



Growing the Value Capital & Risk Management

Jos Streppel

Member of the Executive Board and CFO AEGON N.V.

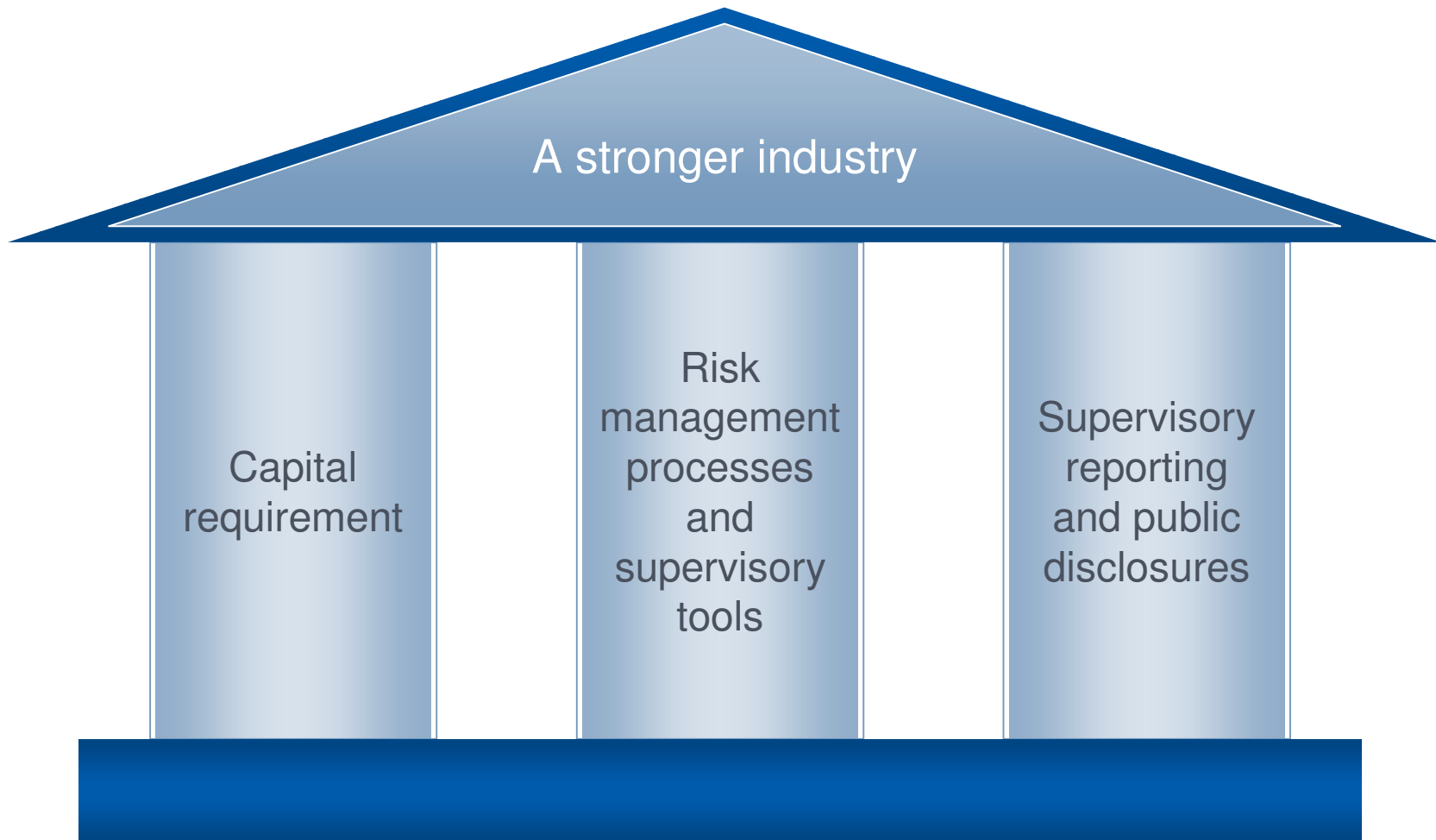
Tom Grondin

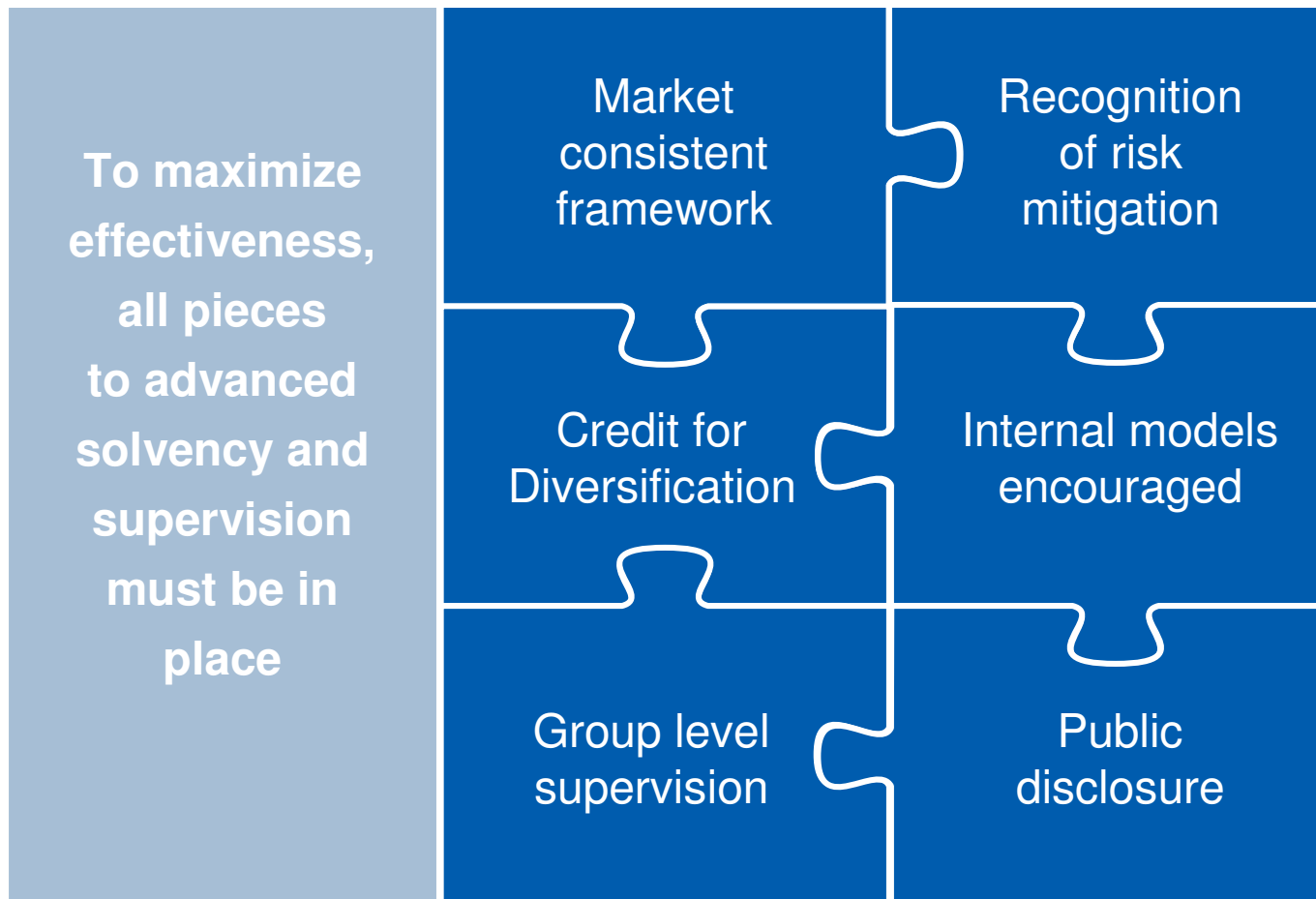
CRO AEGON N.V.

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- ◆ AEGON is well prepared for Solvency II
- ◆ Solvency II will make it easier for AEGON to manage its business the “right way”
- ◆ Risk management is integrated throughout the organization and entrenched in the way we do business
- ◆ AEGON’s risks are well diversified

- ◆ AEGON endorses the main elements of the European proposal as basis for the most advanced and modern solvency regime worldwide
- ◆ A brief summary of the key aspects of the draft directive are:
 - Market consistent valuation of assets and liabilities
 - Capital adequacy assessed based on stresses of the underlying valuation
 - Solvency Capital Requirement (SCR) based on 99.5% Value-at-Risk (VaR)
 - Minimum Capital Requirement (MCR) representing a threshold for required regulatory action
 - Reflection of diversification effects and risk mitigation techniques.
 - Allowance of internal models (when approved)
 - Reflecting of recent developments in insurance activities, globalization, risk management, financial methods and reporting
 - Including a true group supervision through group support which is not supplemental to solo supervision as current situation





A blue puzzle piece graphic with a tab on the right side and a blank on the bottom. It contains the text "Market consistent framework".

Market consistent framework

- ◆ A market consistent view of assets and liabilities
- ◆ Full economic based risk assessment

A blue puzzle piece graphic with a blank on the left side and a tab on the bottom. It contains the text "Recognition of risk mitigation".

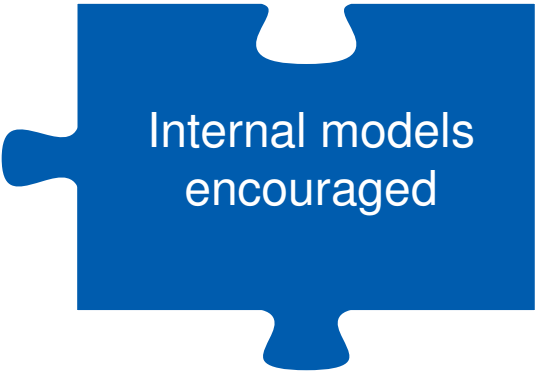
Recognition of risk mitigation

- ◆ Full and proper recognition of risk mitigation methods
 - Derivatives, reinsurance (internal and external)
- ◆ Alignment of incentives

A blue puzzle piece with a notch on the left and a bump on the right, containing the text "Credit for Diversification".

Credit for Diversification

- ◆ One of the key foundations of insurance
- ◆ Discourage risk concentration
- ◆ Reflection of mobility of capital

A blue puzzle piece with a notch on the left and a bump on the right, containing the text "Internal models encouraged".

Internal models encouraged

- ◆ Customized to insurer risk and business profile
- ◆ Encourage best risk management practices

A blue puzzle piece graphic with a tab on top and a notch on the right side. The text "Group level supervision" is centered on the piece.

Group level supervision

- ◆ Centralized internal model approval
- ◆ Recognition of risk mitigation diversification between units
- ◆ Cooperation between group and local supervisors

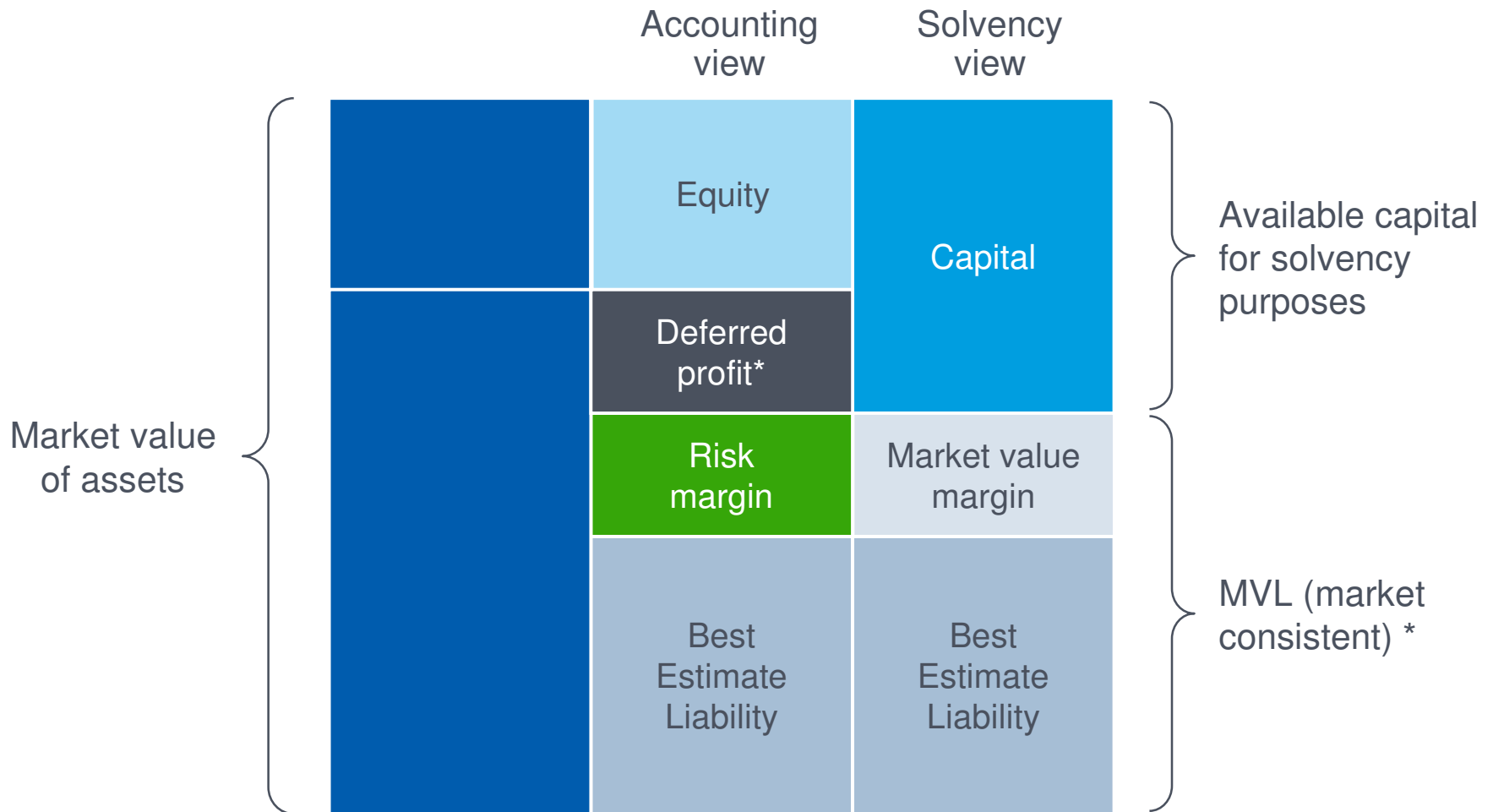
A blue puzzle piece graphic with a notch on top and a tab on the left side. The text "Public disclosure" is centered on the piece.

Public disclosure

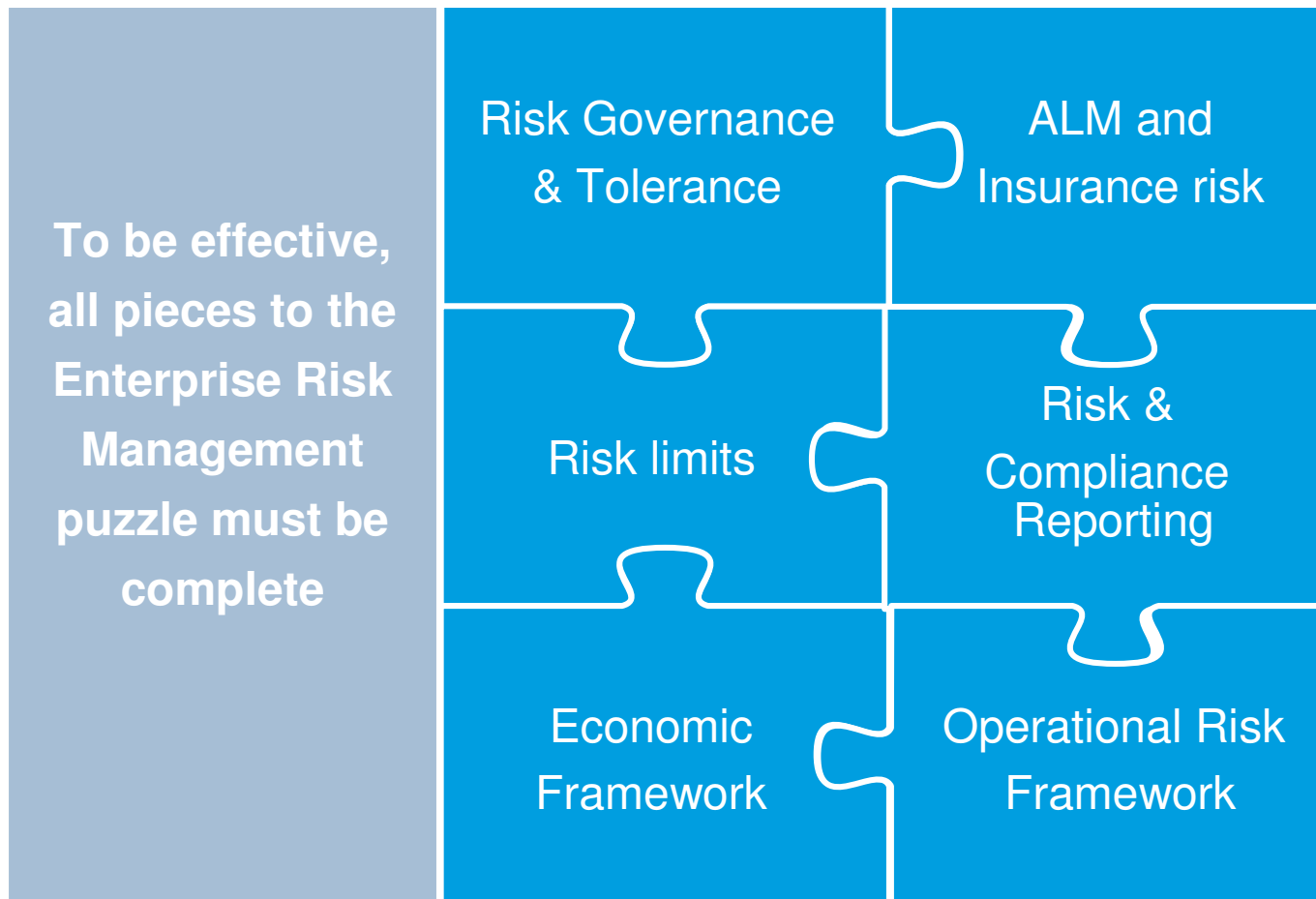
- ◆ Consistent and transparent disclosure
 - Should increase familiarity and understanding of the insurance industry

- ◆ In parallel to the Solvency II project, the IASB and the insurance industry are working on the valuation of technical liabilities for accounting in the context of IFRS 4 phase II
 - To enhance transparency, to avoid duplication of work and costs and to reach both Solvency II and Financial Reporting objectives, the two approaches should be consistent
 - Therefore, the market consistent valuation basis for the policyholder liability is similar

- ◆ It is crucial for the industry that financial reporting and supervisory frameworks reflect economic reality

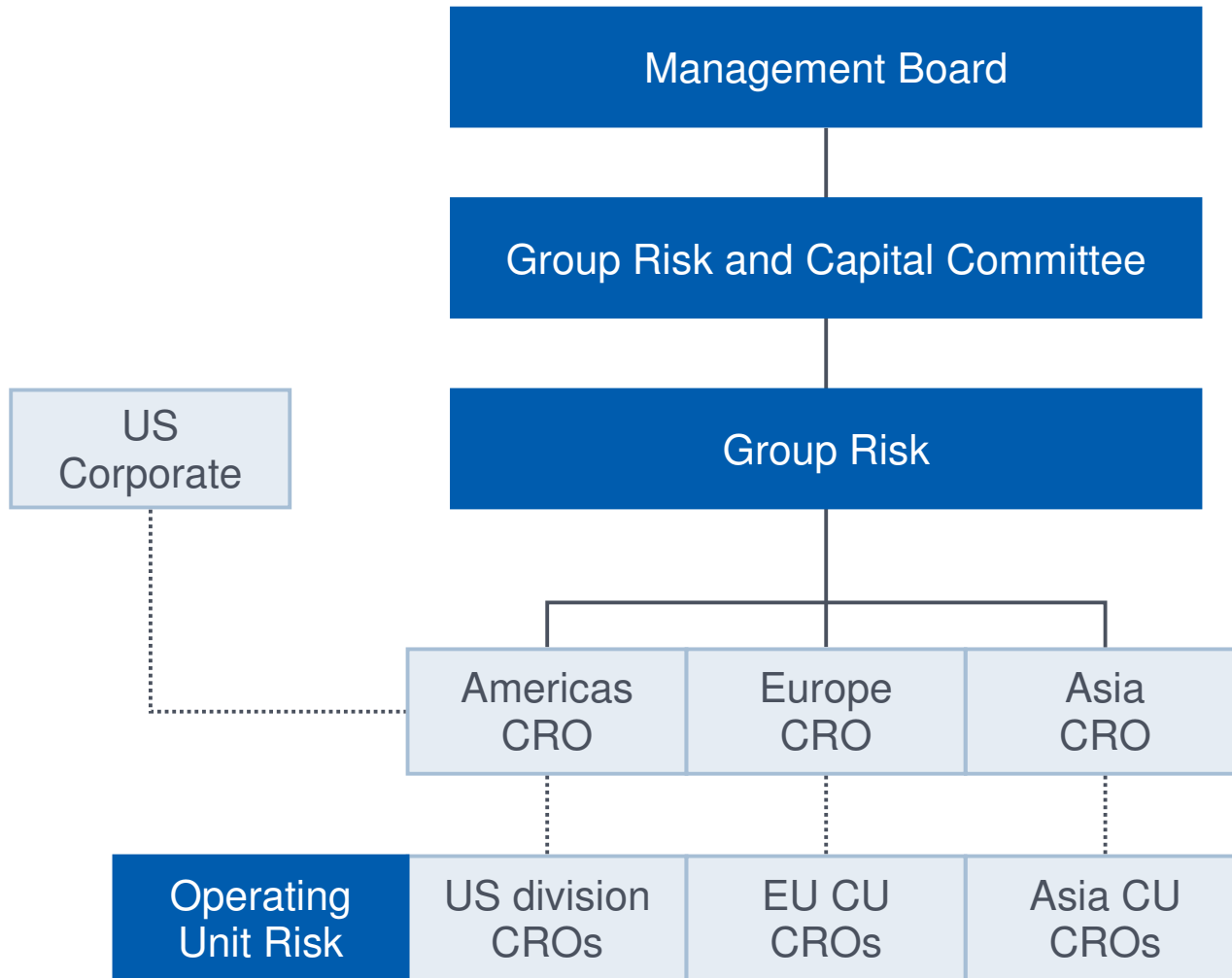


* Market value of liabilities includes, for non-hedgeable risks, the best estimate liability plus the market value margin (with a cost of capital as a proxy)



- ◆ It is important that risk management in the Operating Units be part of the local management team
- ◆ Risk management must also be integrated across the group to ensure best risk management practices are utilized and a consistent ERM framework is adhered to
- ◆ To achieve both objectives, functional lines between Group Risk and Operating Unit Risk Management

Operating Unit Risk function	
Directly responsible to Operating Unit	Functionally responsible to Group Risk
<ul style="list-style-type: none"> ◆ Product development support ◆ Product pricing ◆ ALM ◆ Underwriting ◆ Operational risk management ◆ Operating unit risk policy development 	<ul style="list-style-type: none"> ◆ Economic Framework ◆ Pricing methodology ◆ Risk measurement methodology ◆ Underwriting standards ◆ ORM framework ◆ Risk and compliance reporting ◆ Escalation of risk issues



Reason 1

Better help us manage our risk and capital

Reason 2

In time, will result in lower capital requirements

Reason 3

Overall, will improve our competitive position

Reason 4

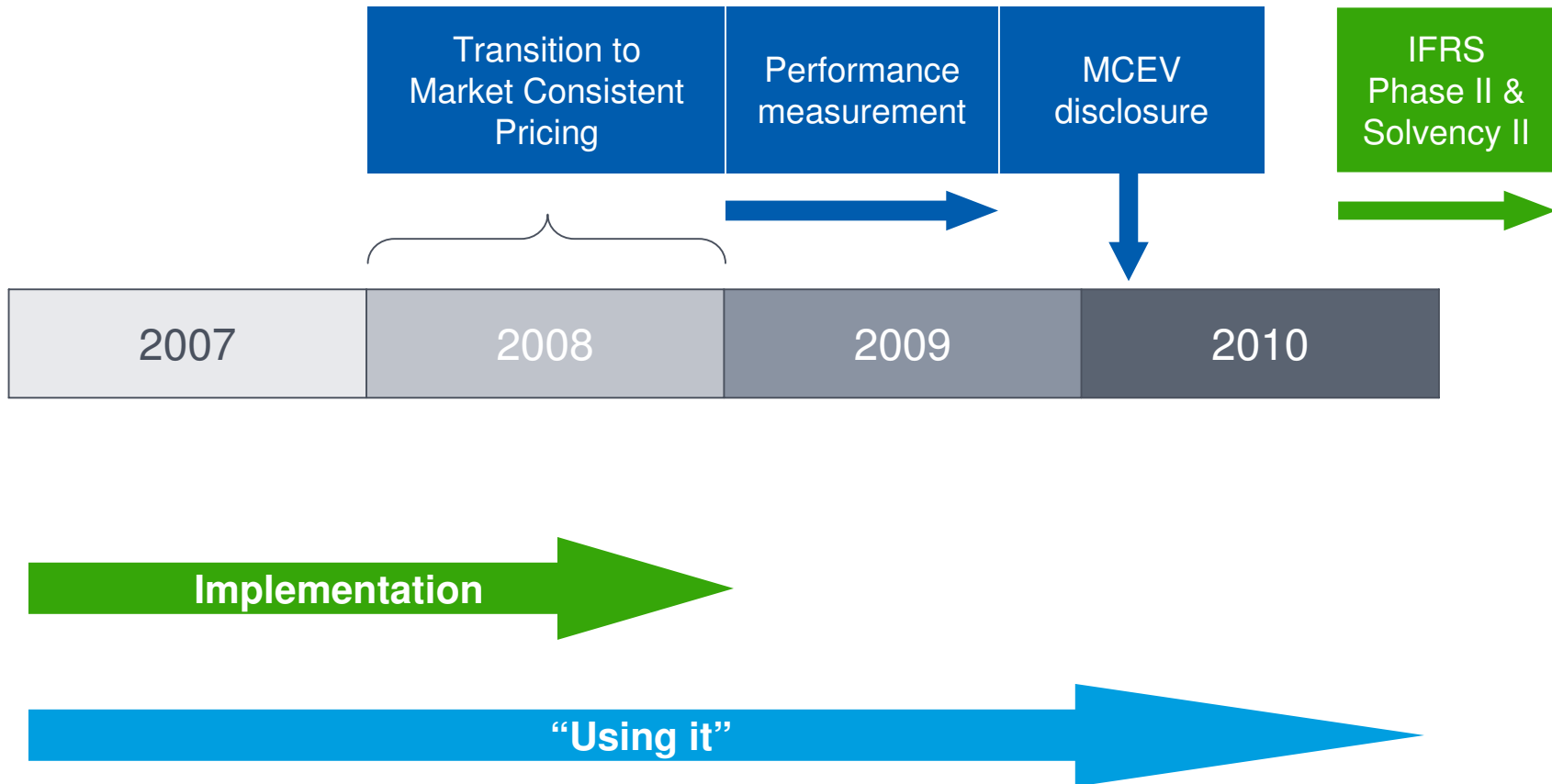
Anticipated external developments will requiring it

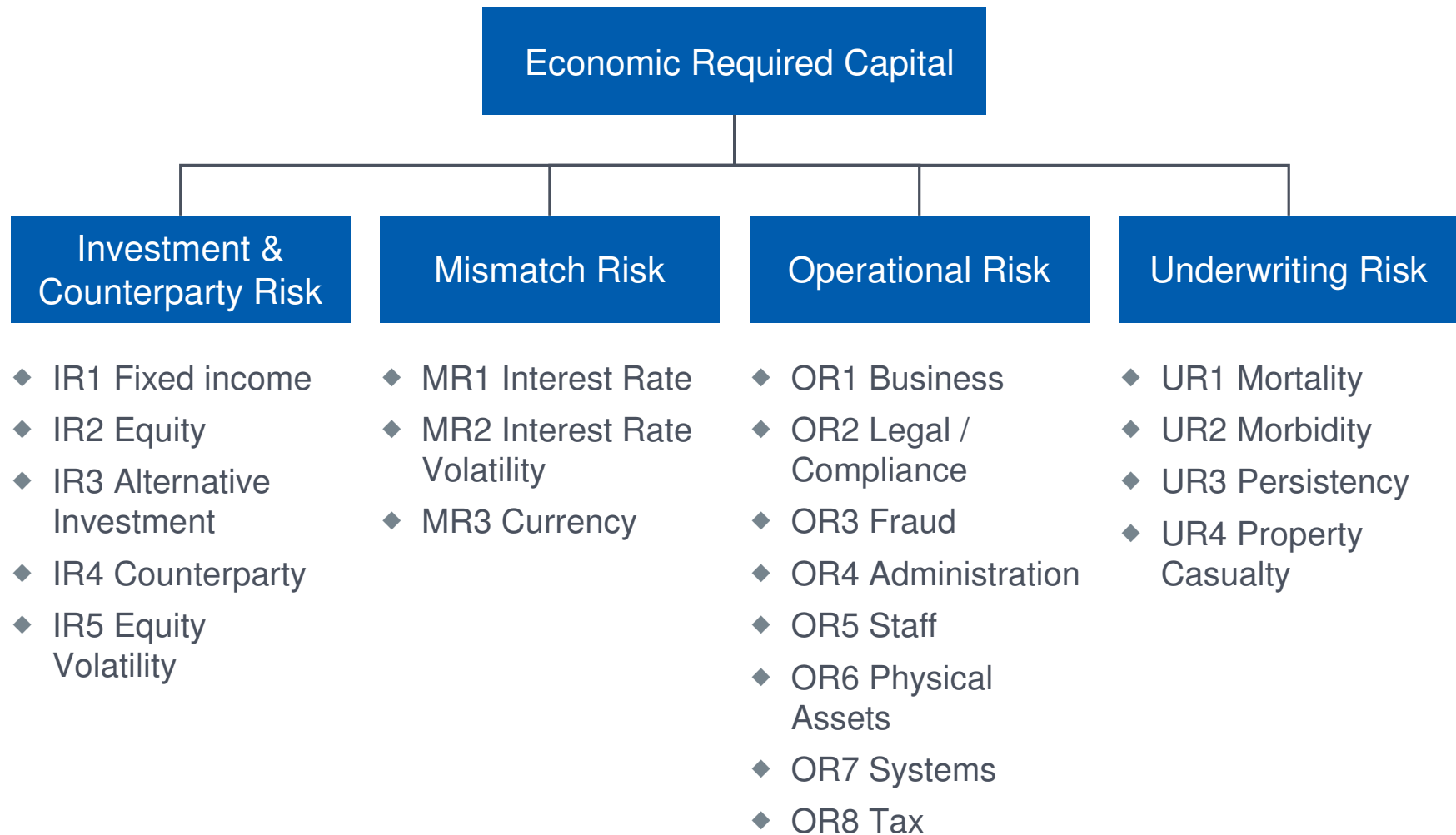
Market consistent pricing
(market consistent VNB)

Process and content audit
(balance sheet, capital model, attribution)

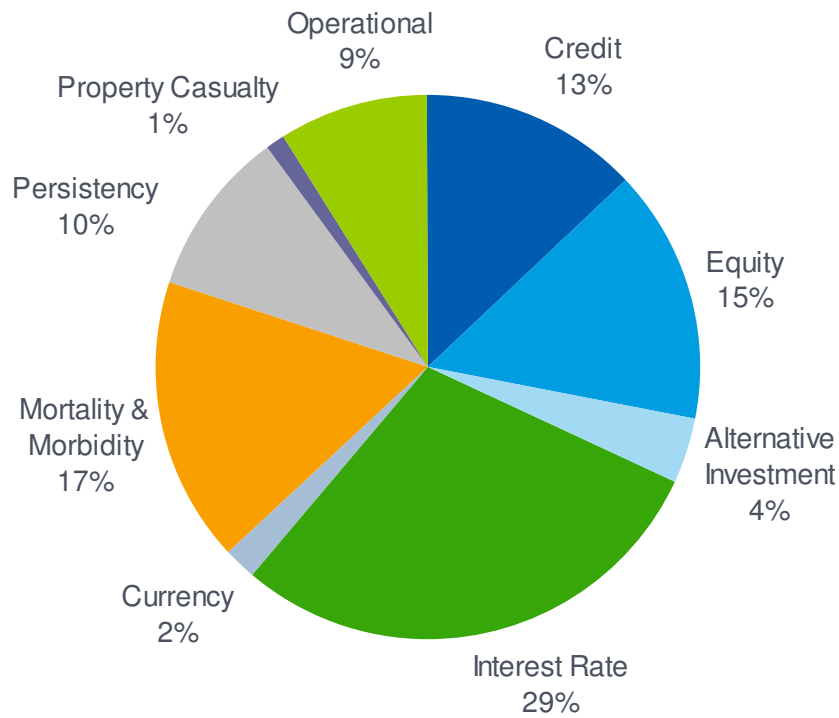
Economic Required Capital

Market Value Balance Sheet



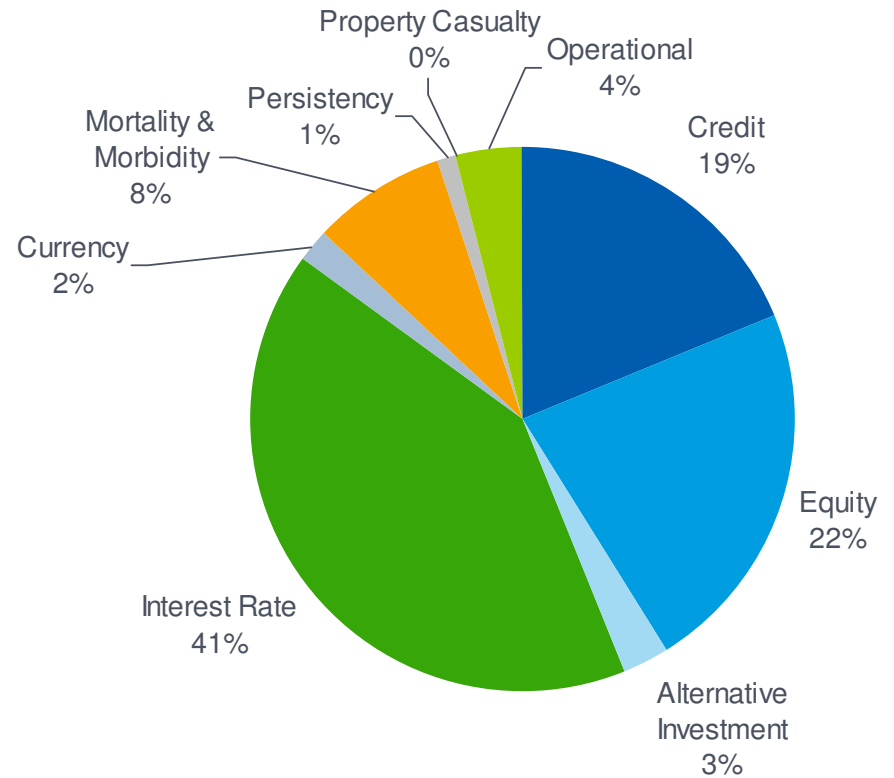


Pre-diversified Economic Capital



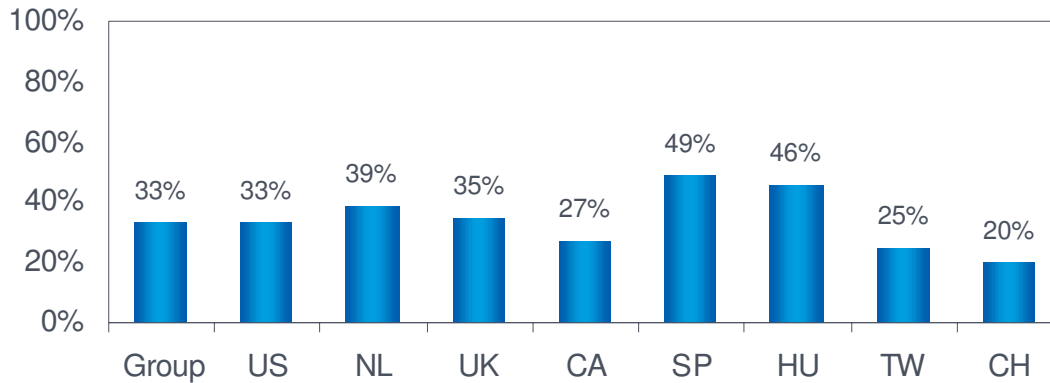
Breakdown of risks by major risk type
(no diversification)

Diversified Economic Capital



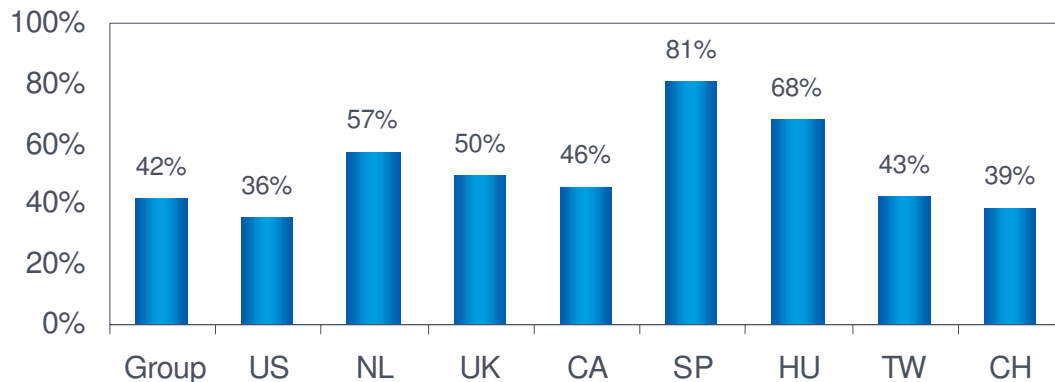
Breakdown of risks by pre-diversification
(full diversification)

Pre-geographic diversification effect by country unit



- ◆ Measured reduction in required capital at country unit level only

Marginal diversification benefits by country units



- ◆ Measures the net impact on required capital if 1 \$ of risk is added to a country unit pro rata

- ◆ AEGON supports the Solvency II draft directive
- ◆ We are well prepared for the convergence toward market consistent financial reporting and solvency systems
- ◆ AEGON has a strong integrated approach to risk management
- ◆ Our Economic Framework implementation is on track
- ◆ AEGON's risks are well diversified



AEGON Investor Relations

P.O. Box 85
2501 CB The Hague
The Netherlands

p : +31 70 344 8305
f : +31 70 344 8445
e : gca-ir@aegon.com





Cautionary Note regarding forward-looking Statements

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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 operating 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.