AEGON NV
Form 20-F
March 22, 2013
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, 2012

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)

D. D. Button

Executive Vice-President

Aegon N.V.

Aegonplein 50, 2501 CB The Hague, The Netherlands

+31-70-3448334

Darryl.Button@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: 1,909,654,051 common shares

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

I

Cross reference table Form 20-F

Table of Contents

Table of contents

Introduction

Filing

This document contains Aegon s Annual Report 2012 and will also be filed as Aegon s Annual Report on Form 20-F with the United States Securities and Exchange Commission (SEC).

About this report

This report serves as Aegon s Annual Report prepared 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 Dutch Civil Code for the year ended December 31, 2012, for Aegon N.V. (the company) and its subsidiaries (collectively known as Aegon). This report presents the Consolidated Financial Statements of Aegon (pages 132-286) and the Parent Company Financial Statements of Aegon (pages 290-304). Cross references to Form 20-F are set out on pages I-II of this report.

Presentation of certain information

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

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 and Canadian dollar whe referring to the lawful currency of Canada; PLN when referring to the lawful currency of Poland; CNY when referring to the lawful currency of the People s Republic of China; RON when referring to the lawful currency of Romania; HUF when referring to the lawful currency of Hungary; TRY when referring to the lawful currency of Turkey and CZK when referring to the lawful currency of Czech Republic.

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

There has never been a better time - or a greater need - for Aegon s core business of helping people achieve long-term financial security and peace of mind. I am therefore pleased to report that during 2012 we made meaningful progress in transforming Aegon s ability to better understand the needs of our customers.

Faced with lingering uncertainty over the current economic environment, individuals and families seek broader options in managing their finances and planning for retirement - not only with regard to the solutions available, but in how they access them. At the same time, both our current and future customers increasingly demand new ways of interacting with us, and with the ease that online technology makes possible in their many other commercial and social interactions. They also bring greater scrutiny to the products and services we provide - and are readily aware of alternatives available elsewhere. They expect higher levels of service, clearer communications and the assurance that the products we provide them actually address the specific needs they have identified. We believe these circumstances present a tremendous opportunity for Aegon, but they require that we change the way we think about and manage our business.

It is for these reasons that we have embarked on a journey to get much closer to the people who depend on us. During the past year, our management has taken a number of decisive steps to realign our businesses and improve our interactions with customers. These include working to re-establish and strengthen their trust; working to leverage the potential of digital technology to provide greater customer access, better service and a distinctive, positive experience, and at the same time, working to create greater simplicity and transparency in our products and services. Clear examples of how our customer-centric approach is being integrated in all parts of our businesses include involving actual customers in rewriting marketing brochures and correspondence so that they are easily understood by all customers, simplifying back-office systems, introducing new products and online distribution channels and using social media to strengthen customer relationships and Aegon s brand identity. We have also engaged Aegon employees through in-depth discussions about the basis of our strategy to ensure broad understanding and a clear view for how each and every person can contribute to our ambitions. We recognize the essential role our employees play in creating the level of customer loyalty that will distinguish Aegon as a leader in each of our markets. Consequently, we are committed to providing the training and tools necessary for personal and professional development, as well as fostering a culture of innovation whereby new ideas and approaches have the opportunity to be heard and implemented.

Aegon is today a company transformed by the actions we have taken to realign our entire organization to a very simple objective: putting the customer first in everything we do, as well as how we do it. In the Americas, the United Kingdom and the Netherlands we have been working to streamline our operations in order to improve our ability to respond to market opportunities. In these established markets, we are committed to further leveraging our strong capabilities to address the needs of the at-retirement population, those looking to retire in a few short years and needing to make provisions for a steady income during retirement. Given the continued shift in responsibilities of retirement security from governments and employers to individuals - and with people living longer than at any other time in history - we are determined to fully exploit our expertise in providing the long-term financial guarantees which create the possibility for a retirement with confidence and dignity.

Within our newer markets in Asia, Central & Eastern Europe and Latin America, we are making steady progress in building sustainable businesses, as well as strengthening and developing new approaches in digital distribution. In these markets the potential for protection and savings products is significant, and we intend to serve a larger share of the developing need.

Ensuring that our ability to keep the promises we make to our customers is never in doubt, we have substantially improved Aegon s risk profile, while maintaining a strong balance sheet and capital position - advantages that have served us well in the continuing economic turmoil. With interest rates at historic lows, we have repriced certain products, lowered guarantees of others, and ceased selling those that no longer offer value for our customers or reflect our risk-return discipline. We have likewise maintained a sharp focus on reducing our costs, recognizing that in this new environment we must now compete with non-traditional providers who increasingly sell financial products online or through retail outlets, and typically with a much lower cost base. Moreover, reducing costs is essential to our ability not only to improve the returns generated by our businesses, but on the capital our shareholders continue to provide.

During the course of 2012, we have further strengthened our broader commitments to society and defined additional criteria for measuring our performance, beyond financial metrics.

Last year, we joined other leading insurance companies in signing the United Nations Principles for Sustainable Insurance. These four principles aim to incorporate sustainability measurers into the day-to-day management of business operations and we have established clear targets reflecting our commitment to them. In addition, we have developed a new Responsible Investment Policy to ensure that as a substantial investor we also take environmental, economic, social and governance factors into account - in addition to financial performance - when making decisions to invest in other companies.

Our ambition has not changed - it is to be a leader in all our chosen markets. This does not necessarily mean being the largest provider, though sufficient scale is necessary to offer products at competitive prices and also attract the most talented employees. Ultimately, we define leadership as being the most recommended by customers, by business partners and our intermediaries - and, equally important - being the most preferred employer in our sector.

On behalf of our management team, I wish to thank our talented and dedicated colleagues around the world who each day commit themselves to delivering on our promises, improving our operations and making a positive difference in the communities in which they

work and live. They have been responsible for changing Aegon for the better during these past several years and continue to be our greatest advantage in competing successfully in the new environment which is redefining our business.

We are likewise grateful for the continued confidence of our many other stakeholders and pledge our determined efforts to further justify that confidence, while creating the long-term value that they, and all who entrust us with their financial security needs, have every reason to expect.

Alex Wynaendts

Chief Executive Officer and Chairman

of the Executive Board of Aegon N.V.

Composition of the Executive Board and the Management Board

Alexander R. 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. Since 2003, he has been a member of Aegon s Executive Board, overseeing the company s international growth strategy. In April 2007, Mr. Wynaendts was named Aegon s Chief Operating Officer. A year later, he became CEO and Chairman of Aegon s Executive and Management Boards.

Jan J. Nooitgedagt (1953, Dutch)

Chief Financial Officer

Member of the Executive Board

Member of the Management Board

Jan Nooitgedagt has worked in Europe s financial services sector for over 30 years. Formerly with PWC, he joined Ernst & Young in 1980, becoming a partner in the firm in 1989. Mr. Nooitgedagt headed Ernst & Young s financial services business in the Netherlands for five years until his appointment in 2005 to the firm s Executive Committee. A year later, Mr. Nooitgedagt was appointed Chairman of Ernst & Young in the Netherlands and became Managing Partner for the Netherlands and Belgium in July 2008. He was appointed member of Aegon s Executive Board and Chief Financial Officer in April 2009. Mr. Nooitgedagt will retire at the end of his current term (May 2013), in line with Aegon s retirement arrangements for Executive Board members. Mr. Nooitgedagt is a member of the Supervisory Board of Bank Nederlandse Gemeenten N.V. (not listed) and Chairman of the Supervisory Board of Nyenrode Foundation (not listed).

Adrian Grace (1963, British)

Member of the Management Board

Chief Executive Officer of Aegon UK

Adrian Grace built his career at GE Capital, where he held a variety of business development roles including periods based in the US and Far East. Mr. Grace also held managing director roles at Sage Group, HBoS and Barclays Insurance, and is a member of the Board of Scottish Financial Enterprise and the Association of British Insurers. Mr. Grace was appointed Chief Operating Officer of Aegon UK in February 2010, and then CEO in March 2011. He was appointed to Aegon s Management Board in 2012.

Tom Grondin (1969, Canadian)

Member of the Management Board

Chief Risk Officer of Aegon N.V.

Tom Grondin began his career working in various positions in Canadian insurance companies. In 1997 he moved to the United States to take up a position at Tillinghast-Towers Perrin as a consultant. Mr. Grondin joined Aegon in 2000 as Director of Product Development and Risk Management and was later promoted to Chief Actuary of Aegon USA s Institutional Markets operating unit. Mr. Grondin was appointed Chief Risk Officer of Aegon N.V. in August 2003 and a member of Aegon s Management Board on January 1, 2013.

Marco B.A. Keim (1962, Dutch)

Member of the Management Board

Chief Executive Officer of Aegon the Netherlands

Marco Keim began his career with accountants Coopers & Lybrand/Van Dien. Mr. Keim 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)

Member of the Management Board

Chief Executive Officer of Aegon Central & Eastern Europe

Gábor Kepecs began his career with the Hungarian government before joining former state-owned insurance company Állami Biztosító. In 1990, he was appointed CEO, two years before Állami Biztosító was privatized and acquired by Aegon. Between 1992 and 2009, Mr. Kepecs was the CEO of Aegon Hungary. In that time, he has 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 it was established in 2007.

Mark Mullin (1963, American)

Member of the Management Board

Chief Executive Officer of Aegon Americas

Mark Mullin has spent more than 20 years with Aegon in various 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, and as head of the company s annuity and mutual fund businesses. In January 2009, he was named President of Aegon Americas and he became President and CEO of Aegon Americas and a member of the Management Board one year later.

Table of Contents

Aegon s strategy

Aegon is an international provider of life insurance, pensions and asset management products, with businesses in more than 20 markets in the Americas, Europe and Asia and EUR 458 billion in revenue-generating investments. Aegon employs over 24,000 people, who serve millions of customers across the globe.

Aegon s ambition is to become a leader in all its chosen markets by 2015. This means becoming the most recommended life and pensions provider among customers, the preferred partner among distributors, and the employer of choice for both current and prospective employees. Aegon is focused on reshaping its business, forging new direct relationships and earning customers trust.

Since the 2008 financial crisis, Aegon has undergone a significant financial transformation, including rationalizing its portfolio (for example divestment of its reinsurance business in the United States and Guardian in the United Kingdom), major cost restructurings in its main markets and running-off or de-emphasizing several of its US-based businesses, due to the historically low interest rate environment. In 2011, Aegon completed full repayment of the capital support provided by the Dutch government at the beginning of the financial crisis.

These actions have enabled Aegon to achieve a solid financial position and deal effectively with the persistent market uncertainty, while reshaping its businesses to better serve the developing and varied needs of its customers seeking long-term financial security. During 2012, Aegon continued its divestment of non-core businesses, while capturing new business opportunities and further strengthening business prospects in its main markets. This includes increasing earnings generated from fee-based business (versus earnings derived from spread business dependent on interest rate spreads) as one of the key elements of the company s strategy to reduce its exposure to financial markets.

Market conditions

The global economy weakened over the course of 2012. The United States continued its moderate recovery, however, the eurozone dropped back into recession.

The US growth rate of approximately 2% compares favorably to Western Europe. However, it is seen as too weak to significantly improve labor market conditions. To support economic growth the Federal Reserve in September 2012 announced its third quantitative easing program. Furthermore, the Federal Reserve stated its intention to keep the Federal funds rate near zero until at least mid-2015. Toward the end of 2012, further economic uncertainty arose over the legislative budget impasse in the United States and the prospect of the fiscal cliff. This refers to automatic austerity measures of roughly 5% of the Gross

Domestic Product being enacted in the event that Congress and the Administration are unable to reach agreement on measurers to address the sizeable budget deficit. A positive development in 2012 was the early improvement experienced in the US housing market.

In Europe, economic growth deteriorated due to the eurocrisis and the severe austerity measures being implemented. Greece, Italy, Portugal and Spain all experienced deep recessions, but other countries were also negatively affected. The German economy grew by approximately 1%, France experienced stagnant growth, while the United Kingdom, the Netherlands and the southern peripheral economies were in a state of recession. Growth also slowed in Central & Eastern Europe, Asia and Latin America. The emerging markets were adversely impacted by a combination of effects from the advanced economies and unfavorable domestic developments.

At the start of 2012, spreads on peripheral bonds decreased due to large liquidity operations by the European Central Bank (ECB). The positive sentiment proved to be short-lived. Toward the summer, the eurocrisis deepened as financial market pressures intensified, especially with respect to Spain, and to a lesser extent to Italy. The deepening of the crisis necessitated additional policy measures at national and European level. National authorities expanded their austerity programs. The European Council started negotiations on the banking union and agreed on broadening of the European Stability Mechanism (ESM) mandate. Mario Draghi, the president of the ECB, pledged to do whatever it takes to save the euro and the ECB announced the possibility to undertake so-called Outright Monetary Transactions (OMTs), through which it can purchase government securities of countries requesting assistance from the European Financial Stability Facility /ESM. The eurozone members progressed toward a solution for troubled Greece. The combination of measures resulted in a significant easing of market pressures.

The safe haven German 10-year interest rates dropped to below 1.2% at the height of the eurozone crisis. With the easing of market pressures, interest rates increased somewhat, but remain at very low levels. At the short end of the yield curve, German interest rates remained close to, or below, zero.

The deepening of the eurocrisis resulted in a weakening of the euro against the US dollar, which was reversed with the easing of the crisis. The euro ended the year at approximately the same level against the US dollar as at the beginning of 2012.

Despite the difficult economic environment and a drop over the second quarter of 2012, the main equity markets ended the year higher than at the beginning of the year.

The easing of financial market conditions is a welcome development. However, the continuing fragile economic environment, the large degree of uncertainty and, especially the low interest rate environment, remain challenges going forward. It would be helpful if, in 2013, further progress is made in resolving the broad range of macroeconomic difficulties and the outlook for economic growth improves.

Long-term industry trends

The life insurance and pensions industry is still going through a period of significant change, with increasing and changing customer demands and the resulting impact of new digital technologies. Moreover, the industry will continue to face further regulatory reforms and changing capital requirements under Solvency II.

These conditions notwithstanding, there are several factors creating significant growth potential for Aegon s businesses:

- **People are living longer, healthier lives.** In many countries, people are spending longer in retirement than before, and there is a growing demand for life insurance, private pensions and long-term investment products.
- **Reduced safety net.** Fewer economically active people fund the traditional safety net of pay-as-you-go state pensions. As a result, governments, particularly in Europe, are under pressure to reform pension systems. At the same time, individuals increasingly rely on private sector providers to help them finance their retirement. The private sector providers are well-positioned to offer this service, while facing the challenge of low interest rates and volatile equity market returns.
- **Customer behavior is changing.** Customers are more aware of financial risk and consequently demand simpler, more transparent products with clear financial guarantees. At the same time, public trust in the financial sector has diminished. Governments are introducing new regulations to protect consumers while there is increasing pressure for the industry to become more customer-centric.
- **Distribution patterns are changing due to new technology and changes in the regulatory environment.** Customers are increasingly using the internet and social media to identify, research and purchase financial products. In some countries, this has led to the emergence of new competitors using online distribution models, or non-traditional suppliers such as supermarkets and retailers. Established providers are under increasing pressure to reduce costs and adapt their distribution mix. Tighter government regulation to reduce commission-based selling (for example the Retail Distribution Review in the United Kingdom, new regulation in the Netherlands) will lead to changes in business models across the industry.
- **Emerging markets are becoming more important**. Economic growth and political reform have opened up new markets in Central & Eastern Europe, Asia and Latin America. In these markets, a new and ambitious middle class is emerging, creating an increased demand for life insurance, pensions and asset management products and services. Given that these fast-growing markets have the lowest life insurance penetration, the potential in these markets is substantial. China and India account for 40% of the world s population, but currently only 8% of the global life insurance market.

Aegon s strategy

Aegon s purpose is to help people take responsibility for their financial future. The company focuses on offering understandable products and services in the protection, savings and retirement market. Aegon has successfully transformed its risk profile, strengthened its capital base and simultaneously reduced its overall cost base. As a result, Aegon is now well-positioned to meet the rapidly changing demands of aging populations and an increasingly affluent developing world.

Aegon s services have never been more needed, **yet it is still adapting to the new reality.** The company is actively identifying new and growing market opportunities, as well as working to better understand the essential financial needs of all its customers, while adjusting products and services accordingly. Simultaneously, it is transforming itself further to compete in the new environment and respond effectively to new competitors and regulation.

Aegon has to get much closer to the people who depend on its products and services. A key element of Aegon s strategy is to get closer to its customers by utilizing technology and investing in innovative capabilities to address customer needs at every stage of the life cycle. Bringing established protection and saving products to new and emerging markets in Central & Eastern Europe, Asia and Latin America, as well as continuing to develop Aegon s products to meet changing customer needs remains to be one of the company s most immediate and important goals.

Aegon is pursuing these objectives by:

- Reshaping its businesses,
- Forging new direct relationships and
- Earning customers trust by putting them first in everything it does.

Table of Contents

Aegon s ambition is to become a leader in all its chosen markets by 2015.

In order to achieve its ambition, Aegon has defined four strategic areas of focus which it regards as essential to positioning its businesses for the future. During 2012, the company continued to make clear progress within each of these key strategic objectives:

Optimize portfolio - Focus on those businesses that reflect Aegon s core expertise and which adhere to Aegon s risk and return requirements.

¿ Despite challenging market conditions, Aegon s market share has been growing in various segments or remains stable across most of its businesses.

¿ Continuing its business transformation, Aegon divested its stake in Prisma (a 3rd party asset manager in the United States) and exited its Spanish joint venture with Banca Civica, while continuing to actively manage its other joint venture relationships in Spain given the structural reform program that has been implemented in Spain s financial sector, which triggered a wave of mergers and acquisitions among Aegon s distribution partners. In early 2013, Aegon also reached an agreement to exit its partnership with Unnim, another of its bank joint ventures in the Spanish market. In December, Aegon entered into an exclusive 25- year strategic partnership with Banco Santander, Spain s largest financial group, to distribute both protection and general insurance products through the group s extensive network of over 4,600 bank branches (including Banesto, Banif and Openbank). This partnership provides Aegon access to a potential client base of over twelve million customers. Also in December, Aegon entered into its seventh market in the Central Eastern European region with its acquisition of Fidem Life in Ukraine, the country s fifth largest life insurance provider. This newest market entry is consistent with Aegon s focus on those developing markets with a growing need for its core products and services and strong economic development prospects.

¿ Intent on developing a closer and ongoing relationship with customers to serve their broader financial needs, Aegon is making substantial investments in digital technology to increase direct access to customers and provide intermediaries with the necessary means to do so as well. In 2012, the company launched several initiatives focusing on building digital customer relationships, including its Retirement Choices platform in the United Kingdom, online bank Knab in the Netherlands, LifeQuote in the United States - an online platform to assess personal need and secure a preliminary pricing quote - and iHealth, the first online health product launched in India.

¿ Aegon continues to extend its at-retirement propositions in the company s main markets to better address the needs of its customers intent on accumulating assets even while facing retirement, and then manage those assets for a longer period of time once having fully entered retirement. Aegon achieved substantial growth in retirement-related products and services, including its strong variable annuity business. This further supports the company s shift from spread-based business to fee-based business.

Enhance customer loyalty - Establish a long-term relationship with customers to serve their diverse needs throughout the life cycle; providing simpler, transparent products and services.

¿ In order to ensure that Aegon fully understands the developing needs of its customers, Aegon s businesses have continued to adopt the Net Promoter Score (NPS) methodology to regularly measure customer loyalty on a consistent basis. NPS is now measured in 74% of the company s businesses. The results are used to further enhance service levels and increase client satisfaction.

¿ Aegon successfully rolled-out a branding campaign around the Transform Tomorrow theme for its Transamerica businesses and adopted this same tagline in its own brand positioning.

Deliver operational excellence - Fully leverage Aegon s significant expertise and resources across the organization; investing in technology to drive innovation and further enable cost and operational efficiencies.

¿ In restructuring its main businesses in the United States, the United Kingdom and the Netherlands, Aegon has significantly reduced operating costs. In the United States the company lowered expenses in its main Life & Protection business by USD 100 million; in the United Kingdom costs have been reduced by 25%; in the Netherlands, Aegon will save an additional EUR 100 million.

¿ Aegon received the Life Transaction of the Year Award for excellence and innovation in the insurance sector. The award is based on a transaction with Deutsche Bank to offset tail risk related to longevity. The innovative swap transaction was the first of its kind in Europe.

¿ Aegon continues to improve service quality across its local businesses.

Empower employees - Provide the environment and resources necessary for employees to realize their full potential, while fostering a customer-centric culture that embraces new thinking and new approaches for responding to opportunities and customer demand.

- Actions to address the results of the Global Employee Survey in 2011 have been successfully implemented. The second Employee Survey was launched in January 2013.
- To ensure that Aegon s employees are in a position to fully understand customer needs, the company launched Customer License Programs in several businesses, whereby non-customer facing employees are able to engage directly with customers or experience Aegon from a customer perspective.
- As part of its global approach for identifying and supporting Aegon s talent, the company conducted talent reviews in all its businesses in order to identify those with the highest potential in the organization and to ensure that they are fully supported in their professional development.
- Senior management committed to a broad engagement program to ensure that employees within their country and business units understand the strategic direction of Aegon, and importantly, how the strategy relates to individual roles and responsibilities. A series of Town Hall meetings, as well as intranet-based tools and insight articles were created to support alignment across the organization.

Solvency II

Despite the continued uncertainty around the implementation date of Solvency II, Aegon has continued to remain on track with its preparations. Aegon has allocated considerable resources to the development of its partial internal model. This model is currently in the pre-application phase with Aegon s College of Supervisors. Through its engagement with several industry bodies, Aegon actively participates in discussions surrounding Solvency II with the aim of contributing to the resolution of outstanding issues. In particular, it provides input to discussions around appropriate measures to address long-term guarantee issues. A number of Aegon companies were requested by their national supervisory authorities to participate in the recent long-term guarantees assessment. Aegon has set up risk management processes and governance structures in line with Solvency II requirements so as to actively manage its business in a market-consistent and risk-sensitive manner. These processes and structures include product pricing, asset and liability management, capital management, and business strategy setting. Aegon is also continuing with refining its Own Risk and Solvency Assessment (ORSA). Aegon has started analyzing the reporting requirements in order to optimize its reporting process and align it with the requirements expected to be introduced by Solvency II. To ensure Aegon is not put at a competitive disadvantage in the way that Solvency II is implemented, Aegon is contributing to the discussions with European and US regulators and supervisors. The outcome of the EU-US Dialogue Project agreement at the end of 2012 - to pursue seven common objectives over the next five years - is an important step towards convergence between EU and US prudential regimes and will be the basis for equivalence recognition. In addition, Aegon is actively participating in a global initiative by the International Association of Insurance Supervisors (IAIS) to establish a common framework for the supervision of internationally active insurance groups (ComFrame). Aegon is on track with the ongoing transition of embedding Solvency II requirements into its existing business processes in a business as usual environment, while simultaneously keeping abreast of the latest regulatory developments.

Business overview

History and development of Aegon

Aegon N.V., domiciled in the Netherlands, is a public limited liability company organized under Dutch law. 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 N.V., through its member companies that are collectively referred to as Aegon or the Aegon Group, is an international life insurance, pensions and asset management company. Aegon is headquartered in the Netherlands and employs, through its subsidiaries, approximately 24,000 people worldwide. Aegon s common shares are listed on stock exchanges in Amsterdam (NYSE Euronext) and New York (NYSE).

Aegon N.V. is a holding company. Aegon s businesses focus on life insurance, pensions and asset management. Aegon is also active in accident, supplemental health, general insurance, and has some limited banking activities. The company s operations are conducted through its operating subsidiaries.

The main operating units of Aegon are separate legal entities organized under the laws of their respective countries. The shares of those 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 Group companies of all non-European countries and Aegon Asset Management B.V., the holding company for some of its asset management entities.

Aegon operates in more than 20 countries in the Americas, Europe and Asia, serving millions of customers. Its main markets are the United States, the Netherlands and the United Kingdom.

The company encourages product innovation and fosters an entrepreneurial spirit within its businesses. 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 include the United States, Canada, Brazil and Mexico), the Netherlands, the United Kingdom, and New Markets, which includes a number of countries in CEE and Asia, Spain, France, Aegon Asset Management, and Variable Annuities Europe.

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 as issued by the International Accounting Standards Board (IFRS).

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 found in the table below. It is important to read this summary in conjunction with the consolidated financial statements and related notes included elsewhere in this Annual Report.

Selected consolidated income statement information					
In EUR million (except per share amount)	**2012**	2011	2010	2009	2008
Amounts based upon IFRS					
Premium income	19,526	19,521	21,097	19,473	22,409
Investment income	8,501	8,167	8,762	8,681	9,965
Total revenues [1)]	29,937	29,159	31,608	29,751	34,082
Income/ (loss) before tax	1,852	916	1,914	(464)	(1,061)
Net income/ (loss)	**1,532**	**872**	**1,760**	**204**	**(1,082)**
Earnings per common share					
Basic	0.67	(0.06)	0.76	(0.16)	(0.92)
Diluted	0.67	(0.06)	0.68	(0.16)	(0.92)

1 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)	**2012**	2011	2010	2009	2008
Amounts based upon IFRS					
Total assets	366,066	345,576	331,995	298,540	289,156

Insurance and investment contracts	278,266	270,679	270,693	248,903	240,030
Trust pass-through securities and (subordinated) borrowings [1)]	12,881	10,040	8,604	7,314	4,824
Shareholders equity	24,630	21,000	17,328	12,273	6,169

[1] Excludes bank overdrafts

Number of common shares					
In thousands	**2012**	2011	2010	2009	2008
Balance at January 1	1,909,654	1,736,049	1,736,049	1,578,227	1,636,545
Share issuance	-	173,605	-	157,822	-
Stock dividends	62,376	-	-	-	41,452
Share withdrawal	-	-	-	-	(99,770)
Balance at end of period	**1,972,030**	**1,909,654**	**1,736,049**	**1,736,049**	**1,578,227**

Dividends

Aegon declared interim and final dividends on common shares for the years 2008 through 2011 in the amounts set forth in the following table. The 2012 interim dividend amounted to EUR 0.10 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 14, 2012. At the General Meeting of Shareholders on May 15, 2013, the Supervisory Board will, absent unforeseen circumstances, propose a final dividend of

EUR 0.11 per common share (at each shareholders option in cash or in stock), which will bring the total dividend for 2012 to EUR 0.21. 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
2008	0.30	-	0.30	0.45	-	0.45
2009	-	-	-	-	-	-
2010	-	-	-	-	-	-
2011	-	0.10	0.10	-	0.13	0.13
2012	0.10	0.11 2)	0.21	0.12	-	-

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

The annual dividend on Aegon s class A and class B preferred shares is 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 NYSE Euronext Amsterdam s first working day of the financial year to which the dividend relates. Apart from this, no other dividend is paid on the preferred shares. This resulted in a rate of 2.75% for the year 2011. Applying this rate to the weighted average paid-in capital of its preferred shares during 2011, the total amount of annual dividends Aegon made in 2012 on its preferred shares for the year 2011 was EUR 59 million. The rate for annual dividends, if any, on preferred shares to be made in 2013 for the year 2012, as determined on January 1, 2012, is 2.75% and the annual dividends, if any, on preferred shares for the year 2012, based on the weighted average paid-in capital on the preferred shares during 2012 will be EUR 59 million.

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 NYSE 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 1, 2013, the USD exchange rate was EUR 1 = USD 1.2988.

The high and low exchange rates for the US dollar per euro for each of the last six months through February 2013 are set forth below:

Closing rates	Sept. 2012	Oct. 2012	Nov. 2012	Dec. 2012	Jan. 2013	Feb. 2013
High (USD per EUR)	1.3142	1.3133	1.3010	1.3260	1.3584	1.3692
Low (USD per EUR)	1.2566	1.2876	1.2715	1.2930	1.3047	1.3054

The average exchange rates for the US dollar per euro for the five years ended December 31, 2012, 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]
2008	1.4695
2009	1.3955
2010	1.3216
2011	1.4002
2012	1.2909

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

Includes Aegon s businesses and operating units in the United States, Canada, Brazil and Mexico.

¿ Life & Protection

Products with mortality, morbidity and longevity risks, including traditional and universal life, as well as endowment, term and whole life insurance products. Accident and health business, including accidental death and dismemberment insurance, critical illness, cancer treatment, disability, income protection and long-term care insurance.

¿ Individual Savings & Retirement

Primarily fixed and variable annuity products and retail mutual funds.

¿ Employer Solutions & Pensions

Includes both individual and group pensions, as well as 401(k) plans and similar products usually sponsored by, or obtained via, an employer.

The Netherlands

¿ Life & Savings

Products with mortality, morbidity, and longevity risks, including traditional and universal life, as well as employer, endowment, term, whole life insurance products, mortgages, saving deposits and annuity 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

Aegon s Unirobe Meeùs distribution business.

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.

¿ **Distribution**

Relates to Aegon s financial advice businesses, Origen and Positive Solutions.

New Markets

Includes all businesses and operating units in Central & Eastern Europe, Asia, Spain and France as well as Aegon s variable annuity activities in Europe and Aegon Asset Management.

¿ **Central & Eastern Europe**

Active in six countries: Czech Republic, Hungary, Poland, Romania, Slovakia and Turkey. Includes life insurance, individual and group pension products, savings and investments, as well as general insurance. At the end of 2012, Aegon entered into an agreement to acquire a life insurance company in Ukraine.

¿ **Spain**

Distribution partnerships with Spanish banks, offering life insurance, accident and health insurance and investment products.

¿ **France**

Partnership with French insurer and pension specialist AG2R La Mondiale.

¿ **Asia**

Direct and affinity products are marketed in Asia through Aegon Direct & Affinity Marketing Services. Aegon offers life insurance to high-net-worth individuals via the Transamerica brand Transamerica Life Bermuda. There are joint ventures in China, India and Japan. Products include (term) life insurance in China and India and variable annuities in Japan.

¿ **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 both equity and fixed income, covering third party clients and Aegon s own insurance companies.

Results of operations

Results 2012 worldwide

Underlying earnings geographically			
Amounts in EUR millions	2012	2011	%
Net underlying earnings	**1,382**	**1,233**	**12%**
Tax on underlying earnings	405	289	40%
Underlying earnings before tax geographically			
Americas	1,317	1,273	3%
The Netherlands	315	298	6%
United Kingdom	105	5	-
New markets	274	249	10%
Holding and other activities	(224)	(303)	26%
Underlying earnings before tax	**1,787**	**1,522**	**17%**
Net Fair value items	-	(416)	-
Gains / (losses) on investments	407	446	(9%)
Impairment charges	(176)	(388)	55%
Other income / (charges)	(162)	(267)	39%
Run-off businesses	2	28	(93%)
Income before tax (excluding income tax from certain proportionately consolidated associates)	**1,858**	**925**	**101%**
Income tax from certain proportionately consolidated associates included in income before tax	6	9	(33%)
Income tax	(326)	(53)	-
Of which Income tax from certain proportionately consolidated associates included in income before tax	(6)	(9)	33%
Net income	**1,532**	**872**	**76%**
Commissions and expenses	5,829	6,272	(7%)
of which operating expenses	3,241	3,442	(6%)

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 associated companies in Spain, India, Brazil and Mexico. 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.

The table also includes the non-IFRS financial measure: net underlying earnings. This is the after-tax equivalent of underlying earnings. The reconciliation of net underlying earnings to the most comparable IFRS measure is presented in the table above.

Aegon s senior management is compensated based in part on Aegon s results against targets using the non-IFRS measure presented herein. While many other insurers in Aegon s peer group present substantially similar non-IFRS measures, the non-IFRS measure 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 measure shown herein, when read together with Aegon s reported IFRS financial statements, provides 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 can use different local GAAPs) and that can make the comparability from period to period difficult.

As of the first quarter of 2012, Aegon has revised its financial reporting to reflect changes in its organization. Businesses in Asia, which were previously managed by Aegon Americas, are included in the Asia line of business within the New Markets segment. For the full year 2011, the underlying earnings before tax generated by the Asian operations totaling EUR 37 million were previously reported under the Americas segment.

Table of Contents

New life sales			
Amounts in EUR millions	**2012**	2011	%
Americas	520	418	24%
The Netherlands	246	254	(3%)
United Kingdom	936	852	10%
New markets	253	311	(19%)
Total life production	**1,955**	**1,835**	**7%**

Gross deposits (on and off balance)			
Amounts in EUR millions	**2012**	2011	%
Americas	27,042	23,028	17%
The Netherlands	1,484	2,048	(28%)
United Kingdom	37	56	(34%)
New markets	10,909	6,556	66%
Total gross deposits	**39,472**	**31,688**	**25%**

Worldwide revenues

geographically 2012 Amounts in EUR millions	Americas	The Netherlands	United Kingdom	New Markets	Holding, other activities and eliminations	Segment total	Associates eliminations	Consolidated
Total life insurance gross premiums	6,541	3,004	6,047	1,374	(73)	16,893	(227)	16,666
Accident and health insurance premiums	1,833	220	-	188	-	2,241	-	2,241
General insurance premiums	-	475	-	144	-	619	-	619
Total gross premiums	**8,374**	**3,699**	**6,047**	**1,706**	**(73)**	**19,753**	**(227)**	**19,526**
Investment income	3,654	2,212	2,337	319	-	8,522	(21)	8,501
Fees and commision income	1,177	329	133	524	(263)	1,900	-	1,900
Other revenue	5	-	-	3	5	13	(3)	10
Total revenues	**13,210**	**6,240**	**8,517**	**2,552**	**(331)**	**30,188**	**(251)**	**29,937**
Number of employees, including agent employees	11,967	4,457	2,793	7,160	473	26,850	(2,443)	24,407

By product segment			
Amounts in EUR millions	**2012**	2011	%
Life	986	945	4%
Individual Savings and Retirement	481	474	1%
Pensions	383	254	51%
Non-life	13	51	(75%)
Distribution	14	-	-
Asset management	101	60	68%
Other	(224)	(303)	26%
Associates	33	41	(20%)
Underlying earnings before tax	**1,787**	**1,522**	**17%**

Results 2012 worldwide

Aegon s 2012 net income of EUR 1,532 million and underlying earnings before tax of EUR 1,787 million were higher than in 2011 resulting from business growth, implemented cost reduction programs, the non-recurrence of certain charges in the United Kingdom, and favorable markets. Sales and deposits increased compared to 2011 despite repricing and product changes made to reflect the continued low interest rate environment. Growth was driven mostly by pensions, variable annuities, mortgages and asset management. Aegon has continued to maintain a strong capital position while maintaining its commitment to delivering sustainable earnings growth with an improved risk-return profile.

Net income

Net income increased to EUR 1,532 million driven by higher underlying earnings, more favorable results on fair value items, lower impairments and lower other charges. These were only partly offset by higher tax charges and lower realized gains.

Underlying earnings before tax

Aegon s underlying earnings before tax increased 17% to EUR 1,787 million in 2012. This is the result of business growth, implemented cost reduction programs, the non-recurrence of certain charges in the United Kingdom, and favorable equity markets and currency movements.

Underlying earnings before tax from the Americas rose to EUR 1,317 million. The 3% increase compared to 2011 is mainly due to growth of the business and a strengthening of the US dollar against the euro. The positive effect of business growth and favorable equity markets was partly offset by lower fixed annuity earnings (as the product is de-emphasized) and lower Life & Protection earnings mostly the result of the non-recurrence of favorable items in 2011, recurring charges for Corporate Center expenses implemented in 2012, higher performance-related expenses and an increase in employee benefit expenses.

In the Netherlands, underlying earnings before tax increased to EUR 315 million. The 6% increase compared to 2011 was mainly due to cost savings, lower funding costs, and the wind up of several contracts in Pensions, partly offset by a higher claim ratio and investments in banking activities. Higher earnings in Life & Savings driven by lower funding costs on its growing mortgage portfolio more than offset lower earnings in Pensions and Non-life mostly driven by unfavorable claim experience.

In the United Kingdom, underlying earnings before tax increased to EUR 105 million. This improvement in earnings compared to 2011 was driven by the implementation of the cost reduction program and the non-recurrence of charges and execution expenses related to a program to correct historical issues within

customer policy records, partly offset by the benefit of changes to employee benefit plans recorded in 2011. Earnings were negatively impacted in 2012 by additional DAC amortization related to adverse persistency and investments in new propositions in the pension business.

Underlying earnings before tax from New Markets increased 10% to EUR 274 million as higher earnings from Aegon Asset Management and Asia more than offset lower underlying earnings from Spain and Central & Eastern Europe. Results in Spain were impacted by the divestment of the joint venture with Banca Cívica and the exclusion of results from Aegon s partnership with CAM pending the exit from this joint venture.

For the holding, underlying earnings before tax amounted to a loss before tax of EUR 224 million. This EUR 79 million improvement compared to 2011 was driven mostly by lower expenses as Aegon s Corporate Center expenses are now being charged, in part, to operating units. These charges reflect the services and support provided to operating units by the Corporate Center and amounted to EUR 64 million in 2012. Funding costs were also lower in 2012.

Fair value items

Results from fair value items amounted to EUR 0 million driven by positive results on the guarantee portfolio in the Netherlands, offset by negative results in the Americas and in the United Kingdom on hedges, due to higher equity markets.

Realized gains on investments

Realized gains on investments amounted to EUR 407 million and were mainly the result of asset liability management and normal activity in the investment portfolio in a low interest rate environment.

Impairment charges

Impairments decreased 55% in 2012 compared to 2011 to EUR 176 million and continue to be linked primarily to residential mortgage-backed securities in the Americas.

Other charges

Other charges in 2012 amounted to EUR 162 million and were primarily the result of a EUR 265 million charge in the Netherlands related to the acceleration of product improvements for unit-linked insurance policies and a BOLI wrap charge in the United States (EUR 26 million). Providing most of the offset against these charges were the book gain of EUR 100 million on the sale of Aegon s minority stake in Prisma Capital Partners and the divestment of Aegon s 50% stake in the joint venture with Banca Cívica (EUR 35 million).

Run-off businesses

The results of run-off businesses amounted to a gain of EUR 2 million, with positive results from the institutional spread-based business only partially offset by accelerated amortization of the pre-paid cost of reinsurance asset related to the divestment of the life reinsurance activities in 2011 due to increased transfers of clients from Aegon to SCOR.

Income tax

Net income contained a tax charge of EUR 326 million in 2012 (including a tax charge of EUR 6 million related to profits of associates), resulting in an effective tax rate of 18%. Deviation from the nominal tax rate is largely the result of tax exempt items in the United States and the Netherlands, tax credits which primarily relate to low income housing and renewable energy in the United States (EUR 69 million), benefits from a tax rate reduction in the United Kingdom (EUR 70 million), benefits from cross border intercompany reinsurance transactions (EUR 38 million) and a benefit related to the run-off of the company s institutional spread-based activities in Ireland (EUR 51 million). These benefits were partly offset by charges for non recognition and impairment of deferred tax assets (EUR 56 million) mainly in the United Kingdom.

Commissions and expenses

Commissions and expenses in 2012 decreased by 7% compared to 2011 to EUR 5,829 million, largely driven by lower operating expenses. Operating expenses decreased 6% compared to 2011 to EUR 3,241 million mainly as a result of the implementation of cost savings programs in the United Kingdom, the Netherlands and the Americas.

Production

New life sales increased in 2012 compared to 2011 in the Americas and the United Kingdom, partially offset by decreases in the Netherlands and New Markets. Gross deposits increased by 25% driven by variable annuity, retail mutual fund, retirement plan and asset management deposits. New premium production for accident & health insurance increased by 19% for the year mainly driven by travel and supplemental health insurance sales in the Americas and growth in Central & Eastern Europe.

Capital management

Aegon s core capital excluding revaluation reserves amounted to EUR 18.5 billion, equivalent to 76.7% of the company s total capital base at December 31, 2012 (2011: 73.5%) . This is above the company s capital base ratio target of at least 75% by the end of 2012.

Shareholders equity increased to EUR 24.6 billion, mainly as a result of net income and an increase in the revaluation reserves. The revaluation reserves increased EUR 2.6 billion during the year to EUR 6.1 billion, mainly a reflection of lower interest rates and credit spreads. Shareholders equity per common share, excluding preference capital and revaluation reserves, amounted to EUR 8.45 at December 31, 2012 (2011: EUR 8.19).

During 2012, Aegon aimed to maintain excess capital at the holding of at least EUR 750 million. At the end of the year, excess capital in the holding amounted to EUR 2.0 billion, an increase of EUR 0.8 billion compared to year-end 2011, as dividends received from business units were only partly offset by interest payments and operational expenses.

At December 31, 2012, Aegon s Insurance Group Directive (IGD) ratio amounted to 228%, an increase from the level of 195% at December 31, 2011. Measured on a local solvency basis, the Risk Based Capital (RBC) ratio in the United States increased to approximately 495%, driven mainly by strong net income throughout the year and a capital management transaction in third quarter, offset by dividends paid to the holding company. The IGD ratio in the Netherlands increased to approximately 251% driven mainly by a change in the yield curve to discount liabilities as prescribed by the Dutch Central Bank, offset somewhat during the year by interest rate movements. The Pillar I ratio in the United Kingdom decreased to approximately 126%.

Table of Contents

Results 2011 worldwide

Underlying earnings geographically			
Amounts in EUR millions	2011	2010	%
Net underlying earnings	1,233	1,417	(13%)
Tax on underlying earnings	289	416	(31%)
Underlying earnings before tax geographically			
Americas	1,273	1,414	(10%)
The Netherlands	298	385	(23%)
United Kingdom	5	72	(93%)
New markets	249	245	2%
Holding and other activities	(303)	(283)	(7%)
Underlying earnings before tax	**1,522**	**1,833**	**(17%)**
Net Fair value items	(416)	221	-
Gains / (losses) on investments	446	658	(32%)
Impairment charges	(388)	(452)	14%
Other income / (charges)	(267)	(309)	14%
Run-off businesses	28	(26)	-
Income before tax (excluding income tax from certain proportionately consolidated associates)	**925**	**1,925**	**(52%)**
Income tax from certain proportionately consolidated associates included in income before tax	9	11	(18%)
Income tax	(53)	(165)	68%
Of which income tax from certain proportionately consolidated associates included in income before tax	(9)	(11)	18%
Net income	**872**	**1,760**	**(50%)**
Commissions and expenses	6,272	6,145	2%
of which operating expenses	3,442	3,397	1%

New life sales			
Amounts in EUR millions	2011	2010	%
Americas	418	459	(9%)
The Netherlands	254	248	2%
United Kingdom	852	1,061	(20%)
New markets	311	313	(1%)
Total life production	**1,835**	**2,081**	**(12%)**

Gross deposits (on and off balance)			
Amounts in EUR millions	2011	2010	%
Americas	23,028	21,018	10%
The Netherlands	2,048	2,382	(14%)
United Kingdom	56	96	(42%)
New markets	6,556	9,082	(28%)
Total gross deposits	**31,688**	**32,578**	**(3%)**

Table of Contents

Worldwide revenues geographically 2011

Amounts in EUR millions	Americas	The Netherlands	United Kingdom	New Markets	Holding, other activities and eliminations	Segment total	Associates eliminations	Consolidated
Total life insurance gross premiums	6,004	3,213	6,474	1,600	(55)	17,236	(383)	16,853
Accident and health insurance premiums	1,672	216	-	179	-	2,067	-	2,067
General insurance premiums	-	452	-	149	-	601	-	601
Total gross premiums	**7,676**	**3,881**	**6,474**	**1,928**	**(55)**	**19,904**	**(383)**	**19,521**
Investment income	3,565	2,192	2,154	320	7	8,238	(70)	8,168
Fees and commision income	766	329	137	469	(237)	1,464	-	1,464
Other revenue	1	-	-	1	4	6	-	6
TOTAL REVENUES	**12,008**	**6,402**	**8,765**	**2,718**	**(281)**	**29,612**	**(453)**	**29,159**
Number of employees, including agent employees	12,242	4,839	3,203	8,659	327	29,270	(3,982)	25,288

By product segment

Amounts in EUR millions	2011	2010	%
Life	945	1,048	(10%)
Individual Savings and Retirement	474	500	(5%)
Pensions	254	409	(38%)
Non-life	51	53	(4%)
Distribution	-	10	-
Asset management	60	46	30%
Other	(303)	(283)	(7%)
Associates	41	50	(18%)
Underlying earnings before tax	**1,522**	**1,833**	**(17%)**

Results 2011 worldwide

Aegon s 2011 underlying earnings before tax of EUR 1,522 million and net income of EUR 872 million were impacted by considerable charges, expenses related to the customer redress program in the United Kingdom and business restructuring in its established markets. New life sales volumes were below those of 2010 as a result of repricing of products, however, deposits continued to be strong, particularly in the Americas. Aegon maintained a strong capital position during the year and by completing the repurchase of convertible core capital securities, the company has turned its focus on carrying out a strategy to deliver sustainable earnings growth with an improved risk-return profile.

Net income

Net income in 2011 of EUR 872 million was lower than net income in 2010 (2010: EUR 1,760 million), primarily the result of lower underlying earnings before tax, less gains on investments and a significant decline in results on fair value items.

Underlying earnings before tax

Aegon s underlying earnings before tax declined to EUR 1,522 million in 2011 from EUR 1,833 million in 2010. The decline compared to last year was mainly due to higher charges and expenses in the United Kingdom related to the customer redress program, higher provisioning for longevity in the Netherlands and the effects of lower interest rates and lower equity markets.

Underlying earnings before tax in the Americas decreased 5% to USD 1,771 million. Earnings from Life & Protection decreased mainly as a result of unfavorable persistency and lower spreads. Individual Savings & Retirement earnings remained stable as increased earnings from variable annuities and retail mutual funds were offset by lower earnings from fixed annuities as the product is de-emphasized. Earnings from Employer Solutions & Pensions increased as a result of continued strong growth of the business.

Underlying earnings from Aegon s operations in the Netherlands amounted to EUR 298 million, a decrease of 23% compared to 2010. Additional provisioning for longevity of EUR 82 million was only partly offset by the positive impact of favorable technical results.

In the United Kingdom, underlying earnings before tax declined significantly to GBP 5 million. This was mainly due to charges and expenses related to an ongoing program to correct historical issues within customer policy records and the execution of this program partly offset by the benefit of changes to employee benefit plans. The sale of Guardian during the third quarter 2011, and the subsequent loss of earnings, also contributed to the decrease.

In New Markets, Aegon reported underlying earnings before tax of EUR 249 million, an increase of 2% compared to 2010. The increase is primarily the result of higher underlying earnings before tax from Aegon Asset Management.

For Holding and other activities, underlying earnings before tax amounted to a loss of EUR 303 million which is the result of higher expenses related primarily to the preparation for implementation of Solvency II, and higher funding costs.

Fair value items

In 2011, fair value items recorded a loss of EUR 416 million. The significant decline compared to 2010 was driven mainly by lower results from fair value items in the Americas as Aegon lowered its interest rate assumptions which negatively impacted results during the third quarter with EUR 168 million. In addition, lower interest rates, spread widening and volatile equity markets also negatively affected results on fair value items. Less favorable results on fair value movements in the Netherlands also contributed to the decline.

Realized gains on investments

In 2011, realized gains on investments amounted to EUR 446 million and were the result of a decision to replace equities by fixed income securities in the Netherlands, the divestment of the life reinsurance activities in the Americas in addition to normal trading in the investment portfolio.

Impairment charges

Impairment charges improved from the 2010 level of EUR 452 million and amounted to EUR 388 million in 2011. In the United States, impairments were mostly linked to residential mortgage-backed securities. Impairments in the United Kingdom related primarily to exchange offers on specific holdings of European banks and in Central & Eastern Europe impairments were largely attributable to new legislation in Hungary, related to Swiss franc denominated mortgages, affecting the mortgage portfolio.

Other charges

Other charges amounted to EUR 267 million, an improvement compared to charges of EUR 309 million in 2010. In the Americas, a charge of EUR 37 million related to increased reserves in connection with the company s use of the US Social Security Administration s death master-file. Restructuring charges in the Netherlands related to a restructuring program to reduce operating expenses going forward amounted to EUR 92 million and a write-down of intangible assets related to the distribution businesses led to a charge of EUR 75 million. In the United Kingdom, restructuring charges amounted to EUR 86 million. In New Markets, charges of EUR 17 million related to the Hungarian bank tax are included, offset by a benefit of EUR 37 million related to a settlement of legal claims by Aegon Asset Management.

Table of Contents

Run-off businesses

As of 2011, Aegon s run-off line of businesses comprises of the institutional spread-based business, structured settlement pay-out annuities, BOLI/COLI and life reinsurance. The results of run-off businesses improved to EUR 28 million as a result of lower amortization yield paid on internally transferred assets related to the institutional spread-based business and favorable mortality results in the pay-out annuities block of business. This was partly offset by the amortization of the prepaid cost of reinsurance and transaction costs related to the divestment of the life reinsurance activities.

Income tax

Net income contained a tax charge of EUR 53 million in 2011 (including a tax charge of EUR 9 million related to profits of associates). Deviation from the nominal tax rate is largely the result of tax credits which primarily relate to low income housing and renewable energy in the United States (EUR 67 million), tax benefits related to utilization of losses for which previously no deferred tax asset was recognized (EUR 62 million), benefits from a tax rate reduction in the United Kingdom (EUR 48 million) and benefits from cross border intercompany reinsurance transactions (EUR 39 million). These benefits were partly offset by charges for non recognition and impairment of deferred tax assets (EUR 59 million) in the United Kingdom.

Commissions and expenses

Commissions and expenses increased 1% in 2011 to EUR 6.3 billion. In 2011, operating expenses increased 1% to EUR 3,442 million as achieved costs savings and the positive effect of changes to employee benefit plans were more than offset by investments in new propositions and restructuring charges, mainly in the Netherlands and the United Kingdom.

Production

New life sales declined, mainly as a result of lower single premium production in the United Kingdom and the effect of the discontinuance of single premium universal life sales in the bank channel during the second half of 2010, as well as repricing of certain universal life products in 2011 in the Americas to reflect the low interest rate environment. Gross deposits of EUR 31.7 billion were supported by variable annuity and pension deposits in the United States, partly offset by lower asset management inflows.

Capital management

Aegon s core capital, excluding revaluation reserves, amounted to EUR 17.5 billion, equivalent to 73.5% of the company s total capital base at year-end 2011. Aegon is on track to reach a capital base ratio of at least 75% by the end of 2012.

Shareholders equity increased to EUR 21 billion, mainly as a result of the appreciation of the US dollar against the euro -reflected in the foreign currency translation reserves - and a significant increase in the revaluation reserves during the year. The revaluation reserves at December 31, 2011, increased mainly as the result of a decrease in interest rates which had a positive effect on the value of fixed income securities. Shareholders equity per common share, excluding preferred capital, amounted to EUR 8.19 at December 31, 2011.

Aegon aims to maintain at least 1.5 times holding expenses as a buffer in the holding, in 2011 equivalent to approximately EUR 900 million. At year-end 2011, excess capital in the holding amounted to EUR 1.2 billion.

At December 31, 2011, Aegon s Insurance Group Directive (IGD) ratio amounted to 195%. Measured on a local solvency basis, the Risk Based Capital (RBC) ratio in the United States amounted to approximately 450%, the IGD ratio in the Netherlands amounted to approximately 195%, while the Pillar I ratio in the United Kingdom was approximately 150% at year-end 2011.

In February 2011, Aegon issued ordinary shares in an amount of 10% of its share capital, via an accelerated book-build offering. The issue was conducted under Aegon s US Shelf Registration through the sale of 173,604,912 new common shares of Aegon N.V. with a nominal value of EUR 0.12. The shares were issued at a price of EUR 5.20 per share. The proceeds of EUR 903 million were used to fund part of the repurchase of 375 million convertible core capital securities issued to the Dutch State.

In June 2011, Aegon completed the repurchase of convertible core capital securities from the Dutch State with a final payment of EUR 1.125 billion to repurchase 187.5 million of convertible core capital securities for EUR 750 million and EUR 375 million in premium. With this payment, Aegon fulfilled its key objective of repurchasing all of the EUR 3 billion core capital securities issued to the Dutch State at the height of the financial crisis in 2008. Aegon has paid to the Dutch State a total amount of EUR 4.1 billion, which included EUR 1.1 billion in premium and interest payments.

Results 2012 Americas

	Amounts in USD millions			Amounts in EUR millions		
	2012	2011	%	**2012**	2011	%
Net underlying earnings	**1,248**	**1,331**	**(6%)**	**971**	**957**	**1%**
Tax on underlying earnings	444	440	1%	346	316	9%
Underlying earnings before tax by product segment						
Life & Protection	647	727	(11%)	504	523	(4%)
Fixed annuities	253	286	(12%)	197	206	(4%)
Variable annuities	352	358	(2%)	274	258	6%
Retail mutual funds	22	22	-	17	15	13%
Individual Savings and Retirement	627	666	(6%)	488	479	2%
Employer Solutions & Pensions	366	326	12%	285	234	22%
Canada	40	51	(22%)	31	37	(16%)
Latin America	12	1	-	9	-	-
Underlying earnings before tax	**1,692**	**1,771**	**(4%)**	**1,317**	**1,273**	**3%**
Net Fair value items	(98)	(663)	85%	(76)	(477)	84%
Gains / (losses) on investments	225	166	36%	175	119	47%
Impairment charges	(151)	(349)	57%	(117)	(250)	53%
Other income / (charges)	(37)	(49)	24%	(28)	(35)	20%
Run-off businesses	3	39	(92%)	2	28	(93%)
Income before tax (excluding income tax from certain proportionately consolidated associates)	**1,634**	**915**	**79%**	**1,273**	**658**	**93%**
Income tax from certain proportionately consolidated associates included in income before tax	4	1	-	3	1	-
Income tax	(318)	(20)	-	(248)	(15)	-
Of which Income tax from certain proportionately consolidated associates included in income before tax	(4)	(1)	-	(3)	(1)	-
Net income	**1,316**	**895**	**47%**	**1,025**	**643**	**59%**
Life insurance gross premiums	8,405	8,350	1%	6,541	6,004	9%
Accident and health insurance premiums	2,356	2,326	1%	1,833	1,672	10%
Total gross premiums	**10,761**	**10,676**	**1%**	**8,374**	**7,676**	**9%**
Investment income	4,694	4,959	(5%)	3,654	3,565	2%
Fees and commission income	1,512	1,066	42%	1,177	766	54%
Other revenues	6	2	-	5	1	-
Total revenues	**16,973**	**16,707**	**2%**	**13,210**	**12,008**	**10%**
Commissions and expenses	4,341	4,941	(12%)	3,378	3,553	(5%)
of which operating expenses	1,887	1,950	(3%)	1,469	1,402	5%

	Amounts in USD millions			Amounts in EUR millions		
New life sales	**2012**	2011	%	**2012**	2011	%
Life & Protection	532	442	20%	414	317	31%
Employer Solutions & Pensions	31	24	29%	24	17	41%
Canada	60	65	(8%)	47	47	-
Latin America	45	51	(12%)	35	37	(5%)
Total recurring plus 1/10 single	**668**	**582**	**15%**	**520**	**418**	**24%**

Table of Contents

	Amounts in USD millions			Amounts in EUR millions		
	2012	2011	%	**2012**	2011	%
New premium production accident and health insurance	905	812	11%	705	584	21%

	Amounts in USD millions			Amounts in EUR millions		
Gross deposits (on and off balance)	**2012**	2011	%	**2012**	2011	%
Life & Protection	12	12	-	9	9	-
Fixed annuities	371	313	19%	289	225	28%
Variable annuities	5,350	5,314	1%	4,163	3,821	9%
Retail mutual funds	3,437	2,785	23%	2,675	2,002	34%
Individual Savings and Retirement	9,158	8,412	9%	7,127	6,048	18%
Employer Solutions & Pensions	25,383	23,266	9%	19,755	16,727	18%
Canada	177	335	(47%)	138	241	(43%)
Latin America	17	4	-	13	3	-
Total gross deposits	**34,747**	**32,029**	**8%**	**27,042**	**23,028**	**17%**

Exchange rates	Weighted average rate		Closing rate as of	
Per 1 EUR	**2012**	2011	**December 31, 2012**	December 31, 2011
USD	1.2849	1.3909	1.3184	1.2982
CAD	1.2839	1.3744	1.3127	1.3218

Results 2012 Americas

Aegon s businesses in the Americas[1] continued to perform well in 2012. Sales of life, accident and health insurance all increased over 2011 on expanded distribution capabilities. Variable annuity, pension and retail mutual fund balances increased while fixed annuity balances continued to decline, a direct result of Aegon s efforts to grow its fee-based earnings.

Net income

Net income from Aegon s businesses in the Americas increased to USD 1,316 million in 2012. Better results from fair value items, lower impairments and higher realized gains on investments more than offset lower underlying earnings, lower earnings from run-off businesses and higher taxes.

Results from fair value items improved from USD (663) in 2011 to USD (98) million in 2012 as better than expected alternative asset performance and the impact of tightening credit spreads more than offset by the negative impact of the macro hedge caused by higher equity markets and the continued low interest rate environment. In addition, Aegon lowered its interest rate assumptions in 2011 which led to a charge of USD 237 million in 2011.

Gains on investments of USD 225 million were realized as a result of normal trading activity. Net impairments amounted to USD 151 million, down from USD 349 million in 2011, and continue to be primarily caused by mortgage related securities.

Underlying earnings before tax

Underlying earnings before tax from the Americas amounted to USD 1,692 million in 2012, a decrease of 4% compared to 2011. The positive effect of business growth and favorable equity markets was offset by lower Life & Protection earnings mostly the result of the non-recurrence of favorable items in 2011, recurring charges for Corporate Center expenses and higher employee benefit expenses.

- Life & Protection underlying earnings before tax decreased by 11% to USD 647 million, mostly the result of the non- recurrence of favorable items in 2011.
- Underlying earnings before tax from Individual Savings & Retirement decreased by 6% to USD 627 million in 2012 driven mostly by lower fixed annuity earnings due to declining account balances as the product is de-emphasized. Earnings from variable annuities were down slightly to USD 352 million as the benefit of higher account balances was offset mainly by the negative effect of policyholder assumption changes of USD 55 million. Earnings from retail mutual funds were flat at USD 22 million.
- Employer Solutions & Pensions underlying earnings before tax increased by 12% to USD 366 million in 2012 driven mostly by growing retirement plan account balances.
- Underlying earnings before tax from Canada decreased to USD 40 million in 2012. In Latin America underlying earnings before tax increased to USD 12 million driven by improvements in both Brazil and Mexico.

Commissions and expenses

Commissions and expenses decreased by 12% to EUR 4,341 million in 2012, mainly due to lower amortization of deferred policy acquisition costs. Operating expenses decreased by 3% to USD 1,887 million, as cost savings and lower expenses related to the divestment of the life reinsurance business were only partly offset by higher performance related employee expenses, an increase in employee benefit expenses and costs to support growth.

Production

New life sales increased 15% to USD 668 million in 2012, primarily driven by strong indexed universal life sales as distribution expanded into the brokerage channel and by higher sales of certain products as they were withdrawn from the market. New premium production for accident & health insurance amounted to USD 905 million, up 11% on increased travel insurance sales following the addition of a new distribution partner in the second half of 2011.

Gross deposits amounted to USD 34.7 billion in 2012 compared to USD 32.0 billion in 2011. Gross deposits in variable annuities, retail mutual funds and retirement plans were all higher than in 2011. Variable annuities gross deposits increased in 2012 despite product re-pricing throughout the year to reflect the continued low interest rate environment and subsequent higher hedging costs. The increase in retirement plan deposits was driven by higher takeover deposits and successful efforts to increase inflows from the existing client base through higher contributions and larger participation count.

1 As of the first quarter of 2012, Aegon has revised its financial reporting to reflect changes in its organization. Businesses in Asia, which were previously managed by Aegon Americas, are included in the Asia line of business within the New Markets segment. For the full year 2011, the underlying earnings before tax generated by the Asian operations totaling EUR 37 million were previously reported under the Americas segment. The 2011 and 2010 figures have been revised to reflect this change.

Results 2011 Americas

	Amounts in USD millions			Amounts in EUR millions		
	2011	2010	%	2011	2010	%
Net underlying earnings	**1,331**	**1,383**	**(4%)**	**957**	**1,047**	**(9%)**
Tax on underlying earnings	440	485	(9%)	316	367	(14%)
Underlying earnings before tax by product segment						
Life & Protection	727	837	(13%)	523	634	(18%)
Fixed annuities	286	439	(35%)	206	333	(38%)
Variable annuities	358	216	66%	258	164	57%
Retail mutual funds	22	9	144%	15	7	114%
Individual Savings and Retirement	666	664	-	479	504	(5%)
Employer Solutions & Pensions	326	307	6%	234	231	1%
Canada	51	54	(6%)	37	40	(8%)
Latin America	1	6	(83%)	-	5	-
Underlying earnings before tax	**1,771**	**1,868**	**(5%)**	**1,273**	**1,414**	**(10%)**
Net Fair value items	(663)	(32)	-	(477)	(24)	-
Gains / (losses) on investments	166	497	(67%)	119	376	(68%)
Impairment charges	(349)	(504)	31%	(250)	(382)	35%
Other income / (charges)	(49)	(402)	88%	(35)	(304)	88%
Run-off businesses	39	(35)	-	28	(26)	-
Income before tax (excluding income tax from certain proportionately consolidated associates)	**915**	**1,392**	**(34%)**	**658**	**1,054**	**(38%)**
Income tax from certain proportionately consolidated associates included in income before tax	1	2	(50%)	1	2	(50%)
Income tax	(20)	66	-	(15)	50	-
Of which Income tax from certain proportionately consolidated associates included in income before tax	(1)	(2)	50%	(1)	(2)	50%
Net income	**895**	**1,458**	**(39%)**	**643**	**1,104**	**(42%)**
Life insurance gross premiums	8,350	8,584	(3%)	6,004	6,499	(8%)
Accident and health insurance premiums	2,326	2,308	1%	1,672	1,748	(4%)
Total gross premiums	**10,676**	**10,892**	**(2%)**	**7,676**	**8,247**	**(7%)**
Investment income	4,959	5,282	(6%)	3,565	3,999	(11%)
Fees and commission income	1,066	1,341	(21%)	766	1,015	(25%)
Other revenues	2	2	-	1	1	-
Total revenues	**16,707**	**17,517**	**(5%)**	**12,008**	**13,262**	**(9%)**
Commissions and expenses	4,941	4,720	5%	3,553	3,574	(1%)
of which operating expenses	1,950	1,931	1%	1,402	1,463	(4%)

Table of Contents

	Amounts in USD millions			Amounts in EUR millions		
New life sales	2011	2010	%	2011	2010	%
Life & Protection	442	481	(8%)	317	364	(13%)
Employer Solutions & Pensions	24	22	9%	17	16	6%
Canada	65	60	8%	47	46	2%
Latin America	51	44	16%	37	33	12%
Total recurring plus 1/10 single	**582**	**607**	**(4%)**	**418**	**459**	**(9%)**

	Amounts in USD millions			Amounts in EUR millions		
	2011	2010	%	2011	2010	%
New premium production accident and health insurance	812	734	11%	584	555	5%

	Amounts in USD millions			Amounts in EUR millions		
Gross deposits (on and off balance)	2011	2010	%	2011	2010	%
Life & Protection	12	10	20%	9	8	13%
Fixed annuities	313	585	(46%)	225	443	(49%)
Variable annuities	5,314	3,830	39%	3,821	2,899	32%
Retail mutual funds	2,785	3,486	(20%)	2,002	2,639	(24%)
Individual Savings and Retirement	8,412	7,901	6%	6,048	5,981	1%
Employer Solutions & Pensions	23,266	19,247	21%	16,727	14,570	15%
Canada	335	606	(45%)	241	459	(47%)
Total gross deposits	**32,029**	**27,764**	**15%**	**23,028**	**21,018**	**10%**

Exchange rates	Weighted average rate		Closing rate as of	
Per 1 EUR	**2011**	2010	**December 31, 2011**	December 31, 2010
USD	1.3909	1.3210	1.2982	1.3362
CAD	1.3744	1.3599	1.3218	1.3322

Results 2011 Americas

Aegon s business in the Americas performed well during 2011. Consistent with Aegon s strategy, earnings from fee-based businesses grew compared with the previous year. During the year, Aegon divested its life reinsurance activities as the company sharpened its focus on its core businesses. Aegon continued to pursue further efficiencies by building scale and achieving scalability in its businesses to capture the full benefits of organizational integration, a process that started in 2009. The company has also adapted and revised products to better respond to ever changing market conditions.

Net income

Net income from Aegon s businesses in the Americas declined to USD 895 million. This was the result of lower underlying earnings before tax, lower than expected results from fair value items and fewer gains on investments. Lower other charges and improved levels of impairments only partly offset the decline.

In the third quarter of 2011, to reflect the low interest rate environment, Aegon lowered its long-term assumption for 10-year US Treasury yields by 50 basis points to 4.75% (graded uniformly from current yields over the next five years) and lowered the 90-day rate to 0.2% for the next two years followed by a three year grade to 3%. No change was made to the long-term credit spread or default assumptions.

In addition, Aegon lowered its assumed return for separate account bond fund returns by 200 basis points to 4% over the next five years, followed by a return of 6% thereafter. The bond fund return is a gross assumption from which asset management and policy fees are deducted to determine the policyholder return. In total, these assumption changes led to a charge of USD 237 million in the third quarter of 2011.

Underlying earnings before tax

Underlying earnings before tax amounted to USD 1,771 million, a decline of 5% compared with 2010.

- Earnings from Aegon s Life & Protection business in the Americas decreased to USD 727 million, mainly as a result of unfavorable persistency and lower spreads. Also higher Long Term Care provisions, and a charge related to Executive Life of New York, contributed unfavorably to the results. In addition, 2010 included an employee benefit release.
- Individual Savings & Retirement earnings amounted to USD 666 million. Increased earnings from variable annuities of USD 358 million and retail mutual funds of USD 22 million in 2011 were offset by lower earnings from fixed annuities of USD 286 million as a result of declining asset balances as this product was de-emphasized. Variable annuity underlying earnings before tax increased as a result of continued inflows and higher asset balances and included a benefit related to updated assumptions for revenue sharing with third-party fund managers.
- Earnings from Employer Solutions & Pensions increased to USD 326 million as a result of continued strong growth of the business and rate increases for synthetic guaranteed investment contracts.
- Earnings from Aegon Canada decreased slightly compared to 2010 to USD 51 million, while earnings from Aegon s joint-ventures in Brazil and Mexico declined to USD 1 million.

Commissions and expenses

Total commissions and expenses increased by 5% in 2011. Operating expenses increased 1% to USD 2 billion, as cost savings were offset by growth of the business and merit increases.

Production

New life sales decreased 5% to USD 582 million, mainly the effect of the discontinuance of single premium universal life sales in the bank channel during the second half of 2010, as well as repricing of certain universal life products in 2011 to reflect the low interest rate environment. New premium production for accident & health insurance increased to USD 812 million, primarily the result of improved sales in the employer benefits and affinity marketing businesses.

Gross deposits increased 15% to USD 32 billion. The increase was driven by strong pension and variable annuity sales and only partly offset by lower retail mutual fund deposits.

The deposits businesses showed net inflows of USD 3 billion - excluding run-off businesses - as a result of strong inflows for pensions and variable annuities. Aegon is de-emphasizing sales of fixed annuities as part of a strategic repositioning and therefore incurs significant net outflows for this business as a result. Outflows from run-off businesses amounted to USD 4.4 billion, as Aegon has discontinued these activities.

Overview Americas

Aegon Americas comprises Aegon USA, Aegon Canada and the group s operations in Brazil and Mexico.

Aegon USA

Aegon USA is one of the leading[1] life insurance organizations in the United States and is the largest of Aegon s operating units. Aegon USA administers millions of policies and employs approximately 11,000 people. Aegon USA companies can trace their roots back as far as the mid-19th century. Aegon USA operates under one of the best known names[2] in the US insurance business: Transamerica. Aegon USA s 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 around the world, Aegon USA uses a variety of distribution channels to ensure customers can access the products in a way that best suits their needs. Aegon USA has long-standing relations with banks across the United States, and also distributes products and services through other channels: agents, broker-dealers, specialized financial advisers, the internet as well as direct and worksite marketing.

Aegon Canada

Based in Toronto, Aegon Canada offers a range of insurance products and financial services, primarily through its Transamerica Life Canada subsidiary. At December 31, 2012, Aegon Canada had approximately 600 employees.

Aegon Brazil

In 2009, Aegon acquired a 50% interest in Mongeral Aegon S.A. Seguros e Previdência, Brazil s sixth largest independent life insurer. At December 31, 2012, Aegon Brazil had approximately 400 employees.

Aegon Mexico

In 2006, Aegon acquired a 49% interest in Seguros Argos S.A. de C.V., a Mexican life insurance company. At December 31, 2012, Aegon Mexico had approximately 200 employees.

Organizational structure

Aegon USA

Aegon USA was founded in 1989 when Aegon brought all of its operating companies in the United States under a single financial services holding company, Aegon USA, LLC. Business

is conducted through its subsidiaries. Aegon USA has operating licenses in every US state, 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 Advisors Life Insurance Company of New York
- Monumental Life Insurance Company

- Stonebridge Life Insurance Company
- Stonebridge Casualty Insurance Company
- Western Reserve Life Assurance Co. of Ohio

Aegon s subsidiary companies in the United States contain three business lines acting through one or more of the Aegon USA life insurance companies:

- Life & Protection
- Individual Savings & Retirement
- Employer Solutions & Pensions

These lines of business, which are described in further detail below, represent groups of products that are sold through Aegon USA s operating companies by various 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, to identify business synergies and to 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 the Aegon USA licensed insurance or brokerage subsidiary companies.

Aegon Canada

In Canada, Aegon has two main operating subsidiaries:

- Transamerica Life Canada
- Canadian Premier Life

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

Overview sales and distribution channels

Aegon USA

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

- Independent and career agents
- Financial planners
- Registered representatives
- Independent marketing organizations
- Banks
- Regional and independent broker-dealers
- Benet consulting firms
- Wirehouses
- Affinity groups
- Institutional partners
- Third party administrators

In addition, Aegon USA provides a range of products and services online, and uses direct and worksite marketing. This approach allows Aegon USA customers more ways to access products and services. Generally, 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

Aegon Canada uses a variety of distribution channels which promote, and process business of, independent financial advisers. These channels are:

- Independent and career agents
- Independent managing general agencies
- Agencies owned by Transamerica Life Canada
- Bank-owned national broker-dealers and mutual fund dealers

Overview business lines

Aegon USA

Life & Protection

Life & Protection offers a comprehensive portfolio of products tailored to meet the diverse needs of its key stakeholders: families and individuals, business clients and distributors.

Products

Products offered include whole life, universal life, variable universal life, indexed universal life and term life insurance, and supplemental health, special accident, and long-term care protection products.

Life & Protection (L&P), the largest of the Aegon USA divisions, serves customers in a broad range of market segments. Consumers can choose to purchase directly or through career/ independent agents or sponsored/affinity groups. L&P offers a wide array of life, health and specialty insurance with a common purpose: to protect families and their dreams.

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 pays death benefits, accumulates cash values at interest rates that adjust periodically, and has flexible premiums. Indexed universal life products have both interest rate guarantees and interest crediting linked in part to performance of an index, subject to a cap. Variable universal life products include varying investment options for cash values.

Whole life insurance

Whole (permanent) life insurance provides life-long death benefit protection as long as required premiums 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 primarily through affinity markets and include accidental death, other injury, critical illness, hospital indemnity, Medicare supplement, and student health. Specialty lines include travel, membership and creditor (installment/mortgage/guaranteed auto protection) products.

Long-term care insurance

Long-term care (LTC) insurance products provide benefits to policyholders who 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 Life & Protection division is organized by distribution channel, with a shared services support platform. Each channel focuses on a specific type of distribution method and target market. The L&P distribution channels include affinity markets, agency group, brokerage, international markets, and broker-dealer.

Affinity Markets

The Affinity Markets group markets directly to consumers through either the broad market or affinity relationships, including associations, employers, financial institutions, retailers, and other sponsor groups. Life, supplemental health, and specialty accident and membership products are offered through a variety of direct response marketing channels, including mail, phone, digital, direct response TV and point-of-sale.

Agency Group

Transamerica Agency Group includes Transamerica Agency Network - Independent Group, Transamerica Agency Network - Career Agency, Transamerica Senior Markets, Carillon Financial Network, ORBA Financial Management and several independent marketing organizations. This group provides life insurance, health insurance and securities products, as well as marketing services to closely tied distribution groups serving the middle income and small business markets.

Brokerage

Transamerica Brokerage offers life and long-term care insurance products and services through independent brokerage distributors to high-net-worth, affluent, emerging affluent and middle income individuals, families and businesses. These products are designed for family protection, business needs, and estate and legacy planning.

International Markets

Transamerica also sells its producs both in the United States and abraod through direct marketing and abroad to high-net-worth individuals through international brokers and bankassurances. The Direct Marketing group makes its products and direct response marketing expertise available through brokers and alliances with financial institutions, retailers, telecommunications providers, insurance companies and other database owners in Europe and Latin America. The High-Net-Worth unit offers life insurance products underwritten by Transamerica Life (Bermuda) Ltd., through international brokers and bankassurances. These products are tailored to meet both individual and business needs of affluent customers who reside in Asia, Europe, and Latin America.

Broker-dealer

Transamerica Financial Advisors, Inc. (TFA) is a full service, Financial Industry Regulatory Authority (FINRA) registered independent broker-dealer and Securities and Exchange Commission (SEC) Registered Investment Adviser with approximately 5,000 Registered Representatives. TFA focuses on creating, growing and protecting wealth through a range of financial products and services.

Individual Savings & Retirement

Through its insurance companies, broker-dealers and investment advisers, Aegon USA offers a wide range of savings and retirement products and services, including mutual funds, fixed and variable annuities. The Individual Savings and Retirement 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

Variable annuities

Variable annuities are sold to individuals and retirement plans in the United States. Variable annuities allow a policyholder to provide for their financial future on a tax-deferred basis and to participate in equity or bond market performance. Variable annuities allow a policyholder to select payout options designed to help meet the policyholder s need for income upon maturity; this includes lump sum payment, income for life or for a period of time.

Premiums paid on variable annuity contracts are invested in underlying funds chosen by the policyholder, including bond and equity funds as well as various types of asset-allocation funds. A fixed interest account is available on most products and the underlying funds are selected by a policyholder, within certain boundaries, based on the policyholder s preferred level of risk. The 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 as well as various types of rider fees for providing guarantees and benefits. Surrender charges are generally not a large form of revenue as policyholder surrender rates are typically lower when a surrender charge penalty is still present. Any surrender charges collected are typically used to recoup unamortized deferred acquisition costs. A guaranteed minimum withdrawal benefit is offered on some variable annuity products Aegon USA either issued or assumed from a ceding company. This benefit guarantees a policyholder can withdraw a certain percentage of the account value, 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, the beneficiaries receive the greater of the account balance or the guaranteed amount upon the death of the insured. The guaranteed minimum income benefit feature (which is no longer 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 both interest rate and market risk. Poor market performance may cause the guaranteed benefits to exceed the policyholder account value.

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

Mutual funds

Aegon s fee business comprises products that generate fee income by providing management, administrative or risk services related to off-balance sheet assets. Fee income is mainly sensitive to withdrawals and equity market movements.

Aegon s operations in the United States 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 the fund manager oversight for the Transamerica funds. Aegon USA selects, manages, and retains affiliated and non-affiliated managers from a variety of investment firms based on performance.

In most cases, the manager remains with the investment company and acts as a sub-adviser for Aegon USA s mutual funds. Aegon USA earns investment management fees on these investment products. Aegon USA also earns direct investment management fees through affiliated managers acting as sub-advisers.

Fixed annuities

Fixed annuities include both deferred annuities and immediate annuities. This product line has been de-emphasized due to the low interest rate environment. A fixed deferred annuity exposes Aegon to interest rate risk and lapse risk. The insurer interest rate risk can be mitigated through product design, close asset liability management and hedging, though the effects of policyholder behavior can never be fully mitigated. Surrender charges in early policy years serve as a deterrent to early duration lapses. Fixed annuities sold in the United States contain significant interest rate and longevity risks created by guaranteed annuity options, and most also offer waiver of account value surrender charges upon the death of the insured. Immediate annuities contain interest rate risk and also longevity risk if annuity payments are life contingent.

An immediate annuity is purchased with a single lump sum premium payment, and the benefit payments generally begin within a year after the purchase. The benefit payment period can

be for a fixed period, for as long as the beneficiary is alive, or a combination of the two. Some immediate annuities and payout options under deferred annuities may also offer the owner or beneficiaries the option to surrender the annuity to have access to the account value if needed for unexpected events.

Fixed deferred annuity contracts may be purchased on either a flexible or single premium basis. Deferred annuities are offered on a fixed interest crediting method or indexed basis. The policyholder can surrender the annuity prior to maturity and receive the cash value less surrender charges. Fixed deferred annuities have a specified crediting rate that can be reset periodically at the company s discretion after an initial guarantee period. Fixed deferred annuity contracts in the United States also offer guaranteed minimum surrender values and payout options. Upon maturity of the annuity, the policyholder can select payout options that include a lump sum payment, income for life, or payment for a specified period of time. In the event of the death of the policyholder prior to receiving the benefits of the policy, the beneficiary receives either an accumulated cash value death benefit or an enhanced death benefit in the event there are benefit riders attached to the base contract. Early withdrawal by the policyholder of the cash value of the annuity is subject to surrender charges. These surrender charges are generally not a large form of revenue as policyholder surrender rates are typically lower when a surrender charge penalty is still present. Any surrender charges collected are typically used to recoup unamortized deferred acquisition costs.

Minimum interest rate guarantees exist in all generations of deferred annuity products, as they are required by state non-forfeiture regulations. The average minimum interest rate guarantees of the in-force fixed annuity block is approximately 2.65% . The average current credited rate of the in-force fixed annuity block is approximately 3.40% . Equity indexed annuities offer additional returns that are index-linked to published stock market indices, with a minimum cash value equal to a percentage of the premium increased at a minimum, variable rate. Equity indexed annuities make up a small fraction of the in-force business.

Besides the minimum interest rate guarantee, certain fixed deferred annuity products also offer a bailout provision. Under the bailout provision, if the crediting rate falls below the bailout rate, policyholders can 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, independent financial planners and a large bank network. TCI serves these distribution channels through company-owned and external wholesalers.

Starting in late 2009, Aegon USA reduced its sales of fixed annuities in response to lower market interest rates and lower investment returns available in that environment. Similar market conditions continued in 2010 and continue to restrict sales of fixed annuities. As a result, Aegon USA decided to de-emphasize the sale of fixed annuities.

TFA provides a range of financial and investment products, operating as a retail broker-dealer registered with FINRA and an investment adviser registered with the SEC. Products offered by TFA include mutual funds, variable life insurance, variable annuities and other securities.

Employer Solutions & Pensions

Aegon USA offers retirement plans, pension plans, pension-related products and services, life and supplemental health insurance products through employers, as well as step-by-step guidance related to five key areas - Lifestyle, Investments, Health Care, Protection and Income - to people who are transitioning to, or living in, retirement.

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 public schools, employees of certain tax-exempt organizations and certain ministers.
- 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 which may also include a contribution made by the employer for the employee s benefit.
- Money purchase - a type of defined contribution plan where the employer is required to make a contribution, on behalf of the plan participants, to the plan each year.
- 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, money purchase plans and profit-sharing plans.
- 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 otherwise.

Products

Retirement plans

Diversified Retirement Corporation (rebranded to Transamerica Retirement Solutions Corporation in January 2013) 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 its clients access to a broad investment universe, including institutional and retail mutual funds, registered or non-registered variable annuities, or a collective investment trust. The investment options offered in each plan are selected by the client or the client s financial adviser.

Transamerica Retirement Services 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 adviser.

Single premium group annuities

Single premium group annuities (Terminal Funding) is a non-participating group annuity product. This product is usually 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.

Life and supplemental health

Transamerica Employee Benefits offers life, supplemental health and stop loss products.

Life products include universal life insurance, whole life insurance and term life insurance. Supplemental health products include dental, accident, critical illness, cancer treatment, hospital indemnity and short-term disability policies. Some of these plans provide lump sum or specified income payments when hospitalized, disabled or diagnosed with a critical illness. Other plans pay scheduled benefits for specific hospital or surgical expenses and cancer treatments, hospice care and cover deductible, as well as co-payment amounts, not covered by other health insurance. Stop loss provides catastrophic coverage to self-insured employer health plans.

Synthetic guaranteed investment contracts

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 can 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, catering to the mid- to large-sized defined contribution, defined benefit and non-qualified deferred compensation retirement plans market. Transamerica Retirement Solutions clients are generally organizations with 250 to 100,000 employees and between USD 15 million and USD 2 billion in retirement assets.

Transamerica Retirement Solutions serves more than 17,000 small- to mid-sized companies across the United States. Transamerica Retirement Solutions offers a number of specialized services, including innovative plan design, a wide array of investment choices, extensive education programs and online investment education.

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.

Through Transamerica Employee Benefits, Transamerica offers voluntary payroll deduction life and supplemental health to companies ranging in size from just five employees to more than 100,000. Products and services are marketed to employees at their place of work and are designed to supplement employees existing benefit plans. As of January 2013, this division became part of Life & Protection.

Transamerica Retirement Management, Inc. (rebranded January 2013 to Transamerica Retirement Solutions Corporation) works with individual plan participants who are in transition. Whether participants have experienced a lay-off, a job change or a planned retirement, Transamerica Retirement Solutions has a phone-based team of salaried retirement counselors who can help clearly explain the choices available so the participant can confidently take the next step. Employees providing these services are registered representatives and investment adviser representatives of TFA. In addition to serving those in transition, Transamerica Retirement Solutions also provides pre-retirees the guidance and decision support needed to make a successful transition to and through retirement. Transamerica Retirement Solutions offers an array of advisory services, brokerage products, annuities and access to other insurance related products and resources.

Each plan for retirement can be as simple or as detailed as necessary, depending on the goals and needs of the individual.

As of January 2013, the three business units Diversified, Transamerica Retirement Services and Transamerica Retirement Management have been combined to form Transamerica Retirement Solutions Corporation.

Overview business lines

Canada

Life & Protection

Transamerica Life Canada (TLC) is a leading provider of life insurance products to Canadian consumers. By working through a variety of distribution channels, TLC has acquired a national network of thousands of independent advisers. These advisers provide middle market Canadians with the individual life insurance and protection products they need to help them take responsibility for their financial future.

Latin America

Aegon s business in Latin America comprises the 50% interest in Mongeral Aegon S.A. Seguros e Previdência, a Brazilian independent life insurer and the 49% interest in Seguros Argos S.A. de C.V., a Mexican life insurance company. Mongeral s insurance activities include pension product distribution, individual and group life insurance products, and administrative services. Seguros Argos s primary product is a twenty-year term life insurance product. Both insurance companies distribute their products in the worksite market.

Run-off businesses

Institutional spread based business

This business was put into run-off during 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 and were issued on a fixed-rate or floating-rate basis. They provide the customer 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 to these products. Practically all of the liabilities represented by the fixed-rate contracts were effectively converted to floating-rate via swap agreements and contracts issued in foreign currencies were converted at issuance to US dollars via swap agreements to eliminate currency risk. Credited interest on floating-rate contracts predominately resets on a monthly basis to various market indices. The term of the contract can be fixed, generally from six months up to ten years, or it can 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

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 a 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 an immediate annuity. Aegon USA no longer issues these contracts, but continues to administer the closed block of business. These contracts were typically purchased as a result of a lawsuit or a claim and the injured party receives 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.

BOLI/COLI

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 the Aegon Americas companies include other large and highly-rated insurance carriers, as well as certain banks, securities brokerage firms, investment advisers and other financial intermediaries marketing insurance products, annuities and mutual funds.

In the United States, the Life & Protection division faces competition from a variety of carriers. Top competitors include AIG, Genworth, John Hancock, Hartford, USAA, Lincoln National, American General, and MetLife. In Canada, the primary competitors are Power Corporation (London Life, Canada Life, Great West Life), Sun Life Financial, Manulife Financial, and Industrial-Alliance. The result is a highly competitive marketplace and increasing commoditization in many product categories. Aegon believes the best and most enduring competitive advantages are relationships and service.

Aegon USA

Aegon USA markets variable universal life, mutual funds, and variable annuities to middle-income clients with equity investment objectives. 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.

Aegon USA is able to leverage its long-term relationships built with many institutions to offer them such product lines as variable annuities, life insurance, mutual funds, and 401(k) products.

Maintaining an effective wholesaling force, focusing on strategic business relationships and developing products with features, benefits and pricing believed to be attractive in that market place, Aegon USA actively competes in the variable annuity marketplace. The market has shown a continued interest in guaranteed lifetime withdrawal products, and there is strong competition among providers. Aegon USA s primary competitors in the variable annuity market are MetLife, Prudential, Lincoln National, Nationwide and Jackson National.

The top five competitors in the mutual fund market are generally considered to be: American Funds, Fidelity, PIMCO, Franklin Templeton, and T. Rowe Price.

The pension 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 if growth in key market segments continues, technology improves, and if process management increases efficiency.

In the defined contribution market, Aegon USA s main competitors are Fidelity, T. Rowe Price, Vanguard, Schwab, Principal Financial, Mass Mutual and New York Life. Aegon USA s main competitors in the defined benefit segment are Mass Mutual, New York Life, Principal Financial, and Prudential.

In the small business retirement plan segment and the multiple employer plan segment, Aegon USA s main competitors are Principal Financial, John Hancock, American Funds, Fidelity, and ING. In the single premium group annuity market, Aegon USA s main competitors are Mass Mutual, Prudential, John Hancock, MetLife and Mutual of Omaha.

Aegon USA has been a leading issuer of synthetic GICs[1].

Regulation and supervision

Aegon USA

The Aegon USA 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. Supervisory agencies in each of those states and jurisdictions have broad powers to do any of the following: 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 for failure to