

# Capital, Costs, Contingency

*Alex Wynaendts, CEO AEGON NV*

SocGen Premium Review Conference

Paris, December 4, 2008



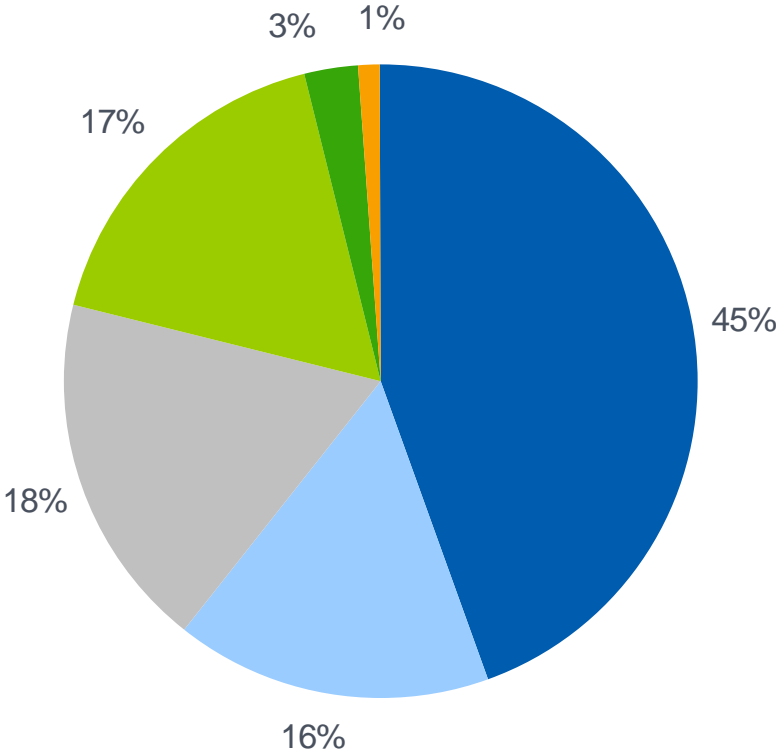
- Focus on Life & Pensions
- 32,000 employees worldwide
- 40 million customers worldwide
- Revenues 9M08: EUR 8.1 billion
- EUR 350 billion in revenue generating investments
- Underlying earnings before tax 9M08 : EUR 1.8 billion



99% of earnings generated by core businesses

**Underlying earnings before tax 9M08**

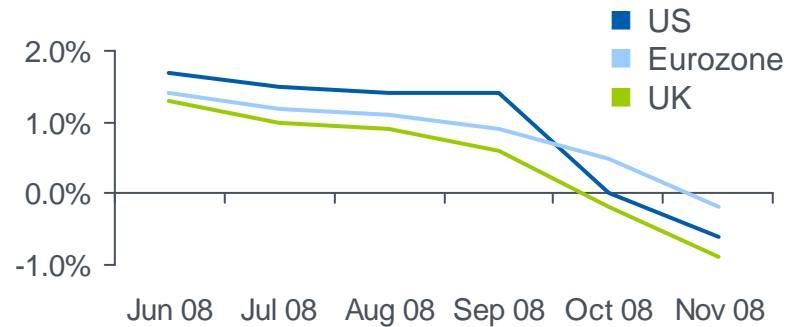
- Life and protection
- Individual savings and retirement products
- Pensions and asset management
- Institutional products
- Life reinsurance
- Distribution & general insurance



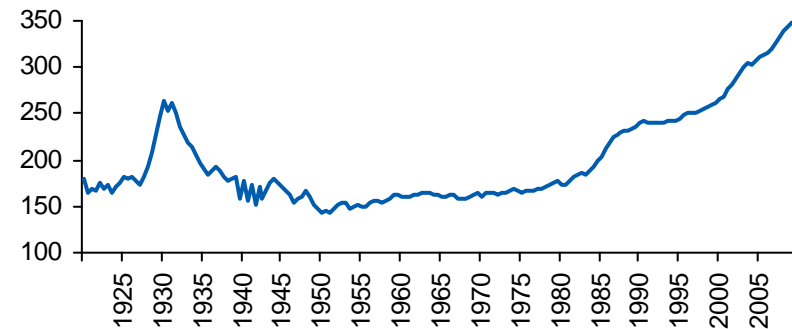
Attractive prospects for life insurance and pension companies:

- Fundamental demographic and economic changes
  - ... generating new customers and new needs...
  - ... driving demand for financial solutions
- Opportunities arising from current market conditions

## GDP growth expectations<sup>1</sup> (EUR million)

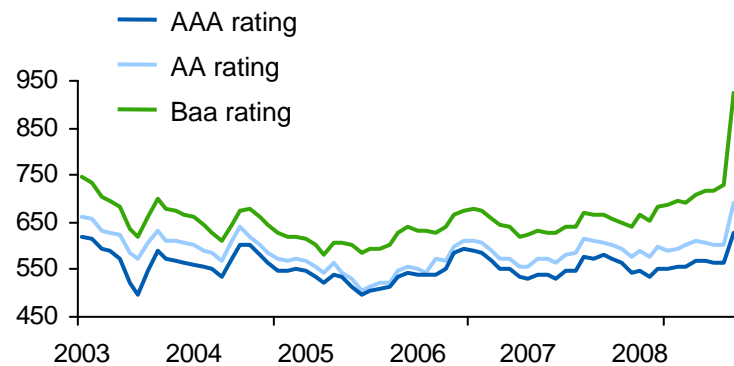


## Total US credit market debt/GDP<sup>2</sup> (%)



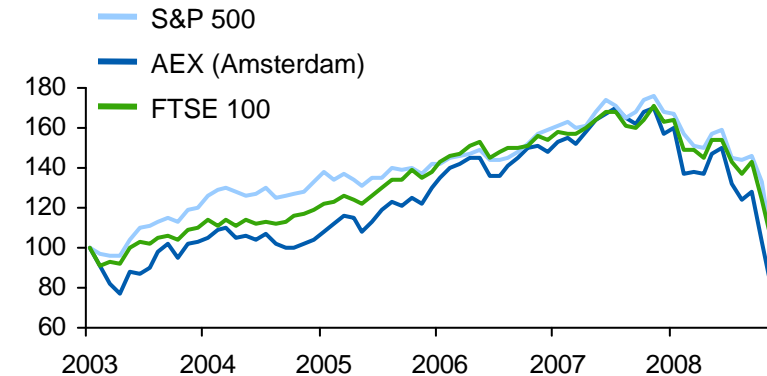
## Credit spread gapping<sup>1</sup>

### Average corporate bond yields (bps)



## Equity markets<sup>1</sup>

### Indexed level (December 31, 2002=100)



1. Source: Consensus Economics Inc. 2008, Bloomberg, Moody's, Carlyle Group (Ned Davis Research)

2. Total US credit market debt measured by the US Federal Reserve includes debt owed by domestic financial services firms, mortgages, corporate debt, federal government debt, small business debt, consumer debt, state and local government debt, and foreign debt

## Financial markets

- *Volatility*
- *Illiquidity*
- *Closed capital markets*

Increased cost of capital & less availability of capital

## Regulators

- *Focus on capital*
- *Take a more conservative stance*

Increased required capital

## Customers

- *Demand for guarantees*
- *Trust*

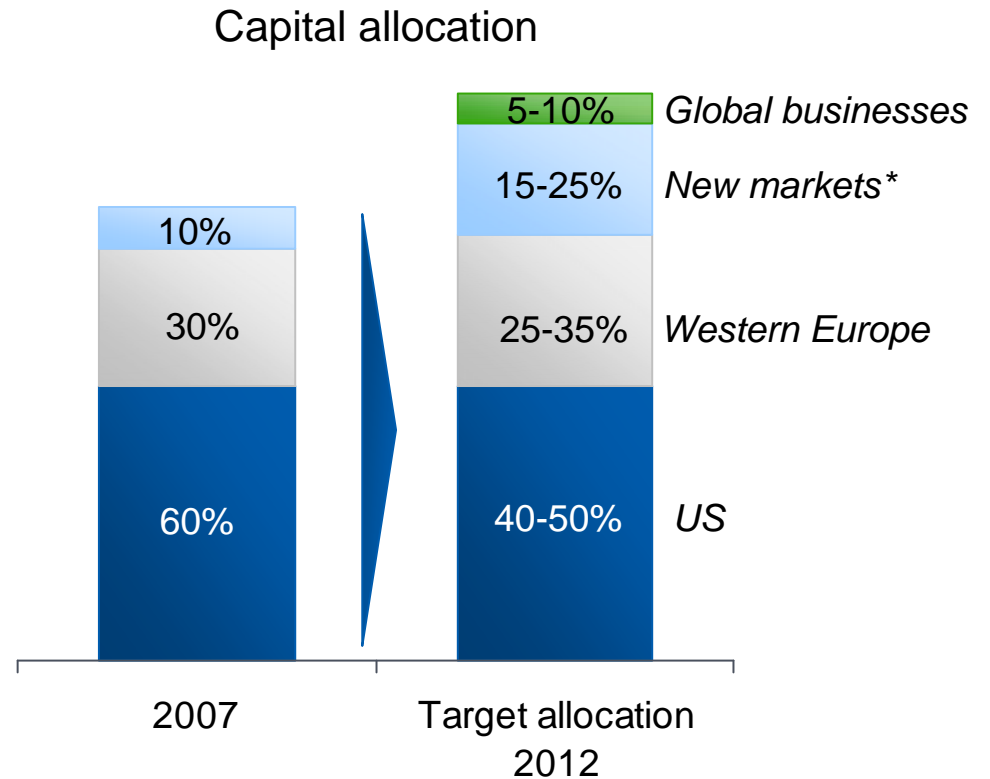
Increased required capital

Need for capital buffer



- 1** Reallocate capital towards businesses with higher growth and return prospects
- 2** Improve growth and returns from existing businesses
- 3** Manage AEGON as an international group

## Geographic mix



\* New markets = Central & Eastern Europe, Asia and Latin America

**C**apital

**C**osts

**C**ontingency

The three C's





### Optimize capital structure

- Implement more
  - Capital releases from back books
  - Reinsurance
  - Insurance linked securities

### Reduce capital intensity

- Further reduce
  - Equity risk
  - Interest rate risk
  - Credit risk

### Maximize diversification benefits

- Manage portfolio of risks
- Reset retention limits
- Build global risk pooling infrastructure

- o Significant risk reductions implemented
  - Limited direct equity exposure
  - Interest rate risks lowered
  - Guarantees on products lowered
  - Hedging of guarantees
  - Asset and liability matching
  
- o Strong global risk management organization
  
- o Capital preservation and risk mitigation in Q308: EUR 729 million



Complete execution on identified capital preservation and risk mitigation actions of EUR 600 - 800 million in Q4, including:

- Lowering investment risk
  - New money
  - Existing portfolio
  
- Risk transfer through reinsurance
  - Fixed annuities
  - Non-life catastrophic risk
  
- Securitizations

Capital preservation and risk mitigation actions important  
to enhance capital buffer

## Contingency: strong capital position provides sufficient buffer



	September 30, 2008	Pro-forma post draw down
Insurance Group Directive (IGD) surplus capital	EUR 5.0 billion (160%)	EUR 8.0 billion (195%)
S&P risk-based insurance capital model excess capital in operating units above AA level	EUR 312 million	EUR 312 million

Additional capital buffer of  
EUR 3 billion is sufficient

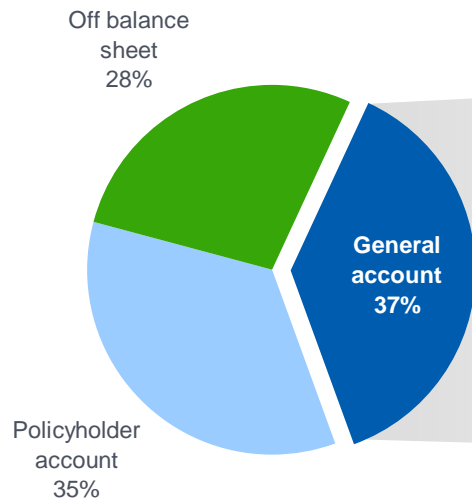
- o Insurance Group Directive surplus capital includes unrealized losses on bond portfolio
- o Excluding unrealized losses IGD ratio would be ~225% and ~260% pro-forma

# Contingency: limited direct equity exposure



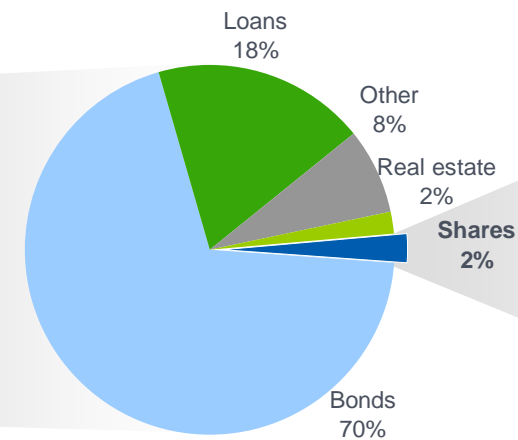
## Total investments

EUR 351 billion



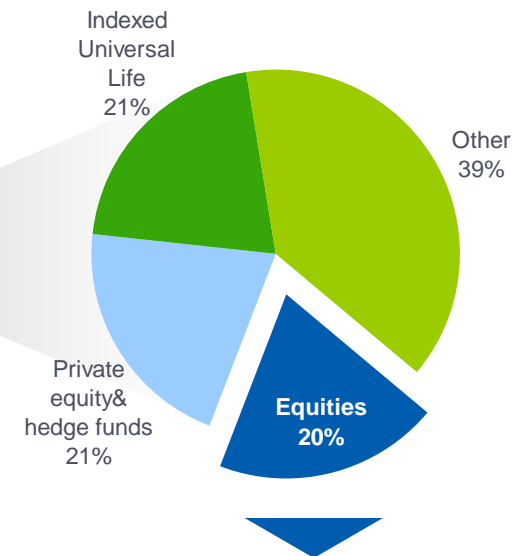
## General account

EUR 132 billion



## Shares

EUR 3.3 billion

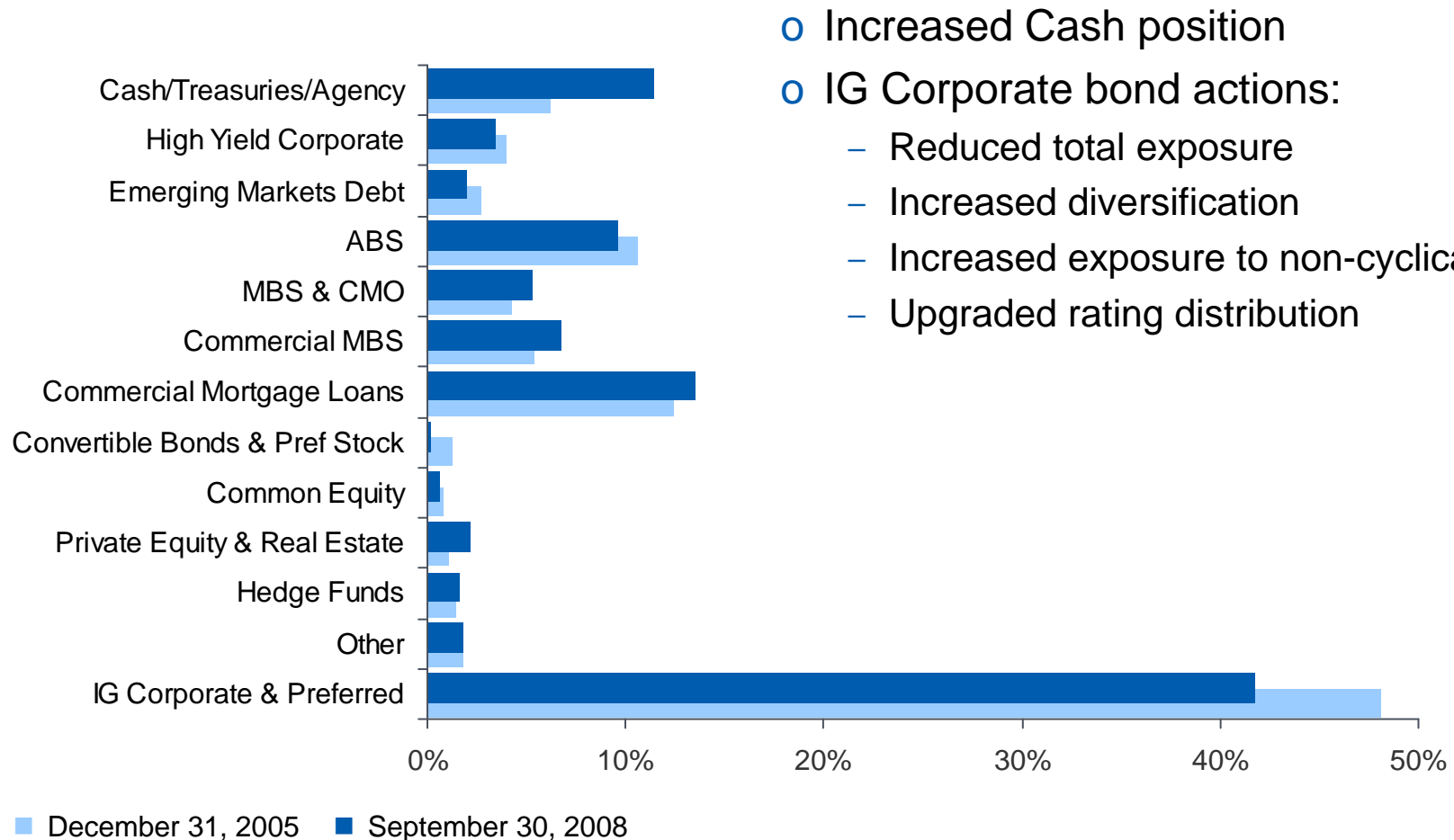


Direct equity exposure limited

As of September 30, 2008

## Shifts in US investment portfolio

EUR 83.3 billion(\*) as per September 30, 2008



- Increased Cash position
- IG Corporate bond actions:
  - Reduced total exposure
  - Increased diversification
  - Increased exposure to non-cyclicals
  - Upgraded rating distribution

\* excludes policy loans

- Cost reduction measures:
  - More than EUR 150 million in AEGON's major operating units in 2009
  
- Key actions to achieve this include:
  - US: no wage increase in 2009 and restructuring
  - NL: restructuring, reduction in projects
  - UK: restructuring, cost containment

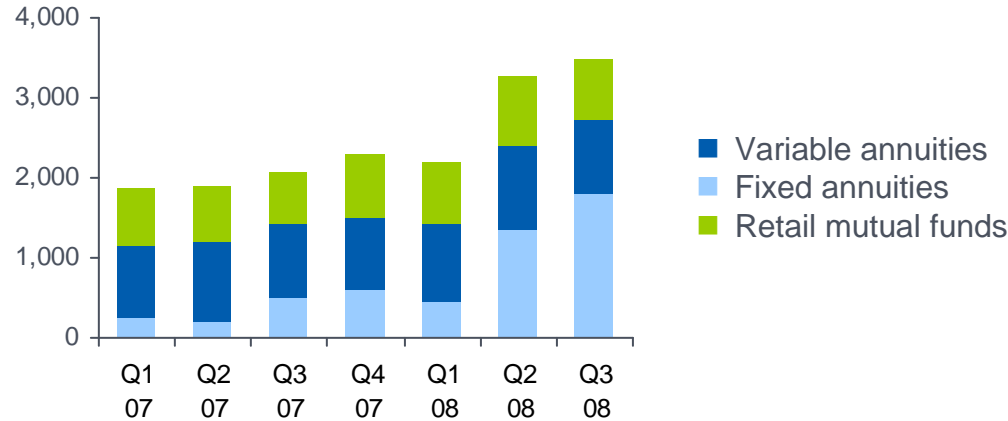
- Improve growth and returns from existing businesses:
  - Manage for profitability in the Netherlands:
    - 3 clear priorities: profitability, distribution, culture change
    - Improve RoC by 100 basis points
- Progress on global asset management
- Establishing European capability in Variable Annuity type products





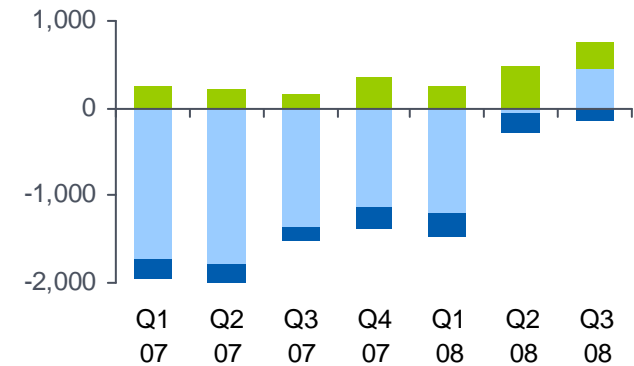
## US gross deposits (USD million)

### Individual savings & retirement

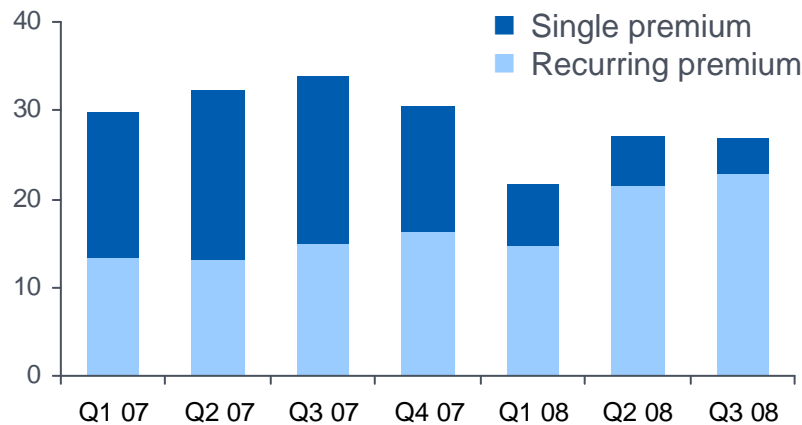


## US net deposits (USD million)

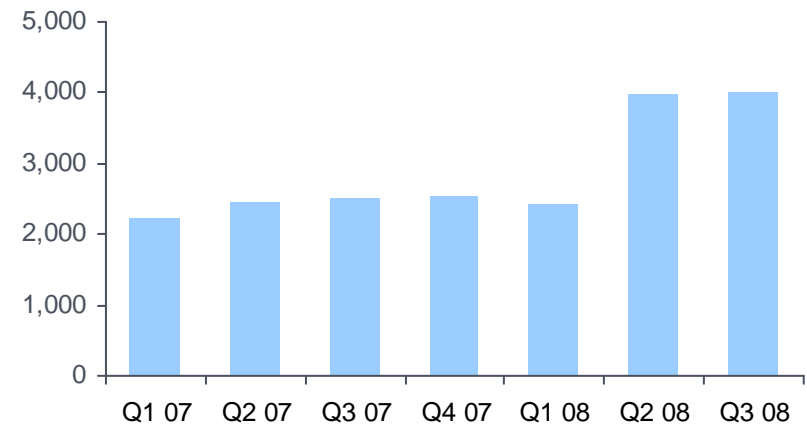
### Individual savings & retirement



## CEE standardized new life sales (EUR million)



## CEE pensions asset under mgmt (EUR million)



- o **Capital:**
  - Capital preservation and de-risking actions to continue through Q4 and into 2009
- o **Costs:**
  - More than EUR 150 million savings actions
- o **Contingency:**
  - Sufficient capital buffer to absorb market shocks

Strategy with focus on capital is the right one



# Q&A



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## Upcoming events



March 12, 2009	<b>AEGON</b> Full year 2008 results	CEO
April 22, 2009	<b>AEGON</b> Annual General Meeting	Supervisory Board
May 14, 2009	<b>AEGON</b> Q1 2009 results and EV 2008	CFO
June 9 and 10, 2009	<b>AEGON</b> Analyst and Investor Conference, <i>New York</i>	Management Board
August 13, 2009	<b>AEGON</b> Q2 2009 results	CEO
November 12, 2009	<b>AEGON</b> Q3 2009 results	CFO



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# Cautionary note regarding forward-looking statements

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## Cautionary note regarding forward-looking statements

The statements contained in this presentation that are not historical facts are forward-looking statements as defined in the US Private Securities Litigation Reform Act of 1995. The following are words that identify such forward-looking statements: believe, estimate, target, intend, may, expect, anticipate, predict, project, counting on, plan, continue, want, forecast, should, would, is confident, will, and similar expressions as they relate to our company. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. We undertake no obligation to publicly update or revise any forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which merely reflect company expectations at the time of writing. Actual results may differ materially from expectations conveyed in forward-looking statements due to changes caused by various risks and uncertainties. Such risks and uncertainties include but are not limited to the following:

- ◆ Changes in general economic conditions, particularly in the United States, the Netherlands and the United Kingdom;
- ◆ Changes in the performance of financial markets, including emerging markets, such as with regard to:
  - The frequency and severity of defaults by issuers in our fixed income investment portfolios; and
  - The effects of corporate bankruptcies and/or accounting restatements on the financial markets and the resulting decline in the value of equity and debt securities we hold;
- ◆ The frequency and severity of insured loss events;
- ◆ Changes affecting mortality, morbidity and other factors that may impact the profitability of our insurance products;
- ◆ Changes affecting interest rate levels and continuing low or rapidly changing interest rate levels;
- ◆ Changes affecting currency exchange rates, in particular the EUR/USD and EUR/GBP exchange rates;
- ◆ Increasing levels of competition in the United States, the Netherlands, the United Kingdom and emerging markets;
- ◆ Changes in laws and regulations, particularly those affecting our operations, the products we sell, and the attractiveness of certain products to our consumers;
- ◆ Regulatory changes relating to the insurance industry in the jurisdictions in which we operate;
- ◆ Acts of God, acts of terrorism, acts of war and pandemics;
- ◆ Changes in the policies of central banks and/or governments;
- ◆ Litigation or regulatory action that could require us to pay significant damages or change the way we do business;
- ◆ Customer responsiveness to both new products and distribution channels;
- ◆ Competitive, legal, regulatory, or tax changes that affect the distribution cost of or demand for our products;
- ◆ Our failure to achieve anticipated levels of earnings or operational efficiencies as well as other cost saving initiatives; and
- ◆ The impact our adoption of the International Financial Reporting Standards may have on our reported financial results and financial condition.

## Cautionary note regarding Regulation G (non-GAAP measure)

This presentation includes non-GAAP financial measures: net underlying earnings, operating earnings before tax, value of new business and embedded value. Value of new business and embedded value are not based on IFRS, which are used to prepare and report AEGON's financial statements and should not be viewed as a substitute for IFRS financial measures. AEGON believes the non-GAAP measures shown herein, together with GAAP information, provides a meaningful measure for the investment community to evaluate AEGON's business relative to the businesses of our peers.