# Annual Shareholder/Analyst Meeting

## Company Participants

- Alex Wynaendts, CEO, Chairman Executive and Management Board
- Mark Mullin, CEO Americas
- Willem van den Berg, IR

## Other Participants

- David Andrich, Analyst
- Unidentified Participant, Analyst

## Presentation

### Willem van den Berg {BIO 15203834 <GO>}

Good morning, everyone. My name is Willem van den Berg. I'm the head of IR and on behalf of the entire AEGON team, I'd like to welcome you to our conference.

We will start with two presentations. First, our CEO, Alex Wynaendts, followed by Mark Mullin, the CEO of our Americas operations. After their presentations, that will be a Q&A session. But we'll keep it short because there's plenty of time to mingle with management during the coffee break. After the coffee break, we'll have six breakout sessions where you can meet the rest of the management.

You have also been given an iPad. If there are any issues, just raise your hand and we'll get you a new one. I hope you find today interesting and informative. We are really looking forward to a good discussion with you. I'd like to hand it over to Alex.

### Alex Wynaendts {BIO 1821092 <GO>}

So nobody raised their hand about the iPad. It's all clear? It's all working?

Anyway, let me say again it's a pleasure for me to welcome you here in New York. A lot of familiar faces. It's always good to see there is continued interest for AEGON. But I'd also like to welcome those people that are listening in online in this presentation, a very warm welcome to all of you.

What I would like to do, what we would like to do as a team today is to share with you the progress we are making. We want to outline how we are executing on our strategy and also why we have taken a number of decisions.

As Willem just said, the primary focus today is obviously our US business. You'll have many different presentations and detailed presentations about our US business. And I believe actually the US business is also a very good example of the strategy for the entire group. So what you'll see in the US, hopefully you will see in many other places of AEGON around the world. After my presentation, Mark, you'll do a short presentation production and we will be happy to take some questions.

As a result of the management actions which we have taken over the last years, we feel that we are well positioned in all our markets. And I mean both our established markets and our new markets. In particular there, we have established a very strong basis for future profitable growth.

What I would like to do today more in particular is to focus on how we are developing new ways of connecting with our customers, those that depend on us. And how this will continue to allow us to take advantage of the many opportunities ahead of us and to continue to grow further, going forward. We are on track to achieve 2015 targets and I will address this a bit later in my presentation.

So let me turn to global trends and I'm not going to go over all these global trends. I just would like to highlight a few. I know you know many of them. I think the essence of it is that all these trends, all are pointing to the same direction. They are all pointing to a direction of increasing demand for the products and services that we as a Company are offering to our customers.

You know the trends about aging. By 2050, we'll have an estimated 2 billion people over age 60. What's interesting, obviously, that these 2 billion people will need also to have income for retirement. What we see is that traditional safety nets are retreating and there's a very clear shift towards individuals taking responsibility for their own financial futures.

In addition, we see customer behaviors changing, people looking for more transparency, simplicity. They want to interact with a company like AEGON in the way they choose to do so. They use a lot more online. And I believe that at the core of our strategy, which is about helping customers secure their financial futures, all these trends are pointing towards the same direction.

We are also seeing changes in regulations. Solvency, obviously Solvency II, I'll come back to it in a second. We see customer protection regulation coming more in place. And the UK, the Dutch markets being very good example; changes in fiscal policy, all of that will mean that the world in which we are operating is changing very quickly and we need to make sure that we are adjusted and adapting ourselves to these changes.

And I'm confident that we are well prepared to work in an environment with all these changes, that we just raised Solvency II is, I think, is a good example. We are now finally getting to Solvency II. By 1 January 2016, Solvency II will be there. I remember exactly a year ago, we were still not sure about that. We thought that was going to be the direction. But far from being sure.

And I know that all of you are going to be very curious to get a bit more details from us about where we are in Solvency II. And I'd like to leave that for the breakout for Darryl and Tom Grondin where they will share with you where we are on Solvency II. We'll give you some numbers. I know you all want to see some numbers, you'll get some numbers. But also the range and the context within which we want to give you these numbers.

I was mentioning changing environments, changing customer behavior, a lot of things changing at the very same time. And I believe that these trends impact every stage of a customer's lifetime. I'd like to focus a bit on the lifecycle because as a business, we want to focus much more on our customers' longer entire lifecycle versus, as you know, selling individual products along the lifecycle. It's about how we can serve the increasing needs of our customers.

So where does it start? It starts at the beginning with protection products, simple protection products that provide the protection our customers need. When they have a young couple, when they have a mortgage, they want to be protected. And that usually evoluates then[ph] in accumulation. It's important to start saving for the future. It's important to start saving for your children's education. So that saving element is always at the core of what we've been doing.

And as you will hear in the course of today, AEGON here in the Americas is very well positioned in the protection segment, in the accumulation segment. And we'll be spending a bit more time in after retirement, which I think is the new opportunity. That is the additional opportunity we have above the two first opportunities, being protection and accumulation.

Why is that? Because increasingly, people are getting older. Increasingly, people are realizing that they will be living longer in retirement. Increasingly, people will have to make themselves decisions about how they will retire and probably ask themselves the question, can I afford to retire? In many cases, not a yes.

And that's why I believe that the big opportunity, the additional opportunity, for AEGON is serving all those customers that we have within our system that are customers today. But that we know will one way move through the next phase. These customers also need advice. I think on this slide, you can see very clearly how we are looking at our business, especially how we are looking at new ways of connecting with our customers, which we believe will generate future growth going forward.

As you know when we look at our pension business and the way we reported about it, it was very often about assets. You can see here on this slide clearly that the US -- the US pie is $119 billion of assets under management in our pension business. And the way we used to look at it is really -- it's about assets under management. We looked at a certain margin. You know the margin which we shared with you. And that was the business in which we were in.

But I think what is the opportunity for us. And I'd like to share this with you today, is to look at more than just the assets under management we have. I believe it's about the participants. In the US, we have 3.4 million participants that are saving through their employer with income. And we know of the 3.4 million participants, we know one thing for sure. We know that at a certain point in time, they will retire. And that means that these 3.4 million participants in the plan potentially become individual customers of AEGON. That is the opportunity.

And on this slide, we are showing also the Netherlands and the UK. The trends are very similar, particularly in the UK where the change of regulation -- whereas you know, it's not anymore mandatory to buy an annuity when you retire. These changes mean there is more flexibility for individuals to take their own decisions. There is also more need for advice. They need to be given advice.

And the same applies to the Netherlands. Even in the Netherlands where today still defined benefits are an important part of the pension provision, there is a shift towards defined contributions. And that will lead to a similar development. And I believe these developments are the ones that are going to be the drivers of future growth.

But we also know that we have to be able to capture these customers. And I believe. And pretty obvious, that if you want to retain a customer that already is out of the system because he has retired, it's too late. Our challenge is about connecting with the customers at an earlier stage, before they are retired. We need to engage with them. We need to make sure we communicate with them, that we provide them a picture of what their retirement is. We provide them with alternatives. And then at the point of retirement, we would be the natural place where they will have their retirement assets.

So assets will roll over into an IRA. And as you know, we have the full suite of products -- variable annuities, mutual funds. And any other products, we have them all available. What we need to do now is to make sure that we tie the two pieces well together.

Just to give you a few numbers, today our retention rate is around 10%. And to me, that means there is an opportunity of capturing an additional 90% of assets that roll over. That is the opportunity. That's the opportunity. Mark will talk more about it. And in particular in the breakout section, you will get more picture and a better sense of what we are doing to maintain that part of the business. Also, I'd like to remind you that the margins on these individual products are higher than the margins we are earning on our institutional business.

And what I find attractive from this opportunity is it's not only an opportunity which is taking place here in the US. It is an opportunity we see taking place in each of the markets we operate. Sometimes a little bit of a delay. But the UK to me is also a very good chunk.

I mentioned the protection business being a core part of our business here. The protection business and the development of this is also really at the core of our strategy in our new markets. I don't want to go in more detail at this point since we are focusing on the US. But focusing on the protection business and developing new innovative distribution channels is exactly what we are trying to do with each of our key markets.

I can give you a few examples. Turkey, for example, where we're a new entrant. There was no protection market. We created the protection market by making clear to our customers what the benefits of these products are. And today, we have around 33% market share in a market we created. We are selling products that our customers need, returning products that make sense for a customer because they get the production they are looking for. And these products also make a lot of sense for AEGON.

Obviously, I commend to you many other examples, banca sure distribution[ph] in Spain; in India, where we are a leader with online distribution. The whole idea here is when we enter a new market, it doesn't make a lot of sense as a later entrant to be a follower. We need to come with new ideas, new concepts, new products. But also new solutions. That's what you will see us focusing on in each of our new markets, coming with new concepts and new solutions -- methods. India is a good example. Spain, we have a direct proposition. And I probably should get many of them. But I just wanted to share these two.

Another part of our business, which briefly I would like to highlight here, is asset management. Asset management in the past used to be very much a service provider for our life insurance. Today, asset management is much more. Today, what we are seeing, particularly in the US, is that the flows of new business that our asset management have reached around 50%. In other words, all the new business we are generating through insurance companies and mutual funds and variable annuities, 50% remains managed in house.

And that's, I think, a great achievement because it allows us, as you can well imagine, to maintain a much bigger share of the total wallet. And we see many opportunities to expand this in other parts of our business. Our pension business, for example, in the US, is a good example, too.

What we are also doing and increasingly successfully is leveraging our capabilities which are specifically geared towards insurance companies to make these products third-party-like and sell them to parties that are not connected at all to our insurance business. In particular, our mortgage fund in Holland is a good example. We use mortgage origination capabilities in the Netherlands. We package it and sell it as a third-party product, pension funds in Europe, a good example.

Our fixed-income capabilities equally are good examples where our strengths are being levered. Actually, we are seeing net inflows -- the total assets growing last year -- for the last two years on average with 16%, particularly in an area of 15%. And obviously, today the focus is on the Americas. So we won't dwell on the other markets.

But what we are seeing taking place in each of the markets where we operate is to focus on coming up with new concepts about how we communicate with our customers. And this is all driven by the fact -- we discussed that trend earlier -- that people increasingly have to make their own decisions. They have to make decisions about how much they will save, how they will save, how they will retire, when they will retire.

And increasingly, face-to-face is becoming less and less accessible to them. Face-to-face becomes more expensive. So unless you have a lot of assets -- let's say $1 million, face-to-face really becomes not accessible.

And that again is an opportunity for us. It's an opportunity for us to connect with our customers and through digital channels connect with them, provide them advice. We can do a lot, actually, through digital channels.

Why do we believe that the digital channel is so important? First of all, it's a very efficient way of connecting with our customer. And in many cases, we see it's the way our customers choose to connect with us. In the past, we chose how we connected with our customers. Today, we allow the customer to choose how they connect with us.

And I'd also like to point out that from a compliance point of view, digital channels also provide a lot of advantages because (inaudible) are very well established.

And that's what you will see in the course of the presentations today, that you will see that in many of our other businesses is that we are stepping up our investment in digital capabilities. Not only in the way we interface with our customers. But also we believe that if we want a truly digital communication with our customers, we will have to have -- we will need to have a digital capability front office to the back office. The entire chain has to be digital.

It really requires us to put in place these systems and that, I think, is what will allow us to innovate. We will need to be able to innovate quickly. And you need to have the platforms that allows you and it gives you that flexibility to be able to innovate and to be quickly to market. In the course of today, you will get a couple of very good examples of how we are able to react very quickly to market changes, customer behavior. And how that allows us to be at the forefront in this market.

I certainly would not want to leave you with the impression that we are focusing only on dealing with our customers directly. I really would like you to stay with the idea that advisors and intermediaries will continue to be a very important part of our business going forward. You can argue about percentages. But it's not irrelevant. A very big part of the business will be conducted going forward through intermediaries.

And also, our intermediaries are required to be supported. They should not be spending their time on doing stupid or uninteresting or -- what's the right word for that -- tasks, administrative tasks. They should be put in such a position that they can spend all of their time in adding value to a customer. Because as you know with the new compliant systems, the ban on commissions, what we see happening is that people will find it harder and harder to pay fees to advisors and intermediaries. So they really would want to see true added value being provided. Our opportunity is to get closer to advisors. So that together we can feel better our customers.

And also, I would like to make the point -- we have made it obviously many times -- we need to be more efficient. And why do we need to be more efficient? Because effectively, we believe, our competition going forward is going to be a lot of new entrants. We need to be ready to face new entrants, new entrants that will come up with new systems, new capabilities. We need to make sure that we are able to compete with them. That's what we are doing.

And that's why you see that we are making significant investments in upgrading our capabilities. But it's not only about investment in capabilities and technology and in IT systems. I think the most important part, really, is also making investments in people. We need to make more investments in people -- I should say the right people.

But we also need to be able to attract people from outside that have different skills, people that can bring skills to our business we really need. And one of the things we know is attracting somebody from outside, that's step one. Most importantly is to make sure that he is effective in your organization, effective in implementing the changes that are needed. That's where we spend a lot of time on, making these people that we attract from outside, making them effective.

So I talked about investments and capabilities, people. But I would just like to show you this slide without dwelling into the detail. What has allowed us to make these investments is all the cost reductions we have been putting in place in the past years, which you are well aware of and we continue to put in place. What we are really doing is creating ourselves a space so that we are able to invest in new capabilities. I think you can see that very clearly on this slide.

And in terms of efficiency, we will aim for further improvement in efficiency. And I believe that's the result of growing our business. But also seeing that our earnings are growing faster than our expenses. That's well reflected in the chart on the right. It is our commitment to continue to further improve efficiencies because we believe we need to be efficient in order to face the competitors of tomorrow. But not the competitors of today.

I would like to show you on this slide how we have been successful in transforming our business over the last year. I think this slide shows it very well. What you see here is that our sales have increased, while the amount of capital needed for these sales have decreased. So our sales increased from $6.7 billion to $7.2 billion, while the capital needed for these sales decreased from $1.3 billion to $1.1 billion. This is at the heart of our strategy, growing our business profitably, being less capital intensive and shifting (inaudible).

At the same time, we have also grown our market consistent value of new business. And this has been the result of very clear and, I believe, successful management steps that we've taken in terms of repricing, redesigning. And, probably most importantly, by having the courage to withdraw certain product lines. Scott Ham and his team will talk about it later in their breakout. But it shows that the breadth of the distribution and the breadth of product range they have allows them to make the right decisions because we are not dependent on a single distribution or a single product. This slide really shows how well we have executed on our transformation.

I also would like to highlight here the significant progress we have made in increasing our free cash flows since 2010. And we have done this by growing our operational free cash flow which we receive from our country units -- generated by our country units, by reducing the amount of capital needed. I shared this with you just on the previous slide. And at the same time, something which I believe has been less visible, at the same time we have reduced our holding expenses by taking our expenses down and holding and by reducing our leverages.

As you can see on this slide, as a result of the combination of these two factors, our free cash flow has doubled -- will double, I should say, between 2010 to 2015 from EUR400 million to EUR600 million to a range of EUR1.0 billion to EUR1.3 billion.

I believe this shows very clearly the focus we have had in generating free cash flow, which at the end is what counts because that is what is available for distribution to shareholders or any other purpose we might have. And as you know at present, we are paying around 50% of our free cash flow as dividends and we have clearly a dividend policy stated our ambition to have a sustainable and growing dividend that is dependent also on cash flows and on the strength of our balance sheet.

As you can see on this slide, we have successfully increased the share of our capital allocated to our core businesses from 75% to just over 85%, again here the result of clear strategic choices, about divestments and about de-emphasizing. Just to remind you, divestments -- looks already long time ago. But it's not long ago that we divested our reinsurance business. We divested a piece of our guardian bec book[ph] in the UK. And we also exited our Spanish joint venture this last year, which, as you know, yielded up to EUR1 billion of capital, which part has been reinvested in santandejo[ph].

We have continued to look for further ways to increase the share of the capital allocated to our core business. Ideally, we would like it to be 100%. We are doing so by looking at every single option we have to accelerate our runoff business in the US. And as I shared with you before, we intend to complete a strategic review of our Canadian business before the end of this year. And obviously, we will share with you any information as soon as we are able to do so.

Also, I would like to say that we had entered in discussions with our partner, La Mondiale, in France about the future of our 35% stake in our joint venture. And again here, I hope to be able to come back to you before the end of the year with a conclusion on this specific investment[ph].

But for our run of business -- for the acceleration of run of business, looking at strategic options from Canada and France, as I mentioned, I also want to make sure that we need to take and always will continue to take into account the economic interests of our shareholders. That really is very important. We want to make sure we do the right thing for the long term, in terms (inaudible).

If I now turn to our core businesses, the one that has 86% of our capital allocated to it, what I would like to show you here is that if you look at it, you see that these businesses have a return of over 10% on equity. So these businesses are performing in line with the group targets we have set.

If you look at our run of businesses, including the cash flow which you can get from France and from Canada, that's around EUR200 million out of the EUR1.3 billion we have right now. And that's run of cash flow, as I can call it that way, we expect that to continue to be payable for a number of years going forward. That will be stable, while at the same time we will continue to aim and grow the operational cash flows of our core businesses by growing our businesses, by ensuring it's capitalized. And by increasing our efficiencies.

So I hope this gives you a picture, one side of our businesses and their performance. They are generating over 10%, while a piece of runoff, including France and Canada, generates a stable cash flow for the foreseeable future. I think this is a better way of looking at the overall performance of our business.

And that takes me to the slide on targets. I said that we are on track on delivering on our targets. I believe that in those first three targets, we clearly are on track. And in relation to our last targets, the return on equity, we have said on a number of times -- I am happy to repeat it -- in order to achieve on the overall the 10% to 12%, further management actions are needed. I have highlighted a few, if you are looking at particularly the runoff from Canada and France.

So allow me to summarize my presentation. I really believe we have very strong foundations for growth in our established markets, based on the strength of our business today and in our new markets. We have significant growth opportunities ahead of us and we will talk much more about it today. We have a strong financial position that allows us to look in the future with confidence. And I believe we are well prepared for these changes. We are well prepared because we have the right strategy, we have the right focus. And, above all, I believe we have the right people to execute on the strategy. People are really very important to us.

And let me end by saying that we as a management team are proud of what we have achieved. Not only are we proud of what we have achieved in the past. But we also have every confidence that we will continue to create attractive business, long-term value for our shareholders. And a good environment for our employees and our customers.

Thank you very much for your attention. It is now my pleasure to hand it over to you, Mark, to be more specific about our US business. Thank you.

## Mark Mullin {BIO 16344493 <GO>}

Thank you. I don't want to drink from Alex's cup. I'm not sure what diseases he may be carrying with him.

Good morning, everyone. Welcome to New York. It's a pleasure to be with you again today. I know my management team and I -- they are all sitting in the back, arrayed with like smiles on their faces -- are extremely happy and pleased to share a little bit more about what Alex has laid out for you, the success we are having in the US and throughout the Americas, which very much is consistent with what we are seeing in other parts of the Group, as Alex touched upon.

My goal here today is very clear, frankly to demonstrate that we have executed on our strategic plans and we are positioned as AEGON Transamerica for future growth and sustainable profits as we go forward. Over the last couple years, we have significantly transformed the US organization. We've simplified it. We've focused on customers and how they interact with our business, the ways that they choose to interact going forward, which, as Alex laid out for you, we believe will be fundamentally different for some customers, customers who choose to interact directly with us. And we have to meet them where they want to be met, not the other way around.

In my time today with you, I will detail a few key messages and my aim is also to provide key proof points for each of those four key messages. So let me lay those out for you now.

First, as I said at the outset, we are delivering profitable sustainable growth. And importantly, we are doing it in a way that is now less capital intensive, as Alex laid out and I will show you in just a few minutes. And frankly, appropriately, risk balanced, all critical components of how we think about running the business and optimizing returns for shareholders.

We have significantly simplified our organizational structure, our management structure. And as you'll hear shortly, we will do so further today -- or I will announce later that we will do so even further by creating a new division called investments and retirement. More on that in just a few minutes.

We have made meaningful progress towards our 2015 targets. And I will highlight the US contribution to the overall targets that Alex shared with you just a few moments ago.

And last but by no means least, investments in innovation, technology. And people are critical to our future and I will detail some of the things and the action steps we have taken to accelerate our progress on all of those fronts.

Let me first put all this in proper context for you. As you have heard us say many times, as Alex talked about, our mission, our purpose, if you will, is to help people take financial responsibility -- to help people take responsibility for their financial futures. That is a mission and purpose of which we are all proud of and we share that across the entire AEGON group.

At AEGON Americas, we fulfill that mission in two basic but essential and important ways. First, by offering a complete array of life and protection solutions -- you will hear more about that in Scott Ham's breakout -- and through investments in savings products that help people accumulate wealth as they are working their way to retirement. But importantly, as Alex pointed out, at and through retirement. So we are going to focus on those two key areas. You will hear about more of those in the breakout.

As I mentioned, our purpose is something we are proud of. But quite candidly, it is not sufficient in a competitive market. You must also have strong competitive advantages, things that differentiate you or separate you from the competition. And solutions that evolve to meet unique and changing customer needs. Must have a strong foundation, a strong core, if you will. And we do. And we will talk about that as we go forward and I'll provide ample proof points behind my statements.

Let me first say our distribution today is stronger than it's ever been. Our brand is more highly recognizable than it has ever been and our risk management systems, inclusive of our economic framework, are deeply embedded in our decision-making processes, product development. And pricing. And they help drive our business forward.

Let me talk about investments and retirement. As you know, we've been on a journey for some time, coming down from about 13 divisions to our current three market-facing divisions. Today, I'd like to share with you that next month, we will create one new unified strategic division, which will be known as investments and retirement, which will combine our individual savings and retirement business with our employer solutions and pensions group. Essentially, this pulls together all of the asset accumulation businesses -- pensions, defined contribution plans, mutual funds -- as well as our at and post retirement solutions, IRAs, again mutual funds. And variable annuities.

Kent Callahan, who is in the back and will have a breakout session with you, will be the new Chief Executive Officer of the combined investments and retirement group. David Hopewell, who you all know, who is the current CFO of our individual savings and retirement business, will move over as Chief Financial Officer for the new combined division. And Tom Swank, who is also in the back and you will have a chance to visit with Tom as well, will become the Chief Executive Officer for AEGON Americas asset management group.

Candidly, my management team and I feel this is a very important step forward in order to capture that post retirement -- at and post retirement market opportunity that Alex profiled for you just a few minutes ago. We have the products and solutions necessary to help people accumulate and move into the savings part of their lifecycle. Putting these two businesses together under common leadership will enable us to more effectively grab and capture that opportunity.

To give you some perspective on investments and retirement, this new group will immediately serve 5.1 million Americans and service over $281 billion in revenue-generating investments. So this is a very significant part of our business. These are fast-growing businesses with strong demographics to support the continued growth.

As I said, this positions us very favorable. It will have defined contributions, defined benefit, at and post retirement products all under one roof and one common management team.

The further basis for the strategic integration, if you will, is these two groups, ES&P, employer solutions and pensions and individual savings and retirement, currently distribute products through over 100,000-plus financial advisors throughout the US. The vast majority of those financial advisors currently work with our individual savings and retirement group.

We expect significant lift and momentum as advisors who know certain parts of our business or certain products within our business are introduced to other capabilities, like our retirement plans business.

We also expect downstream some opportunities to take cost out, expense efficiencies, if you will. But as this is brand new, it's really quite too early for me to detail what those expense savings may be at this point. We will certainly come back to it at the appropriate time as those opportunities are identified and action plans are put in place against them.

Let me now turn to our successful efforts in the Americas to deliver profitable sustainable growth, while also enhancing returns by optimizing our back book and, as Alex talked about, taking proactive measures to deal with low-return businesses, products, or markets. Later on, I will also detail how we are accelerating our investments in technology to get closer to customers -- Alex touched upon that as well, gain efficiencies. And, importantly, differentiate Transamerica in the marketplace.

The digital world is here. It's not going away. And we need to be ready for it. And we frankly think it's going to be a new growth channel for us as we go forward to add to our existing robust distribution.

So where are we today? In our life and protection business, we consistently rank in the top 10 in supplemental health, voluntary worksites. And overall individual life insurance. Our growth rate continues to exceed that of the overall market.

On the deposit side of our business, which again includes the accumulation and the savings products, we have doubled deposits in just four short years. This growth, as you can see here on the chart, translates into earnings as our net deposits have more than doubled over the same period. In addition, as Alex mentioned, a significant part of that flow, those deposits, are moving into our asset management business where we are able to retain higher margins and grow earnings or drive earnings into another part of the Group.

So how have we done it? Candidly, it's by the strength and breadth of our products and distribution. You'll hear a lot about distribution today. it's a key competitive advantage for us, by building on existing relationships, by developing new relationships. And as an example, over 20% of life and protection sales are coming from distribution partners that have been added since 2009. And part of that is coming from the outflow of the financial crisis. So we have been a beneficiary.

On the life side, the growth has come principally in brokerage, agencies. And affinity channels. And Scott and his team will highlight that for you in the breakout. On the individual savings and retirement side of our business, it's come about by a focus, a deep focus. And concentration on select firms and, within those firms, select high-volume financial advisors. We call them platinum advisors. And we are concentrated and very focused on meeting their needs. These are not the advisors that drop one ticket per year. These are folks that build businesses around core activities that we support.

Beginning in 2010, I shared with you our strategy to accelerate our fee-based growth -- capital-light fee-based growth, while at the same time reducing our capital intensive spread-based business. I think this slide makes very clear that we've been successful. Driven by strong growth -- sales growth, favorable markets. And supported by the demographic shifts that Alex touched upon -- people getting older, saving. And having to provide themselves to and through retirement, we have increased assets off balance sheet and separate account assets from $194 billion in 2010 to over $266 billion as of Q1 2014.

At the same time, we have decreased fixed annuity balances by half and our institutional spread-based balances, which are not shown on this chart, are down now to just $4.2 billion. Moreover, we have increased or more than doubled the contribution from fee-based businesses who are underlying earnings mix.

Another way to measure our success is illustrated here on slide 10. Despite our strong growth, our investment in new business or new business strain has actually decreased from 23% of total sales in 2011 to just 14% in 2013. Alex gave you the same picture for the Group. We are all moving in the same direction.

Moreover, as you can see, our MCVNB has increased quite significantly, from $236 million to over $750 million over the same period of time. That was achieved by strong profitable sales growth across our full product range -- pensions, variable annuities, our life business, our supplemental health business, as well as improved margins in key areas, such as life and our variable annuity marketplace. And you will hear more about that in the breakouts.

Helping to drive our successful transformation has been the economic framework and our portfolio optimization process. As I mentioned before, this is deeply embedded in our business and it helps all of our management and -- helps inform all of our management's decision-making.

We strongly believe we are one of the most innovative companies in the variable annuity space. And I think you can see that through our growth, which has been strong and consistent, quarter after quarter. And the profitability that has followed. Our flexible designs, flexible platform. And experienced sales team have been able to respond quickly to changing market circumstances, which is a requirement to be successful in this business.

In late 2012, we deployed the same strategy within our life and protection business. Alex talked about conviction, the ability to pull products when products are not meeting margin targets or MCVNB targets. Our economic framework requires us to have that discipline. And we are able to do it because of our strong breadth of products and our strong distribution. Let me assure you not all companies have that flexibility.

In looking at our life and protection business. And in particular I am referring to our universal life with secondary guaranties, which many of you know has a longer duration, that's the product that I am specifically referring to. We pulled that product because it did not meet our hurdles.

We have also come back into the market, copying or mirroring what we have done on variable annuities with a product that can actually be reset weekly or as often as weekly, depending on market circumstances, where interest rates are. During the breakout, Scott Ham, Kevin Crist. And John Hunter in the back there will talk to you about how the mechanics of the product work. It's innovative, it's new. And we are extremely pleased with the success we have seen thus far.

The same discipline applies to our back book. We talk a lot about sales and MCVNB and margins, where we are going. We also have back books and we are actively using the same process of portfolio optimization process to look at risks and optimize capital. In the breakout, Tom Swank and David Hopewell will talk to you more about what we are doing in our legacy variable annuity book.

Turning now to my third key message, progress towards 2015 goals. Alex shared with you the global perspective; this is the US view. We are quite pleased in our progress, as you can see. On the first three measures, we are on target to achieve the objectives we set out for you back in 2010. Clearly when you look at return on capital, we have some work to do. We acknowledge that. And let me assure you we are very focused on hitting all four targets.

I would like to now move to my final key message, strengthening our competitive position through accelerated investments in innovation, technology. And people. You know, the last time we were in New York, I shared with you this slide. I'm sure you all remember it. That was supposed to be a little bit of humor for this morning. But okay.

At the time I laid this out for you, we didn't provide significant detail behind what these points really referred to. I talked to them at a very high level. My goal today is to actually give you some detail. What have we done behind each of these four areas of transforming our business and getting more connected with our customers digitally?

There are four key initiatives I will highlight for you. First, we have refreshed and improved the navigation for our customers. Second, we have unified our customer experience by creating a single point of contact. Third, we are in process of personalizing the customer experience by using all relevant customer data. I will explain what that means. And last but not least, we have significantly increased our presence across all social media channels, as that is the way people communicate in this digitally connected age.

First up, improved navigation. When you think back two years ago to our structure where we had 13 vertically integrated divisions, we found ourselves in 2013 with over 100 websites and 2,000 URLs. Clearly, that's not customer friendly and it's quite difficult for a customer to experience the full breadth and depth of our products.

We now have one robust website, Transamerica.com. Bless you, Alex. He's sneezing away up here; that's why I didn't want to drink his water.

Transamerica.com has been simplified. It's clear. It's easy for customers to navigate and I think importantly, when we stepped back and looked at the design we wanted to go to market with, we did not start with our existing websites. We did not start by looking at competitor websites. We looked at best in class, like Disney.com, websites where people go on their own and where they enjoy the experience, based on survey results. Those are the design principles behind our website.

I sincerely hope you will take the time when you have some free time just to tour Transamerica.com. We would love your feedback, if you have some.

Second, unifying the customer experience. This means simply engaging and interacting with customers the way they choose to interact with us, not the other way around. In this digital age, we cannot dictate the terms of engagement. The customer will choose which channel he or she would like to use to engage, whether that's direct, face to face, click to chat, or on the phone. They will determine it.

Consequently when we launched Transamerica.com, we put in a robust -- it's a robust platform. It will be the key to our direct initiatives as we build out a direct channel and expand that to add to our other channels. We've added planning features like Your Financial Life, that Ken Callahan will profile for you, to help capture that at and postretirement space. These are exciting new enhancements for us and we think they are world class.

We've added new partnerships in thinking about new ways to engage people in the digital environment. For example, normal marketing thinks about demographics and groups very much in a vertical way. In today's digitally connected universe, people oftentimes think horizontally, people with active or healthy lifestyles, as an example. That cuts across all social and economic demographics.

So we are finding ways to engage with people differently, where they find it most interesting to engage with us. As a result, we expect to build and increase our sales in the direct channel as we go forward and we expect to increase the engagement with our existing customers, improving retention and giving us opportunities for cross-sell and upsell. Ken Callahan will profile for you some of the things we are doing in his market to help capture that at and postretirement opportunity that Alex referenced.

Third initiative, personalizing the customer experience with communications, products. And services that are tailored to meet individual needs. That's a mouthful. What does it mean? As an insurance company, we have an enormous amount of data on our clients. But also as an insurance company. And like our competitors, that data is oftentimes used simply for administration. We think that's a missed opportunity.

By digitizing that data, like Alex discussed, we are able to provide our employees, relevant employees, with the information on our customers. Equally importantly, we are able to combine that data -- structured data, if you will, with so-called big data.

What is out there in the social sphere that can give us a more complete, more robust picture of our customers and the life journey they are on? It ties back to our mission, our purpose. Why do we get up and do what we do? In our vernacular, we call this enterprise marketing and analytic platform, or EMAP. So you will hear more about EMAP. I think perhaps the best way is to move to the next slide, if you will. And this will give you a visual illustration of what I'm talking about.

Lots of data that needs to come together, coalesce. And be stored in one place; become accessible to people that need it; and using robust, sophisticated data analytics to determine how we can address the customer needs. We are working on this and we will continue to work on this over the course of the next coming years because we think this is an important way to build the direct channel and engage our customers in a different way.

Finally, our fourth key initiative, increasing our presence across social media channels. As I said earlier, this is the way people connect in today's world. At Transamerica, engaging in these ever-developing channels of social media is essential, interacting in meaningful ways with our current and future customers. We have to be there to meet their evolving needs.

From the time I showed you that first chart that you all were very familiar with, based on your expressions and response, we have become one of the leading players on both Facebook and Twitter. I'll show you a video in a few minutes to make the point. We are also on new forms of social media, such as Tumblr and Pinterest. Again, different ways to engage with people the way they want to interact. Where are they going? We need to be there, very simply.

Now if we could just roll the video, I will give you some sort of a visual in a little video. It's short, less than two minutes, just to give you a sense of what I'm talking about.

(video playing)

Hopefully, that gives you a better sense. That is actually some of the copy that is out there. We are quite pleased with the progress. More work to do. But we think this is an exciting area for growth.

My last point was around talent, the people. Alex touched on this. And we recognize as a firm, throughout AEGON, that we need to attract and retain the right people with the right skill sets. Talent and management is critical for us, building and growing our talent within our firm. But also. And importantly, attracting talent from outside our firm.

In fact, just as an example, the social digital work that you saw, a good portion of that was conducted by a group of people in LA, approximately 30, that didn't exist just a year ago. And every one of those people are from outside the insurance spectrum.

So these are skills that are available in the marketplace. But historically you may not have seen an insurance company like ours. We will continue to invest in talent. We will continue to invest in technology. We will continue to drive a culture of innovation. That's how we believe we will succeed in the future.

Let me just wrap up and summarize. And then we will get Alex back up here for questions. First, I hope I have made it clear the significant progress we have made, both in terms of growing our business and delivering sustainable profits going forward, managing risk, growing our capital-light fee-based businesses. And investing in new and innovative ways to do business both today and into the future.

I am extremely proud of what we have accomplished. But we look forward to the future with high expectations and a high commitment to deliver.

With that, I would like to thank you for your attention. And Alex, if you would like to join.

## Questions And Answers

### A - Alex Wynaendts {BIO 1821092 <GO>}

I think we have questions for five minutes.

### Q - Unidentified Participant

Two questions. The first is, I think you said you are still intending to eliminate the dilution from the preston chair[ph] transaction. I wondered if you could give us a bit more color on timing, how this might happen. That's the first question.

The second is on the dividend. You've said that you are at twice the cash cover. I wondered if you could elaborate more to us how important the coverage metric is for you in determining what the dividend is? And what are the risk scope to reduce that coverage and what are your thoughts about increasing the dividend over the longer term? Thank you.

### A - Alex Wynaendts {BIO 1821092 <GO>}

Allow me to answer your two questions in one, because I think the two items are very much connected. What I showed you here is where we are today, the dividends we are paying in relation to the free cash flow that we generate (inaudible).

What I said earlier was that -- with you today is that we have a dividend policy that is based on cash flow generated from the business units and the strength of our balance sheet. Our objective is to have the dividend grow sustainably in the future. Cash flow is allowing, obviously, balance sheet (inaudible).

In this context, I also like to remind you that we have committed to further deleveraging EUR1 billion this year. We will have EUR500 million in the month of December. And we have also committed, as you rightly point out, to utilize the value the value of the (inaudible) transaction, which is around EUR404[ph] million. So we intend to execute on the deleveraging as planned (inaudible). I will not be able to give you the exact time frame as to the taking of the dilutive effects. But obviously we would like to be able to do that in order to issue within the timeframe of our targets. Thereafter, we will reassess cash flows and balance the capital position. But we need to execute on these items (inaudible).

## Q - Unidentified Participant

(inaudible -- microphone inaccessible)

## A - Alex Wynaendts {BIO 1821092 <GO>}

On the UK business, I think it's -- unfortunately, it has not been mentioned in the documents. But in the breakout, I will have Adrian Grace with me. I know he's disappointed about soccer. But I'm glad he's still here. So we will be able to talk a little bit more about that.

We've been clear about the UK and, to repeat that, we have committed to a transformation program, as you know, being across town, focusing our business, putting in place the platform capability that is, I would say, future proof, although it's an important retention tool. We will execute that plan between now and 2015, taking our defenses down. At that point in time, we expect cash flows -- Darryl also in his breakout will spend a bit more time -- between GBP150 million and GBP200 million. That is for us an important objective that we are trying to achieve. So let's focus on achieving that and not speculate right now about what happens if (inaudible)

## Q - Unidentified Participant

A couple of questions -- first of all, you mentioned that Canada and France is under tactical review. Can you give us a bit more color about what this tactical review means? The reason I am asking is you put the UK under this tactical review a few years back. And then you ended up injecting 300 million capital in that[ph] to transform that business. Is there a thought like that -- yes, you can transform Canada and France, or is it mainly (inaudible).

Secondly, you mentioned a lot about technological investments and technology, etc. Have you seen a step up in terms of investing in technology at the moment. And where do you expect that investment to go in the future? Or is this the normal level that (inaudible). Thank you.

## A - Alex Wynaendts {BIO 1821092 <GO>}

In relation to Canada and France, we are conducting a strategic review, looking at all the options. We have also said, as you know, that we need to be a leader in our territory markets. That has been our mission. We've said that we see that with our current business in Canada, it's difficult to achieve because of the nature of the markets, the number of large Canadians actively having market share.

So for us in Canada, by the way, the same applies to France, if we are not able to achieve the leadership position, then we are looking at all the options, including, obviously, disposal. I would've been very happy to be able to say more to you about this today. Let me say we are looking at all different options and clearly our preferred option is not to stay in Canada or in France (inaudible). We'll share with you more when we can and when we can do so. Certainly before the end of the year -- that has been our commitment and that still is my commitment.

In terms of investments, you see a lot of these investments are investments we made in technology, we make in people, we make in new capability. I believe a lot of these investments will be effectively become more and more part of business as usual in the sense that this is the way we will be conducting our business going forward. We have spent a significant amount -- hundreds[ph] of millions of investments in adjusting our business, our capabilities to the realities of today, as Mark said, to be able to connect with a customer in the way they choose, not only from the front-office part. But also the back-office part. You can't just be on the phone and then be disconnected from reality.

So it is a significant overhaul of our business. Fortunately, nowadays, a lot of new technology allows us to maintain that existing systems in place so we don't need to change our systems. We can use our existing systems, different systems for different products. And we have kind of an overlay and that overlay system allows you to dig in and get that information and make it available the way it is needed for different parts of our business and our customers.

So you see a lot of it in terms of connectivity that will allow us to drive innovation. And I think it was Darryl in one of the breakouts has more numbers in terms of the amounts. But these are significant amounts. So I think the key point I wanted to make here is that we are building our business for growing in the future. And that requires investment. And we are able to do so because we create ourselves a space by taking our expenses down in other parts of our business, where we can. By the way, also leveraging technology, as you mentioned.



## Q - David Andrich {BIO 15414075 <GO>}

Good morning. I was just wondering in terms of the at retirement program, what portion of the asset outflows do you think are related to basically people going into retirement and then (inaudible) that you're not capturing. So that 10%? I'm just trying to get an idea in terms of a nominal figure what the delta should be going forward?

## A - Alex Wynaendts {BIO 1821092 <GO>}

The 10% represents around $1 billion for the US only. But we also have the rest in other parts of our business. So if you want to have the answer specifically on the US product, I'll turn it to you, Mark.

## A - Mark Mullin {BIO 16344493 <GO>}

That's the answer. So we are capturing today just under $1 billion of the participant withdrawal activity. You actually have to look at withdrawals in two different ways. One is sponsor level or employer level activity. The second is employer employee-based. That can be either through job changers or people that are in retirement, one of those two.

Of the portion -- and then you have to kind of cut that down to the portion that is moving or rolling into an IRA. And Kent and Betsy will give you statistics. But as Alex said, we are capturing today about $1 billion. And our ambition, which is about 10% of the participant-related activity moving into IRAs, is more than double that between now and 2018. And that -- by the way, that number will grow. Our book is growing. People are aging within our book, which means that opportunity set not only as a percentage is going to be higher. But the dollar yield will be higher. And as Alex pointed out, it's important to remember when you move from an institutional type plan to a retail, there is a margin enhancement.

## A - Alex Wynaendts {BIO 1821092 <GO>}

We see very similar patterns in the UK business today and we'll see, actually, emerging patterns in that touch[ph] business because of a shift from defined benefits to defined contribution where, again, individuals themselves have to take positions about how they invest the assets that (inaudible).

## A - Willem van den Berg {BIO 15203834 <GO>}

Thank you. I would like to leave it at this moment for Q&A. So we need to leave this room and have coffee during the breakout because we are going to rebuild it into three separate rooms where the breakouts will start at 1030.