

AEGON transcript Q4 2008

RESULTS Q4 2008

Q: AEGON lost 1,2 billion EUR in Q4. What happened?

A: Well, the fourth quarter was a very difficult quarter in terms of financial markets. And what you see on the fourth quarter is the impact of the financial markets on AEGON's results. We've seen a drop in equity markets, we've seen interest rates come down. We've seen a lot of difficulties in the bond markets. And all of this together has led to the significant loss in the fourth quarter.

Q: You've often talked about AEGON having an defensive investment portfolio. How did that perform in the fourth quarter?

A: Well AEGON has a large bond portfolio. On the other side we have hardly any direct exposure to the equity markets and that has served us well. Now when you look at the bond portfolio obviously we've seen a number of losses, but that's a reflection of how the markets performed in the fourth quarter.

STRONG CAPITAL POSITION

Q: So where's the good news?

A: Well the good news is very clearly that AEGON has a very strong capital position. At the end of the year we had nearly 3 billion EUR in excess above what is needed for a double A rating. We've also said that we had an IDG ratio of 183 percent. That's putting us in a very strong position to enter 2009. We've announced measures to further release capital. In the fourth quarter we've released actually a billion EUR of additional capital. And we intent to continue on that strategy and therefore we will also release another billion an a half in 2009.

Q: So liquidity isn't an issue for AEGON?

A: You're right. AEGON has no liquidity issues. And this is mostly because of our business model, but also because of our strong liability management. An insurance company is different than a bank. This is because customers stay much longer with insurance companies. It is not like a bank where you can deposit funds and where you can withdraw funds. In addition we've taken measures to ensure that we have also a strong cash position. And at the end of the year we had a very significant cash position. And that means we have no liquidity issues.

SALES & DEPOSITS

Q: What are your customers telling you. Are they nervous? Are they still confident in AEGON?

A: Well if you look at our fourth quarter what you see is a very resilient business. Effectively we've seen our sales stay roughly at the same level as the third quarter. We've seen that our customers stayed with us. So persistency levels have remained rather unchanged and at the same time we've gained new customers. And I believe that's the sign that our customers have the confidence in AEGON. And I believe that one of the main reasons they have this confidence is because of our strong capital position.

STRATEGY & PRIORITIES

Q: It's been almost a year since you took the helm at AEGON. What happened to strategy since then?

A: In June when we announced our strategy what we said is that we would release capital from our existing businesses and redeploy that into areas with higher growth and higher returns. What we're doing right now is effectively executing and accelerating the first phase of the strategy which is about releasing capital from our existing businesses. But what we're doing right now is releasing that capital and adding that to our buffer. That has allowed us to compensate for the losses which we've had in 2008. But also to put us in a strong position for 2009 which is going to be a tough year.

Q: You also identified some short term measures, the so called three C's. How does that fit into the bigger picture and how's that going?

A: In November in London we announced a number of short term priorities, the three C's you talk about, as a response to the crisis. And they fit in well with the strategy. It's about focusing on capital, it's about further reducing our cost, being more efficient with our business. But also about making sure that we have the right contingencies in place so that we are well prepared for the difficult period ahead of us.

Q: On the question of costs though, the 150 million figure that you have earmarked to cut, reduce this year, doesn't seem a great deal in the light of what others are doing. Is that going to really make much difference?

A: Well the 150 million of cost represents 5 percent of our cost base. Keep in mind also that AEGON has always been a very efficient company in terms of cost. At the same time, what I think is extremely important in these difficult times that we continue to focus on customer service. In these times our customers need to be reassured. And we want to make sure that we are able to provide the highest level of services. I believe that is important and reassuring our customers.

OUTLOOK

Q: We're well into Q1 and the picture doesn't look any brighter. How is business going?

A: Q1 indeed was again a difficult quarter in terms of financial markets. We've seen a further decline in equity markets. But on the positive side we've seen that our business is very resilient in the fourth quarter. And that's important. We're taking measures. We're taking measures on the capital. We want to make sure that our buffer is as strong as it can be. We've announced a billion and a half of further capital releases in this quarter. And these are all measures which should reassure all our stakeholders that AEGON is in a very strong position right now to continue its business, but also to get us through this crisis.

Q: So you still believe that AEGON is in a strong position to survive this, to weather this crisis and to come out of it at the other end.

A: Absolutely. We have a strong starting position and furthermore we are taking actions to further increase our financial strength. And that is what we are focusing on right now and that's the right thing to do for AEGON.