



# Execution of strategy



LIFE INSURANCE | PENSIONS | INVESTMENTS

**Alex Wynaendts**  
CEO

Analyst & Investor  
Conference

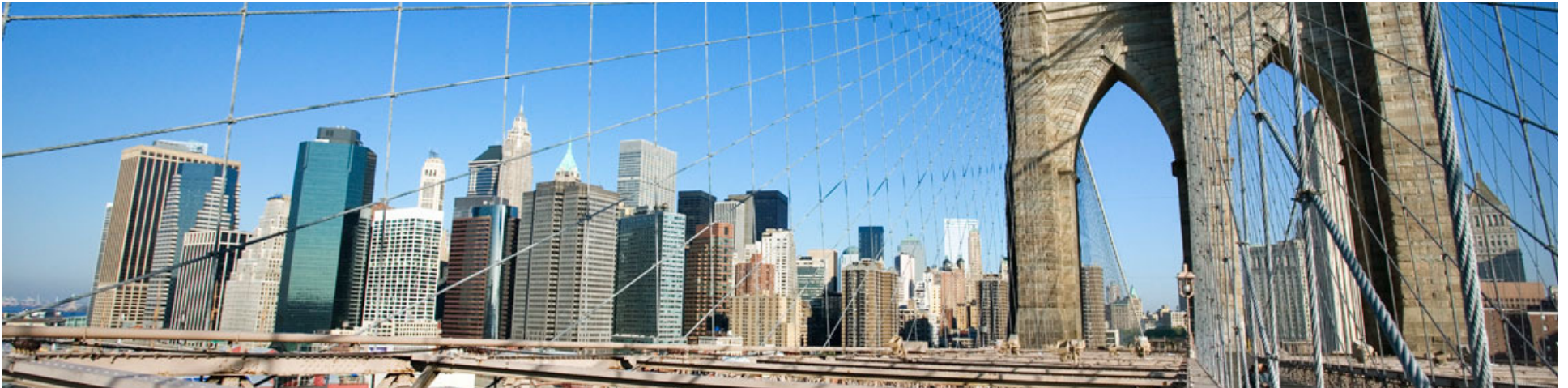
New York City,  
December 2010

---

## Key messages

---

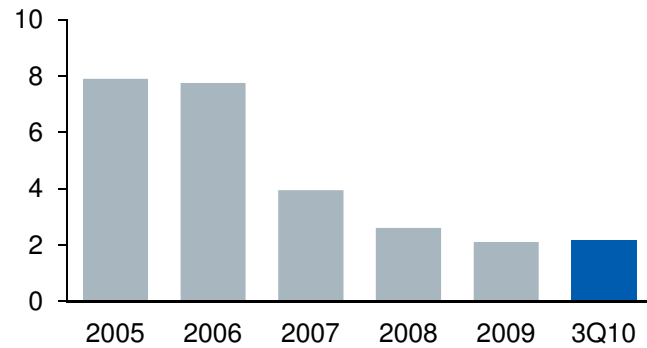
- Significant transformation of business
- Ambition to be a leader in chosen markets by 2015
- Improve growth and return profile
- Repayment of Dutch State remains priority



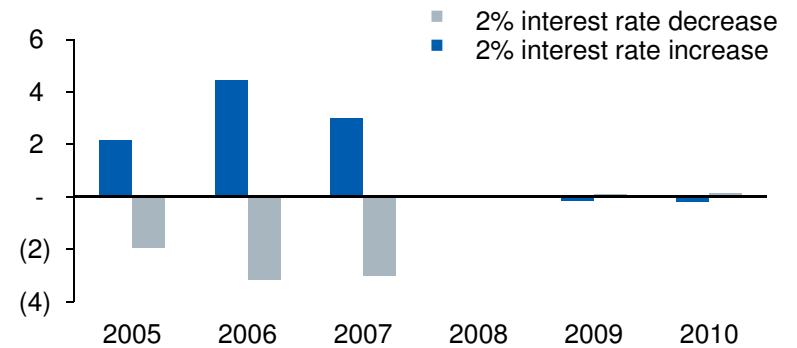
# AEGON transformed significantly

## Less geared to financial markets

**General account equity exposure**  
(EUR billion)

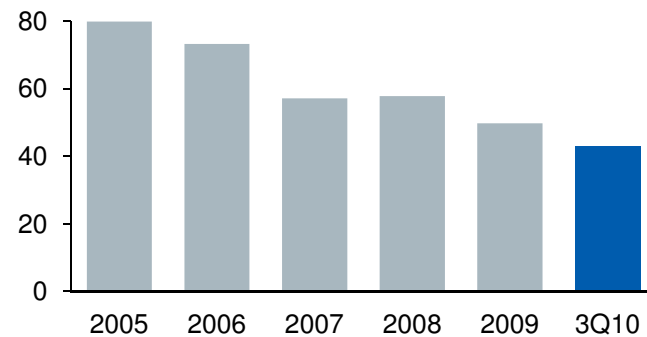


**NL excess capital interest rate sensitivity**  
(EUR billion)

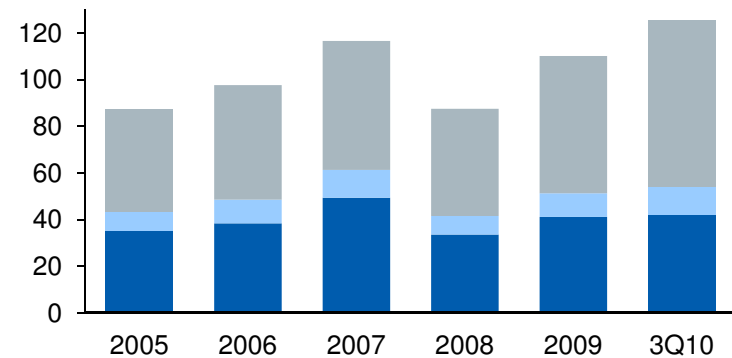


## Shift focus from spread to fee-based products in US

**Spread-based balances**  
(USD billion)



**Fee-based balances**  
(USD billion)



- Variable annuities
- Retail mutual funds
- Pension assets

---

## AEGON's ambition

---

*“To be a leader in all of our chosen markets by 2015”*

- Reallocate capital
- Increase returns
- Optimize ONE AEGON



*... resulting in sustainable profitable growth*

---

## Continued focus on execution of strategy

---

### Reallocate capital

- Run-off institutional spread-based business in the US on track
- Increased fee business, reduced spread business in the US
- Exploring strategic options for Transamerica Re, including sale
- Improved risk profile, increased equity hedging
- Wind-down of BOLI/COLI business

### Increase returns

- Group operating expenses further reduced in 2010
- Continued focus on cost control while growing the business
- Restructuring in the UK on track
- Consolidation of Louisville office with other existing US locations
- Launch of global talent management program
- Roll out non-life in CEE

### Optimize ONE AEGON

- CEO AEGON Asia
- CEO AEGON Asset Management
- Global head of human resources
- Global head of brand & customer strategy
- Global head of sustainability

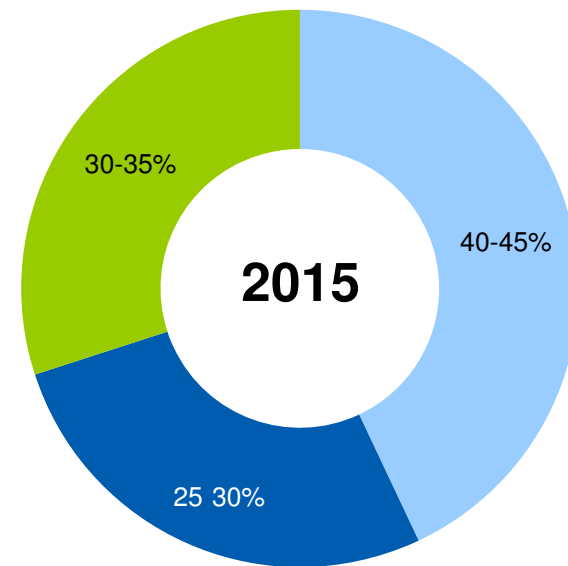
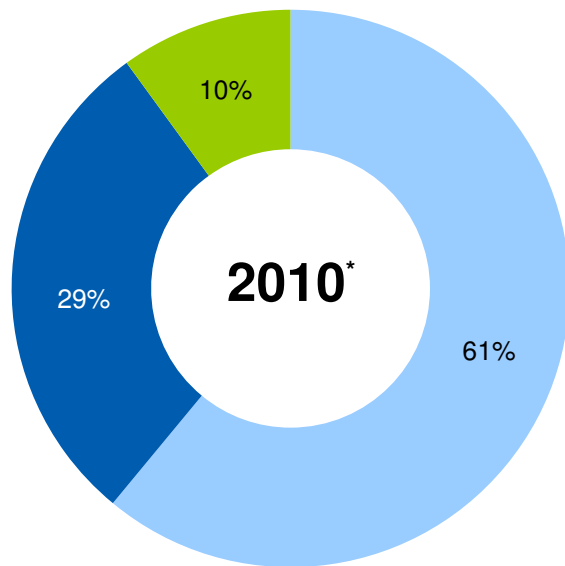


# Reallocate capital



## Ambition to improve growth profile

### Rebalance capital across geographies



- North America (USA, Canada)
- Western Europe (The Netherlands, United Kingdom)
- New Markets (Spain, Central & Eastern Europe, Asia, Latin America, AEGON Asset Management, VA Europe)

\* EUR 22.1 billion of capital in units excluding revaluation reserves per 9/30/10 and excluding Transamerica Reinsurance

# Building on leading market positions

## Americas

**USA** # 3 Term life  
# 4 Universal life  
# 10 Variable annuities  
# 13 Pensions

**CAN** # 5 Universal life  
# 6 Term life  
# 7 Segregated funds

**BZL** # 14 Life insurance

**MEX** # 9 Life insurance

## Europe

**UK** # 2 Group pensions  
# 2 Individual pensions  
# 7 Annuities  
# 7 Individual protection

**CEE** # 2 Life in Hungary  
# 4 Non-life in Hungary  
# 4 Life in Poland

**Start-ups:**  
Romania and Turkey

**NL** # 3 Group pensions  
# 5 Individual life  
# 5 Accident & health  
# 7 Property & casualty

**SP** # 6 Life insurance

**FR** # 10 Life insurance

## Asia

**CHN** # 8 of foreign-owned life insurers in China

**Start-ups:**  
India and Japan



*Rankings are based on various external sources and company best estimates*



---

## Exploring strategic options for life reinsurance

---

- Leading position among life reinsurers: #3 in US and #7 globally
- Limited long-term strategic fit with core businesses
- Exploring strategic options, including a sale
- Aim to maximize value



# Increase returns

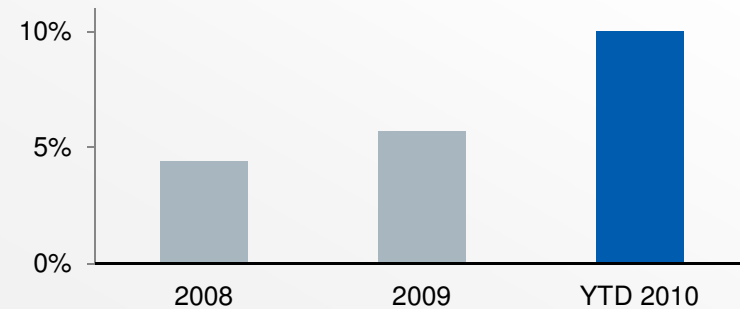


---

## Continued focus on increasing returns

---

### Return on Equity (RoE)



- Strategic focus supports increase in RoE
  - Grow the business
  - Shift to fee-based from spread-based business
  - Reduce expenses in established markets
  - Reallocate capital to areas with strong growth prospects and higher returns

*Return on Equity is calculated as net underlying earnings divided by average capital excluding revaluation reserves*

---

## Significant cost reductions in mature markets

---

- Keep expenses flat in US while growing revenues
  - Consolidating offices; significant headcount reduction
  - Growing chosen market segments
- Provide better service at lower costs in the Netherlands
  - 20% cost reduction by 2013 in core business, partly offset by margin pressure and investments in new capabilities
- Restructure UK business to achieve 25% cost reduction in Life & Pensions
- Controlled increase in New Markets' costs as businesses continue to grow

Continued focus on cost reductions while investing in new capabilities

---

## Restructuring in the UK on track

---

---

### Targets

- 25% cost reduction by end 2011
- Increase RoC to 8-10% by 2014
- New business RoC of >12%
- Cumulative operating cash flows of GBP 600-650 million from 2010 to 2014

---

### Execution

- Restructuring of sales division
- Closure of employee benefits software business
- Sale of third party pension administration business
- Number of positions reduced by ~250 since start restructuring program
- Formal consultation with trade unions started
- Restructuring costs estimated at one-time annual savings of GBP 80-85 million
  - Costs to be incurred in 2010-2011, of which GBP 11 million in 3Q10

On track to reach 25% cost reduction by end 2011

---

## Deliver operational excellence

---

- Continue to be cost efficient operator
  - Total operating expenses decreased 2%\* while growing the business
  - Headcount reduction of 4%\*\*
  - Implementation of Lean Six Sigma
  - Leveraging back office functions in the US
- Effective and efficient distribution
  - Completed merger of broker dealers and rightsizing of career agency in the US
  - Expanded bank distribution in Mexico

Changing environment requires change in cost structure

\* At constant currencies

\*\* Decline in number of employees excluding agents year-to-date 2010



---

## Enhance customer loyalty

---

- Improve insight in customer needs – to be central in innovation
  - Many new products launched
    - Launched eServices delivery model at Transamerica Retirement Services
    - New proposition to underfunded pension funds in the Netherlands
    - Expanded offering of investment funds across asset management organization
  - Roll out of non-life products in CEE
  
- Improve customer satisfaction by competing on customer service
  - Adopting net promoter score across all units
  - Net promoter score in the Netherlands further improved
  
- Build on strong brand names AEGON and Transamerica
  - Successful rebranding campaign in China doubles AEGON-CNOOC brand awareness
  - New Transamerica brand campaign to be launched in 2011

---

## Empowering employees

---

- New management teams in place
- Install global talent management
  - Global Leadership Team
  - AEGON University 2.0
  - Management development
- Roll-out strategy engagement plan
  - Developing consistent company wide employee satisfaction surveys



# Capital



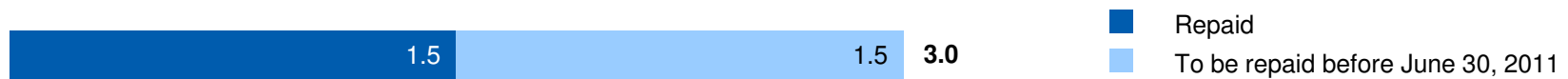
---

## Repayment of Dutch State remains priority

---

### Repayment Dutch State

(EUR billion)

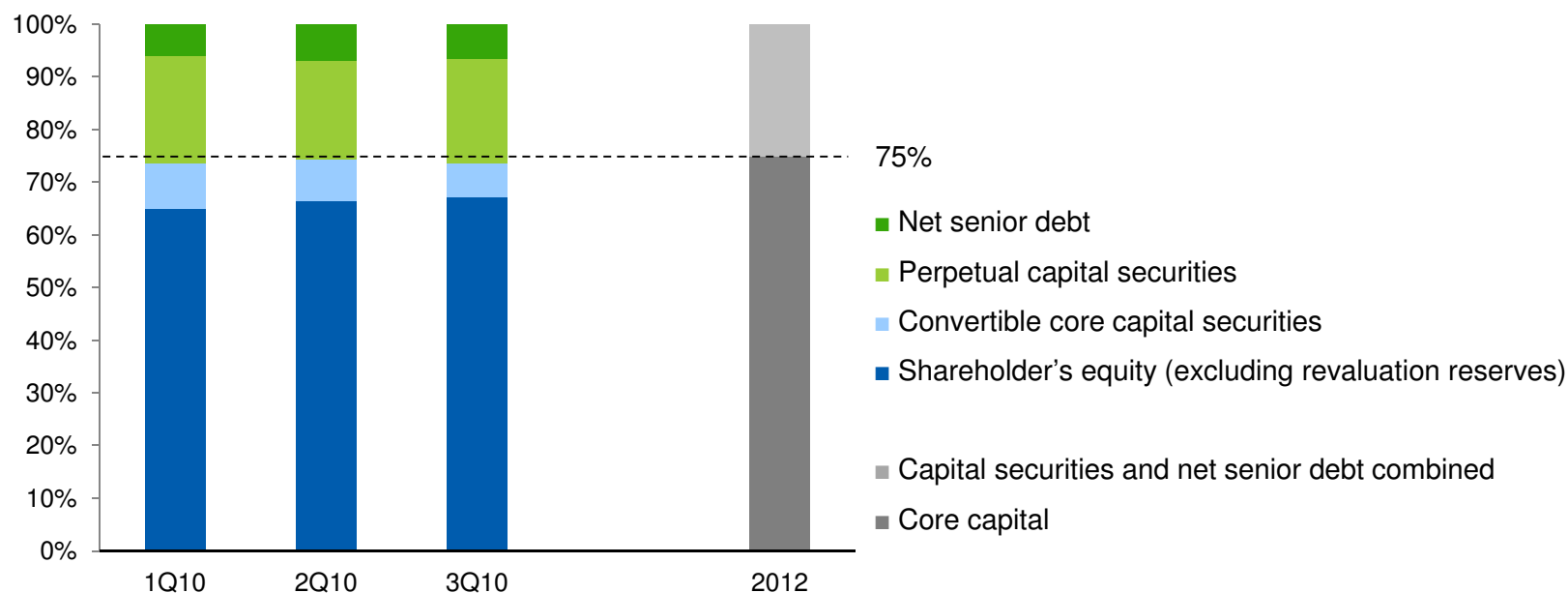


- Final repayment of EUR 1.5 billion
  - Total repayment of EUR 2.25 billion, including premium of EUR 750 million
  - IRR of 17% on final repayment
- Final repayment by end June 2011, subject to
  - Ability to up-stream cash from operating companies
  - Ability to utilize excess capital
  - Progress of disposals
  - Market conditions
- Conversion right maintained as of December 1, 2011

## Continued strong capital position

- Excess capital in holding expected to increase in Q4 due to dividends from units
- Core capital\* at 74% of total capital base – managing to at least 75% by end 2012
- Normalized free cash flows of EUR 1.0 - 1.2 billion per annum

### Total capital base



\* Core capital includes convertible core capital securities and shareholders' equity excluding revaluation reserves

---

## Impact low interest rates manageable

---

- Low interest-rate environment poses longer-term challenges to industry
- Active management to protect in-force book from decline in interest rates
- Continued low interest rates will put pressure on new business margins
- Effect of prolonged low interest rates will emerge over time
- Estimated impact from low interest rates on underlying earnings before tax from Americas approximately USD 20 million per quarter in 2011





# Optimize ONE AEGON



---

## Further executing strategy to optimize ONE AEGON

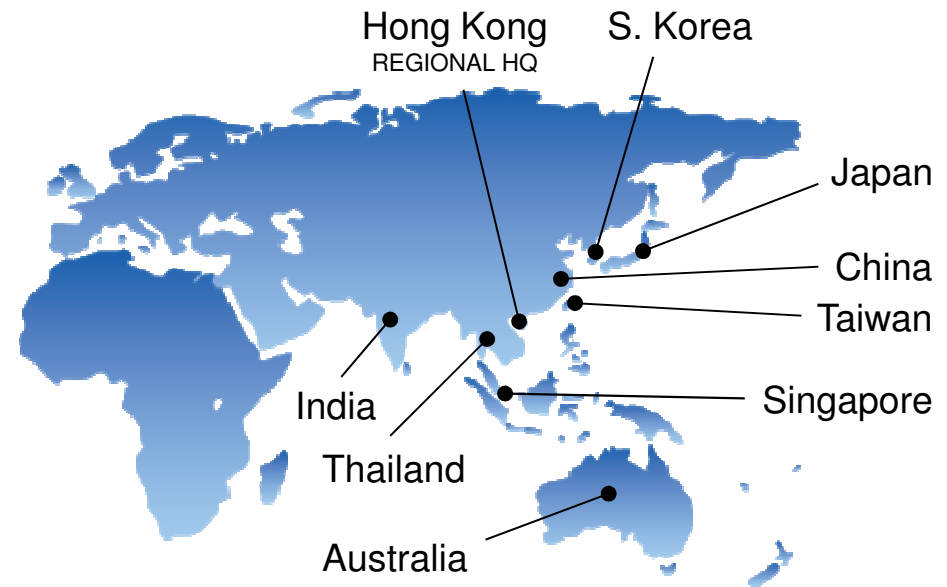
---

- New global functions established
  - Brand & Customer Strategy, Human Resources, Sustainability
- Local execution of strategic priorities within global framework
- Standardizing best practices across the group
  - Customer loyalty programs, operational excellence and global pensions
  - Leveraging product development expertise
  - Global IT solutions
- Implementation of consistent group performance management
  - Both financial and non-financial criteria
- Rationalizing business structure in Asia
  - Combine all Asian businesses under leadership of new CEO Asia

Delivering more than the sum of the parts

## Expanding our franchise in Asia

- Combining all businesses in Asia under common leadership
- Focused on selling life and savings products
- Businesses will be integrated during 2011
- Multi distribution strategy with clear profitability criteria
- Focus on organic growth



*AEGON's asset management joint-venture in China with Industrial Fund Management Company is part of AEGON Asset Management*

---

## Conclusion

---

- AEGON transformed significantly over recent years
  - Shifting focus from spread to fee-based products
  - New management teams appointed
  - Improving risk profile
- Ambition to improve growth and return profile
  - Reallocate capital
  - Continued focus on return on equity
- Repayment of Dutch State remains priority





# Appendix



---

## Execution of strategy since June 2008

---

### Reallocate capital

- Sharpened focus on core activities of life insurance, pensions and asset management
- Increase fee business, reduce spread-based businesses
- Running off institutional spread-based business
- Running off BOLI/COLI business
- De-emphasizing sales of fixed annuities
- Freed up EUR 5.7 billion in capital since June 2008
- Sold Dutch funeral insurance business
- Sold Dutch real estate brokerage activities
- Sold Taiwanese life insurance business
- Reviewing strategic options Transamerica Reinsurance, including sale
- Exit US auto-credit business
- Exit Group Risk and bulk annuities businesses in the UK
  
- Entered Brazil, Romania, Turkey and Japan
- Launched life insurance company in India



---

## Execution of strategy since June 2008

---

### Increase returns

- Restructuring UK business to achieve targeted cost reductions of 25% by end 2011
- Various restructuring programs in US, NL and Canada
- Significant senior management changes
- Continued focus on cost reductions, while investing in the business
- Successfully executed EUR 250 million of cost savings measures in 2009, exceeding original target of EUR 150 million
- Head count reduction of 8% since June 2008
- Closing down Louisville office – Baltimore office new USA headquarters
- Roll out non-life in CEE

### *Improve risk profile*

- Additional equity hedging in Americas and the Netherlands
- Reduced interest rate risk (sale of Taiwan, hedging in the Netherlands)
- Reduced credit risk (lower spread balances)

---

## Execution of strategy since June 2008

---

### Optimize ONE AEGON

---

- AEGON Asset Management operational
  - Broadened role of Management Board
  - Introduction of variable annuities in the UK, the Netherlands, France and Japan
  - Combining all businesses in Asia under common leadership
  - New global functions (Human Resources, Sustainability, Customer & Brand strategy)
  - Standardizing best practices across the group
  - Implementing consistent performance measurement
-



For questions please contact Investor Relations

T: +31 70 344 8305

E: [ir@aegon.com](mailto:ir@aegon.com)

[www.aegon.com](http://www.aegon.com)

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

---

# Disclaimer

---

## Cautionary note regarding non-GAAP measures

This presentation includes certain non-GAAP financial measures: underlying earnings before tax and value of new business. The reconciliation of underlying earnings before tax to the most comparable IFRS measure is provided in Note 3 "Segment information" of our Condensed consolidated interim financial statements. Value of new business is not based on IFRS, which are used to report AEGON's quarterly statements and should not be viewed as a substitute for IFRS financial measures. AEGON believes that these non-GAAP measures, together with the IFRS information, provide a meaningful measure for the investment community to evaluate AEGON's business relative to the businesses of our peers.

## Local currencies and constant currency exchange rates

This presentation contains certain information about our results and financial condition in USD for the Americas and GBP for the United Kingdom, because those businesses operate and are managed primarily in those currencies. Certain comparative information presented on a constant currency basis eliminates the effects of changes in currency exchange rates. None of this information is a substitute for or superior to financial information about us presented in EUR, which is the currency of our primary financial statements.

## 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;
- Changes in the policies of central banks and/or governments;
- Lowering of one or more of our debt ratings issued by recognized rating organizations and the adverse impact such action may have on our ability to raise capital and on our liquidity and financial condition;
- Lowering of one or more of insurer financial strength ratings of our insurance subsidiaries and the adverse impact such action may have on the premium writings, policy retention, profitability of its insurance subsidiaries and liquidity;
- The effect of the European Union's Solvency II requirements and other regulations in other jurisdictions affecting the capital we are required to maintain;
- 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;
- The impact of acquisitions and divestitures, restructurings, product withdrawals and other unusual items, including our ability to integrate acquisitions and to obtain the anticipated results and synergies from acquisitions;
- 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.

Further details of potential risks and uncertainties affecting the company are described in the company's filings with Euronext Amsterdam and the US Securities and Exchange Commission, including the Annual Report on Form 20-F. These forward-looking statements speak only as of the date of this document. Except as required by any applicable law or regulation, the company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

