

# Unlocking the Dutch potential

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AEGON Investor Day

London, November 24, 2008

- o Three clear priorities

1 Profitability

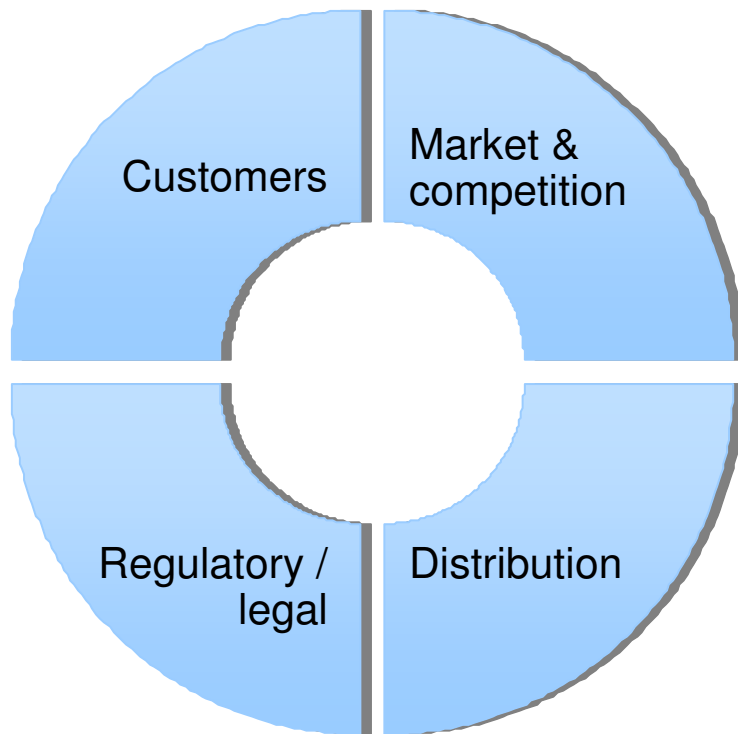
2 Distribution

3 Culture change

- o Improve RoC further
- o Substantial cost saving initiatives
- o Competitive market with opportunities
- o Contribute to AEGON Group



# The Dutch market is competitive but offers opportunities

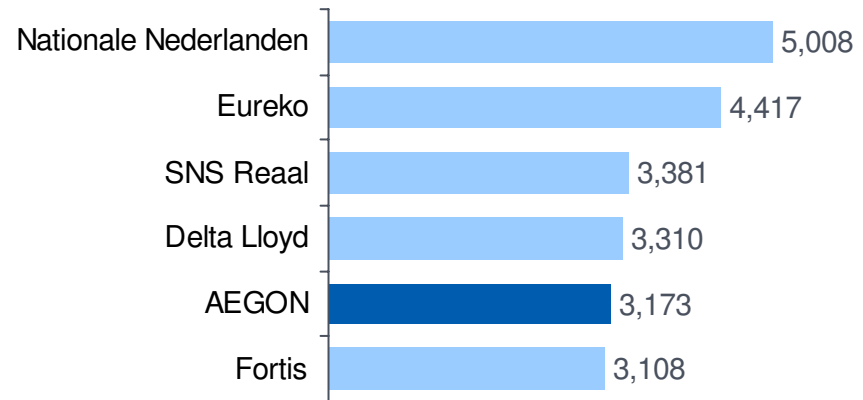


Dutch market:

- Population: 16.5 million
- GDP: EUR 567 billion
- GDP per capita: EUR 34,000

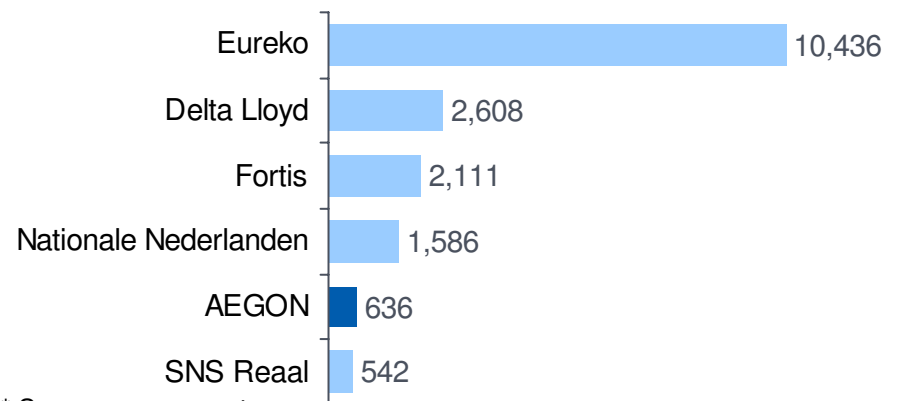
## Gross premium income Life FY 07\* (EUR million)

Total market size EUR 25.8 billion



## Gross premium income Non-life FY 07\* (EUR million)

Total market size EUR 49.4 billion\*\*



\* Source: peer reports

\*\* including health care, where AEGON is not active



### Impact of financial crisis

- High cost of capital
- Government increased guarantee on bank deposits
- Financial insecurity of consumers



### Impact on the Dutch market

- Standstill in institutional pension market
- Increase in demand for guarantees
- Shift from Individual Life to Savings
- Further increased pressure on margins

- o Pensions market
  - Mature
  - High capital requirements
  - Institutional:
    - Complex products, hence high costs (low margin)
    - Introduction of more fee generating business (higher margin)
  - SME:
    - Competitive market
    - Limited amount of brokers servicing this market
    - More standardization of products
    - Increasing demand for guarantees in DC products
  
- o Non-life market
  - P&C market is mature
  - Strategic for life distribution
  - Good returns
  - Supports SME

- Individual market is a growth market
  - Dis-savings growth
  - Shift from traditional life to hybrid products
    - Insurance companies have competitive advantage with administration of products
    - Insurance companies are better equipped to offer guarantees
    - Insurance companies have longer term ALM view and experience
  
- Distribution is changing
  - Consolidation expected
  - Retail market more multi-distribution
  - “Best advice” beneficial for insurers competing on service & products

### Strengths

- Outstanding products
- Improved customer satisfaction levels
- Motivated and energetic employees
- De-risked business

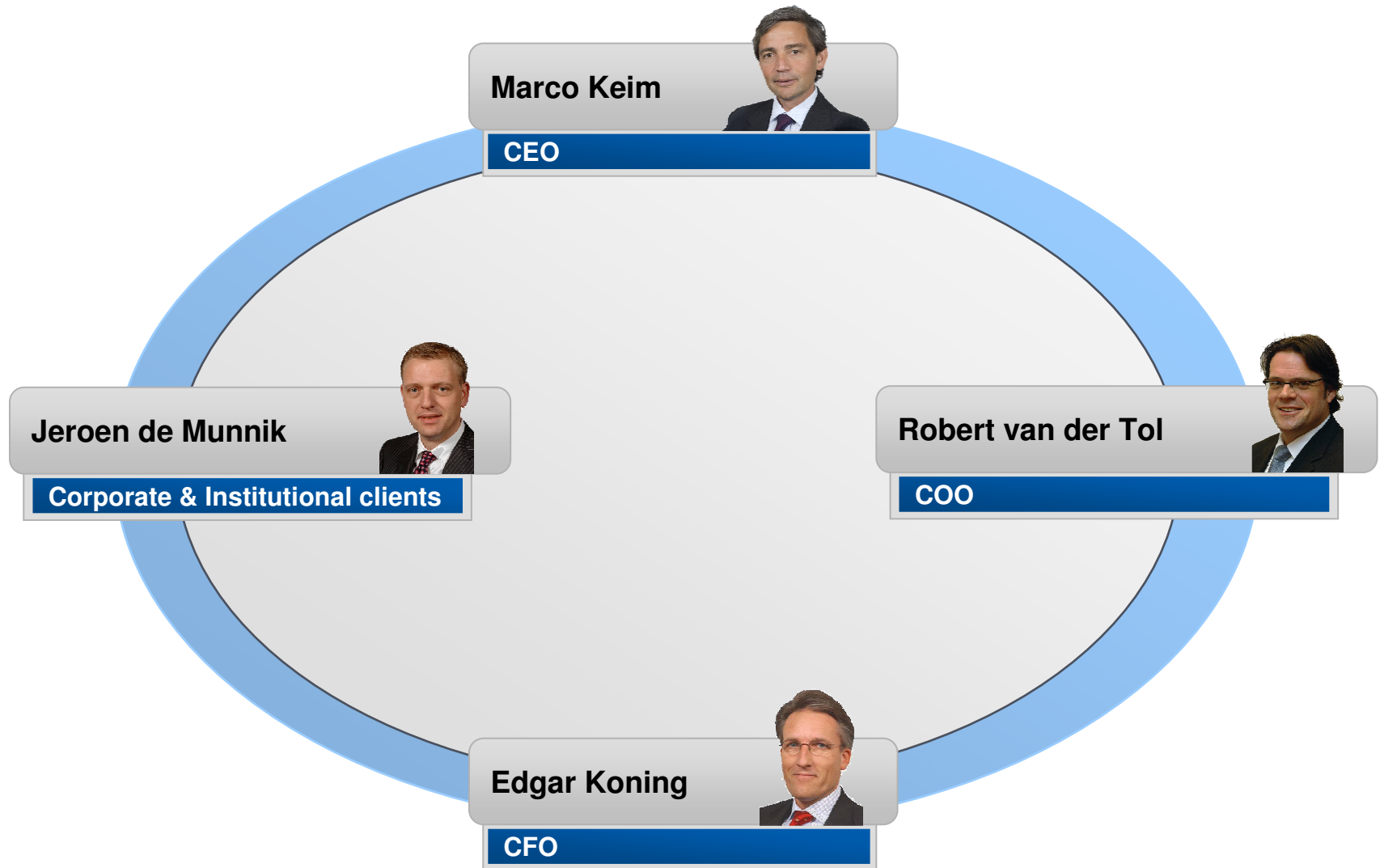
### Need to be improved

- Direct distribution channel underdeveloped
- Limited broker penetration in SME
- Customers are satisfied, but not yet loyal
- Image and reputation
- Execution power and accountability

Unlocking the Dutch potential



# New management team



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## Three priorities for the Netherlands

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**1** Profitability

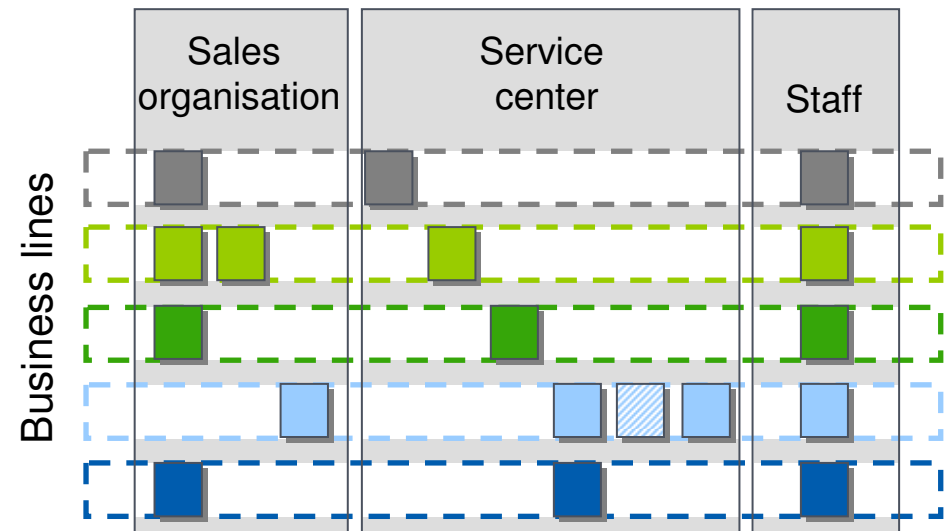
**2** Distribution

**3** Culture change

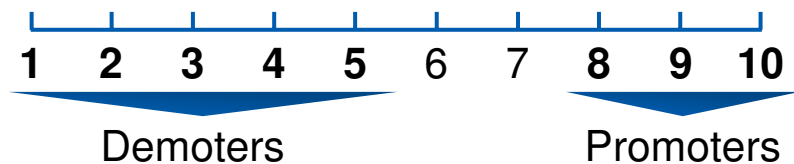


## Culture change

- Focus
  - Clear priorities, less projects
- Execution
  - Accountability
- Excellent service
  - Differentiation factor
- Lean six sigma as part of daily operations / management
  - Customer thinking central
  - Process redesign



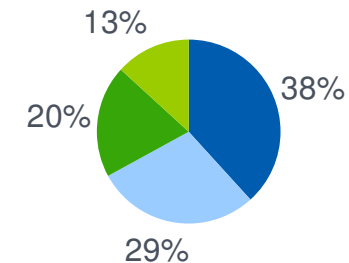
### Net promoter score



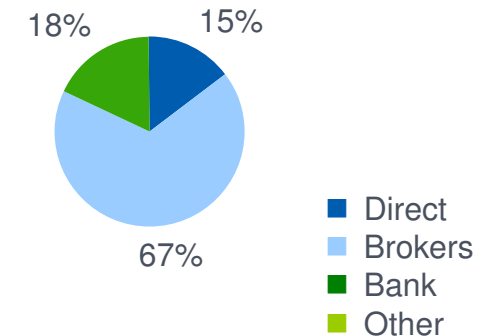
## Distribution

- Retail
  - AEGON Bank as multi-channel provider
- SME – broker
  - AEGON owns the largest independent broker (UnirobeMeeusGroep)
  - Increase in SME pensions market share from 12% to 20% by 2012
- Non-life:
  - Non-life products are essential for distribution of life products for retail and SME markets
- Institutional – direct professional teams

Distribution mix P&C market 2007



Distribution mix SME market 2007



A light gray rectangular box with a white triangle on the left side pointing to the right. Inside the box, the word "Profitability" is written in a black, sans-serif font.

### Profitability

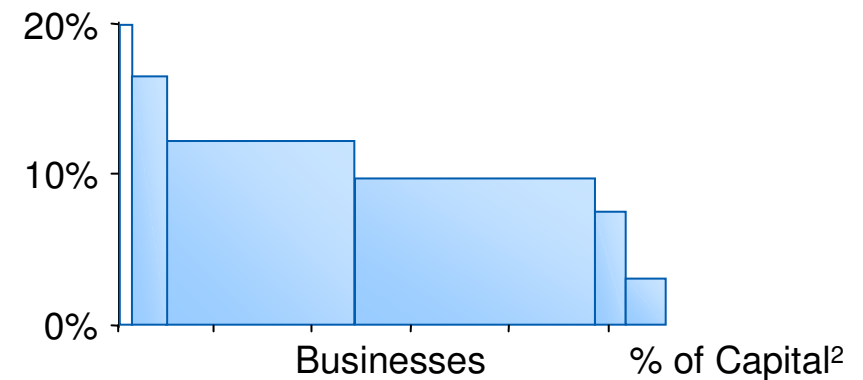
- Selectively increase prices
- Focus on less capital intensive products
- Grow market share in profitable segments, e.g. SME
- Customer loyalty & retention
- Cost reduction measures
  - Restructuring
  - Reduction in projects

## Improve Return on Capital by 100 basispoints



- Improve Return on Capital by 100 basis points by 2012:
  - Lower expenses
  - Increase fee business
  - Optimize capital allocation
  - Increase retention
  - ALM

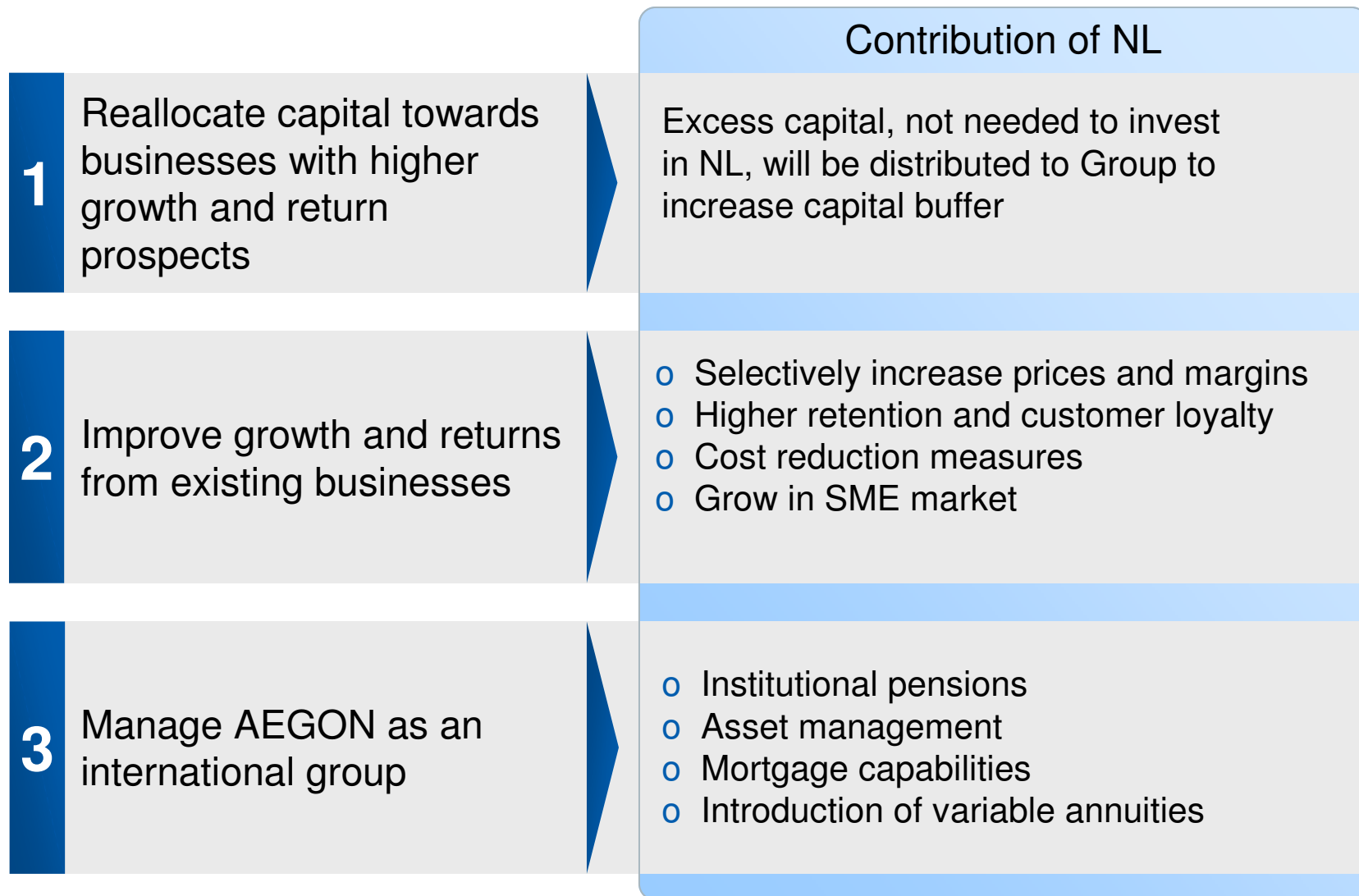
### Unlevered return on capital 2007<sup>1</sup>



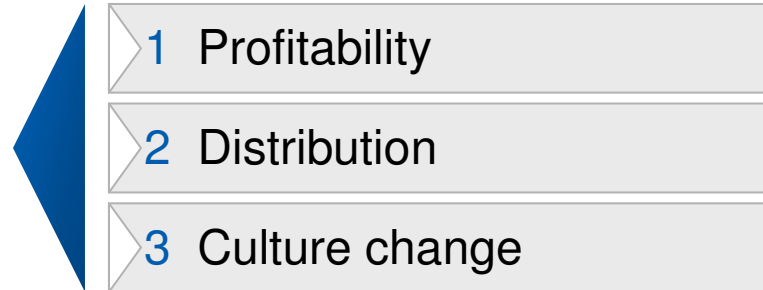
1. Net underlying earnings / average capital in units excluding revaluation reserves

2. Average capital in units excludes revaluation reserves, holding activities and unallocated Group capital





- o Three clear priorities



- o Improve RoC by 100 bps by 2012
- o Substantial cost saving initiatives
- o Individual market is a growth market
- o Increase SME pensions market share to 20% by 2012
- o Contribute to AEGON Group



# Q&A



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## Cautionary note regarding forward-looking statements

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### Cautionary note regarding 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: 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:

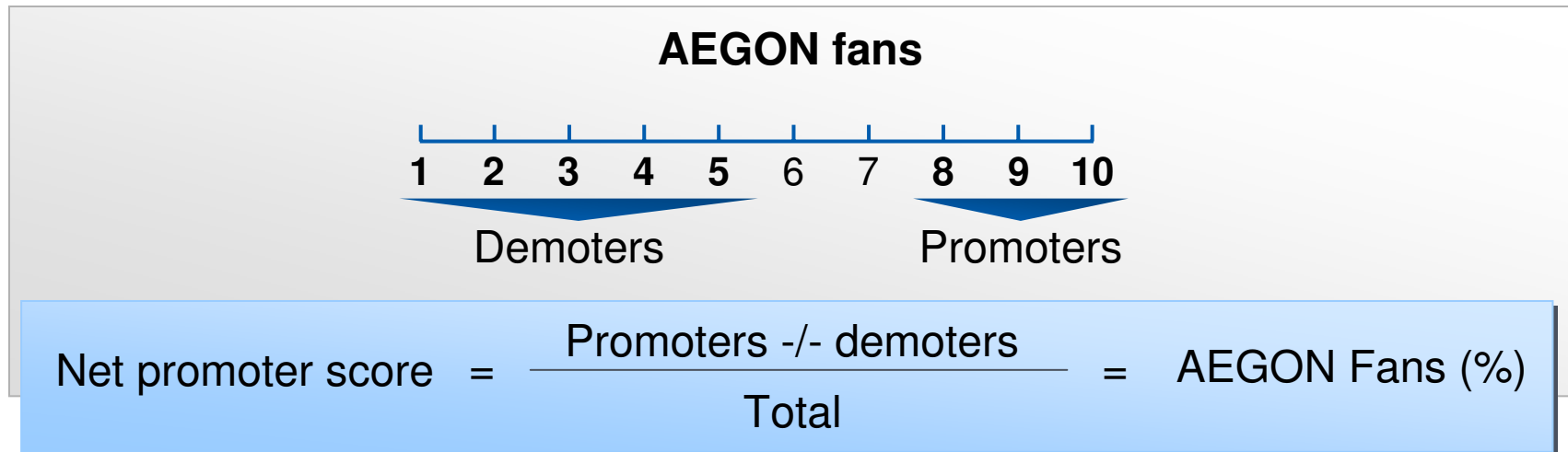
- ◆ Changes in general economic conditions, particularly in the United States, the Netherlands and the United Kingdom;
- ◆ Changes in the performance of financial markets, including emerging markets, such as with regard to:
  - The frequency and severity of defaults by issuers in our fixed income investment 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 underlying 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.

# Appendix





## Net promoter score (NPS)

- NPS is developed by Friedrich Reichheld\*. His research concludes that companies with a high NPS, are more successful (higher profitability)

## AEGON Process

- We will determine the base line NPS per client segment
- We will set target NPS per client segment

\* "The Ultimate Question" by Friedrich Reichheld