



# AEGON United Kingdom

Otto Thoresen

*Member of the Management Board and CEO AEGON UK*

Mark Laidlaw

*CFO AEGON UK*

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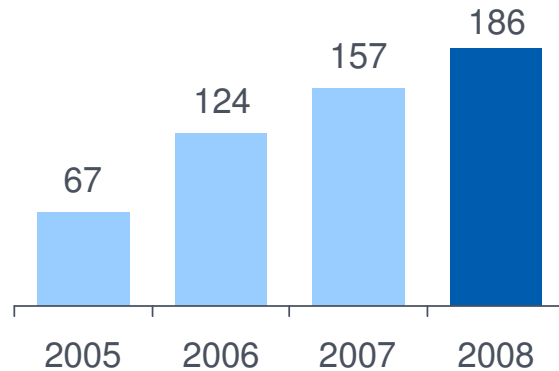
- Targets 2010 delivered ahead of plan
  - Market share of 10%
  - Value of new business margin of 23%
  
- Drive more value from the in-force portfolio:
  - Retention
  - Cost containment
  
- Grow scale and returns of new business with focus on:
  - At-Retirement
  - Corporate market
  - Advice & Asset Management
  
- Improve customer service, product & channel innovation and brand awareness

# New business growth and profitability delivered



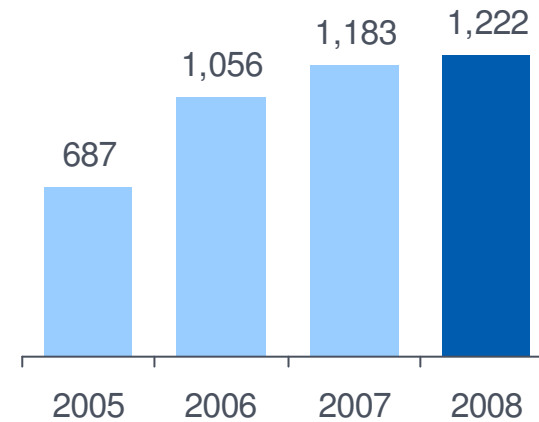
## Value of new business

(GBP million)



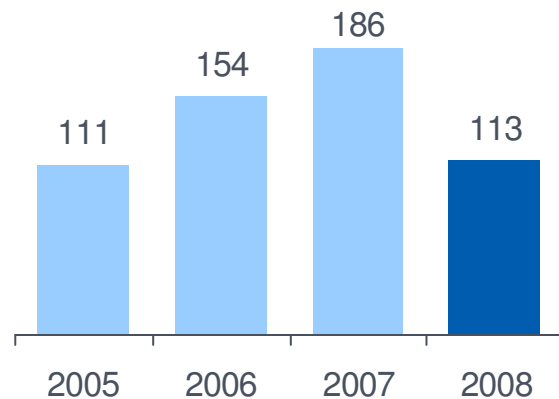
## Sales (APE)

(GBP million)



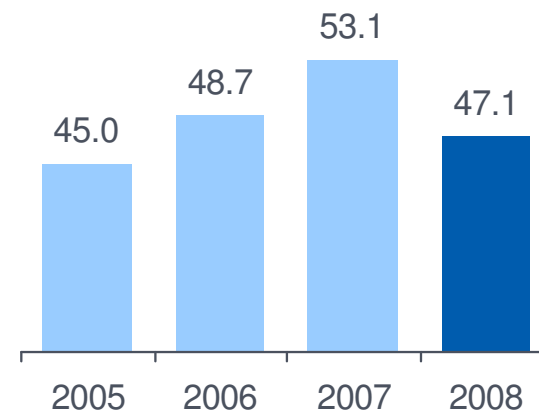
## Underlying earnings before tax

(GBP million)



## Revenue generating investments

(GBP billion)



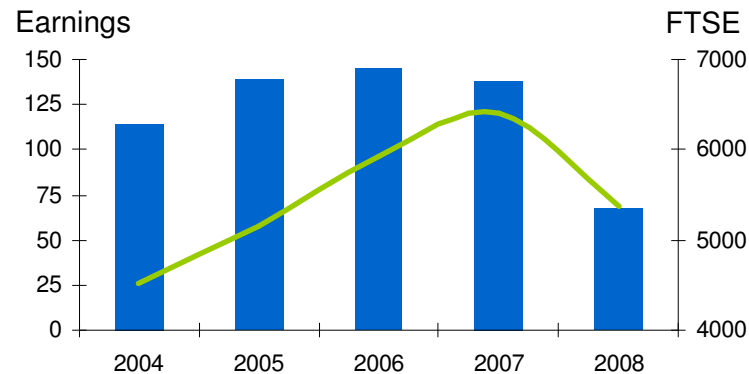
|                                   | 2005 | 2008 | 2010 target            |
|-----------------------------------|------|------|------------------------|
| VNB margin <sup>1</sup>           | 16%  | 23%  | 20% → 22% <sup>4</sup> |
| Market share <sup>2</sup>         | 6%   | 10%  | 10%                    |
| Non-IFA distribution <sup>3</sup> | 13%  | 20%  | 25%                    |

- Diversification into higher margin products
- Adding scale by penetrating new distribution channels
- Building on existing capabilities
- Strengthening strategically important areas
- Increasing emphasis on solutions which meet changing needs of customers

1. VNB margin targets are on a pre-tax and pre-solvency basis

2. 2008 share is for Q4 per Association of British Insurers 3. Based on APE 4. Target increased to 22% in 2007

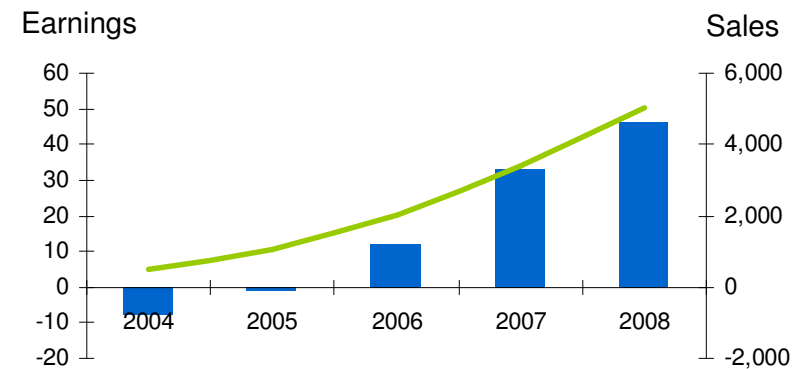
## Pensions & Asset Management



- Underlying earnings before tax (GBP million)
- Average FTSE

- Market levels
- Expenses
- Persistency
- New business levels
- Assets under management

## Life & Protection



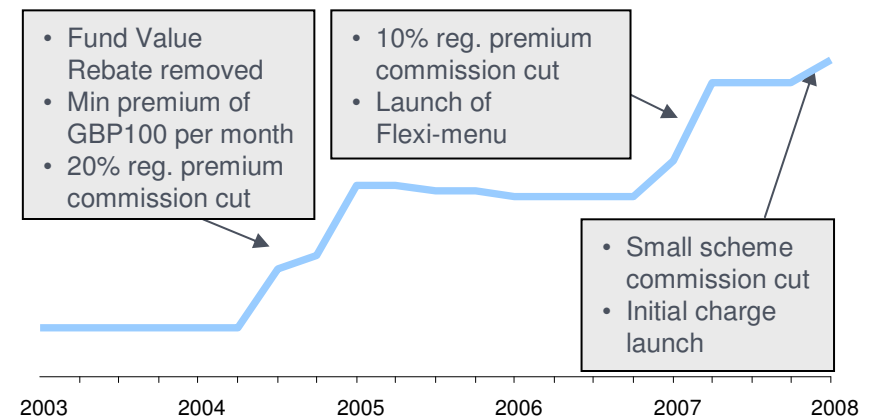
- Underlying earnings before tax (GBP million)<sup>1</sup>
- Cumulative Annuity sales from 2004 (Single premium in GBP million)

- New business levels
- Mortality
- Pricing margins
- Expenses

1. Underlying earnings in 2007 excluding one-off benefit

- Large market with pension assets
- Opportunity to build scale ahead of Pension Reform and workplace savings
- Presence provides opportunities to support employers in de-risking Defined Benefit liabilities
- Efficient new business processing capability
- Important to in-force scale of UK business

## Group pensions margin development<sup>1</sup>



- Adjusted pricing and commissions delivered improved margins from 2004
- Maintained margin during 2008 despite difficult market conditions
- Bespoke pricing to maximise profit and reduce risk
- Willing to exit areas of the market where we are not strong or sub-scale (e.g. Group Risk business)

1. The calculations cover new GPP schemes only and use constant EV assumptions throughout the period

- Desire to diversify earnings away from equity markets
- Relatively small in-force book – appetite for further growth
- Pricing based on recent mortality assumptions – (Launched into open market in 2005)
- Default provisioning of 11% of reserves included in pricing assumptions
- Ability to react quickly to market conditions through flexible pricing systems
- Monitoring Bulk Annuity market developments for profitable opportunities

### Capital

- Optimise capital structure
- De-risk with profits business
- Identifying opportunities to release fungible capital
- Exploring possibilities of securitisations

### Costs

- On track with cost reduction targets
- Organisational development to simplify processes

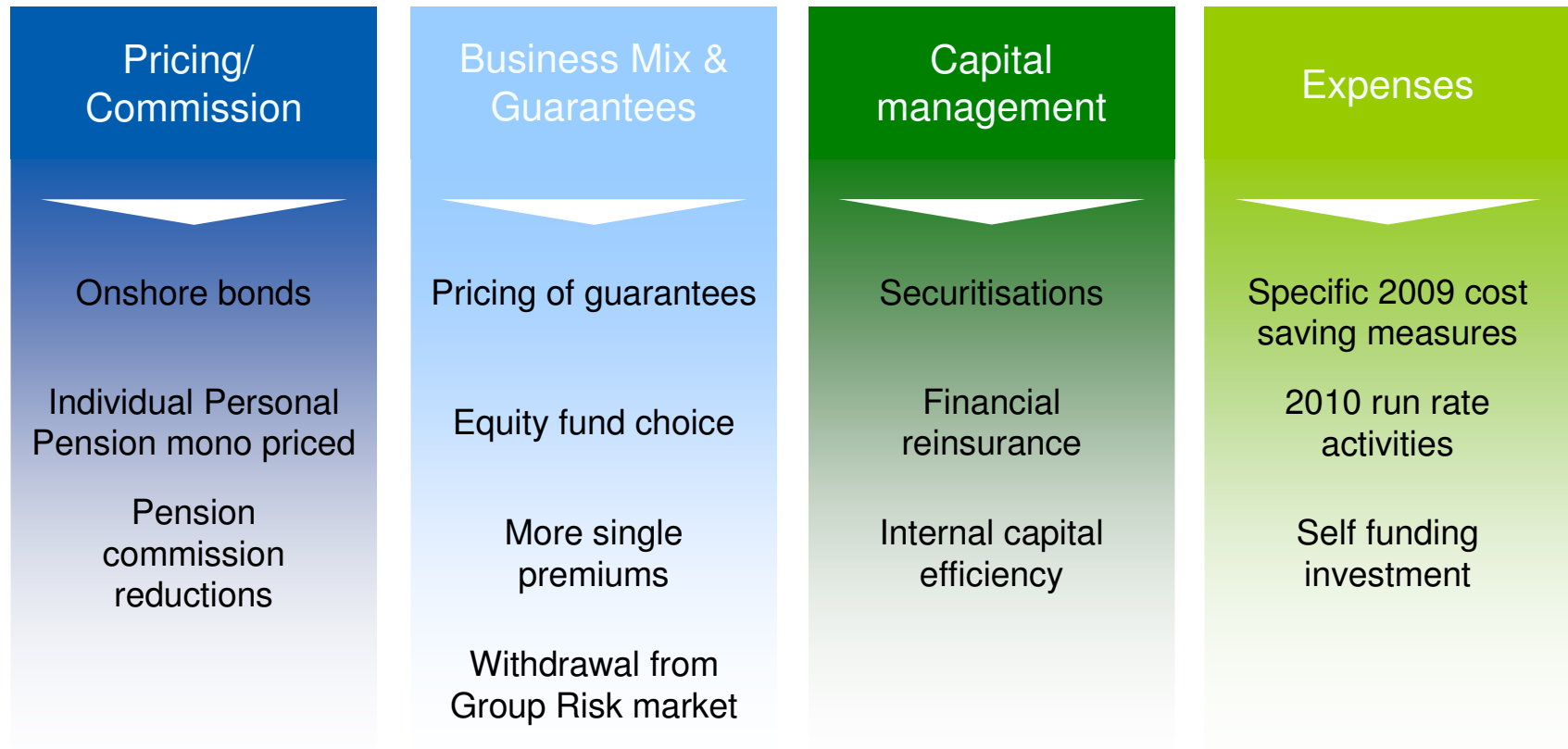
### Net inflows

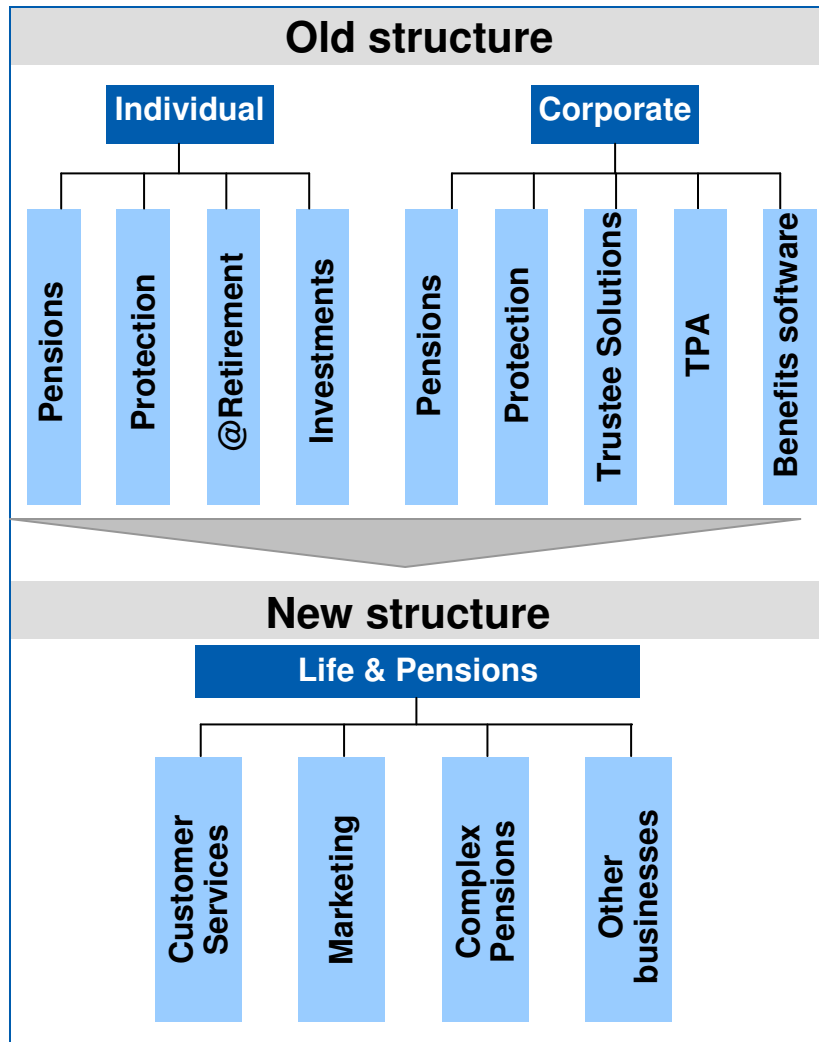
- Increased focus on retention to keep inflows positive

### Portfolio review

- Withdrawal from Group Risk market
- Ongoing review of existing activities



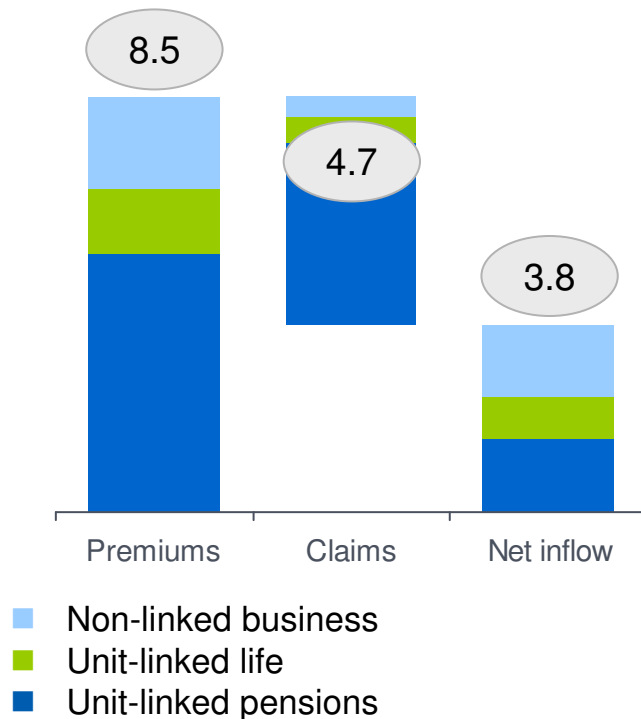




## Cost savings initiatives

- Reorganisation of Customer Service & Marketing
- IT initiatives
- Data centre consolidation
- Sales division efficiency savings
- Focussed investments in new capabilities
  
- Distribution business efficiencies
  - Consolidation of back office
  - One operating system

## 2008 net product flows<sup>1</sup> (GBP billion)

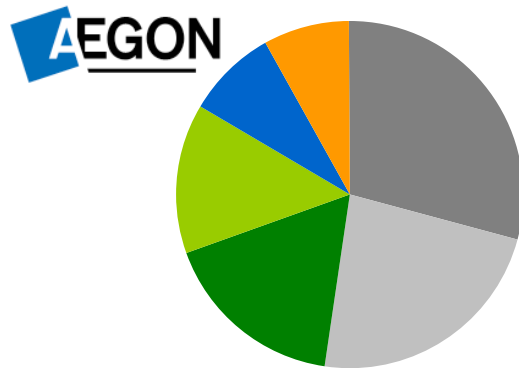


## Efforts to increase retention

- Improving delivery to customers
  - Proposition, service & communications
- Improved management information
  - Rewrites & late retirements
- Scheme relationship management
  - Tiered approach by value
- Customer and adviser pilots
  - Benefits in annuities, bonds and group leavers
  - Engagement and management

1. Excluding With Profits business

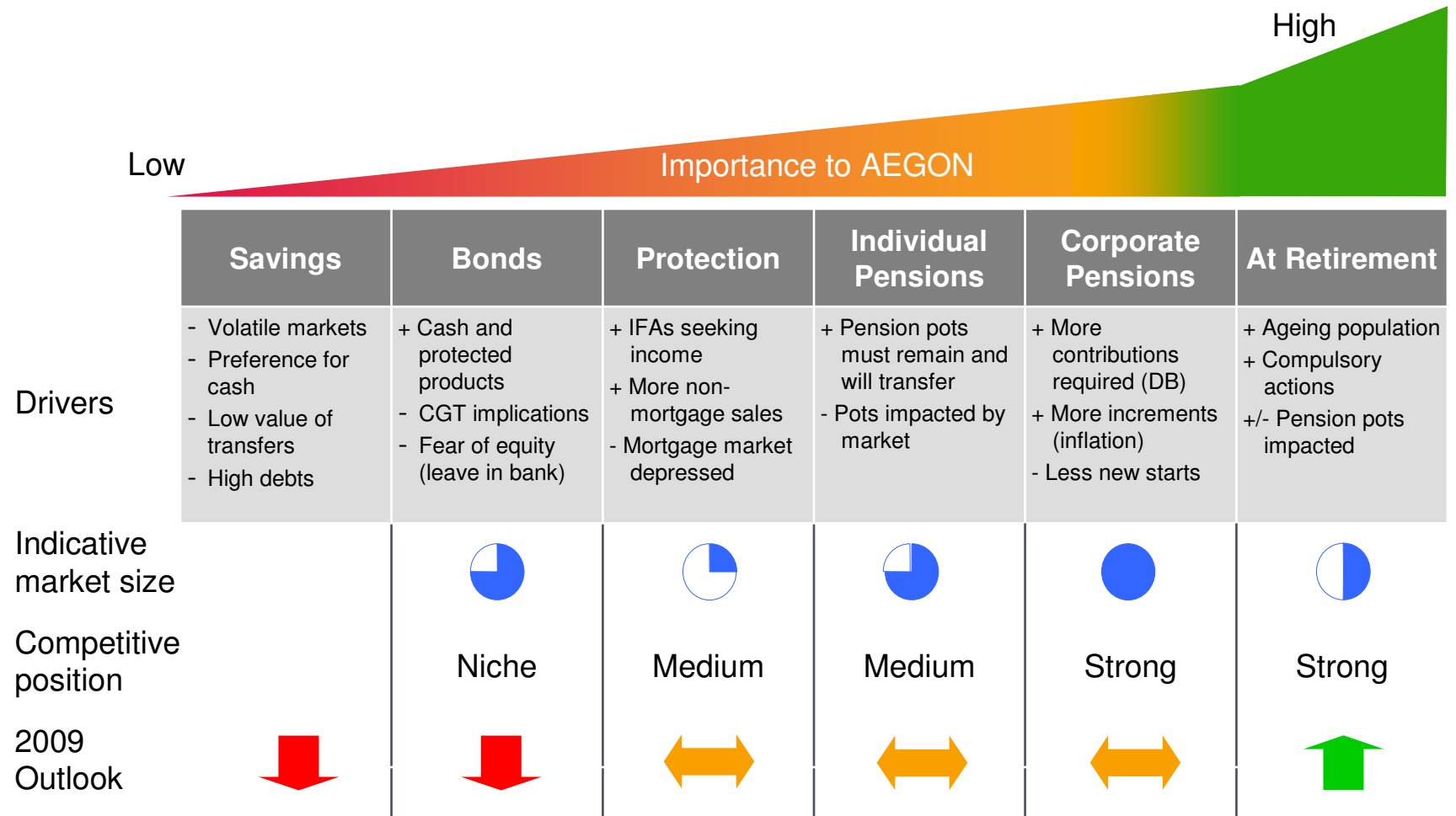
## Group Risk market



- Mature market with dominant players (top 4 have 80% of the market)
- Business currently loss making and capital intensive
- In-force sub-scale with limited prospect of increasing scale

## Decision to withdraw from market

- Closed to new business
- Run-off of existing business over the next 3 years
- Positive impact on future earnings and value of new business
- Releasing ~EUR 55 million in capital
- Pursue growth opportunities in more profitable business segments:
  - Pensions
  - Individual protection
  - Investments
  - Annuities



|            | Driver                                       | View   |
|------------|--|--|
| Government | Pension Reform                               | <ul style="list-style-type: none"> <li>o Auto-enrolment drives take-up of pensions</li> <li>o PADA<sup>1</sup> becoming less ambitious</li> <li>o Cross party support</li> </ul>         |
|            | Treasury Review of Retail Financial Services | <ul style="list-style-type: none"> <li>o To be published late June '09</li> <li>o New ideas about saving and distribution</li> <li>o Add momentum to RDR measures (RDR II)</li> </ul>    |
| Regulator  | Retail Distribution Review                   | <ul style="list-style-type: none"> <li>o Increase focus of advisers on “wealthy”</li> <li>o New mid market channel emerging</li> <li>o New “guided sales” for simple products</li> </ul> |
|            | Response to crisis                           | <ul style="list-style-type: none"> <li>o Risk management &amp; TCF capability essential for success</li> </ul>   |
| Consumer   | Corporates                                   | <ul style="list-style-type: none"> <li>o Move to “enable” provision</li> <li>o Workplace focus for saving &amp; protection</li> <li>o Continued Defined Benefit run off</li> </ul>       |
|            | Individuals                                  | <ul style="list-style-type: none"> <li>o More open to guarantees</li> <li>o Ageing pressure continuing with strong opportunities for broad At Retirement offering</li> </ul>             |

1. Personal Accounts Delivery Authority

1. Protect & grow the yield of existing business
  - Customer retention
  - Broadening share of customer retirement assets
  - Continued unit cost reduction
  
2. Grow scale and the yield of new business
  - No1 positions in At Retirement and Corporate benefit markets
  - Strong positions in advice and asset management solutions
  
3. Seed new developments with significant future potential
  - Step up capability in SIPP and investment platforms
  - Workplace saving using employee focused propositions
  - Propositions for new savers as the economy recovers
  - Brand progress underpinning ability to deliver

- Targets 2010 delivered ahead of plan
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# Variable annuities in Europe

## AEGON India

Otto Thoresen

*Member of the Management Board*

## Market opportunity

| Market size                       |   | Long-term estimate (EUR billion AuM) |
|-----------------------------------|---|--------------------------------------|
| UK                                |    | 65-160                               |
| France                            |    | 75-175                               |
| Netherlands                       |    | 10-30                                |
| Spain                             |   | 15-35                                |
| Germany                           |  | 40-85                                |
| <b>Total (incl. Other Europe)</b> |   | <b>205-485</b>                       |

## Driving success

- Product design  
*simplify and reduce guarantees to reflect market conditions*
- Standardisation  
*single consistent product suite on single platform*
- Capital efficiency restructuring  
*reduce capital requirements*
- Distribution  
*review commission models (esp banks)*
- Planned rollout  
*focus on key markets (UK, Germany), then secondary opportunities (France, Netherlands, Spain)*
- Clear accountability  
*country units recognise VA as core product line*

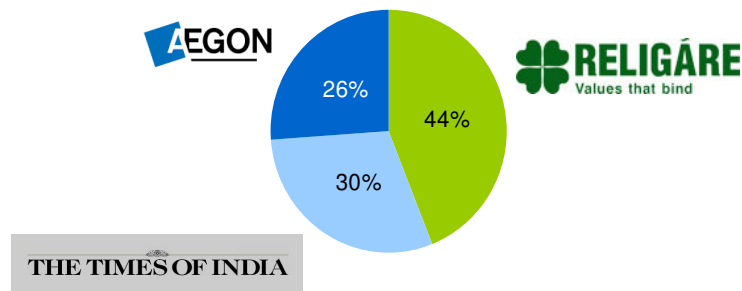
## Next steps

- Re-pricing of current products to improve attractiveness and profitability
- Launch in the Netherlands and possibly in other European countries



- o Indian business now established and plans in place to grow distribution to drive volume. The business is written through a joint venture with an Indian partner

### Current JV structure

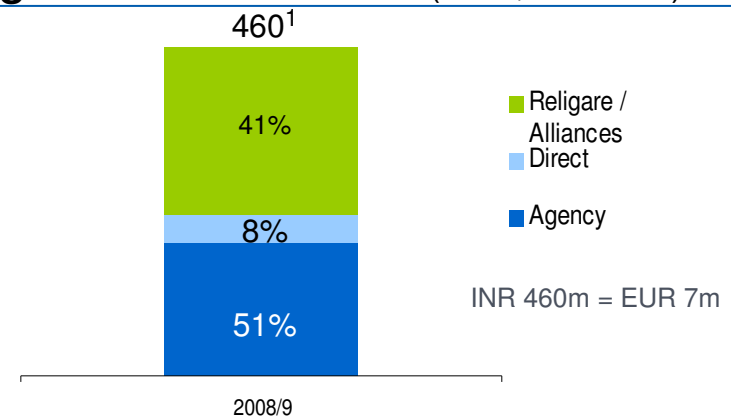


- o Commercial partners (not state controlled)
- o Current regulation limits foreign ownership but anticipate changes to this over time – agreement to move to 51% ownership when this happens
- o Board representatives from all partners and independent Non Executives
- o Competition from about 15 foreign insurers

<sup>1</sup> EUR = 68.35 INR (31/03/09)

Local knowledge. Global power.

### Progress delivered Sales (APE, INR mln)



<sup>1</sup> actual results, for partial first year of trading (9 months)

- o Launched July 2008 following development supported by AEGON UK
- o Significant market opportunity
  - o Population of 1.1 billion
  - o Strong savings ethic (35% of GDP)
- o Pan Indian approach using tied agents, employed adviser, Religare network and corporate agents
- o Over 22,000 policies sold (unit linked saving, protection and pensions)
- o 1,400 staff in place and over 2,300 tied agents



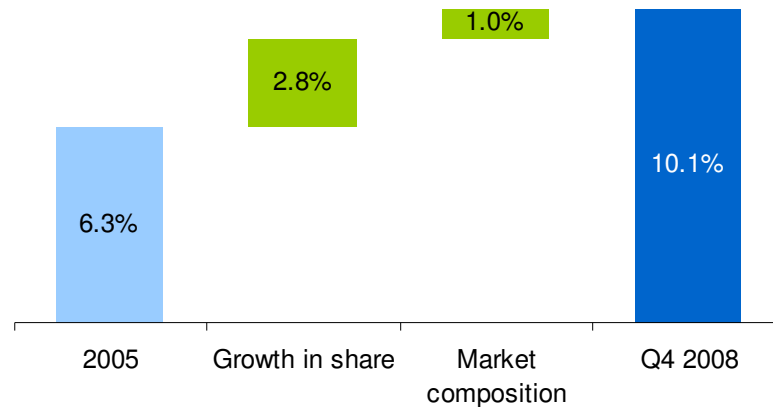
## Q&A

For questions please contact Investor Relations  
+31 70 344 8305  
[ir@aegon.com](mailto:ir@aegon.com)



# Appendix

## Market Share Progression



| Market Share <sup>1</sup> | 2005  | Q4 2008 |   |
|---------------------------|-------|---------|---|
| Group Pensions            | 10.5% | 12.2%   | ↑ |
| Individual Pensions       | 7.7%  | 9.8%    | ↑ |
| Annuities                 | 5.9%  | 14.8%   | ↑ |
| Individual Protection     | 4.4%  | 6.9%    | ↑ |
| Bonds                     | 2.5%  | 5.6%    | ↑ |

## Drivers of Growth

- Significant market share growth achieving 2010 target in Q4 2008
- Built sustainable growth in the business
- Growing share of higher margin product
- Maintained market leading positions in pensions
- Not targeted low margin/high volume investment sales – market has collapsed in recent years

1. Per Association of British Insurers

- Global & Mixed Fund performance is impressive over most time periods to the end of March 2009

| Lipper Quartile Ranking | Mixed Fund      | Global Fund     |
|-------------------------|-----------------|-----------------|
| Quarter                 | 3 <sup>rd</sup> | 3 <sup>rd</sup> |
| 1 Year                  | 2 <sup>nd</sup> | 3 <sup>rd</sup> |
| 3 Years                 | 2 <sup>nd</sup> | 2 <sup>nd</sup> |
| 5 Years                 | 3 <sup>rd</sup> | 2 <sup>nd</sup> |
| Fund size (GBP billion) | 5.8             | 0.8             |

