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Increasing flexibility, transparency and value for your customers and the business

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Agenda

- Putting the discussion into context
- Transformation tools
- Examples / benefits
- Where is the industry on this?

Aegon case study

- Setting your vision/ strategy
- Capital lite
- Customer upgrade & with-profits
- Outsourcing
- De-risking

Conclusion

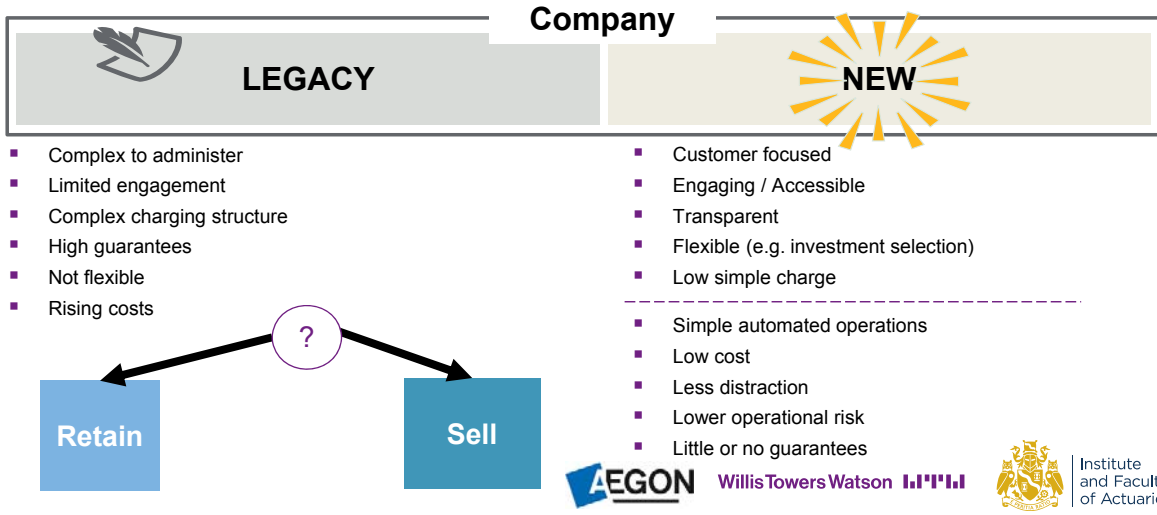


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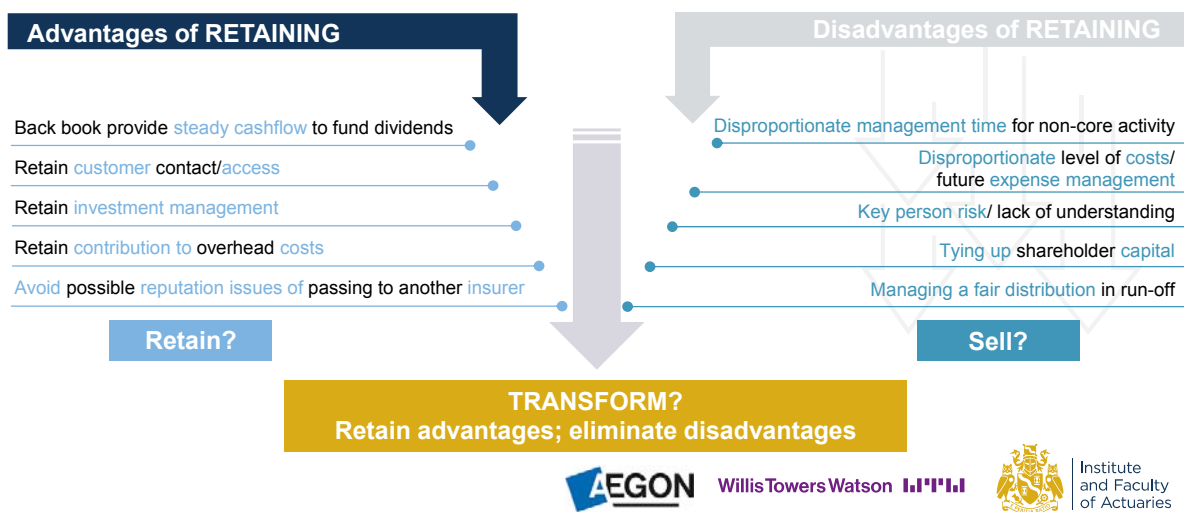


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Putting it in to context

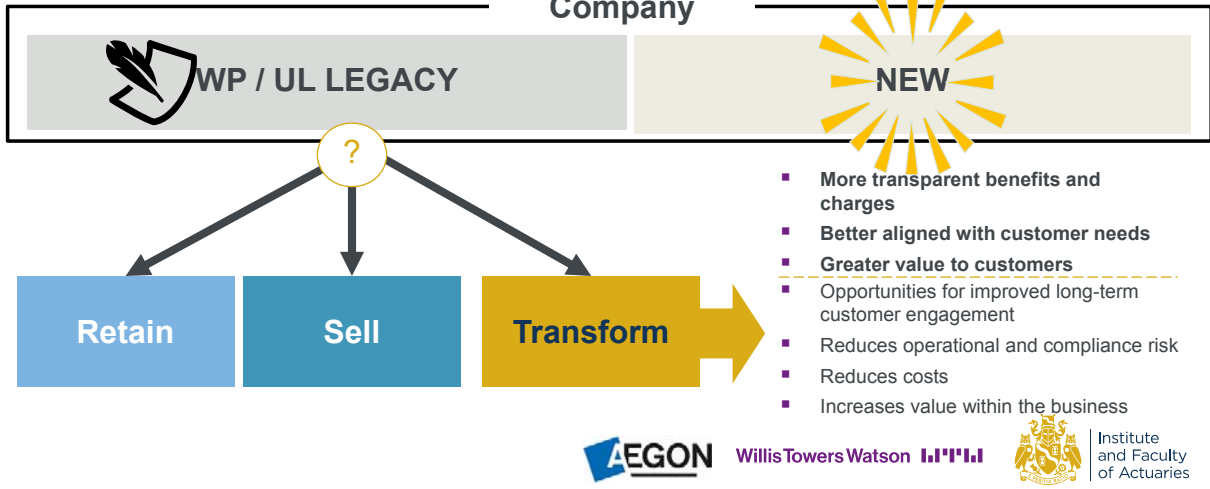


Back book: what are your options?

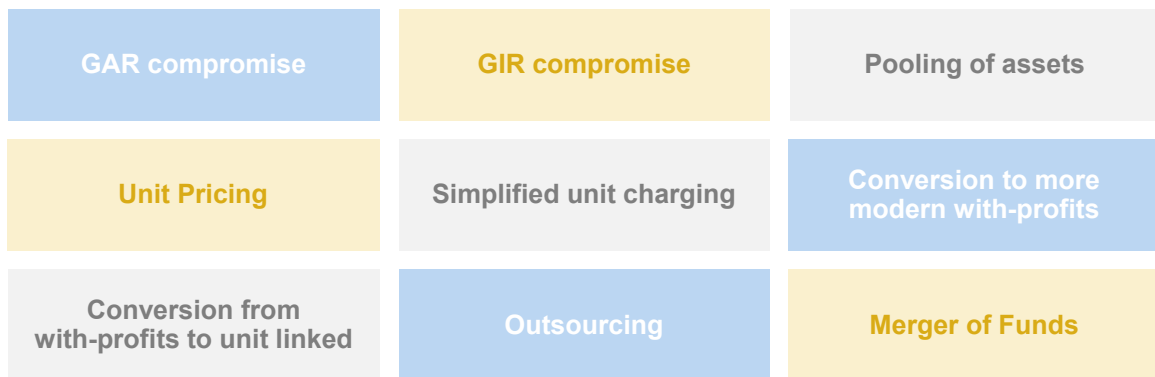


Companies seeking to improve brand loyalty and customer experience....

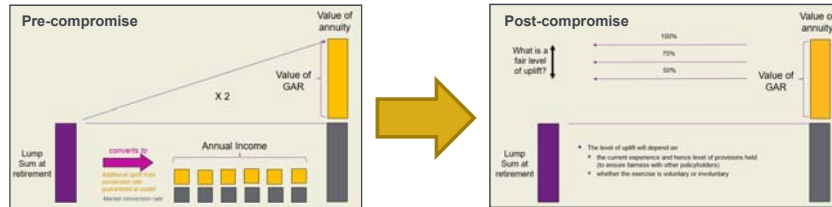
.....in force product transformation rapidly rising up companies' agendas



Transformation Tools



Assessing GAR compromise – illustration



- Positive for GAR policyholders**
- More flexibility
 - Supports pensions freedoms
 - Drawdown
 - Cash Lump Sums
 - Greater tax free cash
 - Crystallise benefit when it's valuable
 - Give an option to keep their GAR



- Positive for shareholders & non-GAR policyholders**
- Release capital
 - Reduce longevity risk
 - Reduce interest rate risk
 - Reduce take-up risk
 - Achieve fairer, more certain (less risky) distribution of estate
 - May pave the way for further simplification

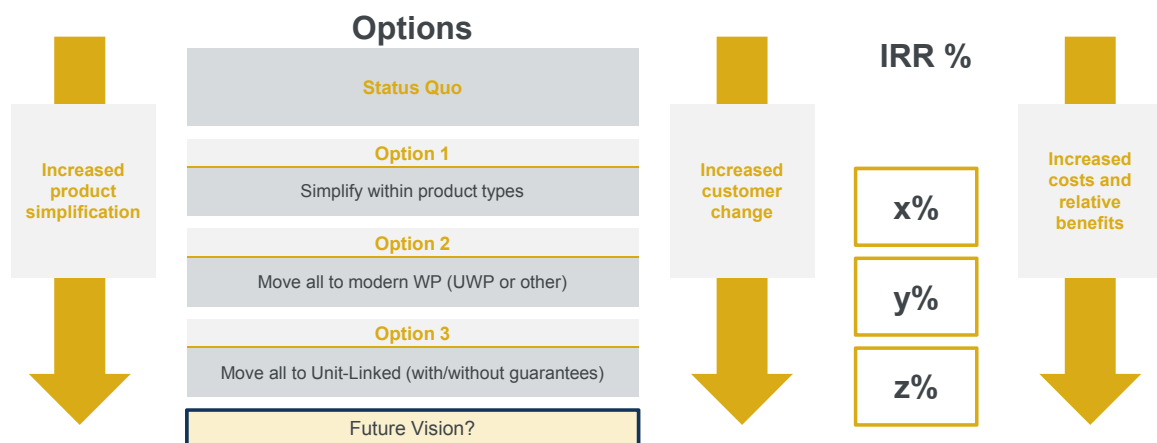


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Assessing Product Simplification Options – illustration




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There are substantial, but less tangible, other benefits

 **SYNERGIES with other projects**

IT strategy	Customer engagement	Simplification of finance operations	Digital strategy and Customer Up/Cross-sell
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 **SIMPLIFICATION of operations**

Reduction in key person risk	Reduction in conduct risk	Reduction in operational risk	Saving in Board and senior management time
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Some common reasons for resisting

Legacy business is not core to my strategy (or too small)
There are more important projects in train
Policyholders are getting what they requested
It's too complex with too much execution risk
I will wait until others have considered it first

Are these valid reasons not to progress?



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

...with the strategy unchanged from 2015

Aegon UK 2020 Vision

- ✓ We will **split our company** into a 'digital future' & a 'legacy past'
- ✓ We will **grow our capital-light**, fee-based platform business providing customer solutions 'to & through' retirement via multiple distribution channels and **inorganic growth**
- ✓ Providing market leading **investment solutions**
- ✓ We will **upgrade** customers from our heritage systems to our digital platform business
- ✓ We will **simplify** our business and address our historic **DAC position and selling annuities**
- ✓ We will consider **options for our 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 IPS
 - Nationwide TPA
- **Service customers to & through retirement via multiple distribution channels**
- **Stabilising and Optimising Operations**
- Transition **Upgrade** programme into BAU
- **Execute the operational outsource** to ATOS for residual unit-linked/with profits business

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

Note: Book values as at end June 2018, DAC = Deferred Acquisition Costs, DC = Defined Contribution, IPS = Investment Portfolio Service, TPA – Third Party Administrator.



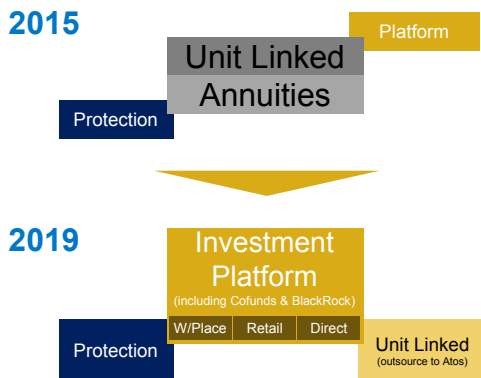
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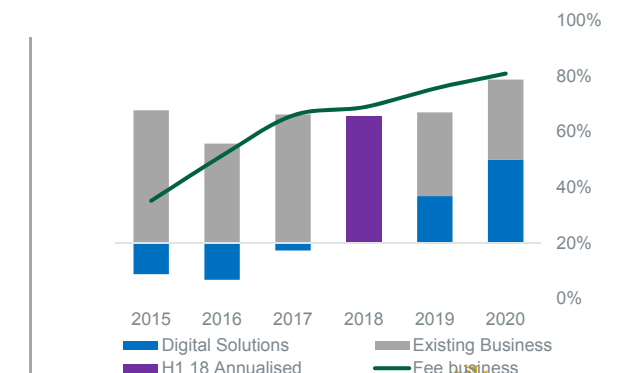
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Business model in place to move to a capital light fee-based business, improving earnings

Evolving business model



Improving earnings trajectory



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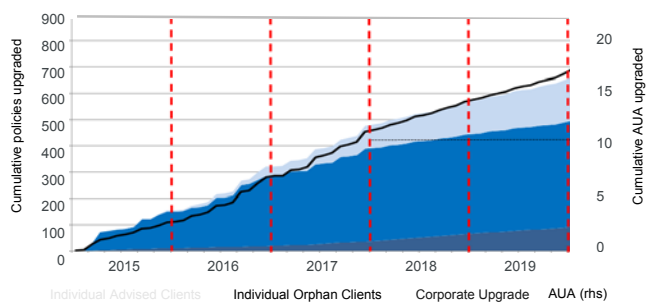


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Upgrade program progressing to plan

Upgrade program plan by client type

(Policies in thousands, AUA in GBP billions)



- Upgrade program has moved over GBP 8 billion of assets and 380k customers to date
- Target remains to upgrade GBP 21 billion of assets and 700k customers over time
- Continuing positive customer persistency



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Upgrade & With Profits Fund Considerations

Upgrade Principles

- Allows us to offer customers modern digital solutions in products which have simpler and more transparent charging structures
- Enables customer flexibility to and through retirement
- Enabling digital management and communications which should lead to increased customer engagement
- Giving customers increased understanding of their financial arrangements and tools to influence their retirement outcomes
- Auto upgrade done on terms where customers are projected to be financially better off
- Customers can opt-out if they want to

Not all customers eligible for upgrade

- Customers have guarantees
- Customers have an active adviser
- Customer pricing cannot be replicated
- Customer investment choices not available

With Profits

- Mix of guarantees available in fund – GAR, GMP, Investment
- Explored options to restructure fund but solvency position meant a number of actions needed to be taken in 2013/14 to stabilise the fund
 - Update Risk Tolerances
 - Revise Asset mix in asset shares
 - Update hedging in line with new risk tolerances
 - Reset estate distribution
 - Update surrender basis for key fund
 - Communicate changes with c500k customers
- Fund running off at 10% p.a. so restructuring will need addressed in future but currently the key exposure from GAR compromise challenging due to take up rates
- Smoothing hard to replicate on NGWP



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Extending the Aegon UK Outsource Partnership with Atos

Lowering cost base

- GBP 30 million annual expense savings
- Attractive return: GBP ~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 ~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



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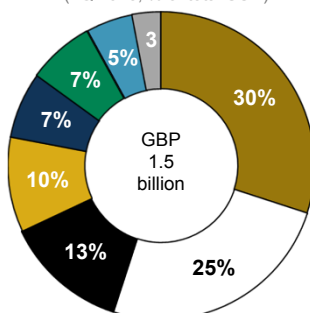


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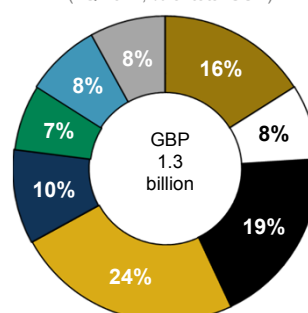
Evolving risk profile following annuity book divestments

- Risk profile is more balanced after annuity book divestments, as it reduces longevity and credit risk
- Remaining exposure to credit and interest rate risks primarily related to own employee pension fund
- Equity risk and persistency now the largest growing exposures
- The SCR provides a natural hedge to capital ratio movements but need to manage the economic risks

Solvency II SCR by risk type (4Q 2015, % of total SCR)



Solvency II SCR by risk type (2Q 2017, % of total SCR)



Credit Longevity Equality Persistence Expenses Interested Rate Currency Other

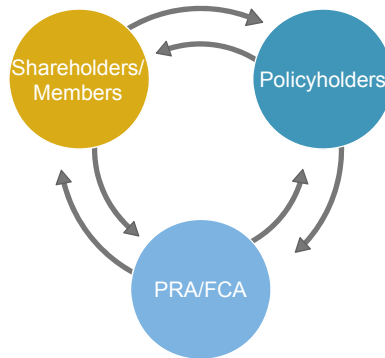


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Transformation is in all key stakeholders' interests



Free your business from complexity to focus on adding value for all stakeholders



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Questions