

Americas financial review

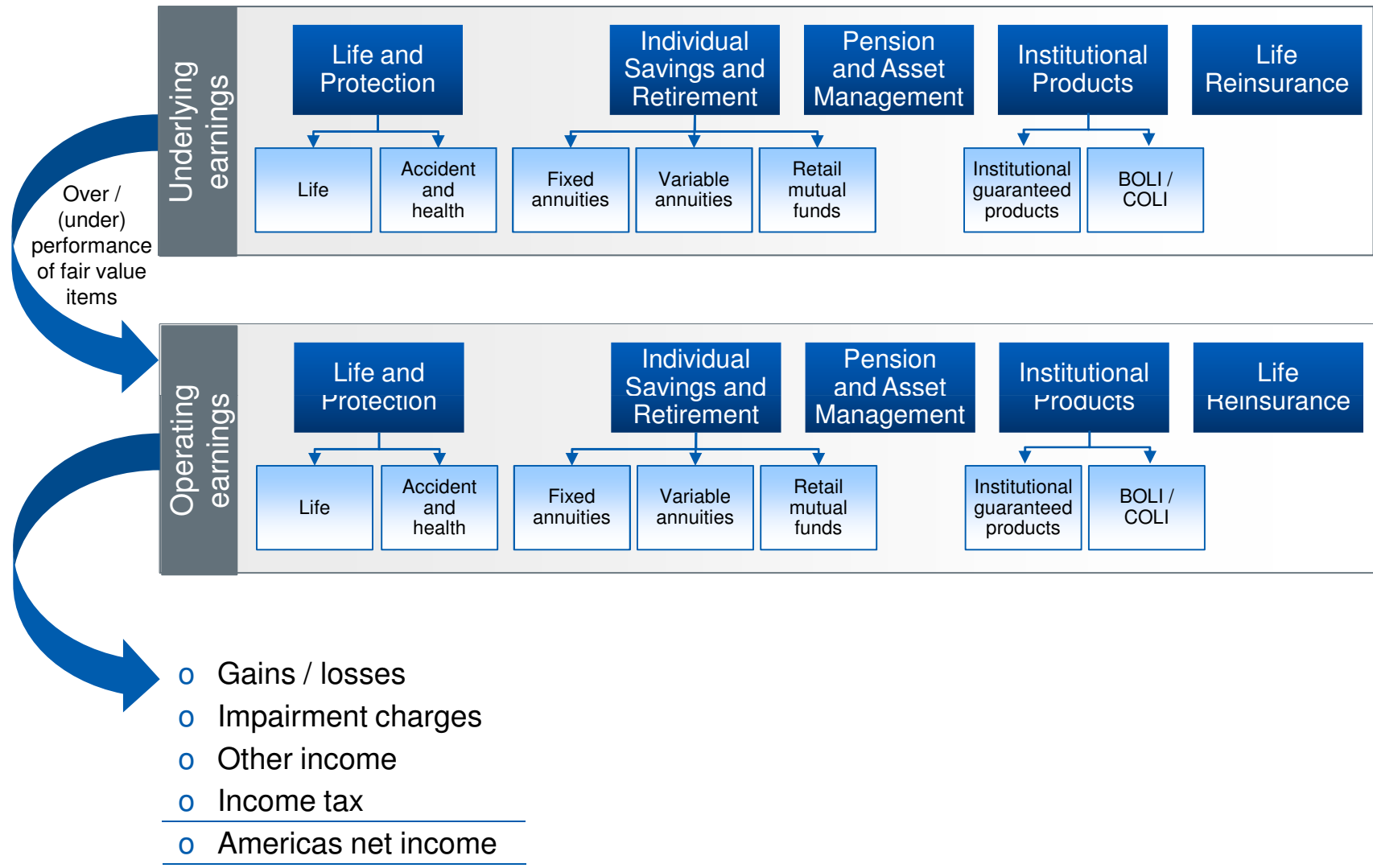
Darryl Button
CFO Americas

Analyst and Investor Day, New York City, December 2, 2009

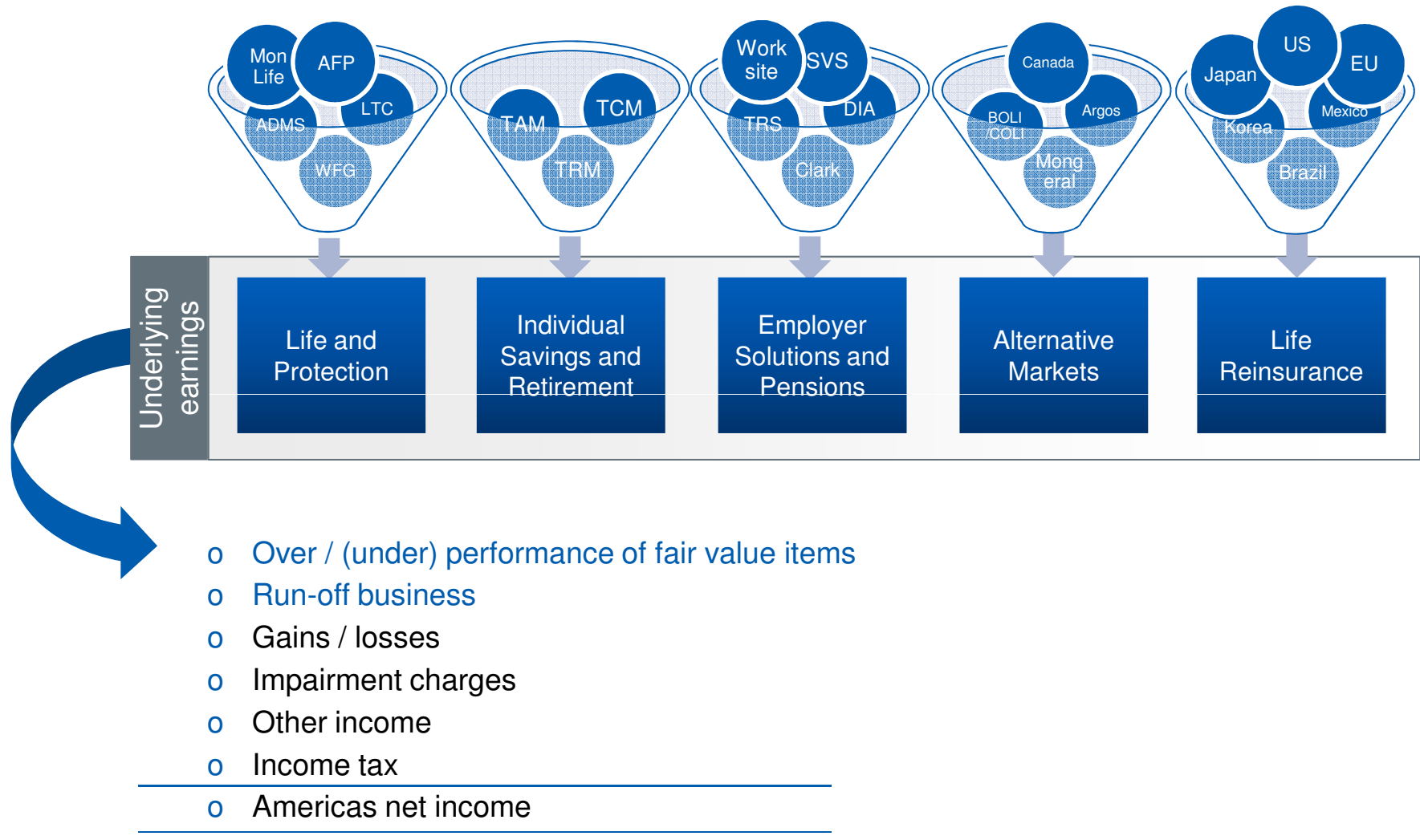
- Reporting structure aligned with management changes
- Earnings impacted by financial crisis – franchises intact and producing strong underlying earnings growth going forward
- Institutional spread lending in run off – reduced exposure to credit risk over time
- Adjusted operating expenses down 10%
- US impairment trend improving
- Significant improvement in unrealized bond losses
- Additional capital markets de-risking resulting in higher quality, consistent earnings going forward



- Business review



Reporting structure – aligned with management changes



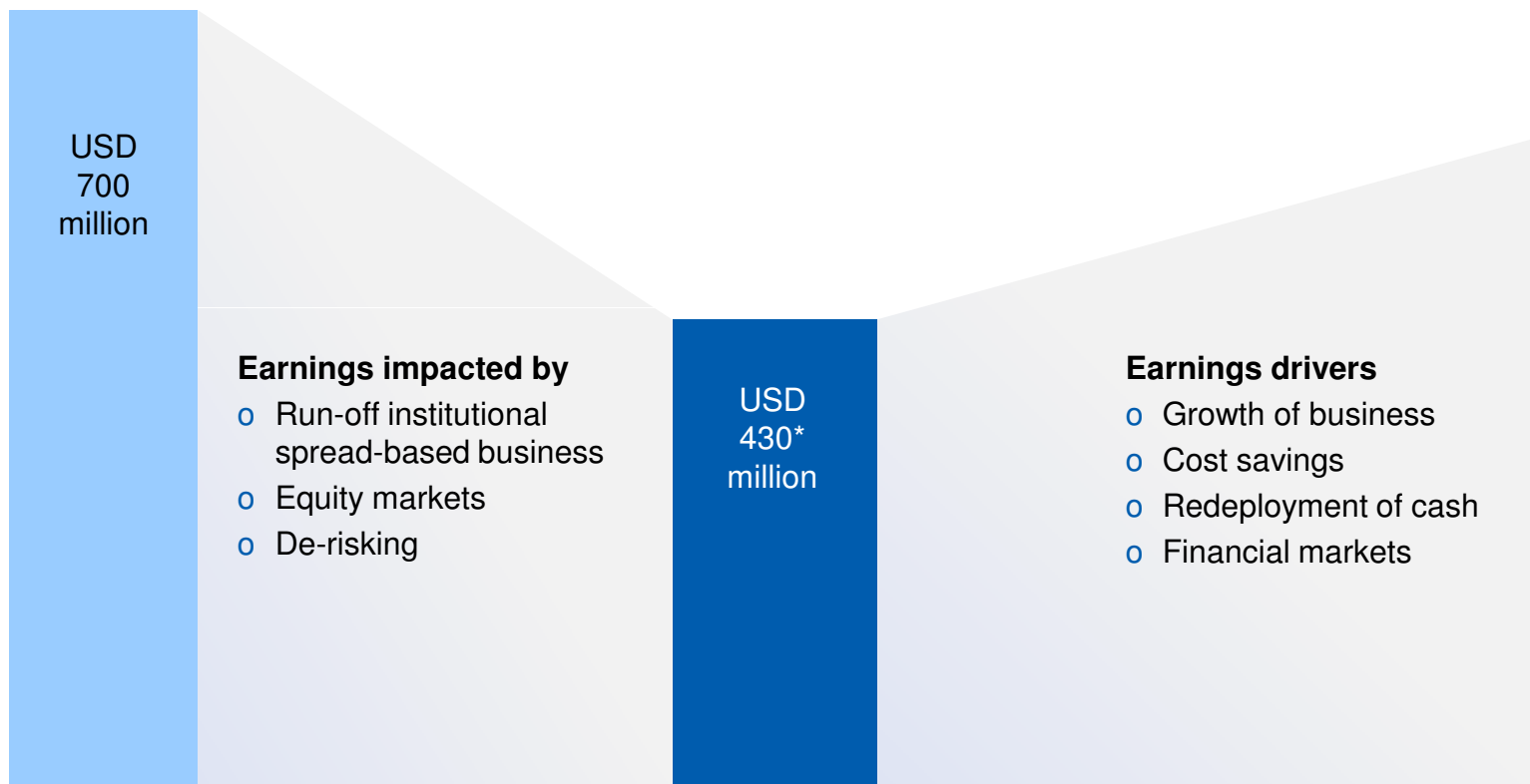
Development of underlying earnings before tax per quarter



**Pre-crisis
<2008**

**Current
Q3 2009**

**Post-crisis
>2010**



* Excluding exceptional items (USD 30 million)

Quarterly run-rate underlying earnings before tax



	Pre-Crisis (<2008) <u>(USD million)</u>	Change <u>(USD million)</u>	Current (Q3 09) <u>(USD million)</u>
Americas (excluding IGP spread)	630	(160)	470
IGP spread	70	(110)	(40)
Total Americas	<u>700</u>	<u>(270)</u>	<u>430</u>

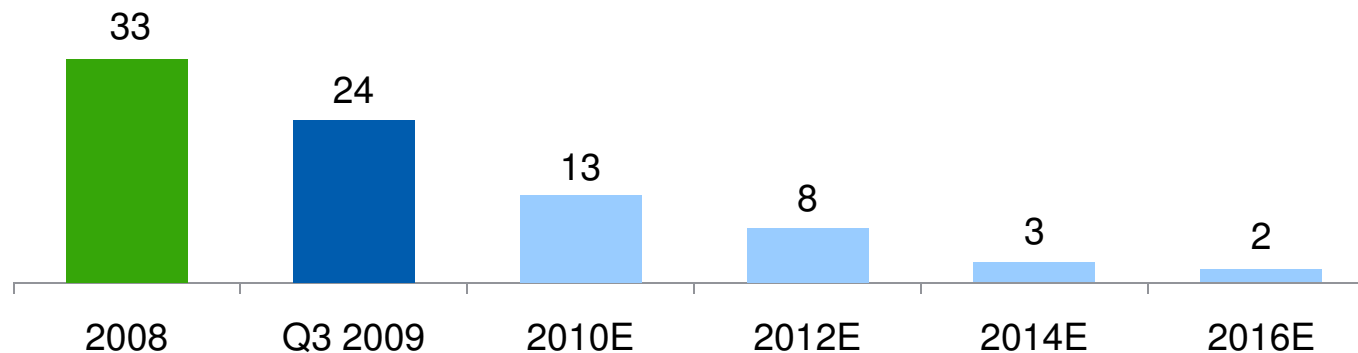
Excluding IGP spread (160)

- (70) lower equity based fees and higher DPAC amortization on variable annuity, mutual fund and pension businesses
- (50) investment de-risking (reduced hedge funds, high yield, BBB and credit derivatives)
- (40) employee pension plan expenses

IGP spread (110)

- Spread compression driven by shortening of institutional liabilities during financial crisis
- IGP run-off loss follows maturity pattern of internally transferred assets and amortizes off over next four years

Spread balances (USD billion)

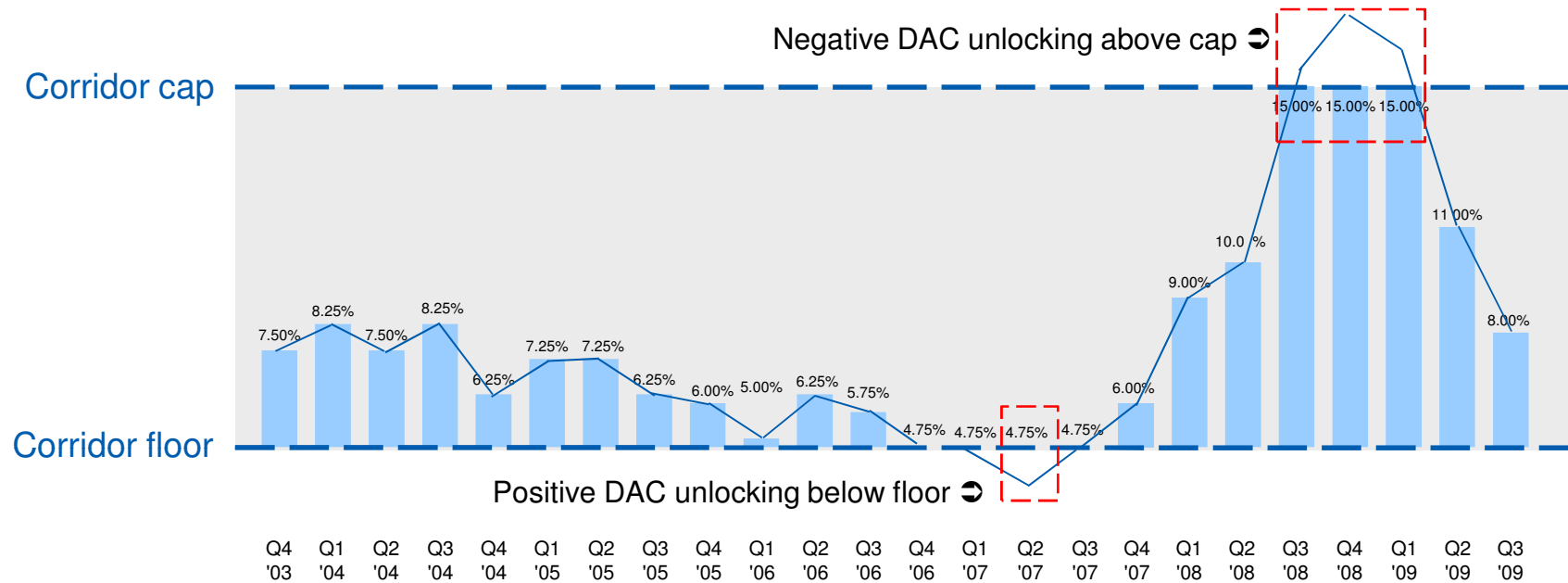


- Institutional cash shortfall due to shortening of liabilities
 - 12 month notice putable funding agreements (USD 6 billion)
 - Municipal GICs (USD 5 billion)
 - Extendable MTNs (USD 1 billion)
- Remainder of US businesses cash flow positive through the crisis

	Pre-Crisis (<2008) <u>(USD million)</u>	Change <u>(USD million)</u>	Current (Q3 09) <u>(USD million)</u>
IGP spread per quarter	70	(110)	(40)


- USD 10 billion internal asset transfer from institutional to other US portfolios in exchange for cash
 - Transfer pricing basis – what other portfolios priced for
 - Actual book value of USD 11.4 billion
 - Unrealized loss before tax of USD (1.4) billion amortized through run-off institutional earnings:
 - 2009 (0.3) billion
 - 2010 (0.3) billion
 - 2011 (0.3) billion
 - 2012 (0.2) billion
 - 2013 (0.2) billion
 - 2014 (0.1) billion
- Run-off will reduce sensitivity to credit markets going forward and free up USD 0.8 billion of capital by the end of 2010

Mean reversion – equity return assumptions



- Equity return assumptions adjusted quarterly within the corridor
- Corridor based on current information and management best estimate
- Over last six years, corridor breached once in Q207 (floor) and then in Q308-Q109 (cap)
- Underlying earnings impact is approximately USD 60 million per point change in equity growth rate assumption

Adjusted operating expenses down 10% year to date



Category	9M 2009	9M 2008	Change
Total operating expenses	1,678	1,640	38
Less: employee pension plan costs	(90)	76	(166)
Less: restructuring charges	(40)	n/a	(40)
Adjusted operating expenses	1,548	1,716	(168)

- Restructuring the organization resulted in charges during 2009; however, the efficiencies gained will result in reduced costs going forward
- We are not done – we will continue to aggressively pursue expense savings initiatives throughout the organization

Liabilities

- GMWB (USD 14 billion) - delta / rho hedged
- Segregated funds (USD 3.4 billion) – 92% delta hedged
- Total return annuities (USD 1.4 billion) – closed blocks



Assets

- Hedge funds (USD 0.7 billion) – reduced by 1.7 billion
- Private equity (USD 0.7 billion) and REAP (USD 0.7 billion)
- Credit derivatives – super senior program unwound



Macro Hedge

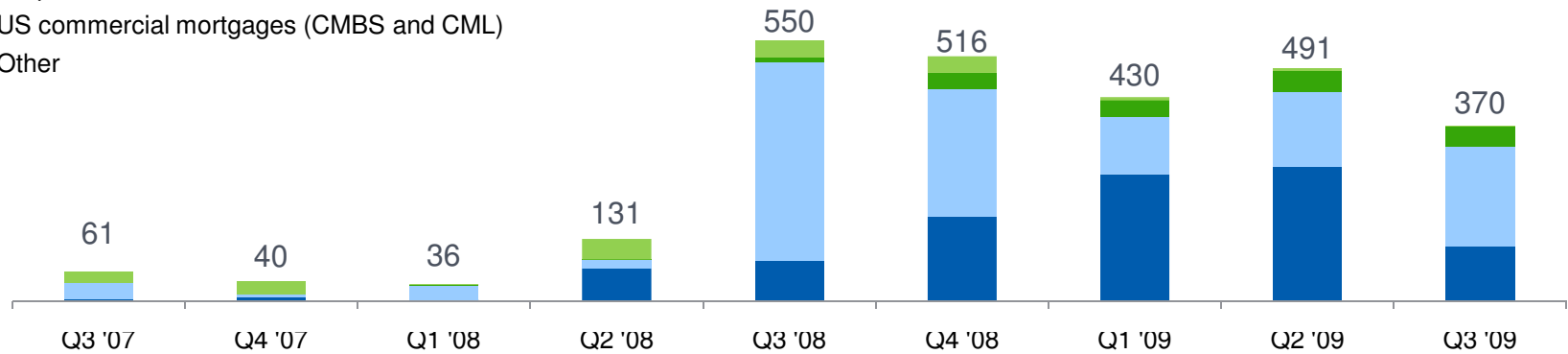
- Capital protection – 50% of unhedged retail VA
- Total return swap (USD 1.3 billion)
- Put options (USD 0.8 billion)

Improved US impairment losses

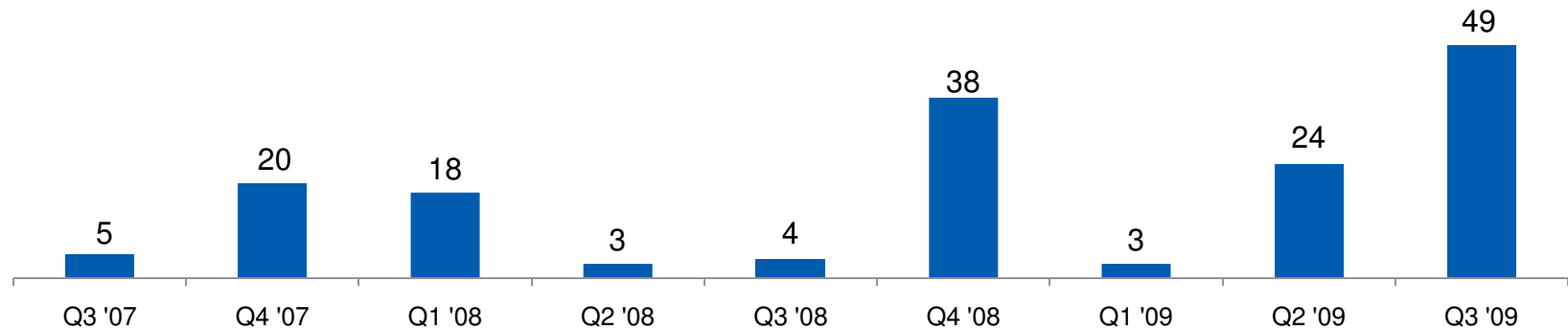


Gross impairments (USD million)

- US housing (ABS and RMBS)
- Corporate Bonds
- US commercial mortgages (CMBS and CML)
- Other



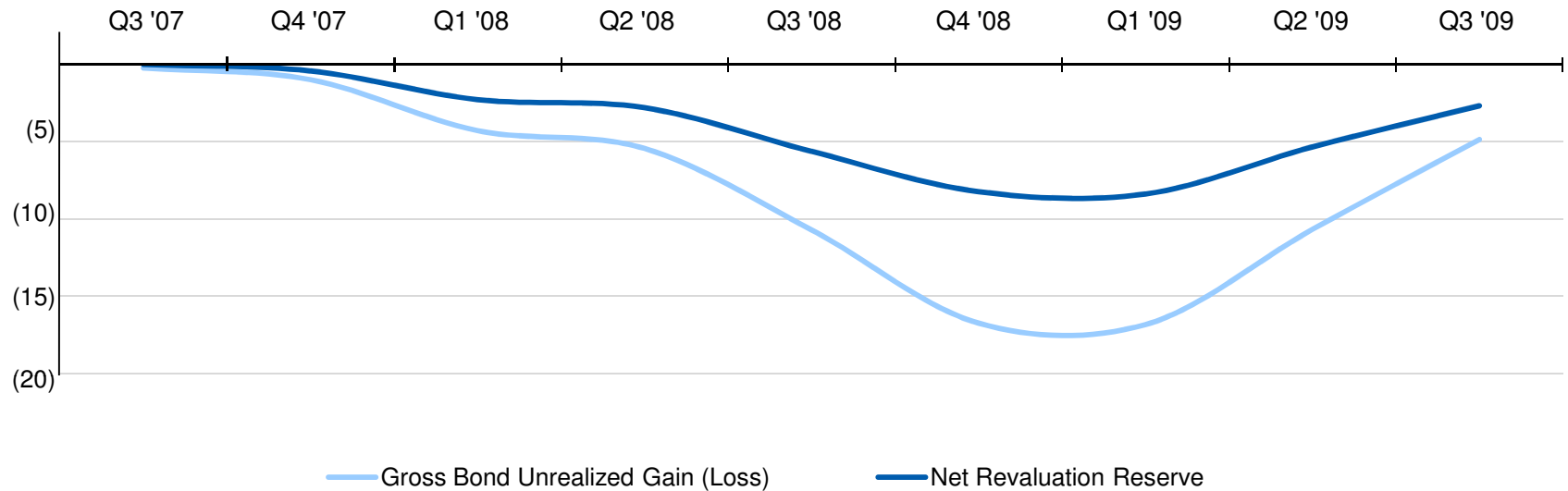
Recoveries (USD million)



Reduced unrealized bond losses



Revaluation account (USD billion)

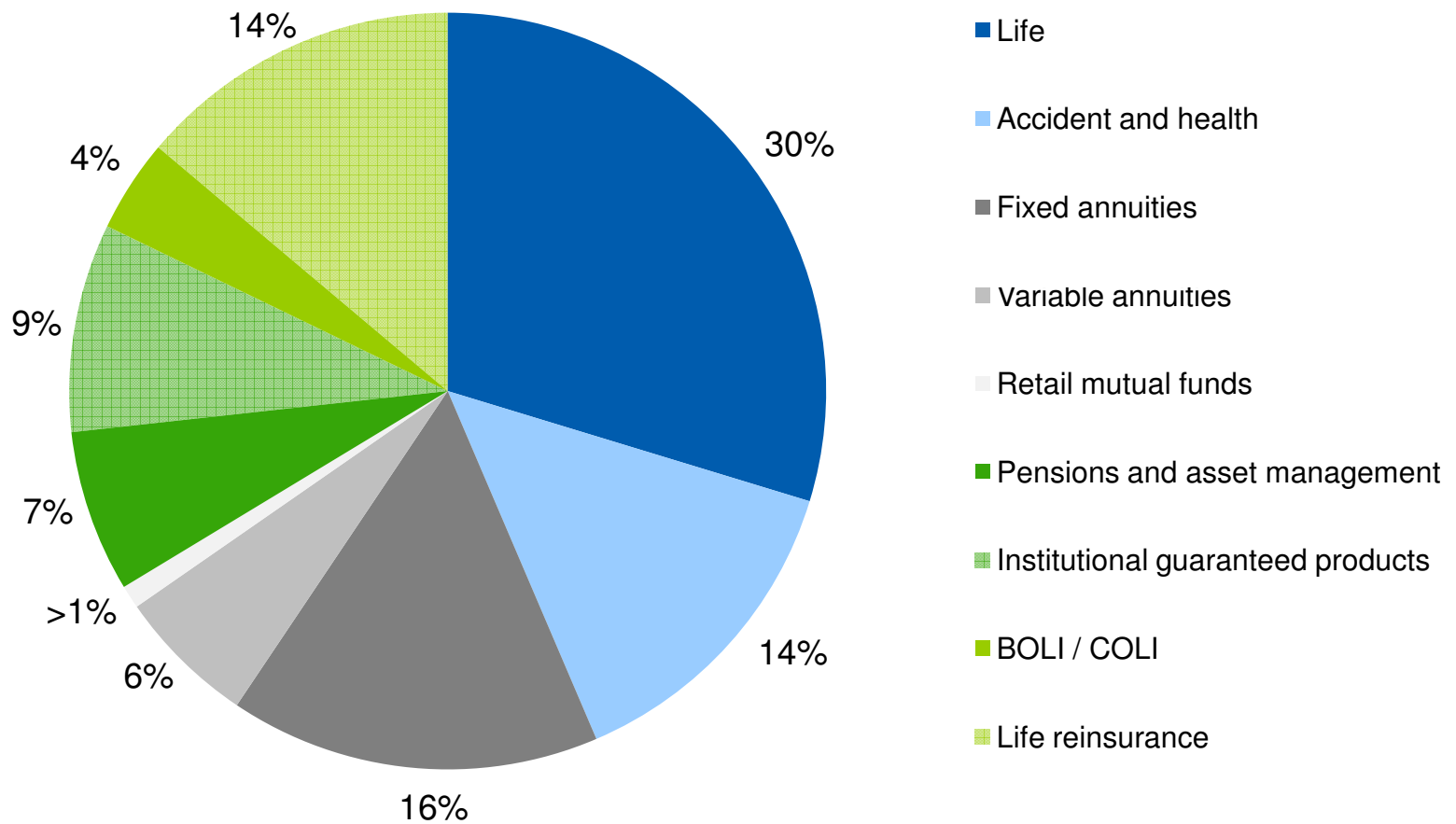


- Significant improvement in recent quarters
- Not a proxy for actual impairments

- o Financial review

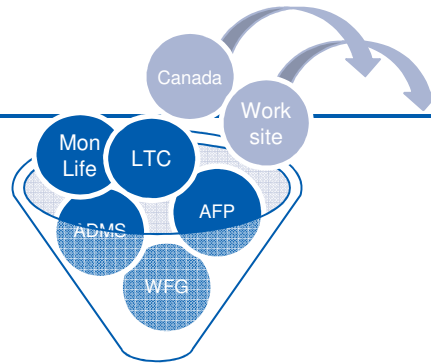


Americas embedded value (full year 2008)



Life and Protection	Individual Savings and Retirement	Employer Solutions and Pensions	Alternative Markets	Life Reinsurance
<ul style="list-style-type: none">○ Traditional life○ Term life○ Universal life○ Equity indexed universal life○ Variable life○ Health and supplemental health○ Long term care	<ul style="list-style-type: none">○ Fixed annuities○ Variable annuities○ Mutual funds	<ul style="list-style-type: none">○ 401(k) plans○ 403(b) plans○ Defined benefit○ Variable annuities○ Mutual funds○ Synthetic GICs	<ul style="list-style-type: none">○ Canadian life and segregated funds○ Latin America life insurance products○ Bank and corporate owned life insurance	<ul style="list-style-type: none">○ Term coinsurance○ Annuities○ Product consulting and development○ Automated underwriting

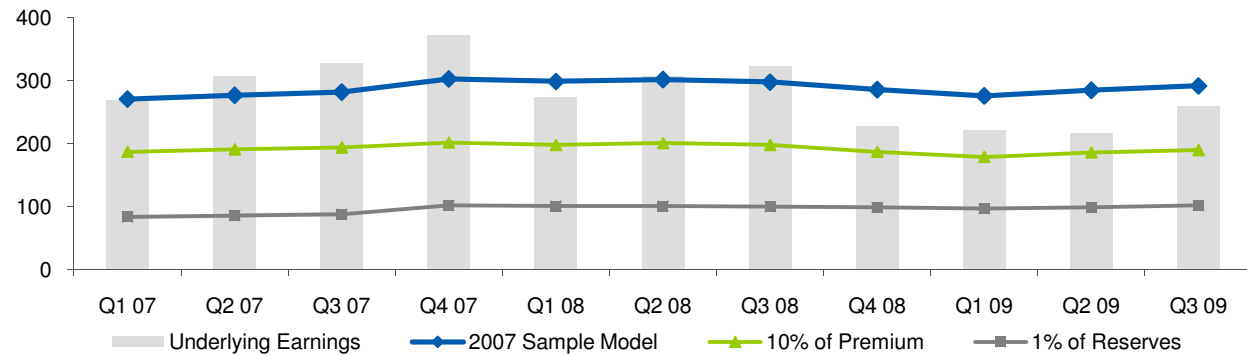
Life and Protection	Individual Savings and Retirement	Employer Solutions and Pensions	Alternative Markets	Life Reinsurance
<ul style="list-style-type: none">○ General agents○ Registered representatives○ Independent marketing organizations○ Home service agents○ Direct marketing	<ul style="list-style-type: none">○ Banks○ Wirehouses○ Broker/dealers○ Financial planners○ Institutional partners	<ul style="list-style-type: none">○ Consulting firms○ Broker/dealers○ Banks○ Independent producers○ Worksite specialists	<ul style="list-style-type: none">○ General agents○ Company representatives○ Consultants	<ul style="list-style-type: none">○ Company representatives (business to business)
	<ul style="list-style-type: none">○ Agents	<ul style="list-style-type: none">○ Employee benefit brokers and benefit consultants○ Third-party administrators		



Sources of earnings

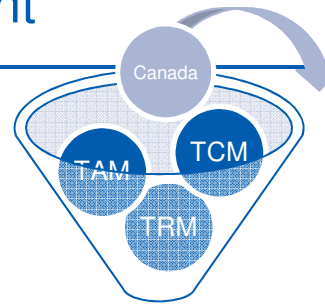
- Investment spreads (30%)
- Insurance fee margins (70%)

Financial model*



Risk management

- Actuarial experience studies
- External reinsurance
- Effective ALM strategies
- Extensive operational controls and processes



Sources of earnings

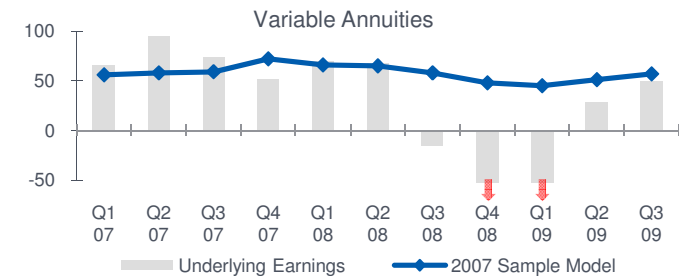
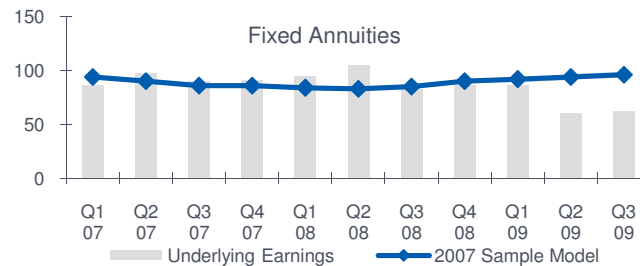


Financial model*

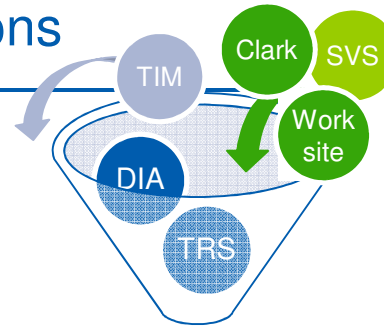


Risk management

- Fixed annuities - investment spreads (100%)
- Variable annuities
 - fees net of hedging (70%)
 - investment spreads (30%)
- Mutual funds - fees (100%)



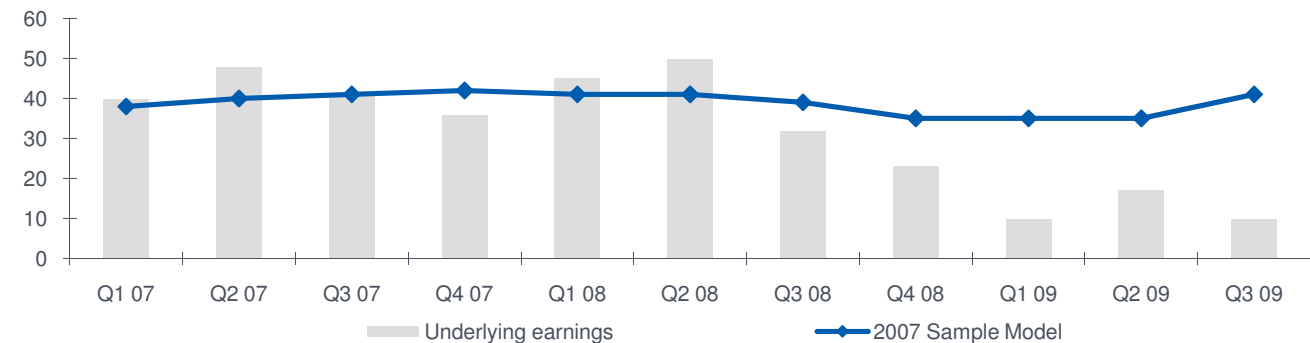
- ALM matching for fixed annuities
- Delta / rho hedging on GMWB
- Macro hedge for 50% of previously unhedged business
- New product launched Q3 '09 → reduced hedge costs, tiered pricing



Sources of earnings

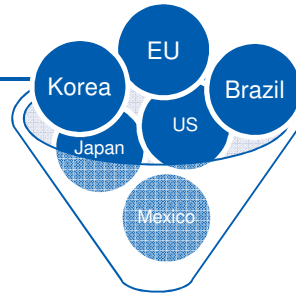
- Separate account and off balance sheet ⇒ fees
- Purchased annuities and general account ⇒ spread
- Worksite voluntary ⇒ insurance margins

Financial model*



Risk management

- ALM matching for general account
- Extensive operational controls and processes
- Actuarial experience studies for voluntary benefits
- Strict investment mandates for synthetic GICs



Sources of earnings

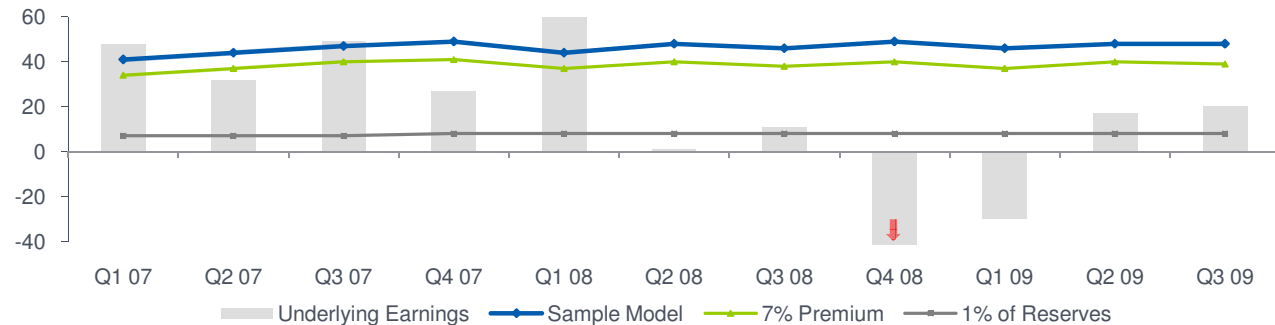


Financial model*



Risk management

- Insurance fee margins (55%)*
- Investment spreads (45%)



- Actuarial experience studies
- External retrocession
- Delta/rho hedging on variable annuity exposure

* On forward looking basis for new business, insurance and fee margins expected to be 80%
 *Model based on old reporting structure

Equity Risk

- VA hedging
- Common equity divestment
- Reduced hedge fund investment exposure

Interest Rate Risk

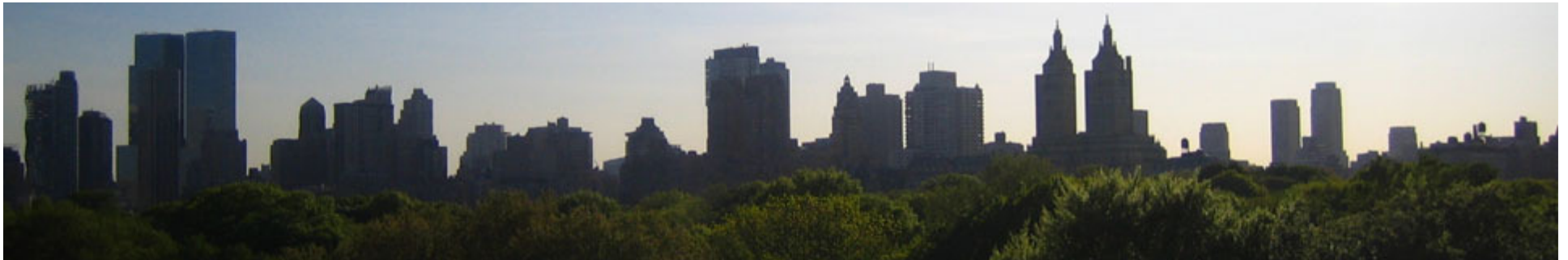
- Effective ALM
- Cash and forward starting swaps
- Floating rate assets added to fixed annuity portfolio

Credit Risk

- Run-off institutional spread lending
- Asset de-risking to mitigate migration
- Upgraded credit quality in mortgage tranches over last 5 years

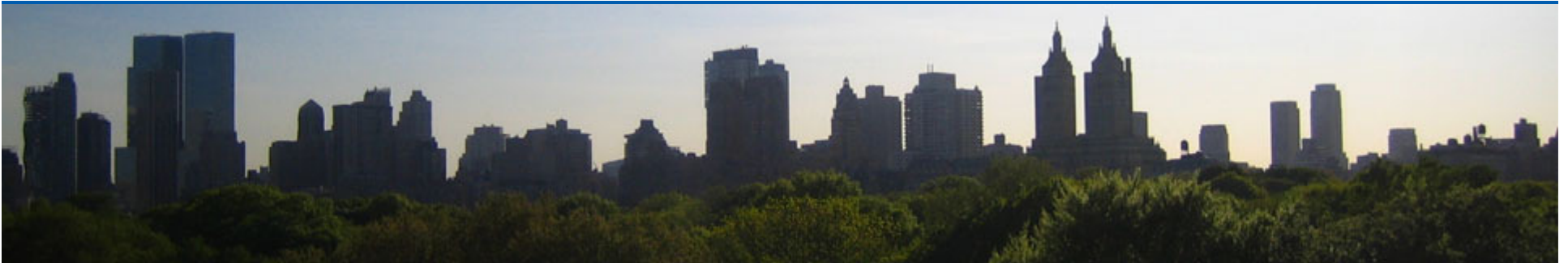
Improved risk / return profile

- Organizational changes to simplify the business and extract synergies
- Strong franchises positioned to win
- Focused on costs to drive competitive advantage
- Reduced exposure to capital markets risk will result in higher quality, consistent earnings going forward





Q&A



Appendix

Divisional restructuring



Previous Reporting Structure		New Reporting Structure
Life and Protection		
AEGON Direct Marketing Services	<i>No change</i>	Life and Protection
Long Term Care	<i>No change</i>	Life and Protection
Monumental Life	<i>No change</i>	Life and Protection
World Financial Group	<i>No change</i>	Life and Protection
AEGON Financial Partners (including TIIG)	<i>No change</i>	Life and Protection
Transamerica Worksite Marketing	<i>Moved to</i>	Employer Solutions and Pensions
Transamerica Canada	<i>Moved to</i>	Alternative Markets
Individual Savings and Retirement		
Transamerica Capital Management	<i>No change</i>	Individual Savings and Retirement
Transamerica Asset Management	<i>No change</i>	Individual Savings and Retirement
Transamerica Retirement Management	<i>No change</i>	Individual Savings and Retirement
Transamerica Canada	<i>Moved to</i>	Alternative Markets
Pensions and Asset Management		
Transamerica Investment Management	<i>Moved to</i>	Global Asset Management
Diversified Investment Advisors	<i>Moved to</i>	Employer Solutions and Pensions
Transamerica Retirement Services	<i>Moved to</i>	Employer Solutions and Pensions
Transamerica Canada	<i>Moved to</i>	Alternative Markets
Institutional Markets		
Extraordinary Markets	<i>Moved to</i>	Alternative Markets
Institutional Markets Division spread	<i>Moved to</i>	Below the line in run-off
Institutional Markets Division Stable Value Solutions (synthetic GICs)	<i>Moved to</i>	Employer Solutions and Pensions
Clark Consulting	<i>Moved to</i>	Employer Solutions and Pensions
Life Reinsurance		
Transamerica Reinsurance	<i>No change</i>	Life Reinsurance

Sources of Earnings:

- ◆ Technical margins (70%)
- ◆ Investment spreads (30%)
 - Spread on reserves
 - Return on surplus

Pricing:

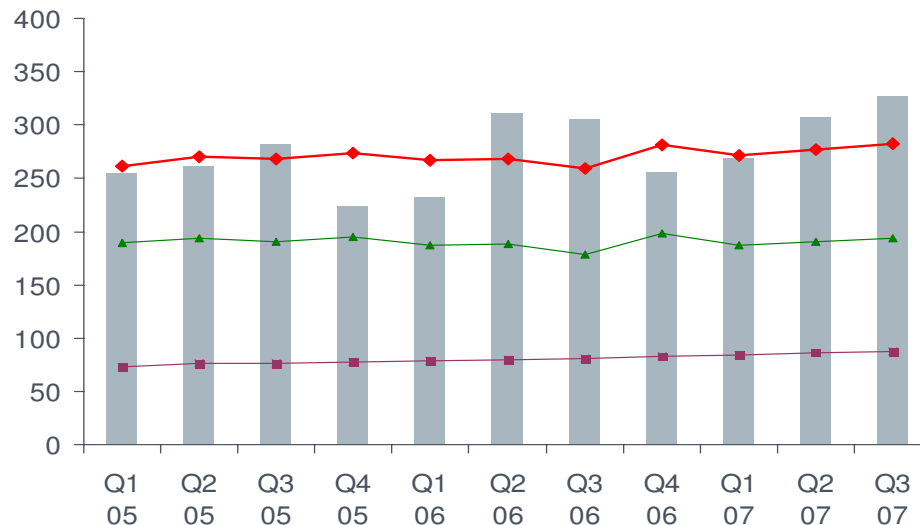
- ◆ Products priced on a holistic basis

$$\frac{(\text{Total Revenue} - \text{Total Expenses})}{\text{Total Capital}^*} > 11\%^*$$

**unlevered, after-tax*

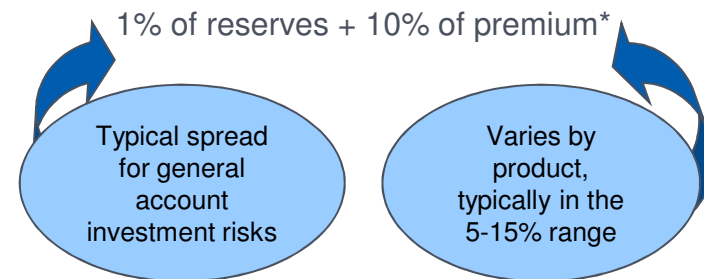
- ◆ Revenue sources are premiums and investment income (account fees for variable life)

(in USD mln)



Underlying Earnings
 10% of Premium
 Sample Model
 1% of Reserves

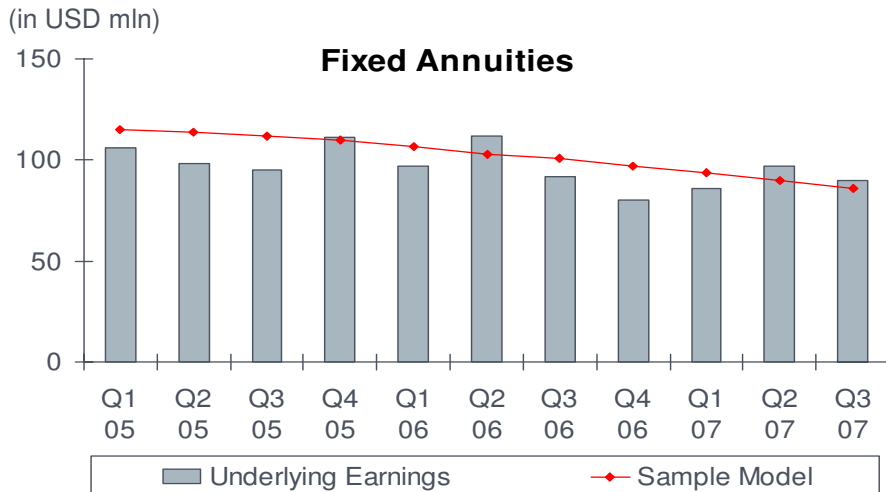
Sample Model:



**Includes Return on Surplus for insurance risks*

Individual Savings & Retirement – Earnings Drivers

(A&I Conference – November 2007)

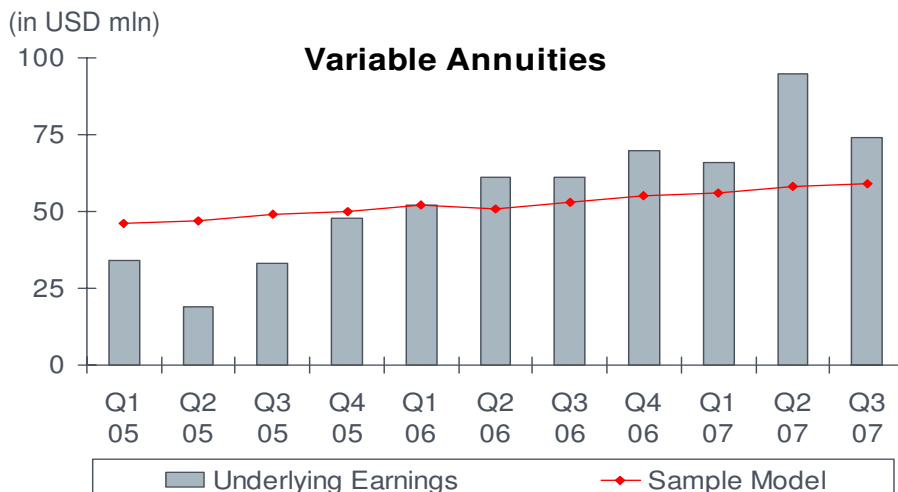


Sources of Earnings:

- ◆ Investment spread (100%)
 - Spread on account balance
 - Return on surplus

Sample Model:

1% of account balance



Sources of Earnings:

- ◆ Fees (70%)
- ◆ Investment spread (30%)
 - Spread on fixed investment option
 - Return on surplus

Sample Model:

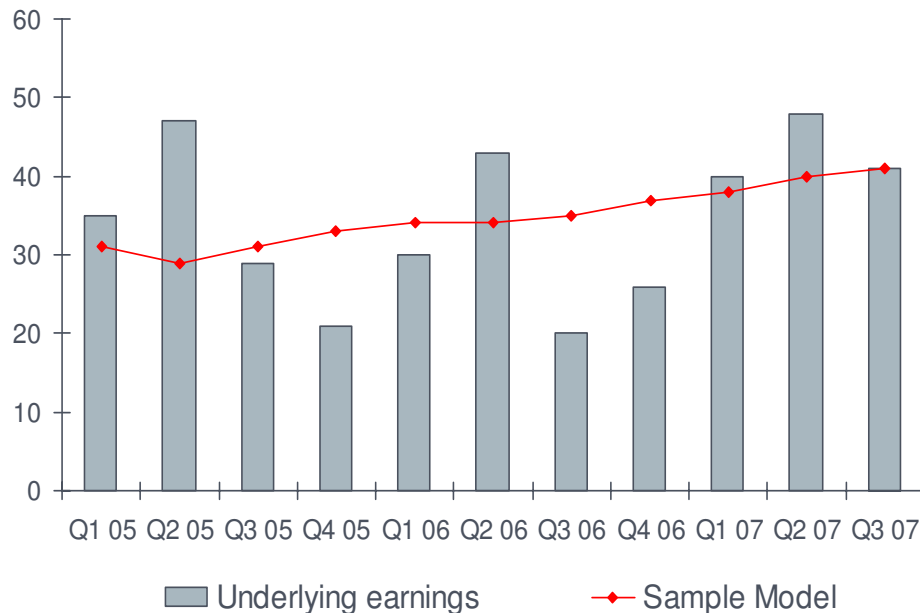
60 bps of account balance
(margin expansion since 2006)

Mutual Funds: Fee based earnings (100%); break-even scale reached in 2007; higher earnings going forward

Sources of Earnings:

- ◆ Fees (40%)
- ◆ Investment spread (60%)
 - Spread on account balance
 - Return on surplus

Margins vary significantly by product based on capital allocation – range from 10 to 100 bps



10 bps => large case off balance sheet 401(k) service contract

100 bps => purchased annuities and general account fixed option of retirement plans

Sample earnings model:

25 bps of account balance

Sources of Earnings:

- ◆ Technical Margins (45%)
- ◆ Investment Spreads (45%)
 - Spread on reserves
 - Return on surplus
- ◆ Fees (10%)

Pricing:

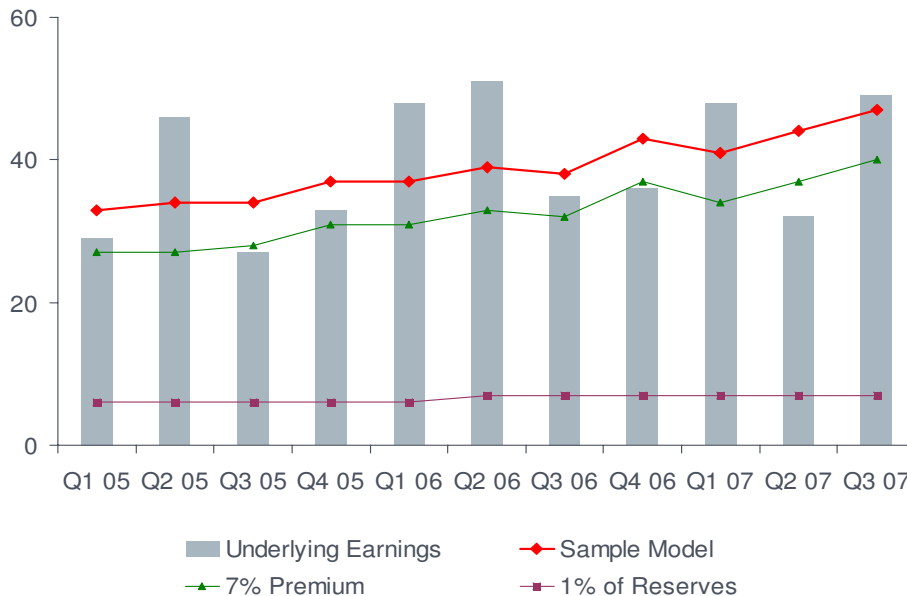
- ◆ Products priced on a holistic basis to return minimum return on capital

$$\frac{(\text{Total Revenue} - \text{Total Expenses})}{\text{Total Capital}^*} > 11\%^*$$

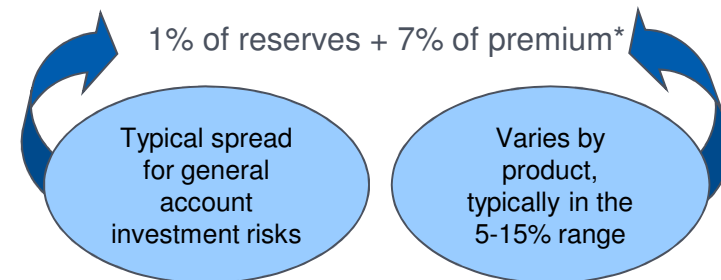
**unlevered, after-tax*

- ◆ Revenue sources are premiums, investment income, and account fees

(in USD mln)



Sample earnings model:



**Includes Return on Surplus for insurance risks*

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: aim, believe, estimate, target, intend, may, expect, anticipate, predict, project, counting on, plan, continue, want, forecast, goal, 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;
- Effects of deliberations of the European Commission regarding the aid we received from the Dutch State in December 2008;
- 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.

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