# **C**apital, **C**osts, **C**ontingency

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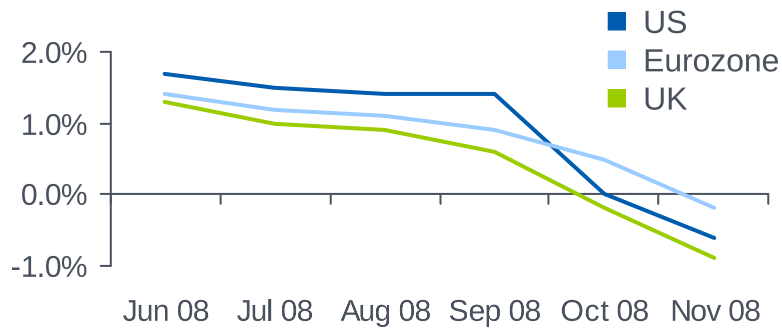
AEGON Investor Day

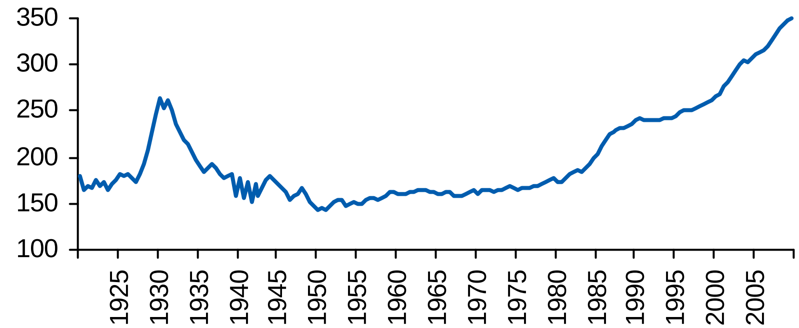
London,  November 24, 2008

# Global financial turmoil

## GDP growth expectations[1] (EUR million)

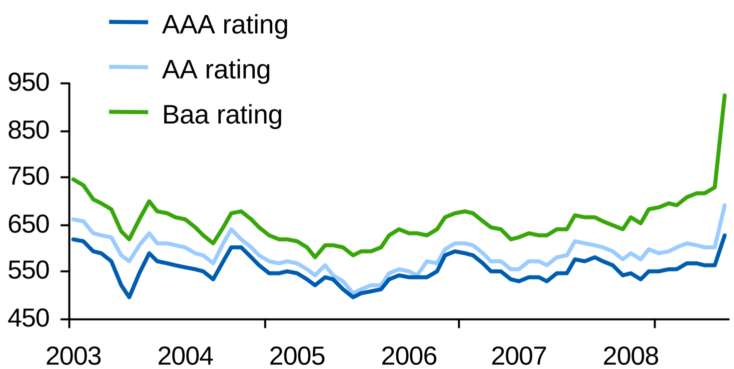



## Total US credit market debt/GDP[2] (%)



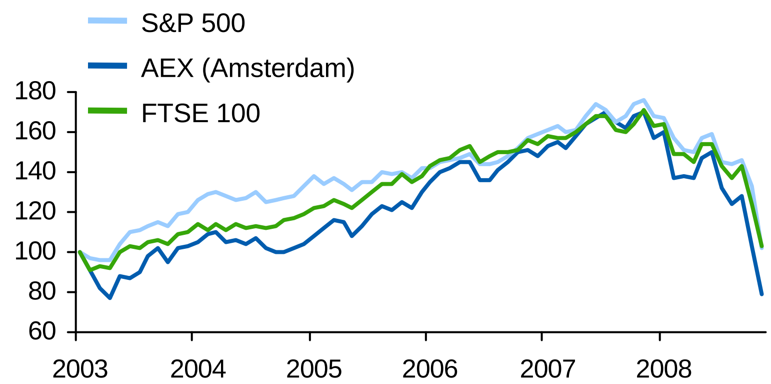

## Credit spread gapping[1]

**Average corporate bond yields** (bps)




## Equity markets[1]

**Indexed level** (December 31, 2002=100)




1. Source: Consensus Economics Inc. 2008, Bloomberg, Moody's, Carlyle Group (Ned Davis Research)
2. Total US credit market debt measured by the US Federal Reserve includes debt owed by domestic financial services firms, mortgages, corporate debt, federal government debt, small business debt, consumer debt, state and local government debt, and foreign debt

# Insurance industry faces challenges globally

## Financial markets

- *Volatility*
- *Illiquidity*
- *Closed capital markets*

Increased cost of capital & less availability of capital

## Regulators

- *Focus on capital*
- *Take a more conservative stance*

Increased required capital

## Customers

- *Demand for guarantees*
- *Trust*

Increased required capital

**Need for capital buffer**

**C**apital

**C**osts

**C**ontingency

The three **C**’s

# Capital: improve capital efficiency

**Optimize capital structure**

- Implement more
  - Capital releases from back books
  - Reinsurance
  - Insurance linked securities

**Reduce capital intensity**

- Further reduce
  - Equity risk
  - Interest rate risk
  - Credit risk

**Maximize diversification benefits**

- Manage portfolio of risks
- Reset retention limits
- Build global risk pooling infrastructure

## Capital: proactive steps have been taken to increase capital buffer

- Significant risk reductions implemented
  - Limited direct equity exposure
  - Interest rate risks lowered
  - Guarantees on products lowered
  - Hedging of guarantees
  - Asset and liability matching
- Strong global risk management organization
- Capital preservation and risk mitigation in Q308: EUR 729 million

# Capital: ongoing acceleration of de-risking and capital release

Complete execution on identified capital preservation and risk mitigation actions of EUR 600 - 800 million in Q4, including:

- Lowering investment risk
  - New money
  - Existing portfolio
- Risk transfer through reinsurance
  - Fixed annuities
  - Non-life catastrophic risk
- Securitizations

**Capital preservation and risk mitigation actions important to enhance capital buffer**

# Contingency: strong capital position provides sufficient buffer

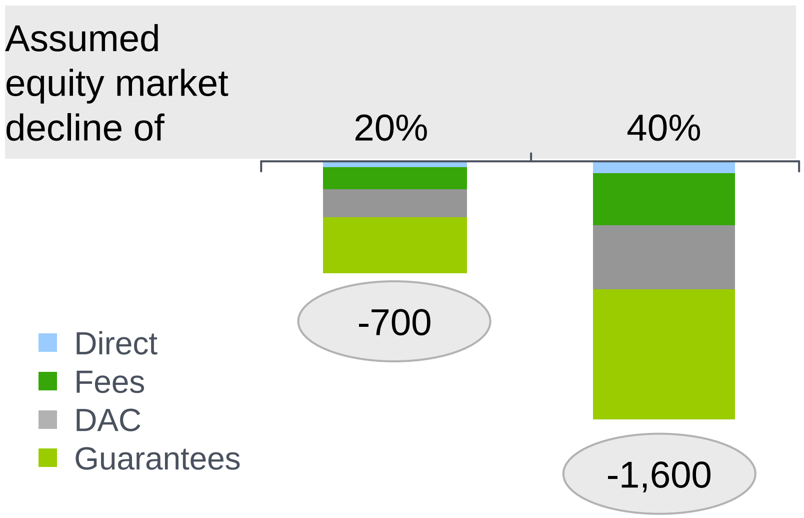
| | September 30, 2008 | Pro-forma post draw down |
|---|---|---|
| Insurance Group Directive (IGD) surplus capital | EUR 5.0 billion (160%) | EUR 8.0 billion (195%) |
| S&P risk-based insurance capital model excess capital in operating units above AA level | EUR 312 million | EUR 312 million |

**Additional capital buffer of EUR 3 billion is sufficient**

- Insurance Group Directive surplus capital includes unrealized losses on bond portfolio
- Excluding unrealized losses IGD ratio would be ~225% and ~260% pro-forma

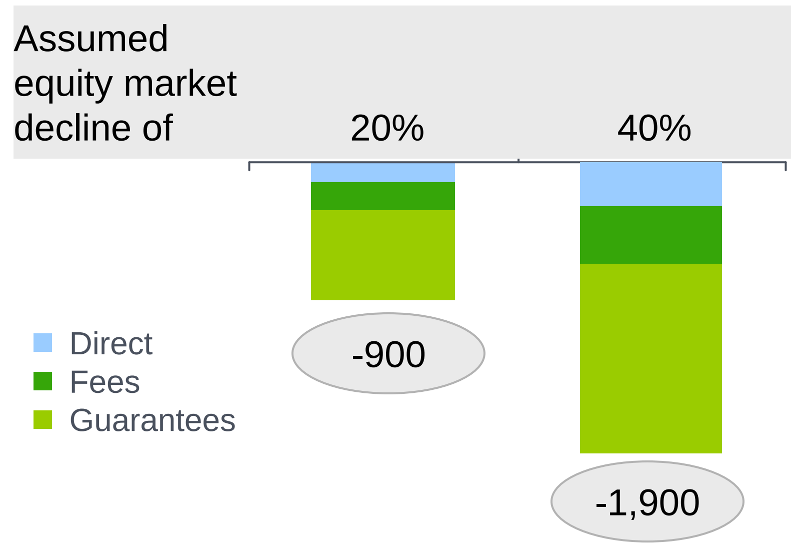
## Based on equity markets as of September 30, 2008

### Estimated impact on earnings
(12 month period, EUR million)




- Lower fees
- Reserve strengthening for VA guarantees (old book before 2004; new VA is delta hedged)
- DAC unlocking*

### Estimated impact on capital
(EUR million)




- Direct exposure
- Reserve strengthening for guarantees
- Impact of first 20% decline can be absorbed by capital preservation actions

* Acceleration of amortization of deferred acquisition costs

# Costs: reduce operating expenses

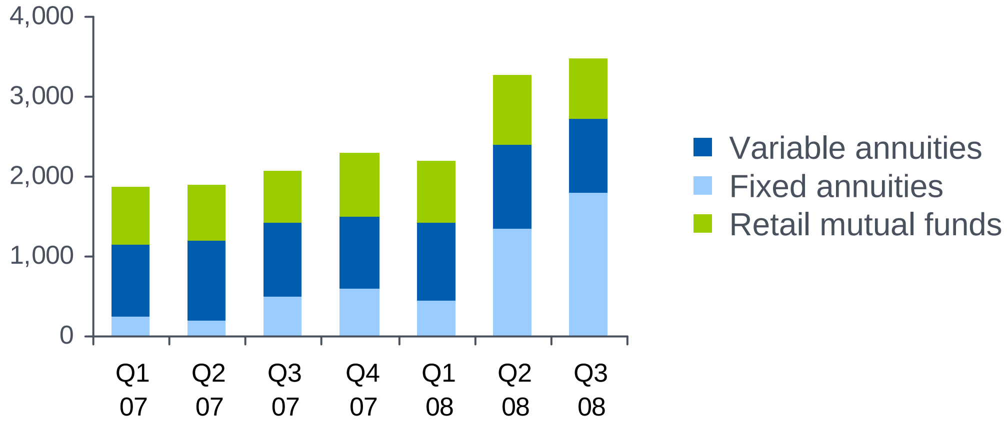
- Cost reduction measures:
  - More than EUR 150 million in AEGON’s major operating units in 2009
- Key actions to achieve this include:
  - US: no wage increase in 2009 and restructuring
  - NL: restructuring, reduction in projects
  - UK: restructuring, cost containment

# Execution of longer term strategic plan

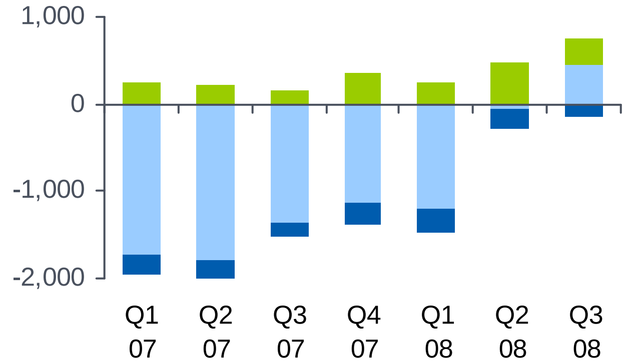
- Improve growth and returns from existing businesses:
  - Manage for profitability in the Netherlands:
    - 3 clear priorities: profitability, distribution, culture change
    - Improve RoC by 100 basis points
- Progress on global asset management
- Establishing European capability in Variable Annuity type products

# Resilient and well diversified business

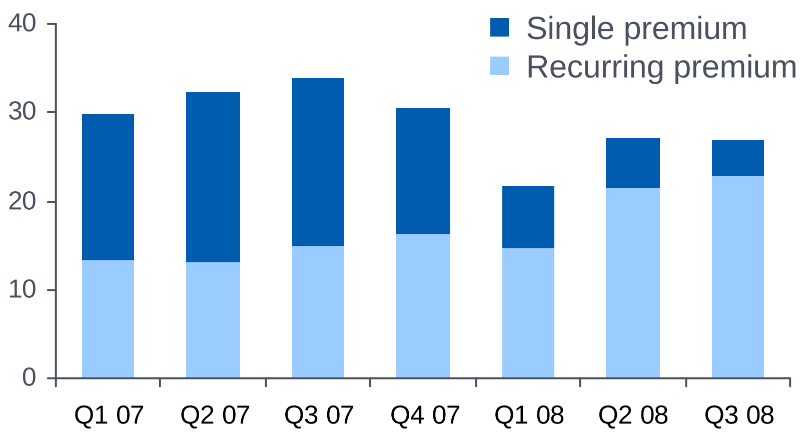
## US gross deposits (USD million)
### Individual savings & retirement



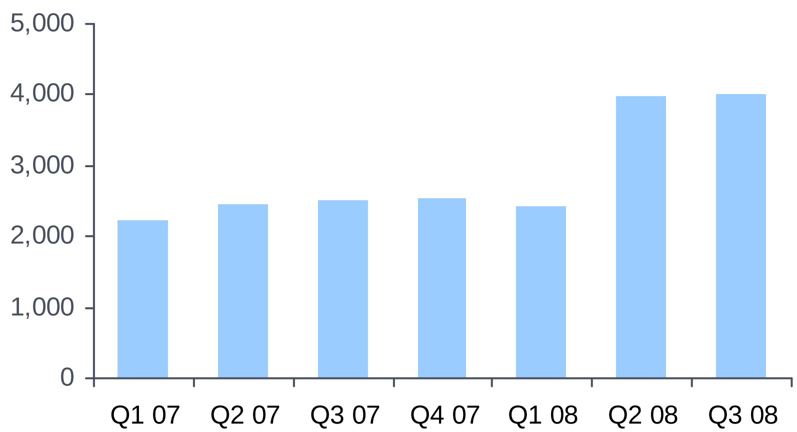

## US net deposits (USD million)
### Individual savings & retirement




## CEE standardized new life sales (EUR million)




## CEE pensions asset under mgmt (EUR million)



- **C**apital:
  - Capital preservation and de-risking actions to continue through Q4 and into 2009
- **C**osts:
  - More than EUR 150 million savings actions
- **C**ontingency:
  - Sufficient capital buffer to absorb market shocks

**Strategy with focus on capital is the right one**

# Q&A

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Cautionary note regarding forward-looking statements

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- 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;
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