AEGON NV
Form 20-F
March 20, 2015
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

-

FORM 20-F

-

(Mark One)

¨ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR(g) OF THE**

SECURITIES EXCHANGE ACT OF 1934

OR

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE**

SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2014

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE**

SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________ to __________

OR

¨ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE**

SECURITIES EXCHANGE ACT OF 1934

Commission file number 1-10882

-

Aegon N.V.

(Exact name of Registrant as specified in its charter)

-

Not Applicable

(Translation of Registrant s name into English)

The Netherlands

(Jurisdiction of incorporation or organization)

Aegonplein 50, PO Box 85, 2501 CB The Hague, The Netherlands

(Address of principal executive offices)

J.H.P.M. van Rossum

Executive Vice President and Corporate Controller

Aegon N.V.

Aegonplein 50, 2501 CB The Hague, The Netherlands

+31-70-3445458

Jurgen_vanRossum@aegon.com

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Name of each exchange on which registered
Common shares, par value EUR 0.12 per share	**New York Stock Exchange**

Securities registered or to be registered pursuant to Section 12(g) of the Act.

Not applicable

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

Not applicable

(Title of Class)

Indicate the number of outstanding shares of each of the issuer s classes of capital or common stock as of the close of the period covered by the annual report: 2,094,630,321 common shares and 581,325,720 common shares B

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act

x Yes No ¨

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. ¨ Yes No x

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirement for the past 90 days. x Yes No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act

x Large accelerated filer ¨ Accelerated filer ¨ Non-accelerated filer

Indicate by checkmark which basis of accounting the registrant has used to prepare the financial statements included in this filing

¨ U.S. GAAP x International Financial Reporting Standards as issued by the International Accounting Standards Board ¨ Other

If other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

¨ Item 17 ¨ Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ¨ Yes No x

Table of Contents

Table of Contents

II

Cross reference table Form 20-F

1	Identity of Directors, Senior Management and Advisers	**n/a**
2	Offer Statistics and Expected Timetable	**n/a**
3	Key Information	
3A	Selected financial data	13-15
3B	Capitalization and indebtedness	n/a
3C	Reasons for the offer and use of proceeds	n/a
3D	Risk factors	84-98; 154-182; 314-331
4	Information on the Company	
4A	History and development of the Company	12;16-83; 272; 351
4B	Business overview	16; 32-43; 48-53; 58-62; 69-83
4C	Organizational structure	12; 16
4D	Property, plants and equipment	331
4A	Unresolved Staff Comments	**n/a**

5	Operating and Financial Review and Prospects	
5A	Operating results	16-83
5B	Liquidity and capital resources	87-90; 218-220
5C	Research and development, patent and licenses etc.	n/a
5D	Trend information	8-11;16-83
5E	Off-balance sheet arrangements	264-268
5F	Tabular disclosure of contractual obligations	180-182; 264-268
5G	Safe harbor	n/a
6	Directors, Senior Management and Employees	
6A	Directors and senior management	6-7;107-108
6B	Compensation	99-105; 193-196; 275-280
6C	Board practices	100-106
6D	Employees	298
6E	Share ownership	107-108; 299-302
7	Major Shareholders and Related Party Transactions	
7A	Major shareholders	299-302
7B	Related party transactions	274-280
7C	Interest of experts and counsel	n/a
8	Financial Information	
8A	Consolidated Statements and Other Financial Information	120-126; 303-309
8B	Significant Changes	n/a

Table of Contents

III

9	**The Offer and Listing**	
9A	Offer and listing details	333
9B	Plan of distribution	n/a
9C	Markets	332
9D	Selling shareholders	n/a
9E	Dilution	n/a
9F	Expenses of the issue	n/a
10	**Additional Information**	
10A	Share capital	n/a
10B	Memorandum and articles of association	334-335
10C	Material contracts	336
10D	Exchange controls	336
10E	Taxation	336-343
10F	Dividends and paying agents	n/a
10G	Statement by experts	n/a
10H	Documents on display	354
10I	Subsidiary Information	n/a

11	Quantitative and Qualitative Disclosures About Market Risk	**86; 154-182**
12	Description of Securities Other than Equity Securities	**n/a**
13	Defaults, Dividend Arrearages and Delinquencies	**n/a**
14	Material Modifications to the Rights of Security Holders and Use of Proceeds	**n/a**
15	Controls and Procedures	**113**
16A	Audit committee financial expert	**94**
16B	Code of Ethics	**112**
16C	Principal Accountant Fees and Services	**343-344**
16D	Exemptions from the Listing Standards for Audit Committees	**n/a**
16E	Purchases of Equity Securities by the Issuer and Affiliated Purchasers	**344**
16F	Change in Registrant s Certifying Accountant	**344**
16G	Corporate Governance	**106-110**
16H	Mine Safety Disclosure	**n/a**
17	Financial Statements	**n/a**
18	Financial Statements	**120-298**

19	Exhibits	
		355

Table of Contents

IV

This page has been intentionally left blank.

Table of contents

Strategic information

Introduction	3
Letter of the CEO	4
Composition of the Executive Board and the Management Board	6
Aegon s strategy	8

Business overview

History and development of Aegon	12
Selected financial data	13
Business lines	16
Results of operations	17
¿ Worldwide	17
¿ Americas	25
¿ Netherlands	44
¿ United Kingdom	54
¿ New Markets	63
Risk management	84
Capital and liquidity management	87

Governance

Report of the Supervisory Board	91
Members of the Supervisory Board	97
Remuneration Report	99
Corporate governance	106
Differences between Dutch and US company laws	111
Code of ethics	112
Controls and procedures	113

Consolidated financial statements

Exchange rates	118
Consolidated income statement of Aegon N.V.	120
Consolidated statement of comprehensive income of Aegon N.V.	121
Consolidated statement of financial position of Aegon N.V.	122
Consolidated statement of changes in equity of Aegon N.V.	123
Consolidated cash flow statement of Aegon N.V.	126
Notes to the consolidated financial statements	127
Remuneration	275

Financial statements of Aegon N.V.

Income statement of Aegon N.V.	284
Statement of financial position of Aegon N.V.	285
Notes to the financial statements	286

Other information

Proposal for profit appropriation	299
Major shareholders	299

Other financial information

Schedule I	303
Schedule II	304
Schedule III	306
Schedule IV	308
Schedule V	309
Independent auditor s report	310

Additional information

Regulation and Supervision	313
Risk factors	314
Property, plants and equipment	331
Employees and labor relations	331
Dividend policy	332
The offer and listing	333
Additional company information	334
Memorandum and Articles of Association	334
Material contracts	336
Exchange controls	336
Taxation	336
Principal accountant fees and services	343
Purchases of equity securities by the issuer and affiliated purchasers	344
Glossary	345
Disclaimer	350
Contact	352
Documents on display	354
Index to Exhibits	355

Introduction

Filing

This document contains Aegon s Annual Report as filed on Form 20-F (also referred to in this document as Annual Report) with the United States Securities and Exchange Commission (SEC).

About this report

This report serves as Aegon s Annual Report for the year ended December 31, 2014. It presents the consolidated financial statements of Aegon (pages 120-281) and the financial statements of Aegon N.V. (pages 284-298), both prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the International Accounting Standards Board, and Part 9 of Book 2 of the Dutch Civil Code.

Aegon N.V. is referred to in this document as Aegon , or the Company , and is together with its member companies referred to as Aegon Group or the Group . For such purposes, member companies means, in relation to Aegon N.V., those companies required to be consolidated in accordance with the legislative requirements of the Netherlands relating to consolidated accounts.

Presentation of certain information

References to the NYSE are to the New York Stock Exchange and references to the SEC are to the Securities and Exchange Commission. Aegon uses EUR and euro when referring to the lawful currency of the member states of the European Monetary Union; USD , and US dollar when referring to the lawful currency of the United States of America; GBP , UK pound and pound sterling when referring to the lawful currency of the United Kingdom; CAD Canadian dollar when referring to the lawful currency of Canada; CNY when referring to the lawful currency of the People s Republic of China; CZK when referring to the lawful currency of Czech Republic, HUF when referring to the lawful currency of Hungary; PLN when referring to the lawful currency of Poland; RON when referring to the lawful currency of Romania; TRY when referring to the lawful currency of Turkey, and UAH when referring to the lawful currency of Ukraine.

Aegon prepares its consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS) and with Part 9 of Book 2 of the Netherlands Civil Code for purposes of reporting with the U.S. Securities and Exchange Commission (SEC), including financial information contained in this Annual Report on Form 20-F. Aegon s accounting policies and its use of various options under IFRS are described in note 2 to the consolidated financial statements.

Other than for SEC reporting, Aegon prepares its Annual Accounts under International Financial Reporting Standards as adopted by the European Union, including the decisions Aegon made with regard to the options available under International Financial Reporting Standards as adopted by the EU (IFRS-EU). IFRS-EU differs from IFRS in respect of certain paragraphs in IAS 39 Financial Instruments: Recognition and Measurement regarding hedge accounting for portfolio hedges of interest rate risk. Under IFRS-EU, Aegon applies fair value hedge accounting for portfolio hedges of interest rate risk (fair value macro hedges) in accordance with the EU carve out version of IAS 39. Under IFRS, hedge accounting for fair value macro hedges cannot be applied to mortgage loans and ineffectiveness arises whenever the revised estimate of the amount of cash flows in scheduled time buckets is either more or less than the original designated amount of that bucket.

This information is prepared by reversing the hedge accounting impacts that are applied under the EU carve out version of IAS 39. Financial information under IFRS accordingly does not take account of the possibility that had Aegon applied IFRS as its primary accounting framework it might have applied alternative hedge strategies where those alternative hedge strategies could have qualified for IFRS compliant hedge accounting. These decisions could have resulted in different shareholders equity and net income amounts compared to those indicated in this Annual Report on Form 20-F.

A reconciliation between IFRS-EU and IFRS is included in note 2.1 to the consolidated financial statements.

Table of Contents

Letter of the CEO

Aegon s strong operating performance in 2014 was underpinned by the progress we made to better understand and connect with our customers, together with our continued drive to be a leader in our chosen markets. Our work as a company is inspired by our purpose to help people take responsibility for their financial future, and I am proud of how the hard work, creativity and professionalism of Aegon s 28,000 employees are enabling us to become a truly customer-centric company.

A further increase in deposits this year is a clear demonstration of not only retaining the trust of existing customers, but also earning the trust of many new customers. Furthermore, revenue-generating assets increased significantly, exceeding EUR 500 billion for the first time in Aegon s history. These achievements did not mean, however, that the year was without its challenges. Changes to our assumptions and updates to our actuarial models had a negative impact on underlying earnings, as did continued market volatility, and in particular, low interest rates. Yet while these factors had an effect, they did not distract us from continuing to successfully execute our strategy and generate strong financial results.

Aegon s ambition is to become a leader in its chosen markets, and to this end we focus on four strategic priorities: optimize portfolio; enhance customer loyalty; operational excellence; and empower employees. The effective optimization of Aegon s portfolio in 2014 resulted in a number of significant positive developments. The extension of our successful relationship with Banco Santander in Spain led to a further distribution agreement with the bank in Portugal. We sold our stake in La Mondiale Participations in France and announced the sale of Aegon s Canadian life insurance business, as neither met our strategic objective of becoming a market leader. Later in the year, Aegon s growing asset management business and La Banque Postale entered into exclusive talks to form a new asset management strategic alliance in France, and we announced a new joint venture partner, Tsinghua Tongfang, for our life insurance company in China.

Investing in Aegon s digital presence and reach has been central to our continued work to enhance customer loyalty. 2014 saw a range of new and improved online platforms, products and services that enabled us to strengthen and deepen our relationship with customers. The external awards that many of these received is recognition of the progress we have made in serving customers in the way they wish to be served something particularly important given the speed at which customer behavior is evolving and the emergence of new entrants in the market.

An important development in delivering operational excellence was the creation of Transamerica s new Investments & Retirement division. This new division will enable us to become more efficient, and more effective in serving customers needs throughout the entire customer life cycle, up to and including retirement.

Aegon s employees are our best source of ideas and our most important resource to connect with customers. Empowering colleagues to enable them to fulfill their roles to the very best of their abilities such as through additional training and new resources is therefore every bit as important as investment in other parts of the Company. Over the last 12 months, we have also continued to focus on fostering a culture in which trust, responsibility and innovation are actively encouraged, and ensuring our common purpose is fully understood and acted upon.

Aegon always aims to adhere to the highest standards of corporate governance and transparency, and to report in an open and transparent way. For this reason, in addition to the information presented in this report, we are also pleased to produce a separate integrated report, available on Aegon.com. This contains further information about our social, economic and environmental performance and impacts, together with how we create value for our stakeholders.

Preparation for the introduction of Solvency II, which will come into effect on January 1, 2016, was a key priority for 2014. The new regulations will change capital requirements and remain a key priority of our activities throughout 2015.

On behalf of the Management Board, I would like to express my thanks and appreciation to everyone at Aegon for their individual and collective contributions to the results presented in this report. Furthermore, I would also like to express my gratitude and commitment to our many shareholders whose confidence and support enables us to deliver on our promises.

As we look to the future, Aegon is well positioned to take advantage of the many opportunities that exist in the markets in

which it operates. While we can expect a number of continued headwinds such as low interest rates the withdrawal of governments and employers from providing retirement security means that the underlying demand for the pensions, life insurance and asset management products and services that we offer is only set to rise. By continuing to execute our strategy, we can be confident that we will not only continue to help millions of people across the world secure their financial future, but also deliver excellent value to shareholders.

Thank you for your interest in Aegon.

Alex Wynaendts

Chief Executive Officer and Chairman of the Executive Board of Aegon N.V.

Composition of the Executive Board and the Management Board

Alex Wynaendts (1960, Dutch)

Chief Executive Officer

Chairman of the Executive Board

Chairman of the Management Board

Alex Wynaendts began his career in 1984 with ABN AMRO Bank, working in Amsterdam and London in the Dutch bank s capital markets, asset management, corporate finance and private banking operations. In 1997, Mr. Wynaendts joined Aegon as Senior Vice President for Group Business Development. He was appointed as a member of the Executive Board in 2003, overseeing the Company s international growth strategy. In April 2007, Mr. Wynaendts was named Aegon s Chief Operating Officer, and has been CEO and Chairman of the Executive Board and Management Board since April 2008.

Darryl Button (1969, Canadian)

Chief Financial Officer

Member of the Executive Board

Member of the Management Board

Darryl Button began his career at Mutual Life Insurance Co. of Canada, joining Aegon in 1999 as Director of Product Development and Risk Management at Aegon USA s Institutional Markets business unit. He was appointed Corporate Actuary of Aegon USA in 2002 and became CFO of Aegon Americas in 2005. From 2008 to 2011, Mr. Button also took on the responsibilities of Chairman and executive management of Aegon s Canadian operations, before joining Aegon s Corporate Center in 2012 as Executive Vice President and Head of the Corporate Financial Center. In 2013, Mr. Button was appointed as CFO and member of the Executive Board of Aegon. He is also a member of the Management Board.

Adrian Grace (1963, British)

Chief Executive Officer of Aegon UK

Member of the Management Board

Adrian Grace began his career with Leeds Permanent Building Society in 1979, before joining Mercantile Credit in 1984. In 2001, Mr. Grace joined Sage Group PLC as Managing Director of the Small Business Division. In 2004, he moved to Barclays Insurance as Chief Executive, before joining HBOS in 2007 as Managing Director of Commercial Business within the Corporate Division. In 2009, he joined Aegon UK as Group Business Development Director and in April 2011 became the Chief Executive Officer. Mr. Grace has been a member of Aegon s Management Board since February 2012.

Tom Grondin (1969, Canadian)

Chief Risk Officer of Aegon N.V.

Member of the Management Board

Tom Grondin was appointed Chief Risk Officer of Aegon N.V. in 2003 and as a member of Aegon s Management Board in January 2013. His current responsibilities include managing Aegon s Risk, Actuarial, Compliance and Risk Structuring and Transfer functions. He joined Aegon s US institutional business in 2000, where he was Chief Actuary. Prior to joining Aegon, he was a consultant at Tillinghast-Towers Perrin, and an asset liability manager at Manulife Financial.

Marco Keim (1962, Dutch)

Chief Executive Officer of Aegon the Netherlands

Member of the Management Board

Marco Keim began his career with accountants Coopers & Lybrand/Van Dien. He has also worked for aircraft manufacturer Fokker Aircraft and NS Reizigers, part of the Dutch railway company, NS Group. In 1999, he joined Swiss Life in the Netherlands as a member of the Board. Three years later, Mr. Keim was appointed CEO. In June 2008, he became CEO of Aegon the Netherlands and a member of Aegon s Management Board.

Gábor Kepecs (1954, Hungarian)

Chief Executive Officer of Aegon Central & Eastern Europe

Member of the Management Board

Gábor Kepecs began his career with the Hungarian government before joining former state-owned insurance company Állami Biztosító. He was appointed CEO in 1990, two years before Állami Biztosító was privatized and acquired by Aegon. Mr. Kepecs was the CEO of Aegon Hungary from 1992 to 2009, during which time he headed the expansion of Aegon s businesses not only in Hungary, but also across the Central & Eastern European region. Mr. Kepecs has been a member of Aegon s Management Board since 2008.

Mark Mullin (1963, American)

Chief Executive Officer of Aegon Americas

Member of the Management Board

Mark Mullin has spent more than 20 years with Aegon in various investment and business management positions in both the United States and Europe. Mr. Mullin has served as President and CEO of one of Aegon s US subsidiaries, Diversified Investment Advisors, and as head of the Company s annuity and mutual fund businesses. He was named President of Aegon Americas in 2009, and became President and CEO of Aegon Americas and a member of the Management Board the following year.

Table of Contents

Aegon s strategy

Aegon serves customer needs for protection, accumulation and retirement by providing insurance, pensions and asset management products. The company operates in more than 25 markets in the Americas, Europe and Asia, with EUR 558 billion in revenue-generating assets. Aegon employs over 28,000 people, and has millions of customers across the globe.

Aegon s ambition is to become a leader in all its chosen markets. This means being the most recommended provider of insurance, pensions and asset management products among customers, the preferred partner among intermediaries and distributors, and the employer of choice for both current and prospective employees.

Aegon believes that everyone deserves to retire with dignity and peace of mind, and its purpose is to help people take responsibility for their financial future. To achieve this, the Company strives to provide easy-to-understand products that help customers make better financial decisions for themselves and their families.

Recognizing the increasing demand for asset protection, accumulation and long-term retirement security products and services, Aegon is investing in new approaches to better serve the full range of customers financial needs throughout the customer life cycle. This includes accelerating investment in technology to better enable Aegon s businesses to interact directly with customers.

Fostering a truly customer-centric culture throughout the organization is at the core of Aegon s strategy. This entails ensuring that every employee understands how he or she can contribute to a distinctive and consistently positive customer experience. To support this essential cultural mind-set, a new coordinated approach to performance management has been implemented across Aegon s businesses, with a strong emphasis on talent development and customer centricity, and compensation and incentives aligned accordingly. Aegon encourages new thinking and innovative approaches as it continues to execute its strategy.

In recent years, Aegon has taken steps to reduce costs, lower risk and free up capital for reinvestment in its businesses, to deleverage and to pay out dividends. Furthermore, it has divested businesses no longer considered core, or that have failed to provide sufficient returns or prospects for long-term growth. These actions have enabled Aegon to achieve a solid capital position, deal effectively with economic and market volatility, and position its businesses for future growth. At the same time, Aegon has invested in key areas of growth, such as emerging markets in Central & Eastern Europe, Asia and the Americas, while also restructuring its businesses to achieve greater

operational efficiency and deliver a higher level of customer service. Better leveraging the broad expertise that exists within Aegon across various businesses and geographies continues to be a key strategic objective.

To support Aegon s overarching ambition of becoming a leader in all its chosen markets, the Company is implementing four strategic priorities:

¿ To optimize its portfolio by investing in businesses that offer attractive returns and strong prospects for growth and, if necessary, closing or divesting businesses that do not meet Aegon s risk-return requirements, or contribute to its long-term ambitions;

¿ To enhance customer loyalty by improving customer service, investing in new distribution capabilities, strengthening its brands and expanding the Company s online presence to connect better and more frequently with its customers;
¿ To deliver operational excellence by improving efficiency and reducing costs, innovating and making better use of its resources around the world; and
¿ To empower employees by providing the tools, training and internal culture necessary to better serve the developing needs of Aegon s customers, while also enabling employees to realize their full potential.

In 2014, Aegon made clear progress toward each of these priorities, helping position the Company s businesses for the future, and meet the risks and opportunities presented by long-term industry trends.

Optimize portfolio

Aegon continued to optimize its portfolio during 2014 in its core markets in the Americas, Europe and Asia by:

¿ Continuously investing in the rapidly-expanding at-retirement market of people in their fifties and sixties who are actively preparing for retirement in the United States and the United Kingdom;
¿ Extending its successful strategic partnership with Banco Santander in Spain to Portugal, providing access to over 2 million additional potential customers through more than 600 branches;
¿ Acquiring the remaining 50% stake of Dutch online car insurance broker onna-onna;

Table of Contents

- ¿ Agreeing to sell its Canadian business, subject to regulatory approval;
- ¿ Selling its 35% stake in La Mondiale Participations in France;
- ¿ Replacing its life insurance joint venture partner in China with technology company Tsinghua Tongfang;
- ¿ Re-pricing, redesigning and withdrawing products, improving Aegon s overall product mix to reduce capital requirements and improve profitability; and
- ¿ Entering into exclusive talks to form a new asset management strategic alliance with La Banque Postale in France.

Enhance customer loyalty

Aegon is expanding its digital distribution capability, strengthening its brands, improving the understanding of customers s changing needs, and improving customer services by:

Investing in Digital :

- ¿ Launching new online products in Spain and Turkey, Aegon now retails online in nearly all its markets, and has also expanded its digital marketing and social media activities;
- ¿ Relaunching Transamerica.com, including a program targeted at Active Lifestyle customers and Your Financial Life a personalized retirement platform that informs people about their retirement readiness and options available to them;
- ¿ Introducing direct-to-consumer platform Retiready in the UK. Retiready is designed to help people understand whether their finances are on track to meet their retirement ambitions, and offers a range of products to support their retirement needs;
- ¿ Launching the Mijn Aegon (My Aegon) portal in the Netherlands. Customers can view the status of all their products online, such as their savings and investment accounts, insurance and pension products;
- ¿ Improving services delivered at customer service centers by, among other things, the implementation of new Customer Relationship Management (CRM) software and training of employees; and
- ¿ Investing in data analytics. Aegon has established a Customer Intelligence Council and invested in technology to improve the analysis of customer data and statistics, providing valuable customer insights.

Using a common measurement for customer loyalty. Aegon has implemented the Net Promoter Score (NPS) throughout its businesses, enabling the continuous implementation of feedback received from customers, brokers and agents.

Releasing its third annual global Retirement Readiness Survey, raising awareness of retirement needs and Aegon brands. Based on the findings of this report, Aegon published an additional report: Women: balancing family, career & financial security ;

Offering high-quality products and services recognized by third parties, for example:

- ¿ Transamerica Retirement Solutions recognized as a Best in Class retirement plan provider by plan sponsors in Chatham Partners 2014 Client Satisfaction Analysis;
- ¿ Aegon UK awarded the best workplace savings platform at the Platforum Awards 2014;
- ¿

Mongeral Aegon won the Products and Services category at the 2014 Antonio Carlos de Almeida Braga Innovation in Insurance Awards. The award recognized Mongeral Aegon s new digital distribution strategy, which integrates traditional distribution channels with their online store, broker-partners stores, business partners stores and the EuPlanejo360° content website;

- Aegon Hungary received the award for Financial Institution of the year from Figuelo magazine;
- Aegon Czech Republic received two bronze awards in the Nejlep í banka, Best bank and insurance company 2014 awards in the Best life insurance company 2014 and Insurance innovator categories;
- Aegon s joint venture in India, Aegon Religare Life Insurance, won the Marketing Campaign of the Year at the Global Marketing Excellence Awards 2014 in recognition of its innovative Wonder Cook marketing campaign;
- Aegon the Netherlands was awarded the Gold Award by Social Media Insurance Monitor. The jury recognized that social media was strategically integrated into Aegon s business and that the stimulating daily content was both customer centric and effective; and
- Knab, Aegon s innovative online bank, was awarded the Gouden Stier (Golden Bull) for the best new investment concept for making investing simple, convenient and accessible.

Deliver operational excellence

Aegon improved efficiency, supported intermediaries and expanded distribution through traditional channels by:

- Creating a new Investments & Retirement division in the US, combining the Individual Savings & Retirement and Employer Solutions & Pensions divisions;
- Pursuing value over volume through a strict pricing discipline. This approach secured profitable, sustainable growth, while ensuring that customer benefits be fully assessed and taken into account through an updated Pricing & Product Development Policy before any new product or service is introduced;
- Simplifying Aegon s offering through product rationalization;
- Establishing Aegon s enterprise IT strategy and the global IT governance framework;
- Implementing a tablet-based sales process in Turkey, which will reduce operational costs in addition to improving customer experience; and
- Expense savings create room to invest in Aegon s businesses and accelerate the execution of its strategy.

Empower employees

Aegon strengthened employee engagement and improved the working environment by:

- Enhancing employee communication with the launch of AsiaNet in Hong Kong (November, 2013) and its rapid expansion to Singapore, Indonesia and Australia in 2014, and by increasing the frequency of Town Hall employee meetings;
- Running Leadership Development Centers (e.g. Aegon University) and a number of local talent programs;
- Organizing a program of meetings and events with senior staff and employees to raise understanding of the link between Aegon s Purpose and Performance ;
- Improving career development by launching an Employee Development Portal and Global Job Vacancy overview, and upgrading Aegon s careers website;
- Promoting workforce diversity by supporting initiatives such as joining Workplace Pride, a foundation that promotes greater acceptance of LGBT (Lesbian, Gay, Bisexual and Transgender) people in the workplace and society, in the Netherlands;
- Undertaking the third annual Global Employee Engagement Survey with updated questions;
- Preparing the implementation of HR information system Workday , which will give managers and employees direct access to relevant HR data;
- Adapting Aegon s Remuneration Framework for implementation in 2015 in order to have a stronger focus on relevant targets for employees; and
- Using the Employee Net Promoter Score (eNPS) methodology to ensure that Aegon employees are the best promoters of Aegon s products and solutions.

Market conditions

Despite a weak first half of the year, the global economy continued to grow in 2014, with global output expanding by 3.3%[1]. However, growth in many countries remained low. Global growth for 2015 is expected to remain stable, with the global economy still facing significant downside risks.

The US economy grew steadily after the first quarter of 2014, reaching annual growth of 2.4%[2] driven by increasing investments by the corporate sector and positive financial conditions. Unemployment declined steadily, while real wages remained flat. Growth is expected to accelerate to around 3% in 2015.

In Europe, growth remained low in 2014. Several factors including tight lending conditions and fiscal contraction continue to slow economic development[3]. Growth reached 0.8% for the eurozone in 2014, and is expected to increase slightly to 1.3% in 2015. Economic growth in Germany and France rose modestly, at 1.45% and 0.4% respectively. While the Netherlands and Spain came out of recession, Italy s economy continued to contract, albeit at a lower pace. In the UK, output increased by 2.6%. While all economies in the eurozone are expected to show positive growth in 2015, the growth rate is expected to remain low.

Economic development[4] in Central & Eastern Europe remained patchy. While growth continued to be weak in Southeast Europe, development in Hungary, Poland and Turkey remained strong. Overall growth in the region reached 2.7% in 2014, and is expected to remain at around this level in 2015.

While growth[5] in emerging markets is still higher than in developed markets, it has decreased since 2011, standing at 4.7% in 2014, and is expected to increase slowly in the coming years. As in Europe, growth in emerging markets varies considerably between countries. China was able to sustain high growth (7.4%) in 2014, which is expected to only slow very slightly to 7.1% in 2015. In India, output also continued to increase in 2014, and is expected to rise to over 6.3% in 2015. In Brazil, economic growth was disappointing, and the economy contracted in the first half of 2014. Overall, its growth for the year stood at only 0.3% in 2014, but is expected to exceed 1.3% in 2015.

The S&P 500 Index and the DAX in Germany continued to rise[6] in 2014, whereas the FTSE 100 declined. Driven by the prospect of a more stimulative monetary policy in the eurozone[7], - which was announced by the European Central Bank in January 2015 -, the euro lost ground against the US dollar (-11.1%) and the British pound (-6%). The low interest rate environment continued. Yields for 10-year US, UK, German and Japanese government bonds declined during 2014. At the end of the year, German and Japanese bonds[8] showed significantly lower yields than those of the US and UK (0.5% and 0.3% versus 2.2% and 1.8% respectively).

Long-term industry trends

The insurance and pensions industry is going through a period of significant change. Aegon, with input from key stakeholders, has

1 Source: For economic figures in this sections (Market conditions) see the IMF World Economic Outlook Database, October 2014 (http://imf.org/external/pubs/ ft/weo/2014/02/weodata/index.aspx).
2 Source: US Department of Commerce (bea.gov/newsreleases/national/gdp/gdpnewsrelease.htm).
3 Source: For economic data in this paragraph: European Economic Forecast Winter 2015 (ec.europe.eu/economy_finance/publications/european_ economy/2015/pdf/ee1_en.pdf).
4 Source: For economic data in this paragraph: IMF World Economic Outlook Database October 2014 (imf.org/external/pubs/ft/weo/2014/02/weodata/index.aspx).
5 Source: For economic data in this paragraph: IMF World Economic Outlook Database October 2014 (imf.org/external/pubs/ft/weo/2014/02/weodata/index.aspx).
6 Source: Stock index data in this paragraph: Bloomberg.com.
7 Source: Exchange rate data from the European Central Bank (ecb.europe.eu/stats/exchange/eurofxef/html/index.en.html).
8 Source: Bond data in this paragraph: Bloomberg.com.

identified a number of key trends that will shape the life insurance and pension landscape in the years ahead.

Customers needs are changing

Rising retirement population will drive demand: with 11% of the world s population currently aged over 60 years and projected to be 14% in 2020 and 25% in 2050 the need for long-term protection and savings/de-accumulation will continue to grow.

The demands of customers young and old are changing fundamentally: less trust in financial institutions, changing views on retirement, and shifting product and distribution demands, are all changing the way financial institutions operate.

Digitization is driving change

Aegon s competition is shifting to new technologies: competitors and new entrants are experimenting with new value propositions to provide better services to customers, and delivery systems are becoming more agile and efficient.

Reduced safety net: the withdrawal of traditional providers of retirement security such as governments and employers is leading to an increased demand for individualized saving products.

Traditional distribution models remain important with new channels developing: customers are increasingly focusing on

purchasing insurance products online, but will continue to purchase complex life insurance face-to-face.

The rise of Big Data: organizations can maximize business value and efficiency and improve customer service by harvesting increasingly large volumes of data.

Markets are developing differently and becoming more volatile

The economy will continue to develop at different speeds across the markets in which Aegon operates: financial services will grow faster in emerging markets (growing wealth, low life insurance penetration and increasing longevity), but with less certainty regarding government policy relating to financial services. This uncertainty will be a key contributory factor to continued market volatility.

Increase in regulations and the demand for responsible behavior

The increasing importance of sustainability and good governance: growing stakeholder pressure is leading to increased focus on the long-term economic, environmental and social performance and impact of companies such as Aegon.

Regulatory requirements are increasing: a number of governments have implemented sudden changes in policy and are issuing new regulations on solvency, transparency and customer protection.

Business overview

History and development of Aegon

Aegon N.V. is an international life insurance, pensions and asset management company domiciled in the Netherlands, with public limited liability company status under Dutch law.

Aegon s history dates back over 170 years. Aegon N.V. was formed in 1983 through the merger of AGO and Ennia, both of which were successors to insurance companies founded in the 1800s. Aegon is headquartered in the Netherlands and through its subsidiaries employs over 28,000 people worldwide. Aegon s common shares are listed on stock exchanges in Amsterdam (Euronext) and New York (NYSE).

Aegon s main operating units are separate legal entities and operate under the laws of their respective countries. The shares of these legal entities are directly or indirectly held by three intermediate holding companies incorporated under Dutch law: Aegon Europe Holding B.V., the holding company for all European activities; Aegon International B.V., which serves as a holding company for the Aegon Group companies of all non-European countries; and Aegon Asset Management Holding B.V., the holding company for some of its asset management entities.

The Company fosters an entrepreneurial spirit within its businesses and encourages the innovation of products and services. New products and services are developed by local business units with a continuous focus on helping people take responsibility for their financial future. Aegon uses a multi-brand, multichannel distribution approach to meet its customers needs.

Aegon has the following reportable operating segments: the Americas, which includes the United States, Canada, Mexico and Brazil; the Netherlands; the United Kingdom; and New Markets, which includes a number of countries in Central & Eastern Europe and Asia, in addition to Spain, France, Variable Annuities Europe, and Aegon Asset Management.

Table of Contents

Selected financial data

The financial results in this Annual Report are based on Aegon s consolidated financial statements, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Application of the accounting policies in the preparation of the financial statements requires management to apply judgment involving assumptions and estimates concerning future results or other developments, including the likelihood, timing or amount of future transactions or events. There can be no assurance that actual results will not differ materially from those estimates. Accounting policies that are critical to the presentation of the financial statements and that require complex estimates or

significant judgment are described in the notes to the financial statements.

A summary of historical financial data is provided in the table below. It is important to read this summary in conjunction with the consolidated financial statements and related notes (pages 122-283) of this Annual Report.

Selected consolidated income statement information					
In EUR million (except per share amount)	**2014**	2013 [1)]	2012 [1)]	2011 [1)]	2010 [1)]
Amounts based upon IFRS					
Premium income	19,864	19,939	19,049	19,521	21,097
Investment income	8,148	7,909	8,413	8,167	8,762
Total revenues [2)]	30,157	29,805	29,327	29,159	31,608
Income/ (loss) before tax	889	1,189	2,005	1,027	1,727
Net income/ (loss)	**757**	**989**	**1,633**	**936**	**1,605**
Earnings per common share					
Basic	0.29	0.36	0.72	(0.03)	0.67
Diluted	0.29	0.36	0.72	(0.03)	0.61
Earnings per common share B					
Basic	0.01	0.01	-	-	-
Diluted	0.01	0.01	-	-	-

1 As described in note 2.1.2 amounts have been retrospectively restated for the voluntary change in accounting policy on deferred policy acquisition costs and the use of prospective mortality tables.

2 Excluded from the income statements prepared in accordance with IFRS are receipts related to investment-type annuity products and investment contracts.

Selected consolidated balance sheet information					
In million EUR (except per share amount)	**2014**	2013 1)	2012 1)	2011 1)	2010 1)
Amounts based upon IFRS					
Total assets	424,467	351,860	363,063	343,155	330,158
Insurance and investment contracts	321,384	283,234	277,596	272,105	272,236
(Subordinated) Borrowings and trust pass-through securities	15,049	12,009	13,416	9,377	7,886
Shareholders equity	23,957	17,694	21,037	17,545	14,320

1 As described in note 2.1.2 amounts have been retrospectively restated for the voluntary change in accounting policy on deferred policy acquisition costs and the use of prospective mortality tables.

Number of common shares					
In thousands	**2014**	2013	2012	2011	2010
Balance at January 1	2,131,459	1,972,030	1,909,654	1,736,049	1,736,049
Share issuance	-	120,713	-	173,605	-
Stock dividends	14,489	38,716	62,376	-	-
Balance at end of period	**2,145,948**	**2,131,459**	**1,972,030**	**1,909,654**	**1,736,049**

Number of common shares B					
In thousands	**2014**	2013	2012	2011	2010
Balance at January 1	579,005	-	-	-	-
Share issuance	2,320	579,005	-	-	-
Balance at end of period	**581,326**	**579,005**	**-**	**-**	**-**

Dividends

Aegon declared interim and final dividends on common shares for the years 2010 through 2014 in the amounts set forth in the following table. The 2014 interim dividend amounted to EUR 0.11 per common share. The interim dividend was paid in cash or stock at the election of the shareholder. The interim dividend was payable as of September 19, 2014. At the General Meeting of Shareholders on May 20, 2015, the Supervisory Board will, absent unforeseen circumstances, propose a final dividend of EUR 0.12 per common share (at each shareholders option in cash or in stock), which will bring the total dividend for

2014 to EUR 0.23. Proposed dividend for the year and proposed final dividend 2014 per common share B are EUR 0.00575 and EUR 0.003 respectively. Dividends in US dollars are calculated based on the foreign exchange reference rate as published each working day at 14:15 hours by the European Central Bank on the business day following the announcement of the interim dividend or on the business day following the General Meeting of Shareholders approving the relevant final dividend.

	EUR per common share [1)]			USD per common share [1)]		
Year	Interim	Final	Total	Interim	Final	Total
2010	-	-	-	-	-	-
2011	-	0.10	0.10	-	0.13	0.13
2012	0.10	0.11	0.21	0.12	0.14	0.26
2013	0.11	0.11	0.22	0.15	0.15	0.30
2014	0.11	0.12[2)]	0.23	0.15		

[1] Paid at each shareholder s option in cash or in stock.
[2] Proposed.

From May 2003 to May 2013, Aegon had common shares and class A and class B preferred shares. The annual dividend on Aegon s class A and class B preferred shares was calculated on the basis of the paid-in capital on the preferred shares using a rate equal to the European Central Bank s fixed interest percentage for basic refinancing transactions plus 1.75%, as determined on Euronext Amsterdam s first working day of the financial year to which the dividend relates. Apart from this, no

other dividend was paid on the preferred shares. This resulted in a rate of 2.75% for the year 2012. Applying this rate to the weighted average paid-in capital of its preferred shares during 2012, the total amount of annual dividends Aegon made in 2013 on its preferred shares for the year 2012 was EUR 59 million. In addition, Aegon paid a 2013 interim dividend on the preferred shares of EUR 24 million, covering the period from January 1, 2013 until the cancellation of all preferred shares in May 2013.

Exchange rates

Fluctuations in the exchange rate between the euro and the US dollar will affect the dollar equivalent of the euro price of Aegon s common shares traded on Euronext Amsterdam and, as a result, are likely to impact the market price of Aegon s common shares in the United States. Such fluctuations will also affect any US dollar amounts received by holders of common shares upon conversion of any cash dividends paid in euros on Aegon s common shares.

As of March 2, 2015, the USD exchange rate was EUR 1 = USD 1.1190.

The high and low exchange rates for the US dollar per euro for each of the last six months through February 2015 are set forth below:

Closing rates	Sept. 2014	Oct. 2014	Nov. 2014	Dec. 2014	Jan. 2015	Feb. 2015
High (USD per EUR)	1.3136	1.2812	1.2554	1.2504	1.2015	1.1462
Low (USD per EUR)	1.2628	1.2517	1.2394	1.2101	1.1279	1.1197

The average exchange rates for the US dollar per euro for the five years ended December 31, 2014, calculated by using the average of the exchange rates on the last day of each month during the period, are set forth below:

Year ended December 31,	Average rate [1)]
2010	1.3216
2011	1.4002
2012	1.2909
2013	1.3303
2014	1.3210

[1] The US dollar exchange rates are the noon buying rates in New York City for cable transfers in euros as certified for customs purposes by the Federal Reserve Bank of New York.

Business lines

Americas

United States - Life & Protection

Products with mortality, morbidity and longevity risks, including traditional and universal life, in addition to endowment, term, and whole life insurance products. Accident and health business, including supplemental health, accidental death and dismemberment insurance, critical illness, cancer treatment, credit/disability, income protection, travel and long-term care insurance.

United States - Investments & Retirement

Individual Savings & Retirement

Primarily variable annuity products and retail mutual funds. Currently fixed annuities are not actively sold.

Employer Solutions & Pensions

Offers administrative, compliance, investment and participant services for pension plans, including 401(k) plans; also offers stable value solutions.

Canada

Term and permanent life insurance, critical illness insurance and segregated funds. On October 16, 2014, Aegon announced its agreement to sell its Canadian operations to Wilton Re, subject to regulatory approval.

Latin America

Brazil: Life and critical illness insurance; private and company pensions; pension scheme administration; and investment funds.

Mexico: Individual life, group life, and health insurance; and saving plans.

The Netherlands

Life & Savings

Products with mortality, morbidity, and longevity risks, including traditional and universal life, in addition to employer, endowment, term, whole life insurance products, mortgages, annuity products and saving deposits, including banking products.

Pensions

Individual and group pensions usually sponsored by, or obtained via, an employer.

Non-life

General insurance, consisting mainly of automotive, liability, disability, household insurance, and fire protection.

Distribution

Independent distribution channel, offering both life and non-life insurance solutions.

United Kingdom

Life

Immediate annuities, individual protection products, such as term insurance, critical illness, and income protection.

Pensions

Individual pensions, including self-invested personal pensions and income drawdown products. Group pensions, sponsored by, or obtained via, an employer. Also includes the tied-agent distribution business.

New Markets

Includes all businesses and operating units in Central & Eastern Europe, Asia, Spain and Portugal, in addition to Aegon s variable annuity activities in Europe and Aegon Asset Management.

Central & Eastern Europe

Active in the Czech Republic, Hungary, Poland, Romania, Slovakia, Turkey, and Ukraine. Includes life insurance, individual and group pension products, savings and investments, in addition to general insurance.

Spain & Portugal

Distribution partnerships with Santander in Spain & Portugal and with Liberbank in Spain. Includes life insurance, accident and health, general insurance and investment products.

Asia

Joint ventures in China and India selling (term) life insurance and savings products, and in Japan selling variable annuities. Life insurance marketed to high-net-worth individuals via the Transamerica brand in Hong Kong and Singapore. Direct and affinity products marketed throughout Asia by Aegon Direct & Affinity Marketing Services.

Variable Annuities Europe

Variable annuities offered by Aegon companies operating in Europe and international/offshore bonds for the UK market.

Aegon Asset Management

Asset management products, including equity and fixed income, covering third-party clients, insurance-linked solutions, and Aegon s own insurance companies.

Results of operations

Results 2014 worldwide

Underlying earnings geographically			
Amounts in EUR millions	**2014**	2013	%
Net underlying earnings	**1,416**	**1,531**	**(8%)**
Tax on underlying earnings	449	437	3%
Underlying earnings before tax geographically			
Americas	1,134	1,314	(14%)
The Netherlands	558	454	23%
United Kingdom	115	87	32%
New markets	196	227	(14%)
Holding and other activities	(138)	(113)	(22%)
Underlying earnings before tax	**1,865**	**1,968**	**(5%)**
Fair value items	(1,366)	(1,118)	38%
Gains / (losses) on investments	697	500	39%
Net impairments	(34)	(122)	72%
Other income / (charges)	(240)	(52)	-
Run-off businesses	(21)	21	-
Income before tax (excluding income tax from certain proportionately consolidated joint ventures and associates)	**900**	**1,197**	**43%**
Income tax from certain proportionately consolidated joint ventures and associates included in income before tax	*10*	*8*	*25%*
Income tax	(143)	(208)	(66%)
Of which Income tax from certain proportionately consolidated joint ventures and associates included in income before tax	*(10)*	*(8)*	*(25%)*
Net income	**757**	**989**	**38%**
Commissions and expenses	5,892	5,873	-
of which operating expenses	3,312	3,273	1%

This Annual Report includes the non-IFRS financial measure: underlying earnings before tax. The reconciliation of this measure to the most comparable IFRS measure is presented in the table above as well as in note 5 of the consolidated financial statements. This non-IFRS measure is calculated by consolidating on a proportionate basis the revenues and expenses of Aegon s joint ventures in the Netherlands, Mexico, Spain, Portugal, China and Japan and

Aegon s associates in India, Brazil, the Netherlands, United Kingdom and Mexico.

The table also includes the non-IFRS financial measure: net underlying earnings. This is the after-tax equivalent of underlying earnings before tax. The reconciliation of net underlying earnings to the most comparable IFRS measure is presented in the table above. Aegon believes that its non-IFRS measure provides meaningful information about the underlying operating results of Aegon s businesses, including insight into the financial measures that senior management uses in managing the businesses.

Aegon s senior management is compensated based in part on Aegon s results against targets using the non-IFRS measures presented herein. While many other insurers in Aegon s peer group present substantially similar non-IFRS measures, the non-IFRS measures presented in this document may nevertheless differ from the non-IFRS measures presented by other insurers. There is no standardized meaning to these measures under IFRS or any other recognized set of accounting standards and readers are cautioned to consider carefully the different ways in which Aegon and its peers present similar information before comparing them. Aegon believes the non-IFRS measures shown herein, when read together with Aegon s reported IFRS financial statements, provide meaningful supplemental information for the investing public to evaluate Aegon s businesses after eliminating the impact of current IFRS accounting policies for financial instruments and insurance contracts, which embed a number of accounting policy alternatives that companies may select in presenting their results (that is, companies may use different local generally accepted accounting principles - GAAPs), and this may make the comparability difficult from period to period.

New life sales			
Amounts in EUR millions	**2014**	2013	%
Americas	552	464	19%
The Netherlands	251	206	22%
United Kingdom	972	1,014	(4%)
New markets	271	228	19%
Total recurring plus 1/10 single	**2,045**	**1,911**	**7%**

Gross deposits (on and off balance)			
Amounts in EUR millions	**2014**	2013	%
Americas	31,849	28,424	12%
The Netherlands	2,781	1,338	108%
United Kingdom	281	281	-
New markets	20,519	14,287	44%
Total gross deposits	**55,431**	**44,330**	**25%**

Worldwide revenues geographically 2014 Amounts in EUR millions	Americas	The Netherlands	United Kingdom	New Markets	Holding, other activities and eliminations	Segment total	Associates and Joint Ventures eliminations	Consolidated
Total life insurance gross premiums	6,461	3,982	4,859	2,015	(70)	17,246	(351)	16,896
Accident and health insurance premiums	1,874	233	56	163	-	2,326	(11)	2,316
General insurance premiums	-	501	-	224	-	725	(72)	653
Total gross premiums	**8,334**	**4,716**	**4,916**	**2,402**	**(70)**	**20,298**	**(433)**	**19,864**
Investment income	3,312	2,568	2,073	234	2	8,191	(42)	8,148
	1,485	324	43	623	(237)	2,237	(100)	2,137

Fees and commission income								
Other revenue	2	-	-	3	5	10	(3)	7
Total revenues	**13,134**	**7,608**	**7,032**	**3,262**	**(300)**	**30,735**	**(578)**	**30,157**
Number of employees, including agent employees	12,865	4,426	2,420	8,617	274	28,602		

Underlying earnings before tax by line of business

Amounts in EUR millions	2014	2013	%
Life	628	976	(36%)
Individual Savings & Retirement	665	487	37%
Pensions	507	467	9%
Non-life	46	12	-
Distribution	15	16	(6%)
Asset management	115	95	21%
Other	(138)	(109)	(27%)
Associates	27	24	13%
Underlying earnings before tax	**1,865**	**1,968**	**(5%)**

Results 2014 worldwide

Aegon s net income in 2014 amounted to EUR 757 million. Underlying earnings before tax amounted to EUR 1,865 million. Furthermore, results in 2014 were impacted by a loss of EUR 1,366 million on fair value items, which was driven by losses on hedging programs and the impact of assumption changes and model updates, and other charges of EUR 240 million. This was partly offset by realized gains of EUR 697 million, and net impairment charges of EUR 34 million.

Net income

Net income decreased to EUR 757 million compared with 2013, which was driven by lower underlying earnings before tax, higher other charges, higher losses from fair value items and lower income before tax from run-off businesses, partly offset by higher realized gains and lower net impairments.

Underlying earnings before tax

Aegon s underlying earnings before tax in 2014 decreased 5% to EUR 1,865 million compared with 2013. The benefit of business growth and favorable equity markets was more than offset by the impact of charges for actuarial assumption changes and model updates, and unfavorable mortality in the Americas.

- Underlying earnings before tax from the Americas decreased 14% to EUR 1,134 million in 2014 compared with 2013. Growth in variable annuities and pensions was more than offset by the impact of a charge for actuarial assumption changes and model updates, unfavorable mortality in the life business and the impact of lower interest rates.
- In the Netherlands, underlying earnings before tax increased 23% to EUR 558 million in 2014 compared with 2013, primarily generated by mortgage production. Underlying earnings before tax growth in 2014 was driven by higher investment income, improved margins on savings, a EUR 45 million employee benefit reserve release resulting from legislation changes in the Netherlands, and improvement in non-life.
- Underlying earnings before tax from Aegon s operations in the United Kingdom amounted to EUR 115 million in 2014. The 32% increase compared with 2013 was primarily the result of improved persistency.
- Underlying earnings before tax from New Markets declined 14% to EUR 196 million compared with 2013. A 21% increase in underlying earnings before tax, compared with 2013, from Aegon Asset Management due to higher third-party balances was more than offset by lower underlying earnings before tax in Asia, which was mostly due to charges for actuarial assumption changes and model updates.
- Total holding costs increased 22% to EUR 138 million in 2014 compared with 2013. This was mainly as a result of higher net interest costs following a debt issuance to refinance a perpetual security for which the cost was previously accounted for directly through shareholders equity.

Fair value items

The results from fair value items amounted to a loss of EUR 1,366 million. The loss was mainly driven by adverse results on hedging programs in the United States (EUR 301 million), adverse fair value movements on interest rate hedges, longevity hedges and result on derivatives where no hedge accounting is applied in the Netherlands (EUR 739 million), the adverse impact of assumption changes and model updates (EUR 123 million), and the underperformance of alternative investments in the United States (EUR 90 million).

Included in the loss on hedging programs in the United States is the loss on fair value hedges without accounting match in the Americas (EUR 251 million), mainly driven by the loss on equity hedges, which were set up to protect Aegon s capital position, as a result of the strong US equity market performance in 2014.

Underperformance of fair value investments was primarily driven by investments related to the energy sector in the United States, and credit spread tightening in the Netherlands.

Realized gains on investments

Realized gains on investments amounted to EUR 697 million and were primarily related to a rebalancing of the fixed income portfolio in the Netherlands and the United Kingdom, and the divestment of a private equity investment in the Netherlands.

Impairment charges

Net impairments improved by EUR 88 million to EUR 34 million in 2014 compared with 2013. In the United States, gross impairments were more than offset by recoveries mostly related to investments in subprime residential mortgage-backed securities.

Other charges

Other charges amounted to EUR 240 million. These were mostly caused by a charge in the Netherlands (EUR 95 million) related to the agreement with the harbor workers former pension fund Optas, a provision taken for the closed block of European direct marketing activities (EUR 36 million), a provision for the implementation of the fee cap on pensions in the United Kingdom (EUR 35 million), a provision for the modification of unit-linked policies in Poland (EUR 23 million), and a change in the valuation of fixed assets in Aegon s Canadian business in anticipation of its divestment (EUR 15 million).

Run-off businesses

The results of run-off businesses amounted to a loss of EUR 21 million, mainly driven by a negative impact from model updates of EUR 32 million.

Income tax

Income tax amounted to EUR 143 million. The effective tax rate on underlying earnings for 2014 was 24%. The effective tax rate on total income was 16%. This was mostly driven by the combined effects of negative fair value items taxed at nominal rates, the reversal of the tax charge in Americas in 2013 related to hedging losses, tax credits and tax exempt items.

Commissions and expenses

Commissions and expenses increased slightly in 2014 compared with 2013 to EUR 5,892 million. Operating expenses increased 1% in 2014 compared with 2013 to EUR 3,312 million. This was mainly because the benefit of an employee benefit reserve release in the Netherlands (EUR 45 million) was more than offset by a provision and expenses related to implementing the upcoming fee cap on pensions in the United Kingdom, and higher expenses to support growth in the United States and the Netherlands.

Production

Compared with 2013, Aegon s total sales, in 2014, increased 20% to EUR 8.6 billion. This was a result of higher gross deposits, new life sales and production of accident and health and general insurance. In 2014, compared with 2013, gross deposits increased 25% to EUR 55.4 billion, driven by pensions, variable annuities and mutual funds in the United States, production from online bank Knab in the Netherlands, and Aegon Asset Management. Net deposits, excluding run-off businesses, decreased 7% to EUR 9.9 billion compared to 2013, mostly due to a reduction in stable value solutions balances of approximately EUR 3.0 billion and a one-time transfer of pension assets to the Polish government due to legislative changes. New life sales increased 7% compared with 2013 to EUR 2.0 billion, mostly driven by higher universal life production in the United States and Asia, and higher pension production in the Netherlands.

Capital management

In 2014, shareholders equity increased EUR 6.3 billion compared with December 31, 2013 to EUR 24.0 billion. This was driven by lower interest rates, which resulted in higher revaluation reserves, and favorable currency exchange rates. During the year, the revaluation reserves increased by EUR 5.3 billion to EUR 8.3 billion. Aegon s shareholders equity, excluding revaluation reserves and defined benefit plan remeasurements, amounted to EUR 17.3 billion on December 31, 2014. The gross leverage ratio improved to 28.7% on December 31, 2014 compared to the end of 2013, which was mostly as a result of deleveraging. Excess capital in the holding decreased to EUR 1.2 billion on December 31, 2014 compared to 2013 (EUR 2.2 billion), as dividends from business units were more than offset by the impact of cash used for deleveraging, interest payments and operating expenses.

Shareholders equity per common share, excluding revaluation reserves and defined benefit plan remeasurements, amounted to EUR 8.18 on December 31, 2014.

On December 31, 2014, Aegon s Insurance Group Directive (IGD) ratio stood at 208%. The capital in excess of the S&P AA threshold in the United States remained stable at USD 1.1 billion, as dividends paid to the holding were offset by earnings. The RBC ratio in the United States was ~540% at year-end 2014. In the Netherlands, the IGD ratio, excluding Aegon Bank, was ~215%. The Pillar I ratio in the United Kingdom, including the with-profit fund, was approximately 140% at the end of 2014 reflecting the negative impact of de-risking of the asset portfolio in preparation for Solvency II.

Effective as of March 15, 2014, Aegon redeemed junior perpetual capital securities with a coupon of 6.875% and a principal amount of USD 550 million. Effective as of June 15, 2014, Aegon redeemed perpetual capital securities with a coupon of 7.25% issued in 2007 and with a principal amount of USD 1,050 million, equal to approximately EUR 780 million. This transaction was largely financed by the issuance of EUR 700 million subordinated notes with a coupon of 4% on April 25.

On October 16, 2014, Aegon announced the sale of its Canadian operations to Wilton Re for CAD 600 million (EUR 423 million). This transaction will result in a book loss of EUR 0.8 billion at closing and is expected to close in the first half of 2015, subject to regulatory approval.

On November 24, 2014, Aegon announced the sale of its 35% share in La Mondiale Participations to La Mondiale for EUR 350 million, in line with IFRS book value. The proceeds will increase the group s IGD solvency ratio by approximately 5 percentage points. This transaction was closed on March 3, 2015.

Dividends from and capital contributions to business units

Aegon received EUR 1.1 billion of dividends from its business units during 2014, almost all of which from the Americas. Capital contributions of EUR 0.1 billion were paid to Aegon s businesses in New Markets.

Results 2013 worldwide

Underlying earnings geographically			
Amounts in EUR millions	2013	2012	%
Net underlying earnings	**1,531**	**1,510**	**1%**
Tax on underlying earnings	437	472	(7%)
Underlying earnings before tax geographically			
Americas	1,314	1,294	2%
The Netherlands	454	556	(18%)
United Kingdom	87	90	(3%)
New markets	227	266	(15%)
Holding and other activities	(113)	(224)	50%
Underlying earnings before tax	**1,968**	**1,982**	**(1%)**
Fair value items	(1,118)	(56)	-
Gains / (losses) on investments	500	418	20%
Net impairments	(122)	(176)	31%
Other income / (charges)	(52)	(162)	68%
Run-off businesses	21	14	50%
Income before tax (excluding income tax from certain proportionately consolidated joint ventures and associates)	**1,197**	**2,020**	**(41%)**
Income tax from certain proportionately consolidated joint ventures and associates included in income before tax	*8*	*15*	*(47%)*
Income tax	*(208)*	*(387)*	*46%*
Of which Income tax from certain proportionately consolidated joint ventures and associates included in income before tax	*(8)*	*(15)*	*47%*
Net income	**989**	**1,633**	**(39%)**
Commissions and expenses	5,873	5,817	1%
of which operating expenses	3,273	3,177	3%

New life sales			
Amounts in EUR millions	2013	2012	%
Americas	464	520	(11%)
The Netherlands	206	246	(16%)
United Kingdom	1,014	936	8%
New markets	228	253	(10%)
Total life production	**1,911**	**1,955**	**(2%)**

Gross deposits (on and off balance)

Amounts in EUR millions	2013	2012	%
Americas	28,424	27,042	5%
The Netherlands	1,338	1,484	(10%)
United Kingdom	281	37	-
New markets	14,287	10,909	31%
Total gross deposits	**44,330**	**39,472**	**12%**

Table of Contents

Worldwide revenues geographically 2013 Amounts in EUR millions	Americas	The Netherlands	United Kingdom	New Markets	Holding, other activities and eliminations	Segment total	Associates and Joint Ventures eliminations	Consolidated
Total life insurance gross premiums	6,187	3,515	6,537	1,349	(59)	17,529	(416)	17,112
Accident and health insurance premiums	1,787	243	-	170	-	2,200	(10)	2,190
General insurance premiums	-	487	-	194	-	681	(44)	637
Total gross premiums	**7,975**	**4,245**	**6,537**	**1,713**	**(59)**	**20,410**	**(471)**	**19,939**
Investment income	3,370	2,310	2,054	233	-	7,968	(58)	7,909
Fees and commission income	1,273	328	80	583	(238)	2,026	(76)	1,950
Other revenue	4	-	-	2	4	10	(3)	6
Total revenues	**12,622**	**6,883**	**8,670**	**2,531**	**(293)**	**30,413**	**(608)**	**29,805**
Number of employees, including agent employees	12,256	4,282	2,400	7,651	302	26,891		

Underlying earnings before tax by line of business Amounts in EUR millions	2013	2012	%
Life	976	1,027	(5%)
Individual Savings & Retirement	487	462	5%
Pensions	467	552	(15%)
Non-life	12	15	(20%)
Distribution	16	15	7%
Asset management	95	101	(6%)
Other	(109)	(224)	51%
Associates	24	34	(29%)
Underlying earnings before tax	**1,968**	**1,982**	**(1%)**

Results 2013 worldwide

Aegon s 2013 net income amounted to EUR 989 million. Underlying earnings before tax amounted to EUR 1,968 million. Furthermore, results in 2013 were impacted by a loss of EUR 1,118 million on fair value items driven by accounting losses on the hedging programs and long-term economic assumption changes. This was partly offset by lower impairment charges and lower other charges since 2012 included a charge of EUR 265 million in relation to the acceleration of product improvements for unit-linked insurance policies.

Net income

Net income decreased to EUR 989 million compared to EUR 1,633 million in 2012. Higher underlying earnings, realized gains on investments, lower impairments and other charges were more than offset by losses from fair value items.

Underlying earnings before tax

Aegon s underlying earnings before tax in 2013 decreased 1% to EUR 1,968 million compared to EUR 1,982 million in 2012. Underlying earnings before tax rose from business growth, deleveraging, the positive effects of favorable equity markets and the net positive impact of one-time items. These positive one-time items were only partly offset by the loss of earnings due to divestments in Spain and Aegon Asset Management and the impact of unfavorable currency exchange rates.

- ¿ Underlying earnings before tax in the Americas improved slightly to EUR 1,314 million. Growth in Variable Annuities and Pensions offset the impact of unfavorable currency exchange rates, lower earnings from Fixed Annuities, higher sales and employee related expenses, and additional investments in technology. At constant currencies, underlying earnings increased by 5%.
- ¿ In the Netherlands, underlying earnings before tax decreased 18% to EUR 454 million. Improvement in non-life was more than offset by lower Pension earnings, driven mostly by the non-recurring benefit in 2012 from renewals of contracts and Life & Savings, due mostly to reduced policy charges on unit-linked products of EUR 28 million as part of the acceleration of product improvements to unit-linked insurance policies.
- ¿ Underlying earnings before tax in the United Kingdom amounted to EUR 87 million in 2013, a decline of 3% compared to 2012. The positive impact of higher equity markets was more than offset by adverse persistency of EUR 22 million following the implementation of the Retail Distribution Review and investment in technology.
- ¿ Underlying earnings before tax from New Markets declined 15% to EUR 227 million. Higher earnings in Asia and Aegon Asset Management, which benefitted from higher asset balances were more than offset by lower earnings in Central & Eastern Europe due to the introduction of the insurance tax in Hungary and the divestments in Spain and Aegon Asset Management.

¿ Total holding costs decreased 50% to EUR 113 million, mainly as a result of lower net interest costs following debt redemptions, lower operating expenses and a gain of EUR 18 million related to interest on taxes.

Fair value items

The results from fair value items amounted to a loss of EUR 1,118 million. The loss was mainly driven by equity macro hedges (EUR 590 million) and long-term economic assumption changes (EUR 405 million) in the Americas and a loss of EUR 118 million in the guarantee portfolio in the Netherlands, which is mainly the result of the tightening of Aegon s credit spread and model refinements.

In 2013, to reflect the low interest rate environment, Aegon lowered its long-term assumption for 10-year US Treasury yields by 50 basis points to 4.25% and extended the uniform grading period from 5 years to 10 years. Aegon also changed its assumed returns for US separate account bond fund to 4% over the next 10 years and 6% thereafter from its previous assumptions of 4% over the next 5 years and 6% thereafter. In addition, Aegon changed its long-term equity market return assumption for the estimated gross profit in variable life and variable annuity products in the Americas from 9% to 8%. In total, these assumption changes led to a negative impact on earnings of EUR 405 million in 2013. Both the assumptions for the bond fund and that for the long-term equity market are gross assumptions from which asset management and policy fees are deducted to determine the policyholder return.

The loss on fair value hedges in the Americas was mainly driven by the loss on the equity macro hedges, which have been set up to protect Aegon s capital position, as a result of strong US equity market performance in 2013. Aegon restructured its equity hedges as the equity collar hedge expired at the end of the year.

Realized gains on investments

Realized gains on investments amounted to EUR 500 million and were driven primarily by adjustments to the asset mix in the Netherlands during the second half of the year to bring it in line with the new regulatory yield curve, as well as normal trading activity.

Impairment charges

Impairment charges improved by EUR 54 million to EUR 122 million in 2013, mostly due to recoveries on investments in subprime residential mortgage-backed securities in the United States.

Other charges

Other charges amounted to EUR 52 million, which is a 68% improvement from 2012 and included a charge of EUR 192 million related to a write-off of intangibles related to the Polish pension fund business following a legislation change coming into force in January 2014. In addition, 2013 included a charge of EUR 71 million due to increased accruals in connection with Aegon s use of the U.S. Social Security Administration s death master-file and a EUR 25 million charge in the Netherlands following the Koersplan court verdict and restructuring charges mainly in the Americas and the United Kingdom (EUR 108 million in total). These charges were partly offset by gains from the sale of joint ventures with Unnim and CAM of EUR 102 million and EUR 74 million respectively, and gains from the recapture of certain reinsurance contracts amounting to EUR 200 million in the Americas.

Run-off businesses

The results of run-off businesses improved to EUR 21 million, mainly due to a deferred policy acquisition cost (DPAC) true-up of EUR 11 million in BOLI/COLI (bank/corporate owned life insurance).

Income tax

Income tax amounted to EUR 208 million. The effective tax rate on total income was 17%, driven mostly by the combined effects of negative fair value items taxed at nominal rates, tax credits and tax exempt items. There was also a tax charge of EUR 50 million in the Americas related to hedging losses in 2013, and a benefit of EUR 93 million in the United Kingdom from a reduction in the corporate tax rate from 23% to 20%. The effective tax rate on underlying earnings for 2013 was 21%.

Commissions and expenses

Commissions and expenses in 2013 increased 1% compared to 2012 to EUR 5,873 million. Operating expenses increased 3% to EUR 3,273 million, driven mainly by higher sales and employee

performance related expenses due to growth in the Americas, restructuring costs in the Americas and United Kingdom, and higher investments in technology to support future growth.

Production

Compared to 2012, Aegon s total sales increased 6% to EUR 7.2 billion as higher gross deposits more than offset lower new life sales. Gross deposits increased 12% to EUR 44.3 billion, driven by variable annuities and mutual funds in the United States and Aegon Asset Management. New life sales were down 2%. Higher pension production in the United Kingdom was offset primarily by lower universal life sales in the Americas due to product withdrawals and product redesign, resulting from focus on value creation, as well as adverse currency movements.

Capital management

The 2013 gross leverage ratio, which is calculated by dividing the total gross financial leverage by the total capitalization, was 33.3%.

Aegon s Insurance Group Directive (IGD) ratio decreased to 212%, mainly due to the impact of IAS 19 and the switch to the swap curve for regulatory solvency calculations in the Netherlands. The combined risk-based capital ratio of Aegon s life insurance subsidairies in the United States was approximately 440% of the Company Action Level (CAL) risk-based capital. The IGD ratio in the Netherlands, excluding Aegon Bank, was approximately 240%. The Pillar I ratio in the United Kingdom, including the With Profit fund, was approximately 150% at the end of 2013.

On February 10, 2014, Aegon called for the redemption of the USD 550 million in junior perpetual capital securities with a coupon of 6.875% issued in 2006. The redemption was effective March 15, 2014, when the principal amount of USD 550 million was repaid with accrued interest.

Dividends from and capital contributions to business units

Aegon received EUR 1.5 billion of dividends from its business units during 2013, split between EUR 0.9 billion from the Americas, EUR 0.5 billion from the Netherlands and EUR 0.1 billion from Aegon Asset Management and Central & Eastern Europe. Capital contributions of EUR 0.5 billion were paid to Aegon s operating units, including EUR 0.4 billion to the United Kingdom.

Table of Contents

Results 2014 Americas

	Amounts in USD millions			Amounts in EUR millions		
	2014	2013	%	**2014**	2013	%
Net underlying earnings	**1,082**	**1,280**	**(15%)**	**814**	**965**	**(16%)**
Tax on underlying earnings	424	463	(8%)	320	349	(8%)
Underlying earnings before tax by business						
Life & Protection	199	719	(72%)	150	542	(72%)
Fixed annuities	*172*	*215*	*(20%)*	*130*	*162*	*(20%)*
Variable annuities	*671*	*414*	*62%*	*505*	*312*	*62%*
Retail mutual funds	*47*	*33*	*42%*	*35*	*25*	*40%*
Individual Savings & Retirement	891	662	35%	670	499	34%
Employer Solutions & Pensions	381	350	9%	286	263	9%
Canada	30	4	-	23	3	-
Latin America	5	9	(44%)	4	7	(43%)
Underlying earnings before tax	**1,506**	**1,744**	**(14%)**	**1,134**	**1,314**	**(14%)**
Fair value items	(661)	(1,300)	49%	(497)	(980)	49%
Gains / (losses) on investments	113	145	(22%)	85	110	(23%)
Net impairments	27	(58)	-	21	(44)	-
Other income / (charges)	(69)	95	-	(52)	72	-
Run-off businesses	(28)	28	-	(21)	21	-
Income before tax (excluding income tax from certain proportionately consolidated joint ventures and associates)	**889**	**655**	**36%**	**669**	**493**	**36%**
Income tax from certain proportionately consolidated joint ventures and associates included in income before tax	*4*	*4*	-	*3*	*3*	-
Income tax	(105)	(115)	9%	(79)	(86)	8%
Of which Income tax from certain proportionately consolidated joint ventures	*(4)*	*(4)*	-	*(3)*	*(3)*	-

and associates included in income before tax						
Net income	**784**	**540**	**45%**	**590**	**407**	**45%**
Life insurance gross premiums	8,585	8,212	5%	6,461	6,187	4%
Accident and health insurance premiums	2,490	2,372	5%	1,874	1,787	5%
Total gross premiums	**11,074**	**10,584**	**5%**	**8,334**	**7,975**	**5%**
Investment income	4,401	4,473	(2%)	3,312	3,370	(2%)
Fees and commission income	1,974	1,689	17%	1,485	1,273	17%
Other revenues	3	6	(50%)	2	4	(50%)
Total revenues	**17,453**	**16,752**	**4%**	**13,134**	**12,622**	**4%**
Commissions and expenses	4,446	4,394	1%	3,346	3,311	1%
of which operating expenses	1,871	1,911	(2%)	1,408	1,440	(2%)

	Amounts in USD millions			Amounts in EUR millions		
New life sales	**2014**	2013	%	**2014**	2013	%
Life & Protection	615	505	22%	463	380	22%
Canada	75	68	10%	56	51	10%
Latin America	43	42	2%	33	32	3%
Total recurring plus 1/10 single	**733**	**615**	**19%**	**552**	**464**	**19%**

	Amounts in USD millions			Amounts in EUR millions		
	2014	2013	%	**2014**	2013	%
New premium production accident and health insurance	1,193	902	32%	898	680	32%

	Amounts in USD millions			Amounts in EUR millions		
Gross deposits (on and off balance)	**2014**	2013	%	**2014**	2013	%
Life & Protection	9	11	(18%)	7	8	(13%)
Fixed annuities	*323*	*552*	*(41%)*	*243*	*416*	*(42%)*
Variable annuities	*10,235*	*8,496*	*20%*	*7,702*	*6,402*	*20%*
Retail mutual funds	*4,879*	*4,301*	*13%*	*3,672*	*3,241*	*13%*
Individual Savings & Retirement	15,437	13,349	16%	11,617	10,058	16%
Employer Solutions & Pensions	26,736	24,222	10%	20,121	18,251	10%
Canada	121	125	(3%)	91	94	(3%)
Latin America	18	18	-	14	14	-
Total gross deposits	**42,321**	**37,725**	**12%**	**31,849**	**28,424**	**12%**

Exchange rates	Weighted average rate		Closing rate as of	
Per 1 EUR	2014	2013	**December 31, 2014**	December 31, 2013
USD	1.3288	1.3272	1.2101	1.3780
CAD	1.4667	1.3674	1.4015	1.4641

Results 2014 Americas

Net income in 2014 amounted to USD 784 million. Underlying earnings before tax decreased to USD 1,506 million compared with 2013. This was mainly because higher earnings from variable annuities and pensions were more than offset by lower earnings in Life & Protection, mostly due to the impact of assumption changes and model updates, and unfavorable mortality. Higher new life sales increased driven by higher universal life products and gross deposits increased driven by successful expansion of distribution.

Net income

Net income increased to USD 784 million in 2014 compared with 2013. Lower underlying earnings before tax, higher other charges, lower income before tax from run-off business and lower realized gains were more than offset by lower losses from fair value items and net reversals of impairments. Results on fair value items amounted to a loss of USD 661 million, which was primarily related to the impact on hedging programs as a result of lower interest rates and higher equity markets. Realized gains on investments amounted to USD 113 million. Net impairments improved compared with 2013 to a benefit of USD 27 million as recoveries, mostly related to investments in subprime residential mortgage-backed securities, more than offset gross impairments. Other charges were USD 69 million, and were primarily related to a provision for the closed block of European direct marketing activities and a write down of fixed assets in Aegon s Canadian business in anticipation of the sale, subject to regulatory approval.

Underlying earnings before tax

Underlying earnings before tax in 2014 decreased 14% to USD 1,506 million compared with 2013. Higher underlying earnings before tax in variable annuities and pensions as a result of higher balances due to business growth and favorable markets were more than offset by lower underlying earnings before tax from Life and Protection and fixed annuities.

- Underlying earnings before tax from Life & Protection decreased 72% compared to 2013 to USD 199 million as growth from the business was more than offset by the negative impact of assumption changes and model updates (USD 400 million), unfavorable mortality and the impact of lower interest rates. The actuarial assumption updates were primarily related to updated mortality assumptions for the older ages. The model updates were primarily related to changes to modeled premium persistency.
- Individual Savings & Retirement underlying earnings before tax increased 35% to USD 891 million compared to 2013. Higher underlying earnings before tax from variable annuities and mutual funds more than offset lower underlying earnings before tax from fixed annuities. Underlying earnings before tax from variable annuities were up 62% to USD 671 million compared to 2013, resulting from the positive impact from

actuarial assumption changes and model update of USD 174 million. Excluding this benefit, underlying earnings before tax were up due to higher fee income from higher account balances. Underlying earnings before tax from mutual funds increased 42% to USD 47 million compared to 2013, primarily driven by higher net inflows and favorable markets. Underlying earnings before tax from fixed annuities was down 20% to USD 172 million compared to 2013 as the product is no longer being actively sold. Furthermore, underlying earnings before tax from fixed annuities was adversely impacted by assumption changes amounting to USD 39 million.

- Underlying earnings before tax from Employer Solutions & Pensions increased 9% to USD 381 million in 2014 compared to 2013, primarily driven by higher balances as a result of business growth and favorable markets.
- Underlying earnings before tax in Canada amounted to USD 30 million in 2014, compared to USD 4 million in 2013. Increase is primarily driven by adverse impact from actuarial assumption changes and model refinements recorded in 2013. In Latin America underlying earnings before tax were down to USD 5 million.

Commissions and expenses

Commissions and expenses increased by 1% in 2014 to USD 4,446 million compared with 2013. Operating expenses decreased 2% in 2014 to USD 1,871 million compared with 2013, mainly as the benefit of lower restructuring costs more than offset higher expenses driven by growth of the business.

Production

New life sales increased 19% in 2014 to USD 733 million compared with 2013 mostly as a result of higher universal life sales. New premium production for accident & health insurance increased 32% in 2014 to USD 1,193 million compared with 2013. This was mostly driven by expanded distribution and higher supplemental health sales due to the Affordable Care Act.

Gross deposits increased 12% in 2014 to USD 42.3 billion compared with 2013. Gross deposits in variable annuities, retail mutual funds and retirement plans were all higher in 2014. Variable annuity gross deposits were up 20% to USD 10.2 billion compared with 2013, mainly due to continued focus on key distribution partners and distribution expansion through alternative channels. In 2014, retirement plan gross deposits

were also higher compared with 2013, driven by plan takeovers and the focus on retirement readiness by growing customer participation and contributions.

Results 2013 Americas

	Amounts in USD millions			Amounts in EUR millions		
	2013	2012	%	2013	2012	%
Net underlying earnings	**1,280**	**1,228**	**4%**	**965**	**956**	**1%**
Tax on underlying earnings	463	435	7%	349	338	3%
Underlying earnings before tax by business						
Life & Protection	719	697	3%	542	542	0%
Fixed annuities	*215*	*257*	*(16%)*	*162*	*200*	*(19%)*
Variable annuities	*414*	*321*	*29%*	*312*	*250*	*25%*
Retail mutual funds	*33*	*25*	*32%*	*25*	*19*	*32%*
Individual Savings & Retirement	662	603	10%	499	469	6%
Employer Solutions & Pensions	350	319	10%	263	248	6%
Canada	4	32	(88%)	3	26	(88%)
Latin America	9	12	(25%)	7	9	(22%)
Underlying earnings before tax	**1,744**	**1,663**	**5%**	**1,314**	**1,294**	**2%**
Fair value items	(1,300)	(85)	-	(980)	(67)	-
Gains / (losses) on investments	145	238	(39%)	110	186	(41%)
Net impairments	(58)	(151)	62%	(44)	(117)	62%
Other income / (charges)	95	(37)	-	72	(28)	-
Run-off businesses	28	19	47%	21	14	50%
Income before tax (excluding income tax from certain proportionately consolidated joint ventures and associates)	**655**	**1,647**	**(60%)**	**493**	**1,282**	**(62%)**
Income tax from certain proportionately consolidated joint ventures and associates included in income before tax	4	4	-	3	3	-
Income tax	(115)	(322)	64%	(86)	(251)	66%
Of which Income tax from certain proportionately consolidated joint ventures and associates included in income before tax	*(4)*	*(4)*	-	*(3)*	*(3)*	-
Net income	**540**	**1,325**	**(59%)**	**407**	**1,031**	**(61%)**
Life insurance gross premiums	8,212	8,405	(2%)	6,187	6,541	(5%)
Accident and health insurance	2,372	2,356	1%	1,787	1,833	(3%)

premiums						
Total gross premiums	**10,584**	**10,761**	**(2%)**	**7,975**	**8,374**	**(5%)**
Investment income	4,473	4,694	(5%)	3,370	3,654	(8%)
Fees and commission income	1,689	1,512	12%	1,273	1,177	8%
Other revenues	6	6	-	4	5	(20%)
Total revenues	**16,752**	**16,973**	**(1%)**	**12,622**	**13,210**	**(4%)**
Commissions and expenses	4,394	4,319	2%	3,311	3,362	(2%)
of which operating expenses	1,911	1,823	5%	1,440	1,419	1%

New life sales	Amounts in USD millions 2013	2012	%	Amounts in EUR millions 2013	2012	%
Life & Protection	505	563	(10%)	380	438	(13%)
Canada	68	60	13%	51	47	9%
Latin America	42	45	(7%)	32	35	(9%)
Total recurring plus 1/10 single	**615**	**668**	**(8%)**	**464**	**520**	**(11%)**

	Amounts in USD millions 2013	2012	%	Amounts in EUR millions 2013	2012	%
New premium production accident and health insurance	902	905	-	680	705	(4%)

Gross deposits (on and off balance)	Amounts in USD millions 2013	2012	%	Amounts in EUR millions 2013	2012	%
Life & Protection	11	12	(8%)	8	9	(11%)
Fixed annuities	*552*	*371*	*49%*	*416*	*289*	*44%*
Variable annuities	*8,496*	*5,350*	*59%*	*6,402*	*4,163*	*54%*
Retail mutual funds	*4,301*	*3,437*	*25%*	*3,241*	*2,675*	*21%*
Individual Savings & Retirement	13,349	9,158	46%	10,058	7,127	41%
Employer Solutions & Pensions	24,222	25,383	(5%)	18,251	19,755	(8%)
Canada	125	177	(29%)	94	138	(32%)
Latin America	18	17	6%	14	13	8%
Total gross deposits	**37,725**	**34,747**	**9%**	**28,424**	**27,042**	**5%**

Exchange rates	Weighted average rate		Closing rate as of	
Per 1 EUR	2013	2012	December 31, 2013	December 31, 2012
USD	1.3272	1.2849	1.3780	1.3184
CAD	1.3674	1.2839	1.4641	1.3127

Results 2013 Americas

Net income of USD 540 million for the year 2013 was negatively impacted by long-term economic assumption changes and losses on equity macro hedges, which have been put in place to protect Aegon s capital position. Underlying earnings before tax increased to USD 1,744 million in 2013, mainly driven by higher earnings from variable annuities and pensions. New life sales decreased, primarily due to focus on profitability of universal life products, while gross deposits increased.

Net income

Net income for the Americas decreased to USD 540 million in 2013. Higher underlying earnings, other income as well as lower impairments were more than offset by the increase of the loss on fair value items. Results on fair value items amounted to a loss of USD 1,300 million, which were primarily the result of long-term economic assumption changes of USD 514 million and the loss on equity hedges of USD 804 million, which was primarily caused by rising equity markets. Realized gains on investments amounted to USD 145 million, while impairment charges improved to USD 58 million. Other income was USD 95 million, mainly related to gains of USD 265 million on the recapture of certain reinsurance contracts being partly offset by increased accruals of USD 94 million in connection with the Company s use of the U.S. Social Security Administration s death master-file and restructuring charges of USD 48 million.

Underlying earnings before tax

2013 underlying earnings before tax increased 5% to USD 1,744 million as higher earnings in variable annuities and pensions from business growth and favorable equity markets more than offset lower earnings in fixed annuities.

- ¿ Life & Protection underlying earnings before tax increased 3% to USD 719 million, as growth of the business was partially offset by the negative impact of lower reinvestment rates due to the low interest rate environment.
- ¿ Underlying earnings before tax from Individual Savings & Retirement increased 10% to USD 662 million, as higher earnings from variable annuities and mutual funds more than offset lower earnings from fixed annuities. Earnings from variable annuities were up 29% to USD 414 million, primarily driven by higher net inflows and favorable equity markets. Earnings from mutual funds increased 32% to USD 33 million, resulting from growth of the business and favorable markets.
- ¿ Employer Solutions & Pensions underlying earnings before tax increased 10% to USD 350 million in 2013, which was primarily the result of strong net pension inflows and favorable equity markets.
- ¿ Underlying earnings before tax from Canada decreased to USD 4 million, primarily as a result of actuarial assumption changes and model refinements. In Latin America underlying earnings before tax were down to USD 9 million.

Commissions and expenses

Commissions and expenses increased by 2% to USD 4,394 million in 2013 compared with 2012. Operating expenses increased by 5%, to USD 1,911 million, primarily the result of higher sales and employee performance related expenses, investments to expand Aegon s digital capabilities and restructuring costs.

Production

New life sales decreased 8% to USD 615 million in 2013, as lower universal life sales due to product withdrawals and product redesign were only partly offset by higher sales of term life products. New premium production for accident & health insurance was stable compared to 2012 and amounted to USD 902 million. This was the result of strong sales of the Medicare part D prescription plan product, which was introduced in 2012, being offset by the loss of two distribution partners for travel insurance and the termination of certain affinity marketing partnerships.

Gross deposits increased 9% to USD 37.7 billion in 2013. Gross deposits in variable annuities, retail mutual funds and retirement plans were all higher than in 2012. Variable annuities gross deposits were up 59% to USD 8.5 billion in 2013, which was primarily driven by Aegon s continued focus on key distribution partners. The increase in retirement plan deposits was driven by plan takeover deposits and focusing on retirement readiness by growing customer participation and contributions.

Overview of Americas

Aegon Americas comprises Aegon USA, which operates under the Transamerica brand, together with operations in Brazil and Mexico.

Aegon USA

Aegon USA is one of the leading[1] life insurance organizations in the United States, and the largest of Aegon s operating units worldwide. It administers millions of policies and employs almost 10,000 people. Many of the Aegon USA s companies operate under the Transamerica brand, one of the best known names[2] in the United States insurance business. Its companies have existed since the mid-19th century, and its main offices are in Cedar Rapids, Iowa, and Baltimore, Maryland with affiliated companies offices located throughout the United States.

Through these subsidiaries and affiliated companies, Aegon USA provides a wide range of life insurance, pensions, long-term savings and investment products.

Like other Aegon companies, Aegon USA uses a variety of distribution channels to help customers access its products and services as best suits their needs. Aegon USA has long-standing relations with banks across the United States, and also distributes products and services through agents, broker-dealers, Registered Representatives (RR), the internet, and direct and worksite marketing.

Aegon Brazil

In 2009, Aegon acquired a 50% interest in Mongeral Aegon Seguros e Previdência S.A., Brazil s fourth largest independent (i.e. non-bank affiliated) life insurer. As of December 31, 2014, Aegon Brazil had approximately 500 employees.

Aegon Mexico

In 2006, Aegon acquired a 49% interest in Seguros Argos S.A. de C.V., a Mexican life insurance company. As of December 31, 2014, Aegon Mexico had approximately 25 employees. Aegon has entered into a joint venture with Adminstradora Akaan S.A. de C.V. to create Akaan-Aegon S.A.P.I. de C.V. to explore financial service opportunities. This organization is in the startup process and will initially focus on third-party asset management.

Aegon Canada

On October 16, 2014, Aegon announced that it reached a decision to sell its Canadian operations to Wilton Re, subject to regulatory approval. Based in Toronto, Aegon Canada offered a range of insurance products and financial services, primarily through its Transamerica Life Canada and Canadian Premier Life subsidiaries. As of December 31, 2014, Aegon Canada had approximately 550 employees.

Organizational structure

Aegon USA

Aegon USA was founded in 1989 when Aegon brought all of its operating companies in the United States together under a single financial services holding company: Aegon USA, LLC. Business is conducted through its various subsidiaries. The use of the term Aegon USA throughout this document refers to the operating subsidiaries in the United States, through which Aegon USA conducts business. Aegon USA has operating licenses in every US state, in addition to the District of Columbia, Puerto Rico, the Virgin Islands and Guam.

Aegon USA s primary insurance subsidiaries are:

¿ Transamerica Life Insurance Company;
¿ Transamerica Financial Life Insurance Company;
¿ Transamerica Advisors Life Insurance Company;
¿ Transamerica Premier Life Insurance Company;
¿ Stonebridge Life Insurance Company; and
¿ Transamerica Casualty Insurance Company.

In 2014, Aegon s subsidiary companies in the United States contained three divisions operating through one or more of the Aegon USA life insurance companies:

¿ Life & Protection;
¿ Individual Savings & Retirement;
¿ Employer Solutions & Pensions.

In July 2014, Aegon announced that it was combining the Individual Savings & Retirement and Employer Solutions & Pensions divisions into one single division called Investments & Retirement . The transition was finalized in the second half of 2014 and consolidated financial reporting for the new division began January 1, 2015. For this reason, Aegon s 2014 Annual Report reflects the financial results of the two former divisions.

These divisions, described in greater detail below, represent groups of products and services that Aegon USA s operating companies sell through a number of distribution methods and sales channels. The business structure is designed to enable Aegon USA to manage and improve the efficiency of the organization and operating processes, identify business synergies, and pursue cross-selling opportunities. Coordinated support services complement operations by providing functional support in systems technology, investment management, regulatory compliance, and various corporate functions. Products are also offered and distributed through one or more of Aegon USA s licensed insurance or brokerage subsidiary companies.

1 Source: LIMRA.
2 Source: Brand Power Analysis.

Overview of sales and distribution channels

Aegon USA

Aegon USA uses a variety of sales and distribution channels in the United States. These include:

- Affinity groups;
- Banks;
- Benefit consulting firms;
- Direct to consumer;
- Independent and career agents;
- Independent marketing organizations;
- Institutional partners;
- Regional and independent broker-dealers;
- Registered Representatives (RR);
- Third-party administrators (TPAs);
- Wirehouses; and
- Worksite.

In addition, Aegon USA provides a range of online products and services, together with using direct and worksite marketing. In general, Aegon USA companies are focused on particular products or market segments, ranging from lower income to high-net-worth individuals, and from small to large corporations.

Aegon Canada

Transamerica Life Canada (TLC) provides life insurance and other protection products to Canadian consumers. By working through a variety of distribution channels, TLC has acquired a national network of thousands of independent advisors. These advisors provide middle market Canadians with individual life insurance and protection products. Canadian Premier offers simplified life, group creditor and accident and sickness coverage. Distribution channels include:

- Agencies owned by Transamerica Life Canada;
- Bank and credit union affinity partners;
- Bank-owned national broker-dealers and mutual fund dealers;
- Independent and career agents; and
- Independent managing general agencies.

Overview of business lines

Aegon USA

Life & Protection

Life & Protection (L&P) offers a comprehensive portfolio of protection solutions to customers in a broad range of market segments. Consumers may choose to purchase directly or through independent agents, career agents, the worksite, or affinity groups.

Products

Products offered include whole life, universal life, variable universal life, indexed universal life and term life insurance, in addition to supplemental health, specialty insurance, and long-term care protection.

Term life insurance

Term life insurance provides protection for a stated period of time. Benefits are paid to policy beneficiaries in the event of the death of the insured during a specified period.

Universal life insurance

Universal life insurance is flexible permanent life insurance that offers the low-cost protection of term life insurance as well as a savings element, which is invested to provide a cash value buildup. The death benefit, savings element and premiums can be reviewed and altered as a policyholder s circumstances change. A version of this product has secondary guarantees, which guarantee continuation of the life insurance if the customer consistently pays an agreed minimum amount of premium each year.

Variable universal life insurance

Variable universal life insurance is cash-value life insurance that offers both a death benefit and an investment feature. The premium amount for variable universal life insurance is flexible and may be changed by the consumer as required, although these changes can result in a change in the coverage amount. The investment feature usually includes sub-accounts, which function like mutual funds and can provide exposure to stocks and bonds. This exposure offers the possibility of an increased rate of return over a normal universal life or permanent insurance policy.

Indexed universal life insurance

Indexed Universal Life (IUL) insurance provides permanent death benefit protection and cash value accumulation with flexible premium payments. What distinguishes it from other types of cash value insurance is the way interest earnings are credited. Net premiums may be allocated to either a fixed account or indexed accounts. Indexed accounts credit interest based in part of the performance of one or more major stock market indices. The credited interest is based on the index but with a floor and a cap. IUL offers both market-paced growth potential in the indexed accounts and downside protection. It s an appealing alternative to regular Universal Life for which interest is credited at a fixed rate and Variable Universal Life, in which the cash value is directly exposed to the ups and downs of the market.

Whole life insurance

Whole (or permanent) life insurance provides lifelong death benefit protection provided that the premiums required are paid, while accumulating tabular cash values based on statutory requirements. Premiums are generally fixed and usually payable over the life of the policy.

Other life insurance

Life products also include life insurance sold as part of defined benefit pension plans, single premium products, and additional optional benefits.

Supplemental health and specialty insurance

Supplemental health insurance products are sold through affinity relationships and licensed agents, and directly to consumers. Products include accidental death, other injury, critical illness, hospital indemnity, Medicare supplement, Medicare Part D, retiree medical and student health. Specialty insurance lines include travel and creditor (installment, mortgage or guaranteed auto protection) products.

Long-term care insurance

Long-term care (LTC) insurance products provide benefits to policyholders that require care due to a chronic illness or cognitive impairment. LTC insurance serves as an asset protection tool by reimbursing policyholders for costly expenses associated with LTC services, and it may also help a family better manage the financial, health and safety issues that are associated with LTC.

Sales and distribution

The L&P division is organized by distribution channel to better align with consumers. It is supported by a shared services platform. Each channel has primary target market segments on which it focuses. The L&P distribution channels fall into four main categories: affinity, agency, brokerage and worksite.

Affinity

The affinity group markets to members/customers under the endorsement of affinity relationships such as associations, employers, financial institutions, retailers and other sponsor groups. Life, supplemental health and specialty accident products are offered through a variety of direct response marketing channels.

Agency

The agency groups include independent and career agents, World Financial Group and a registered independent broker/dealer/ investment advisor. These channels provide life insurance (term life, universal life, variable and indexed universal life and whole life), long-term care and supplemental health products to the middle market. The broker/dealer offers financial products and services that help clients create and protect wealth.

Brokerage

The brokerage group offers life and long-term care insurance products and services through independent brokerage distributors and financial institutions to affluent, emerging affluent and middle income individuals, families and businesses. These products are designed for family protection, business needs, and estate and legacy planning.

Worksite

The L&P division is active in the worksite market via Transamerica Employee Benefits (TEB). TEB offers life and supplemental health insurance products through employers, labor unions and trade associations. TEB s comprehensive portfolio includes

universal life, whole life and term life insurance, in addition to accident, critical illness, cancer, hospital indemnity, medical expense indemnity, short-term disability, and dental policies. A number of these products provide insureds with lump sum or specified income payments if hospitalized, disabled or diagnosed with a critical illness. Others pay benefits for specific medical expenses and treatments, or cover deductibles, co-payments and co-insurance amounts not covered by other health insurance. In addition, TEB offers stop-loss insurance to employers to protect against catastrophic losses under self-funded health plans.

Direct to consumer

Transamerica Direct is the business unit that directly targets both broad market and strategic segments via multiple channel touch points and the newest technologies, in order to provide new and existing customers with easy access to the insurance, investment and retirement solutions they want.

Investments & Retirement

The operations of two former divisions, Individual Savings & Retirement and Employer Solutions & Pensions, merged on July 1, 2014. Individual Savings & Retirement focused on the individual investor in mutual funds and variable and fixed annuities, while Employer Solutions & Pensions primarily served the employer market with retirement plan products and services. Together, they offer a wide range of investment solutions to serve customers to and through retirement   first, as they accumulate assets, and second, as they manage them to generate retirement income.

Individual markets

Through its insurance companies, broker-dealers and investment advisors, Aegon USA offers a wide range of savings and retirement products and services for individual investors, including mutual funds and variable and fixed annuities. The Investments & Retirement (I&R) division administers and distributes these products through a variety of channels, including wirehouse firms, banks, regional broker-dealers, independent financial planners, and direct to consumer.

Products

Aegon USA s fee-based business comprises asset management and insurance products that generate fee income by providing investment management, administrative or risk transfer services. In general, fee income is sensitive to withdrawals and equity market movements.

Aegon USA s operations provide various investment products and administrative services, individual and group variable annuities, mutual funds, collective investment trusts, and asset allocation services.

The operations in the United States provide fund managers with oversight for the Transamerica mutual funds. Aegon USA selects, manages, and retains affiliated and non-affiliated managers from a variety of investment firms based on a number of qualitative and quantitative factors.

Mutual funds

Transamerica Asset Management (TAM) is a sub-advised or manager of managers fund platform. Fund managers can include those affiliated with Transamerica. TAM earns investment management fees on investment products managed by these affiliated and unaffiliated sub-advisors. TAM pays these affiliated and unaffiliated sub-advisors a fee.

Variable annuities

Variable annuities are sold to individuals and retirement plans in the United States. Variable annuities allow policyholders to accumulate assets for retirement on a tax-deferred basis, and to participate in equity or bond market performance. Variable annuities allow policyholders to select payout options designed to help meet their need for income upon maturity, including lump sum payment, or income for a fixed period or life. Variable annuities have a maturity date at which benefits must be used, or the contract surrenders. This date usually corresponds to the annuitant s age, with a maximum age of 99 years.

Premiums paid on variable annuity contracts are invested in underlying funds chosen by the policyholder, including bond and equity funds, and types of asset-allocation funds. A fixed interest account is available on most products, and the underlying funds are selected by the policyholder within certain boundaries based on his or her preferred level of risk. The vast majority of assets and liabilities related to this product are legally segregated in separate accounts of the insurance company for the benefit of variable annuity policyholders. These separate accounts are classified as investments for the account of policyholders on Aegon s statement of financial position. Variable annuity contracts contain riders, such as guaranteed minimum death, maturity, withdrawal, accumulation or income benefits.

The account value of variable annuities reflects the performance of the underlying funds. Aegon USA earns mortality and expense charges, in addition to various types of rider fees, for providing guarantees and benefits. In general, surrender charges are not a large form of revenue as policyholder surrender rates are typically lower when a surrender charge penalty remains. Collected surrender charges are typically used to recoup unamortized deferred acquisition costs.

A guaranteed minimum withdrawal benefit is offered on a number of variable annuity products that Aegon USA has either issued or assumed from a ceding company. This benefit guarantees that a policyholder may withdraw a certain percentage of the income base, starting at a certain age or duration, for either a fixed period or the life of the policyholder.

Certain variable annuity contracts also provide guaranteed minimum death benefits and guaranteed minimum income

benefits. Under a guaranteed minimum death benefit, upon the death of the insured the beneficiaries receive either the account balance or the guaranteed amount upon the death of the insured depending on which is greater. The guaranteed minimum income benefit feature, which has not been offered on new business since 2003, provides for minimum payments if the policyholder elects to convert to an immediate payout annuity. The guaranteed amount is calculated using the total deposits made by the policyholder, less any withdrawals, and sometimes includes a roll-up or step-up feature that increases the value of the guarantee with interest or with increases in the account value.

These guaranteed benefits subject the Company to interest rate risk, market risk, and policyholder behavior risk. Poor market performance may cause the guaranteed benefits to exceed the policyholder account value.

Aegon USA addresses equity market, interest rate and market volatility risks through product design, including robust analysis of the underlying funds allowed within a product, and by using hedging strategies. Variable annuity products also contain policyholder behavior risk, mortality risk, and in the case of income riders, longevity risks, which are handled similarly to those in fixed annuities.

Fixed annuities

Fixed annuities include deferred annuities, fixed index annuities, and immediate annuities. These product lines have been de-emphasized due to the low interest rate environment. A fixed annuity exposes Aegon to interest rate risk, in addition to behavior and mortality risk. The insurer s interest rate risk may be mitigated through product design, close Asset Liability Management (ALM) and hedging, although the effects of policyholder behavior cannot be fully mitigated. Immediate annuities have lower behavior risks than deferred annuities, but contain interest rate risk, and longevity risk if annuity payments are life contingent.

Income from fixed annuities is generated by spread on investment earnings over the credited rate, policy fees if applicable, and surrender charges. Fees and surrender charges are not a large source of revenue on fixed annuities.

An immediate annuity is purchased with a single lump sum premium payment, and the benefit payments generally begin within a year of purchase. The benefit payment period may be for a fixed period, for as long as the beneficiary is alive, or for a combination of the two. Some immediate annuities and payout options under deferred annuities also offer the owner or beneficiaries the option to surrender the annuity to have access to the account value if needed for unexpected events.

The policyholder may surrender the annuity prior to maturity and receive the cash value less surrender charges. Fixed annuities have a specified crediting rate that may be reset periodically at the Company s discretion after an initial guarantee period. Fixed annuity contracts in the United States also offer guaranteed minimum surrender values and payout options. Fixed annuities have a maturity date at which benefits must be used, or the contract surrendered. This date normally corresponds to the annuitant s age, up to a maximum of 95 years. Upon maturity of the annuity, the policyholder s payout options include a lump sum payment, income for life, or payment for a specified period of time.

Minimum interest rate guarantees exist in all generations of fixed annuity products, as they are required by state non-forfeiture regulations. The average minimum interest rate guarantees and the average current credited rate of the in-force fixed annuity block are approximately 2.62% and 2.92% respectively (as of the fourth quarter 2014). Equity indexed annuities offer additional returns that are index-linked to published stock market indices and proprietary indices, with a minimum cash value equal to a percentage of the premium increased at a minimum fixed or variable rate. Equity indexed annuities make up a small fraction of the in-force business. Certain fixed annuity products also offer a bailout provision. Under the bailout provision, if the crediting rate falls below the bailout rate, policyholders may surrender their contracts without incurring any surrender charges.

Sales and distribution

Aegon USA underwrites fixed and variable annuities through its various life insurance companies. Transamerica Capital Inc. (TCI), the underwriting and wholesaling broker-dealer, distributes variable annuities and mutual funds through major wirehouse firms, regional broker-dealers, and a large bank network. TCI serves these distribution channels through affiliated and external wholesalers.

From late 2009, Aegon USA reduced its sales of fixed annuities in response to lower market interest rates and lower investment returns. Similar market conditions continue to restrict sales of fixed annuities and, as a result, Aegon USA has de-emphasized their sale.

Transamerica Financial Advisors (TFA) provides a range of financial and investment products, operating as a retail broker-dealer registered with the Financial Industry Regulatory Authority (FINRA) and an investment advisor registered with the Securities and Exchange Commission (SEC). Products offered by TFA include mutual funds, variable life insurance, variable annuities and other securities.

Employer market

Aegon USA offers retirement plans, pension plans, and pension-related products and services to employers, in addition to step-by-step guidance to people that are transitioning to, or living in, retirement related to five key areas: lifestyle, investments, health care, protection and income.

Aegon USA covers a range of different retirement plans, including:

¿ 401(k) - a type of deferred compensation plan sponsored by a corporation (including subchapter S), self-employed individual, sole proprietorship, partnership or non-profit organization;
¿ 403(b) - a type of deferred compensation plan for certain employees of tax-exempt organizations and certain members of the clergy;

- 457(b) - a type of deferred compensation plan sponsored by governmental and certain non-governmental employers in the United States;
- Deferred compensation plan - a plan or agreement that defers the payment of a portion of the employee s compensation to a future date, and that may also include a contribution made by the employer for the employee s benefit;
- Defined benefit - a pension plan in which an employer promises a specified monthly benefit on retirement that is predetermined by a formula based on the employee s earnings history, tenure of service and age;
- Defined contribution - a plan in which the contributions made to the plan by the employee and/or employer are allocated to the employee s individual account under the plan. Examples of defined contribution plans include 401(k) plans, 403(b) plans, 457(b) plans, money purchase plans and profit-sharing plans; and
- Profit-sharing - a type of defined contribution plan in which the employer may make a contribution, on behalf of the plan participants, to the plan each year, either out of the company s profits or from otherwise.

Products

Retirement plans

Transamerica Retirement Solutions is a leading provider of retirement plans in both the institutional market (mid- to large-sized organizations) and the emerging market (small US employers).

In the institutional market, Transamerica Retirement Solutions offers a wide array of investment options designed to create a fully customized investment line-up for clients, and a personalized retirement funding strategy for their retirement plan participants. Transamerica Retirement Solutions open architecture investment platform provides access to a broad range of investment options, including institutional and retail mutual funds, registered or non-registered variable annuities, and a collective investment trust. The investment options offered in each plan are selected by the client or the client s financial advisor.

In the emerging market, Transamerica Retirement Solutions offers fully bundled and partially bundled retirement plan solutions to small and mid-sized employers. These plans are predominantly supported by a group variable annuity product, where plan assets are invested primarily in separate account investment choices, including bond and equity investment choices, and cash equivalent choices. A fixed account cash vehicle may also be available on most plans. The investment choices are selected by the client or by the client s financial advisor.

Single premium group annuities

Single premium group annuities (Terminal Funding) is a non-participating group annuity product. This product is commonly used for an insurance company takeover of a terminating defined benefit pension plan. The Company receives a single deposit from the contract holder and in return guarantees the payment of benefits to participants. Usually these annuity payments are paid monthly for the life of the participant or participant and spouse, commencing immediately for retired participants or at some date in the future for deferred participants.

Stable Value Solutions

Transamerica Stable Value Solutions (SVS) provides synthetic Guaranteed Investment Contracts (GICs) in the United States, primarily to tax-qualified institutional entities such as 401(k) plans and other retirement plans. SVS provides a synthetic GIC wrapper around fixed-income invested assets, which are owned by the plan and managed by the plan or a third-party money manager hired by the plan. A synthetic GIC is typically issued with an evergreen maturity and may be terminated under certain conditions. Such a contract helps to reduce fluctuations in the value of the wrapped assets for plan participants, and provides book value benefit-responsiveness.

Sales and distribution

Transamerica Retirement Solutions provides a comprehensive and customized approach to retirement plan management for mid- to large-sized defined contribution, defined benefit and non-qualified deferred compensation retirement plans. Transamerica Retirement Solutions institutional market clients are generally organizations with 250 to 100,000 employees, and between USD 20 million and USD 2 billion in retirement assets.

Transamerica Retirement Solutions retirement plan products and services are distributed through intermediaries such as retirement plan advisors, benefit consultants, and financial planners. Transamerica Retirement Solutions works closely with strategic alliance relationships and more broadly with many broker-dealers.

Transamerica Retirement Solutions also offers single premium group annuities in the United States, which are used by companies to decrease the liability of their defined benefit plans. The market is growing in this segment as more employers look to reduce the cost and complexity of their pension liabilities, often driven by widespread economic and sector restructuring.

For those individual plan participants who are in transition due to losing or changing jobs, or planned retirement, Transamerica Retirement Solutions provides personal retirement services by telephone through a team of experienced registered representatives and investment advisors. In addition, Transamerica Retirement Solutions provides pre-retirees guidance and support to transition to and through retirement. Transamerica Retirement Solutions offers a variety of solutions, including Individual Retirement Accounts (IRAs), advisory services, annuities and access to other insurance related products and resources. Each plan for retirement can be tailored to the goals and needs of the individual.

Latin America

Aegon s business in Latin America comprises a 50% interest in Mongeral Aegon Seguros e Previdência S.A., a Brazilian independent life insurer, and a 49% interest in Seguros Argos S.A. de C.V., a Mexican life insurance company. Mongeral Aegon s insurance activities include pension product distribution, individual and group life insurance products, and administrative services. Seguros Argos s primary product is a 20-year term life insurance product. Both insurance companies distribute their products in the worksite market. Aegon is also a 50% owner of a joint venture with Adminstradora Akaan S.A. de C.V. to create Akaan-Aegon S.A.P.I. de C.V. to explore financial service opportunities. This organization is in the startup process and will initially focus on third-party asset management.

Run-off businesses

Institutional spread-based business

This business was put into run-off in 2009. The primary products included Guaranteed Investment Contracts (GICs), Funding Agreements (FAs), and Medium Term Notes (MTNs).

Guaranteed investment contracts and funding agreements

GICs were generally issued to tax qualified plans, while FAs and MTNs were typically issued to non-tax qualified institutional investors.

GICs and FAs are spread-based products issued on a fixed-rate or floating-rate basis. They provide the customer with a guarantee of principal and a specified rate of return. Some spread products were issued by pledging selling with the intent to repurchase or lending investment securities that serve as collateral for these products. Practically all of the liabilities represented by the fixed-rate contracts were effectively converted to a floating-rate via swap agreements, and contracts issued in foreign currencies were converted at issuance to US dollars through swap agreements to eliminate currency risk. Credited interest on floating-rate contracts normally resets on a monthly basis to various market indices. The term of the contract may be fixed generally from six months to ten years or have an indefinite maturity. Market-indexed contracts provide a return based on the market performance of a published index designated in the contract. Futures or swap contracts are used to hedge the market risk on market-indexed contracts and effectively convert such contracts to a floating-rate.

Medium-term notes

Before 2009, Aegon USA utilized consolidated special purpose entities to issue MTNs that are backed by FAs. The proceeds of each note series were used to purchase an FA from an Aegon insurance company, which was used to secure that particular series of notes. The payment terms of any particular series substantially matched the payment terms of the FA that secured that series.

Payout annuities

Payout annuities are a form of immediate annuity. Aegon USA has since 2003 no longer issued these contracts, but continues to administer the closed block of business. These contracts were typically purchased as a result of a lawsuit or claim, with the injured party receiving special tax treatment. Rather than paying the injured party a lump sum, the payments were structured as a lifetime annuity with mortality risk, a period certain annuity, or a combination of both.

Bank- and corporate-owned life insurance

Aegon USA services life insurance products sold to the bank- and corporate-owned life insurance (BOLI/COLI) market in the United States. BOLI/COLI helps institutional customers fund long-term employee benefits such as executive compensation and post-retirement medical plans. The corporation insures key employees, and is the owner and beneficiary of the policies. New sales of BOLI/COLI were discontinued in 2010.

Clark Consulting specializes in the servicing and administration of bank-owned life insurance. Clark Consulting s relationships and service model help maintain strong persistency for the block of business.

Life reinsurance

In August 2011, Aegon completed the divestment of its life reinsurance business, Transamerica Reinsurance, to SCOR, a global reinsurance company based in France. Under the agreement, Aegon divested its global life reinsurance activities with the exception of select blocks of business. The retained businesses comprise mainly variable annuity guarantee business.

Competition

Competitors of Aegon Americas companies include other large and highly-rated insurance carriers, in addition to certain banks, securities brokerage firms, investment advisors, and other financial intermediaries marketing insurance products, annuities and mutual funds. Aegon USA leverages long-term relationships with many institutions to offer them product lines such as variable annuities, life insurance, mutual funds, and 401(k) products.

In the United States, the Life & Protection division faces competition from a variety of carriers. Leading competitors include AIG, Genworth, John Hancock, Lincoln National, MetLife, and Prudential. In Canada, the primary competitors are Industrial-Alliance, Manulife Financial, Power Corporation (comprising Canada Life, Great West

Life, London Life), and Sun Life Financial. The result is a highly competitive marketplace and increasing commoditization in many product categories.

Aegon USA markets variable universal life, mutual funds, and variable annuities to middle-income clients with equity investment objectives. Variable annuity sales are often driven by the competitiveness of the living benefits offered by competitors, with most product development focusing on guaranteed lifetime withdrawal benefits, which guarantee lifetime withdrawals of a certain amount under certain conditions. There is continued interest, and strong competition among providers, in guaranteed lifetime withdrawal products. Aegon USA competes in the variable annuity marketplace. It maintains an effective wholesaling force, and focuses on strategic business relationships and products with competitive features, benefits and pricing. Aegon USA s primary competitors in the variable annuity market are AIG, Jackson National, Lincoln National, MetLife, Nationwide, and Prudential.

The top five competitors in the mutual fund market are American Funds, Fidelity, Vanguard, PIMCO, and T. Rowe Price.

The retirement plan market continues to evolve rapidly and is facing growing regulatory compliance pressures, continuing demand for technological innovation, pricing pressures, and provider consolidation. Aegon USA s ability to achieve greater economies of scale in operations will be assisted by continued growth in key market segments, technology improvements, and process management efficiency.

In the defined contribution market, Aegon USA s main competitors are Fidelity, Mass Mutual, New York Life, Principal Financial, Schwab, T. Rowe Price, and Vanguard. Aegon USA s main competitors in the defined benefit segment are Mass Mutual, New York Life, Principal Financial, and Prudential. In the emerging market segment and the multiple employer plan segment, Aegon USA s main competitors are American Funds, Fidelity, ING, John Hancock, and Principal Financial. In the single premium group annuity market, Aegon USA s main competitors are John Hancock, Mass Mutual, MetLife, Mutual of Omaha, and Prudential.

Regulation and supervision

Aegon USA

Aegon USA s insurance companies are subject to regulation and supervision in the states and jurisdictions in which they transact business, maintain offices or otherwise have a business presence. Regulators in each of those states and jurisdictions have broad powers to grant or revoke licenses to transact business, regulate trade and marketing practices, license agents, approve policy forms and certain premium rates, set reserve and capital requirements, determine the form and content of required financial reports, examine the insurance companies, prescribe the type and amount of investments permitted, levy fines and seek restitution, fines, sanctions or other monetary penalties for failure to comply with applicable regulations. The international businesses of Aegon USA are governed by the laws and regulations of the countries in which they transact business, maintain offices or otherwise have a business presence.

Insurance companies are subject to a mandatory audit every three to five years by their domestic state insurance departments, and every year by their independent auditors. In addition, examinations by non-domestic state insurance departments are conducted, on a targeted, random or cyclical basis. Some state Attorneys General have also commenced investigations into a number of insurers business practices. Within the insurance industry, substantial liability has been incurred by insurance companies based on their past sales, marketing and operational practices. Aegon USA continues to focus on these compliance issues, and costs may increase as a result of these regulatory activities.

State insurance regulators have risk-based capital (RBC) standards for life insurance companies, established by the National Association of Insurance Commissioners (NAIC). The RBC Model Act (Model Act) provides for various actions should an insurer s adjusted capital, based on statutory accounting principles, fall below certain prescribed levels (defined in terms of its risk-based capital). The adjusted capital levels of the Aegon USA insurance companies currently exceed all of the regulatory action levels as defined by the Model Act. Any modification of these adjusted capital levels by the regulators or rating agency capital models may impact Aegon USA. The statutory accounting (reserve) requirements for term and universal life products are widely acknowledged to be very conservative. These continue to cause capital strain for the life insurance industry and, in volatile market conditions, funding for these reserves is challenging.

In 2010, the NAIC amended its Insurance Holding Company System Regulatory (Holding Company) Act to enhance disclosure to regulators about risk exposure insurer s face from within their holding company system. Pre-existing insurance holding company statutes and the regulations of each insurer s domiciliary state in the United States already impose various limitations on investments in affiliates, and require prior approval of the payment of dividends above certain threshold levels by the licensed insurer to Aegon or its affiliates. The 2010 revisions to the Holding Company Act also authorized supervisory colleges, and at the end of 2014 the NAIC added a framework in that model for determining the group-wide supervisor of internationally active insurance groups. In response to international developments, the NAIC also passed a new Own

Risk and Solvency Protection Model Act and Guidance Manual, to come into effect in 2015. The NAIC passed a revised Model Standard Valuation Law (SVL) and Valuation Manual, which together established Principles-Based Reserving (PBR) in 2012. 20 states, including Iowa, had passed the SVL as of the end of 2014. As adoption by a supermajority of states is required for PBR to be effective in any state, the effective date of PBR is expected to be 2016 or later. The NAIC adopted a conceptual framework for regulation of captives in 2014. The final changes to the use of captives on the Company cannot be predicted at this time. NAIC also passed a new model on corporate governance standards in late 2014.

Although historically the federal government of the United States has not regulated the insurance business, many federal laws impact the insurance business in a variety of ways. US federal and state privacy laws and regulations impose restrictions on financial institutions use, disclosure, and security of customer information, including obligations in the event of data security breaches. Congress is considering proposals intended to assist in combating cyber-threats. Proposals designed to assist the federal government in combating cyber-threats could impose additional obligations on companies to provide information relative to the effort. At this time, it is uncertain what impact, if any, these proposals may have on insurers.

In addition to the US Congress, non-traditional insurance regulators are increasingly involved in insurance matters traditionally reserved for state regulation. The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), enacted in 2010, established the Federal Insurance Office (FIO). While the FIO has no direct regulatory authority over US insurers, it does have certain authority to represent the US government in establishing international regulatory standards for insurers, and to represent the US insurance industry in international matters. The FIO is also authorized to monitor all aspects of the insurance industry, including identifying issues or gaps in the regulation of insurers that could contribute to a systemic crisis in the insurance industry.

The Dodd-Frank Act has entrusted to the Board of Governors of the Federal Reserve Board (the Federal Reserve) a significant regulatory role with respect to life insurers that are either designated as systemically significant (SIFIs) or have a bank within the group. The Federal Reserve is responsible for prudential supervision of SIFIs, including development of enhanced capital standards for insurer SIFIs. In late 2014, the Insurance Capital Standards Act was enacted. This provides the Federal Reserve with the authority to develop insurance-centric capital standards for insurer SIFIs. Finally, the International Association of Insurance Supervisors (IAIS), which includes the Federal Reserve, FIO and representatives of state regulators, is developing international capital and supervisory standards for internationally active insurance groups (IAIGs), such as Aegon. The extent to which these developments or the activities of the

FIO and the Federal Reserve will impact Aegon USA and the regulation of insurance in the United States, or life insurers in the United States or internationally, is still to be determined.

Federal laws and the rules of the Federal Trade Commission (FTC) and the Federal Communications Commission (FCC) prohibit telephone solicitations to customers who have placed their telephone numbers on the National Do Not Call Registry. In addition, proposals to place restrictions on direct mail are considered from time to time by the US Congress and states. These existing restrictions have an adverse impact on the telemarketing efforts of Aegon USA, and new proposals, if enacted, will likely have a further impact on mail efforts. Proposed Federal Reserve Board disclosures regarding credit insurance provided in connection with a loan, if enacted as proposed, would adversely impact the market for credit insurance.

Many supplemental health insurance products offered by the Aegon USA companies, such as Medigap, are subject to both federal and state regulation as health insurance. The Patient Protection and Affordable Care Act (PPACA), enacted in 2011, significantly changes the regulation of health insurance and delivery of health care in the United States, including in certain respects, the regulation and delivery of supplemental health insurance products. Individual states are required to establish health care exchanges for the purchase of health care insurance by individuals. The extent to which employers may discontinue their provision of supplemental health insurance products to retired employees and the extent to which supplemental health insurance products may be sold through state exchanges may significantly impact Aegon USA s supplemental health products business. In implementing PPACA, several states are considering tax assessments on supplemental health insurance products to help finance the state exchange. The American Council of Life Insurers (ACLI) is litigating the District of Columbia s attempt to introduce such an assessment. There is no assurance that the ACLI will be successful in its challenge or that other states will not seek to institute similar tax assessments.

Furthermore, certain policies and contracts offered by Aegon USA s insurance companies are subject to regulation under the federal securities laws administered by the Securities and Exchange Commission (SEC) and certain state securities laws. The SEC conducts regular examinations of the insurance companies variable life insurance and variable annuity operations, and on occasion makes requests for information from these insurers in connection with examinations of affiliate and third-party broker-dealers, investment advisors and investment companies. The SEC and other governmental regulatory authorities, including state securities administrators, may institute administrative or judicial proceedings that may result in censure, fines, issuance of cease-and-desist orders, or other sanctions against insurance companies or their distributors.

Sales of variable insurance and annuity products are regulated by the SEC and the Financial Industry Regulatory Authority (FINRA). The SEC, the FINRA and other regulators have from time to time investigated certain sales practices involving variable annuities and transactions in which an existing variable annuity is replaced by, or exchanged for, another annuity. Certain separate accounts of Aegon USA insurers are registered as investment companies under the Investment Company Act of 1940, as amended (the Investment Company Act). Separate account interests under certain annuity contracts and insurance policies issued by the insurance companies are also registered under the Securities Act of 1933, as amended (the Securities Act). Aegon USA insurance companies and other subsidiaries also own or manage other investment vehicles that are exempt from registration under the Securities Act and the Investment Company Act but may be subject to other requirements of those laws, such as anti-fraud provisions and the terms of applicable exemptions.

A number of Aegon USA companies are registered as broker-dealers with the SEC under the Securities Exchange Act of 1934, as amended (the Securities Exchange Act), and are regulated by the FINRA. A number of Aegon USA companies are also registered as investment advisors under the Investment Advisers Act of 1940. In accordance with Dodd-Frank Act requirements, the SEC studied and recommended a harmonized standard of care for broker-dealers, investment advisors and persons associated with firms that provide personalized investment advice. The SEC has solicited comments on the costs and benefits of regulations to establish a harmonized standard of care. It has not, however, set a date for proposal of those regulations. Legislation has been proposed in prior congresses that would establish a self-regulatory organization for the examination of investment advisors although no action was taken on the legislation. Finally, the SEC has reformed the regulation of institutional money market funds by requiring those funds to price and transact their shares at a market value floating net asset value per share (NAV). The SEC has also provided money market fund boards with the discretion to stem heavy redemptions by, among other tools, imposing liquidity fees and gates in the fund s best interests. The SEC has set a two-year period for compliance. The impact of these requirements and any future regulations regarding investment advisors, money market funds, or other investment products cannot be predicted at this time.

The financial services industry which includes businesses engaged in issuing, administering, and selling fixed and variable insurance products, mutual funds, and other securities, and also includes broker-dealers continues to operate under heightened scrutiny and increased regulation in various jurisdictions. Such scrutiny and regulations have included matters relating to so-called producer compensation arrangements, suitability of sales (especially to seniors), selling practices, unclaimed property reporting, revenue sharing, and valuation issues involving mutual funds and life insurance separate accounts and their underlying funds. Aegon USA s companies, like other businesses in the financial services industry, have received inquiries, examinations, and requests for information from regulators and others relating to certain historical and current practices with respect to these and other matters. Some of those inquiries have led to investigations, which remain open, or have resulted in fines, corrective actions or restitution. Aegon USA companies continue to cooperate with these regulatory agencies. In certain instances, Aegon USA companies modified business practices in response to those inquiries or findings. Certain Aegon USA companies have paid, or have been informed that the regulators may seek, restitution, fines or other monetary penalties or changes in the way that business is conducted. The impact of any such fines or other monetary penalties is not expected to have a material impact on Aegon USA s financial position, net income or cash flow. Since the early 2000s, there has been an increase in litigation across the industry, together with new legislation, regulations, and regulatory initiatives, all aimed at curbing alleged improper annuity sales to seniors. As many of the estimated 78 million baby boomers are reaching the age of 60, the industry will likely see an increase in senior issues presented in various legal arenas. In addition, certain industry practices in respect of market conduct have been the subject of investigations by various state regulators. Management expects any significant marketplace volatility to drive further regulation and litigation, which could increase costs and limit Aegon USA s ability to operate.

Some Aegon USA companies offer products and services to individual retirement accounts (IRAs) pension and welfare benefit plans that are subject to the federal Employment Retirement Income Security Act (ERISA). ERISA is administered by the US Department of Labor (DOL) and Internal Revenue Service (IRS). Accordingly, the DOL and IRS have jurisdiction to regulate the products and services sold by these Aegon USA businesses. The DOL has issued regulations defining the nature of fees to be paid for investment advice in these plans, in addition to requiring increased fee disclosure from defined contribution plan service providers and to plan participants. The DOL has indicated that it will re-propose regulations regarding the scope of an investment advice fiduciary in IRAs and defined contribution plans, and the consequent ability of service providers to IRAs and defined contribution plans to provide investment advice under current compensation models, in addition to further define the nature of a plan sponsor s obligations regarding certain plan participants investment options selected through a plan s brokerage window. Implementation of these and other regulations in the manner proposed could increase the cost and administrative burdens experienced by those Aegon USA companies that provide services to and through IRAs and defined contribution plans.

Finally, both the US Treasury Department and the DOL have published, in final and proposed forms respectively, guidance to facilitate the offering of guaranteed lifetime income products

(for example annuities), both as an investment option in a retirement savings plan or as a distribution from that plan. US federal legislation has also been proposed that is designed to increase savings in employer retirement plans and to facilitate managing those retirement savings as income in retirement through annuities. The likelihood that these legislative proposals will be passed or the regulatory guidance finalized cannot be predicted at this time. The proposed legislation and guidance, if enacted and finalized as proposed, would however increase the awareness of the benefits of annuitization and/or would significantly reduce the administrative burden of offering annuities within a retirement savings plan or as a distribution option from the plan.

In an attempt to increase the number of workers covered by a retirement savings plan, California has enacted legislation that would permit non-governmental workers to join the state government workers retirement plan or a similar governmental plan. Certain steps must be taken, however, before the legislation can be implemented. Several other states are considering similar legislation. The opening of state retirement plans to non-governmental workers could impact the products and services sold by some Aegon USA companies to private employers in those states.

Although the insurance business is regulated at a state level, the US federal tax treatment of life insurers, life insurance, pension and annuity products is governed by the US federal tax code. Provisions that increase the taxation of life insurers, as well as remove or decrease the value of tax incentives for life insurance, pensions and annuity products considered alone and relative to other investment vehicles have been proposed in the Executive Administration s annual budget for the US federal government and set forth in discussion drafts and whitepapers on comprehensive federal tax reform legislation. Executive Administration budget proposals, legislative proposals and discussion drafts must be enacted by Congress before they become law. The risk of tax law changes is heightened when additional revenue is sought to reduce the federal deficit or to pay for other tax law changes, such as lower tax rates. In addition, tax reform initiatives of the type contemplated by discussion drafts of comprehensive federal tax reform legislation further increase the risk of both increased taxation of life insurers and of decreased tax incentives for short- and long-term savings products. These changes, if enacted, would have a direct impact on the cost and competitiveness of life insurance, annuity and pension products sold to ensure Americans financial and retirement security.

Regulations announced under the Dodd-Frank Act that limit investment by banks in certain financial services products or increase the cost of issuing certain life insurance products would have an adverse impact on the sale of life insurance products. In particular, the market for stable value products sold to defined contribution plans, in addition to other insurance products, would be adversely affected if it were decided that these products should be regulated as derivatives. Finally, regulations under recently enacted legislation that would limit the ability of an insurer to access the US Social Security Administration s death master-file records would adversely impact the efficient administration of its life insurance policies.

There have also been occasional legislative proposals in the US Congress that adversely impacted foreign-owned companies, such as proposals containing a corporate residency provision that would redefine some historically foreign-based companies as US corporations for US tax purposes, and proposals that limit the deductibility of interest on debt paid to a non-US affiliate. The likelihood of enactment of any such legislation cannot be predicted with any certainty at this time.

Many details of the Dodd-Frank Act were left to study or regulation. The impact of the Dodd-Frank Act on Aegon USA, or the life insurance market in general, cannot therefore be fully determined until the regulations implementing the Dodd-Frank Act are promulgated and the studies completed. For example, the Dodd-Frank Act established the Federal Stability Oversight Council (FSOC), which is responsible for identifying systemically significant companies that are to be subject to additional oversight and heightened and other prudential standards imposed by the Federal Reserve Board. While Aegon USA has not to date been identified by FSOC as systemically significant, the likelihood of future identification of Aegon USA as systemically significant and/or the impact of any designation of other insurers as systemically significant on the competitive position of Aegon USA cannot be predicted at this time.

Aegon USA companies administer and provide both asset management services and products used to fund defined contribution plans, individual retirement accounts, 529 plans and other savings vehicles. Changes to defined benefit plans by sponsors in reaction to the financial economic environment and the enactment of funding relief provisions may impact the services Aegon USA companies provide to these plans. In addition, legislative and regulatory proposals are considered from time to time that relate to the disclosure and nature of fees paid by defined contribution plan sponsors and their participants. Other proposals that may be considered relate to the nature of education, advice or other services Aegon USA companies provide to defined contribution plan sponsors and their participants. Finally, as noted above, proposals to change the structure, or remove or decrease the US federal tax preferences of pension and annuity products, either as part of tax reform or pursuant to deficit reduction, would directly impact the cost and competitiveness of pension and annuity products and pension services sold to ensure Americans financial and retirement security. Aegon USA companies also provide plans used to administer benefits distributed upon termination of defined benefit plans.

Any proposals that seek to either restrict fees and services to, or investment advice in, employer plans, or change the manner in which Aegon USA companies may charge for such services in a way that is inconsistent with business practices, will adversely impact the Aegon USA companies that provide administration and investment services and products to employment based plans.

Aegon Canada

Transamerica Life Canada (TLC) and Canadian Premier Life (CPL) are organized and regulated pursuant to the federal Insurance Companies Act (Canada). The primary regulator is the Office of the Superintendent of Financial Institutions. In addition, TLC and CPL are subject to the laws, regulations and insurance commissions of each of

Canada s ten provinces and three territories in which it operates. The laws of these jurisdictions generally establish supervisory agencies with broad administrative powers that include granting and revoking licenses to conduct business, regulating trade practices, licensing agents, establishing reserve requirements, determining permitted investments, and establishing minimum levels of capital. TLC s ability to continue to conduct its insurance business depends upon the maintenance of its licenses at both the federal and provincial/territorial levels. It is also governed by policy statements and guidelines established by the Canadian Life & Health Insurance Association.

The mutual fund and investment management operations of Aegon Canada are governed by the Securities Acts of each province and territory.

Asset liability management

Aegon USA s insurance companies are primarily subject to regulation under the laws of the states in which they are domiciled. Each state s laws prescribe the nature, quality, and percentage of various types of investments that may be made by the companies. Such laws generally permit investments in government bonds, corporate debt, preferred and common stock, real estate, and mortgage loans. Limits are generally placed on other classes of investments.

The key investment strategy for traditional general account insurance is asset liability management (ALM), whereby predominately high-quality investment assets are matched in an optimal way to the corresponding insurance liability. This strategy takes into account currency, yield and maturity characteristics. Asset diversification and quality considerations are also taken into account, along with considerations of the policyholders guaranteed or reasonably expected excess interest sharing. Investment-grade fixed income securities are the main vehicle for ALM, and Aegon USA s investment personnel are highly skilled and experienced in these investments.

Aegon USA s companies manage their asset liability matching through the work of several committees. These committees review strategies, define risk measures, define and review asset liability management studies, examine risk-hedging techniques, including the use of derivatives, and analyze the potential use of new asset classes. The primary method for analyzing interest rate sensitivity is the economic capital risk measure. Under this measure the sensitivity of assets relative to liabilities is calculated in a market consistent manner and presented as the risk of loss in a 1 in 200-year event. Another methodology used to analyze risk is cash flow testing. Cash flow testing analysis is performed using computer simulations, which model assets and liabilities under projected interest rate scenarios and commonly used stress-test interest rate scenarios. Cash flow testing is run using defined scenarios and is a real world simulation. It takes into account various forms of management action such as reinvestment and sales decisions, along with spreads and defaults on Aegon s assets, which is not the case in a market consistent framework.

Based on the results of these risk measures, an investment portfolio is constructed to best match the cash flow and interest sensitivity of the underlying liabilities, while trying to maximize the spread between the yield on the portfolio assets and the rate credited on the policy liabilities. ALM is a continual process. Results from the economic framework and scenario testing are analyzed on an ongoing basis and portfolios are adjusted accordingly. Decisions are made based on minimizing the amount of interest rate risk capital, while maximizing expected returns. These decisions are built into portfolio benchmarks in terms of duration and asset mix targets, and also in exploring hedging opportunities. On the liability side, Aegon USA has some offsetting risks, whereby some liabilities perform better in rising interest rate environments, while others tend to perform well in falling interest rate environments. The amount of offset may vary depending on the absolute level of interest rates, together with the magnitude and timing of interest rate changes, but it generally provides some level of diversification. On the asset side, hedging instruments are continuously studied to determine whether their cost is commensurate with the risk reduction they offer.

Reinsurance ceded

Ceding reinsurance does not remove Aegon s liability as the primary insurer. Aegon could incur losses should reinsurance companies not be able to meet their obligations. To minimize its exposure to the risk of such defaults, the creditworthiness of Aegon s reinsurers is monitored regularly.

Aegon USA

These reinsurance contracts are designed to diversify Aegon USA s overall risk and limit the maximum loss on risks that exceed policy retention levels. The maximum retention limits vary by product and class of risk up to USD 15 million.

Aegon USA remains contingently liable with respect to the amounts ceded should the reinsurance company not be able to meet its obligations. To minimize its exposure to such defaults, Aegon USA regularly monitors the creditworthiness of its reinsurers, and where appropriate, arranges additional protection through letters of credit or trust agreements. For certain agreements, funds are withheld for investment by the ceding company. Aegon USA has experienced no material reinsurance recoverability problems in recent years.

Aegon USA reinsures part of its life insurance exposure with both third-party reinsurers under quota share (traditional indemnity) reinsurance treaties, and excess-of-loss contracts. Aegon USA s reinsurance strategy is consistent with typical industry practice.

Aegon USA insurance companies also enter into contracts with company-affiliated reinsurers, both within the United States and overseas. These contracts have been eliminated from the Company s consolidated financial statements.

Aegon Canada

In the normal course of business, Transamerica Life Canada reinsures part of its mortality and morbidity risk with third-party reinsurers that are registered with Canada s Office of the Superintendent of Financial Institutions. The maximum life insurance exposure retained is CAD 1.25 million per life insured.

Table of Contents

Results 2014 the Netherlands

Amounts in EUR millions	2014	2013	%
Net underlying earnings	**423**	**352**	**20%**
Tax on underlying earnings	135	102	32%
Underlying earnings before tax by business			
Life & Savings	336	247	36%
Pensions	194	206	(6%)
Non-life	13	(20)	-
Distribution	15	18	(17%)
Share in underlying earnings before tax of associates	1	2	(50%)
Underlying earnings before tax	**558**	**454**	**23%**
Fair value items	(766)	(41)	-
Gains / (losses) on investments	431	342	26%
Net impairments	(12)	(32)	63%
Other income / (charges)	(113)	(36)	-
Income before tax	**99**	**687**	**(86%)**
Income tax	(37)	(166)	78%
Net income	**62**	**521**	**(88%)**
Life insurance gross premiums	3,982	3,515	13%
Accident and health insurance premiums	233	243	(4%)
General insurance premiums	501	487	3%
Total gross premiums	**4,716**	**4,245**	**11%**
Investment income	2,568	2,310	11%
Fees and commission income	324	328	(1%)
Total revenues	**7,608**	**6,883**	**11%**
Commissions and expenses	977	990	(1%)
of which operating expenses	726	732	(1%)

New life sales

Amounts in EUR millions	2014	2013	%
Life & Savings	33	40	(18%)
Pensions	218	166	31%
Total recurring plus 1/10 single	**251**	**206**	**22%**

Amounts in EUR million	2014	2013	%

New premium production accident and health insurance	9	24	(61%)
New premium production general insurance	26	26	1%

Gross deposits (on and off balance)	**2014**	2013	%
Life & Savings	2,708	1,338	102%
Pensions	73	-	-
Total gross deposits	**2,781**	**1,338**	**108%**

Results 2014 the Netherlands[1]

2014 net income decreased to EUR 62 million compared with 2013 due mostly to higher losses from fair value items, partly offset by higher underlying earnings before tax and higher realized gains. Growth in underlying earnings was mostly driven by higher investment income and an employee pension-related reserve release. Higher new life sales were driven by increased pension production and higher gross deposits were driven by growth of online bank Knab.

Net income

Net income from Aegon s businesses in the Netherlands decreased to EUR 62 million in 2014 compared with 2013. Higher losses from fair value items and an increase in other charges in in 2014 partly offset by higher underlying earnings before tax and realized gains compared with 2013. Realized gains on investments totaled EUR 431 million, and were mainly the result of the sale of a private equity investment and repositioning the fixed income portfolio in anticipation of Solvency II. Results on fair value items amounted to a loss of EUR 776 million, primarily related to model updates and hedging programs. In 2014, impairment charges declined by more than half, compared with 2013, to EUR 12 million as a result of lower mortgage arrears. Other charges of EUR 113 million were mostly due to a EUR 95 million provision for the Optas agreement.

Underlying earnings before tax

Underlying earnings before tax in 2014 increased 23% to EUR 558 million compared with 2013. Higher underlying earnings before tax in Life & Savings and Non-life more than offset lower underlying earnings before tax from Pensions.

- Underlying earnings before tax from Life & Savings increased 36% to EUR 336 million compared with 2013, and were mostly a result of higher investment income, primarily generated by mortgage production, and improved margins on savings. An employee benefit reserve release resulting from legislation changes accounted for EUR 20 million of the increase.
- Underlying earnings before tax from Pensions decreased 6% to EUR 194 million compared with 2013. The positive impact of growth of the business and an employee benefit reserve release resulting from legislation changes of EUR 14 million was more than offset by lower investment income, mostly due to a reduced mortgage allocation to the investment portfolio.
- Non-life underlying earnings before tax improved to EUR 13 million in 2014, including the impact of an employee benefit reserve release resulting from legislation changes of EUR 11 million. Management actions taken to improve the profitability of the disability segment and the proxy channel in the general insurance business showed positive results, but are yet to have the desired impact. For this reason, Aegon expects to discontinue additional contracts in the proxy channel in 2015.
- Underlying earnings before tax from the Distribution business amounted to EUR 15 million in 2014. The decrease compared with 2013 was mainly driven by lower margins, as a result of the competitive market environment.

Commissions and expenses

Commissions and expenses decreased slightly in 2014 to EUR 977 million compared with 2013. Operating expenses decreased to EUR 726 million in 2014 compared with 2013, mainly the result of a EUR 45 million employee benefit reserve release resulting from legislation changes. Excluding this release, operating expenses increased 5%.

Production

New life sales increased 22% in 2014 compared with 2013 to EUR 251 million. Individual life sales declined 18% in 2014 to EUR 33 million compared with 2013, as the ongoing shift to banksparen products more than offset higher term sales related to new mortgage production. Pensions sales increased 31% in 2014 to EUR 218 million compared with 2013, mainly the result of a single large new contract for Dutch mineworkers. Production of mortgages in 2014 amounted to EUR 4.8 billion (2013: EUR 3.2 billion), of which EUR 2.1 billion was related to third-party investor demand (2013: EUR 0.5 billion).

Premium production for accident & health amounted to EUR 9 million in 2014 down from EUR 24 million in 2013. General insurance production was flat in 2014 compared with 2013 at EUR 26 million. Production was negatively impacted by the continued focus on improving profitability.

Gross deposits more than doubled in 2014 to EUR 2.8 billion compared with 2013 driven by the growth of Knab, Aegon s online bank in the Netherlands.

1 Throughout this report, Aegon the Netherlands refers to all Aegon companies operating in the Netherlands.

Table of Contents

Results 2013 the Netherlands

Amounts in EUR millions	2013	2012	%
Net underlying earnings	**352**	**436**	**(19%)**
Tax on underlying earnings	102	120	(15%)
Underlying earnings before tax by business			
Life & Savings	247	276	(11%)
Pensions	206	288	(28%)
Non-life	(20)	(27)	26%
Distribution	18	16	13%
Share in underlying earnings before tax of associates	2	2	-
Underlying earnings before tax	**454**	**556**	**(18%)**
Fair value items	(41)	47	-
Gains / (losses) on investments	342	138	148%
Net impairments	(32)	(29)	(10%)
Other income / (charges)	(36)	(279)	87%
Income before tax	**687**	**433**	**59%**
Income tax from certain proportionately consolidated joint ventures and associates included in income before tax	*-*	*(3)*	*-*
Income tax	(166)	(46)	-
Of which Income tax from certain proportionately consolidated joint ventures and associates included in income before tax	*-*	*3*	*-*
Net income	**521**	**387**	**35%**
Life insurance gross premiums	3,515	3,004	17%
Accident and health insurance premiums	243	220	10%
General insurance premiums	487	475	3%
Total gross premiums	**4,245**	**3,699**	**15%**
Investment income	2,310	2,273	2%
Fees and commission income	328	329	-
Total revenues	**6,883**	**6,301**	**9%**
Commissions and expenses	990	1,026	(4%)
of which operating expenses	732	746	(2%)

New life sales

Amounts in EUR millions	2013	2012	%
Life & Savings	40	46	(13%)

Pensions	166	200	(17%)
Total recurring plus 1/10 single	**206**	**246**	**(16%)**

Amounts in EUR million	2013	2012	%
New premium production accident and health insurance	24	21	11%
New premium production general insurance	26	30	(13%)

Gross deposits (on and off balance)	2013	2012	%
Life & Savings	1,338	1,484	(10%)
Total gross deposits	**1,338**	**1,484**	**(10%)**

Results 2013 the Netherlands

2013 net income increased to EUR 521 million compared to 2012 due to higher realized gains on investments which is partly offset by lower underlying earnings before tax and a loss on fair value items (compared to a gain in 2012). The decrease in underlying earnings before tax was mostly driven by Pensions earnings, partially offset by lower operating expenses following implemented cost reduction initiatives.

Net income

Net income from Aegon s businesses in the Netherlands amounted to EUR 521 million. Realized gains on investments totaled EUR 342 million and were primarily the result of adjustments to the asset mix to bring it in line with the new regulatory yield curve and selective de-risking activities. Results on fair value items amounted to a loss of EUR 41 million, which was primarily driven by adverse real estate revaluations of EUR 74 million and a loss in the guarantee portfolio of EUR 118 million, offset by a gain of EUR 176 million from macro hedge accounting of Aegon s mortgage loan portfolio and a benefit of EUR 24 million due to an update of the prospective mortality table.

The loss in the guarantee portfolio was mainly the result of the tightening of Aegon s credit spread and model refinements. 2013 impairment charges amounted to EUR 32 million and other charges were EUR 36 million, which mainly included charges of EUR 25 million related to Koersplan (compared to a charge of EUR 265 million related to the acceleration of product improvements for unit-linked insurance products in 2012).

Underlying earnings before tax

Underlying earnings before tax from Aegon s operations in the Netherlands decreased 18% to EUR 454 million compared with 2012 due to lower earnings in Life & Savings and lower earnings in Pensions.

  - ¿ Earnings from Life & Savings declined 11% to EUR 247 million compared with 2012 and was impacted by EUR 28 million from reduced policy charges on unit-linked products, as part of the acceleration of product improvements for unit-linked insurance policies.
  - ¿ Earnings from Pensions decreased 28% to EUR 206 million mainly drive by the non-recurring benefit from the wind-up of several contracts and an employee benefit release.
- ¿ Non-life earnings improved to a loss of EUR 20 million in 2013. Higher investment income and lower claims on disability products more than compensated for lower profitability of the general insurance business. Distribution recorded a profit of EUR 18 million, up 13% from 2012. This was primarily driven by a continued focus on cost control.

Commissions and expenses

Commissions and expenses decreased by 4% in 2013 compared to 2012. Operating expenses decreased by 2% compared to 2012, to EUR 732 million, as realized cost savings and lower employee benefit expenses offset investments in the business.

Production

Total new life sales decreased 16% in 2013 to EUR 206 million. Individual life sales declined 13% to EUR 40 million in 2013, as the ongoing shift to banksparen products more than offset higher term life sales related to new mortgage production. Pensions sales declined 17% compared to 2012 as signing multiple new contracts was more than offset by the non-recurrence of a very large transaction in 2012. Production of mortgage loans in 2013 amounted to EUR 3.2 billion, up EUR 2.7 billion from 2012.

Premium production for accident & health amounted to EUR 24 million up from EUR 21 million in 2012. General insurance production declined 13% to EUR 26 million. Production was negatively impacted by the focus on profitable business.

Gross deposits decreased to EUR 1.3 billion, as a higher production of banksparen products was more than offset by a decline in traditional savings deposits.

Overview of the Netherlands

Aegon has operated in the Netherlands for more than 170 years, and has become the country s leading[1] provider of life insurance and pensions, with approximately 4,700 employees. Aegon the Netherlands is headquartered in The Hague, has offices in Leeuwarden and Groningen, and owns the Unirobe Meeùs Group, one of the largest[2] intermediaries in the Netherlands.

Organizational structure

Aegon the Netherlands operates through a number of brands, including TKP Pensioen, Optas and Unirobe Meeùs. Aegon itself is one of the most widely recognized brands in the Dutch financial services sector[3].

Aegon the Netherlands primary subsidiaries are:

- Aegon Bank N.V.;
- Aegon Levensverzekering N.V.;
- Aegon Schadeverzekering N.V.;
- Aegon Spaarkas N.V.;
- Optas Pensioenen N.V.;
- Aegon Hypotheken B.V.;
- TKP Pensioen B.V.;
- Unirobe Meeùs Groep B.V.;
- Aegon PPI B.V.; and

- Stichting CAPPITAL Premiepensioeninstelling.

Aegon the Netherlands has four lines of business:

- Life & Savings;
- Pensions;
- Non-life; and
- Distribution.

Overview of sales and distribution channels

Aegon the Netherlands sells through several channels. The Pensions business line includes sales and account management, which serves large corporations and financial institutions, such as company and industry pension funds. In general, all business lines use the intermediary channel, which focuses on independent agents and retail sales organizations in the Netherlands. Aegon Bank uses the direct channel, primarily for savings, and Aegon Schadeverzekering has strategic partnerships for the sale of its products, and uses an online channel. Aegon the Netherlands launched online bank Knab in 2012 and online insurer Kroodle in 2013. Furthermore, Aegon the Netherlands has made significant investments in its direct online channel, which is starting to generate results.

1 Source: DNB/CVS Reports 2013.
2 Source: AM 2013 Jaarboek, published by Assurantie Magazine.
3 Source: Tracking Report Motivaction+.

Overview of business lines

Life & Savings

Aegon the Netherlands provides a range of individual savings products, mortgage loans and life insurance and personal protection products and services, including traditional, universal and term life. Based on underlying earnings before tax, Life & Savings is Aegon the Netherlands largest line of business.

Products

Endowment insurance

Endowment insurance includes several products that accumulate a cash value. Premiums are paid at inception or over the term of the contract.

Accumulation products pay benefits on the policy maturity date, subject to survival of the insured. Most policies also pay death benefits should the insured die during the term of the contract. Death benefits may be stipulated in the policy or depend on the gross premiums paid to date. Premiums and amounts insured are established at inception of the contract. The amount insured can be increased as a result of profit sharing, if provided for under the terms and conditions of the product.

Minimum interest guarantees exist for all generations of accumulation products written, except for universal life type products for which premiums are invested solely in equity funds. Older generations contain a 4% guarantee; in 1999 the guarantee decreased to 3%; and in 2013 the guarantee decreased to 0%.

Various profit-sharing arrangements exist. Bonuses are either paid in cash (usually for a pension, as described later) or used to increase the sum insured. A common form of profit sharing is to set bonus levels by reference to external indices based on pre-defined portfolios of Dutch government bonds. The bonds included in the portfolios have differing remaining maturities and interest rates. Together they are considered an approximation of the long-term rate of return on high-quality Dutch financial investments.

Term and whole life insurance

Term life insurance pays out death benefits should the insured die during the term of the contract. Whole life insurance pays out death benefits in the event of death, regardless of when this occurs. Premiums and amounts insured are established at inception of the contract and are guaranteed. The amount insured may be adjusted at the request of the policyholder. Term life insurance policies do not include profit-sharing arrangements. Part of the whole life insurance portfolio has profit-sharing features, which are based on external indices or the return of related assets.

Annuity insurance

Annuity insurance includes products in the accumulation phase and products in the payout phase. Payout commences at a date determined in the policy, and usually continues until death of the insured or the beneficiary. Premiums are paid at inception of the policy or during the accumulation phase of the policy. The contracts contain minimum guarantees of 3% or 4%, and prior to 1999, of 4%. Interest rebates are given on both single and regular premium annuity insurance, and may be based on a portfolio of Dutch government bonds although other calculation benchmarks may also be applied. There are also profit-sharing schemes set by reference to external indices based on pre-defined portfolios of Dutch government bonds.

Variable unit-linked products

These products have a minimum benefit guarantee, except for premiums invested in equity funds. The initial guarantee period is ten years.

Tontine plans

Tontine plans are unit-linked contracts with a specific bonus structure. At the end of the year in which the insured dies, the policy balance is distributed to surviving policyholders that belong to the same tontine series, rather than to the policyholder s estate. A death benefit is paid to the dependents in the event that the policyholder dies before the policy matures. Tontine policyholders may invest premiums in a number of Aegon funds. Aegon the Netherlands manages but no longer sells tontine plans.

Mortgage loans

Before 2013, Aegon the Netherlands also offered interest-only, unit-linked and savings mortgage loans, and is continuing to do so for existing mortgage loans that are being renegotiated. Mortgage loans are partly funded by issuing residential mortgage-backed securities in SAECURE Aegon s Dutch residential mortgage-backed securities program. During 2014, Aegon the Netherlands increased its mortgage loan fee business. For this business, Aegon originates the mortgage loans fully for account of third parties and remains the service provider for these mortgage loans.

Savings accounts

Aegon the Netherlands offers flexible savings accounts with cash withdrawal with limited restrictions, and deposit accounts with a pre-determined maturity.

Investment contracts

Investment contracts are investment products that offer index-linked returns and generate fee income from the performance of the investments.

Long-term deposits (Banksparen)

Banksparen is a savings product in which amounts are deposited in a locked bank account that is exempt from capital gains tax. The amount saved is available for specific purposes after a certain time period.

Knab

Aegon the Netherlands launched online bank Knab in 2012. The platform provides customers with insights into their financial future and uses a fee-based model to empower informed decision making by customers. A product of collaboration with customers, experts and critics, Knab is designed to meet contemporary customer needs.

Kroodle

In the first quarter of 2013, Aegon the Netherlands launched Kroodle, one of the world s first insurance companies to operate primarily through Facebook. It enables customers in the Netherlands to purchase insurance and manage their accounts through their Facebook profile.

onna-onna

Launched in 2008, onna-onna is a non-life brand that offers motor, travel, home and liability insurance, focusing on female customers.

Sales and distribution

Aegon the Netherland s life and savings products are sold through Aegon s intermediary and direct channels.

Pensions

The Pensions business provides a variety of full-service pension products to pension funds and companies.

Products

Aegon the Netherlands provides full-service pension solutions and administration-only services to company and industry pension funds and large companies. The full-service pension products for account of policyholders are separate account group contracts with and without guarantees.

Separate account group contracts are large group contracts that have an individually determined asset investment underlying the pension contract. A guarantee usually consists of profit sharing, and is the highest of either the market interest rate, or the contractual interest rate of 3% or 4%. At present, the contracts offered to clients hold a maximum guarantee of 3%.If profit sharing turns into a loss, the minimum guarantee becomes effective, but the loss in any given year is carried forward to be offset against future surpluses. In general, the guarantee is dependent on the life of the insured in order that their pension benefit is guaranteed. Large group contracts also receive part of the technical results for mortality risk and disability risk. The contract period is typically five years and the tariffs, cost loadings and risk premiums are generally fixed over this period. Aegon the Netherlands is not allowed to automatically prolong a contract at the end of a contract period.

Aegon the Netherlands also offers products for small and medium-sized companies, defined benefit and defined contribution products on a subscription basis. These products reduce complexity and enable Aegon to adapt the tariffs, cost loadings and risk premiums annually. Every year, clients also have the opportunity to decide whether or not they wish to continue with the contract.

Defined benefit group contracts provide a guarantee on the benefits paid. The longevity risk therefore lies with Aegon the Netherlands.

Aegon also offers customers an all-in defined benefit product with guaranteed benefits. The expected profit for the customer and anticipated investment returns are taken into account in the pricing of the product. Customers may contribute funds for future pension increases to a separate account. Aegon the Netherlands also offers defined contribution products allowing for single and recurring premiums from customers. Profit sharing is based on investment returns on specified funds. All positive and negative risks, such as investment risk and longevity risk, are attributed to the employees.

A decrease in the number of company and industry pension funds in the Netherlands will continue over the next few years. By law, the assets and liabilities of a terminated pension fund must be transferred to another pension provider. Aegon the Netherlands offers a pension fund buy-out product for its terminating pension funds. It takes on the guaranteed or non-guaranteed liabilities, with or without annual pension increases, and receives a lump-sum premium upfront. All risks related to the transferred benefits are carried by Aegon the Netherlands.

Sales and distribution

Most of Aegon the Netherlands pensions are sold through sales and account management and Aegon s intermediary channel. Customers include individuals, company and industry pension funds, and small, medium and large corporations. Aegon the Netherlands is one of the country s leading pension providers[1]

For the majority of company and industry customers, Aegon the Netherlands provides a full range of pension products and services. In addition, TKP Pensioen specializes in pension administration for company and industry pension funds, and furthermore provides defined contribution plans to corporate and institutional clients. Aegon PPI[2] offers defined contribution plans

1 Source: DNB/CSV Reports 2013.
2 Premium pension institutions.

for small and medium companies, and Stichting CAPPITAL Premiepensioeninstelling offers the same plans for large companies.

Non-life

The non-life business consists of general insurance and accident and health insurance.

Products

General insurance

Aegon the Netherlands offers general insurance products in the corporate and retail markets. These include house, inventory, car, fire and travel insurance.

Accident and health insurance

Aegon the Netherlands offers disability and sick leave products to employers that cover sick leave payments to employees not covered by social security, and for which the employer bears the risk.

Sales and distribution

Aegon the Netherlands offers non-life insurance products primarily through the Aegon intermediary channel, together with through the direct channel Aegon Online and strategic partnerships, such as with local retailer Kruidvat. Aegon also uses the co-assurance market for the corporate sector, and sales and account management provides products for larger corporations in the Netherlands.

Distribution

Unirobe Meeùs Group is the main distribution channel owned by Aegon the Netherlands, through which it offers financial advice to customers, including the sale of insurance, pensions, mortgage loans, financing, and savings and investment products.

Competition

Aegon the Netherlands faces strong competition in all of its markets from insurers, banks and investment management companies. The main competitors are Nationale Nederlanden, Eureko (Achmea), ASR, SNS Reaal (including Zwitserleven) and Delta Lloyd/OHRA. In addition, these markets are subject to quickly changing dynamics, including the growing use of online distribution channels and a changing pensions landscape (the introduction of Premie Pensioen Instellingen).

Aegon the Netherlands has been a key player in the total life market for many years, and was ranked number one in 2013 based on gross premium income. The life insurance market in the Netherlands comprises pensions and life insurance. The top six companies by gross premium income accounted for approximately 90% of total premium income in 2013[1]. Based on gross premium income in 2013[1], Aegon the Netherlands is ranked number one in the pension market and sixth in the

individual life insurance market. Aegon the Netherlands is one of a number of smaller insurers in the non-life market. Aegon the Netherlands non-life market share is around 2,7%, measured by premium income.

In the mortgage loans market, Aegon the Netherlands market share is growing and the company now holds a market share of approximately 11% based on new sales[2]. Rabobank, ING and ABN AMRO are the largest mortgage loan providers in this market.

Aegon the Netherlands holds approximately 1.4%[3] of Dutch household savings, and is therefore small in comparison to banks such as Rabobank, ING, ABN AMRO and SNS Bank.

In recent years, several regulatory changes have limited opportunities for Aegon Netherlands in the Dutch insurance market notably in the life insurance market where the tax deductibility of certain products has been reduced, which has also caused a shift to bank saving products (*banksparen*). Furthermore, low economic growth and financial market volatility has made customers more reluctant to commit to long-term contracts. These changes have increased competition, resulting in a greater focus on competitive pricing, improved customer service and retention, and product innovation.

In the pension market, pension funds face pressure on their coverage ratios, in addition to increased regulatory and governance requirements. In response, these funds are seeking to reduce risk exposure by insuring the whole or part of their business. This is an opportunity for pension insurers, and Aegon is one of the leading providers of these solutions.

The PPI market is set to grow significantly due to the shift from defined benefit plans to defined contribution plans, and demand for more transparent and cost-efficient pension products. As a result, significant economies of scale will be required to service this market effectively, and the number of providers is expected to shrink within a few years. Aegon the Netherlands has identified this market as an opportunity for growth and plans to invest in building a leadership position.

Regulation and supervision

Two bodies are responsible for the supervision of financial institutions in the Netherlands:

- De Nederlandsche Bank (DNB), the Dutch Central Bank;
- Autoriteit Financiële Markten (AFM), the Dutch Authority for the Financial Markets.

DNB is responsible for safeguarding financial stability, and supervising financial institutions and the financial sector.

The AFM supervises both the conduct of, and the provision of information by, all parties that operate in financial markets in the Netherlands. The objectives of the AFM are to promote orderly and transparent processes within financial markets, integrity of relations between market players, and consumer protection.

Regulations for the supervision of financial institutions are included in the Financial Supervision Act (2007) (*Wet op het financieel toezicht*). This law applies to financial institutions, such as banks, insurance companies, investment firms, investment funds and fund management companies. In many instances, the Financial Supervision Act applies similar provisions to the different types of financial institutions, with the aim of creating, where appropriate, consistent requirements for the entire financial sector in the Netherlands.

Financial supervision of insurance companies

The European Union Insurance Directives referred to collectively as Solvency I are incorporated into Dutch law. The Directives are based on the home country control principle: i.e. an insurance company with a license issued by the regulatory authorities in its home country is permitted to conduct business in any European Union country, either directly or through a branch. Separate licenses are required for every branch of the insurance company where it conducts business. The regulatory body that issued the license (DNB in the Netherlands) is responsible for monitoring the solvency of the insurer.

Under Dutch law, a company is neither permitted to conduct both life insurance and non-life insurance business within a single legal entity, nor to carry out both insurance and banking business within the same legal entity.

Every life and non-life insurance company licensed by, and falling under the supervision of, DNB must file audited regulatory reports on at least an annual basis. These reports, primarily designed to enable DNB to monitor the solvency of the insurance company, include a (consolidated) balance sheet, a (consolidated) income statement, extensive actuarial information, and detailed information on the insurance company s investments. DNB s regulatory reporting is based on a single entity focus, and is designed to highlight risk assessment and risk management.

DNB may request additional information it considers necessary and may conduct an audit at any time. It can also make recommendations for improvements and publish these recommendations if the insurance company in question does not follow them. Finally, DNB can appoint a trustee for an insurance company or, ultimately, withdraw the insurance company s license.

1 Source: Verbond van Verzekeraars (ytd December 2014)
2 Source: Kadaster (ytd October 2014)
3 Source: DNB Statistisch Bulletin

The following insurance entities of Aegon the Netherlands are subject to the supervision of DNB:

- Aegon Levensverzekering N.V.;
- Aegon Schadeverzekering N.V.;
- Aegon Spaarkas N.V.; and
- Optas Pensioenen N.V.

Under Solvency I, life insurance companies are required to maintain certain levels of capital in accordance with EU directives. At present, this level is approximately 4% of general account technical provision or, if no interest guarantees are provided, approximately 1% of technical provisions with investments for the account of policyholders and an additional 0.3% charge for value at risk.

General insurance companies are required to maintain shareholders equity of equal to or greater than 18% of gross written premiums a year, or 23% of the three-year average of gross claims.

Solvency II will be effective from January 1, 2016. In anticipation of Solvency II, the Dutch Ministry of Finance has taken measures to achieve a more risk-based and forward-looking supervision of insurance companies. The most important change in the supervision of Dutch insurance companies in the run up to Solvency II has been the introduction of the Theoretical Solvency Criteria (TSC) for medium and large Dutch life insurance companies, effective as of January 1, 2014 and an own risk assessment (Eigen Risico Beoordeling or ERB) by all Dutch insurance companies. Both the TSC and ERB are being used as proxies for the ability of insurance companies (going forward) to comply with the applicable solvency requirements. As such, the TSC and ERB also serve as indications as to the ability to pay dividend or redeem capital. If an insurance undertaking in the Netherlands is not compliant with the solvency requirements or does not expect to remain compliant with the applicable solvency requirements with a one year horizon, it requires the approval of the Dutch Central Bank to pay dividend or redeem capital. Originally the TSC consisted of scenarios based on Solvency I capital requirements, but similar to those of important Solvency II scenarios.

The TSC was replaced by Solvency II (SCR) calculations effective from January 1, 2015, but without imposing Solvency II capital requirements until the effective date of Solvency II. By calculating the TSC, insurers will in effect be prepared for the Solvency II capital requirements 12 months after this calculation. The SCR calculation will be used by DNB in the ladder of intervention to intervene in the event of potential breaches of solvency requirements, as defined by the Financial Supervision Act. In particular, DNB could intervene by withholding consent to pay dividend or repay capital and/or require a recovery plan (Herstelplan) from the insurance or reinsurance undertaking.

DNB also supervises pension funds, including premium pension institutions (PPIs), and investment companies. PPIs are required to maintain shareholders equity of at least EUR 0.5 million.

Financial supervision of credit institutions

Aegon Bank N.V. is supervised by the DNB and required to file monthly regulatory reports and an audited Annual Report.

Credit institutions are required to maintain solvency and liquidity ratios in line with the requirements of the Financial Supervision Act. The Financial Supervision Act incorporates the requirements of Directive 2006/48/EC, Directive 2006/49/ EC (together referred to as CRD II), and Directive 2010/76/EU (CRD III). These directives are the European Union s interpretation of the Basel accord for prudential supervision of credit institutions and investment firms. Based on these rules, credit institutions in the Netherlands are required to maintain a minimum total capital ratio (BIS ratio), currently 8%, pursuant to guidance issued by DNB. The level of capital is subject to certain requirements and is reviewed against its on- and off-balance sheet assets, with these assets being weighted according to their risk level. The Basel III accord, the new regulatory framework for the banking sector, has been finalized and is translated into European Union legislation through the CRD IV framework. The CRD IV framework is implemented in the Netherlands in the Financial Supervision Act as of January 1, 2014.

Asset liability management

Aegon the Netherlands Risk & Capital Committee, which meets every two months, determines and monitors the balance sheet and profit and loss. The focus of these meetings is, among other activities, to ensure an optimal strategic asset allocation, to decide on interest rate hedging strategies to reduce interest rate and equity risks, to manage and possibly hedge actuarial risks, and to decide on the need for securitizations of residential mortgage portfolios in order to improve the liquidity and funding position of Aegon the Netherlands.

Most of the liabilities of Aegon the Netherlands, insurance or otherwise, are nominal and long-term. Scenarios and optimization analyses are conducted for fixed income, equities and real estate asset classes. The result is an asset allocation and hedges representing the desired risk-return profile. Constraints, such as the minimum return on equity and the minimum desired solvency ratio, are also taken into account. The majority of Aegon the Netherlands investments are managed by Aegon Asset Management. Risk-based restrictions are in place to monitor and control actual portfolio allocations against strategic portfolio allocations. An internal framework limits investment exposure to any single counterparty.

In 2012, Aegon the Netherlands partially offset the risk of future longevity increases related to a part of its insurance liabilities by buying a longevity index derivative from Deutsche Bank. This will pay out if in 20 years the mortality rates have decreased more than a pre-determined percentage compared to the base scenario at the moment of signing the contract. Aegon the Netherlands or Deutsche Bank can activate an early termination clause to terminate the contract after ten years. The payout is maximized at a pre-determined percentage that is higher than compared to the base scenario. This transaction was the first transaction in Continental Europe to be based on population data, and it is the first longevity swap to be targeted directly at capital markets.

Aegon the Netherlands implemented a second longevity hedge in 2013, in line with its strategy of reducing longevity risk from the balance sheet. This covers underlying longevity reserves in the Netherlands of EUR 1.4 billion. It retains some risk around the best estimate of the insurance liabilities of Aegon the Netherlands, while offering protection for significant future mortality improvements thereby lowering the required capital for Solvency II purposes.

Reinsurance ceded

Like other Aegon companies around the world, Aegon the Netherlands reinsures part of its insurance exposure with

third-party reinsurers under traditional indemnity, and excess of loss contracts. Reinsurance helps Aegon manage, mitigate and diversify its insurance risks, and limit the maximum loss it may incur.

Prior to 2011, Aegon the Netherlands reinsured its life exposure through a profit-sharing contract between its subsidiary Aegon Levensverzekering N.V. and a reinsurer. As of January 1, 2012, Aegon the Netherlands has ended this reinsurance contract, and therefore retains the full mortality and disability risk.

For non-life, Aegon the Netherlands reinsures its property, marine and motor third-party liability business only. For property insurance, an excess of loss contract is in place with a retention level of EUR 3 million for each separate risk and EUR 20 million for each windstorm event. For motor third-party liability insurance, Aegon the Netherlands has reinsurance in place with a retention level of EUR 2.5 million for each event.

For marine insurance there is also an excess of loss contract in place with a retention level of EUR 2 million for each event.

Results 2014 United Kingdom

	Amounts in GBP millions			Amounts in EUR millions		
	2014	2013	%	2014	2013	%
Net underlying earnings	**108**	**118**	**(8%)**	**134**	**139**	**(4%)**
Tax on underlying earnings	(16)	(44)	64%	(19)	(52)	63%
Underlying earnings before tax by business						
Life	77	85	(9%)	95	100	(5%)
Pensions	14	(10)	-	17	(12)	-
Distribution	-	(2)	-	-	(2)	-
Underlying earnings before tax	**92**	**74**	**24%**	**115**	**87**	**32%**
Fair value items	(12)	(14)	14%	(15)	(16)	6%
Gains / (losses) on investments	132	41	-	164	48	-
Net impairments	-	(26)	-	-	(31)	-
Other income / (charges)	(40)	(38)	(5%)	(49)	(45)	(9%)
Income before tax	**173**	**37**	**-**	**215**	**43**	**-**
Income tax attributable to policyholder return	(34)	(27)	(26%)	(42)	(32)	(31%)
Income before tax on shareholders return	**139**	**9**	**-**	**172**	**11**	**-**
Income tax on shareholders return	5	56	(91%)	6	66	(91%)
Net income	**143**	**65**	**120%**	**178**	**76**	**134%**
Life insurance gross premiums	3,962	5,546	(29%)	4,916	6,537	(25%)
Total gross premiums	**3,962**	**5,546**	**(29%)**	**4,916**	**6,537**	**(25%)**
Investment income	1,671	1,743	(4%)	2,073	2,054	1%
Fees and commission income	34	68	(50%)	43	80	(46%)
Total revenues	**5,668**	**7,356**	**(23%)**	**7,032**	**8,670**	**(19%)**
Commissions and expenses	620	640	(3%)	769	754	2%
of which operating expenses	354	328	8%	439	387	13%

New life sales	Amounts in GBP millions 2014	2013	%	Amounts in EUR millions 2014	2013	%
Life	53	58	(9%)	65	68	(4%)
Pensions	731	802	(9%)	907	946	(4%)
Total recurring plus 1/10 single	**783**	**860**	**(9%)**	**972**	**1,014**	**(4%)**

Gross deposits (on and off balance)	Amounts in GBP millions 2014	2013	%	Amounts in EUR millions 2014	2013	%
Variable annuities	-	3	-	-	3	-
Pensions	227	236	(4%)	281	278	1%
Total gross deposits	**227**	**239**	**(5%)**	**281**	**281**	**-**

Exchange rates	Weighted average rate		Closing rate as of	
			December 31,	December 31,
Per 1 EUR	2014	2013	2014	2013
GBP	0.8061	0.8484	0.7760	0.8320

Table of Contents

Results 2014 United Kingdom

Net income in 2014 more than doubled to GBP 143 million compared with 2013, mostly due to higher underlying earnings before tax, higher realized gains and lower impairments. Growth in underlying earnings before tax compared with 2013 was mostly driven by improved persistency. New life sales declined by 9% to GBP 783 million compared with 2013, driven by lower traditional pensions production. Platform assets more than doubled to GBP 2.7 billion by the end of 2014 compared to the end of 2013.

Net income

Net income from Aegon s businesses in the United Kingdom more than doubled to GBP 143 million in 2014 compared with 2013, which was driven by higher underlying earnings before tax, realized gains and lower impairments. Realized gains on investments totaled GBP 132 million, and were mainly the result of selective de-risking of the asset portfolio in preparation for Solvency II. Results on fair value items amounted to a loss of GBP 12 million. Impairments charges were nil for the year. Other charges of GBP 40 million were mostly due to business transformation costs, and provision and expenses of GBP 26 million for the implementation of the upcoming pension fee cap.

Underlying earnings before tax

Underlying earnings before tax in the United Kingdom increased 24% to GBP 92 million compared with 2013. Higher underlying earnings before tax in Pensions more than offset lower underlying earnings before tax from the Life business.

- ¿ Underlying earnings before tax from Life decreased 9% to GBP 77 million compared with 2013. This was mostly due to lower investment income as a result of selective de-risking of the asset portfolio backing annuities in preparation for Solvency II.
- ¿ Underlying earnings before tax from Pensions increased to GBP 14 million in 2014 compared with a loss of GBP 10 million in 2013. This increase was mostly driven by improved persistency following the introduction of the Retail Distribution Review (RDR).

Commissions and expenses

Commissions and expenses decreased by 3% in 2014 to GBP 620 million compared with 2013. Operating expenses increased by 8% in 2014 to GBP 354 million compared with 2013, mainly the result of provision and expenses of GBP 26 million for the upcoming fee cap on pension business. Excluding this provision, operating expenses were flat compared with 2013.

Production

New life sales decreased 9% in 2014 to GBP 783 million compared with 2013, which was mostly the result of lower group pensions sales following the implementation of the RDR in 2013.

Platform assets reached GBP 2.7 billion by the end of 2014, more than doubling compared with the end of 2013. Gross deposits of GBP 227 million in 2014 were mainly driven by the addition of new customers as the platform gained additional traction in the market.

Table of Contents

Results 2013 United Kingdom

	Amounts in GBP millions			Amounts in EUR millions		
	2013	2012	%	2013	2012	%
Net underlying earnings	**118**	**82**	**44%**	**139**	**101**	**38%**
Tax on underlying earnings	(44)	(9)	-	(52)	(11)	-
Underlying earnings before tax by business						
Life	85	68	25%	100	83	20%
Pensions	(10)	7	-	(12)	9	-
Distribution	(2)	(2)	-	(2)	(2)	-
Underlying earnings before tax	**74**	**73**	**1%**	**87**	**90**	**(3%)**
Fair value items	(14)	(26)	46%	(16)	(31)	48%
Gains / (losses) on investments	41	68	(40%)	48	84	(43%)
Net impairments	(26)	-	-	(31)	-	-
Other income / (charges)	(38)	28	-	(45)	34	-
Income before tax	**37**	**143**	**(74%)**	**43**	**177**	**(76%)**
Income tax attributable to policyholder return	(27)	(32)	16%	(32)	(40)	20%
Income before tax on shareholders return	**9**	**111**	**(92%)**	**11**	**137**	**(92%)**
Income tax on shareholders return	56	(2)	-	66	(2)	-
Net income	**65**	**109**	**(40%)**	**76**	**135**	**(44%)**
Life insurance gross premiums	5,546	4,900	13%	6,537	6,047	8%
Total gross premiums	**5,546**	**4,900**	**13%**	**6,537**	**6,047**	**8%**
Investment income	1,743	1,894	(8%)	2,054	2,337	(12%)
Fees and commission income	68	108	(37%)	80	133	(40%)
Total revenues	**7,356**	**6,902**	**7%**	**8,670**	**8,517**	**2%**
Commissions and expenses	640	610	5%	754	754	-
of which operating expenses	328	269	22%	387	333	16%

New life sales	Amounts in GBP millions 2013	2012	%	Amounts in EUR millions 2013	2012	%
Life	58	72	(19%)	68	89	(24%)
Pensions	802	686	17%	946	847	12%
Total recurring plus 1/10 single	**860**	**758**	**13%**	**1,014**	**936**	**8%**

Gross deposits (on and off balance)	Amounts in GBP millions 2013	2012	%	Amounts in EUR millions 2013	2012	%
Variable annuities	3	22	(86%)	3	27	(89%)
Pensions	236	8	-	278	10	-
Total gross deposits	**239**	**30**	**-**	**281**	**37**	**-**

Exchange rates	Weighted average rate		Closing rate as of	
			December 31,	December 31,
Per 1 EUR	2013	2012	2013	2012
GBP	0.8484	0.8103	0.8320	0.8111

Results 2013 United Kingdom

2013 net income of GBP 65 million is 40% lower than 2012 due to the impact of business transformation costs, higher impairment charges and lower underlying earnings before tax as the positive impact of higher equity markets was more than offset by adverse persistency related to the Retail Distribution Review (RDR) and investments in technology. New life sales increased by 13% to GBP 860 million due to higher sales in group pensions and strong platform growth. Platform assets reached GBP 1.3 billion by the end of 2013.

Net income

Net income decreased to GBP 65 million compared to 2012. The result was impacted by a GBP 18 million book loss on the sale of Positive Solutions and business transformation costs of GBP 51 million related to in-sourcing the platform servicing and development as well as other restructuring costs. The loss on fair value items was GBP 14 million, mainly driven by equity hedges to protect the capital position. Realized gains on investments and impairment charges amounted to GBP 41 million and GBP 26 million, respectively. 2013 included a tax benefit of GBP 79 million related to a reduction in the corporate tax rate.

Underlying earnings before tax

Underlying earnings before tax in the United Kingdom improved 1% to GBP 74 million compared to 2012. The positive impact of higher equity markets was partly offset by adverse persistency related to RDR and investments in technology.

- Earnings from Life increased 25% to GBP 85 million compared to 2012, driven by improved mortality in annuities, lower operating expenses and a GBP 8 million benefit from reserving changes for annuity products.
- Earnings from Pensions declined to a loss of GBP 10 million compared to 2012. Adverse persistency amounted to GBP 19 million, which the UK insurance industry experienced as a result of the implementation of RDR. Earnings benefited from the favorable impact of higher equity markets. This was offset by GBP 13 million of expenses related to creating a digital capability for the non-advised client group in order to facilitate the upgrade to the platform.
- 2013 earnings from Distribution amounted to a loss of GBP 2 million. Earnings from Distribution will no longer be reported separately. Positive Solutions was sold, and Origen was moved into the Pensions line of business.

Commissions and expenses

Commissions and expenses increased 5% compared to 2012 as a consequence of higher operating expenses. Operating expenses increased 22% compared to 2012 to GBP 328 million, as expenses related to investments in technology and business transformation costs of GBP 64 million were incurred. Excluding these costs, expenses were 2% lower compared to 2012. Commissions declined due to the sale of Positive Solutions and the impact of the implementation of RDR on Pension business commission.

Production

New life sales were up 13% to GBP 860 million compared to 2012, reflecting strong platform growth and higher sales in group pensions following the implementation of RDR on January 1, 2013.

Platform assets reached GBP 1.3 billion by the end of 2013. Gross deposits amounted to GBP 239 million, driven by platform savings products, as the platform gained momentum in the market.

Overview of United Kingdom

In the United Kingdom, Aegon is a major provider of corporate and individual pensions, protection products, annuities, and savings products. Aegon UK has over two million customers, approximately 2,400 employees, and GBP 60.5 billion in revenue-generating investments. Aegon UK s main offices are in Edinburgh and London.

Aegon UK is focused on two core growth markets in the United Kingdom: at-retirement and workplace savings, and has a long history of expertise in both. Aegon UK is increasingly focused on leveraging its award-winning online platform[1], most recently enhanced with an engaging Retiready digital access service and a direct-to-consumer (D2C) proposition.

Organizational structure

Aegon UK plc is Aegon UK s holding company. It was registered as a public limited company at the beginning of December 1998.

Aegon UK s leading operating subsidiaries are:

- Scottish Equitable plc. (trading as Aegon); and
- Aegon Investment Solutions Ltd.

Overview of sales and distribution channels

Retiready

In April 2014, Aegon launched its Retiready digital access service, which is designed to help customers understand their readiness for retirement and help guide them to improve the likelihood that they achieve their desired retirement outcome.

Retiready provides an upgrade solution for those existing Aegon customers without access to advice (be it through choice or for economic reasons), enabling them to choose to upgrade to new Self-Invested Pension Plan (SIPP) and Individual Savings Accounts (ISA) products supported by a wealth of tools and support including Score, Shop, Insight, Support and Coach.

Since the initial launch, the Retiready capability has been both extended and broadened, and now provides digital engagement for every existing Aegon customer. This service is now in the process of being rolled out to all customers, and this will continue throughout 2015. In addition, the Retiready service is being actively marketed to directly acquire new customers. A critical feature of Retiready is the capability to support customers whether they want advice or not.

Innovative platform

Aegon s broad proposition offering across the individual retail market, workplace savings market and D2C market is all supported by a single technology solution with Aegon s award

1 Source: The ARC platform won Best Workplace Savings Platform at the 2014 Platforum awards and Best New Platform and Best Use of Platform Technology at the Aberdeen UK Platform Awards 2013.

winning platform at its core. This capability creates a strong and flexible technology base able to realize significant synergies and efficiencies.

Channels

Aegon markets and sells the following propositions into three channels:

Retail advisor channel

- Full-wrap service, Aegon Retirement Choices, which includes multiple wrapper choices, fully open architecture fund platform and digital advisor/customer self-service access;
- One Retirement, a standalone pension accumulation and drawdown product designed to be a single point solution for customers with more basic needs; and
- Self-directed solution, through Retiready, for those customers without a financial advisor.

Workplace channel

- Platform based Workplace Aegon Retirement Choices proposition includes a choice of savings wrappers, enables employees to receive personal finance advice, and can be maintained by employees even after they have left their existing employer. Employers auto-enrolment obligations supported through Aegon s SmartEnrol capability.

Direct channel

- Retiready digital access capability offering direct customers the ability to purchase SIPP and ISA.

Overview of business lines

Aegon UK has two business lines:

- Life; and
- Pensions.

Life

The Aegon UK life business primarily comprises individual protection and individual annuities.

Individual protection

Aegon UK offers a range of products for individual customers, including life cover, critical illness and income protection. The target market is wealthier customers over the age of 40, where Aegon UK s underwriting expertise helps it to provide a customer-centric proposition. Aegon UK also write significant volumes in the mainstream protection market, for instance, Aegon UK s new Critical Illness proposition. In addition, Aegon UK offer a range of protection products for small and medium-sized companies that wish to insure key personnel. This is a key market for Aegon, and the Company is currently protecting around 400,000 customers, with approximately 40,000 new customers each year.

Immediate annuity

In the United Kingdom, funds in pension plans are normally converted into a source of income at retirement, usually through the purchase of an immediate annuity.

Sales and distribution

Individual protection products are distributed through intermediated advice channels, including wealth advisors, banks, and protection specialist advisors. Annuity products comprise internally vested immediate annuities and those available through intermediated advice channels.

Pensions

Aegon UK provides a full range of personal and corporate pensions. The company also offers investment products, including ISAs, General Investment Accounts (GIAs), offshore bonds and trusts.

Platform

Aegon Retirement Choices (ARC) efficiently and effectively helps advisors and their customers with the transition from work to retirement through a technology-driven platform. Aegon UK has deployed leading-edge technology to the platform, delivering an intuitive method of saving for retirement through the workplace, taking income in retirement, and dealing with changing circumstances. It also provides valuable online reporting and lifestyle tools that enable advisors to demonstrate their professionalism and display their charges for advice in a transparent way. Professionalism and transparency are key principles of the Retail Distribution Review, which came into effect on January 1, 2013. In addition to the SIPPs which provide a range of pre- and post-retirement investment options for high-net-worth customers, including insured funds and real estate the platform also offers ISAs and GIAs.

Corporate pensions

One of Aegon UK s largest product lines is providing pension plans for companies. Aegon UK offers group pension solutions on- and off-platform, depending on the needs of the employer and employee. In the United Kingdom, auto-enrolment will continue to have a dramatic effect on the workplace savings market, increasing the number of employees that save through their employers pension arrangements.

Changes in workplace pensions including charge caps and a commission ban will also be introduced by the Department of Work and Pensions (DWP) from April 2015. These significant changes pose a challenge for the industry. Aegon is well prepared to make changes in order to support customers and advisors through this period.

The move away from defined benefit (DB) arrangements, which provide a guaranteed percentage of salary on retirement, toward defined contribution (DC) plans, in which the employer, employee or both make contributions on a regular basis, has continued to accelerate in recent years. DC plans are similar to personal pensions, with contributions paid into a plan owned by individual employees and then invested. In general, at retirement, employees can choose to take a percentage of tax-free cash from their pension plan, using the remainder to either purchase an annuity or invest it in a separate drawdown policy.

As a result of this trend, the market for new DB plans has contracted considerably in recent years, largely due to concerns over long-term liabilities.

Investment gateway

Many DC and master trust pension schemes are managed by a third party with an insurance contract. These are typically trust-based pensions for which the corporate customer (an employer) requires investment solutions that are specific to every individual pension scheme. These solutions typically require a non-branded investment portal and the provision of fund blending to create scheme default funds. In addition, a growing number of corporate customers want target dated lifestyle fund solutions for their members as they approach retirement. Aegon UK provides a low cost service that uses electronic messaging to automate the process and minimize risk.

Individual pensions

Aegon UK provides a wide range of personal pensions and associated products and services. These include:

- Flexible personal pensions;
- Self-invested personal pensions;
- Transfers from other retirement plans; and
- Phased retirement options and income drawdown.

As an alternative to annuities, Aegon UK also offers Income for Life , a retirement solution that bridges the gap between annuities and income drawdown products. It offers customers a guaranteed income for life, plus continued control over their investments until the age of 75.

Investment products

Aegon UK offers offshore investment bonds. An offshore bond is traditionally marketed to high-net-worth individuals. Offshore contracts offer considerable tax advantages and a wide choice of investment options. Aegon UK also offers GIAs and ISAs through its platform.

Unit-linked guarantees

Aegon UK offers a range of investment products that provide valuable guarantees for the at-retirement market. There is an offshore investment plan, which provides a guaranteed income for life, and an offshore bond, which provides capital guarantees (offered by Aegon Ireland plc.[1]) .

Sales and distribution

Investment products, together with individual and corporate pensions, are widely distributed through independent financial advisors, tied distribution and, more recently, through partnerships with banks. Aegon UK also maintains close relations with a number of specialist advisors in these markets. Aegon UK is building and diversifying its workplace distribution capability, having started partnering with Mercer and Barclays in the first half of 2013. ARC is distributed through intermediated advice channels.

Competition

Aegon UK faces competition from three main sources: life and pension companies, retail investment firms, and retail platform service companies.

Over the past few years, the life and pension market has been increasingly concentrated among the largest companies and those perceived to be financially strong. Aegon UK s competitors include Legal and General, Standard Life, Lloyds Bank and Aviva. In the platform market, service companies such as Cofunds, Funds Network and Skandia are among Aegon UK s largest competitors.

Regulation and supervision

All relevant Aegon UK companies are regulated by the Prudential Regulation Authority (PRA) and/or the Financial Conduct Authority (FCA).

The PRA is responsible for the prudential regulation of deposit takers, insurers and major investment firms. The FCA is responsible for regulating firms conduct in retail and wholesale markets. It is also responsible for the prudential regulation of those firms that do not come under the PRA s remit.

A number of Aegon UK directors and senior managers have been approved by the FCA and/or the PRA to perform one or more controlled functions. A candidate is only approved by the regulator if the regulator is satisfied he or she is fit and proper to perform the controlled function(s) for which they have applied.

Financial supervision of insurance companies

The European Union Insurance Directives referred to collectively as Solvency I are incorporated into UK law. The Directives are based on the home country control principle: an insurance company with a license issued by the regulatory authorities in its home country is allowed to conduct business in any country of the European Union, either directly or through a branch. Separate licenses are required for each branch of the insurance company where it conducts business. The regulatory body that issued the license (the PRA in the UK) is responsible for monitoring the solvency of the insurer.

Under UK law, a company (other than existing conglomerates) is not permitted to conduct both life insurance and non-life insurance business within one legal entity, nor is a company allowed to carry out both insurance and banking business within the same legal entity.

Every life insurance company licensed by and/or falling under the supervision of the PRA must file audited regulatory reports on at least an annual basis. These reports, primarily designed to enable the PRA to monitor the solvency of the insurance company, include a (consolidated) balance sheet, a (consolidated) income statement, extensive actuarial information, and detailed information regarding the investments of the insurance company. The PRA s regulatory reporting is based on a single entity focus, and is designed to highlight risk assessment and risk management.

The PRA may request additional information it considers necessary and may conduct an audit at any time. The PRA may also make recommendations for improvements. Finally, the PRA may, ultimately, withdraw an insurance company s license.

Under Solvency I, life insurance companies are required to maintain certain levels of shareholders equity in accordance with EU directives. At present, this level is approximately 4% of general account technical provision. The PRA also requires that all life insurance firms conduct an annual Individual Capital Assessment (ICA) of the capital required to withstand a 1 in 200 shock on a 1-year value at risk basis.

The PRA reviews the underlying assumptions for each firm s ICA every few years, and may apply an Individual Capital Guidance if they deem this appropriate.

Solvency II will be effective from January 1, 2016, and will replace the existing solvency regime at that time. The Solvency Capital Requirement under Solvency II (SCR) also requires firms to withstand a 1 in 200 shock on a 1-year value at risk basis. The underlying technical provisions will, however, be calculated in line with the Solvency II requirements rather than the firms internal view as part of the ICA.

The PRA will continue to require firms to maintain adequate capital under Solvency I and under the ICA while preparing for the transition to Solvency II. In anticipation of Solvency II, Aegon UK uses a similar capital model as will be used for the calculation of the SCR.

1 The offshore bond is offered by Aegon Ireland plc. and is reported separately in the New Markets segment, rather than as part of the UK segment.

Asset liability management

Asset liability management (ALM) is overseen by Aegon UK s Management Investment Committee (MIC), which meets each month to monitor capital requirements and ensure appropriate matching of assets and liabilities.

In addition to monitoring risk exposures in compliance with Aegon N.V. s worldwide risk management strategies, investment exposure to any single counterparty is limited by an internal framework that reflects the limits set by the appropriate regulatory regime. This applies both within asset classes (equities, bonds and cash) and across all investments.

For its with-profit business, Aegon UK s guiding philosophy is to match guarantees with appropriate investments. The nature of with-profit businesses, however, typically prevents perfect matching, and the role of the MIC is therefore to monitor the capital implications of any mismatching. Reports covering the impact of a range of possible investment scenarios on the solvency of each of the funds are produced on a regular basis. These reports allow the investment strategy for the with-profit funds to be discussed, and are summarized for the With-Profits Forum a sub-committee of the Board of Aegon UK.

For non-profit business, considerable interest rate risk arises from Aegon UK s large book of annuities in payment. Assets are purchased to provide a close expected match to liability outflows, with regular reporting to the MIC on the capital implications of any mismatching.

For unit-linked business, the matching philosophy results in close matching of the unit liabilities with units in the relevant underlying funds. A proportion of the unit-linked assets are invested in funds managed by external investment managers. The MIC monitors the performance of the investment managers against fund benchmarks.

With-profit fund

The invested assets, insurance and investment contract liabilities of Aegon UK s with-profit fund are included in for account of policyholder assets and liabilities . Assets and liabilities are always equal, as an excess of assets over liabilities regarding guaranteed benefits and constructive obligations is classified as an insurance or investment contract liability. All assets in the Scottish Equitable with-profit fund are held 100% for participating policyholders.

Below is a summary of Aegon UK s overall approach to the management of the with-profit fund.

Guarantees

With the exception of Aegon Secure Lifetime Income and 5 for Life , which are written by Aegon Ireland plc, and the product

guarantees within Investment Control and Income for Life, which are reinsured to Aegon Ireland plc, all Aegon UK contracts with investment guarantees are written in policyholder-owned funds (otherwise called with-profit funds). These funds contain free assets that have not yet been fully distributed to individual policyholders. Free assets help meet the cost of guarantees and provide a buffer to protect the fund from the impact of adverse events. Aegon UK has an exposure only once these assets have been exhausted. As outlined below, Aegon UK believes this exposure to be low.

In previous years, Scottish Equitable sold guaranteed annuity products in the United Kingdom. Certain policies also have a guaranteed minimum rate of return, guaranteed minimum pension, or guaranteed death or other benefits. Guaranteed rates of return apply only if the policy is kept in force to the dates specified, or only according to the events described in the policy conditions. The costs of all guarantees are borne by the with-profit funds, and therefore impact payouts to with-profit policyholders.

As part of its demutualization process prior to acquisition by Aegon N.V., the business and assets of Scottish Equitable Life Assurance Society were transferred to Scottish Equitable plc on December 31, 1993. Aegon UK has no financial interest in Scottish Equitable plc. s with-profit fund, except routine yearly fund management charges, and costs and expenses that the Company agreed to accept at the time of demutualization.

Guaranteed rates of return on with-profit policies are typically in the range of 0% to 5.5% a year. The funds with the highest rates have, however, been closed to premiums since 1999, and all funds have been closed to new business with investment guarantees since October 2002 (except for a small increase in regular payments). For a number of contracts written mainly in the 1970s and 1980s, Scottish Equitable also offered minimum pension guarantees, including guaranteed annuity options. As life expectancy rates have improved and interest rates have fallen over time, these minimum guarantees are now often valuable.

Management of the with-profit fund

Aegon UK s with-profit fund has an investment strategy that reflects the nature of the underlying guarantees. The fund can invest in a variety of different asset types. The main categories are United Kingdom and overseas equities, United Kingdom fixed interest securities, and cash. The with-profit fund has a target range for the percentage of its assets that are invested in equities, and this range may be varied. Within these target ranges, there is a policy of holding an appropriate mix of asset classes to reduce risk.

The results of the with-profit fund s investment performance are distributed to policyholders through a system of bonuses that depends on:

- ¿ The guarantees under the policy, including previous annual bonus additions; and
- ¿ The investment returns on the underlying assets, with an allowance for smoothing to reduce volatility. Although smoothing means that investment profits are spread from one year to the next, the aim is to pay out all of the investment profits earned by the fund over the long term. For early withdrawals, there are other measures to ensure that a fair share of total fund growth is received. A market value reduction may be applied to certain funds where, for cohorts of similar contracts, the face value of the benefits is greater than the value of the underlying assets. Policy conditions may state specific points for which a market value reduction will not apply.

As mentioned above, the free assets (assets that, as yet, have not been distributed to policyholders) help meet the cost of guarantees and provide a buffer to deal with adverse events. These free assets are partly invested in equity puts and fixed interest swaps/swaptions to protect against adverse market movements. Aegon UK has an exposure only once these free assets are exhausted. The risk of exposure has been assessed by Aegon UK as remote, based on applying the risk-based capital approach now required for solvency reporting in the United Kingdom.

As the Scottish Equitable with-profit fund is now closed to new business with investment guarantees, the free assets are being distributed gradually to with-profit policyholders through the bonus system outlined above. This includes ensuring that any surpluses in the with-profit fund from other (historic) business lines can be distributed to existing with-profit policyholders at a suitable rate, helping to prevent a tontine effect as the number of with-profit policyholders declines.

Reinsurance ceded

Aegon UK uses reinsurance to both manage risk and maximize financial value, through returns achieved and efficient capital management. The degree to which reinsurance is used across the product lines varies, depending largely on the appropriateness and value of reinsurance available in the market.

The protection business is heavily reinsured. A reinsurance panel is in place to provide reinsurance, predominantly on a quota share basis across the range of benefits. A facultative reinsurance panel is also used to assist the placement of the very large cases. Longevity reinsurance is in place for a number of in-force tranches of annuity business. Financial reinsurance has been used historically across the unitized business with the final repayments made in 2014.

Aegon UK uses a range of reinsurers across the reinsurance market. Reinsurance is currently in place with Hannover, Munich Re, Pacific, RGA, Scor, Swiss Re, and XLRe. In addition, internal reinsurance is in place with Blue Square and Transamerica.

Table of Contents

Results 2014 New Markets

Amounts in EUR millions	2014	2013	%
Net underlying earnings	**135**	**153**	**(12%)**
Tax on underlying earnings	61	74	(18%)
Underlying earnings before tax by business / country			
Central & Eastern Europe	60	57	5%
Asia	(17)	34	-
Spain and France	28	33	(15%)
Variable Annuities Europe	10	7	43%
Aegon Asset Management	115	95	21%
Underlying earnings before tax	**196**	**227**	**(14%)**
Fair value items	(6)	(21)	71%
Gains / (losses) on investments	16	-	-
Net impairments	(43)	(16)	(169%)
Other income / (charges)	(24)	(33)	27%
Income before tax (excluding income tax from certain proportionately consolidated joint ventures and associates)	**139**	**158**	**(12%)**
Income tax from certain proportionately consolidated joint ventures and associates included in income before tax	8	5	60%
Income tax	(50)	(31)	(61%)
Of which Income tax from certain proportionately consolidated joint ventures and associates included in income before tax	(8)	(5)	(60%)
Net income	**89**	**127**	**(30%)**
Life insurance gross premiums	2,015	1,349	49%
Accident and health insurance premiums	163	170	(4%)
General insurance premiums	224	194	15%
Total gross premiums	**2,402**	**1,713**	**40%**
Investment income	234	233	-
Fees and commission income	623	583	7%
Other revenues	3	2	50%
Total revenues	**3,262**	**2,531**	**29%**
Commissions and expenses	984	999	(2%)

of which operating expenses	684	656	4%

Table of Contents

New life sales

Amounts in EUR millions	2014	2013	%
Central & Eastern Europe	107	108	(1%)
Asia	114	67	70%
Spain and France	49	54	(9%)
Total recurring plus 1/10 single	**271**	**228**	**19%**

Amounts in EUR million	2014	2013	%
New premium production accident and health insurance	34	43	(21%)
New premium production general insurance	45	35	29%

Gross deposits (on and off balance)	2014	2013	%
Central & Eastern Europe	215	248	(13%)
Asia	526	587	(10%)
Spain and France	55	9	-
Variable Annuities Europe	383	424	(10%)
Aegon Asset Management	19,340	13,018	49%
Total gross deposits	**20,519**	**14,287**	**44%**

Exchange rates

	Weighted average rate	
Per 1 EUR	2014	2013
US dollar	1.3288	1.3272
Canadian dollar	1.4667	1.3674
Pound sterling	0.8061	0.8484
Czech koruna	27.5153	25.9238
Hungarian florint	308.3758	296.3309
Polish zloty	4.1839	4.1940
Romanian leu	4.4429	4.4167
Turkish Lira	2.9060	2.5305
Chinese rin bin bi yuan	8.1902	8.1637

Results 2014 New Markets

Net income in 2014 decreased to EUR 89 million compared with 2013 as the increase in realized gains was more than offset by higher impairments. Lower underlying earnings before tax in 2014 compared with 2013 were mainly the result of a charge from model updates in Asia in 2014, which more than offset the increase in underlying earnings before tax in Aegon Asset Management in 2014.

Net income

Net income in 2014 declined by 30% to EUR 89 million compared with 2013. The increase in realized gains was more than offset by higher impairments both compared with 2013. New regulation on the Hungarian foreign currency mortgage portfolio was the main driver behind this increase in impairments. This new regulation focused on the determination of the adequate exchange rate to be used for the calculation of outstanding debt and interest payments.

Underlying earnings before tax

In New Markets, underlying earnings before tax decreased 14% in 2014 to EUR 196 million compared with 2013, as higher earnings in Aegon Asset Management, Variable Annuities Europe and Central & Eastern Europe were more than offset by a decrease in earnings in Asia and Spain & France.

- Underlying earnings before tax from Central & Eastern Europe increased to EUR 60 million in 2014 compared with EUR 57 million in 2013. This increase was primarily driven by higher underlying earnings before tax in Hungary, which more than offset the negative impact of higher surrenders in Poland following product changes.
- Underlying earnings before tax from Asia decreased significantly to EUR (17) million, compared with EUR 34 million in 2013. This decrease in underlying earnings before tax was primarily the result of a charge from model updates in 2014 of EUR 26 million, primarily related to changes to modeled premium persistency, in the high net worth business. In addition, 2013 included a gain of EUR 22 million related to actuarial assumption changes and model refinements.
- Underlying earnings before tax from Spain & France decreased 15% in 2014 to EUR 28 million compared with 2013. Positive results from the joint venture with Banco Santander in Spain were more than offset by the impact of the divestment of partnerships and continuing investments in order to grow the business.
- Underlying earnings before tax from Variable Annuities Europe amounted to EUR 10 million in 2014, mainly resulting from growth of the business.
- Underlying earnings before tax from Aegon Asset Management increased 21% in 2014 to EUR 115 million compared with 2013. This increase was driven by higher performance and management fees. Higher management fees resulted from growth of third-party asset balances.

Commissions and expenses

Commissions and expenses decreased by 2% in 2014 to EUR 984 million compared with 2013. Operating expenses increased by 4% in 2014 to EUR 684 million compared with 2013. The increase in operating expenses, despite favorable exchange rates in 2014 compared with 2013, was mainly the result of the joint venture with Banco Santander in Spain, and higher marketing and sales expenses to support growth.

Production

New life sales in 2014 increased 19% to EUR 271 million compared with 2013.

- In Central & Eastern Europe, new life sales in 2014 remained stable at EUR 107 million. This was mostly the result of higher sales in Turkey, Hungary and the Czech Republic, due to improved distribution productivity and growth of the tied-agent network, which were offset by adverse currency movements and lower sales in Poland.
- In Asia, new life sales increased 70% in 2014 to EUR 114 million compared with 2013. This increase was mainly driven by increased sales of universal life products in Hong Kong and Singapore.
- New life sales in Spain declined 9% in 2014 to EUR 49 million compared with 2013, as the sales contribution from the joint venture with Santander was offset by the loss of sales driven by the divestment of partnerships.

New premium production from accident & health insurance business decreased 21% in 2014 to EUR 34 million compared with 2013, mainly a result of lower sales of the direct marketing activities in Asia. New premium production from Aegon s general insurance business was up 29% to EUR 45 million compared with 2013, driven by the successful sales campaigns of the joint venture with Banco Santander in Spain.

Gross deposits in New Markets increased 44% in 2014 compared with 2013 and amounted to EUR 21 billion. Gross deposits in Aegon Asset Management increased 49% in 2014 to EUR 19 billion compared with 2013, mainly driven by strong growth in retail sales in China and the United Kingdom. Gross deposits in Asia declined to EUR 526 million in 2014 compared with 2013 as a result of lower sales of variable annuities in Japan. Deposits in Central & Eastern Europe, Asia and Variable Annuities Europe decreased in 2014 compared with 2013, while the gross deposits in Spain & France were higher.

Results 2013 New Markets

Amounts in EUR millions	2013	2012	%
Net underlying earnings	**153**	**179**	**(15%)**
Tax on underlying earnings	74	87	(15%)
Underlying earnings before tax by business / country			
Central & Eastern Europe	57	84	(32%)
Asia	34	12	183%
Spain and France	33	69	(52%)
Variable Annuities Europe	7	-	-
Aegon Asset Management	95	101	(6%)
Underlying earnings before tax	**227**	**266**	**(15%)**
Fair value items	(21)	(1)	-
Gains / (losses) on investments	-	10	-
Net impairments	(16)	(26)	38%
Other income / (charges)	(33)	113	-
Income before tax (excluding income tax from certain proportionately consolidated joint ventures and associates)	**158**	**362**	**(56%)**
Income tax from certain proportionately consolidated joint ventures and associates included in income before tax	5	15	(67%)
Income tax	(31)	(119)	74%
Of which Income tax from certain proportionately consolidated joint ventures and associates included in income before tax	(5)	(15)	67%
Net income	**127**	**243**	**(48%)**
Life insurance gross premiums	1,349	1,374	(2%)
Accident and health insurance premiums	170	188	(10%)
General insurance premiums	194	144	35%
Total gross premiums	**1,713**	**1,706**	**-**
Investment income	233	319	(27%)
Fees and commission income	583	524	11%
Other revenues	2	3	(33%)
Total revenues	**2,531**	**2,552**	**(1%)**
Commissions and expenses	999	878	14%
of which operating expenses	656	613	7%

New life sales

Amounts in EUR millions	2013	2012	%
Central & Eastern Europe	108	114	(5%)
Asia	67	53	26%
Spain and France	54	86	(37%)
Total recurring plus 1/10 single	**228**	**253**	**(10%)**

Amounts in EUR million	2013	2012	%
New premium production accident and health insurance	43	42	2%
New premium production general insurance	35	25	40%

Gross deposits (on and off balance)	2013	2012	%
Central & Eastern Europe	248	316	(22%)
Asia	587	169	
Spain and France	9	45	(80%)
Variable Annuities Europe	424	463	(8%)
Aegon Asset Management	13,018	9,916	31%
Total gross deposits	**14,287**	**10,909**	**31%**

Exchange rates

	Weighted average rate	
Per 1 EUR	2013	2012
US dollar	1.3272	1.2849
Canadian dollar	1.3674	1.2839
Pound sterling	0.8484	0.8103
Czech koruna	25.9238	25.1140
Hungarian florint	296.3309	288.8606
Polish zloty	4.1940	4.1809
Romanian leu	4.4167	4.4548
Turkish Lira	2.5305	2.3132
Chinese rin bin bi yuan	8.1637	8.1377

Results 2013 New Markets

Net income in 2013 decreased to EUR 127 million as gains from divestments were more than offset by a write down of intangible assets in Poland following legislative changes and lower underlying earnings before tax as increases in underlying earnings before tax in Asia and Variable Annuities Europe were more than offset by decreases in Central & Eastern Europe, Spain and Aegon Asset Management.

Net income

2013 net income declined to EUR 127 million. Higher losses from fair value items and lower gains on investments compared to 2012 were only partly offset by lower impairment charges. In 2013, gains from divestments in Spain were offset by a write down of intangible assets in Poland as the Polish parliament approved legislation to overhaul the existing state pension system. This resulted in an impairment of intangible assets related to the Polish pension business for an amount of EUR 192 million before tax. In 2012, there was a substantial benefit related to the divestment of investment manager Prisma.

Underlying earnings before tax

In New Markets, underlying earnings before tax in 2013 declined 15% to EUR 227 million compared to 2012, as increases in Asia and Variable Annuities Europe were more than offset by declines in Central & Eastern Europe, Spain and Aegon Asset Management.

- Earnings from Central & Eastern Europe declined 32% to EUR 57 million compared to 2012, which was primarily driven by the introduction of the insurance tax in Hungary and lower non-life results in Hungary from adverse claim experience. Additionally, earnings were impacted by investments related to the inclusion of the business in Ukraine.
- Results from Asia increased 183% to EUR 34 million compared to 2012, driven mainly by actuarial assumption changes and model refinements of EUR 22 million. The positive impact of growth of the business and cost savings was offset by higher non-deferred acquisition costs driven by strong growth in variable annuities production in Japan where Aegon does not yet defer its acquisition expenses.
- Earnings from Spain & France decreased 52% to EUR 33 million compared to 2012 due to the divestment of the joint ventures with CAM, Civica and Unnim. The new joint venture with Santander contributed to underlying earnings, which was mostly offset by investments in developing a direct distribution channel. The earnings contribution from partner La Mondiale in France rose slightly and amounted to EUR 21 million for the year.
- Results from Variable Annuities Europe amounted to EUR 7 million, mainly resulting from growth of the business.
- Earnings from Aegon Asset Management declined 6% to EUR 95 million, as the positive impact of higher third-party asset balances was more than offset by the loss of earnings from the sale of hedge fund manager Prisma in the fourth quarter of 2012.

Commissions and expenses

In 2013, commission and expenses increased 14% to EUR 999 million compared to 2012. Operating expenses increased 7% to EUR 656 million. The increase in operating expenses was the result of higher costs in Asia and Variable Annuities Europe driven by investments to support future growth, the inclusion of the business in Ukraine and the introduction of the insurance tax in Hungary. The increase in commissions is driven by higher sales in Asia compared to 2012.

Production

New life sales decreased 10% to EUR 228 million compared to 2012.

- In Central & Eastern Europe, new life sales declined 5% to EUR 108 million compared to 2012. Sales growth in Turkey and Slovakia driven by improved distribution productivity and product launches respectively, was more than offset by lower sales in Poland resulting from reduced production in the broker channel.
- In Asia, new life sales increased 26% to EUR 67 million compared to 2012. This was mainly driven by the launch of a new universal life product and the expanded cooperation with a number of private banks.
- New life sales in Spain declined 37% to EUR 54 million compared to 2012, as the sales contribution from the joint venture with Santander was offset by the loss of sales driven by the divestment of partnerships.

New premium production from accident and health insurance business increased 2% to EUR 43 million compared to 2012, mainly driven by the direct marketing unit in Asia. New premium production from Aegon s general insurance business was up 40% to EUR 35 million compared to 2012, driven by the inclusion of the joint venture with Santander and growth in Central & Eastern Europe.

Gross deposits in New Markets amounted to EUR 14.3 billion, up 31% compared to 2012. Gross deposits in Aegon Asset Management increased 31% to EUR 13 billion, mainly driven by strong growth in institutional sales in the United States and the Netherlands and retail sales in the United Kingdom. Gross deposits in Asia more than tripled to EUR 587 million driven by strong sales of variable annuities in Japan, while deposits in Central & Eastern Europe declined following pension legislation changes.

Overview of Central & Eastern Europe

Aegon has operations in the Central & Eastern European (CEE) countries of the Czech Republic, Hungary, Poland, Romania, Slovakia, Turkey and Ukraine. Aegon first entered the Central & Eastern European market in 1992 with the purchase of a majority stake in Hungary s former state-owned insurance company, Állami Biztosító. Aegon Hungary is Aegon s leading business in Central & Eastern Europe and the springboard for its further expansion in the region.

Organizational structure

Aegon s main subsidiaries and affiliates in Central & Eastern Europe (CEE) are:

¿ Aegon Hungary Composite Insurance Co. (Aegon Magyarország Általános Biztosító Zártkörűen MűködőRészvénytársaság);
¿ Aegon Poland Life (Aegon Towarzystwo Ubezpieczeń na Życie Spółka Akcyjna);
¿ Aegon Poland Pension Fund Managemenet Co. (Aegon Powszechne Towarzystwo Emerytalne Spółka Akcyjna);
¿ Aegon Turkey (Aegon Emeklilik ve Hayat A.Ş.);
¿ Aegon Romania Pension Administrator Co.(Aegon Pensii Societate de Administrare a Fondurilor de Pensii Private S.A);
¿ Aegon Czech Life (Aegon Poji t ovna, a.s);
¿ Aegon Slovakia Life (Aegon ivotná poist ovňa, a.s.);
¿ Aegon Slovakia Pension Management Co. (Aegon, d.s.s., a.s); and
¿ Aegon Life Ukraine

Overview of sales and distribution channels

Aegon operates through a number of different sales channels in Central & Eastern Europe. These include tied agents, insurance brokers, call centers, online channels and particularly in Hungary, Poland, Romania and Turkey retail banks.

Overview of business lines

Life & Savings

Aegon companies in Central & Eastern Europe offer a range of life insurance and personal protection products. These include traditional life and unit-linked products. Unit-linked products cover all types of life insurance, including pension, endowment and savings.

Traditional general account life insurance consists mainly of index life products that are not unit-linked but have guaranteed interest rates, in addition to group life and preferred term life products.

Preferred life is an individual term life insurance product that offers insurance protection. The product distinguishes between smoker and non-smoker status, and uses standard and preferred pricing dependent on the respective health of clients.

Group life contracts are renewable each year and carry optional accident and health cover.

In Poland[1], Aegon is one of the leading providers of unit-linked products. In addition, Aegon Poland Life also offers traditional saving type products. In 2014, Aegon Poland Life s Management Board decided that, starting from November 24, 2014, the Company would not collect fees defined in the General Insurance Terms as surrender fees for the unit-linked policies with regular premiums. The decision was in response to the changing environment relating to customer protection, and was in line with the regulator s recommendation.

In Hungary, Aegon offers a wide range of life insurance products, including term life products, whole life products, group life insurance, accidental life and traditional saving type products besides unlit-linked policies, frequently accompanied by riders. Aegon is also a significant market player in Hungary[2] in the unit-linked segment.

In both the Czech Republic and Slovakia, Aegon focuses on the unit-linked segment, besides selling term life products and offering a wide range of riders covering accidental death, disability, critical illness risks and providing a daily hospitalization allowance to insured clients.

In Turkey, Aegon provides only traditional life insurance products, the most important of which are pure term life with several riders, term life with premium refund on maturity, and saving-type endowment products. Aegon s insurance portfolio is growing significantly in Turkey due to the country s high growth rate.

Aegon entered the Ukrainian life insurance market in February 2013 by acquiring Fidem Life, a life insurance company selling mainly endowment traditional life products. The company was subsequently renamed Aegon Life Ukraine . Due to the unstable political and economical climate the business develops slowly.

In Romania, Aegon undertakes life insurance business via Aegon Poland Life Insurance Company. The Romanian branch sells unit-linked, term life and endowment insurance policies. In April, 2014, Aegon Poland Life s branch took over Eureko

1 Source: www.knf.gov.pl.
2 Source: www.mabisz.hu.

Asigurari S.A. s life portfolio in Romania, which consists mainly of traditional life and unit-linked policies.

In 2013, Aegon Hungary Composite Insurance Company incorporated a new subsidiary, Aegon Hungary Home Savings and Loan Association. The new entity provides a saving product combined with a preferential loan option, which is subsidized by the state during the saving period.

Mortgage loans

Aegon Hungary first offered mortgage loans to retail customers in 2006. In the early years, mainly Swiss franc denominated home mortgage loans were provided by Aegon Hungary Mortgage Finance Co., a subsidiary of Aegon Hungary Composite Insurance Company. Due to legislative changes, it shifted to Hungarian forint-based lending in 2010.

The mortgage loan business has been affected by several legislative changes in recent years. According to laws enacted in 2014, financial institutions have to retrospectively apply exchange rates of the Hungarian Central Bank (MNB), instead of the exchange rates they applied in the past, to foreign currency denominated loans. In addition, following a decision made by the Curia (Supreme Court), financial institutions have to reimburse unilateral fee and interest increases they made in the past under the loan agreements to the debtors. The settlement with debtors is expected to be undertaken and completed in 2015. Furthermore, due to other legislative changes also enacted in 2014, most foreign currency denominated loans have to be converted into Hungarian forint-based loans at fixed exchange rates in 2015, with subsequent interest charges maximized by law.

On April 1, 2014, Aegon Hungary Mortgage Finance Company suspended its lending activities.

Pensions

Aegon s pension business in Central & Eastern Europe experienced considerable growth before the financial crisis of 2008, mainly due to the region s strong economic growth, and the reform of pension systems in many of the countries in the region.

In the formerly mandatory private pension market, Aegon was active in Slovakia, Poland, and Romania, in 2013 having exited Hungary. In the voluntary pension market, Aegon was active in Hungary and Turkey, having exited Slovakia and the Czech Republic in 2013.

In terms of assets under management, Aegon s private pension funds in Poland[1], Slovakia[2] and Romania[3], and voluntary pension fund in Hungary[4], are among the largest in the respective countries. In terms of member numbers, Aegon has a significant market presence in Poland[5], Romania[6], and Hungary[7]. As of December 2014, Aegon had over 2.1 million pension fund members in Central & Eastern Europe. Since 2009, a series of legislative changes implemented in Aegon s regional country

units has had a significant impact on this line of business. The impact was the most significant in Hungary and Poland.

The changes to pension legislation enacted in Hungary at the end of 2010 had a very significant impact on the private (formerly mandatory) pension system. One of the most important measures was that private pension members were required to choose whether to remain enrolled in the private pension fund (on condition of termination of entitlement to the state pension for employment years after 2011) or opt out of private pension funds, transferring accumulated savings to the state held pension system. As a result, approximately 3% of members decided to remain enrolled in the private pension system and 97% moved to the state pension system.

Further legislative changes, enacted in Hungary at the end of 2011, required that all contributions deducted from the monthly wages of members were transferred to the state driven pension system (Pillar I). Members were able to transfer contributions to the private (formerly mandatory) pension funds only on a voluntary basis.

Following the changes mentioned above, on May 31, 2012, the delegate general meeting agreed to terminate the Aegon private pension fund without any legal successor in Hungary. The liquidation process began on July 1, 2012, and was completed in 2013.

In Poland, in accordance with legislative changes enacted in 2011, the contribution level payable into the private pension fund was reduced significantly. As of 2012, new members may no longer be actively recruited into private pension funds by pension management companies. Also, in accordance with the legislative changes that came into force on January 31, 2014, the Polish treasury bonds, treasury bills and other state-backed debt instruments, representing around 50% of the value of the managed pension fund, had to be transferred back to the Social Insurance Institution (ZUS) of Poland. Furthermore, as a result of the changes, membership for the purpose of paying future contributions became voluntary. Members were required to make this decision by the end of June, 2014. In total, 9% of Aegon s private pension fund members decided to continue paying contribution into the private fund, while 91% pay contribution into the state fund managed by ZUS. In addition, ZUS will provide the retirement benefits to members, requiring the management companies to gradually transfer the remaining assets of the members to ZUS, commencing 10 years before a member reaches retirement age. As a result, Aegon wrote off the

1 Source: Polish Financial Supervision Authority, www.knf.gov.pl.
2 Source: The Association of Pension Fund Management Companies, Slovakia, www.adss.sk.
3 Source: http://www.asfromania.ro.
4 Source: The Central Bank of Hungary, https://felugyelet.mnb.hu.
5 Source: www.knf.gov.pl.
6 Source: http://www.asfromania.ro.
7 Source: The Central Bank of Hungary, https://felugyelet.mnb.hu.

intangible assets on its balance sheet in 2013, resulting in a loss of EUR 192 million before tax.

In Slovakia, Aegon announced its withdrawal from the voluntary pension business in 2011, and exited the market in 2013. Since September 2012, there has been a significant reduction in the contribution rate payable into private pension funds in Slovakia. In addition, as a result of the legislation enacted in 2013, it is no longer mandatory to join a private pension fund (Pillar II).

As of 2013, in Turkey, in accordance with legislative changes enacted in 2012, a reduction is applied to the maximum chargeable level of entrance fees, administration fees, and asset management fees. From 2013, pension contributions have no longer been subject to tax incentives; instead, members receive 25% of their contributions in the form of direct support from the state.

In the Czech Republic, as of January 2013, former pension companies have been transformed into management companies managing newly launched Pillar II and Pillar III pension funds. These exist alongside the so-called transformation fund, into which savings accumulated to the end of 2012 were placed. Aegon elected not to enter Pillar II in the Czech market. Aegon operated a transformation fund throughout 2013. On December 30, 2013, Aegon disposed of its pension line of business, thereby exited the Czech pensions market.

In Romania, in October 2014, Aegon Romania Pension Administrator Company took over the management of Eureko private pension fund. The Eureko fund merged with Vital, the Pillar II private pension fund managed by Aegon. As a result it became the fourth largest such fund in the country[1].

Non-life

Aegon Hungary offers non-life cover (household, car insurance, and some wealth industrial risk). Aegon is the leading[2] insurance company in the Hungarian household market. In recent years, margins on non-life insurance in Hungary have been attractive. Moreover, household insurance provides considerable opportunities for cross-selling life insurance.

As part of Aegon s regional expansion, Aegon Hungary opened branch offices in Slovakia in 2010, and in Poland in 2011, selling household insurance policies in these markets.

Competition

Aegon is among the biggest providers operating in the life insurance market in Hungary. In 2014, it was the third largest[2] provider in Hungary, based on the first nine months standardized premium income, and the third largest[2] provider in the non-life insurance market. Aegon is also a significant market participant in Poland[3] and Ukraine[4] As of June 2014, it was ranked fifth[5] for unit-linked products in Poland, based on gross written premiums. Aegon is not a significant market participant in those markets in

which it was relatively recently incorporated: Aegon Slovakia (incorporated in 2003); Aegon Czech Republic (incorporated in 2004); and Aegon Romania (incorporated in 2008). Similarly, Aegon is not a significant participant in Turkey, where it acquired its business in 2008.

In Hungary s voluntary pension fund market, Aegon was ranked third[6] for both the number of its members and its managed assets in 2012. For managed assets, in 2014 Aegon was ranked fifth[7] in the Slovakian private pension market. In Poland, Aegon was ranked tenth[8] for number of members and managed assets as at September 2014. In 2014, Aegon ranked fourth[9] in the Romanian mandatory private pension market, both for net assets under management and number of members.

Regulation and supervision

In Central & Eastern Europe, a single insurance company may only be licensed for, and conduct, either a life insurance business or non-life insurance business not both. In Hungary, however, insurance companies established before 1995 are exempt from this rule. This exemption therefore applies to Aegon Hungary.

State supervision and oversight of the insurance industry is conducted by the following bodies and institutions:

- The Central Bank of Hungary (MNB);
- National Bank of Slovakia (NBS);
- Czech National Bank (CNB);
- Polish Financial Supervisory Authority (KNF);
- Authority for Financial Supervision (ASF) (Romania);
- Undersecretariat of Treasury (Turkey); and
- National Commission for State Regulation of Ukrainian Financial Services Markets.

The authorities mentioned above promote consumer protection and have the right to investigate prudential activities and conduct, financial position and solvency, and compliance with all relevant laws.

In addition to legal regulation, insurance companies are subject to a number of self-regulatory groups in their respective countries. These self-regulatory groups are the main forums for discussion among insurance companies. Their specialized departments (for example, actuarial, financial, and legal) meet periodically.

In Hungary, the foundation and operations of voluntary pension funds are regulated by the country s Voluntary Mutual Pension

1 Source: http://www.asfromania.ro.
2 Source: www.mabisz.hu.
3 Source: www.knf.gov.pl.
4 Source: uainsur.com.
5 Source: www.knf.gov.pl.
6 Source: The Central Bank of Hungary, https://felugyelet.mnb.hu.
7 Source: The Association of Pension Fund Management Companies, Slovakia, www.adss.sk.
8 Source: www.knf.gov.pl.
9 Source: http://www.asfromania.ro.

Funds Act (XCVI. 1993). Activity in this area is also supervised by the MNB. Slovakia s pension market is regulated by the Pension Asset Management Companies and Respective Notices Act (43/2004). The private pension business is under the supervision of the National Bank of Slovakia (NBS). In Romania, the private pension system is regulated and supervised by the Authority for Financial Supervision (ASF), and the mandatory pension system is subject to the Privately Administered Pension Funds Act (411/2004) (as primary legislation), and complemented by individual regulations (as secondary legislation). In Poland, this activity is supervised by the KNF and governed by the Organization and Operation of Pension Funds Act. In Turkey, the voluntary pension funds are under the supervision of the Undersecretariat of the Treasury, and the companies are subject to Individual Retirement Saving and Investment System Law No. 4632.

In Hungary, the Credit Institutions and Financial Enterprises Act (2013) regulates the foundation, operation and reporting obligations of the country s financial institutions (including Aegon Hungary Mortgage Finance Company). In addition, Aegon Hungary Mortgage Finance Company is under the supervision of the MNB, in exactly the same way as Aegon Hungary Home Savings and Loan Association.

Asset liability management

The investment strategy and the asset liability management of the CEE region is overseen within Aegon by the Regional Risk and Capital Committee that meets on a quarterly basis. Aegon CEE s asset liability management focuses on asset liability duration and liquidity. The performance of the portfolios against benchmarks is also evaluated during the Committee s meetings.

Reinsurance ceded

Aegon takes out reinsurance for its life and non-life businesses in Central & Eastern Europe. The aim is to mitigate insurance risk. Aegon s companies in the region only work through large multinational reinsurers that have well-established operations in the region in accordance with Aegon s Reinsurance Use Policy. For short-tail business, Aegon CEE accepts reinsurance companies with a minimum Standard & Poor s (S&P) rating of A-. For long-tail business Aegon CEE accepts reinsurance companies with a minimum S&P rating of AA-. The credit standing of the reinsurance partners is strictly monitored, discussed on a monthly basis by the Global Reinsurance Use Committee, and assessed on a quarterly basis by the Risk & Capital Committee. From 2013, Aegon Hungary began a long-term arrangement with Aegon s internal reinsurer, Blue Square Re, for property, catastrophe and motor third-party liability risks. In the first phase, Blue Square Re takes the risk, in the second phase, Blue Square Re retrocedes the risk in the reinsurance market with some retention levels. In addition, in 2014, Aegon Turkey started to cede the mortality risk stemming from the bulk of its traditional life portfolio to Blue Square Re.

The four most important reinsurance programs currently in force (with retention levels for each event indicated in parentheses) are:

¿ Property catastrophe excess of loss treaty (EUR 16.2 million retention);
¿ Motor third-party liability excess of loss treaty (EUR 0.8 million retention);
¿ Property per risk excess of loss treaty (EUR 1 million retention); and
¿ General third-party liability excess of loss treaty (EUR 0.1 million).

The majority of treaties in force for Aegon s operations in Central & Eastern Europe are non-proportional excess of loss programs except for the life reinsurance treaties, which are made on a surplus and quota-share basis (including various riders).

Overview of Asia

Aegon Asia operates in the Asia region through three major joint ventures in China, India, and Japan, in addition to a network of wholly-owned subsidiaries.

Organizational structure

- Aegon s main operating companies in Asia are:
- Aegon-CNOOC Life Insurance Co. Ltd. (50%);
- Aegon Religare Life Insurance Co. Ltd. (26%);
- Aegon Sony Life Insurance Co. Ltd. (50%);
- SA Reinsurance Ltd. (50%); and
- Transamerica Life (Bermuda) Ltd.

Joint ventures

In 2002, Aegon signed a joint venture agreement with China National Offshore Oil Corporation (CNOOC), China s leading offshore oil and gas producer. Aegon-CNOOC Life Insurance Co. Ltd (Aegon-CNOOC) began operations in 2003. Aegon-CNOOC is licensed to sell both life insurance and accident and health products in China. Aegon-CNOOC has expanded its network of offices and business in China since 2003. Having obtained 12 provincial licenses, its geographic presence provides access to a potential market of over 640 million people, primarily in the booming coastal provinces of eastern China. On October 20, 2014, Aegon and Tsinghua Tongfang Co. Ltd (THTF) signed a joint venture agreement to replace CNOOC as Aegon s partner in Aegon-CNOOC. Regulatory approval for THTF to replace CNOOC as the shareholder of Aegon-CNOOC was granted by the Chinese Insurance Regulatory Commission on December 11, 2014.

In 2006, Aegon entered into a joint venture agreement with Religare Enterprises Limited and Bennett, Coleman & Company Limited to establish Aegon Religare Life Insurance Co., Ltd. (Aegon Religare) in India. Aegon Religare commenced operations in 2008. By August 31, 2014, Aegon Religare had a distribution network across 52 cities and 20 states in India, and had issued more than 391,000 policies to over 342,000 customers.

In June 2007, Aegon signed a joint venture agreement with Sony Life, one of Japan s leading insurance companies, to establish Aegon Sony Life Insurance Co., Ltd. (Aegon Sony Life). Aegon Sony Life commenced operations in December 2009. By September 2014, Aegon Sony Life had entered into distribution partnerships with two mega banks and sixteen regional banks, in addition to Sony Life s Life Planner distribution channel which has over 4,000 professionals. The primary focus of Aegon Sony Life is annuity sales in Japan. Aegon and Sony Life also jointly established a reinsurance company, SA Reinsurance Ltd. (SARe), to provide Aegon Sony Life with greater flexibility in the pricing and design of its annuity products. Launched in 2010, and based in Bermuda, SARe manages the guaranteed benefit risks of Aegon Sony Life s products.

Wholly-owned subsidiaries

In 2011, a new organizational structure was adopted by Aegon s operations in Asia, whereby all of Aegon s Asia-based insurance businesses became managed as one regional division headquartered in Hong Kong.

Transamerica Life Bermuda (TLB) recently commemorated 80 years of service to its customers in Asia. It now primarily serves the high-net-worth market in Asia through its branches in Hong Kong and Singapore.

Aegon Direct and Affinity Marketing Services (ADAMS) is an independent direct marketing services company with operations in six countries in the Asia-Pacific region. The first ADAMS company was established in Australia in 1998, and has subsequently launched operations in Japan, Hong Kong, Thailand, India and Indonesia.

Overview of sales and distribution

In China and India, Aegon-CNOOC and Aegon Religare, offer products through multiple distribution channels: agents, independent brokers, banks, direct marketing, group, and e-sales.

Aegon Sony Life in Japan has two primary distribution channels: Sony Life Planner channel (operated by Sony Life), and the bank distribution channel.

TLB distributes its products through relationships with private and priority banks, local and international brokers, and intermediaries.

ADAMS is one of the largest independent insurance direct marketing services companies in Asia by both geographic footprint and premiums. ADAMS specializes in direct and affinity marketing, and services business partners across the direct marketing value chain.

Overview of business lines

Life and savings

Aegon provides a broad range of life insurance products through its life insurance businesses in China and India. These include unit-linked, universal life, and traditional life products.

In China, Aegon-CNOOC s agency and broker channels primarily sell regular premium endowment with high sum assured protection and critical illness products. Regular premium participating endowment and single-pay universal life are both key products for the bancassurance channel. Telemarketers largely sell return of premium products. The e-sales channel is currently focused on selling protection products.

Aegon Religare offers a number of term plans, traditional individual participating products, traditional pension participating products and unit-linked plans.

Universal life and term products

TLB s main products consist of USD universal life and USD term plans for the high-net-worth market. A new range of products was launched in the fourth quarter of 2013 and over the course of 2014.

Individual savings and retirement

Aegon Sony Life sells variable annuities. These products provide either a guaranteed lifetime withdrawal benefit (GLWB) or a guaranteed minimum accumulation benefit (GMAB).

Since 2010, SARe has reinsured all minimum guarantees offered on Aegon Sony Life s variable annuity products.

Non-life

Aegon-CNOOC offers non-life products (primarily consisting of short-term accident and short-term health products) through all channels. Non-life sales are, however, concentrated in the group channel where the main products are group medical policies. Accident products are also one of the major types of products sold through the e-sales channel.

ADAMS has multiple international business partners across Asia, including banks and non-financial institutions. It focuses on protection products that generate risk premiums, such as term life insurance, personal accident insurance, and supplemental health insurance.

Competition

China - Aegon-CNOOC

As of July 31, 2014, there were 71 life insurance companies in the market, including 43 domestic life companies and 28 foreign life insurers. Based on total premium income, Aegon-CNOOC ranked forty-sixth among life insurance companies and thirteenth among foreign life companies in China. Aegon-CNOOC s market share among foreign-invested companies was 2.0%[1].

India - Aegon Religare

There were 24 licensed life insurers in India at the end of August 2014. The state-owned Life Insurance Corporation of India remains dominant with a 72%[2] share of new business premiums (January 2014 to August 2014), and the remainder is made up of private sector companies.

Japan - Aegon Sony Life

The bancassurance channel is a key growth area in the Japanese insurance market. The largest share of the bancassurance single

premium sector is the single premium whole life product. The surrender payment rate of these products is higher than interest on a savings account, and the commission rate incentivizes strong sales by the bancassurance representatives.

There is a strong need in Japan for individual annuity products for self-support after retirement. Demographic change (falling birth rate and aging population) is particularly acute in Japan, and the current public pension scheme appears unsustainable. Guaranteed minimum accumulation benefit remains the main product in the variable annuities market. There are eight active companies in Japan s variable annuities market. Aegon Sony Life had the second-largest[3] market share in 2014, a position it has held since early 2013.

Hong Kong and Singapore - TLB

TLB s main competitors in Hong Kong and Singapore are local and global providers in the high-net-worth market, such as HSBC Life, AIA, Manulife Bermuda, and Sun Life Bermuda.

Asia - ADAMS

The potential use of direct marketing in the insurance industry is growing due to economic pressure on traditional distribution channels and changes in customer behavior. For this reason, multinational insurers across the region are increasing their marketing capabilities.

Traditional direct marketing remains a viable channel in Asia, particularly in many emerging markets. As these markets mature, market participants must increasingly expand their capabilities in order to employ their customers preferred channels. For insurers, this primarily involves developing the use of media such as Direct Response TV, product microsites, health portals, social media platforms, and mobile applications.

Regulation and supervision

China - Aegon-CNOOC

On August 13, 2014, the State Council published a number of statements on Accelerating the Development of a Modern Insurance Industry . It was stated that by 2020, a modern insurance industry should be constructed, featuring comprehensive protection, complete functions, stability, security, integrity, compliance, strong service, innovation and international competitiveness, in order to match China s social and economic development. The State Council also stated that the insurance industry should be transformed from a large insurance country to a powerful insurance country, by achieving an insurance penetration rate of 5% and insurance density of RMB 3,500. The insurance industry in China is regulated by the China Insurance Regulatory Commission (CIRC).

1 Source: Market data in this paragraph: China Insurance Regulatory Commission (CIRC), circ.gov.cn/Default.aspx?alias=www.circ.gov.cn/english.

2 Source: Insurance Regulatory and Development Authority of India (IDRA), irda.gov.in.
3 Source: Internal data.

India - Aegon Religare

Indian life insurance companies are regulated by the Insurance Regulatory and Development Authority (IRDA). The IRDA regulates, promotes and encourages the orderly growth of insurance and reinsurance businesses in India. Established by the Government of India, it safeguards the interests of the insurance policy holders of the country.

The IRDA is very active in introducing new regulations that focus on protecting policyholders interests and exploring avenues to support growth in the industry. Some steps initiated by the IRDA during 2014 include: the setting up of repositories to facilitate dematerializing of physical policy documents; implementing a requirement to have policy documents in local languages; guidelines with respect to improving persistency; and regulations on web aggregators and insurance brokers.

Japan - Aegon Sony Life

The Financial Services Agency (FSA) is the government agency that supervises all insurance companies in Japan. New products and major product amendments are filed with, and approved by, the FSA. In addition, general policy provisions, statements of business procedure, pricing and valuation are all approved by the FSA.

In late December 2012, the FSA issued a new solvency margin risk standard that limits the assets used while broadening the measurement for solvency risk. More recently, the FSA has been strictly monitoring the solicitation of insurance products to the elderly. Aegon Sony Life has, as a result, enhanced its guidelines.

Hong Kong and Singapore - TLB

TLB is incorporated in Bermuda and is regulated by the Bermuda Monetary Authority, the integrated regulator of the financial services sector in Bermuda. TLB s Asia branches are located in Hong Kong and Singapore. The insurance industry in Hong Kong is regulated by the Office of the Commissioner of Insurance (OCI).

The insurance industry in Singapore is regulated by the Monetary Authority of Singapore (MAS). The MAS is an integrated regulator that oversees all banks, insurers, capital market intermediaries, and financial advisors in Singapore.

Asia - ADAMS

Particularly in the market for direct distribution, there is an evolving regulatory environment for the use of personal data for marketing purposes. ADAMS remains abreast of any changes or proposed changes to regulations governing personal data in all of its markets. Where appropriate, ADAMS implements industry standard compliance programs, such as PCI Compliance in Australia and P-Mark in Japan.

Asset liability management

China - Aegon-CNOOC

An asset liability management meeting is held every month to monitor asset and liability mismatch risk, investment risk and solvency position. The dollar durations of liabilities and assets are calculated separately by block, and the dollar duration gap is analyzed. Based on the payment structure and term of insurance liabilities, Aegon-CNOOC usually purchases corporate bonds, government bonds, bank deposits, debt projects, or other fixed income assets to match this liability. Operating and shareholders equity funds are invested in mutual funds, convertible bonds, stocks, money market fund and bond repurchase in order to achieve higher investment returns.

The respective Risk and Capital Committees of Aegon-CNOOC meet quarterly to manage and monitor all types of risks that Aegon-CNOOC faces. Financial risks, in addition to operational risks, are monitored and discussed in the meeting.

India - Aegon Religare

Aegon Religare has a board-level Investment Committee and a board-level Risk Management Committee (RMC). Furthermore, there is a management-level Risk & Capital Committee (RCC). Regular reviews of risk and capital requirements are conducted by the committee members of the RCC and RMC. Monthly reviews are performed to ensure appropriate ALM for the closed block of business under traditional products. At the end of each quarter, the ALM report is tabled at the RCC meeting.

Japan - Aegon Sony Life and SARe

Aegon Sony Life reinsures (cedes) 100% of its guarantees on variable annuities to SARe. SARe has a comprehensive hedging program in place that covers the major risk dimensions. Execution of this hedging program is outsourced to Aegon USA Investment Management LLC. Comprehensive risk management procedures have been defined to ensure that the implementation of appropriate risk management activities is in accordance with Aegon s Risk Management Policy.

In reinsuring minimum variable annuity guarantees, SARe accepts certain market and policyholder behavior risks. SARe covers payments under the guarantees to the extent that the benefits to the policyholder exceed the variable annuity account value. The market risks are managed through the use of capital-market hedging techniques.

Hong Kong and Singapore - TLB

The TLB assets are currently managed by Aegon USA Investment Management in the United States in a pool of assets backing similar liabilities. There is a management-level Risk and Capital Committee (RCC) and a management-level Investment Committee (IC). Regular reviews of risk and capital matters are conducted by RCC members. Members of the IC focus particularly on the areas of investment performance and mismatch risk.

Asia - ADAMS

The ADAMS assets are managed by Aegon USA Investment Management in the United States in a pool of assets backing similar liabilities. Asset Liability Management is performed as part of asset portfolio management.

Reinsurance ceded

China - Aegon-CNOOC

Aegon-CNOOC shares its morbidity and mortality risk with international and national reinsurers. The mortality risk of individual products is shared through a surplus reinsurance structure. Most of the individual morbidity risks are taken by General Re and Munich Re in quota share. The group products are mainly reinsured by Hannover Re. Aegon-CNOOC also has modified co-reinsurance with Hannover Re to improve its solvency ratio, in addition to morbidity and mortality risk transfer. Aegon-CNOOC reviews the reinsurance structure regularly and adjusts it based on the claim experience and its risk acceptance capability.

India - Aegon Religare

Reinsurance arrangements are regulated by the IRDA. Aegon Religare primarily reinsures the mortality and morbidity risks of its policies sold with RGA Re. For specific products, reinsurance treaties are entered into with other major reinsurance companies such as Munich Re and Swiss Re.

Japan - Aegon Sony Life and SARe

Aegon Sony Life reinsures 100% of its guarantees on variable annuities with SARe.

In April 2014, Aegon Sony Life entered into a Surplus Relief reinsurance contract on a local statutory basis only. Surplus Relief provides relief from acquisition cost recovery risk.

Hong Kong and Singapore - TLB

TLB uses third-party mortality reinsurance for its universal life and traditional policies. Mortality reinsurance takes the form of yearly-renewable term excess-of-retention or quota-share arrangements. This is typically arranged through a pool of reinsurers in general, the leading providers in the reinsurance industry.

Asia - ADAMS

ADAMS s traditional business model primarily creates value by offshore reinsurance through an Aegon risk carrier, whereby risk-based premium is acquired for the group. ADAMS positions itself as an independent marketing services provider. This enables it to form partnerships with local insurers, particularly in locations where Aegon does not have a local presence. Increasingly, ADAMS also generates fee income from its professional services.

Overview of Spain

Aegon entered the Spanish insurance market in 1980 with the purchase of local insurer Seguros Galicia. In recent years, Aegon s activities in Spain have developed through distribution partnerships with Spanish banks.

Until 2010, Aegon Spain Holding (hereinafter, Aegon Spain), through its subsidiary Aegon España S.A.U. de Seguros y Reaseguros (hereinafter, Aegon España) operated in Spain with two subsidiaries, Aegon Salud S.A.U. de Seguros y Reaseguros and Aegon Seguros y Reaseguros de Vida Ahorro e Inversión, S.A.U., which were merged by Aegon España, as of January 1, 2011. Aegon Administracion y Servicos A.I.E., a separate legal entity, provides administration and operations services to all Aegon companies in Spain, including joint ventures with third parties. In addition, Aegon Spain operates through partnerships with the financial services organizations Banco Santander and Liberbank, S.A.. On July 30, 2014, Aegon Spain signed a 25-year agreement to distribute both protection and general insurance products through Banco Santander s network of branches in Portugal. Aegon Spain sold its stake in the partnership with Cajatres on September 3, 2014.

Organizational structure

Aegon main subsidiaries and affiliates in Spain and Portugal are:

- Aegon Espana S.A. de Seguros y Reaseguros;
- Aegon Administracion y Servicos A.I.E.;
- Aegon Santander Generales Seguros y Reaseguros (51%), in partnership with Banco Santander;
- Aegon Santander Vida Seguros y Reaseguros (51%), in partnership with Banco Santander;
- Aegon Santander Portugal Vida Companhia de Seguros S.A. (51%), in partnership with Banco Santander Totta;
- Aegon Santander Portugal Nao Vida Companhia de Seguros S.A. (51%), in partnership with Banco Santander Totta; and
- Liberbank Vida y Pensiones, Seguros y Reaseguros, S.A. (50%), in partnership with Liberbank, S.A.

Overview of sales and distribution channels

The ongoing economic situation in Spain continues to have an effect on all channels, particularly bancassurance. The Spanish banking sector has undergone significant change since 2012, when a structural reform program was implemented. This resulted in the restructuring of the banking sector and triggered a wave of mergers and acquisitions aimed at consolidation a process that affected Aegon Spain s banking partners to varying degrees. The economic outlook for the next 12 months is more favorable due to these measures, which will continue to affect Aegon Spain s banking partners in different ways. The main distribution channel in the Spanish market is bancassurance, which accounts for 70% of life sales, in comparison with 23% for brokers and 7% for direct customers. Aegon Spain distributes its products nationwide through partner branches and its own sales network.

Aegon Spain and Banco Santander

In December 2012, Aegon Spain and Banco Santander formed a partnership to distribute certain insurance products. This became fully operational in June 2013, following regulatory approval.

Banco Santander is the largest financial institution in Spain, with 4,548 branches nationwide. Aegon Spain agreement with Banco Santander concerns the business lines of pure life risk and the general insurance products accident, home and commercial multi-risk insurance, and sickness. These are sold through two insurance entities: Aegon Santander Vida for pure life risk products; and Aegon Santander Generales for general insurance products. Aegon s share in each entity is 51%.

The agreement signed between Aegon Spain and Santander Totta Seguros a Portuguese insurance company belonging to Santander international group concerns the distribution of certain insurance products. This became fully operational in December 2014, following regulatory approval.

Liberbank Vida y Pensiones

Liberbank, S.A. was created from a combination of the banking assets and liabilities of Cajastur, Caja Extremadura and Caja Cantabria. It has a presence nationwide, and a leadership position in retail markets in several Spanish regions (Asturias, Cantabria, Castilla La Mancha and Extremadura). Liberbank Vida y Pensiones currently distributes its products through 679 Liberbank, S.A. branches.

On December 31, 2014 Cantabria Vida y Pensiones (Aegon s partner until 2014) was merged by absorption by Liberbank Vida y Pensiones.

Distribution

Aegon Spain distributes life insurance, general insurance, health and pension products. It uses two main distribution channels: bancassurance, which comprises 56% of the total; and its own network of brokers and agents. Aegon Spain s sales network is focused on individual life and health insurance in urban and rural areas.

Overview of business lines

Aegon Spain focuses primarily on retail customers. It offers life insurance, pensions, general insurance, accident and health cover through different distribution channels, including its own channels (agents, brokers and direct), and bancassurance distribution through joint venture partnerships with Liberbank, S.A. and Banco Santander.

Life insurance & Pensions

Aegon Spain s life insurance business comprises both individual and group protection and savings products, with individual products forming the larger part of the business.

Protection business includes primarily life, accident and disability cover, and products can be complemented with critical illness, income protection and other riders. Customers saving needs are serviced by Aegon Spain through its targeted offering of universal life, unit-linked and pension funds. Both savings and protection products are distributed through the channels mentioned above.

General insurance

Aegon Spain first offered general insurance products through its joint venture with Banco Santander in 2013. The offering focuses mainly on household protection products, distributed through the banking network of partner Banco Santander.

Health

Health insurance is offered by Aegon España through both its own network of brokers and agents and direct channels. Medical expense coverage for doctor visits, diagnose, hospitalization, dental and other health covers are offered through a broad network of medical partners across Spain.

The gross premium written contribution in 2014 for each of Aegon Spain s business lines was 60% for life insurance, 18% for accident and health insurance, and 22% for general insurance.

Competition

The Spanish insurance market is highly competitive. For Aegon Spain s traditional life, unit-linked variable life and pension products, the major competitors are retail bank-owned insurance companies. The life market[1] is dominated by Grupo Caixa, with a 22.2% market share, and Mapfre, with a 10.6% market share, followed by Santander Seguros, with a 7.6% market share. Aegon Spain s market share is 1.0%.

For Aegon Spain s health and general insurance products, the main competitors are foreign and local companies. Mapfre leads the non-life insurance market with a 15.2% market share, followed by Grupo Mutua Madrileña with a 12.9% market share and Allianz with a 6.6% market share. The non-life market is more fragmented than the life market. Aegon Spain s multi-risk business line is responsible for non-life and has a market share of 1.5%.

Regulation and supervision

Direccion General de Seguros y Fondos de Pensiones (DGSFP) is the regulatory authority for the Spanish insurance industry. Insurance companies are required to report to DGSFP on a quarterly basis. Spanish regulations incorporate all requirements of the relevant European Union directives. The local Solvency I requirements are based, respectively, on percentages of the reserves for the life insurance business and of the premiums and sum at risk for the health and general insurance business. The local regulations for investments require the appropriate matching of investments and technical provisions, and also establish different levels of restrictions on the type of assets in which the insurance company may invest.

Asset liability management

Aegon Spain s approach to asset liability management is to make projections of asset and liability cash flows, calculate their present values using a market yield curve, and compute the main parameters affecting these cash flows, such as duration and convexity. The goal is to lock in the spread by matching the duration of assets to the duration of liabilities.

Reinsurance ceded

Aegon Spain has a one Aegon reinsurance management policy, meaning that both its joint ventures and own business are treated as a whole, with the same economic conditions and reinsurers panel, but with individual profit shares without losses carried forward by each entity belonging to Aegon Spain. The main contract for mortality and morbidity provides proportional reinsurance protection for both its individual risk and group risk policies. With this approach, Aegon Spain seeks to optimize the cost of reinsurance coverage, sharing the profits and not the losses, while achieving prudential diversification of its insurance risk by limiting the maximum possible losses on risks that exceed retention levels. Maximum retention levels vary by product and by nature of the risk being reinsured, although the retention limit is in general between EUR 30,000 and EUR 60,000 per life insured. Aegon Spain remains contingently liable for the amount ceded should the reinsurance company fail to meet its obligations. Aegon Spain generally uses only reinsurance companies that have a Standard & Poor credit rating of A or higher. Aegon s Group Reinsurance Use Committee is involved in the pre-approval of reinsurers, and the selection of reinsurers where a reinsurer has a rating below A . In addition, to reduce its exposure to defaults, Aegon Spain has several reinsurers on its panel and regularly monitors the creditworthiness of each. Further protection is taken out through funds that are withheld for investment by the ceding company where appropriate.

1 Source: Investigación Cooperativa entre Entidades Aseguradoras y Fondos de Pensiones (ICEA), www.icea.es.

Overview of France

On November 24, 2014, following a strategic review, Aegon announced its decision to sell its 35% share in La Mondiale Participations, subject to regulatory review. The sale was finalized on March 3, 2015.

Background

Aegon began a partnership with mutual insurer La Mondiale in 2002 through the acquisition of a minority interest in La Mondiale Participations, La Mondiale s subsidiary company. La Mondiale Participations offered a range of life insurance,

pensions, savings, investment and asset management services to corporate and individual retail customers through three subsidiaries: Arial Assurance, La Mondiale Partenaire and La Mondiale Europartenaire.

Overview of Variable Annuities Europe

Variable Annuities Europe is a specialist provider of variable annuity products in the United Kingdom, Germany and France. It also offers offshore bonds in the United Kingdom.

Organizational structure

Variable Annuities Europe s legal entity is Aegon Ireland plc. Its main office is located in Dublin, Ireland, with a branch office in Frankfurt, Germany. It operates two business lines: variable annuities and offshore bonds.

Overview of sales and distribution channels

In the United Kingdom, Aegon Ireland does not employ a direct sales force, but works with the local sales forces of the Aegon companies.

In Germany, Aegon Ireland has its own branch office in Frankfurt and employs a direct sales and customer service team.

Sales in France are through La Mondiale.

Variable annuities

Aegon Ireland is a specialist provider of variable annuity products in three European markets the UK, Germany and France with different operating models for each market.

Variable annuities are advised products distributed primarily through financial advisers and banks.

In the UK, Aegon Ireland variable annuities (or unit-linked guarantees) are sold via Aegon UK through banks, financial advisors and the Aegon Retirement Choices (ARC) platform an online service that enables financial advisors to manage their clients investment portfolios.

Aegon Ireland s branch office in Frankfurt sells variable annuities and employs a direct sales and customer service team. Aegon Ireland launched its first variable annuity product (guaranteed lifetime income) in Germany in August 2013. A second variable annuity product (guaranteed capital) was launched in April 2014. Key distribution channels are broker pools and financial advisor networks.

In France, La Mondiale sells a variable annuity product (guaranteed lifetime income), of which the guaranteed lifetime income option is reinsured to Aegon Ireland. It is sold through both La Mondiale s own internal networks and platforms to financial advisors and banks. Aegon announced its decision to sell its 35% stake in La Mondiale Participation on November 24, 2014. The sale was finalized on March 3, 2015.

Offshore bonds

Aegon Ireland offshore bonds are sold exclusively in the UK via Aegon UK and are distributed through the ARC platform, other third-party platforms, banks, and financial advisors.

Overview of business lines

Variable annuities

Variable annuity products are essentially unit-linked life and pension insurance products with guarantees. They typically offer a range of investment fund options linked to equities and fixed interest investments. Some options enable the policyholder to select assets in fixed proportions. Increasingly, however, investment fund options aim to control fund volatility around certain target levels. In each case, an appropriate guarantee charge is set according to fund risk or fixed equity content. The guarantees offered may take several different forms: a minimum level of future lifetime income (immediate or deferred), an income for a defined term, or a minimum return of capital at the end of a defined period. Optional or integrated minimum death benefits are also usually offered. Charges for the guarantees are applied to the policyholder s account value, and vary according to the guarantee and the fund choice.

These products allow a customer to participate in equity and bond market performance with the assurance of a minimum level of future benefit, regardless of the performance of their account. The various forms of guarantee enable customers to select the minimum benefit options that best suit their own capital or income needs.

Policyholder contributions are invested in the chosen underlying fund(s). For the majority of products, the client selects investment options based on their preferred level of risk. The assets related to this product are segregated for the benefit of policyholders in separate accounts of the insurance company.

The policyholder s account value reflects the performance of the selected funds less charges, withdrawals or guarantee payments. The insurance provider earns administration and expense charges, in addition to guarantee charges for the guaranteed benefits.

Offshore bonds

Offshore bond products are open-ended unit-linked life insurance products. They offer a wide range of investment choices, making it possible to invest in a wide range of external assets, such as collective investment schemes, unit trusts, and open-ended investment companies (OEICs), together with internal unit-linked funds managed by Aegon Ireland, and cash deposits.

The premiums paid are invested in the underlying funds as selected by the client. Alternatively, clients may request the appointment of a specialist fund manager to select the underlying funds on an advisory or discretionary basis.

The assets related to this product are segregated for the benefit of policyholders in separate accounts of the insurance company. These separate accounts are classified as investments for the account of policyholders.

Offshore bond products enable customers to make regular withdrawals from their policy, provided there is sufficient value in the underlying fund. The death benefit is typically 100.1% of the surrender value of the policy on the death of the last life assured. Offshore bond products do not have explicit guarantees. The surrender value reflects the performance of the funds selected by the client. The final surrender value of the policy may therefore be less than that of the original investment.

The account value of offshore bond products reflects the performance of the funds. The insurance provider earns ongoing administration and expense charges on the policy. Collected surrender charges are typically applied to recoup deferred acquisition costs.

Competition

Variable annuities

There was no significant change between 2013 and 2014 in the competitive environment for variable annuities in Europe, with the ongoing challenging economic and financial conditions limiting new product launches.

In the United Kingdom, Variable Annuities Europe has two competitors, Axa and MetLife, with MetLife leading the market.

In Germany, several competitors offer variable annuity type products, but they are generally not essential to their overall offering. The main competitors for variable annuity business are Canada Life and Swiss Life. Other providers include Allianz, Generali, Helvetia and Standard Life.

In France, AXA and Allianz are the only other providers offering variable annuities, with AXA leading the market.

Offshore bonds

The UK offshore bond market remains highly competitive. In the third quarter of 2014, Aegon has a year-to-date market share of 5.34%, placing it sixth[1]. The top three providers by market share were Standard Life, Axa Wealth and Legal & General respectively.

Regulation and supervision

Aegon Ireland is registered as a life insurance company in Ireland under the European Communities (Life Assurance) Framework Regulations 1994 (the 1994 Regulations), which implement the Consolidated Life Directive in Ireland. Aegon Ireland is regulated by the Central Bank of Ireland. As an Irish authorized life insurance company, Aegon Ireland may undertake life insurance business in any member state of the European Economic Area on either a freedom of services (FOS) or freedom of establishment (FOE) basis, subject to the notification requirements set out in the 1994 Regulations.

Aegon Ireland operates on an FOE basis in Germany (with a branch office in Frankfurt) and on an FOS basis in the United Kingdom, selling life insurance products in Class III (contracts linked to investment funds) and Class I (life insurance and contracts to pay annuities on human life), excluding contracts written in Class II (contracts of insurance to provide a sum on marriage or on the birth of a child). Aegon Ireland must comply with the general good provisions that apply to insurers selling such policies in each jurisdiction.

The Central Bank of Ireland has sole responsibility for the prudential supervision and regulation of Aegon Ireland. For this reason, Aegon Ireland s entire business, state of solvency, establishment and maintenance of technical reserves, quality of corporate governance, risk management, and internal control systems are all subject to monitoring and supervision by the Central Bank of Ireland. Aegon Ireland is required to submit annual returns to the Central Bank of Ireland, and is subject to annual review meetings and themed visits. The Central Bank of Ireland has wide powers of intervention in all areas of Aegon Ireland s business.

1 Source: Association of British Insurers.

Overview of Aegon Asset Management

Aegon Asset Management is an active investment manager that uses its investment expertise to help clients around the world take responsibility for their financial future.

Organizational structure

Aegon Asset Management operates in the United States, the Netherlands, the United Kingdom, Canada, Central & Eastern Europe, Spain, Hong Kong and mainland China. It has three main brands:

- **Aegon Asset Management** specializes in providing clients with a range of high-quality investment solutions across asset classes, including fixed income, equities, real estate, absolute return, liability-driven, and multi-asset solutions. A long and successful history of partnership with Aegon s insurance businesses has enabled Aegon Asset Management to establish experienced investment teams, a solid asset base and proven long-term records;
- **Kames Capital** is a United Kingdom-based asset management company that provides fixed income, equities, real estate and multi-asset solutions to both UK and international clients; and
- **TKP Investments** is a Netherlands-based fiduciary manager that is recognized for its manager selection and tailored advice to the Dutch pension market.

Aegon Asset Management s main operating entities are Aegon USA Investment Management LLC, Aegon USA Realty Advisors LLC, Aegon Investment Management B.V. (the Netherlands), TKP Investments B.V. (the Netherlands), Kames Capital plc (United Kingdom) and Aegon Industrial Fund Management Company Ltd (China, 49% owned).

Aegon Asset Management is managed by an international board with both global and local roles and responsibilities.

Overview of business lines

Aegon Asset Management manages significant funds on behalf of Aegon insurance companies. Asset inflows are derived from insurance company sales invested in the general account or insurance funds, depending on the product sold. Aegon Asset Management receives funds either in a closed architecture structure (whereby the insurance affiliate seller delegates funds to Aegon Asset Management) or through competition with external asset managers in an open architecture structure (whereby the insurance affiliate seller may choose to delegate funds to an external fund manager other than Aegon Asset Management). Aegon Asset Management also provides solutions to third-party retail and institutional customers that invest through collective investment schemes or segregated mandates.

General account business consists of funds held on the balance sheet of Aegon insurance companies to meet policyholder liabilities typically when the insurer has given the policyholder a guarantee. These assets are managed to match the insurers liabilities. As a rule, general account assets are managed in a closed architecture structure, and the main asset classes are fixed income and mortgage loans. Aegon Asset Management also manages Aegon s general account derivatives book.

The majority of affiliate sales business consists of funds sold by affiliate insurers where the policyholder return is determined by the investment return of the fund, and the risk is therefore borne by the policyholder rather than Aegon. The funds have various legal structures, and are usually managed against a benchmark or peer group target. The main asset classes include fixed income, equities, real estate, mortgage loans and alternatives. In the United States and the United Kingdom, a significant element of affiliate sales is conducted on an open architecture basis.

For third-party business, Aegon Asset Management is usually responsible for product design, marketing and distribution, although some third-party business is sourced through co-operative arrangements with insurance affiliates. The retail businesses typically sell collective investment vehicles (mutual funds) to customers through wholesale distributors and independent intermediaries. The main asset classes are fixed income and equities, and the funds are usually managed against a benchmark or peer group target. The institutional businesses typically sell tailored services to large corporations or pension funds. They employ a full range of asset classes, and manage the funds against objectives, targets and risk profiles agreed with clients. Aegon Asset Management offers both absolute and relative return products. Aegon Asset Management distributes its services and solutions internationally.

Competition in main locations

Aegon Asset Management competes with other asset management companies on insurance platforms to acquire business from open-architecture Aegon insurance units and third parties. Aegon Asset Management s competitors include global asset managers (both from financial conglomerates and stand-alone) and local specialists in the countries in which it operates. In general, competition varies according to the type of asset class and style of management.

In the United States, Aegon Asset Management focuses on fixed income, asset allocation and real estate loans. In the wholesale market, Aegon Asset Management works as a sub-advisor with its insurance company affiliates in order to produce competitive products. It also works with consultants and other partners to offer products to third-party institutions.

In the Netherlands, Aegon Asset Management provides a wide range of investment solutions to retail and institutional clients through its affiliate insurance company. In the third-party institutional market, it competes with both fiduciary and balance sheet managers, together with global asset managers with an asset-only proposition. Competition continues to be strong in the pension fund industry due to both the ongoing consolidation of pension funds and the growing service requirements of pension fund clients. Aegon Asset Management has received strong net inflows into its Dutch mortgage fund.

In the United Kingdom, competition in the third-party wholesale market has been heavily influenced by the effect that new regulatory changes stemming from the Retail Distribution Review (RDR) have had on distribution.

Regulation and supervision

Aegon Asset Management s global holding company, Aegon Asset Management Holding B.V., is regulated by DNB (the Dutch central bank) as a financial holding company according to the Dutch Act on Financial Supervision. In Europe, regulation for asset management companies is different from that of insurers because it is based on different European Union directives. Aegon Asset Management s underlying operating entities are regulated by their local regulators, including the AFM (Autoriteit Financiële Markten) and DNB for Dutch entities, the FCA (Financial Conduct Authority) for United Kingdom based entities, the SEC (Securities & Exchange Commission) for United States based entities, and the CSRS (Chinese Securities Regulatory Commission) for Chinese-based entities.

Risk management

General

As an insurance group, Aegon manages risk on behalf of its customers and other stakeholders. As a result, the Company is exposed to a range of underwriting, operational and financial risks. Aegon s risk management and control systems are designed to ensure that these risks are managed effectively and efficiently in a way aligned with the Company s strategy.

Definition and tolerances

For Aegon, risk management involves:

- ¿ Understanding which risks the Company is able to underwrite;
- ¿ Establishing a company-wide framework through which the risk-return trade-off associated with these risks can be assessed;
- ¿ Establishing risk tolerances and supporting policies to limit exposure to a particular risk or combination of risks; and
- ¿ Measuring and monitoring risk exposures and actively maintaining oversight of the Company s overall risk and solvency positions.

By setting certain predefined tolerances and adhering to policies that limit the overall risk to which the Company is exposed, Aegon is able to accept risk with the knowledge of potential returns and losses.

Objectives of risk management

Aegon s risk strategy provides direction for the targeted Aegon risk profile while supporting the Aegon business strategy. The targeted risk profile is determined by customer need, Aegon s competence to manage the risk, the preference of Aegon for the risk and whether there is sufficient capacity to take the risk. Key inputs for Aegon s risk preferences include expected returns, alignment between Aegon, counterparty and customer interests, the existing risk exposures and other risk characteristics such as diversification, the severity of the risk in an extreme market event and the speed at which risk can materialize in Aegon s capital position, and IFRS net income.

In addition to the targeted risk profile, risk tolerances and limits are established to ensure that Aegon maintains, at all times, a solvency and liquidity position such that no plausible scenario would cause the Company to default on its obligations to policyholders. To accomplish this, Aegon has established a number of risk criteria and tolerances as part of its risk strategy:

- ¿ Financial strength: ensure Aegon meets long-term obligations to policyholders, thereby enabling Aegon to compete in key markets as a financially strong global insurer;
- ¿ Continuity: ensure that Aegon meets policyholder obligations, even under extreme event scenarios;

¿

Culture: encourage strong risk awareness by stressing the Company s low tolerance for operational risk. This helps to improve operational excellence and ensures that the Company is fair in its treatment of customers and other stakeholders; and

¿ Risk balance: manage the concentration of risk and encourage risk diversification within Aegon.

Aegon s risk governance framework

Aegon has a strong culture of risk management, based on clear, well-defined risk governance. The goals of this risk governance are:

¿ Minimize ambiguity by clearly defining roles and responsibilities and risk reporting procedures for decision makers;

¿ Institute a proper system of checks and balances, and ensure that senior management is aware at all times of material risk exposure;

¿ Manage risk in line with the targeted risk profile, including the avoidance of an over-concentration of risk in particular areas;

¿ Facilitate diversification by enabling management to identify diversification benefits from apparent risk-return trade-offs; and

¿ Reassure external stakeholders that Aegon has appropriate risk management structures and controls in place.

Governance structure

Aegon s risk management framework is represented across all levels of the organization. This ensures a coherent and integrated approach to risk management throughout the Company. Similarly, Aegon has a comprehensive range of company-wide risk policies that detail specific operating guidelines and limits. These policies are designed to keep overall risk-specific exposures to a manageable level. Any breach of policy limits or warning levels triggers immediate remedial action or heightened monitoring. Further risk policies may be developed at a local level to cover situations specific to particular regions or business units. Aegon s risk management governance structure has three basic layers:

¿ The Supervisory Board (SB) and the Supervisory Board Risk Committee (SBRC);

¿ The Executive Board (EB) and the Management Board (MB); and

¿ The Enterprise Risk Management Committee (ERMC) and the Group Risk & Capital Committee (GRCC).

Additionally, there are working groups and regional committees that support the ERMC and GRCC.

Aegon s Executive Board has overall responsibility for risk management. The Executive Board adopts the risk strategy, risk governance, risk tolerance and material changes in risk methodology and risk policies. The Group s Chief Risk Officer (CRO) attends Executive Board meetings and has a direct reporting line to the Supervisory Board to discuss enterprise risk management and related matters, and is a member of the Management Board.

The Management Board oversees a broad range of strategic and operational issues. While the Executive Board remains Aegon s statutory executive body, the Management Board provides vital support and expertise in safeguarding Aegon s strategic goals. The Management Board discusses and sponsors enterprise risk management, in particular the risk strategy, risk governance, risk tolerance, and material changes in risk methodology and risk policies.

The Supervisory Board Risk Committee is responsible for overseeing Aegon s enterprise risk management framework, including risk governance and measures taken to ensure risk management is integrated properly into the Company s broader strategy. The Supervisory Board Risk Committee oversees the Company s risk exposure as it relates to capital, earnings and compliance with Group Risk policies. It is the responsibility of the Executive Board and the Group s Chief Risk Officer to inform the Supervisory Board of any risk that directly threatens the solvency, liquidity or operations of the Company. Details of members of the Supervisory Board Risk Committee can be found on page 94 and 97-98 of this Annual Report.

The Management Board is supported by two committees:

- The Enterprise Risk Management Committee (ERMC), which supports Enterprise Risk Management (ERM) framework development and maintenance, including risk strategy, risk governance, risk tolerance, risk methodology and risk policies; and
- The Group Risk & Capital Committee (GRCC), which, as the primary balance sheet management committee of Aegon, supports risk oversight.

The ERMC can seek advice on significant Enterprise Risk Management framework development work from temporary working groups comprising subject matter experts who represent the Company s businesses. These working groups are established by the Enterprise Risk Management Committee, including their membership, scope of work and deliverables.

The GRCC focuses on managing Aegon s overall solvency and liquidity position, while ensuring that risk taking is within the risk tolerance statements and Group Risk policies. The GRCC informs the Management Board about any identified or near breaches of overall tolerance levels, in addition to any potential threats to the Company s solvency, liquidity or operations. Risk & Capital Committees (RCCs) have been established at each of Aegon s regions.

The responsibilities and prerogatives of the Risk & Capital Committees are set out in their respective charters and are similar in content to those of Group Risk, but tailored to local circumstances. Group Risk is responsible for the development,

maintenance and oversight of compliance with the ERM framework, including risk strategy, risk governance, risk tolerance, risk methodology and risk policies. Group Risk also maintains oversight of material risk, balance sheet and commercial decisions taken throughout the Company. Group Risk further identifies good risk management practices and facilitates implementation of these, in addition to ensuring that there is consistency in the application of these practices across the Company. Furthermore, Group Risk prepares risk management information, including information about current risk exposures and issues, and additional sensitivity and scenario analyses, either at its own initiative or at the request of management.

Group Risk is responsible for development and oversight of compliance with the risk governance framework, risk methodology, risk tolerances and risk policies. This involves identifying risk, particularly operational and emerging risk, in addition to reviewing risk assessments carried out by business units. Group Risk also identifies best risk management practices, facilitates implementation thereof and helps ensure there is consistency in the application of these practices across the Company. In addition, Group Risk performs risk and scenario analyses, either at its own initiative or at the request of management.

Aegon s risk management staff structure is fully integrated. Business unit Chief Risk Officers have a direct reporting line into the Group s Chief Risk Officer or one of the regional Chief Risk Officers that report directly into the Group Chief Risk Officer. Regions include the Americas, the Netherlands, United Kingdom, Central & Eastern Europe, Asia, Spain, Variable Annuities Europe, Aegon Asset Management, and the holding.

Lines of defense

Aegon s risk management structure is organized into three lines of defense to ensure conscious risk-return decisions and limit the magnitude of potential losses within defined levels of certainty. The objective of this structure is to avoid surprises due to unidentified risks materializing or losses that exceed predefined risk tolerance levels and related limit structures.

The Company s first line of defense, including the business and support functions, has direct responsibility for managing and taking risk in accordance with defined risk strategy, risk tolerance and risk policies. The second line of defense, including the risk management function, facilitates and oversees the effectiveness and integrity of enterprise risk management across the Company. The third line of defense, including the audit function, provides independent assurance and challenge regarding the effectiveness and integrity of enterprise risk management across the Company.

Risk management in 2014

As part of the Company s ERM Framework, Aegon undertakes regular sensitivity analyses to verify that the impact of different

economic and business scenarios on earnings and the capital position are within the risk tolerances set. These analyses cover a variety of extreme event scenarios, which have been constructed to test our exposure to identified critical market events or conditions that would present an extraordinary business challenge. These scenarios include events such as economic depression and inflation.

Risk overview 2014

Credit risk

In 2014, credit spreads decreased to the lowest levels seen since the 2008 crises, and Aegon slightly reduced its exposure to credit risk. In the United Kingdom, callable bonds were sold and the proceeds and new business were invested largely in high-rated sovereign-linked paper. In the Netherlands, corporate bonds were sold and reinvested in highly-rated structured assets. In the general account investment portfolio, Aegon retained minimum exposure to peripheral European countries.

Equity market risk and other investment risks

Equity markets trended upwards in 2014, with a correction in the third quarter. During 2014, Aegon continued to progress its program of hedging equity risk at its UK pension business, variable annuities, US and Dutch operations to protect the Company against a possible deterioration in equity markets. The US business has a macro hedge in place to protect the business capital position of variable annuities from fluctuations in equity markets. As a result of a mismatch between US statutory and IFRS accounting, this hedge showed a negative impact on income before tax of EUR 251 million in 2014 (2013: EUR 590 million). The Dutch operations further extended hedging of equity volatility risk in the existing equity hedge program.

Interest rate risk

In 2014, long-term swap rates in the United States, United Kingdom and the eurozone decreased by 143 bps, 126 bps and 130 bps to respectively 2.80%, 2.30% and 1.52%. In the United States, interest rate hedges were put in place in the first half of 2014 by implementing forward starting swaps. Also in 2014, the existing interest rate programs remained in place for hedging guarantees for Aegon s operations in the Netherlands, long-term care business in the United States and for the variable annuities businesses in the United States, Ireland and Asia.

Currency exchange rate risk

As an international company, Aegon is exposed to movements in currency exchange rates. Aegon does not, however, consider this exposure to be material from an asset liability management perspective. The Company holds its capital base in various currencies in amounts that correspond to the book value of individual business units.

Liquidity risk

Aegon has put a strong liquidity management strategy in place. The Company considers extreme liquidity stress scenarios, including the possibility of prolonged frozen capital markets, an immediate and permanent rise in interest rates, and policyholders withdrawing liabilities at the earliest conceivable date. In addition, the Company has liquidity stress planning in place. In 2014, Aegon retained significant holdings of cash and highly liquid assets as a precaution against potential adverse market developments. Stress tests show that available liquidity would more than match the Company s liquidity requirements, even if market conditions were to significantly deteriorate.

Underwriting risk

Aegon s earnings depend, to a significant degree, on the extent to which claims experience is consistent with assumptions used to price products and establish technical liabilities. Changes in, among other things, morbidity, mortality, longevity trends and policyholder behavior may have a considerable impact on the Company s income. Assumptions used to price products and establish technical liabilities are reviewed on a regular basis. In 2014, Aegon made several significant updates to assumptions, including an update to US mortality assumptions. Please refer to note 3 Critical accounting estimates and judgment in applying accounting policies for more information.

Operational risk

Like other companies, Aegon faces risks resulting from operational failures or external events, such as changes in regulations, acts from personnel and natural or man-made disasters. Aegon s systems and processes are designed to support complex products and transactions and to avoid such issues as system failures, financial crime and breaches of security. Aegon works on analyses on a continuous basis studying such operational risks and regularly develops contingency plans to deal with them.

Aegon faces a number of risks, some of which may arise from internal factors, such as inadequate compliance systems. Others, such as movements in interest rates or unexpected changes in longevity or mortality trends, are external in nature. The most significant risk Aegon faces is that of changes in financial markets, particularly movements in interest rates, equity and credit markets. These risks, whether internal or external, may affect the Company s operations, earnings, share price, value of its investments, or the sale of certain products and services. A description of risks relating to Aegon s businesses and risks relating to Aegon s common shares can be found on pages 354-371 of this Annual Report.

Capital and liquidity management

Liquidity and capital resources

In line with its risk tolerance, the goal of Aegon s capital and liquidity management is to promote strong and stable capital adequacy levels for its businesses on various capital metrics, and maintain adequate liquidity to ensure that the Company is able to meet its obligations.

Risk tolerance is an important element of Aegon s Enterprise Risk Management Framework, and focuses on financial strength, continuity, steering of the risk balance and desired risk culture. The core aim is to establish the organization s tolerance for risk to assist management in carrying out Aegon s strategy within the Group s available resources.

Guiding principles

Aegon follows a number of guiding principles that determine its approach to capital and liquidity management:

- To promote strong capital adequacy in Aegon s businesses and operating units;
- To manage and allocate capital efficiently in support of the strategy and in line with risk tolerance;
- To maintain an efficient capital structure with an emphasis on optimizing Aegon s cost of capital;
- To ensure sufficient liquidity by enforcing stringent liquidity risk policies for both business units and the holding; and
- To maintain continued access to international money and capital markets on competitive terms.

Aegon believes these guiding principles together strengthen the Company s ability to withstand adverse market conditions, enhance its financial flexibility and serve the long-term interests of both the Company and its stakeholders.

Governance

Aegon s Corporate Treasury department manages and coordinates capital and liquidity management strategies and processes. The department acts under the direction of the Group Risk & Capital Committee.

Capital management

Strategic importance

Aegon s capital management approach plays an important role in supporting the execution of Aegon s strategic priorities. These priorities include the shift of capital to markets that offer higher growth and return prospects, and the shift from spread business to fee business. In addition, the Company is improving its risk profile by further reducing total financial leverage. Disciplined risk and capital management supports Aegon s aim to pay a sustainable dividend to its shareholders.

Improving risk profile

Aegon continues to take measures to improve its risk-return profile and lower overall capital requirements. These measures include, for instance, the continued run-off of Aegon s spread-based institutional business in the United States, the strategic growth in fee-based earnings and extensive asset-liability management and hedging programs. Examples of these programs include hedging the interest rate and equity risk from guarantees in the Netherlands, and hedging the capital position in the Americas against adverse equity and interest rate movements. In addition, Aegon ranks among a limited number of insurance companies actively involved in hedging longevity risk.

Capital requirements and leverage

Aegon s goal for all business units is to maintain a strong financial position in order to be able to withstand losses from adverse business and market conditions. The Company s overall capital management strategy is based on managing capital adequacy, capital quality and the use of leverage.

Capital adequacy

Capital adequacy is managed at the Company, country and business unit and legal entity level within the organization. As a matter of policy, Aegon maintains the capitalization of its business units based on the most stringent constraint:

¿ Local regulatory requirements;
¿ Standard & Poor s requirements for very strong capitalization for rated entities; and
¿ Any additionally, self-imposed internal requirements.

Aegon s Insurance Group s Directive ratio was 208% on December 31, 2014, down from 212% at the end of 2013, as the negative impact of net redemptions of capital securities and a lower IGD ratio in the Netherlands was only partly offset by a stronger RBC ratio in the Americas.

Solvency II

The introduction of Solvency II will mean a change in the regulatory capital requirements in EU-domiciled legal entities. Solvency II will impact the capitalization levels used to assess capital adequacy of Aegon s business units. Although Solvency II will not be effective until January 1, 2016, the draft Solvency II capital requirements are expected to be taken into consideration by regulators in their supervision of EU-domiciled legal entities before the effective implementation date. As a result, Aegon is monitoring developments of the new capital regime and the impact it could have on business units and capitalization levels.

In assessing the potential impact of Solvency II, Aegon is assuming that the US solvency regime will be granted (provisional) equivalence by the European Commission.

Leverage metrics

In line with the guiding principles of its capital and liquidity management, Aegon N.V. monitors and manages several leverage metrics:

- Various rating agency leverage metrics;
- Gross financial leverage ratio; and
- Fixed charge coverage.

Aegon s gross financial leverage ratio is calculated by dividing total financial leverage by total capitalization. Aegon defines total financial leverage as debt or debt-like funding issued for general corporate purposes and for capitalizing Aegon s business units. Total financial leverage includes hybrid instruments, subordinated and senior debt. Aegon s total capitalization consists of the following components:

- Shareholders equity excluding revaluation reserves and the remeasurement of defined benefit plans;
- Non-controlling interests and share options not yet exercised; and
- Total financial leverage.

Aegon s fixed charge coverage is a measure of the Company s ability to service its financial leverage. It is the ratio of underlying

earnings before tax and prior to the payment of interest expenses on financial leverage to interest payments on financial leverage and preferred dividends. The fixed charge coverage includes the impact of interest rate hedging.

On December 31, 2014, Aegon s total capitalization was EUR 24.8 billion (EUR 23.1 billion at December 31, 2013), its gross financial leverage ratio was 28.7% (33.3% at December 31, 2013) and its fixed charge coverage was 6.5x (5.2x at December 31, 2013). Aegon targets a gross financial leverage ratio of 26-30% and a fixed charge coverage of 6.0-8.0x, and expects continued deleveraging in 2015 with the proceeds from the sale of the Canadian life insurance business in support of Aegon s commitment to these targets.

Ratings

Aegon s objective is to continue to be capitalized to maintain an AA financial strength rating in it s operating units, and this plays an important role in determining the Company s overall capital management strategy. Aegon maintains strong financial strength ratings from leading international rating agencies for its main operating subsidiaries, and a strong credit rating for Aegon N.V.

Agency				
December 31, 2014	Aegon N.V.	Aegon USA	Aegon the Netherlands	Aegon UK

Standard & Poor s	A-	AA-	AA-	A+
Moody s Investors Service	A3	A1	-	-
Fitch Ratings	A	AA-	-	AA-

Debt funding and back-up facilities

Most of Aegon s debt is issued by Aegon N.V., the parent company. A limited number of other Aegon companies have also issued debt securities, but for the most part these securities are guaranteed by Aegon N.V.

Aegon N.V. has regular access to international capital markets under a USD 6 billion debt issuance program. Access to the capital market in the United States is made possible by a separate shelf registration.

Aegon also has access to domestic and international money markets through its USD 4.5 billion commercial paper programs. As of December 31, 2014, Aegon had EUR 107 million and USD 20 million outstanding under these programs.

To support its commercial paper programs and need for Letters of Credit (LOCs), and to enhance its liquidity position, Aegon maintains backup credit and LOC facilities with international

lenders. The Company s principal arrangement is a EUR 2 billion syndicated revolving credit facility maturing in 2019, and additional LOC facilities of USD 2 billion, of which USD 1.5 billion matures in 2015 and USD 0.5 billion matures in 2017. In addition, Aegon also maintains various shorter-dated bilateral backup liquidity and committed and uncommitted LOC facilities.

Operational leverage

Although operational leverage is not considered part of Aegon s total capitalization, it is an important source of liquidity and funding. Operational leverage relates primarily to financing Aegon s mortgage portfolios through securitizations and warehouse facilities, and the funding of US Regulation XXX and Guideline AXXX redundant reserves.

Aegon enters into reinsurance agreements for risk and capital management purposes with several affiliated captive insurance companies (captives). All captives are fully consolidated for IFRS reporting.

The captives are utilized for a number of purposes that may include:

- Financing term life insurance (subject to Regulation XXX reserves) and universal life insurance with secondary guarantees (subject to Regulation AXXX reserves) to support lower-risk statutory reserves at a lower cost for policyholders and shareholders;
- Managing variable annuity hedging programs;
- Managing and segregating risks; and
- Monetizing embedded value.

All external financing provided to captives to support statutory reserves is disclosed in note 39 (Borrowings) to the consolidated financial statements to the extent that it has been funded. LOCs issued by third parties provided to captives to provide collateral to affiliated insurers are disclosed in note 48 (Commitments and contingencies). These LOCs have been provided by third parties for the benefit of the affiliated company whose liabilities are reinsured.

Liquidity management

Strategic importance

Liquidity management is a fundamental building block of Aegon s overall financial planning and capital allocation processes. Aegon aims to have sufficient liquidity to meet cash demands even under extreme conditions. The Company s liquidity risk policy sets guidelines for its operating companies and the holding in order achieve a prudent liquidity profile.

Liquidity is coordinated centrally and managed both at Aegon N.V. and at the business unit level. Aegon maintains a liquidity policy that requires all business units to project their sources and uses of liquidity over a two-year period under normal and severe business and market scenarios. This policy ensures that liquidity is measured and managed consistently across the Company, and that liquidity stress management plans are in place.

Sources and uses of liquidity

Aegon s subsidiaries are primarily engaged in the life insurance and pensions business, which is a long-term business with

relatively illiquid liabilities and generally matching assets. Liquidity consists of liquid assets held in investment portfolios, in addition to inflows generated by premium payments and customer deposits. These are used primarily to purchase investments, as well as to fund benefit payments to policyholders, policy surrenders, operating expenses, and, if the subsidiary s capital position so allows, to pay dividends to the holding.

At the holding company Aegon N.V., liquidity is sourced from internal dividends from operating companies and through the capital markets. The main sources and uses of liquidity at the holding company Aegon N.V. are dividends from subsidiaries, movements in debt, net expenses (including interest), funding operations, dividends to shareholders and the balance of acquisitions and divestitures. The ability of Aegon s insurance subsidiaries to transfer funds to the holding company is constrained by the need for these subsidiaries to remain adequately capitalized at the levels set by local insurance regulations and as administered by local insurance regulatory authorities.

In order to ensure the holding company s ability to fulfil its cash obligations, it is Aegon s policy that the holding company holds liquid assets in reserve to fund a minimum of 1.5 years of holding company operating and funding expenses, without having to rely on the receipt of funds from its subsidiaries and without the need to access capital and money markets.

Insurance laws and regulations in local regulatory jurisdictions often contain minimum regulatory capital requirements, e.g. 100% of the Authorized Control Level (ACL) for US insurance entities, 100% Solvency I required capital for Dutch insurance companies, and 100% Solvency I Pillar 1 capital for insurance companies in the United Kingdom.

The minimum regulatory capital requirements for Aegon s main subsidiaries and the actual capitalization levels as per December 31, 2014, are included in the following table:

Capital requirements	Legal/regulatory minimum capital requirement	Actual capitalization	Excess over legal/ regulatory minimum
United States[1)]	100% Authorized Control Level (NAIC RBC ACL)	~1080% of combined ACL	~EUR 6.4 bln
The Netherlands[2)]	100% Solvency I	~215% Solvency I	~EUR 2.3 bln
United Kingdom[3)]	100% Solvency I (Pillar 1)	~140% Solvency I (Pillar 1)	~EUR 0.6 bln

1 Capitalization for the United States represents the internally defined combined risk-based capital (RBC) ratio of Aegon s life insurance subsidiaries in the United States. The combined RBC ratio utilizes the NAIC RBC ratio excluding affiliated notes and taking into account excess or deficient amounts related to offshore life affiliates.

2 Excluding the banking activities.

3 Including the With Profits fund at unaudited June 30, 2014 values.

Local insurance regulators generally use their discretionary authority and judgment to restrict and/or prohibit the transfer of funds to the holding company to capital levels well above the minimum capital requirements contained in the applicable insurance regulations. The discretionary nature of the regulatory assessment of capital adequacy creates a natural ambiguity with regards to the exact level of capital required by local regulatory authorities. Precise capitalization levels effectively required by local insurance regulators are often not known in advance, in part because the views and risk tolerances of certain regulators for certain asset classes continue to develop over time, in line with the development and evolution of local, regional and global regulatory capital frameworks. In practice and for transfer of funds purposes, Aegon manages the capitalization of its subsidiaries in excess of the minimum regulatory capital requirements contained in the applicable regulations, as shown in the table on the previous page.

The capitalization level and shareholders equity of the subsidiaries can be impacted by various factors (e.g. general economic conditions, capital markets risks, underwriting risk factors, changes in government regulations, legal and arbitrational proceedings). To mitigate the impact of such factors on the ability of subsidiaries to transfer funds, the subsidiaries hold additional capital in excess of the levels required by local insurance regulations.

Aegon s liquidity position

As of December 31, 2014, Aegon N.V. held a balance of EUR 1.2 billion in excess capital at group level, compared with EUR 2.2 billion at December 31, 2013, a decrease that mainly reflects the deleveraging initiatives executed during 2014.

Aegon s liquidity is invested in highly liquid assets, in accordance with the Company s internal risk management policies. Aegon believes its working capital, backed by its external funding programs and facilities, is ample for the Company s present requirements.

External dividends

In order to enable equity investors to share in Aegon s performance, Aegon aims to pay out a sustainable dividend, which may increase based on Aegon s performance. After investments have been made in new business to generate organic growth, capital generated by Aegon s operating subsidiaries is available for distribution to the holding company, while maintaining a capital and liquidity position in the operating subsidiaries in line with Aegon s capital management and liquidity risk policies.

Aegon uses cash flows from its operating subsidiaries to pay holding expenses, including funding costs. The remaining cash flow is available to execute Aegon s strategy and to fund dividends on its shares. When determining whether to declare or propose a dividend, Aegon s Executive Board balances prudence with offering an attractive return to shareholders. This is particularly important during adverse economic and/or financial market conditions. Furthermore, Aegon s operating subsidiaries are subject to local insurance regulations that could restrict dividends to be paid to the holding company. There is no requirement or assurance that Aegon will declare and pay any dividends.

Report of the Supervisory Board

The Supervisory Board is entrusted with supervising and advising the Executive Board on management of the Company, and overseeing Aegon s strategy and the general course of its businesses.

Oversight and advice

In performing their duties, members of the Supervisory Board are guided by the interests of Aegon and the Company s stakeholders. The Supervisory Board is a separate corporate body, independent of the Executive Board. The Supervisory Board consists of nine members (for further details on the individual members of Aegon s Supervisory Board, please see pages 97 and 98). The Supervisory Board makes recommendations to the General Meeting of Shareholders concerning all appointments and reappointments to, and dismissals from, both the Executive Board and the Supervisory Board. In addition, the Supervisory Board determines the remuneration of individual members of the Executive Board in line with the Remuneration Policy adopted at the Company s General Meeting of Shareholders. Overall accountability for Aegon s remuneration governance also sits with the Supervisory Board, which is advised by its Compensation Committee. This includes the responsibility for designing, approving and maintaining the Aegon Global Remuneration Framework, including the remuneration policies for the Executive Board, Identified Staff, and for staff in Control Functions.

Corporate governance

Details of Aegon s corporate governance structure and a summary of the Company s compliance with the Dutch Corporate Governance Code can be found on pages 106-110 of this Annual Report and in the Corporate Governance Statement published on Aegon s corporate website.

Composition of the Supervisory Board and Executive Board

Supervisory Board

The composition of the Board is discussed regularly in meetings of the Board, and in particular by the Nominating Committee. An overview of the composition of the Supervisory Board in 2014 can be found on pages 97-98. In 2014, a number of changes took place. Mr. Antony Burgmans stepped down from the Board as per April 1, 2014, in order to comply with the requirements of the Dutch Act on Management and Supervision (Wet bestuur en toezicht). Mr. Kornelis J. Storm resigned as member of the Board on May 21, 2014, at the end of his third and final term. The Board is grateful for the many contributions both members made to Aegon and to the Board.

On May 21, 2014, shareholders approved the appointments of Ms. Corien M. Wortmann-Kool and Mr. Robert W. Dineen to the Board, each for a term of four years.

All members of the Supervisory Board are considered independent under the terms of the Dutch Corporate Governance Code.

Executive Board

The Executive Board consists of two members, Mr. Alexander R. Wynaendts, Chief Executive Officer (CEO), and Mr. Darryl D. Button, Chief Financial Officer (CFO). Mr. Wynaendts current term of four years ends in 2015. Following the recommendation from the Nominating Committee, the Supervisory Board has decided to propose to the shareholders to reappoint him at the Annual General Meeting of Shareholders on May 20, 2015, for a period of four years.

In compliance with the Dutch Corporate Governance Code, members of the Executive Board are appointed by shareholders for a term of four years, with the option of reappointment for additional four-year terms. The appointment schedule for members of the Executive Board is available on Aegon s corporate website, aegon.com[2,3].

Supervisory Board meetings

Attendance

In 2014, the Supervisory Board held a total of seven regular (face-to-face) meetings and six additional conference call meetings. Most members attended all regular Board meetings, of which a detailed overview is provided in the table on the next page.

Most Board meetings were preceded or followed by Executive Sessions meetings of the Supervisory Board without the presence of members of either the Executive or Management Boards. In accordance with Aegon s Supervisory Board Rules, regular Board meetings were preceded by preparatory conference call meetings. These were attended by the Chairman and Vice-Chairman of the Supervisory Board, the Chairman of the Audit Committee, the Chairman of the Risk Committee, and the CEO and CFO who sit on the Company s Executive Board. Aegon s Chief Risk Officer (CRO) usually also participated.

1 www.aegon.com/Documents/aegon-com/Governance/Governance-documents/Corproate-governance-statement.pdf
2 www.aegon.com/Documents/aegon-com/Governance/Governance-documents/EB-and-MB/Appointment-schedule.pdf
3 www.aegon.com/Documents/aegon-com/Governance/Governance-documents/EB-and-MB/Appointment-schedule-EB.pdf

Table of Contents

Meetings of the Committees of the Supervisory Board were usually held before the meetings of the full Supervisory Board. Members of Aegon s Executive and Management Boards were present at most of the Supervisory Board meetings held in 2014. At the request of the Supervisory Board, other Company

executives also attended the meetings to provide reports and updates on specific topics. Representatives from Aegon s external auditors PwC also took part in the discussions on the Company s 2014 results.

Name	Regular SB meeting	SB conference call	Audit Committee	Risk Committee	Nominating Committee	Compensation Committee	Combined Audit & Risk Committee
Rob Routs	7/7	6/6	-	-	3/3	6/6	1/1
Irv Bailey	7/7	6/6	3/4	1/1	-	6/6	1/1
Antony Burgmans [1)]	1/2	1/1	2/2	-	-	-	-
Robert Dineen [1)]	4/4	3/3	4/4	3/3	-	-	1/1
Shemaya Levy	6/7	6/6	1/2	3/3	3/3	-	1/1
Kees Storm [1)]	3/3	3/3	-	2/2	1/1	-	-
Ben van der Veer	7/7	6/6	6/6	1/1	2/2	-	1/1
Dick Verbeek	6/7	6/6	5/6	3/4	-	-	0/1
Leo van Wijk	6/7	4/6	-	-	3/3	5/6	1/1
Corien Wortmann-Kool [1)]	4/4	3/3	-	3/3	-	3/3	1/1
Dona Young	7/7	6/6	6/6	4/4	-	-	1/1

1 Where a Supervisory Board member retired from the SB or stepped down from a Committee or was appointed during the year, only meetings that were held during his / her tenure are taken into account.

Activities

In 2014, Supervisory Board discussions included the following topics:

- Strategy, including Aegon s sustainability program and business reviews;
- Acquisitions, divestments and restructuring of businesses;
- Executive Board and senior management succession planning;
- Executive remuneration;
- Governance and composition of the Supervisory Board;

- Technological developments and the application of these to enhance customer centricity;
- Human resources, including talent development and results of the global employee survey;
- Annual and quarterly results, dividend and Group Plan 2015-2017, including the 2015 budget and capital plan;
- Capital position and Solvency II;
- Enterprise risk management;
- Investor relations;
- Legal, regulatory and compliance issues and Aegon s engagement with regulators; and
- Accounting changes.

Highlights

One of the focus areas of the Supervisory Board in 2014 was IT and technological developments in the broadest sense, ranging from IT security, use of data analytics, digitization and getting closer to customers through the application of new technologies. The Board received updates from senior management and from external experts on Aegon s Information Security Program. In addition, on several occasions the Board discussed the

Company s progress with regards to customer centricity with senior management. The Board was kept appraised of the activities of Aegon s Corporate Venture Fund, which aims to identify early trends and new technologies, thereby creating strategic benefits for the Company by accelerating Aegon s digital transformation.

During the strategy offsite meeting in June 2014, the Supervisory Board and the Management Board had extensive discussions about industry trends and the impact of changing rules and regulations on the environment in which Aegon operates. The Board reviewed the progress of the execution of Aegon s strategic objectives, and the challenges the Company is facing. Aegon s IT strategy and the strategic alignment of the current portfolio, together with the role Mergers & Acquisitions (M&A) can play, were also discussed. Part of the meeting included discussions regarding how the market sees Aegon and how it compares with competitors.

Another key theme in 2014 was developments in Solvency II, the new European regulatory framework for insurers and insurance groups. This framework, which will enter into force on January 1, 2016, includes risk-based capital requirements, an Own Risk and Solvency Assessment (ORSA), group supervision, supervisory review processes, and reporting and disclosure requirements. Management presented regular updates on Solvency II and the Company s readiness to comply with its requirements. In addition, the Board followed an extensive Solvency II education program.

In December, the Board reviewed Aegon s Sustainability Program, focusing specifically on developments in the US, noting that Aegon is ranked as one of the most sustainable insurance companies in the world and a member of all leading international sustainability indices. Aegon has taken the lead in the move toward integrated reporting, as evidenced by winning the 2014 Building Public Trust award for integrated reporting for Aegon s 2013 Integrated Review. Throughout 2014, the Board regularly discussed aspects of Aegon s approach to sustainability for various business issues. Further details of Aegon s sustainability vision and progress are available in the Aegon Review 2014.

Recognizing the importance of succession planning and talent management, the Board received updates from Aegon s Head of Global HR on progress made in achieving the objectives of the Talent Agenda: attracting new staff with a wide range of different skills and experience, identifying sufficient qualified succession candidates, and strengthening the talent pipeline for future succession. The Board also received and discussed the results of the annual Global Employee Survey.

During the year, the Board discussed various M&A transactions and divestitures. It approved the decision to enter into exclusive talks with La Banque Postale to form an asset management partnership in France, and the divestitures of the equity stake in La Mondiale Participations in France and the Canadian life insurance business.

The Board was pleased that Aegon announced in April that it had reached agreement with BPVH a foundation representing Dutch harbor workers and employers on removing restrictions on the capital of the harbor workers former pension fund Optas Pensioenen N.V., thereby ending a long-lasting dispute. To remove the restrictions required prior approval by the court, which was granted in January 2015. Restrictions may be removed three months from the date of the court ruling in January 2015, after the appeal period expires.

Results and budget

In its meeting of February 19, 2014, the Supervisory Board convened to discuss the results of the fourth quarter of 2013. In March 2014, the Supervisory Board reviewed and adopted Aegon s 2013 Annual Report, the Consolidated Financial Statements of Aegon N.V., and the Financial Statements of Aegon N.V. In May, August and November, the Supervisory Board reviewed Aegon s first, second and third quarter 2014 results respectively.

On December 16, 2014, at a meeting in Cedar Rapids, Iowa (USA), the Board and management reviewed the Group Plan 2015-2017, including the budget for 2015. The Board took note of the uncertainties and challenges in the coming years as described in the Plan, among others: increased regulatory requirements (e.g. Solvency II), low interest rates, digital developments and the changing distribution landscape. The

Board discussed the cash flow and capital projections, together with the continued focus on cost efficiency. The Plan provides for a continuation of investments in digital capabilities to increase customer connectivity. The Board supported the Group Plan and approved the budget for 2015. The Board also approved the 2015 Capital Plan and authorized the Executive Board to fulfill Aegon s budgeted funding needs. The 2015-2020 strategy process, which was launched at the end of 2014, will be discussed on a regular basis by both the Management Board and Supervisory Board.

Legal and compliance

In 2014, the Supervisory Board and the Audit Committee discussed with management, the General Counsel and the Global Head of Compliance and Operational Risk Management a number of compliance, regulatory and legal issues from Europe, the United States and Asia. In particular, the Board discussed the latest developments with regard to the issue of unit-linked policies in the Netherlands. The Board also followed up on specific issues with regulators in the United Kingdom and Poland.

The Chairman of the Board and the Chair of the Risk Committee met with officials from Aegon s primary regulator, De Nederlandsche Bank (DNB, the Dutch Central Bank) and monitored management engagement with regulators in the United States, the United Kingdom and in other countries.

As discussed with the Supervisory Board, Aegon has developed a Recovery and Crisis Management Plan, the aim of which is to help give direction to management during a crisis situation. The Board discussed and adopted the plan, after it had been reviewed by the Risk Committee.

Aegon has had many of the elements essential to an effective Recovery and Crisis Management Plan in place since 2011. Aegon formulated its Recovery and Crisis Management Plan in accordance with DNB guidelines, ensuring that the plan is also well aligned with its internal Enterprise Risk Management Framework and Capital Management Framework, and that it takes Aegon s first-hand experience in managing through challenging periods in the past into account.

Finally, in compliance with regulations in the Netherlands, all members of the Board took or made the financial sector oath, aimed at reinforcing the focus on the interests of Aegon s customers.

Educational sessions and Board review

The Board and its Committees received updates and presentations on topics ranging from Solvency II and investor relations, to developments in information security and reinsurance. The Audit Committee, joined by several other members of the Board, held a meeting that focused on the business and strategy in the Netherlands, also addressing the product suite and IT, financial and risk management topics.

In 2014, the Supervisory Board undertook an extensive Board self-evaluation. The Chairman, supported by the Company Secretary, interviewed each member of the Board on the basis of a completed written questionnaire. The review assessed the collective performance of the Board and its Committees, and the performance of the Chairman. The Supervisory Board met to review the results in the absence of management. The Board agreed that it had continued to make progress in 2014, and that it functioned well and fulfilled its duties and responsibilities in a satisfactory way. In the same meeting, the Board listed the priorities for the Board to address in 2015.

The performance of the members of the Executive Board was discussed regularly during 2014 at Executive Sessions, and at a dedicated meeting of the Nominating Committee in December. In February 2015, the Supervisory Board reviewed the performance of individual members of the Management Board.

No transaction with a potential or actual conflict of interest was reported by members of the Board in 2014.

Supervisory Board Committees

The Supervisory Board has four Committees to discuss and prepare items for decision by the full Board. Each Committee s members are drawn from the Supervisory Board. The Committees report their findings to the Supervisory Board at Supervisory Board meetings.

The four Committees are the:

¿ Audit Committee;
¿ Risk Committee;
¿ Nominating Committee; and
¿ Compensation Committee.

As on December 31, 2014, the composition of the Committees is as follows:

Audit Committee: Ben van der Veer (Chair), Irving W. Bailey II, Robert W. Dineen, Dirk P.M. Verbeek, Dona D. Young.

Risk Committee: Shemaya Levy (Chair), Robert W. Dineen, Dirk P.M. Verbeek, Corien M. Wortmann-Kool, Dona D. Young.

Nominating Committee: Robert J. Routs (Chair), Shemaya Levy, Ben van der Veer, Leo M. van Wijk.

Compensation Committee: Leo M. van Wijk (Chair), Irving W. Bailey II, Robert J. Routs, Corien M. Wortmann-Kool.

Committee meetings are open to all members of the Board, regardless of membership of the Committees. The Chairman aims to attend all meetings in whole or in part.

The Audit Committee

The Audit Committee held seven meetings in 2014, one of which was a combined meeting with the Risk Committee of the Supervisory Board. One meeting focused on Aegon s Dutch business and strategy in the Netherlands, in addition to addressing financial, accounting and risk management topics.

The Audit Committee meetings were attended by Aegon s CFO, the Corporate Controller, the Chief Risk Officer and the internal auditor. Representatives from Aegon s external auditors EY and PwC also attended these meetings. Members of Aegon s Group Risk, Group Legal, Investor Relations and actuarial departments were present at some of the meetings.

The Committee discussed and approved the external auditor s engagement letter and the audit plan for 2014. Throughout 2014, business unit managers provided various topic updates to the Audit Committee. The combined meeting with the Risk Committee in December focused on IT security, Solvency II, tax policy and specific topics regarding the business in the US: variable annuities hedging, reinsurance and actuarial assumption setting.

The internal auditor attended six out of seven Audit Committee meetings in 2014, and provided quarterly updates on the activities of the internal audit function, together with details of progress on internal audits. The Audit Committee approved the Internal Audit Plan. The Audit Committee also held private sessions with the internal auditor and the external auditor to discuss their findings. Members of the Executive Board were not present at these sessions.

The Audit Committee also discussed Aegon s compliance with the US Sarbanes Oxley Act, and regular reports from the Global Head of Compliance and Operational Risk Management on operational risk issues such as fraud and general compliance issues. In addition, the Committee reviewed quarterly legal updates.

The Committee confirmed that all of its members qualify as independent by the Rule 10A-3 of the SEC and it also confirmed that Mr. Ben van der Veer qualifies as a financial expert within the terms and conditions of both the Dutch Corporate Governance Code and the Sarbanes Oxley Act in the United States.

The Risk Committee

The Risk Committee assists the Supervisory Board and Audit Committee in overseeing the application of Aegon s Enterprise Risk Management (ERM) framework. The Committee also advises the Supervisory Board on the Company s risk management strategy and policies. For this reason, the Committee regularly reviews the Company s ERM framework, risk exposures and compliance with company risk policies.

The Risk Committee convened five times in 2014, including the combined meeting with the Audit Committee. During the annual strategy offsite meeting in London, the Committee members met with the Chief Risk Officer of Aegon UK.

The Company s Group Chief Risk Officer and the members of Aegon s Executive Board attended all meetings. Recurring items on the agenda in 2014 were the quarterly risk dashboard and the Board risk list. The Risk Committee also discussed risk priorities for 2014 and Aegon s risk strategy. The Committee reviewed the Company s Pricing Compliance report and discussed extreme event scenarios, business continuity management and the progress of the model validation project. It also approved the Recovery and Crisis Management Plan as referred to above. Aegon Asset Management provided insight into developments in Aegon s general account investment portfolio to the Committee.

The Nominating Committee

Aegon s Nominating Committee held three meetings in 2014. The CEO and/or the Global Head of Human Resources attended these meetings in whole or in part.

The Nominating Committee discussed the composition of the Supervisory Board and its Committees, and current and upcoming vacancies. The Committee prepared decision-making on the proposal to appoint Ms. Corien M. Wortmann-Kool and Mr. Robert W. Dineen to the Supervisory Board, as approved by the shareholders on May 21, 2014. When making these recommendations for appointments, the Nominating Committee determined that they were in line with the Supervisory Board Profile as set by the Board and published on Aegon s corporate website.

In 2014, the members of the Committee reviewed and interviewed a number of candidates for upcoming vacancies. The Board expects to propose the appointment of one new member for a term of four years to shareholders at the Annual General Meeting of Shareholders in 2015. The Board is of the opinion that with this proposed appointment its composition will continue to meet the requirements of the Supervisory Board Profile.

During the year, the Committee reviewed the composition of the Executive Board and Management Board and the functioning of their members. Acknowledging the importance of good succession planning, the Committee also discussed with the CEO and Aegon s Global Head of Human Resources the extent to which sufficient internal candidates are available to fill positions at the Executive Board, Management Board and senior management level in the event of emergency, and when positions open up in the future. The CEO also discussed changes in the global senior management team with the Nominating Committee during the year. The Committee was kept appraised

of developments in employee engagement, talent management and international mobility. In February 2014 and again in February 2015, the full Board discussed these topics extensively with the Global Head of Human Resources. As in previous years, the Board noted that Aegon continued to make progress to ensure proper succession planning is in place. The Board was pleased with the results of the Global Employee Survey, which was conducted in January 2015.

Enhancing gender diversity in both the Executive and Supervisory Board is an important issue for Aegon. The Executive Board consists of two members. Selection and appointment is based on expertise, skills and relevant experience. The Supervisory Board also takes gender diversity into account in view of its aim of a balanced Executive Board composition.

The Board is aware that its current composition does not meet the balanced composition requirement under Dutch law (at least 30% of the seats should be filled by women and at least 30% by men). As a result of the appointment of Ms. Corien M. Wortmann-Kool in 2014, the gap with was reduced. When identifying candidates for open positions, the Board actively searches for suitable female candidates. It also instructs external search firms to present female candidates. While this has had a positive effect, the requirement has not yet been met.

The Compensation Committee

The Compensation Committee held six meetings in 2014, which were attended in whole or in part by the CEO. Other regular attendees were the Global Head of Human Resources and Aegon s General Counsel. The scope of the Compensation Committee has increased in recent years as a result of new regulations promulgated by the European Union the Capital Requirements Directive III and IV (CRD III and IV) and the Guidelines on Remuneration Policies and Practices issued by the Committee of European Banking Supervisors/European Banking Authority. CRD III and IV have been implemented by way of the Decree on Sound Remuneration Policy (Regeling Beheerst Beloningsbeleid Wft 2011-Rbb) issued by DNB (the Dutch Central Bank).

In 2014, the Compensation Committee oversaw the application and implementation of Aegon s Global Remuneration Framework and the various policies and related procedures, including the Remuneration Policy for Identified Staff. This included setting the 2014 targets, allocating the 2013 variable compensation, the scenario analysis of payout levels under the Executive Board Remuneration Policy, reviewing and/or approving the ex-ante assessments and ex-post assessments, any exemption requests under the remuneration policies, and changes to the list of Identified Staff. In addition, the Committee discussed the results of the review by the Internal Audit Department on the application in 2014 of the Remuneration Framework.

1 www.aegon.com/Documents/aegon-com/Governande/Governance-documents/SB/Profile-SB.pdf

During the year, the Committee considered advice from independent external consultant, Towers Watson, on specific topics and ascertained that these consultants did not also advise the members of the Executive Board.

A recurring topic was executive remuneration, particularly in the context of the draft legislation applicable to remuneration in the financial services sector in the Netherlands (Wet beloningsbeleid financiële ondernemingen) announced at the end of 2013. The Dutch Government intends to use this new legislation to introduce a broad set of rules to ensure that financial services companies conduct sound remuneration policies and avoid payment of excessive variable remuneration. In addition, the legislation intends to harmonize existing remuneration rules applicable to financial services companies in the Netherlands. The most important feature of the legislation is the introduction of a bonus cap of 20% of fixed pay on variable remuneration across the financial industry in the Netherlands. The Compensation Committee reviewed and discussed the legislation and its consequences for Aegon s remuneration practices. The new legislation has been adopted by the Dutch Senate on January 27, 2015 and came into effect on February 7, 2015.

During meetings in August and November, the Committee supported early proposals for amending Aegon s Remuneration Framework in 2015, in part in order to meet legal/regulatory changes, but also due to management s wish to simplify the Framework and improve its consistency.

The Committee also discussed developments with regard to pension accrual in the Netherlands, and the impact on remuneration of employees in the Netherlands.

Annual Accounts

This Annual Report includes the Annual Accounts for 2014, prepared by the Executive Board, discussed by both the Audit Committee and the Supervisory Board, signed by the members of the Executive Board and the Supervisory Board, and submitted for adoption to the shareholders. The Supervisory Board recommends that the shareholders adopt the Annual Accounts.

Acknowledgement

The members of the Supervisory Board are grateful for the work undertaken by members of the Executive and Management Boards in order to meet Aegon s strategic goals. In addition, the Board members wish to thank Aegon s employees for their hard work and dedication serving millions of Aegon customers across the world.

The Board also expresses its thanks to Aegon s business partners and many valued customers for their continued confidence in the Company.

Finally, the Board thanks Aegon s investors for their continued confidence and trust in the Company.

The Hague, the Netherlands, March 18, 2015.

Robert J. Routs

Chairman of the Supervisory Board of Aegon N.V.

Members of the Supervisory Board

Robert J. Routs (1946, Dutch)

Chairman of the Supervisory Board

Chairman of the Nominating Committee

Member of the Compensation Committee

Robert J. Routs is a former Executive Director for Downstream at Royal Dutch Shell. He was appointed to Aegon s Supervisory Board in 2008 and became Chairman in 2010. His current term as a member of the Aegon Supervisory Board ends in 2016. Mr. Routs is also Chairman of the Supervisory Board of Royal DSM N.V. and sits on the Board of Directors at ATCO Ltd., A.P. Møller - Mærsk A/S and AECOM Technology Corporation.

Irving W. Bailey II (1941, American)

Vice-Chairman of the Supervisory Board

Member of the Audit Committee

Member of the Compensation Committee

Irving W. Bailey II is retired Chairman and Chief Executive Officer of Providian Corp., a former Managing Director of Chrysalis Ventures, and former Chairman of the Board of Directors of Aegon USA Inc. He was first appointed to Aegon s Supervisory Board in 2004. His current and final term will end in 2016. Mr. Bailey is also a member of the Board of Directors of Hospira, Inc., in addition to being a senior adviser to Chrysalis Ventures Inc. (not listed).

Robert Dineen (1949, American)

Member of the Audit Committee

Member of the Risk Committee

Robert Dineen was Vice Chairman of Lincoln Financial Network (LFN) and a member of the Senior Management Committee of Lincoln Financial Group (LFG), before retiring in 2013. Before joining Lincoln Financial Group, Mr. Dineen was Senior Vice President and head of Merrill Lynch s Managed Asset Group. He was appointed to Aegon s Supervisory Board in May 2014, and his current term will end in 2018. He has no other board memberships.

Shemaya Levy (1947, French)

Chairman of the Risk Committee

Member of the Nominating Committee

Shemaya Levy is retired Executive Vice President and Chief Financial Officer of the Renault Group. He was appointed to Aegon s Supervisory Board in 2005 and his current and final term will end in 2017. He is also a Vice-Chairman of the Supervisory Board of TNT Express N.V. and member of the Board of Directors of PKC Group Oyj (not listed).

Ben van der Veer (1951, Dutch)

Chairman of the Audit Committee

Member of the Nominating Committee

Ben van der Veer is former Chairman of the Board of Management of KPMG N.V. He was appointed to Aegon s Supervisory Board in 2008 and his current term will end in 2016. In addition, he is a member of the Supervisory Board of TomTom N.V. and Royal Imtech N.V., and a non-executive member of the Boards of Reed Elsevier N.V. and Reed Elsevier PLC. He is also a member of the Supervisory Board of Royal FrieslandCampina N.V. (not listed).

Dirk P.M. Verbeek (1950, Dutch)

Member of the Audit Committee

Member of the Risk Committee

Dirk P.M. Verbeek is Vice President Emeritus of Aon Group. Mr. Verbeek was appointed to Aegon s Supervisory Board in 2008 and his current term ends in 2016. He is also Chairman of the Supervisory Board of Robeco Groep N.V. (not listed) and a member of the Supervisory Board of Aon Groep Nederland B.V. (not listed). Furthermore, he is advisor to the President and Chief Executive Officer of Aon Corporation, and Chairman of the Benelux Advisory Board of Leonardo & Co. B.V. (not listed), member of the Advisory Boards of CVC Europe (not listed) and OVG Re/developers (not listed) and Chairman of the INSEAD Dutch Council.

Leo M. van Wijk (1946, Dutch)

Chairman of the Compensation Committee

Member of the Nominating Committee

Leo M. van Wijk is former President and CEO of KLM Royal Dutch Airlines N.V. He was first appointed to Aegon s Supervisory Board in 2003, and his current and final term will end in 2015. Mr. Van Wijk is also member of the Board of Directors of Air France-KLM S.A., Vice-Chairman of the Supervisory Board of Ajax N.V. and Chairman of the Governing Board of Skyteam.

Corien M. Wortmann-Kool (1959, Dutch)

Member of the Risk Committee

Member of the Compensation Committee

Corien M. Wortmann-Kool was a Member of the European Parliament and Vice-President on Financial, Economic and Environmental affairs for the EPP Group (European People s Party) and is Vice-Chairman of the EPP. She was appointed to Aegon s Supervisory Board in May 2014 and her current term will end in 2018. Ms. Wortmann-Kool is also a member of the Supervisory Board of Het Kadaster, member of the Netherlands Central Bureau of Statistics (CBS) and member of the Supervisory Board of Save the Children Netherlands. Ms. Wortmann-Kool was appointed Chairman of the Board of Stichting Pensioenfonds ABP (ABP), the Dutch public sector collective pension fund, on January 1, 2015.

Dona D. Young (1954, American)

Member of the Audit Committee

Member of the Risk Committee

Dona Young is an executive/board consultant and retired Chairman, President and Chief Executive Officer of The Phoenix Companies, which was an insurance and asset management at the time of her tenure. She was appointed to Aegon s Supervisory Board in 2013 and her current term ends in 2017. Ms. Young is also member of the Board of Directors of Foot Locker, Inc. and a member of the Board of Trustees of Save the Children (not listed).

Remuneration Report

Global Remuneration Principles

The Aegon Group Global Remuneration Principles provide the foundation for remuneration policies and practices throughout the Aegon Group. They are applied regionally and/or locally.

The key pillars of the Aegon Group Global Remuneration Principles are as follows:

- Aegon remuneration is employee-oriented by: fostering a sense of value and appreciation in each individual employee; promoting the short- and long-term interests and well-being of all Aegon staff via fair compensation, pension and/or other benefits; supporting employees career development; and supporting the (international) mobility of its staff;
- Aegon remuneration is performance-related by: establishing a clear link between pay and performance by aligning objectives and target setting with performance evaluation and remuneration; reflecting individual as well as collective performance in line with the long-term interests of Aegon; enhancing the transparency and simplicity of Aegon Group remuneration, consistent with the principle of pay for performance; avoiding any pay for non-performance;
- Aegon remuneration is fairness-driven by: promoting fairness and consistency in Aegon s remuneration policies and practices, with remuneration packages that are well balanced across the different echelons within Aegon Group and business units (internally equitable); avoiding any discrimination in Aegon s remuneration structures, including, among others, discrimination based on nationality, race, gender, religion, sexual orientation, and/or cultural beliefs (internally equitable); creating global alignment in the total compensation of all Identified Staff (internally equitable); aiming at controlled market competitive remuneration, by providing total compensation packages in line with an appropriately established peer group at regional unit, country and/or functional level (externally equitable); and
- Aegon remuneration is risk-prudent by: aligning business objectives with risk management requirements in the target setting practices throughout the Aegon Group; giving an incentive to appropriate risk-taking behavior while discouraging the taking of excessive risks; protecting the risk alignment effects imbedded in the remuneration arrangements of individual staff against any personal strategies or insurance to counter them.

The key pillars outlined above are set out in Aegon s Global Remuneration Framework (GRF). The GRF, which covers all Aegon staff, contains the guiding principles to support sound and effective remuneration policies and practices by ensuring consistency throughout the Aegon Group. The GRF is designed in accordance with relevant rules, guidelines and interpretations, for instance the 2010 Guidelines on Remuneration Policies

and Practices by the Committee of European Banking Supervisors (CEBS, now the European Banking Authority, EBA) and the Decree on Sound Remuneration Policy (Regeling beheerst beloningsbeleid (Rbb) Wft 2014) from the Dutch Central Bank (DNB).

Aegon s remuneration policies are derived from the GRF, among which is the Remuneration Policy for the Executive Board. These policies define specific terms and conditions for the employment of various groups of staff. In addition, all steps in the remuneration process, in addition to the involvement of Human Resources, Risk Management, Compliance and Audit, are governed by the GRF and its underlying policies.

Over the course of 2014, in anticipation of the Wet beloningsbeleid financiële ondernemingen (Wbfo, new legislation which has been adopted by the Dutch Senate on January 27, 2015 and which came into effect on February 7, 2015), Aegon has aligned its GRF and related policies and practices to bring them into line with anticipated new regulations announced by the Dutch government. Amongst others, the legislation introduces caps on variable compensation that go beyond the maximums suggested by European legislation and requires a minimum level of non-financial performance indicators for determining variable compensation as well as limitations to financial retention and severance arrangements. Aegon is compliant with the Wbfo as of the official date that the Wbfo has become effective in the Netherlands. This new legislation in the Netherlands will have a significant impact on policies and practices related to recruitment and retention of staff, not just in the Netherlands but also globally. As per the legislation, Aegon will also apply this legislation to its foreign subsidiaries. In particular, in the UK in addition to outside Europe, the Company is challenged to explain the competitiveness of Aegon remuneration practices in comparison with its competitors in the local labor market. This is because insurance firms outside the Netherlands are not subject to these European (banking) regulations, nor to the stricter Dutch legislation regarding the remuneration in the financial sector.

Role of Risk Management and Compliance

Variable compensation may have an impact on risk-taking behaviors and, as such, may undermine effective risk management. This can lead to excessive risk taking, which can have a material impact on the Company s financial soundness. To avoid such undesired effects, both the Risk Management and Compliance functions are involved in the design and execution of remuneration policies and practices.

The GRF includes separate remuneration policies for three specific groups of employees. This is in recognition of the fact that these employees roles and responsibilities require specific risk mitigating measures and governance processes. These remuneration policies are for: (i) the Executive Board; (ii) material risk takers (Identified Staff[1]); and (iii) Control Staff. Given the rationale for having a separate policy for material risk takers and the risk mitigating measures that are applied to the remuneration of these individuals, Risk Management is involved in deciding which positions are deemed Identified Staff . Furthermore, where exceptions to the policies are made to reflect local practices or regulations, Risk Management and Compliance are involved in order to ensure such exceptions do not undermine effective risk management and that sufficient mitigating measures are undertaken. Since 2011, in conjunction with Risk Management and Compliance, existing remuneration policies have been amended, including deferral and holding arrangements, payment in non-cash instruments, and specific ex-ante and ex-post measures.

In addition, the Risk Management and Compliance functions, together with the Human Resources and Finance functions, are responsible for the execution of the various ex-ante and ex-post measures that have been introduced by Aegon to ensure the Global Remuneration Framework and associated practices are aligned with the defined risk tolerances and behaviors. In this respect, risk mitigating measures undertaken prior to the payout of compensation to individual employees (regardless of whether the compensation is deferred) are considered ex-ante measures. Retribution measures applied after payouts, or concerning allocated but deferred payments (before vesting of these payments) to ensure sustainability of performance, are considered ex-post measures.

Aegon endeavors to seek an appropriate balance of ex-ante and ex-post assessments to ensure effectiveness in both the short- and long-term risk taking behavior of employees.

General compensation practices

Aegon has a pay philosophy that is based on total compensation. This means that the aim is for total remuneration for experienced and competent employees to be consistent with compensation levels in the market in which Aegon operates and competes for employees. Total compensation typically consists of base salaries and where in line with local market practices variable compensation. Market survey information from reputable sources is used to provide information on competitive compensation levels and practices.

Variable compensation, if any, is capped at an appropriate level as a percentage of base pay. Variable compensation for senior management is usually paid out in cash and shares over multiple years, and is subject to further conditions being fulfilled. Additional holding periods may apply to shares, restricting their sale for a further one to three years. Variable compensation already paid out may be retrieved under certain circumstances (Claw-back).

More detailed information is provided in the following sections regarding the compensation practice for the Supervisory Board and Executive Board.

Supervisory Board Remuneration Policy 2014

Aegon s Remuneration Policy for members of its Supervisory Board is aimed at ensuring fair compensation, and protecting the independence of the Board s members. Terms and conditions for members of the Supervisory Board are part of Aegon s broader Remuneration Policy, and are the responsibility of the Company s Compensation Committee[2]

Fees and entitlements

Members of the Supervisory Board are entitled to the following:

- A base fee for membership of the Supervisory Board. No separate attendance fees are paid to members for attendance at the regular Supervisory Board meetings;
- An attendance fee for each extra Board meeting attended, be it in person or by video and/or telephone conference;
- A committee fee for members on each of the Supervisory Board s Committees;
- An attendance fee for each Committee meeting attended, be it in person or through video and/or telephone conference; and
- An additional fee for attending meetings that require intercontinental travel between the Supervisory Board member s home location and the meeting location.

Each of these fees is a fixed amount. Members of Aegon s Supervisory Board do not receive any performance or equity-related compensation, and do not accrue pension rights with the Company. These measures are designed to ensure the independence of Supervisory Board members and strengthen the overall effectiveness of Aegon s corporate governance.

1 In accordance with the Dutch Regulation on Sound Remuneration, the annual disclosure of Identified Staff remuneration can be found on http:// www.aegon.com/en/Home/Investors/Governance/General-Governance.

2 Members of the Compensation Committee are as follows: Leo M. van Wijk (chair); Irving W. Bailey II; Robert J. Routs; Corien M. Wortmann-Kool.

Under the current policy, approved by shareholders on May 15, 2013, members of the Supervisory Board are entitled to the following payments:

Base fee for membership of the Supervisory Board	EUR / year
Chairman	80,000
Vice-Chairman	50,000
Member	40,000

Fee for membership of a Supervisory Board committee	EUR / year
Chairman of the Audit Committee	13,000
Member of the Audit Committee	8,000
Chairman of other committees	10,000
Member of other committees	5,000

Attendance fees	EUR / year
Extra Supervisory Board meeting	3,000
Audit Committee	3,000
Other committees	2,000

Information on members of the Supervisory Board and the composition of Aegon s four committees Audit, Nominating, Compensation and Risk can be found on page 94, 97 and 98.

Supervisory Board Remuneration Report 2014

Members of Aegon s Supervisory Board received the following payments (in EUR) in 2014:

in EUR	**2014**	2013
Robert J. Routs	134,000	140,000
Irving W. Bailey, II	122,750	136,250
Robert W. Dineen (as of May 21, 2014)	70,125	-
Shemaya Levy	94,125	112,000
Ben van der Veer	104,125	105,000
Dirk P.M. Verbeek	92,000	105,000
Leo M. van Wijk	86,000	97,000
Corien M. Wortmann-Kool (as of May 21, 2014)	55,250	-
Dona D. Young (as of May 15, 2013)	118,000	77,125
Total for active members	**876,375**	**772,375**
Antony Burgmans (up to April 1, 2014)	15,000	87,000
Karla M.H. Peijs (up to September 30, 2013)	-	71,500
Kornelis J. Storm (up to May 21, 2014)	33,750	91,000
Total remuneration	**925,125**	**1,021,875**
VAT liable on Supervisory Board remuneration	194,276	200,981
Total	**1,119,401**	**1,222,856**

Not included in the table above is a premium for state health insurance paid on behalf of Dutch Supervisory Board members. Remuneration for Supervisory Board members is as of 2014 Dutch VAT liability compliant.

Executive Board Remuneration Policy 2014

Executive Board remuneration

The Executive Board of Aegon is remunerated on the basis of the principles described in Aegon s GRF. Aegon s remuneration policy for members of the Executive Board is derived from this Framework and sets out terms and conditions for members of the Company s Executive Board.

The Executive Board Remuneration Policy was prepared in accordance with the Dutch Corporate Governance Code and the Decree on Sound Remuneration Policy (Regeling beheerst beloningsbeleid (Rbb) Wft 2011, which was succeeded by Rbb Wft 2014) produced by the DNB. It was adopted at the General Meeting of Shareholders on May 12, 2011. The Policy will remain in force until such time as the Supervisory Board proposes changes or amendments.

Role of the Compensation Committee

The Compensation Committee of Aegon s Supervisory Board has responsibility for the review of the Company s Remuneration Policies, including the Executive Board Remuneration Policy. Members of the Committee are drawn from the Supervisory Board.

Each year, Aegon s Compensation Committee reviews Aegon s remuneration policies to ensure they remain in line with prevailing international standards. This review is based partly on information provided by Aegon s external adviser, Towers Watson. The advisor does not, however, advise individual members of the Executive and Supervisory Boards.

The Compensation Committee may recommend changes to the policies to the Supervisory Board. Any material changes in the Executive Board Remuneration Policy must also be referred to the General Meeting of Shareholders for adoption.

Review of the Remuneration Policy

Aegon s Executive Board Remuneration Policy is reviewed every year by the Compensation Committee. The policy applies to all members of Aegon s Executive Board.

Ensuring pay remains competitive

The Company regularly compares its levels of executive remuneration with those of other, comparable companies. Companies included in the peer group are chosen according to the following criteria:

¿ Industry (preferably life insurance);
¿ Size (companies with similar assets, revenue and market capitalization);
¿ Geographic scope (preferably companies operating globally); and
¿ Location (companies based in Europe).

In 2014, the peer group comprised Aviva, Axa, CNP Assurances, Generali, ING Group, Legal & General, Münchener Rückversicherung, Old Mutual, Prudential plc., Standard Life,

Swiss Re, and Zurich Financial Services. The peer group will be reviewed in 2015.

In addition, to monitor alignment with the general industry in the Netherlands, a reference group has been established, comprising the 12 leading companies listed on Euronext Amsterdam, excluding financial services providers. The Supervisory Board regularly reviews the composition of these two groups to ensure that they continue to provide a reliable and suitable basis for comparison.

Total compensation

For each member of the Executive Board, Aegon s Supervisory Board determines a maximum total compensation, reflecting the specific roles and responsibilities of the individual. Each year, the Supervisory Board reviews total compensation levels to ensure they remain competitive and provide proper, risk-based incentives to members of Aegon s Executive Board. At present, the Executive Board Target Direct Compensation (defined as base salary plus variable compensation) is below the median of the international market. To ensure Executive Board members are compensated in accordance with the desired market positioning, the alignment to the desired market position needs to be addressed over time, in accordance with applicable rules, regulations and codes.

Consistent with the Executive Board Remuneration Policy, the total direct compensation for Executive Board members consists of fixed compensation and variable compensation. In particular, the variable compensation (both expressed as opportunity and actual payout levels) for Executive Board members at Aegon is lower than at peer and other non-financial companies.

The Supervisory Board conducts regular scenario analyses to determine the long-term effect on the level and structure of compensation granted to members of the Executive Board. The Supervisory Board (Compensation Committee) has discussed and endorsed the 2014 total compensation for the Executive Board.

Fixed compensation

It is the responsibility of the Supervisory Board to determine fixed compensation for members of the Executive Board based on their qualifications, experience and expertise.

Variable compensation

Aegon believes that variable compensation strengthens Executive Board members commitment to the Company s objectives and strengthens the Executive Board members commitment to the Company s business strategy, risk tolerance and long-term performance. Variable compensation is based on a number of individual and company performance indicators that are regularly evaluated by experts in the Company s Finance, Risk Management, Audit, Human Resources and Compliance departments.

This performance is determined using a mix of financial and non-financial indicators. Aegon believes these indicators provide an accurate and reliable reflection of both company and individual performance. The type of performance indicators are selected in accordance with the long-term goals of the Company. The level of the indicators should be challenging but achievable. The targets and levels are agreed by the Supervisory Board. Performance is assessed by Aegon s Compensation Committee and validated by the full Supervisory Board.

For 2014, the performance period for variable compensation was one year. By implementing deferral and additional holding periods, Aegon believes that the long-term interests of Executive Board members are aligned with the interests of Aegon and its stakeholders.

Variable compensation, comprising both cash and shares, is conditionally granted at the beginning of each performance period. The number of conditionally granted shares is calculated using the value of one Aegon share at the beginning of this period. This value is equal to the average price on the Euronext Amsterdam stock exchange for the period December 15 through January 15. After the performance year, the Company assesses the realized performance against the performance indicators and compares the minimum, target and maximum levels of the performance indicators with the realized performance. The amount of conditional variable compensation that can be

allocated is then established. Variable compensation is allocated once accounts for the financial year in question have been adopted by the Company s shareholders and after an ex-ante assessment.

The allocated variable compensation consists of equal parts of cash and shares, of which 40% is paid out (or vest) in the year following the performance year, and 60% is deferred to later years. This deferred portion remains conditional until it vests.

The deferred parts vest in equal tranches over a three-year period. After an ex-post assessment, which may lower the vesting parts, these individual parts are paid 50% in cash and 50% in shares. The shares are restricted for a further period of three years (with the exception of shares sold to meet income tax obligations).

The variable compensation payout can be illustrated by the following example and the table below. For every 1,000 variable compensation that is allocated following the performance period, 400 is paid out/vested in the year following that performance year (N in the table below). This part will be paid 50% in cash (=200) and 50% in shares vesting immediately (=200 /[1] = 29 shares). The remaining 600 is deferred and vests according to a pre-defined schedule.

Variable compensation 2014

Variable compensation is initially granted based on performance, as measured against Aegon group targets and personal objectives. These objectives represent a mix of financial and non-financial measures, providing an accurate and reliable reflection of corporate and individual performance. The mix of group measures versus personal performance measures is 75%-25%.

1 Based on VWAP December 15, 2013 January 15, 2014.

Objectives	Maximum % of variable compensation	Performance indicator
Group financial IFRS based	30%	Group underlying earnings after tax, return on equity
		Group market consistent value of new business 2014,
Group financial risk adjusted based	30%	group pre-tax return on required capital 2014
Group sustainability / Strategy	15%	Objective measuring corporate responsibility and Strategy
		Individual basket of strategic and personal objectives related to
Personal objectives	25%	Aegon s strategy

Each year a one-year target is set for each performance indicator.

At an aggregate level, payments are made as follows:

- 50% of the maximum variable compensation if the threshold target is reached;
- 80% if the pre-determined performance targets are met; and
- Up to 100% if the targets are exceeded.

Risk adjustment methodology (ex-ante)

At the end of the performance period, but prior to allocation of variable compensation, the Supervisory Board assesses whether (downward) modifications are needed. For this purpose, quantitative and qualitative measures at group, regional unit and individual level is taken into account, such as:

- Breaches of laws and regulations;
- Breaches of internal risk policies (including compliance);
- Significant deficiencies or material weaknesses relating to the Sarbanes-Oxley Act; and
- Reputation damage due to risk events.

Ex-post assessment and discretionary adjustments

The Supervisory Board uses its judgment in the assessment of the outcome of strategic/personal targets to ensure that, taken together, they represent a fair reflection of the overall performance of the Board member over the performance period.

In addition, the Supervisory Board applies an ex-post risk assessment to deferred payouts of variable compensation to determine whether allocated (that is, unvested) variable compensation should become unconditional (meaning it vests) or should be adjusted. This ex-post assessment is based on informed judgment by the Supervisory Board, taking into account significant and exceptional circumstances that are not (sufficiently) reflected in the initially applied performance indicators.

Implementation of this authority is on the basis of criteria such as:

- ¿ Outcome of a re-assessment of the performance against the original financial performance indicators;
- ¿ Significant downturn in the Company s financial performance;
- ¿ Evidence of misbehavior or serious error by the participant;
- ¿ Significant failure in risk management; and
- ¿ Significant changes in the Company s economic or regulatory capital base.

The Supervisory Board asks the Compensation Committee to review these criteria in detail at each moment of vesting and document its findings. Based on this analysis, the Committee

may then put forward a proposal to the Supervisory Board to adjust unvested variable compensation. Deferred variable compensation may only be adjusted downwards. Ex-post, risk-based assessments concern deferred variable compensation, not fixed compensation.

Circuit breaker

For each performance indicator, variable compensation is only paid if the threshold level set for that performance indicator is reached.

Claw-back provision

Where variable compensation is based on incorrect data (including non-achievement of performance indicators in hindsight), or in the event of material financial restatements or individual gross misconduct, Aegon s Supervisory Board has the right to reclaim variable compensation that has already been paid out or vested.

Pension arrangements

Members of Aegon s Executive Board are offered pension arrangements and retirement benefits in line with local practices in their countries of residence, and with executives from other multinational companies in those countries. Similarly, benefits offered are consistent with Executive Board members contractual agreements, local practices and comparable arrangements at other multinationals. Aegon does not grant Executive Board members personal loans, guarantees or other such arrangements, unless in the normal course of business and on terms applicable to all employees, and only with the approval of the Company s Supervisory Board.

Terms of employment

Members of the Executive Board are appointed for four years, and may then be re-appointed for successive mandates also for a period of four years.

Mr. Wynaendts has a contract of employment with Aegon N.V. Mr. Button was appointed after the new law on governance and supervision (Wet Bestuur en Toezicht) came in to force in January 2013. An Engagement Agreement was therefore agreed between him and Aegon N.V., rather than a contract of employment. His employment by Transamerica Life Insurance therefore continues while he is seconded on an expatriate assignment to the Netherlands.

Members of the Executive Board may terminate their employment with a notice period of three months. The Company must give six months notice if it wishes to terminate the employment of a member of its Executive Board.

The employment arrangements with current members of the Executive Board contain provisions for severance payments in the event that their employment be terminated as a result of a merger or takeover. The Supervisory Board has taken appropriate steps to ensure the contractual arrangements of members of the Executive Board are in line with the Executive Board Remuneration Policy.

Executive Board Remuneration Report

At the end of December 2014, Aegon s Executive Board had two members:

- Alexander R. Wynaendts, Chief Executive Officer and Chairman of the Executive Board. Mr. Wynaendts was appointed member of the Executive Board in 2003 for four years, and re-appointed in 2007. At the General Meeting of Shareholders in 2011, Mr. Wynaendts was re-appointed for an additional four years.
- Darryl D. Button, Chief Financial Officer and member of the Executive Board, was appointed member of the Executive Board for four years at the annual General Meeting of shareholders on May 15, 2013.

Fixed compensation

The fixed compensation of Mr. Wynaendts was increased in 2014, to further align his compensation towards the desired market position. The fixed compensation of the CFO remained unchanged in 2014.

Member	2014	2013
Alexander R. Wynaendts CEO & Chairman EB	1,154,071	1,049,156
Darryl D. Button CFO & Member EB[1)]	752,559	474,789
Jan J. Nooitgedagt CFO & Member EB (retired)[2)]	-	433,959

[1] Mr. Button was appointed as CFO and member of Aegon s Executive Board per May 15, 2013. Fixed compensation is disclosed for the period that Mr. Button has been part of the Executive Board

[2] Mr. Nooitgedagt s fixed compensation is reflective of his time with Aegon till retirement as per August 1, 2013

Conditional variable compensation awards 2014

Subject to the adoption of the annual accounts at the General Meeting of Shareholders on May 20, 2015, variable compensation for Executive Board members is set in cash and shares, based on both their individual and the Company s performance. Targets for the performance indicators have been set in line with the agreed variable compensation targets and 2014 company budgets. Actual performance is measured over 2014. Under the Executive Board Remuneration Policy 2011, the variable compensation that Executive Board members are entitled to is paid out over a number of years.

Over the performance year 2014, Mr. Wynaendts was awarded EUR 913,286 in total conditional variable compensation. Mr. Button was awarded EUR 600,241.

Forty percent of variable compensation related to performance year 2014 is payable in 2015. This is split 50/50 in a cash payment and in an allocation of shares.

For 2015, Mr. Wynaendts and Mr. Button are eligible to receive a cash payment of EUR 182,657 and EUR 120,048 respectively.

The number of shares to be made available in 2014 is 27,105 for Mr. Wynaendts and 17,302 for Mr. Button. With regard to vested shares (with the exception of shares sold to meet income tax obligations), a retention (holding) period of a further three years is applicable before they are at the disposal of the Executive Board members.

The remaining part of variable compensation for the performance year 2014 (60% of the total, which for

Mr. Wynaendts equates to EUR 273,986 and 40,656 shares, and for Mr. Button equates to EUR 180,072 and 25,956 shares) is to be paid out in future years, subject to ex-post assessments, which may result in downward adjustments and be subject to meeting additional conditions. In each of the years 2016, 2017 and 2018, 20% of the total variable compensation may be made available. Any payout is split 50/50 in a cash payment and an allocation of shares (vesting). After vesting (with the exception of shares sold to meet income tax obligations), a retention (holding) period is applicable for a further three years, before shares are at the disposal of the Executive Board members.

Impact of ex-ante and ex-post assessment on attribution of variable compensation

No variable compensation from previous performance years payable in 2014 has been adjusted downwards in 2014.

No circumstances have been identified to lower payout of the deferred payment from prior performance years that vest in 2015 (the so called ex-post assessment) or to lower the payout of the up-front payment of the 2014 performance year variable compensation that vests in 2015 (the so called ex-ante assessment).

Corporate governance

Aegon is incorporated and based in the Netherlands. As a company established in the Netherlands, Aegon must comply with Dutch law and is subject to the Dutch Corporate Governance Code[1].

The shareholders

Listing and shareholder base

Aegon s common shares are listed on Euronext Amsterdam and the New York Stock Exchange. Aegon has institutional and retail shareholders around the world. More than three-quarters of shareholders are located in Aegon s three main markets, the Netherlands, North America and the United Kingdom. Aegon s largest shareholder is Vereniging Aegon, a Dutch association with a special purpose, to protect the broader interests of the Company and its stakeholders.

General Meeting of Shareholders

A General Meeting of Shareholders is held at least once a year and, if deemed necessary, the Supervisory or Executive Board of the Company has the authority to convene an Extraordinary General Meeting of Shareholders. The main function of the General Meeting of Shareholders is to decide matters such as the adoption of annual accounts, the approval of dividend payments and (re) appointments to the Supervisory Board and Executive Board of Aegon.

Convocation

Meetings are convened by public notice at least 42 days before the meeting. The convocation states the time and location of the meeting, the record date, the agenda items, and the procedures for admittance to the meeting and representation at the meeting by means of a written proxy. Those shareholders who alone or jointly represent at least 1% of Aegon s issued capital or a block of shares worth at least EUR 100 million may request items be added to the agenda of a General Meeting of Shareholders. In accordance with Aegon s Articles of Association, such a request will be granted if it is received in writing at least 60 days before the meeting, and if there are no important interests of the Company that dictate otherwise.

Record date

The record date is used to determine shareholders entitlements with regard to their participation and voting rights. In accordance with Dutch law, the record date is 28 days before the day of the General Meeting of Shareholders.

Attendance

Every shareholder is entitled to attend the General Meeting to speak and vote, either in person or by proxy granted in writing. This includes proxies submitted electronically. All shareholders wishing to take part must provide proof of their identity and shareholding, and must notify the Company ahead of time of their intention to attend the meeting. Aegon also solicits proxies from New York registry shareholders in line with common practice in the United States.

Voting at the General Meeting

At the General Meeting, each common share carries one vote. In the absence of a Special Cause, Vereniging Aegon[2] also casts one vote for every 40 common shares B it holds.

Supervisory Board

Aegon s Supervisory Board oversees the management of the Executive Board, in addition to the Company s business and corporate strategy. The Supervisory Board must take into account the interests of all Aegon stakeholders. The Supervisory Board operates according to the principles of collective responsibility and accountability.

Composition of the Board

Members of the Supervisory Board are appointed by the General Meeting of Shareholders, following nomination by the Board itself. Aegon aims to ensure that the composition of the Company s Supervisory Board is well balanced in terms of professional background, geography and gender. A profile exists, outlining the required qualifications of its members. Supervisory Board Members are no longer eligible for appointment after the age of 70, unless the Supervisory Board decides to make an exception. Remuneration of the members of the Supervisory Board Members is determined by the General Meeting of Shareholders. At present, Aegon s Supervisory Board consists of nine non-executive members.

Committees

The Supervisory Board also oversees the activities of several of its committees. These committees are composed exclusively of Supervisory Board members and deal with specific issues related to Aegon s financial accounts, risk management strategy, executive remuneration and appointments. These committees are:

¿ Audit Committee;
¿ Risk Committee;
¿ Compensation Committee; and
¿ Nominating Committee.

1 For further details on how Aegon s corporate governance practices differ from those required of US companies under New York Stock Exchange standards please refer to the NYSE listing standards in the Governance section of Aegon s website at aegon.com

2 For more details, please see Major shareholders on pages 299-302.

Executive Board

Aegon s Executive Board is charged with the overall management of the Company and is therefore responsible for achieving Aegon s aims, strategy and associated risk profile, as well as overseeing any relevant sustainability issues and the development of the Company s earnings. Each member has duties related to his or her specific area of expertise.

Aegon s Articles of Association determine that for certain decisions the Executive Board must seek prior approval from the Supervisory Board and/or the approval of the General Meeting of Shareholders. In addition hereto, the Supervisory Board may also subject other Executive Board decisions to its prior approval.

Composition of the Executive Board

The Executive Board of Aegon has two members: Alex R. Wynaendts, who is Chief Executive Officer and Chairman of the Executive Board, and Darryl D. Button, who is Aegon s Chief Financial Officer and member of the Executive Board.

The number of Executive Board members and their terms of employment are determined by the Company s Supervisory Board. Executive Board members are appointed by the General Meeting of Shareholders, following nomination by the Supervisory Board.

The employment contract with Mr. Wynaendts contains a provision entitling him to severance payments, should his employment be terminated as a result of a merger or takeover. The engagement agreement between Mr. Button and Aegon does not entitle him to any special terms under these circumstances. The Company s Remuneration Policy for the Executive Board limits exit arrangements to a maximum of one year of salary.

Management Board

Aegon s Executive Board is assisted in its work by the Company s Management Board, which has seven members, including the members of the Executive Board. Aegon s Management Board is composed of Alex Wynaendts, Darryl Button, Adrian Grace, Tom Grondin, Marco Keim, Gábor Kepecs and Mark Mullin.

Capital, significant shareholders and exercise of control

As a publicly listed company, Aegon is required to provide the following detailed information regarding any structures or measures that may hinder or prevent a third party from acquiring the Company or exercising effective control over it.

The capital of the Company

Aegon has authorized capital of EUR 1,080 million, divided into 6 billion common shares and 3 billion common shares B, each with a par value of EUR 0.12. As of December, 31 2014, a total of 2,145,947,511 common shares and 581,325,720 common shares B had been issued.

Depository receipts for Aegon shares are not issued with the Company s cooperation.

Each common share carries one vote. There are no restrictions on the exercise of voting rights by holders of common shares, be it regarding the number of votes or the time period in which they may be exercised.

All common shares B are held by Vereniging Aegon, the Company s largest shareholder. The nominal value of the common shares B is equal to the nominal par value of a common share. This means that common shares B also carry one vote per share. The voting rights attached to common shares B are subject to restrictions, however, under which Vereniging Aegon may cast one vote for every 40 common shares B it holds in the absence of a Special Cause[3].

The financial rights attached to a common share B are one-fortieth (1/40th) of the financial rights attached to a common share. The rights attached to the shares of both classes are otherwise identical. For the purpose of issuance of shares, reduction of issued capital and the transfer of common shares B, the value or the price of a common share B is determined as one-fortieth (1/40th) of the value of a common share. For such purposes, no account is taken of the difference between common shares and common shares B in terms of the proportion between financial rights and voting rights.

Significant shareholdings

On December 31, 2014, Vereniging Aegon, Aegon s largest shareholder, held a total of 292,687,444 common shares and 581,325,720 common shares B.

Under the terms of the 1983 Merger Agreement[4] as amended in May 2013, Vereniging Aegon has the option to acquire additional common shares B. Vereniging Aegon may exercise its call option to keep or restore its total stake to 32.6% of the voting rights, irrespective of the circumstances that caused the total shareholding to be or become lower than 32.6%.

1 As a result of a change in Dutch Corporate law, with effect of January, 1 2013, new members of the Executive Board will not be employees of the Company but will enter into engagement agreements with the Company regarding their position as member of the Executive Board. Mr. Button works for the Company on the basis of an engagement agreement. Mr. Wynaendts, who was appointed before this law came into effect, is still an employee of the Company. The reappointment of Mr. Wynaendts for another term of four years will be proposed at the 2015 annual General Meeting of Shareholders. If the shareholder resolves to reappoint Mr. Wynaendts, his employment agreement will be terminated and an engagement agreement will be entered into between Mr. Wynaendts and the Company.

2 For an overview of the members of the Executive Board and of the Management Board, please refer to page 6 and 7.

3 For further information, please see here under for the description of special control rights.

4 The 1983 Merger Agreements, as amended in May 2013, is published on Aegon s corporate website (aegon.com - http://www.aegon.com/Documents/aegon-com/Governance/Governance-documents/Amended-merger-agreement-English.pd

To Aegon s knowledge, there are two other parties which hold a capital and voting interest in Aegon N.V. in the excess of 3%. These are the two US-based investment management firms Dodge & Cox and FMR.

Dodge & Cox and FMR are holders of common shares which have no special rights attached to it. Based on its last filing with the Dutch Autoriteit Financiële Markten on July 1, 2013 the Dodge & Cox International Stock Fund stated to hold 83,320,454 common shares and voting rights which represents 3.1% of the capital issued as at December 31, 2014. On February 13, 2015, Dodge & Cox s filing with the United States Securities and Exchange Commission (SEC) shows that Dodge & Cox holds 242,671,430 common shares, representing 9.1% of the issued capital, and has voting rights for 236,832,861 shares, representing 8.8% of the votes. The SEC filing also shows that of this number of shares Dodge & Cox International Stock Fund holds 125,227,471 common shares, which represents 4.6% of the issued capital as at December 31, 2014. The remainder of the common shares registered in name of Dodge & Cox with the SEC are held by Dodge & Cox on behalf of its other clients, including investment companies registered under the Investment Company Act of 1940 and other managed accounts.

Based on its last filing with the Dutch Autoriteit Financiële Markten on August 27, 2014 FMR stated to hold 113,707,413 commons shares, representing 4.2% of the issued capital, and stated to hold 107,092,451 voting shares, representing 3.9% of the votes. On February 13, 2015, FMR s filing with the SEC shows that FMR holds 111,693,771 common shares, representing 4.2% of the issued capital and has voting rights for 14,662,935 shares, representing 0.5% of the votes.

Special control rights

As a matter of Dutch corporate law, the common shares and the common shares B offer equal full voting rights, as they have equal nominal value (EUR 0.12). The Voting Rights Agreement[1] entered into between Vereniging Aegon and Aegon ensures that under normal circumstances, i.e. except in the event of a Special Cause, Vereniging Aegon will no longer be allowed to exercise more votes than is proportionate to the financial rights represented by its shares. This means that in the absence of a Special Cause Vereniging Aegon may cast one vote for every common share it holds and one vote only for every 40 common shares B it holds. In the event of a Special Cause Vereniging Aegon may cast one vote for every common share and one vote for every common share B. A Special Cause may include:

¿ The acquisition by a third party of an interest in Aegon N.V. amounting to 15% or more;
¿ A tender offer for Aegon N.V. shares; and
¿ A proposed business combination by any person or group of persons, whether acting individually or as a group, other than in a transaction approved by the Company s Executive and Supervisory Boards.

If Vereniging Aegon, acting at its sole discretion, determines that a Special Cause has arisen, it must notify the General Meeting of Shareholders. In this event, Vereniging Aegon retains full voting rights on its common shares B for a period limited to six months. Vereniging Aegon would, for that limited period, command 32.6% of the votes at a General Meeting of Shareholders.

Issue and repurchase of shares

New shares may be issued up to the maximum of the Company s authorized capital, following a resolution adopted by the General Meeting of Shareholders. Shares may also be issued following a resolution of the Executive Board, providing, and to the extent that, the Board has been authorized to do so by the General Meeting of Shareholders. A resolution authorizing the Executive Board to issue new shares is usually presented at Aegon s annual General Meeting of Shareholders.

Aegon is entitled to acquire its own fully paid-up shares, providing it acts within existing statutory restrictions. Shareholders usually authorize the Executive Board to purchase the Company s shares under terms and conditions determined by the General Meeting.

Transfer of shares

There are no restrictions on the transfer of common shares. Common shares B can only be transferred with the prior approval of Aegon s Supervisory Board[2]

Aegon has no knowledge of any agreement between shareholders that might restrict the transfer of shares or the voting rights pertaining to them.

Significant agreements and potential change of control

Aegon is not party to any significant agreements that would take effect, alter or terminate as a result of a change of control following a public offer for the outstanding shares of the Company, other than those customary in financial markets (for example, financial arrangements, loans and joint venture agreements).

Exercise of option rights

Senior executives at Aegon companies and some other employees are granted share appreciation rights and share options. For further details, please see note 14 of the notes to Aegon s consolidated financial statements of this Annual Report. Under the terms of existing share plans Aegon cannot influence the exercise of granted rights.