

AEGON transcript Q1 2009

RESULTS Q1 2009

Q: This morning AEGON announced its first quarter results for the year, how did AEGON perform

A: Well, we're disappointed with the loss in the first quarter, however it is a significant improvement of the fourth quarter of last year. When we showed a loss of EUR 1.2 billion. The reasons for the losses here are very similar to the ones of last year and that is really the impact of the markets. We've seen lower equity markets, we've seen the interest rate movements and we've seen again impairments, these are losses which we have had to take on our bond portfolio. And this has had an impact on our business in the first quarter. However again the impact has been much less than was in the fourth quarter of last year.

STRONG CAPITAL POSITION

Q: You've emphasized that capital preservation is front and center in your strategy – what is the situation at the end of Q1?

A: At the end of Q1 we have a very strong capital position. We have over EUR 2.7 billion of capital above what is needed for a AA S&P requirements. And this is the result of actions we've been taken. As you remember we said at the beginning of the year, that we wanted to release an additional EUR 1.5 billion over the full year and actually we achieved in the first quarter EUR 900 million of our target of EUR 1.5 billion. So that is a strong achievement.

SALES & DEPOSITS

Q: Let's speak a moment about sales. How has the crisis impacted sales? They were pretty much down across the board. Were they not?

A: Well they were down across the board if you compare that to the previous year. I think we all realize now that it is a totally different situation and I actually see that as the bright spot of AEGON. Where we see that sales have been resilient - life sales, deposits, our pension business - across all our markets have done reasonably well compared to the fourth quarter and I'm seeing this as a positive development for our company. That in these difficult times the customers still trust us, customers are staying with us and we are getting new customers.

Q Your fixed annuity sales were again strong – what can we expect on fixed annuities going forward?

A: You're right. Our fixed annuities were strong in the first quarter. However they're somewhat down compared to the fourth quarter of last year and this in line with the strategy we have, which was to step by step taking our crediting rates down. So I would expect that the downwards trend in production of fixed annuity will continue. However please keep in mind that the overall production is still significant higher than what it was a year ago.

STRATEGY & PRIORITIES

Q You indicate that you're on track with your cost saving measures – in fact you'll probably hit your target early – what can we expect going forward. Will it be more?

A: Well we've indicating in the beginning of the year a focus on capital, on cost and on putting in place contingencies. So cost is really at the center of our strategy, short term strategy. All our businesses have to be efficient and that is why we have announced a EUR 150 million cost reduction program. And please keep in mind this is around 5 percent of our operating expenses. So it is a significant amount. And I'm pleased that we are able to report that we have achieved roughly a third of these cost initiatives in the first quarter. And I think that goes well for the rest of the year.

Q Earlier this year you announced the downsizing of Institutional Markets Division and the sale of your Taiwanese business. What were the reasons behind this?

A: Well for our institutional business we've said that in this difficult environment it is very difficult to sell new business on a profitable basis. With the volatility in the market it is very difficult to put in place a decent system of pricing so we've decided not to commit our capital towards writing new business. And as a consequence what you see is the runoff of the book of the business and that is exactly according to plan.

So with regards to Taiwan it is a bit a different story. We've tried to make it work but we see that the environment has been very difficult. Has been also changing in sense of interest rates - have been very low, haven't moved up - at the same time the regulatory environment has been more difficult. Which meant that we had to put more and more capital in our business and we just did not see anymore how we could ever generate a good return on capital. And that was the reason that we had to take this difficult decision to sell AEGON Taiwan and we're very pleased that we found a good buyer. But also a good home for our company and the people that have been working there for many years for AEGON.

OUTLOOK

Q: We are now in the second quarter of the year and we've seen that markets are beginning to improve a bit. Is the picture getting any brighter for AEGON, are you feeling optimistic?

A: It is clearly too early to be too optimistic. What we've seen is indeed some recovery at the end of March, April has been reasonably good and early May. So we're pleased to see the improvement. However with this uncertainty in the market with everything which is happening, I think it is absolutely too early to make a statement about an overall improvement for the longer term. But what is important we execute our strategy, focus on cost, we focus on capital, putting in place the contingencies. So that whatever environment we are in a strong position to take us through this difficult period so that once we get out of it - because one day we will get out of it - we will be in a stronger position.