



Aegon Bank

Investor Presentation

Inaugural Senior Non-Preferred Issuance

June 2019

Helping people achieve a lifetime of financial security



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Executive summary

Transaction summary

Issuer	Aegon Bank N.V. (Aegon Bank)
Status	Statutory Senior Non-Preferred
Format / Tenor	Reg S bearer / [5 year]
Size	EUR 500 million
Issuer Ratings	A+ (negative) / A- (stable) by S&P Global / Fitch
Expected Issue Ratings	A / A- by S&P Global / Fitch
Listing / Denoms	Euronext Amsterdam / EUR 100k + 1k
Governing Law	Dutch law
Joint Lead Managers	Crédit Agricole CIB, ING (Structuring Adviser), Rabobank, Société Générale and UniCredit

Strategy

- Aegon Bank is core to the strategy of Aegon the Netherlands. Aegon's ambition is to scale-up Aegon Bank for the future
- Aegon Bank has the ambition to grow its balance sheet to EUR 20 billion and to reach both a Cost/Income ratio of 60% and a return on equity of 9% in 2022

Why Senior Non-Preferred

- The National Resolution Authority (NRA) has imposed a minimum requirement for own funds and eligible liabilities (MREL) on Aegon Bank
- The issuance of Senior Non-Preferred (SNP) debt is in line with the growth ambition of Aegon Bank and will result in a more diversified mix of funding instruments in terms of secured/unsecured and retail/wholesale

Highlights

- Strong capital and liquidity position, with a total capital ratio of **21.9%** and liquidity coverage ratio of **209%** per 4Q 2018
- Aegon Bank has more than 600k banking clients with in excess of EUR 10 billion in savings per 4Q 2018
- Aegon Bank issued four covered bonds from 2015 to 2017 with a total outstanding amount of EUR 2.25 billion

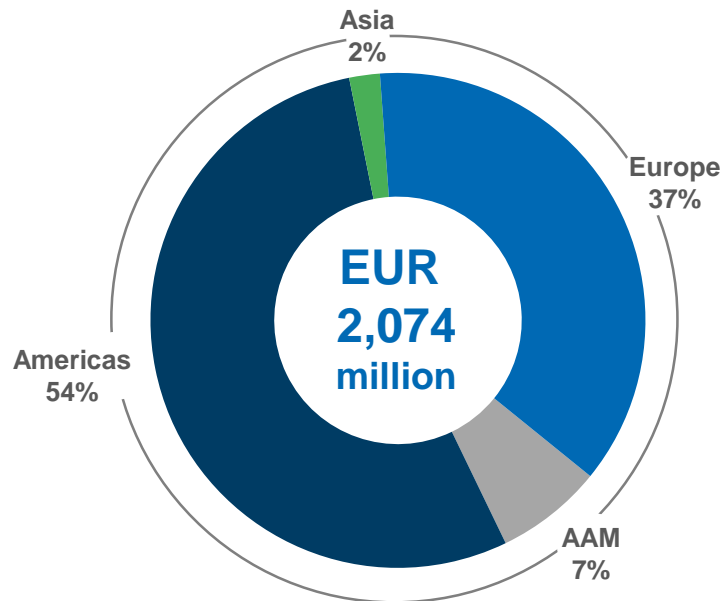


Introduction

Aegon N.V.

Aegon N.V. at a glance

Underlying earnings before tax (2018)



What we do

Life insurance, pensions & asset management for approximately

28.5 million customers
(2018)



History

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



Return on Equity
10.2%
(2018)



Investments

Revenue-generating investments
EUR 804 billion
(2018)



Employees
Over **26,000** employees
(2018)



Targets 2019 – 2021

Growth strategy will deliver sustainable and attractive returns to all stakeholders

Strong focus on customer centricity

Building on strong market positions

Simplifications and optimizations executed successfully

Sustainable business

Normalized capital generation

Cumulative for 2019 – 2021¹

EUR 4.1 billion

Dividend pay-out ratio

of normalized capital generation²

45 – 55 %

Return on equity

Annual target³

> 10 %

Gross remittances

Guidance for 2019

EUR 1.5 billion

1. Capital generation excluding market impact and one-time items after holding funding & operating 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 will no longer be adjusted for the remeasurement of defined benefit plans

Active portfolio management

Aegon Bank is core to Aegon's growth strategy, and is categorized as a "Scale-up for future" business

Aegon's growth strategy

- Actively manage portfolio
- Distinct categories of businesses
- Focused strategy per category
- Unlock potential of our customer base and market positions
- Leverage capabilities and attractive propositions in the right markets

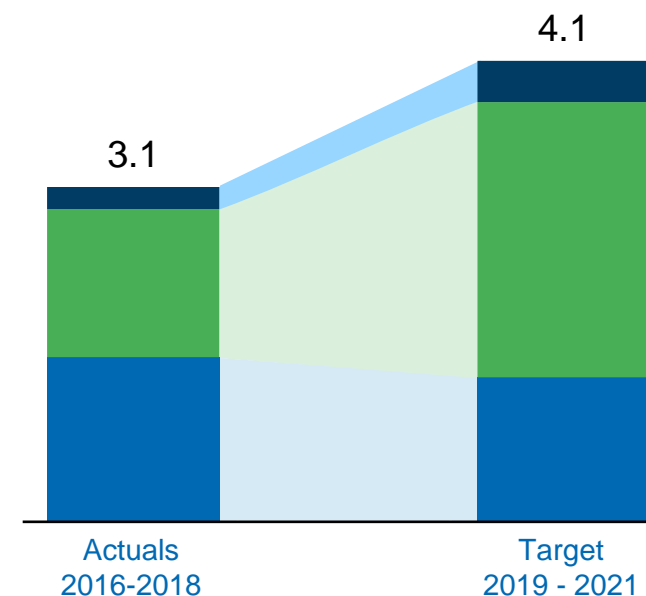
Strategic categories

Scale-up for Future

Drive for Growth

Manage for Value

Normalized capital generation¹
(in EUR billion, cumulative for 3 years)

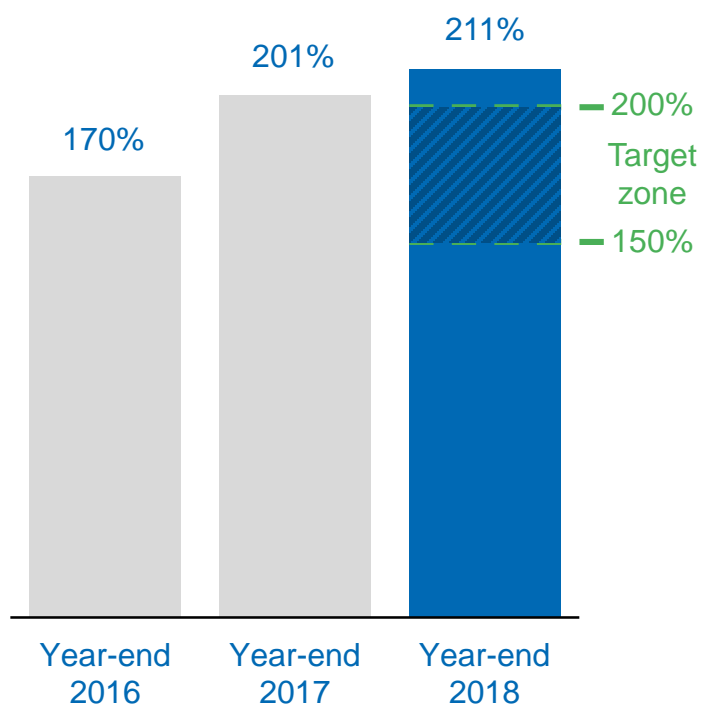


1. Capital generation excluding market impact and one-time items after holding funding & operating expenses; holding and other units incorporated but not shown

Capital position of Aegon and its main units

Solid solvency ratios at both group and local unit level per year end 2018

Group Solvency II ratio¹



- Group Solvency II ratio up 10%-points
- Driven by strong capital generation
 - EUR 1.4 billion in 2018²
- Leverage ratio of 29.2%
 - Target range of 26 – 30%
- Holding excess cash of EUR 1.3 billion within target range of EUR 1.0 – 1.5 billion
- Aegon Bank is not included in the Solvency II ratio of the Group

Local solvency ratio by unit³ (Year-end 2018)



US - RBC
465%



NL - SII
181%



UK - SII
184%

¹ The Solvency II ratio at YE 2016 was corrected for the change in conversion methodology for US Life insurance entities under Solvency II, implemented in 2017

² Normalized capital generation after Holding expenses, excluding market impacts and one-off items

³ US target range = 350-450% RBC; NL target range = 150-190% Solvency II, and is currently under review, Group Solvency II target range is likely to remain unchanged; UK target range = 145-185% Solvency II

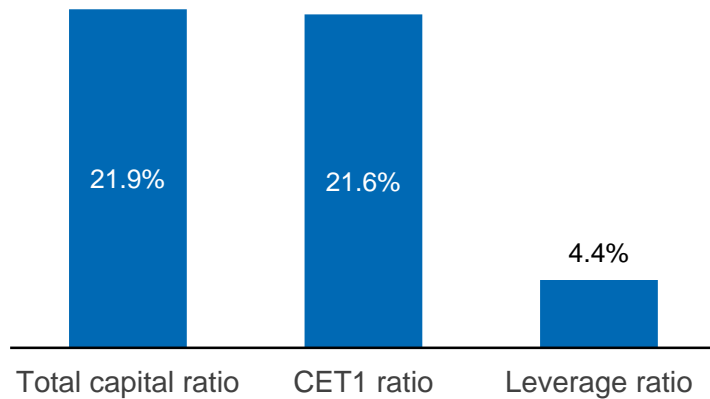


Introduction

Aegon Bank

Aegon Bank at a glance

Capital position (2018)



What we do

Retail banking with payment services, savings- and investment products for ca.

600,000 clients
(2018)

History

Launched **new online banking platform**
in **2012**

Investments

Approximately **70%** of total assets
invested in prime Dutch retail mortgages
(2018)



Size

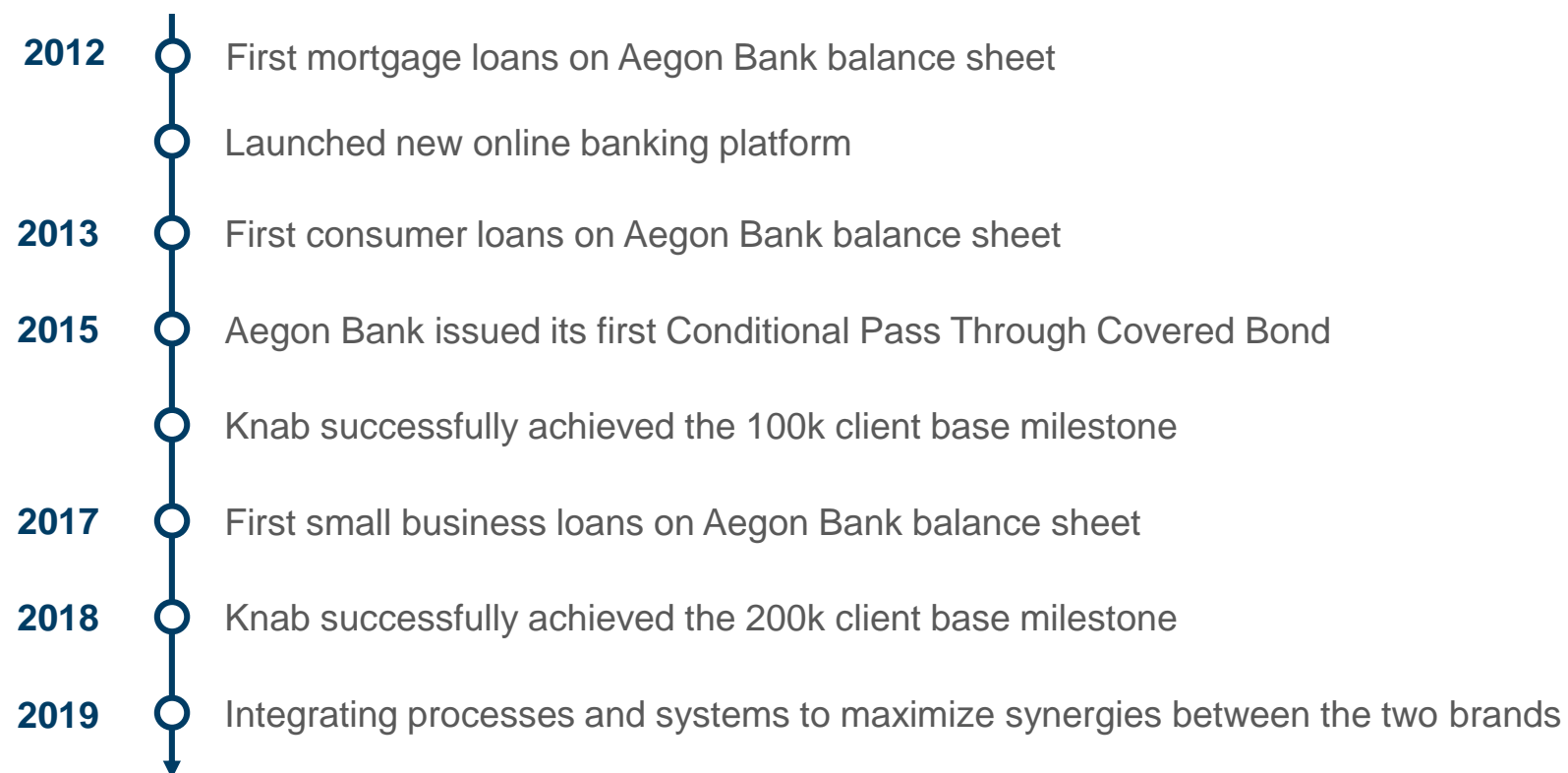
Total assets **EUR 14.1** billion
(2018)

Employees

Over **350** employees
(2018)

Aegon Bank's strategy execution

Aegon Bank successfully grew its balance sheet and built an online banking platform



Position of the bank within Aegon

Aegon Bank is core to Aegon's growth strategy as "Scale-up for future" business

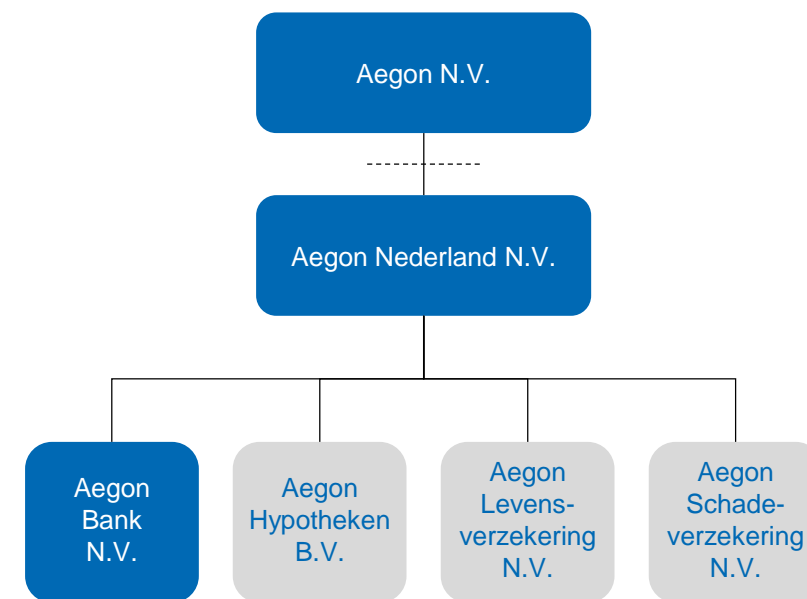
Position of the bank within Aegon N.V.

- Categorized as "Scale-up for future" in Aegon's growth strategy
 - Aegon Bank is a fully owned subsidiary of Aegon N.V.
- Cornerstone of Aegon strategy
 - Aegon Bank provides retirement solutions through the Aegon brand for retail and small business banking clients, complementing existing offerings in Aegon's Retail and Wholesale segments
 - Digitalization of financial services through Knab's online banking platform

Capital support to bolster future growth and reaching target scale

- Over the last few years Aegon Bank invested in growing its online banking platform (Knab) and building strategic alliances for asset sourcing
- Aegon Bank aims to further develop its online banking business in order to obtain target scale
- In order to fund future growth and achieve its targets, Aegon Bank receives CET1 capital support
 - Aegon the Netherlands injected EUR 50 million in 2018; and
 - Aegon N.V. expects to inject EUR 75 million in 2019

Simplified organization structure



The business model of the bank

Focusing on growing retail and small business clients



Retail banking services

- Focus on being a scalable, modular retail bank with strong strategic alliances
- Strong market position in savings deposits through both Knab and the Aegon brand
- Growing online banking platform (Knab) focusing on growing retail and small business segment, specifically self-employed
- Mortgage and online lending provided through internal and external strategic partners
- In the coming years Aegon Bank will focus on cost reduction by realizing synergies through the integration of its banking operations
- Full retail banking product suite with payment services, (retirement) savings products, investment products, financial planning tools and alerts



Net interest margin

- Asset mix mainly consists of high quality mortgages originated and serviced through Aegon Hypotheken B.V.
- Consumer & small business loan origination and servicing through international strategic partners



Service management fees

- Fee business from retail banking services, including payment services and investment products

One bank with two distinct brands

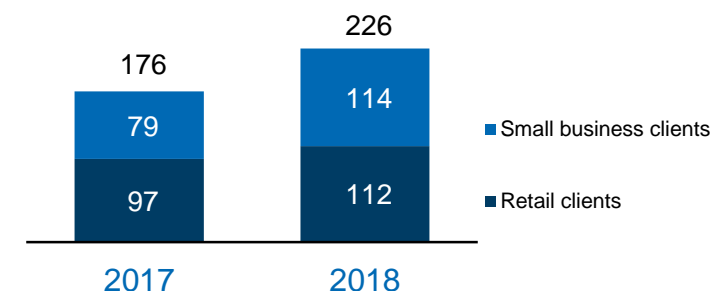
Strong market position in self-employed market and banking savings

knab

- Knab provides over 225k retail and small business clients with insight in their personal financial situation and a state-of-the-art banking experience
 - One of the most popular and fastest-growing banks in the Netherlands which stands out in service: KNAB received multiple awards and customer satisfaction is rated with 8.2 (scale 1-10)¹
 - Full retail banking product suite with payment services, savings products, investment products, financial planning tools and alerts
 - Product portfolio of over EUR 5 billion (savings and investments); fee and spread business

Fast growing Knab client base

(in number of clients x1,000)

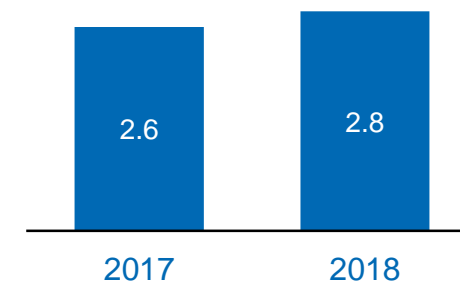


AEGON Bank

- Through its Aegon brand Aegon Bank provides over 400k retail clients with banking products for future income in addition to the 2nd pillar pension
 - Savings and investment products with focus on 3rd pillar tax friendly solutions, directly and through intermediaries
 - The Aegon brand secured a strong market position in tax-friendly bank savings ("Banksparen") with ca. 8% market share in portfolios outstanding and ca. 16% in new production²
 - Leverage leading position of Aegon Levensverzekeringen in 2nd pillar pension market to drive future growth in 3rd & 4th pillar solutions





Growing bank savings portfolio

(In EUR billion)



1. Source: <https://opiness.nl/review/knab>
2. Sources: Dutch Central Bank, company information

Strategic priorities translate into ambitious targets

				
Priority	Customer satisfaction	Growth	Cost control	Profitability
KPI	Net promotor score (NPS)	Net customer growth	Cost/Income ratio	Return on Equity (RoE)
Target	Maintain +40 points among Knab clients	+70k clients per year	60% in 2022	9% in 2022
Goal	Putting the customer first in everything we do to maintain our current high NPS	Reaching scale and increasing the customer base as a source of future value	Increasing spread and fee income, while improving operational efficiency and commercial effectiveness	Generating required return on invested capital



Financials

Aegon Bank in detail

Aegon ratings

Objective to maintain strong ratings

S&P Global
Ratings

FitchRatings

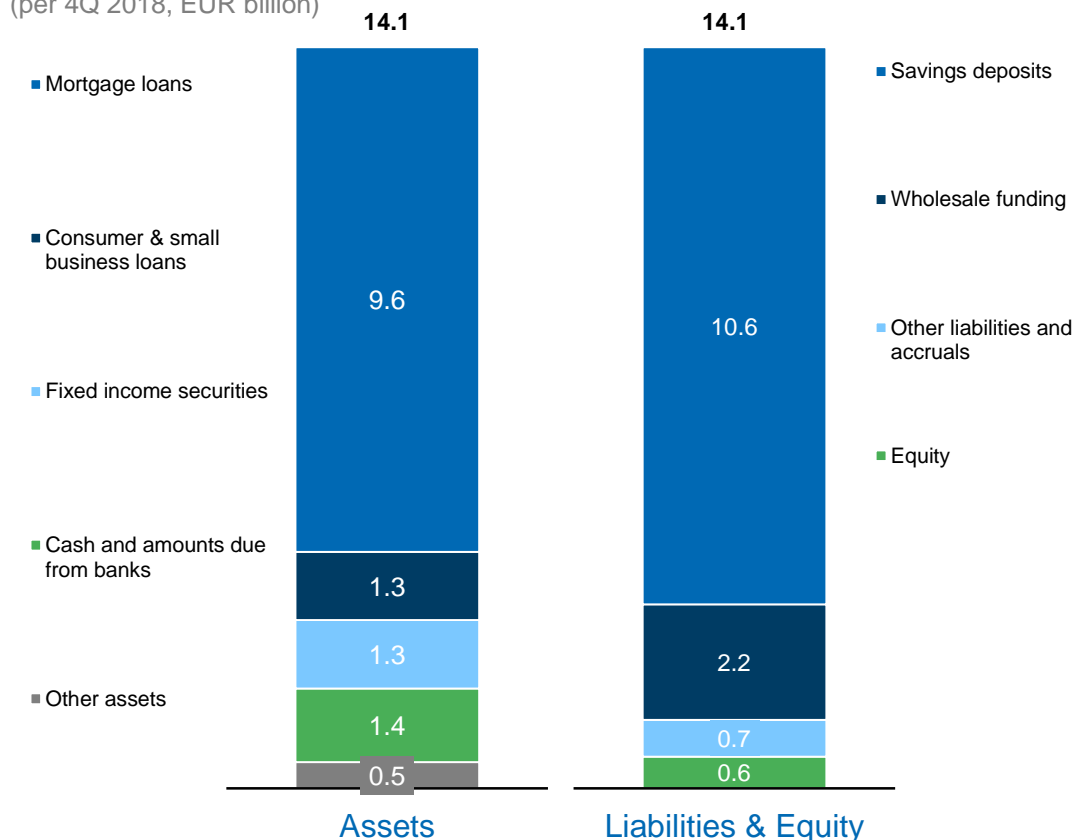
Insurance Financial Strength rating, outlook	AA-, negative	A+, stable
Aegon N.V. Issuer rating, outlook	A-, negative	A-, stable
Aegon Bank N.V. Issuer rating, outlook	A+, negative	A-, stable
Expected Senior Non-Preferred rating	A	A-
Aegon Bank N.V. ratings last affirmed	Feb 26, 2019	Mar 26, 2019

Balance sheet composition

Roughly 70% of total assets allocated to prime Dutch residential mortgage portfolio

Balance sheet

(per 4Q 2018, EUR billion)



Mortgage loans

- Low-risk, high-quality mortgage portfolio, with low LtV and high NHG coverage¹
- Prime Dutch residential mortgage portfolio with an average LtV of approx. 70% per December 31, 2018
- Roughly 70% of Aegon Bank's mortgage portfolio is guaranteed by Dutch state through NHG scheme per December 31, 2018

Consumer & small business loans

- High return portfolio, credit risk managed through diversification
- Multi-channel approach for consumer & small business loans through strategic alliances with international partners providing diversification and flexibility

Wholesale funding

Covered bonds, collateralized by prime Dutch residential mortgage portfolio

- Per December 31, 2018 the wholesale funding consisted exclusively of:
 - EUR 750 million covered bond maturing in 2020
 - Three covered bonds of EUR 500 million each, maturing in 2023, 2024 and 2027 respectively.

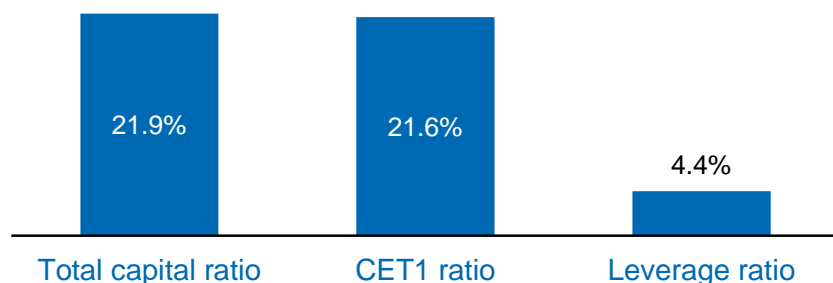
1) LtV: Loan-to-Value ratio. NHG: Nationale Hypotheek Garantie; this is a government guarantee scheme for retail mortgage debt

Capital and liquidity position

Strong capital and liquidity position exceeding regulatory requirements

Capital position

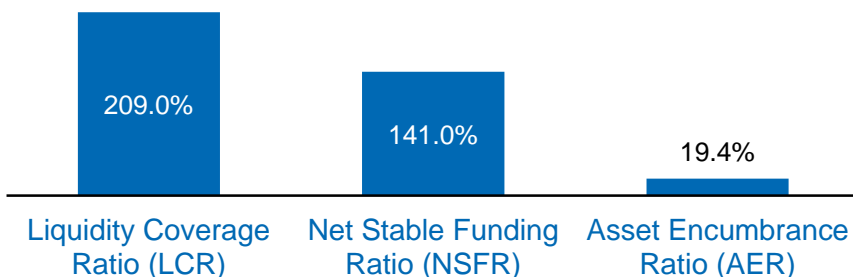
(per 4Q 2018)



- Strong Total capital ratio (21.9%) exceeding the bank's current Overall Capital Requirement (OCR)¹ of 17.3%
- Solid CET1 ratio in place to ensure sufficient capitalization
- Leverage ratio is comfortably above the current 3% regulatory requirement in the Netherlands

Liquidity position

(per 4Q 2018)



- The LCR and NSFR are both comfortably above the current regulatory requirements; 100% is required for both ratios
 - Sizeable buffer in place to withstand potential (extreme) outflows
 - Stable long term funding profile
- Limited asset encumbrance; mainly related to covered bonds

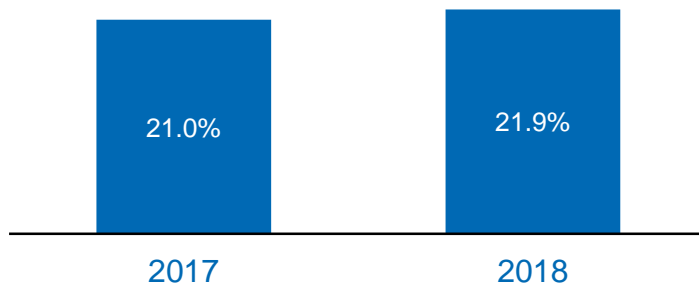
1) The Overall Capital Requirement is the sum of the Pillar 1 Requirement (P1R; 8.0%), the Pillar 2 Requirement (P2R; 6.6%) and the Combined Buffer Requirements (CBR; 2.7%)

Capital ratios improved in 2018

The bank maintains a strong capital position, both on a risk weighted and unweighted basis

Total capital ratio

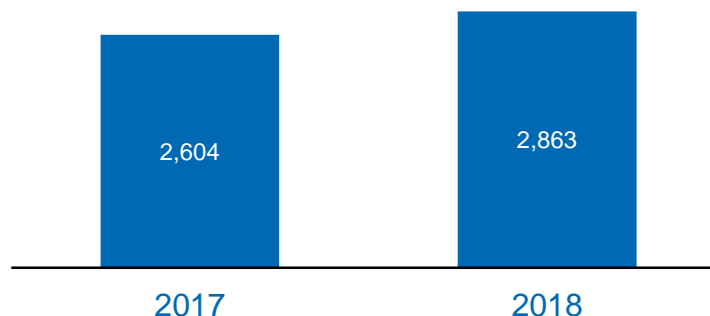
(in percentages)



- Total capital ratio increased despite growing TREA
- In 2018 Aegon contributed EUR 50 million of CET1 capital to Aegon Bank for growth of the bank balance sheet
- Aegon will inject EUR 75 million of CET1 capital in 2019

Total Risk Exposure Amount (TREA)

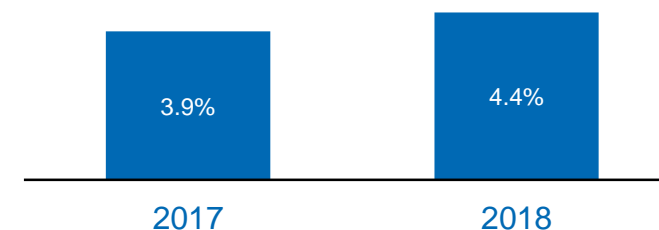
(in EUR millions)



- Growing TREA due to growing mortgage portfolio and consumer & small business loans portfolio
- Aegon Bank applies the Standardized Approach to calculate minimum capital requirements

Leverage ratio

(in percentages)



- Leverage ratio improved as a result of the EUR 50 million CET1 capital contribution in 2018

*Total capital ratio is total capital divided by Total Risk Exposure Amount
Leverage ratio is Tier 1 capital divided by a measure of non-risk weighted assets*

P&L results reflect that bank is in a scale-up phase

Net interest margin

- Net interest margin improved as a result of increasing scale and lower funding costs

Expenses

- Expenses increased as a result of the growth of the bank, e.g. through IT and consultancy fees and regulatory levies

Impairment losses

- The impairment losses increased by EUR 25.2 million to EUR 48.4 million, mainly due to the implementation of IFRS 9 and growing consumer loans portfolio

One-offs

- The 2017 result from financial transactions is mainly related to internal financial transactions with a positive result at a legal entity level
- The future decrease of Dutch corporate income tax rates had a one-off positive impact of EUR 7.4 million in 2018, which is processed through deferred taxes

<i>Amounts in EUR millions</i>	2018	2017
Interest income	339.0	295.8
Interest expense and related fees	(147.3)	(150.2)
Net interest margin	191.7	145.6
Net fee and commission income	10.8	10.1
Result from financial transactions	(12.5)	44.6
Impairment losses	(48.4)	(23.2)
Total income	141.6	177.1
Total expenses	144.1	117.7
Income / (loss) before tax	(2.5)	59.5
Income tax	8.2	(14.8)
Net income	5.7	44.7

Financial information based on statutory annual reports, which differs from segment results for Banking reported by the Group for Aegon the Netherlands. The difference is partly explained by the elimination of intra-group transactions and application of IFRS 9 (adopted per 2018 by Aegon Bank; for 2017 IAS 39 was applied) accounting principles at Aegon Bank legal entity level

Impact of IFRS 9 accounting principles

Growing consumer & small business loans portfolio increases impairment losses

Changed carrying amounts

- The implementation of IFRS 9 (as of January 1, 2018) caused a total remeasurement loss, net of tax, of EUR 8.1 million
- This remeasurement loss was recognized in the opening balance of revaluation reserves and retained earnings

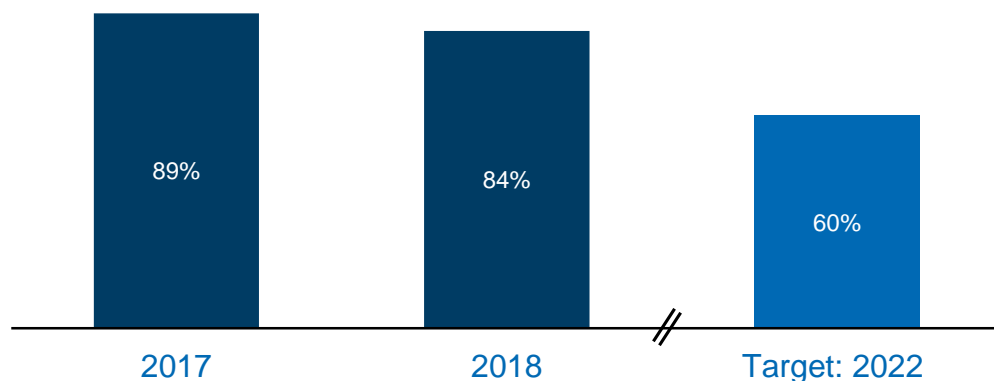
Increase in impairment losses

- As opposed to IAS 39, IFRS 9 requires loan loss provisioning at recognition of the loan (IFRS 9 Stage 1), which is based on the expected future credit losses of these loans
- The increase in impairment losses in 2018 compared to 2017 is mainly caused by the growing consumer & small business loans portfolio
 - Net growth of the consumer & small business loans portfolio was EUR 483 million, from EUR 833 million per December 31, 2017 to EUR 1,316 million per December 31, 2018
- Hence, the bank's growing consumer & small business loans portfolio directly increases the loan loss provisioning (i.e. increasing the impairment losses)
- The consumer & small business loans portfolio is expected to stabilize after 2019

Key financial metrics over time

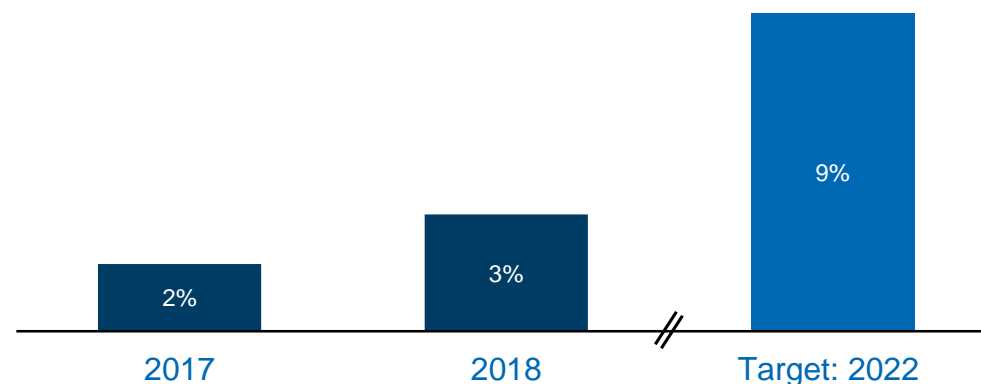
Balance sheet growth and expense reduction initiatives, targeting an RoE of 9% in 2022

Cost/Income ratio¹



- Strong focus on cost control and expense reduction, targeting a Cost/Income ratio of 60% in 2022
- Expense reductions to be achieved by integrating processes and systems to maximize synergies between the Aegon Bank brand and Knab
- 2017 and 2018 results reflect substantial investments made to build the online Knab banking platform

Return on Equity²



- Realized RoE over 2017 and 2018 reflect the scale-up phase of Aegon Bank
- Balance sheet growth and expense reduction initiatives with a target RoE of 9% in 2022

Aegon Bank manages its business based on a non-IFRS-EU financial measure, namely underlying earnings before tax

1) Cost/Income ratio is calculated as Operating expenses divided by Operating income as defined in the banks' underlying earnings before tax measure

2) Return on Equity is calculated as Underlying earnings after tax (applying a nominal tax rate) divided by average IFRS equity excluding the revaluation reserve



Minimum requirement for own funds and eligible liabilities

Aegon Bank

Resolution planning at Aegon Bank level

Aegon Bank will comply with the (as of yet non-binding) indicative MREL target

Resolution requirements setting

- For Aegon Bank the National Resolution Authority (NRA) stated that the bail-in will form a part of the resolution strategy with a Single Point of Entry (SPE) approach at Aegon Bank level
- Aegon Bank will comply with the (as of yet non-binding) indicative MREL target through own funds and Senior Non-Preferred only
- The Senior Non-Preferred notes are subject to the resolution framework and are only relevant to Aegon Bank

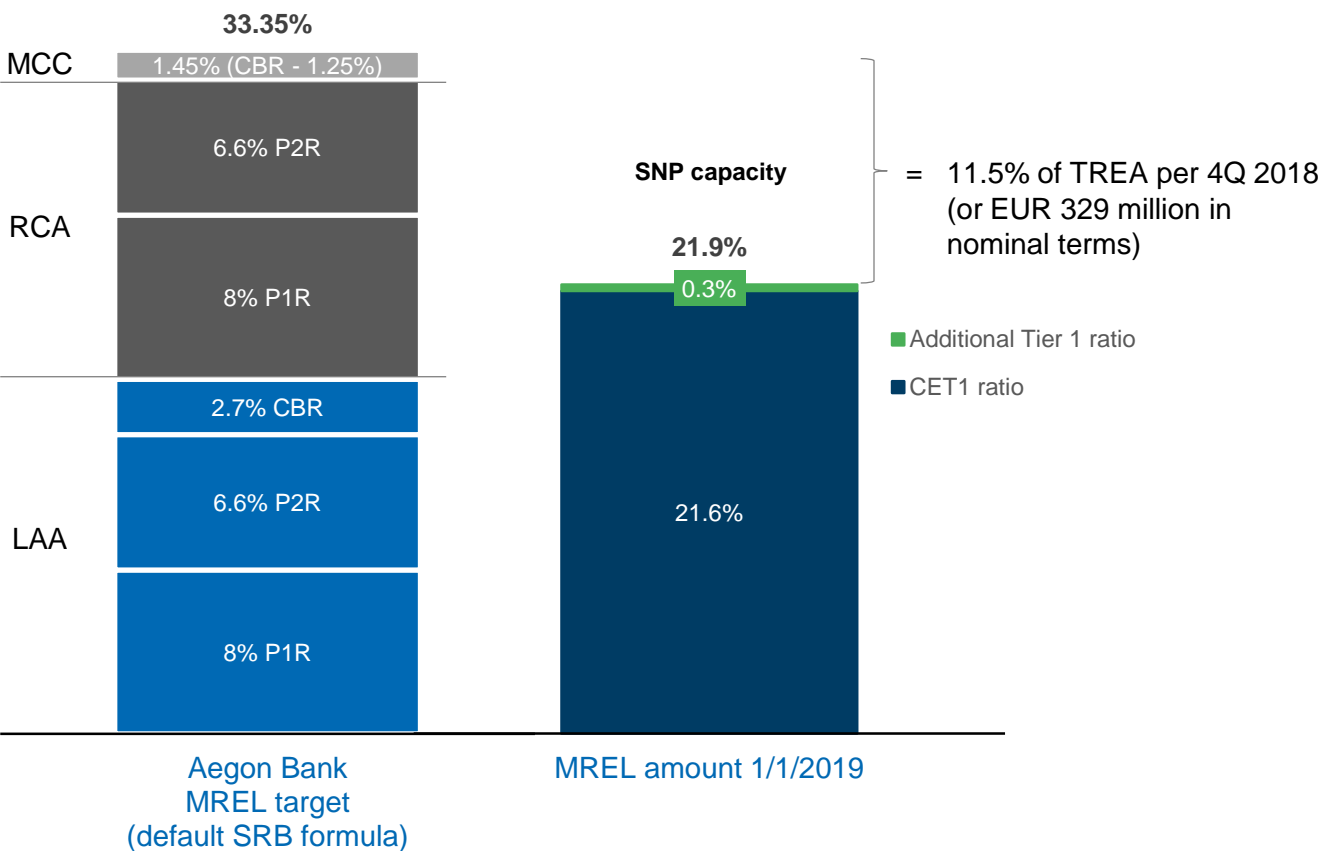
Minimizing resolution risk

- Aegon Bank currently has a strong capital position and a recovery plan in place
- Aegon Bank N.V. is part of a group and can rely on capital injections (as in 2018 and 2019) as part of the normal course of business and in adverse market conditions, subject to market conditions and regular governance in line with capital management policy

Senior Non-Preferred transaction to fund MREL needs

The SNP transaction anticipates future growth of the balance sheet and MREL needs

Indicative MREL target and needs (based on default SRB formula¹)



Comments

- Based on the 2018 default SRB formula² and the bank's current capital requirements the indicative MREL target is 33.35%
- The EUR 500 million SNP transaction exceeds the bank's current MREL needs, as the bank anticipates future growth of the bank and therefore ensures sufficient bail-in capacity going forward
- The indicative MREL target is subject to change as a result of TREA development, future SREP requirements and regulatory developments in Dutch legislation

¹ LAA (P1 + P2R + CBR) + RCA (P1 + P2R) + MCC (CBR - 125bps), where LAA: Loss Absorbing Amount, RCA: Recapitalization amount, MCC: Market confidence charge
² Based on the first part of the SRB's 2018 MREL Policy "for the first wave of resolution plans" disclosed by the SRB on November 20, 2018



Transaction Summary

Summary

Strategic priorities and KPIs

- Customer satisfaction is a core strategic priority of the bank, aiming to maintain a Net Promoter Score at +40
- The bank needs to grow its client base to achieve scale, targeting a net growth of 70k clients per year
- Increased cost control to ensure sufficient profitability with a 60% target Cost/Income ratio in 2022
- In the coming years capital generation will be a key priority with a target Return on Equity of 9% in 2022

Cornerstone of strategy

- Aegon Bank is a focused player in financial services and key to Aegon's strategy
- Operating with two strong, distinct propositions: Aegon Bank and Knab
- High quality assets, strong liquidity buffer and stable long term profile

Focus on growth

- Knab is increasing the growth rate of new customers and hence increasing fee income
- Aegon Bank is focused on providing relevant 3rd & 4th pillar investment solutions
- Aegon Bank's ambition is to grow the balance sheet to reach scale

Significant earnings contribution

- Successful strategy execution has led to balance sheet, revenue and underlying earnings growth
- Attractive margins supported by investments in mortgages and consumer loans
- Aegon Bank credit ratings are A+ and A- from S&P Global and Fitch, respectively

Indicative term sheet

Issuer	Aegon Bank N.V.
Issuer Ratings	A+ (negative) / A- (stable) (S&P Global/Fitch)
Exp. Ratings of the Notes	A / A- (S&P Global/Fitch)
Status	Statutory Senior Non-Preferred Notes
Ranking	The Notes qualify as, and comprise part of the class of, Statutory Senior Non-Preferred Obligations and constitute unsubordinated and unsecured obligations of the Issuer and, save for those preferred by mandatory and/or overriding provisions of law, rank (i) in the event of liquidation or bankruptcy (faillissement) of the Issuer, pari passu and without any preference among themselves and with all other present and future obligations of the Issuer qualifying as Statutory Senior Non-Preferred Obligations, (ii) in the event of liquidation or bankruptcy of the Issuer, senior to any Junior Obligations and (iii) in the event of the bankruptcy of the Issuer only, junior to any present and future unsubordinated and unsecured obligations of the Issuer which do not qualify as Statutory Senior Non-Preferred Obligations.
Format / Tenor / Interest	By virtue of such ranking, payments to Noteholders will, in the event of the bankruptcy of the Issuer, only be made after all claims in respect of unsubordinated and unsecured obligations of the Issuer which do not qualify as Statutory Senior Non-Preferred Obligations have been satisfied. RegS / 5 year / Fixed [●] %
Optional Redemption	The Notes may be redeemed at the option of the Issuer for tax reasons and upon the occurrence of an MREL Disqualification Event, subject to approval by the Resolution Authority (if such approval is required) and Applicable MREL Regulations at such time, all (but not some only) of the Notes at their principal amount (plus accrued interest)
MREL Disqualification Event	MREL Disqualification Event means if, as a result of any amendment to, or change in, any Applicable MREL Regulations, or any change in the application or official interpretation of any Applicable MREL Regulations, in any such case becoming effective on or after the Issue Date of the Notes, the Notes are or (in the opinion of the Issuer or the Competent Authority) are likely to become fully or partially excluded from the Issuer's MREL Eligible Liabilities determined in accordance with, and pursuant to, the Applicable MREL Regulations (subject to exclusions)
Substitution & Variation	If as a result of an MREL Disqualification Event the whole of the outstanding nominal amount of the Notes can no longer be, or is likely to become no longer, included in full as MREL Eligible Liabilities, the Issuer may, without the consent of Noteholders, substitute (or vary the terms of) all the Notes so that they become or remain MREL Eligible Liabilities (with terms not materially less favourable to Noteholders) subject to regulatory approval (if such approval is required) and Applicable MREL Regulations at such time
Events of default	Events of Default of the Notes are restricted to bankruptcy and (subject to exceptions) winding-up or liquidation and repayment following an Event of Default may be subject to approval by the Resolution Authority (if such approval is required)
No set-off	No Noteholder may exercise or claim any right of set-off or netting in respect of any amount owed to it by the Issuer arising under or in connection with the Notes
Bail-in	Contractual recognition of statutory loss absorption powers
Listing / Denoms / Law	Euronext Amsterdam / EUR 100,000 + 1,000 / Dutch law
Documentation	Standalone
Structuring Adviser	ING
Joint Lead Managers	Crédit Agricole CIB, ING, Rabobank, Société Générale and UniCredit