

# Executing on our strategic transformation



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Chief Executive Officer



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

# Agenda of the day

## Executing on our strategic transformation

Alex Wynaendts

## Financial strategy framework

Darryl Button

## Breakouts

### Americas

Mark Mullin, Michiel van Katwijk

### United Kingdom

Adrian Grace, Clare Bousfield

### Aegon Asset Management

Sarah Russell, Philip Smith

### The Netherlands

Marco Keim, Edgar Koning

### Central & Eastern Europe

Gábor Kepecs, Michal Biedzki

# Successful execution of strategy to transform Aegon

- Focus on executing our strategy is delivering clear results
  - ▶ Strategic transformation to become a truly customer centric company is well underway
  - ▶ Risk profile significantly improved as a result of a strong balance sheet, a fully implemented economic framework and successful shift from spread to fee business
  - ▶ Solid business growth and increasing operational efficiencies are driving increase in profitability
- Implementing a balanced capital deployment strategy, supporting a sustainable dividend
- Ambition to achieve financial targets unchanged
  - ▶ More management actions required to achieve 2015 RoE target of 10-12%



# Clear strategic framework to become a customer centric company

**Purpose**

Help people take responsibility for their financial future

**Values**

**Working Together**

**Bringing Clarity**

**Exceeding Expectations**

**Strategic objectives**



**Ambition**

Leader in all of our chosen markets by 2015

# Focus on executing on strategic objectives



## Continue to optimize portfolio

- Invest in core growth business
- Exit or de-emphasize non-core businesses
  - ▶ Reviewing low return businesses
- Expand at-retirement propositions in established markets



## Deliver operational excellence

- Focus on profitable growth
- Increase efficiency and reduce expenses
- Improve technology capabilities
- Improve quality service levels



## Enhance customer loyalty

- Develop technology-driven distribution channels
- Add value to intermediaries
- Improve digital customer relationships
- Deepen knowledge of customer needs



## Empower employees

- Develop a true customer-centric culture
- Engage all employees in strategy
- Develop our talents

# Execution of strategy in all our markets

## AMERICAS

- Execution of strategy to grow in core businesses
  - Improved market positions in Life & Health; focus on less interest rate sensitive products
  - Strong growth of fee-based business: variable annuities and pensions outperforming the market
- Successful expansion of distribution, driver of new business volumes
- Strict pricing leads to increasing profitability of new sales
- Driving further efficiencies by enhanced economies of scale, strict expense management and leveraging technology
- Capitalize on data mining capabilities to direct marketing

## UNITED KINGDOM

- Leveraging core capabilities in three segments
  - Workplace Savings, At Retirement and emerging non-advised segment – all through one platform
- Fastest growing platform in the market
- Distribution deals secured with Barclays and others
- Opportunity to improve margins
- Ongoing transformation to low cost platform player resulting in >25% cost reduction from 2009 – further reduction planned
- Responding to market changes by providing flexible and simple solutions to customers



# Execution of strategy in all our markets

## THE NETHERLANDS

- Capturing opportunities in the Netherlands in chosen segments
  - ▶ Buy-out market for pension funds and residential mortgage loans with government guarantee (NHG)
  - ▶ Growth through innovation; build out direct-to-consumer capabilities; increase emphasis on fee-generating businesses; supporting intermediaries to operate in a non-commission and fee-only environment
- On track to reduce costs by EUR 100 million from 2010 base – implement further cost efficiencies

## NEW MARKETS

- Expand footprint in CEE through innovation, expanding non-life and add-on acquisitions in Romania and Ukraine
- Fast growth in Asia supported by leading affinity & direct marketing business
- Completed restructuring of business in Spain with joint venture with Banco Santander and exit of CAM, Cívica, Unnim resulting in net proceeds of EUR 800 million
- Increased insourcing of insurance-related assets and significant third party inflows drive strong performance of Aegon Asset Management

## GLOBAL

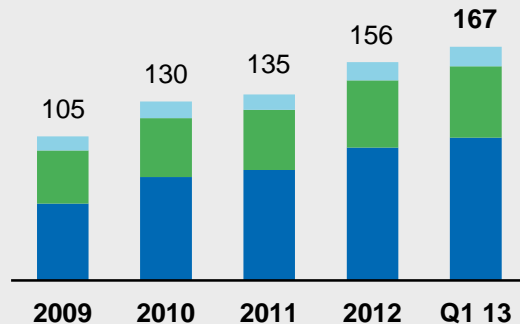
- Global Chief Technology Officer appointed – reflecting strategic focus on technology to support strategic transformation
- Investments in start-ups to accelerate digital transformation

# Leveraging strength in At-Retirement market to grow fee business

- Aegon is building a leading presence in the At-Retirement segment of key markets
  - ▶ Providing effective product solutions to meet needs throughout the retirement life cycle
  - ▶ Supporting our strategy to shift to fee based business
- Strong At-Retirement proposition evidenced by growing asset balances
  - ▶ US At-Retirement business benefiting from product and service model innovations
    - Accelerating future growth by retaining clients during their entire retirement life cycle
  - ▶ UK platform gaining traction – two awards for innovation and best platform
  - ▶ Dutch pension opportunity gains momentum with pension fund coverage ratios improving

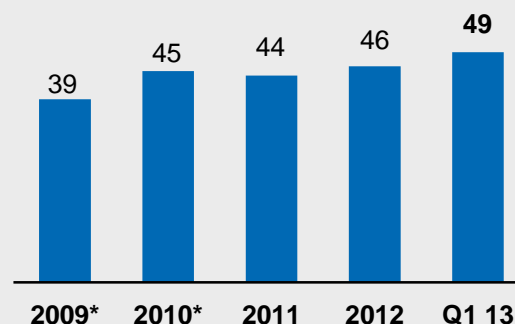
## US pension, VA & MF balances

(in USD billion)



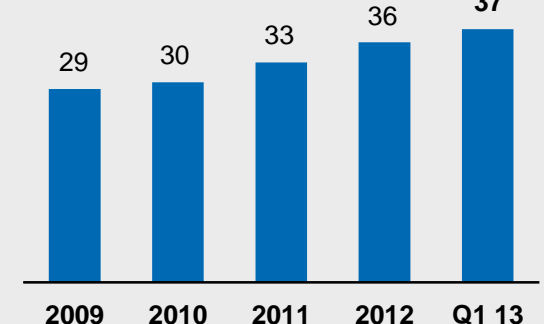
## UK pension balances

(in GBP billion)



## NL pension balances

(in EUR billion)



■ Retail mutual funds  
■ Variable annuities  
■ Pensions

\* Adjusted for sale of Guardian

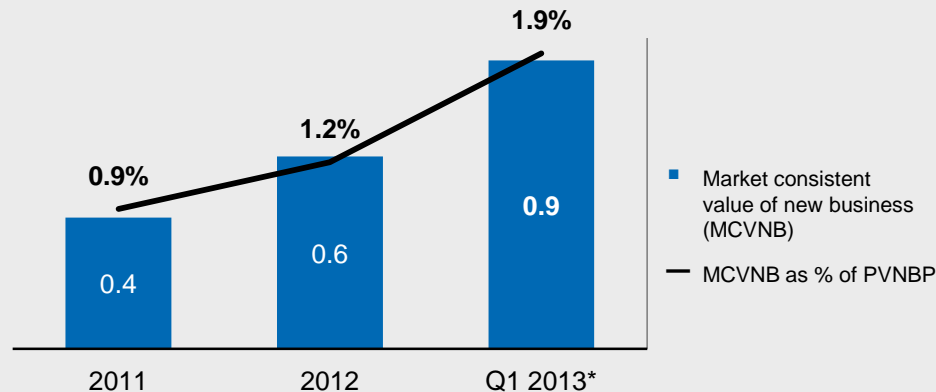


# Strategic shift and strict pricing discipline are delivering strong results

- Significant rise in market consistent value of new business due to strong sales and management's strict pricing discipline
  - ▶ Redesigned products to be less sensitive to financial markets
  - ▶ Discontinued sales of universal life secondary guarantee joint survivorship products
  - ▶ Introduction of real-time pricing universal life product, ensuring reflection of market conditions in pricing
  - ▶ Repriced long-term care, variable annuities, universal life in the US and non-life product in the Netherlands
- Capital intensity of sales has declined as business mix shifted towards more fee-based products

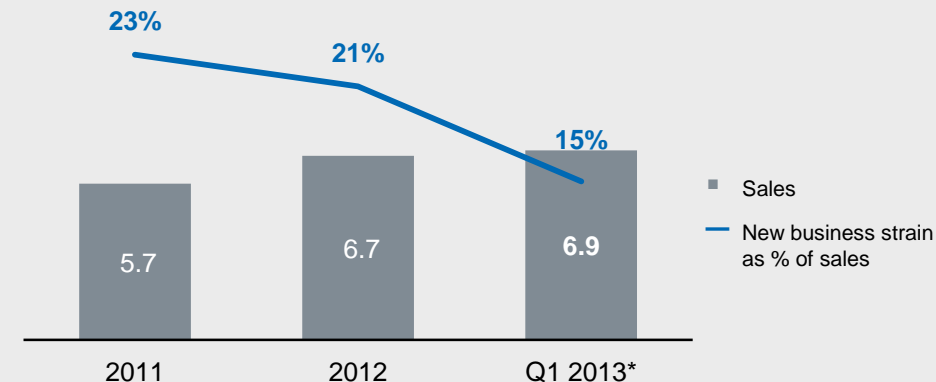
## Increased profitability of sales

(EUR billion)



## Strong sales growth and lower new business strain

(EUR billion)

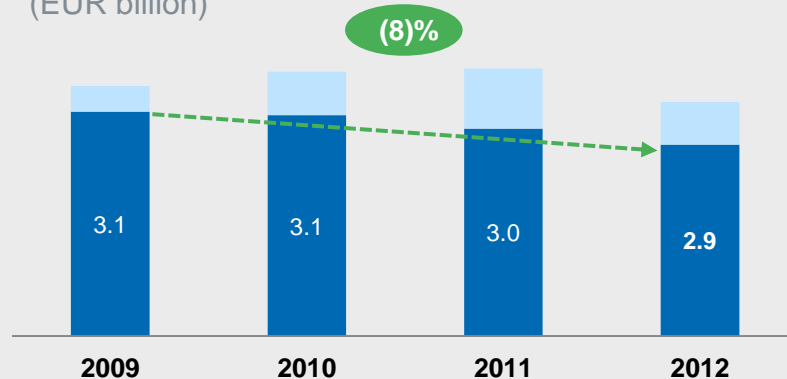


# Strong track record in reducing expenses while growing our business

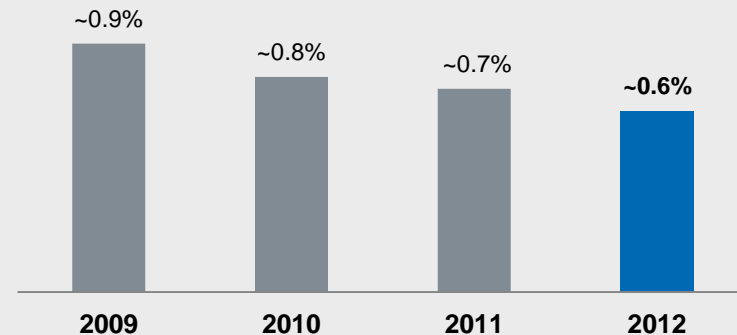
- Improving cost efficiency remains key priority while making necessary investments
- Successful restructurings translate into lower cost base; potential for further cost reductions
  - ▶ US: grow faster than the industry while keeping operating expenses flat
  - ▶ UK: new operating model allows for major cost efficiencies – further reduction planned
    - Ongoing transformation to low cost platform player resulting in >25% cost reduction from 2009
  - ▶ NL: on track to reduce costs by EUR 100 million by 2013 – implement further cost efficiencies
    - Optimizing portfolio, low cost IT back office solutions, lean thinking and process efficiencies and ongoing cost focus
  - ▶ Holding: continued focus on reducing operating expenses and funding costs

## Operating expenses reduced

(EUR billion)



## Adjusted operating expenses as % of revenue-generating investments declining



■ Exceptional expenses  
■ Adjusted operating expenses

# Financial strategy supports strategic transformation

- Strong local balance sheets and buffer at the holding
- Implementing a balanced capital deployment strategy
  - ▶ Reducing leverage to further improve risk profile
  - ▶ Sustainable dividends; intention to neutralize stock dividends going forward
  - ▶ Execution of strategic priorities
- Progress on delivering 2015 targets
  - ▶ On track to double fee-based earnings and increase operational fee cash flows
  - ▶ Grow underlying earnings by 4-7% from 2010 base – in line with interest rate sensitivities provided
  - ▶ Ambition to achieve RoE target unchanged, more management actions needed to achieve 2015 target

Double fee-based earnings to

**30-35%**

of underlying earnings by 2015

Increase annual normalized operational free cash flow to

**€ 1.3-1.6 billion**

by 2015

Grow underlying earnings before tax by

**7-10%**

on average per annum between 2010 and 2015

Achieve return on equity of

**10-12%**

by 2015

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Transform Tomorrow

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# Disclaimer

## Cautionary note regarding non-IFRS measures

This document includes the non-IFRS financial measures: underlying earnings before tax, income tax, income before tax and market consistent value of new business. These non-IFRS measures are calculated by consolidating on a proportionate basis Aegon's joint ventures and associated companies. The reconciliation of these measures, except for market consistent value of new business, to the most comparable IFRS measure is provided in note 3 "Segment information" of Aegon's condensed consolidated interim financial statements. Market consistent value of new business is not based on IFRS, which are used to report Aegon's primary financial statements and should not be viewed as a substitute for IFRS financial measures. Aegon may define and calculate market consistent value of new business differently than other companies. Aegon believes that its non-IFRS measures, together with the IFRS information, provide meaningful information about the underlying operating results of Aegon's business including insight into the financial measures that senior management uses in managing the business.

## Local currencies and constant currency exchange rates

This document contains certain information about Aegon's results, financial condition and revenue generating investments presented 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 Aegon presented in EUR, which is the currency of Aegon's primary financial statements.

## Forward-looking statements

The statements contained in this document 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 Aegon. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. Aegon undertakes 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 Aegon's fixed income investment portfolios;
  - 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 Aegon holds; and
  - The effects of declining creditworthiness of certain private sector securities and the resulting decline in the value of sovereign exposure that Aegon holds;
- Changes in the performance of Aegon's investment portfolio and decline in ratings of Aegon's counterparties;
- Consequences of a potential (partial) break-up of the euro;
- The frequency and severity of insured loss events;
- Changes affecting mortality, morbidity, persistence and other factors that may impact the profitability of Aegon's insurance products;
- Reinsurers to whom Aegon has ceded significant underwriting risks may fail to meet their obligations;
- 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;
- Changes in the availability of, and costs associated with, liquidity sources such as bank and capital markets funding, as well as conditions in the credit markets in general such as changes in borrower and counterparty creditworthiness;
- Increasing levels of competition in the United States, the Netherlands, the United Kingdom and emerging markets;
- Changes in laws and regulations, particularly those affecting Aegon's operations, ability to hire and retain key personnel, the products Aegon sells, and the attractiveness of certain products to its consumers;
- Regulatory changes relating to the insurance industry in the jurisdictions in which Aegon operates;
- Changes in customer behavior and public opinion in general related to, among other things, the type of products also Aegon sells, including legal, regulatory or commercial necessity to meet changing customer expectations;
- 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 Aegon's debt ratings issued by recognized rating organizations and the adverse impact such action may have on Aegon's ability to raise capital and on its liquidity and financial condition;
- Lowering of one or more of insurer financial strength ratings of Aegon's insurance subsidiaries and the adverse impact such action may have on the premium writings, policy retention, profitability and liquidity of its insurance subsidiaries;
- The effect of the European Union's Solvency II requirements and other regulations in other jurisdictions affecting the capital Aegon is required to maintain;
- Litigation or regulatory action that could require Aegon to pay significant damages or change the way Aegon does business;
- As Aegon's operations support complex transactions and are highly dependent on the proper functioning of information technology, a computer system failure or security breach may disrupt Aegon's business, damage its reputation and adversely affect its results of operations, financial condition and cash flows;
- Customer responsiveness to both new products and distribution channels;
- Competitive, legal, regulatory, or tax changes that affect profitability, the distribution cost of or demand for Aegon's products;
- Changes in accounting regulations and policies may affect Aegon's reported results and shareholders' equity;
- The impact of acquisitions and divestitures, restructurings, product withdrawals and other unusual items, including Aegon's ability to integrate acquisitions and to obtain the anticipated results and synergies from acquisitions;
- Catastrophic events, either manmade or by nature, could result in material losses and significantly interrupt Aegon's business; and
- Aegon's failure to achieve anticipated levels of earnings or operational efficiencies as well as other cost saving initiatives.

Further details of potential risks and uncertainties affecting Aegon are described in its filings with the Netherlands Authority for the Financial Markets and the US Securities and Exchange Commission, including the Annual Report. These forward-looking statements speak only as of the date of this document. Except as required by any applicable law or regulation, Aegon 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 Aegon's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.