AEGON NV
Form 20-F
March 20, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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FORM 20-F

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(Mark One)

¨ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR(g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2014

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

OR

¨ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number 1-10882

-

Aegon N.V.

(Exact name of Registrant as specified in its charter)

-

Not Applicable

(Translation of Registrant s name into English)

The Netherlands

(Jurisdiction of incorporation or organization)

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

(Address of principal executive offices)

J.H.P.M. van Rossum

Executive Vice President and Corporate Controller

Aegon N.V.

Aegonplein 50, 2501 CB The Hague, The Netherlands

+31-70-3445458

Jurgen_vanRossum@aegon.com

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

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

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

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

Not applicable

(Title of Class)

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

Not applicable

(Title of Class)

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

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

x Yes No ¨

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

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

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

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

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

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

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

¨ Item 17 ¨ Item 18

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

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Introduction

Filing

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

About this report

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

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

Presentation of certain information

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

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

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

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

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

Letter of the CEO

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

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

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

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

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

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

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

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

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

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

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

Thank you for your interest in Aegon.

Alex Wynaendts

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

Composition of the Executive Board and the Management Board

Alex Wynaendts (1960, Dutch)

Chief Executive Officer

Chairman of the Executive Board

Chairman of the Management Board

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

Darryl Button (1969, Canadian)

Chief Financial Officer

Member of the Executive Board

Member of the Management Board

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

Adrian Grace (1963, British)

Chief Executive Officer of Aegon UK

Member of the Management Board

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

Tom Grondin (1969, Canadian)

Chief Risk Officer of Aegon N.V.

Member of the Management Board

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

Marco Keim (1962, Dutch)

Chief Executive Officer of Aegon the Netherlands

Member of the Management Board

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

Gábor Kepecs (1954, Hungarian)

Chief Executive Officer of Aegon Central & Eastern Europe

Member of the Management Board

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

Mark Mullin (1963, American)

Chief Executive Officer of Aegon Americas

Member of the Management Board

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

Aegon s strategy

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

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

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

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

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

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

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

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

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

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

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

Optimize portfolio

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

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

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

Enhance customer loyalty

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

Investing in Digital :

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

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

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

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

- Transamerica Retirement Solutions recognized as a Best in Class retirement plan provider by plan sponsors in Chatham Partners 2014 Client Satisfaction Analysis;
- Aegon UK awarded the best workplace savings platform at the Platforum Awards 2014;
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Mongeral Aegon won the Products and Services category at the 2014 Antonio Carlos de Almeida Braga Innovation in Insurance Awards. The award recognized Mongeral Aegon s new digital distribution strategy, which integrates traditional distribution channels with their online store, broker-partners stores, business partners stores and the EuPlanejo360° content website;

¿ Aegon Hungary received the award for Financial Institution of the year from Figuelo magazine;

¿ Aegon Czech Republic received two bronze awards in the Nejlep í banka, Best bank and insurance company 2014 awards in the Best life insurance company 2014 and Insurance innovator categories;

¿ Aegon s joint venture in India, Aegon Religare Life Insurance, won the Marketing Campaign of the Year at the Global Marketing Excellence Awards 2014 in recognition of its innovative Wonder Cook marketing campaign;

¿ Aegon the Netherlands was awarded the Gold Award by Social Media Insurance Monitor. The jury recognized that social media was strategically integrated into Aegon s business and that the stimulating daily content was both customer centric and effective; and

¿ Knab, Aegon s innovative online bank, was awarded the Gouden Stier (Golden Bull) for the best new investment concept for making investing simple, convenient and accessible.

Deliver operational excellence

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

¿ Creating a new Investments & Retirement division in the US, combining the Individual Savings & Retirement and Employer Solutions & Pensions divisions;

¿ Pursuing value over volume through a strict pricing discipline. This approach secured profitable, sustainable growth, while ensuring that customer benefits be fully assessed and taken into account through an updated Pricing & Product Development Policy before any new product or service is introduced;

¿ Simplifying Aegon s offering through product rationalization;

¿ Establishing Aegon s enterprise IT strategy and the global IT governance framework;

¿ Implementing a tablet-based sales process in Turkey, which will reduce operational costs in addition to improving customer experience; and

¿ Expense savings create room to invest in Aegon s businesses and accelerate the execution of its strategy.

Empower employees

Aegon strengthened employee engagement and improved the working environment by:

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

Market conditions

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

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

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

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

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

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

Long-term industry trends

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

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

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

Customers needs are changing

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

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

Digitization is driving change

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

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

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

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

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

Markets are developing differently and becoming more volatile

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

Increase in regulations and the demand for responsible behavior

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

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

Business overview

History and development of Aegon

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

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

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

countries; and Aegon Asset Management Holding B.V., the holding company for some of its asset management entities.

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

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

Selected financial data

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

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

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

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

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

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

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

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

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

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

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

Dividends

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

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

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

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

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

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

Exchange rates

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

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

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

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

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

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

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

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Business lines

Americas

United States - Life & Protection

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

United States - Investments & Retirement

Individual Savings & Retirement

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

Employer Solutions & Pensions

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

Canada

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

Latin America

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

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

The Netherlands

Life & Savings

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

Pensions

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

Non-life

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

Distribution

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

United Kingdom

Life

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

Pensions

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

New Markets

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

Central & Eastern Europe

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

Spain & Portugal

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

Asia

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

Variable Annuities Europe

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

Aegon Asset Management

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

Results of operations

Results 2014 worldwide

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

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

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

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

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

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

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

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

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

Underlying earnings before tax by line of business

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

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Results 2014 worldwide

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

Net income

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

Underlying earnings before tax

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

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

Fair value items

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

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

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

Realized gains on investments

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

Impairment charges

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

Other charges

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

Run-off businesses

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

Income tax

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

Commissions and expenses

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

Production

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

Capital management

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

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

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

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

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

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

Dividends from and capital contributions to business units

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

Results 2013 worldwide

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

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

Gross deposits (on and off balance)

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

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

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

Results 2013 worldwide

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

Net income

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

Underlying earnings before tax

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

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

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

Fair value items

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

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

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

Realized gains on investments

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

Impairment charges

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

Other charges

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

Run-off businesses

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

Income tax

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

Commissions and expenses

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

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

Production

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

Capital management

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

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

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

Dividends from and capital contributions to business units

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

Results 2014 Americas

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

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

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

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

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

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

Results 2014 Americas

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

Net income

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

Underlying earnings before tax

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

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

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

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

Commissions and expenses

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

Production

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

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

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

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Results 2013 Americas

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

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

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

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

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

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

Results 2013 Americas

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

Net income

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

Underlying earnings before tax

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

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

Commissions and expenses

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

Production

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

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

Overview of Americas

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

Aegon USA

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

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

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

Aegon Brazil

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

Aegon Mexico

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

Aegon Canada

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

Organizational structure

Aegon USA

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

Aegon USA s primary insurance subsidiaries are:

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

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

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

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

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

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

Overview of sales and distribution channels

Aegon USA

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

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

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

Aegon Canada

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

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

Overview of business lines

Aegon USA

Life & Protection

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

Products

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

Term life insurance

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

Universal life insurance

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

Variable universal life insurance

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

Indexed universal life insurance

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

Whole life insurance

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

Other life insurance

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

Supplemental health and specialty insurance

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

Long-term care insurance

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

Sales and distribution

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

Affinity

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

Agency

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

Brokerage

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

Worksite

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

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

Direct to consumer

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

Investments & Retirement

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

Individual markets

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

Products

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

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

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

Mutual funds

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

Variable annuities

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

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

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

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

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

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

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

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

Fixed annuities

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

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

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

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

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

Sales and distribution

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

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

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

Employer market

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

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

¿ 401(k) - a type of deferred compensation plan sponsored by a corporation (including subchapter S), self-employed individual, sole proprietorship, partnership or non-profit organization;

¿ 403(b) - a type of deferred compensation plan for certain employees of tax-exempt organizations and certain members of the clergy;

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

Products

Retirement plans

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

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

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

Single premium group annuities

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

Stable Value Solutions

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

Sales and distribution

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

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

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

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

Latin America

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

Run-off businesses

Institutional spread-based business

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

Guaranteed investment contracts and funding agreements

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

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

Medium-term notes

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

Payout annuities

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

Bank- and corporate-owned life insurance

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

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

Life reinsurance

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

Competition

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

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

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

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

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

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

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

Regulation and supervision

Aegon USA

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Aegon Canada

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

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

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

Asset liability management

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

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

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

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

Reinsurance ceded

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

Aegon USA

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

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

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

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

Aegon Canada

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

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Results 2014 the Netherlands

Amounts in EUR millions	2014	2013	%
Net underlying earnings	**423**	**352**	**20%**
Tax on underlying earnings	135	102	32%
Underlying earnings before tax by business			
Life & Savings			