019 compared with 4Q 2017

1H 2019 Financials

Financial highlights 1H 2019

IFRS

Underlying earnings
EUR 1,010 million
-5% compared with 1H18

Net income
EUR 618 million
+26% compared with 1H18

Return on equity
9.6%
-0.5pp compared with 1H18

Capital position

Group solvency ratio
197%
-14pp compared with YE18

Holding excess cash
EUR 1,632 million
+ EUR 358m compared with YE18

Gross financial leverage
29.3%
+0.1pp compared with YE18

Capital generation and dividend

Capital generation
EUR 714 million
Excl. one-time items and market impacts

Dividend per share
EUR 0.15
+7% compared with 1H18

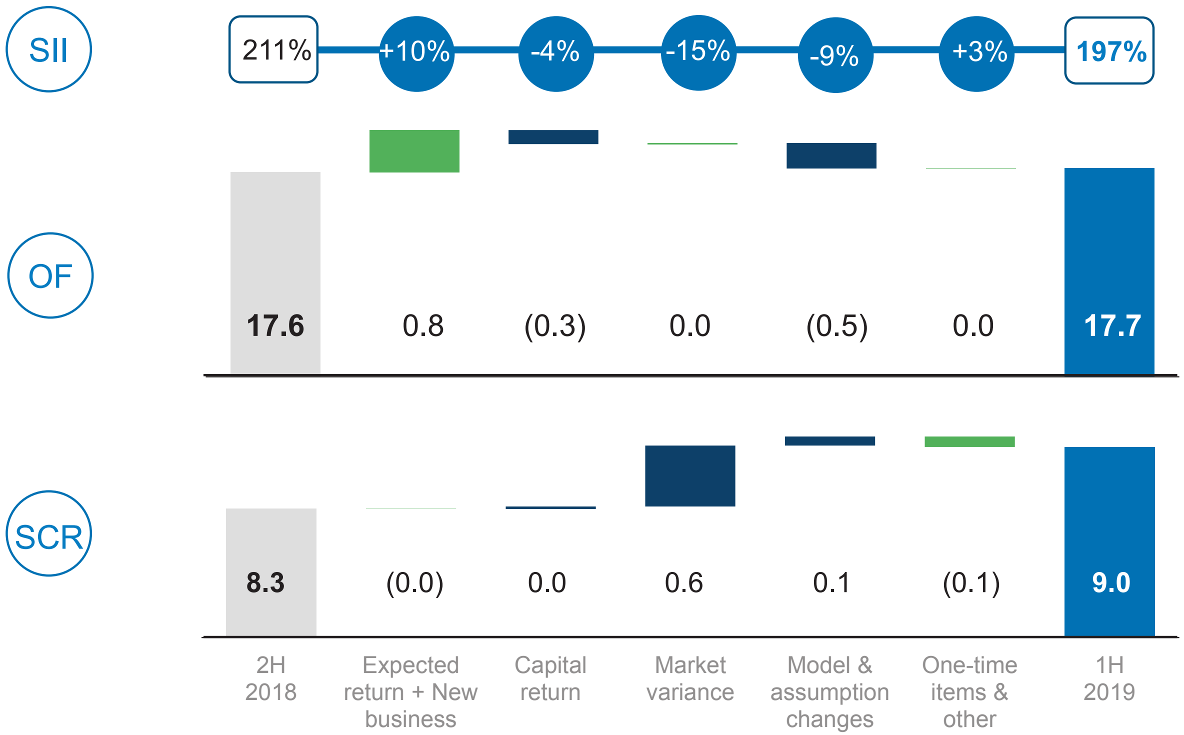
Dividend pay-out ratio[1]
43%
of normalized capital generation[2]

1. Assuming markets move in line with management's best estimate, no material regulatory changes and no material one-time items other than already announced restructuring programs
2. Capital generation excluding market impact and one-time items after holding funding & operation expenses

Group Solvency II ratio of 197%

OF and SCR development

(in EUR billion)

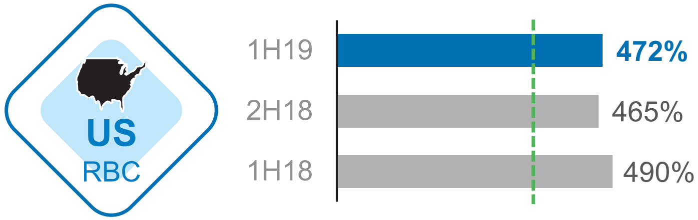


- Expected return (+10%) reflects strong business performance
- Capital return (-4%) primarily driven by external dividends to shareholders
- Market variances (-15%) mainly driven by adverse credit spread movements on both assets and insurance liabilities in NL
- Model & assumption changes (-9%) mainly driven by:
  - Lowering UFR and change treatment illiquids which leads to higher SCR in NL
  - Assumption updates in Asia led to lower OF
- One-time items (+3%) includes proceeds sale Czech Republic and Slovakia and positive one-time items in the US

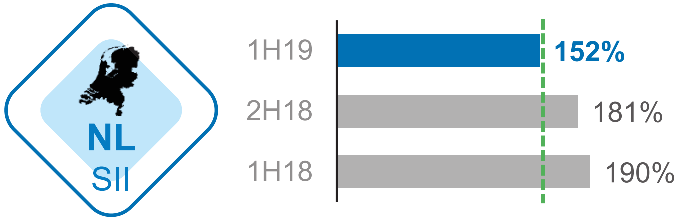
Notes: 1) OF = Own funds; SCR = Solvency capital requirement, 2) Numbers are based on management's best estimates

Strong capital positions US and UK; NL in retention zone

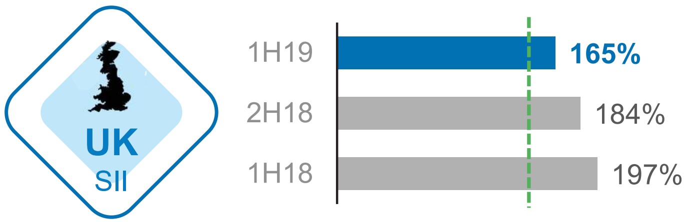
Local solvency ratio by unit



- Ratio increase mainly from retained capital generation and favorable one-time items
- Benefit from higher equity markets more than offset by the impact from lower interest rates
- Merger between TALIC and TLIC to generate USD ~0.2 billion capital in 2H19[1]



- Increased credit spread sensitivities led to an increase of the bottom-end of the target range for the NL by 5%-pts to 155%
- After discussions with DNB, certain illiquid investments are now treated as equities under the standard formula instead of loans under the internal model (-8%-pts)
- Impact from adverse credit spread movements of -38%-pts; resilient for lower rates
- Positive contributions for NL Solvency II position from exclusion of Aegon Bank (+3%-pts), management actions (+9%-pts), and normalized capital generation



- Decrease mainly driven by GBP 160 million remittances to the Holding, including an extraordinary dividend of GBP 100 million
- Negative impact from spread tightening on own pension plan liabilities

Note: Bottom-end of the target range US = 350% RBC; bottom-end of the target range NL = 155% Solvency II; bottom-end of the target range UK = 145% Solvency II
1. TALIC = Transamerica Advisors Life Insurance Company; TLIC = Transamerica Life Insurance Company

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Credit spread mismatch impacts Dutch capital position

Spread impact on NL Solvency II

- Solvency II ratio of Aegon NL declined to 152% in 1H 2019 mainly driven by market movements. Adverse spread movements on both assets and insurance liabilities reduced Own Funds by EUR 1.3 billion
  - Spread widening as a result of the sharp drop in risk-free interest rates while commercial mortgage rates hardly moved, which decreased the value of Aegon's mortgage portfolio. This is not a reflection of deterioration of credit quality in the portfolio and deemed non-economic volatility and expected to reverse overtime
  - Spread tightening in the bond market led to a decline in the EIOPA VA, which increased the value of insurance liabilities while there is a mismatch with our investment portfolio
- Under the previous Dynamic Volatility Adjustment (DVA) model, Aegon NL's Solvency II ratio would be an estimated 10-15%-points higher, as this model used to address part of the credit spread basis risk
- Other market movements, including lower interest rates had no material impact

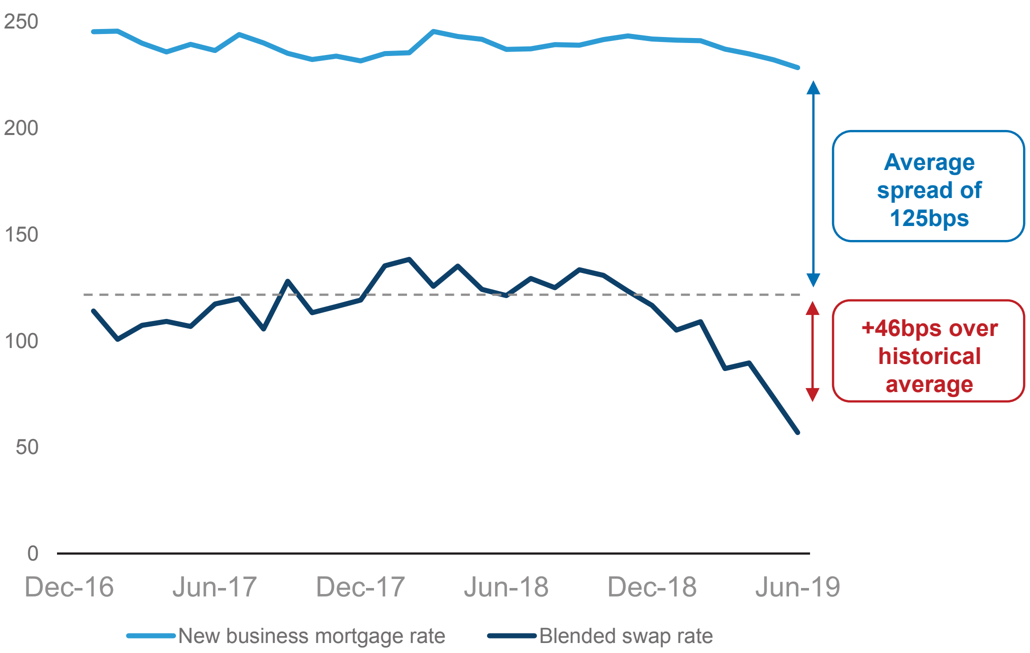
in billion, %	2H18	1H19	Movement	Solvency II OF impact	Solvency II SCR impact	Solvency II ratio
Mortgage spreads	114 bps	171 bps	+57 bps	EUR (0.4)	EUR 0.0	-12%
EIOPA VA	24 bps	9 bps	- 15 bps	EUR (0.9)	EUR 0.1	-27%
Other, incl. interest rates	n.a.	n.a.	n.a.	EUR 0.6	EUR 0.3	+0%
Total	n.a.	n.a.	n.a.	EUR (0.7)	EUR 0.4	-38%

Notes: 1) EIOPA = European Insurance and Occupational Pensions Authority, 2) VA = Volatility Adjustment

Dutch mortgage spreads widened to historically high levels

Dutch mortgage spreads

(in basis points)



- In 1H 2019, mortgage spreads increased to 171bps as a result of a strong decrease in the risk-free interest rates which has not yet been reflected in commercial tariffs
- Mortgages continue to be an attractive asset class. Mortgage spread widening does not reflect deterioration of credit quality, and is therefore expected to translate into higher future capital generation
- Consumer prices expected to come down to reflect lower interest rates given competitive dynamics, which would reduce mortgage spread
- Return of mortgage spreads to long-term average would bring Aegon NL back to target range assuming an unchanged EIOPA VA of 9bps

Source: Company data

Well-managed capital sensitivities

Solvency II sensitivities

(in percentage points, 1H 2019)

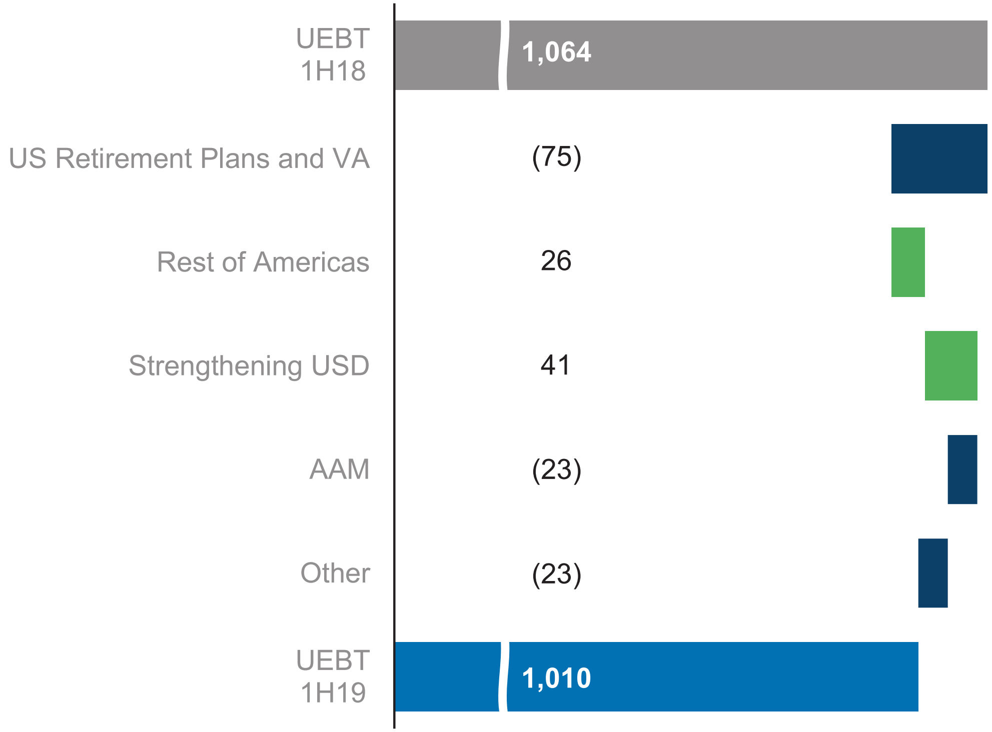
	Scenario	Group	US	NL	UK
Equity markets	+25%	+13%	+35%	+4%	-4%
Equity markets	-25%	-14%	-25%	-8%	-3%
Interest rates	+50 bps	+6%	+7%	+6%	+2%
Interest rates	-50 bps	-8%	-13%	-4%	-1%
Credit spreads*	+50 bps	+5%	+4%	+11%	+5%
Credit spreads*	-50 bps	-7%	-3%	-11%	-8%
Government spreads	+50 bps	-4%	+0%	-7%	-5%
Government spreads	-50 bps	+6%	+0%	+13%	+5%
US credit defaults***	~200 bps	-21%	-41%	n/a	n/a
Mortgage spreads	+50 bps	-5%	n/a	-13%	n/a
Mortgage spreads	-50 bps	+5%	n/a	+13%	n/a
EIOPA VA	+5 bps	+3%	n/a	+8%	n/a
EIOPA VA	-5 bps	-3%	n/a	-8%	n/a
Ultimate Forward Rate	-15 bps	-2%	n/a	-4%	n/a
Longevity**	+5%	-7%	-3%	-12%	-3%

** Credit spreads excluding government bonds*
*** Additional 130bps defaults for 1 year plus assumed rating migration*
**** Reduction of annual mortality rates by 5%*

Lower underlying earnings mainly driven by Retirement Plans and Variable Annuities in US and AAM

Underlying earnings before tax

(in EUR million)

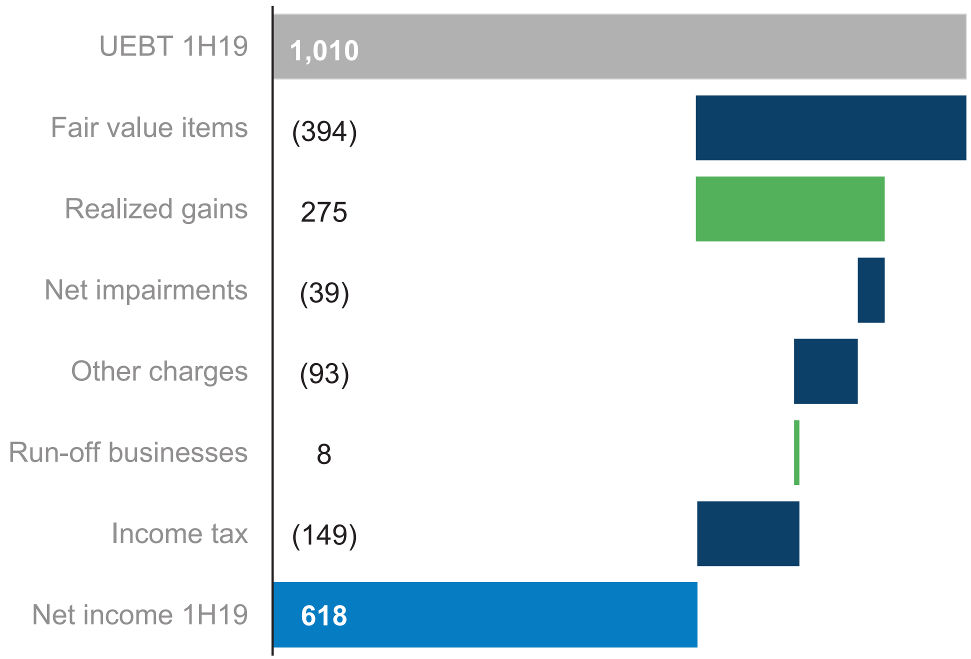


- Retirement Plans and Variable Annuities in US reported lower fee income from lower average balances and increased expenses to support future growth and improve customer experience
- Rest of Americas included a positive reserve release in LTC and better claims experience in Life
- Lower earnings from AAM were the result of lower performance fees compared with an exceptional 1H 2018
- Other was mainly driven by reporting of interest expenses in the P&L instead of through equity

Net income amounts to EUR 618 million

Underlying earnings to net income development in 1H19

(in EUR million)



Fair value items

Fair value losses mainly driven by a shortfall in the Liability Adequacy Test (LAT) in NL as a result of adverse credit spread movements

Realized gains

Realized gains on investments driven by EUR 224 million gains on the sale of bonds to optimize the investment portfolio in NL

Other charges

Other charges include EUR 64 million model & assumption changes (mainly related to the US Life business) as well as restructuring expenses in the UK and the US

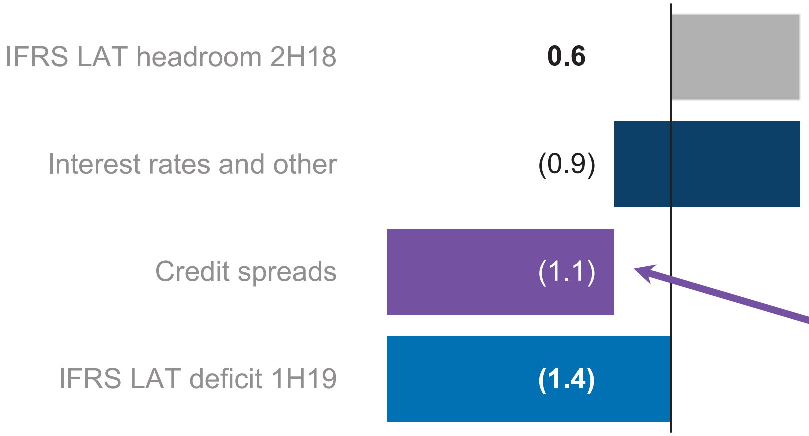
Note: UEBT = underlying earnings before tax

Fair value items in NL driven by spread movements

- Liability Adequacy Test (LAT) is performed to assess the adequacy of insurance liabilities on a market consistent basis[1]
- Credit spread movements drove LAT breakage in 1H 2019
- Negative impact interest rate movements on LAT sufficiency was offset by hedging gains and gains on investments

LAT movement Aegon NL

(in EUR million)



Interest rate impact on LAT offset by EUR 0.9 billion gains on hedges and investments

Similar as Solvency II drivers:
Mortgage spreads +57bps
Illiquidity premium -27bps[2]

Non-underlying items Aegon NL

(in EUR million)

(1,398)	LAT deficit
178	Guarantee provision[3]
484	Hedges[4]
230	Gains on investments
271	Real estate and other[3]
(235)	**Total**

1. The LAT assesses the adequacy of IFRS insurance liabilities by comparing them to their fair value. Aegon the Netherlands adjusts the outcome of the LAT for certain unrealized gains in the bond portfolio and the difference between the fair value and the book value of those assets measured at amortized cost, mainly residential mortgages
2. IFRS illiquidity premium is based on 50% of the spreads on European corporate bonds (EU iBoxx investment grade corporate spreads) minus 40bps;
3. Guarantee provision totaled EUR 369 million of which EUR 178 million is related to interest rates hedging and EUR 191 million of Other is related to the guarantee provision movement;
4. Gains on interest rate hedges partly offset by fair value losses on equity hedges

Well diversified remittances and capital generation

Capital generation and gross remittances

(1H19, in EUR million)

Region	Normalized capital generation[1]	Gross remittances
Americas	519	397
Netherlands	202	-
United Kingdom	42	179
Southern & Eastern Europe	26	165
Asia	33	-
Asset Management	36	24
Other units	(2)	-
Total before holding expenses	**856**	**765**
Holding funding & operating expense	(142)	(142)
Total after holding expenses	**714**	**623**

- Normalized capital generation and remittances from United States remained strong
- Continued strong capital generation in the Netherlands, as benefit from spread movements is only partly offset by adverse impact from interest rates
- Extraordinary remittances from the UK and SEE
- Group interim dividend of EUR 310 million is well covered by normalized capital generation and remittances

1. Capital generation excluding market impact and one-time items

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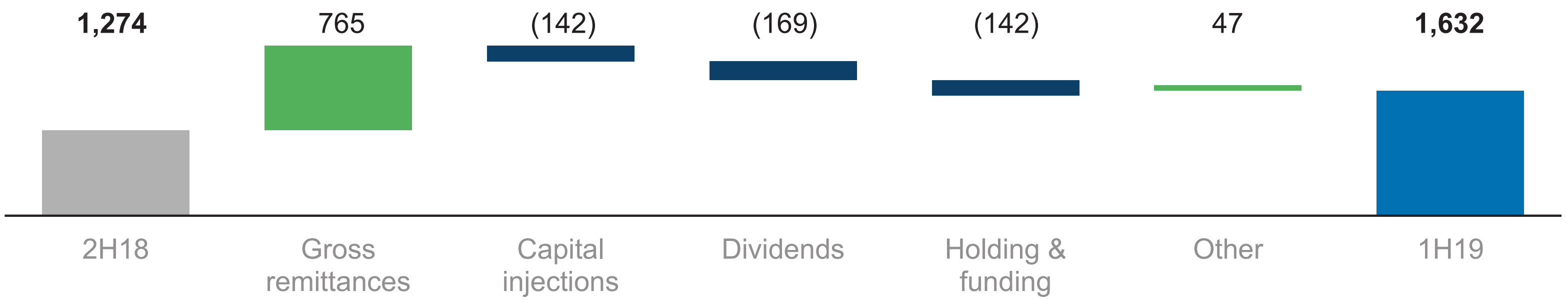
Holding excess cash remains at comfortable level slightly above EUR 1 – 1.5 billion target range

Holding excess cash

- Gross remittances of EUR 765 million included a special dividend of EUR 112 million from the United Kingdom and EUR 131 million proceeds from the divestment of Czech Republic and Slovakia
  - Aegon the Netherlands retained its remittances
- Capital injections of EUR 142 million mainly to support future growth in Scale-up for the Future businesses and also includes temporary capital contribution related to Aegon's joint ventures in Japan[1]
- EUR 330 million to be paid to Santander in 2H19 and 2020 for earn-outs and JV expansion[2]

Holding excess cash development
(EUR million)



1. Aegon and Sony Life have agreed to adjust the purchase price for the aggregate of capital injections until closing. As such, Aegon will receive an additional EUR 22 million at closing of the sale of its joint ventures in Japan. 2. Capital deployment of EUR 330 million consists of EUR 215 million related to the expansion of the joint venture with Santander, expected to close in 2020, and EUR 115 million of earn-out provision, expected in 2H19, related to the performance of the joint venture since the start of the partnership in 2012

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Delivering on our targets with increasing returns to shareholders

Dividend

EUR 0.15 DPS

+7% vs. 1H 2018

EUR 765 million

>50% of gross remittances guidance for 2019

43 %

Dividend pay-out ratio of normalized capital generation[1]; full-year target of 45 – 55%

1. Capital generation excluding market impact and one-time items after holding funding & operation expenses. Dividend pay-out ratio assuming markets move in line with management's best estimate, no material regulatory changes and no material one-time items other than already announced restructuring programs

Appendix

For questions please contact
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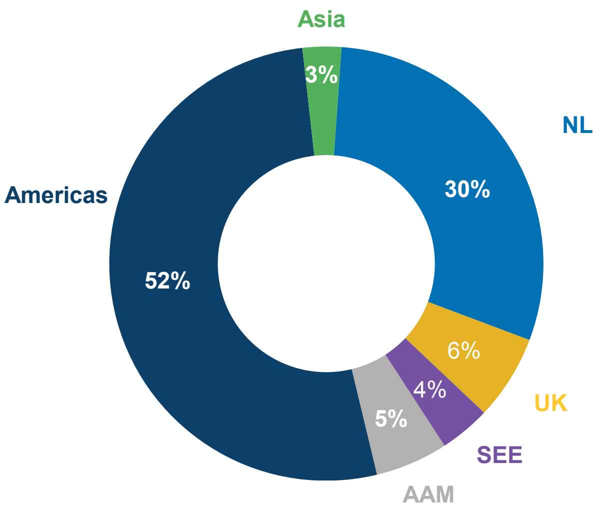
The Netherlands

Helping people achieve a lifetime of financial security

Aegon at a glance

Earnings
Underlying earnings before tax
€1,010 million
(1H19)



What we do
Life insurance, pensions & asset management for approximately
28.5 million customers
(YE18)

Deposits
Gross deposits **€65 billion**
Net deposits **€(2.7) billion**
(1H19)

History
Our roots date back to the first half of the **19th century**

Employees
25,943 employees
(1H19)

Investments
Revenue-generating investments
€872 billion
(1H19)