

# Review 2012



**AEGON**

Transform Tomorrow

# Introduction

This is Aegon's 2012 Review. We also publish an Annual Report and a Sustainability Supplement. Both are available online at [corporatereporting.aegon.com](http://corporatereporting.aegon.com).

We have included a lot more information online. Whenever you see a yellow box like the one below please refer to our websites.

 [corporatereporting.aegon.com](http://corporatereporting.aegon.com)  
For more facts and figures

This is Aegon's second integrated report. In putting together the 2012 Review, we followed the G3 guidelines issued by the Global Reporting Initiative, as well as IFRS accounting standards and the reporting framework from the International Integrated Reporting Council. All information in this document has been reviewed by our auditors at Ernst & Young.

## Photo contest

Many of the photos you'll see in this Review were taken by Aegon employees. To show the diversity of our company, we have included pictures from around the Aegon world - from the Americas and Europe, and from our growing businesses in Asia. This year, we gave our employees a very simple brief: to show the difference Aegon makes in the lives of millions of people around the world, whether they're planning for retirement, paying off a mortgage or providing a college education for their children.

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# 2012 in Review



Jan

- Our joint venture in India, Aegon Religare, introduces its latest digital product - online health insurance. Similar products are planned for both Spain and Turkey.
- Aegon UK's schools tennis program reaches one million children. The program, launched in 2009, is part of Aegon's broader support for tennis in the United Kingdom. By early 2013, the program had reached two million schoolchildren.

Feb

- Adrian Grace, CEO of Aegon's operations in the United Kingdom, is nominated to the company's Management Board.
- Aegon announces a €12 billion longevity swap, the first of its kind in continental Europe. The transaction will help reduce Aegon's risk related to rising life expectancy in the Netherlands.

Apr

- Aegon expands its social media presence - via YouTube, Twitter and Facebook - part of broader efforts to engage online with customers and other stakeholders.



Jul

- Aegon publishes its first Responsible Investment Report. The report outlines Aegon's approach toward responsible investment and its efforts to engage with the companies in which it invests.

Aug

- Michiel van Katwijk is appointed Chief Financial Officer of Aegon's operations in the Americas. His predecessor, Darryl Button, becomes head of Aegon's Corporate Financial Center in The Hague.

Sep

- Aegon launches a new online bank in the Netherlands, called Knab, created with input from customers.
- In the United Kingdom, Aegon launches Retirement Choices, a new online platform that helps customers transition from work to retirement.

Oct

- Aegon outsources administration of its UK protection business to services company Serco, and announces it will also outsource administration of Aegon Trustee Solutions, its UK employee benefits business, from January 2013.

# W

It has been a year of progress for Aegon. We are seeing the benefits of our strategy in improved financial results. We agreed a new partnership in Spain, and made an important acquisition in Ukraine. We also broke new ground with our longevity swap - and became one of the founding signatories to the Principles for Sustainable Insurance.



## May

- Shareholders vote to resume dividend payments on Aegon's common shares for the first time since the 2008 financial crisis.

## Jun

- Aegon is among the first signatories to the new Principles for Sustainable Insurance. The Principles encourage insurers to incorporate sustainability into all their business operations.
- Speaking at the company's investor conference in London, CEO Alex Wynaedts outlines Aegon's strategy to get closer to its customers by investing more in digital technology and further improving communications.
- Aegon launches its first-ever Retirement Readiness Survey. The survey - carried out across Europe and the United States - shows that fewer than 1 in 7 working people are on course to reach the income they will need in retirement.



## Nov

- Chief Financial Officer Jan Nooitgedagt announces his decision to retire in May 2013 as a member of Aegon's Executive Board. Darryl Button, former CFO for the company's operations in the Americas, is named his successor. Tom Grondin, Aegon's Chief Risk Officer, meanwhile is appointed to the company's Management Board.

- Aegon launches a new "customer license" program for senior managers and other employees who don't already work directly with customers. The program involves spending a minimum number of hours talking and working closely with Aegon's customers.

## Dec

- Aegon announces it will acquire Fidem Life, Ukraine's fifth largest life insurance company. The acquisition further strengthens Aegon's position in Central & Eastern Europe.
- Aegon agrees a 25-year partnership with Banco Santander, Spain's leading bank, focusing mainly on life and home insurance.

A close-up photograph of a woman with dark blue hair. Her face is painted with intricate white designs, including a large, stylized 'W' on her forehead, white lines around her eyes, and a white outline of her mouth. She is looking directly at the camera with a slight smile.

“We are connecting  
with

## Our **strategy** story

In 2012, we paid out  
€21 billion in claims  
and benefits to our  
customers worldwide.

**€21**

billion

Claims and benefits

our customers.”

# This is Aegon

Our roots go back more than 150 years - to the first half of the 19th century. Modern-day Aegon was founded thirty years ago through the merger of two Dutch insurance companies, AGO and Ennia. In recent years, we have grown into a worldwide provider of life insurance, pensions and asset management. With our headquarters in The Hague, we now have businesses across

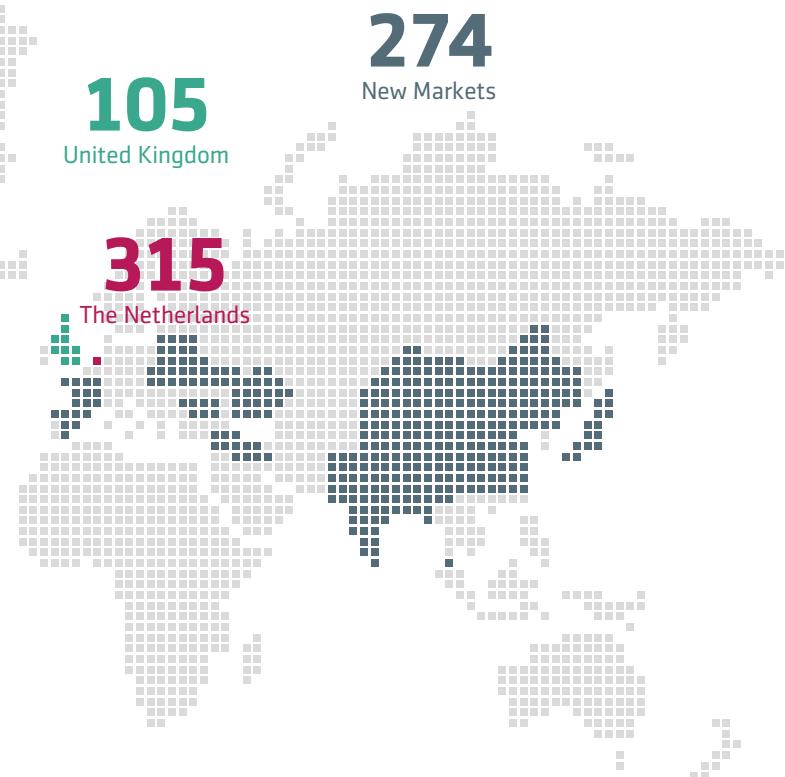
the Americas, Europe and Asia. In North America, we operate under the Transamerica brand name. In all, we employ approximately 24,000 people, manage more than €450 billion in investments, and help transform the tomorrows of millions of customers around the world.

## Underlying earnings before tax by region

In € millions



105  
United Kingdom



274  
New Markets



24,000  
Employees



€458 billion  
Revenue-generating investments



€39 billion  
Gross deposits

New Markets includes our businesses in Central & Eastern Europe, Asia, Spain and France, as well as our asset management operations and our variable annuities business in Europe. Figures above do not include "Holding and other activities".



# Creating value

How we created  
value last year for  
our stakeholders

€21  
billion

**Paid out in claims and benefits**  
to our customers.

€6  
million

**Invested in local communities around the world**  
through donations to charities and other good causes,  
and through the volunteer efforts of our employees.

€380  
million

**In dividend payments**  
for our shareholders.

€2.1  
billion

**Invested in our people**  
through salaries, incentive payments,  
training and other benefits.



“It is all about  
understanding  
and serving  
**the customer  
better.”**

Alex Wynaedts  
CEO

## CEO Alex Wynaedts explains how Aegon is capturing the benefits of its transformation - and why further change is needed to bring the company closer to its customers.

Could you give us a view of where we now stand as a company, given all of the actions our businesses have been taking over the past few years?

To start with, we have millions of customers across the globe. That in itself puts us in a position of strength and should give us strong encouragement in having earned the trust of so many. Moreover, during the past few years, our businesses in the Americas, the Netherlands and the United Kingdom have significantly restructured their operations in order to create greater focus and a much-improved ability to be responsive to market opportunities. At the same time, we have created a substantially improved risk profile for Aegon, something that in the continuing market turmoil has given us clear advantages. We have also maintained a very strong balance sheet and capital position. Also, within our newer markets in Central & Eastern Europe, Asia and Latin America, we are making steady progress in building sustainable businesses and developing new approaches in digital distribution. In these markets the potential for products such as life insurance is significant. And so, from the standpoint of our transformation to this point, we have achieved a great deal. We now have to aggressively pursue the most effective ways to serve our millions of customers and create a distinctive experience of our company and the products and services we provide. This represents the strategic transformation that I have referred to and which I am convinced is necessary to improving our prospects for growth long into the future.

Aegon has outlined a vision and a strategy that signals further change. Can you tell us why you feel additional change is needed and why now?

It is important to realize that the transformation we have undergone over the last few years was a response to the environment brought on by the financial crisis begun in 2008. Our focus has been on transforming our company from a risk and financial standpoint. Without question, we have accomplished a great deal and consequently Aegon is today a stronger and much more focused and aligned company.

**“We now have to aggressively pursue the most effective ways to serve our millions of customers and create a distinctive experience...”**

We have achieved the strategic alignment across our organization needed to support our ambition of becoming a leader in each of our chosen markets. But we have further identified the need to create a culture of innovation throughout our organization in order to get much closer to our customers. The Management Board, along with the Management Committee, which includes a number of our other senior leaders from across the world, have been looking intensely at the implications of this focus for how we are organized, what areas we need to further address, and how best to bring about the change in mindset of all employees that is necessary to becoming a truly customer-centric organization.



**“Our current and future customers will be more selective about the companies they do business with. They will expect higher levels of service and real-time interaction with us. This presents a tremendous opportunity for us, but it will also mean changing the way we manage our business.”**

I am convinced that we have the right strategy in place and have identified the steps necessary for bringing about our full transformation. But we have to recognize that we are not yet fully prepared to serve the full range of our customers' needs for long-term financial security, and in the way they increasingly expect. Our current and future customers will be more selective about the companies they do business with. They will also expect higher levels of service and real-time interaction with us - a result of the digital age. This presents a tremendous opportunity for us, but it will also mean changing the way we manage our business. This is the basis for the strategic priorities we will be pursuing across our organization in the coming months and years.

**What in your view has created this new sense of urgency to further change as a company?**

It is clear that we have to better adapt to the fast-changing developments of the new environment: continued financial volatility and a lack of consumer trust toward financial services companies; the shift of retirement planning from governments and employers to individuals; rapid advancements in consumer-friendly technology; new, non-traditional competitors which are now providing financial products through retail outlets and online. These are just a few of the factors we have to address head-on and with greater urgency. As such, we are realigning our businesses to improve our interactions with customers; working to rebuild the trust that has been compromised during the financial crisis; working to leverage the potential of digital technology to provide greater customer access, better service and a distinctive experience; and, at the same time, creating greater simplicity and transparency in our products and services. These are the areas we will concentrate on and which, we believe, will be the basis for our success going forward.

**You have talked of “shortening the distance” between Aegon and the customer. How will this change the way Aegon conducts its business?**

Becoming more customer-centric is first and foremost a mindset. Regardless of role or function, every person across our businesses must have a clear sightline to the customer. Going forward, being a customer-centric organization will mean that, in everything we do, wherever we conduct our business, the customer will be at the center of what we do and how we do it. There are many examples

across Aegon where this customer-centric approach is being integrated into everything we do. From involving actual customers in rewriting marketing brochures and correspondence to ensure that they are easily understood by all customers, to simplifying back-office systems, to implementing new product design and online distribution channels and using social media to strengthen relationships. It is all about understanding and serving the customer better. Moreover, digital technology is opening new possibilities to reach new customers and serve our existing customers better. But this will also mean investing in new capabilities to enhance the effectiveness of those who we will continue to rely on - our intermediaries. Our customers still require advice, given the nature of financial services products, and it is incumbent on us to determine how best to support them.

**You've identified "simplicity" as something much needed in the insurance sector - and increasingly demanded by customers. How are you going to achieve this given the complex nature of insurance products?**

I want to make this clear, and it is important to get this right. When I speak about simplicity I am not speaking about simple products. We have products that are inherently complex with a range of guarantees and financial features that must account for changes in our basic economic assumptions and market volatility. What is important is that we simplify our explanations of the products and services we offer, and ensure that they are fully understood by our customers. We need to make clear - and stand behind - what the benefits of these products are for individual customers, recognizing that not every product is right for every customer. It is about ensuring that our customers clearly understand what they are buying, why they are buying it, why they need it, as well as the full costs of that product.

**Is the general environment for your business essentially a plus or a minus in light of your ambitions?**

Unquestionably, it is a plus - though admittedly, there are challenges. But essentially, this is a unique and promising time for our core business of helping people take responsibility for their financial future. Never have our products and services - our expertise - been more needed, given the uncertainty caused by the general economic environment, longer life spans, and the withdrawal of traditional providers of retirement security such as

governments and companies. At the same time, there are abundant opportunities to develop and implement new ideas, new ways of working, new approaches for improving the interaction of our businesses with our customers. Consequently, we expect all managers to encourage the people of their organizations to be entrepreneurial and to think differently. Admittedly, this is a new way of doing business, but from our standpoint, it is the only way.

**"Aegon today is a stronger, much more focused and aligned company."**

**Where, in your view, will Aegon be in five years?**

Our ambition has not changed - it is to be a leader in our chosen markets. As we have explained, this does not mean being the largest provider necessarily. It is about being the most recommended by our customers, our business partners and our intermediaries, and being the preferred employer in our industry. It is essential that each and every one of our customers feels that he or she can - and should - recommend us to his or her family and friends. Achieving this most-recommended status in our sector is, in my view, the most important accomplishment that we can and should achieve in the near future. This means our customers have to know us; that they have a clear understanding of what we can do to help them; that they are satisfied with our products and the level of service we provide; that they have a consistently positive experience when they interact with us; that they trust us for their essential financial needs and then recommend us. In my view, this is how we will measure success and how the work that is underway across our organization will ultimately be rewarded.



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

# Transform Tomorrow



Aegon's Management Board supports the work of the Executive Board in overseeing the company's business and strategy. The Management Board is made up of seven members (below, from left to right): Alex Wynaedts, CEO and Chairman of the Executive Board; Adrian Grace, CEO Aegon UK; Marco Keim, CEO Aegon the Netherlands; Tom Grondin, Chief Risk Officer Aegon N.V.; Mark Mullin, CEO Aegon Americas; Jan Nooitgedagt, CFO and member of the Executive Board and Gábor Kepcs, CEO Aegon Central & Eastern Europe.





## Our **strategy** story

At the end of 2012,  
women made up 31% of  
our senior management,  
an increase from 26%  
the year before.

# 31%

Women in senior  
management

“We are adapting



**to new realities.”**

## Our **strategy** story

This section looks at our strategy - how we are dealing with difficult market conditions, reshaping our businesses and getting closer to our customers.



# How we are transforming tomorrow

## We provide long-term financial security - a service that has never been more needed.

It is Aegon's purpose to provide products and services that offer our customers long-term financial security. We protect what's important to them, and help them save and invest for the future. And, once they retire, we provide products that help them manage their assets and resources. We believe that everyone - regardless of their income - deserves to retire with dignity and peace of mind.

Demand for the types of products and services we offer is increasing. In many countries around the world, traditional safety nets provided by governments or company pension plans are no longer adequate. Increasingly, people realize that they need to take greater personal responsibility for planning and saving for retirement. By 2050, according to the latest UN estimates, there will be more than 1.5 billion people around the world over the age of 65 - that's nearly one in five of the global population.

In emerging markets in Asia, Latin America and Central & Eastern Europe, demand is being driven by economic growth and a significant increase in recent years in levels of personal wealth. At the same time, in many of these markets, life insurance and other savings and protection products are a relatively new concept. This represents a tremendous growth opportunity for Aegon.

## A challenging environment.

While demand for our products is increasing, we have had to adapt to challenging business conditions and a rapidly changing industry. Following the initial crisis in 2008, both the United States and Europe experienced a decline in economic growth and severe budget constraints. Even growth in developing markets has slowed. We have also seen a crisis in the euro zone, while interest rates have declined to their lowest levels in decades. This is a particular challenge for insurers offering guaranteed returns. In 2012, despite a gradual improvement in the US economy, world financial markets remained extremely unpredictable.

## New technology is shortening the distance between insurers and their customers.

Economic uncertainty is one challenge. Another - potentially more significant - is the shift in relationship between insurers like Aegon, their customers and the brokers and intermediaries who play a crucial role in providing products and financial advice. This "shift" is the result of three different factors:

- Customers are **more aware of financial risk** - a consequence, in part, of the recent financial crisis and economic downturn. Increasingly, customers want products that offer long-term financial guarantees and - importantly - products that are clear, straightforward and easy to understand.
- Customers are more willing than ever to research and buy **financial products online**. That has led to an increase in the number of internet-only providers, as well as additional competition from retailers outside the insurance sector, offering financial products alongside other goods and services.

- **New legislation** in some European countries is effectively ending the payment of commissions by providers to brokers and other intermediaries. In the United Kingdom and the Netherlands, this legislation is already in force.

## We are adapting to this new environment, but we are also *driving change...*

### By investing in our chosen markets...

With populations aging and people spending more time in retirement, particularly in Europe and North America, we are investing more in products and services aimed at the new "at-retirement" generation - those over the age of 55 who expect to transition into part or full-time retirement over the next ten years. It is estimated that the over-55 population currently holds approximately one-third of all financial assets. And they are more aware than ever of the need to manage those assets to secure the lifestyle they hope for in retirement.

In our emerging markets, we are taking a different approach. Here, our strategy is to offer simple protection products, like term life insurance, and to expand our distribution networks where possible. In Central & Eastern Europe, for example, we are focusing on sales of life and household insurance. In Asia, we are aiming to grow our business through affinity groups and direct marketing, as well as investing in new distribution channels. And in Brazil we want to expand our bank partnerships and develop new products for more affluent clients, where we see strong prospects for growth.

### ...By reshaping our businesses...

Given difficult economic conditions, we have restructured our operations in the United States, the Netherlands and the United Kingdom, making very clear decisions about which businesses we believe are key to our long-term growth, and which are not. At the same time, we have become more efficient and better able to share resources across our organization, while also reducing costs significantly. In the United States, our aim is to grow faster than our competitors, while maintaining operating expenses at current levels. In the Netherlands, we have achieved considerable cost savings to combat the low margins in the Dutch market. And in the United Kingdom, our business focus has been sharpened and our cost base reduced. In 2012, Aegon's overall operating expenses were reduced by 6%, and during 2013, we will work to identify additional areas to lower costs.

We have also taken measures to reduce financial risk - by withdrawing from some products and lowering the risks associated with some of our investments. Meanwhile, we are putting more emphasis on increasing the proportion of earnings from fee-based business rather than from interest rate spreads in order to reduce our exposure to movements in interest rates. We have also repriced products and hedged certain investments, reducing the effect of market volatility on our earnings.

Maintaining a strong capital position has been central in our strategy. We regard this not as a luxury but a necessity given the uncertain economic environment. By reducing risk, we have freed up capital that can be re-invested in our businesses, particularly in those areas we believe offer higher returns and strong growth.

#### **...And by getting closer to our customers...**

New technology and recent changes in the relationship between insurers and intermediaries offer us the opportunity of getting much closer to our customers - the people who ultimately depend on our expertise. This means we have to better understand our customers' needs across the various stages of their life cycle and then determine with them the best solutions that will meet those needs.

In many markets, we are developing new products and new product features. We are also using simpler, more straightforward language both in our correspondence with customers and in our call centers. The fact is, financial products can be complex. However, customers expect a clear explanation about the products and services we provide, so they can make the best long-term decisions for themselves and their families.

We are also investing in new technologies and expanding our online distribution. Increasingly, we are using social media channels like Twitter and Facebook to engage with our customers directly. Over the past year, we have launched new online products in India, the Netherlands and Hungary, and we are due to launch online in 2013 in Spain and Turkey. We are also introducing online platforms and other applications for brokers and intermediaries. These platforms will provide intermediaries with more information about our products and, ultimately, will help them provide better advice to our customers.



Recent changes in customer attitudes and behavior have also opened up new ways of selling our products and services. In the Netherlands, for example, we have launched a new savings product in partnership with local power supplier Eneco, which will channel more investment into the Dutch sustainable energy sector. We are also working with Kruidvat, a leading drugstore chain and part of the A.S. Watson retail group, to expand sales of property insurance, as well as with the health insurer Menzis on a new savings product that will help people meet the escalating costs of elderly care - a growing need in our aging societies.

We are doing more to put the customer at the center of what we do and the way we manage our business. Over the past year, we have introduced new company-wide market conduct principles and a new product development and pricing policy that put the interests of customers first. And, recognizing that trust in financial services has declined in recent years, we have made it a priority to rectify problems with products sold in the past in both the Netherlands and the United Kingdom.

## **Our business model**

### **Life insurance and pensions**

#### **Product development**

Skills and expertise are used to develop products and services for our customers. Many of these products - particularly life insurance, pensions and other long-term investments - may take up to 40 years to mature. These products are priced by assessing potential risks and other variables, such as movements in world financial markets or changes in demographics and customer behavior.

#### **Sales & underwriting**

Our products are sold directly to our customers, or via brokers and other intermediaries. These intermediaries receive either a commission from us for each sale, or - increasingly - a fee paid by the customer. We underwrite the products and services, ensuring that undue risks are not taken, and that there are always sufficient reserves to meet long-term obligations.

#### **Administration**

Customers make deposits or pay premiums on our products, which we invest so that, at the appropriate time, expected benefits can be paid out. For many of our products, the money we receive is spread over a number of years, long after initial marketing and selling costs are incurred. These costs are included on our balance sheet, and amortized over time.

## From research to the classroom

The Transamerica Center for Retirement Studies has been charting Americans' changing attitudes toward retirement for the past thirteen years. Over that time, the Center has become one of the most respected voices in the US pension debate. Last year, Aegon teamed up with the Center to publish new research covering both the United States and Europe.

Such research is important, particularly as populations age, and people spend longer in retirement than ever before. UN figures show that the average American can expect to spend between 15 and 20 years in retirement. "People are living longer - which is good news. But they're also having to adjust," says Catherine Collinson, the Center's President. "For some people, it simply means working longer and not retiring when they would like." Last year's research showed that only 39% of Americans believe they have built a sufficient nest egg for their retirement.

The Center is funded by contributions from Transamerica, Aegon's US business, but is an independent, non-profit organization, which exists to raise public awareness of retirement trends and issues. Findings from its research reach hundreds of national and local media outlets every year.

Research helps, of course - but in the United States, Transamerica is also tackling the issue at its roots, by helping educate children and young people about the importance of saving for later life. The company works with a non-profit organization called Junior Achievement at several schools in Cedar Rapids, Iowa - to teach the basics of personal finance.

### Payout phase

Products such as pensions and annuities eventually mature and enter a "payout" phase. Similarly, with life insurance, claims from customers also trigger a payout. Beneficiaries receive either a lump sum or a series of regular payments over a period of time.

#### Customers

Our customers pay in premiums or make deposits.

So that, in time, our customers will receive payouts and benefits.

We invest this money, protect its value and make it grow.

"There is such a need for a program like this," said Chris Vorhies, one of a number of Transamerica volunteers on the Junior Achievement program. "When they grow up, this generation probably won't have the same company pensions that we have been lucky enough to have. There'll be social security, but it won't be as much as it is now. These students need to know the basics: how to put together a budget, and how to manage their finances for the longer term."

## New breast cancer product in Spain

Last year, Aegon launched a new product in Spain that pays out a fixed sum to women diagnosed with breast cancer. The idea for the new product came from workshops with our female customers, agents and employees.

The product - Aegon Contigo or "Aegon With You" - is not a classic insurance product. It pays out a sum of €30,000 on diagnosis of a malignant tumor. This money can then be used for medical advice, or could go towards meeting additional financial costs associated with the illness.

"This product offers relief to women who are going through an emotionally and physically difficult time," said África Hernández, Aegon's Marketing Director in Spain. "With this product, we are empowering women at a time when so much seems out of their control." Aegon Contigo is part of a range of products in Spain specifically designed for women.

Worldwide, more than a million women are diagnosed with breast cancer each year, according to the International Research Agency for Cancer, making it the most common form of cancer among women.



# Helping make tomorrow



Protection products

During our customers' working lives, we protect what's important to them: their family and their property.

Savings & investments

Managing income after retirement

## Putting the customer's interests first

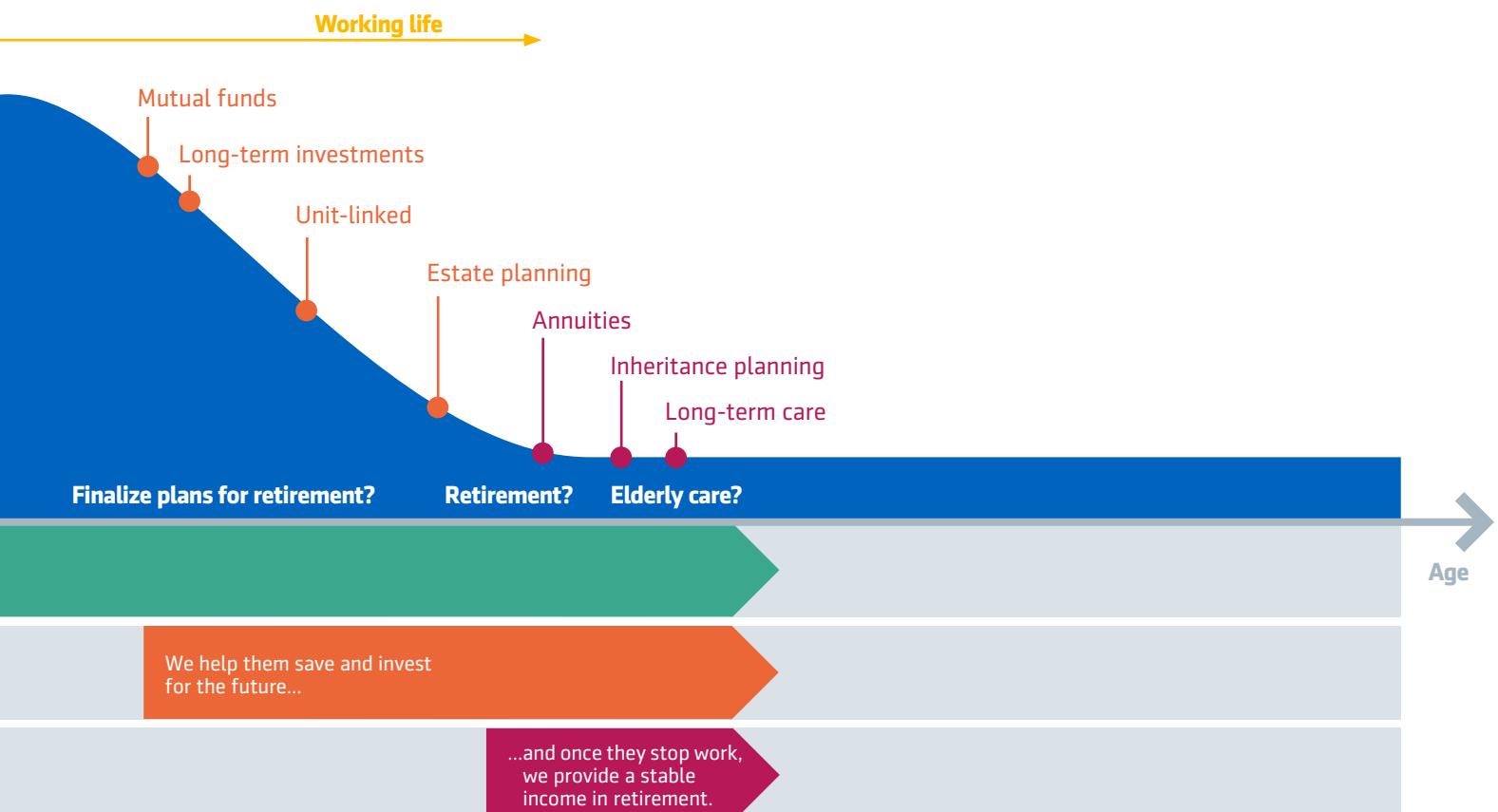
Over the past year, we have been rolling out a set of six basic market conduct principles to all our businesses worldwide. These principles help us make sure we put the interests of our customers first, and that we offer products and services that meet their requirements. For us, this is all about helping make tomorrow.

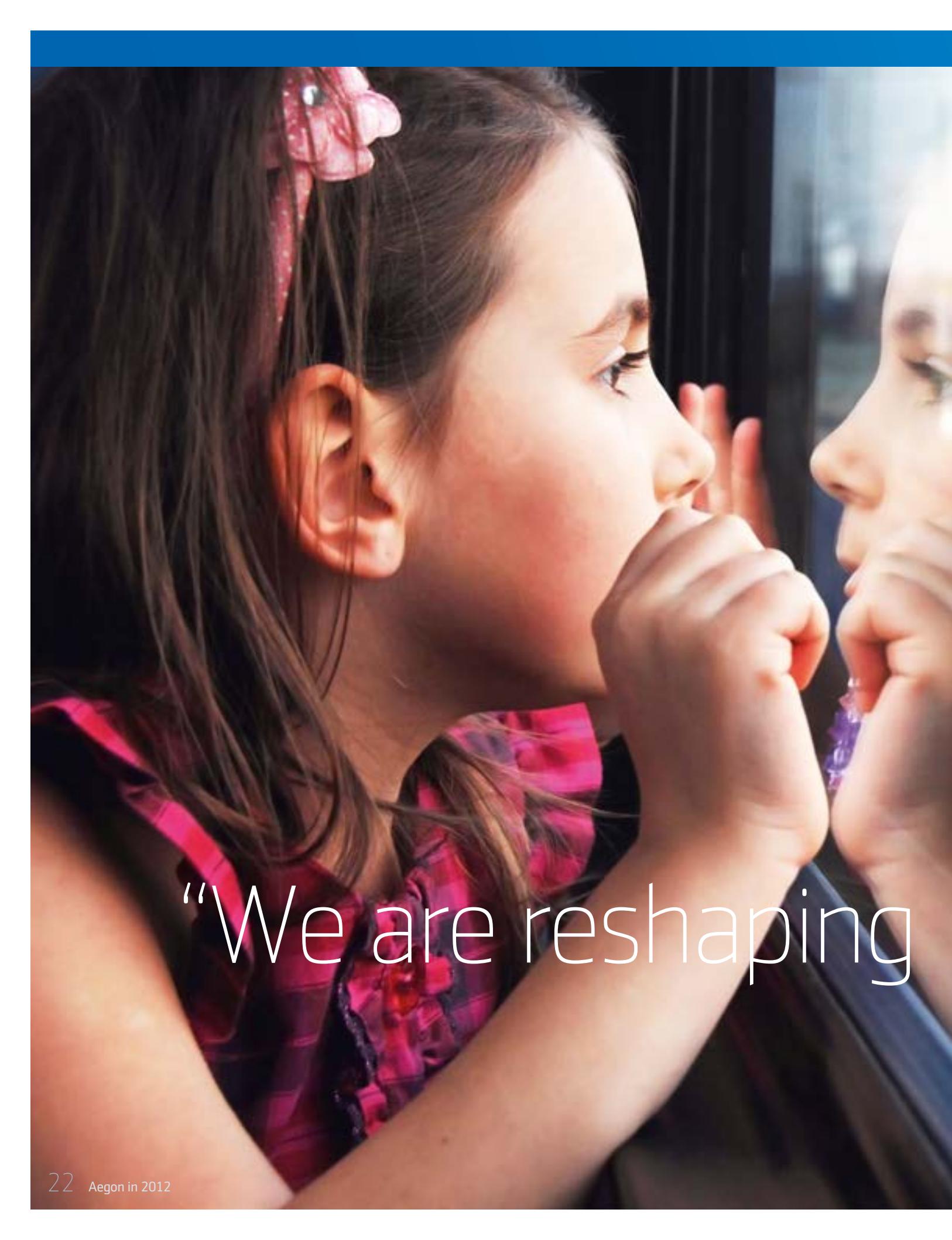
The principles are based, in part, on the "Treating Customers Fairly" initiative in the United Kingdom, as well as industry guidelines published in the United States. The principles will operate alongside our local codes of conduct for brokers, advisers and other intermediaries.

We are asking all our businesses worldwide to abide by these new company-wide principles and to report regularly on their progress.

The principles set out six basic "outcomes":

- That customers can be confident that they are dealing with business units where the fair treatment of customers is central to the corporate culture.
- That products and services marketed and sold in the retail market are designed to meet the needs of identified customer groups and are targeted accordingly.
- That customers are provided with clear information and are kept appropriately informed before, during and after the point of sale.
- That, where customers receive advice, the advice is based upon their needs, objectives and circumstances.
- That customers are provided with products and services that perform as we have led them to expect, and the associated service is of an acceptable standard and as they have been led to expect.
- That customers do not face unreasonable post-sale barriers imposed by us to change product, switch provider, submit a claim or make a complaint.





“We are reshaping

## Our **strategy** story

Over the past few years, we have been striving for greater efficiency. While our revenues rose last year, our operating expenses decreased by 6%.

**-6%**  
Operating expenses

# our business.”

# New realities

The life insurance and pensions industry is going through a period of significant change. What are the key trends and new realities affecting us? What risks do they pose to our business? And, more importantly perhaps, what opportunities do they bring?

## An aging planet...

Populations are aging - particularly in Europe, North America and Japan. By 2050, there will be more than 1.5 billion people in the world over the age of 65 and of those nearly 80% will be living in the world's lesser developed countries.

### What are the opportunities?

As populations age, demand for life insurance, pensions and other long-term savings and investments will grow, particularly as governments find they can no longer maintain state pensions. More people will also need products that will help them manage their resources once they have stopped work.

### What are the risks for us?

As average life expectancy rises, we will see an increase in benefit payments on some of our products. And if life expectancy rises more quickly than projected, we may have to increase reserves, limiting future earnings.

## An uncertain economy...

Both the United States and Europe have struggled to come out of recession, while international financial markets remain very volatile and interest rates at historically low levels. At the same time, new international rules are being introduced that may require insurers to hold more capital to protect policyholders and customers.

### What are the opportunities?

Over the past several years, we have reduced our exposure to movements in world financial markets, including interest rates. This has freed up resources for new investments in our businesses. New rules on capital, we believe, should reward companies with sound risk management. Meanwhile, recent shifts in the world economy are opening up more opportunities in emerging markets in Asia, Latin America and Central & Eastern Europe.

### What are the risks for us?

As with other companies, a prolonged economic downturn will inevitably affect our earnings and our sales. Our earnings could also be affected by low interest rates and lower returns on our investments. All our targets and objectives, of course, are based on a series of economic assumptions - for factors such as economic growth, inflation and interest rates in our main markets.

## Crisis in the euro zone...

Over the past year, the euro zone has faced a worsening debt crisis, which has forced some member states to apply for emergency bail-out funding to maintain debt repayments.

### What are the opportunities?

We have steadily reduced our exposure to those countries hardest hit by the debt crisis, like Greece, Ireland, Italy, Portugal and Spain. We have sold off government securities in those countries, and limited our other investments in corporate bonds to the safest sectors of the economy.

### What are the risks for us?

The debt crisis has resulted in greater economic and political uncertainty, which could affect growth and economic performance in the euro zone, and could in turn affect our earnings and sales.



## The way our products are bought and sold is changing...

In the United Kingdom and the Netherlands, new regulations will effectively end commission payments to brokers and other intermediaries. At the same time, customers have become more aware of financial risk and are more willing to use the internet to research and buy financial products.

### What are the opportunities?

We see new consumer regulations, particularly those in the United Kingdom and the Netherlands, as an opportunity to forge closer ties with our customers - providing we can offer the effective and straightforward products and services they want.

### What are the risks for us?

New regulations and new technology will redefine relations between customers, insurers and intermediaries. Those companies that don't respond to these changes could lose out.

## Winning trust...

Public trust in financial services has decreased significantly in recent years, requiring a renewed commitment on the part of banks and insurers to "do the right thing", both socially and economically.

### What are the opportunities?

A decrease in trust means we have to work harder - to make sure we are offering the kinds of products our customers want. It also gives us the opportunity to improve the way we do business, particularly through initiatives like our market conduct principles and our new pricing policy, which stress the importance of customer returns and customer benefits.

### What are the risks for us?

A continued lack of trust could reduce demand for financial products and services in some areas, and lead to traditional providers like Aegon losing out to new competition from outside the sector.

## A new working environment...

The workplace is changing rapidly. Increasingly, employees want to work for companies that share their values and offer real career prospects. The idea of a "job for life" has almost disappeared, while new technology is changing attitudes and opening up new ways of working.

### What are the opportunities?

If we make the right changes, Aegon's workforce will become more flexible, more diverse and, ultimately, more effective. And we know that a more effective workforce will drive greater innovation and better service for our customers.

### What are the risks for us?

If we don't make these changes, Aegon risks losing its best employees - and failing to attract the new talent and new thinking that will drive our company forward.

## Our ambition for Aegon

Over the past several years, we have restructured much of our business. At the same time, we have changed the way we manage that business to become more efficient, more responsive to our customers and better positioned to operate in a fast-moving environment.

Two years ago, we defined a very clear ambition: to become a leader in all our chosen markets. Being a leader does not necessarily mean being the biggest. Rather, it means being

the most recommended by our business partners, our intermediaries and, most importantly, our customers. It also means being the preferred employer in our industry since we know that the more motivated and engaged our employees, the better the service we are able to offer our customers.

In order to achieve our ambition, we are working toward four strategic objectives:

The table below shows what we are doing to meet our strategic objectives - and to adapt to the rapidly changing financial, economic and social environment. For each objective, we have set very clear key performance indicators. You'll see in the following section<sup>1</sup> how we are using these to chart our progress, and to ensure we are on the right track.

### An aging planet...

 We are investing more in the growing "at-retirement" market in North America and Europe, and looking to expand our pension business in the United States.

 We have published our first Retirement Readiness Surveys to help raise awareness of retirement issues across Europe, the United States and Japan.

 As part of the Global Coalition on Aging, we are working with companies from other sectors to improve public and policymakers' understanding of aging issues, and bring forward solutions.

 We have launched a new partnership with the Dutch health insurer Menzis to help customers cover the cost of long-term care in old age.

### An uncertain economy...

 We are expanding our protection and savings businesses in our emerging markets - in Asia, Latin America and Central & Eastern Europe.

 We have reduced financial risk, freeing up more capital to re-invest in our business.

 Where relevant, we re-priced some of our products to take account of lower interest rates, and re-designed or even discontinued others to reduce risk.

 We are maintaining a strong capital position as a buffer against any further deterioration in financial and economic conditions.

 We have reduced costs across our businesses worldwide, and have made cost reduction a priority again for 2013.

 We are aiming to double the share of fees in our underlying earnings, which will give a better balance to our profits over the longer term.

### The way our products are bought and sold is changing...

 We are growing our worksite marketing business - both in our main markets like the United Kingdom and the United States, and in markets where worksite sales have traditionally been important, like Brazil and Mexico.

 We are simplifying customer communications, stripping out jargon and using simpler, more direct language in our letters and other correspondence.

 We are expanding our household insurance business in Central & Eastern Europe - and using household cover to offer other products, notably life and car insurance.

 We have launched new online products - life insurance in India and Turkey, and a general insurance product aimed at women in the Netherlands. And we have set up a new online bank called Knab, which offers our Dutch customers banking services and personal finance management for a single flat-rate fee.

 We have also introduced new online platforms and applications for brokers and other intermediaries in the United States, the United Kingdom and Turkey.

<sup>1</sup> Please see "How we performed in 2012" on page 32.



### Optimize our portfolio

By investing in businesses that offer higher returns and strong growth and, if necessary, selling businesses that do not conform to our risk/return requirements or do not contribute to our long-term ambitions.



### Enhance customer loyalty

By improving service levels, investing in new distribution and expanding our online presence to connect better and more frequently with our customers and to serve their broader financial needs.



### Pursue operational excellence

By reducing costs, innovating and making better use of our resources around the world.



### Empower employees

By providing the tools, training and internal culture necessary to understand and serve our customers, and enhance personal and professional capabilities.



We have rolled out the Net Promoter Score (NPS) to nearly three quarters of our businesses. We are using the feedback from NPS to improve our products and customer service.



We have introduced a "customer license" program for senior managers and other employees who don't already work with customers. The program involves spending a minimum number of hours talking and working closely with Aegon's customers.



We have adopted a new product development and pricing policy. This policy commits us to taking potential benefits for customers into account before introducing any product or service.



We have agreed a new 25-year partnership with Banco Santander, Spain's largest bank, which will give us access to a customer base of more than twelve million people.



We are expanding distribution of savings products and property insurance through new partnerships in the Netherlands with energy firm Eneco and drugstore chain Kruidvat.



In Brazil, we are working with partner Finsol to offer low-cost life insurance to poorer customers in the north-east of the country.

## Winning trust...

 We have taken additional measures to address problems with unit-linked products in the Netherlands, and paid out just under £100 million in compensation to customers in the United Kingdom affected by past errors in administration.

 We have introduced basic principles of market conduct across our organization to make sure we continue to treat our customers fairly.

 We have published our first Responsible Investment Report, which details how we take social, environmental and corporate governance factors into account when we invest.

 Alongside thirty other leading insurers, we signed up to the new Principles for Sustainable Insurance, which encourage signatories to incorporate sustainability into their business operations.

 We have reduced emissions of CO<sub>2</sub> from our main buildings and offices by 25% over the past three years - well ahead of our 10% target.

## A new working environment...

 We have introduced a new Global Remuneration Framework that ties employees' pay to individual and company performance.

 We organized our second Employee Engagement Survey, covering our global workforce of approximately 24,000 employees. In all, 89% of employees took part in the survey.

 We have adopted a more coordinated approach to managing and encouraging talent, and put in place clear succession planning for senior and other strategic positions within the company.

 We have introduced paid time-off for volunteer work, covering approximately 64% of our workforce, with plans to extend the program to the remaining 36% in 2013.



# Taking a broader view

Chief Financial Officer, Jan Nooitgedagt, explains why it is important that, alongside balance sheets and profit & loss numbers, companies also report on areas like customer loyalty and employee engagement that are not so easily quantified.

"This is our second integrated annual Review. In writing the report, one of the questions that still confronts us is: How do you measure the success of a company like Aegon? And how do you know that the company is headed in the right direction?

Our financial numbers, of course, are important, but they tell only part of the story. They're the outcome of a host of other factors. How good our customer service is, for example. Whether we are offering the right kinds of products. Or how engaged and committed our employees are. Of course, these are not factors you'd find on most balance sheets, or on a traditional profit & loss statement. But they are just as important to the long-term success of a company.

## "Our financial numbers are important, but they only tell part of the story."

Sales figures will tell you how much customers are buying. What they won't tell you is whether those same customers are happy with the product you're selling or - very importantly - whether they will recommend that product to others. It is the same with a company's employees. Measuring salaries and benefits is straightforward enough. But what about, on the other side, the contributions employees make to a business? How do you quantify that?

The tricky part, of course, is determining which numbers are most relevant in giving insight into a company's progress. Which indicators, in other words, should you be following? Which are the best indicators for driving both business and, ultimately, a company's profits?

It is not easy. Companies tend to refer back to financial numbers. In other areas, there are inevitable questions over how the data is gathered, how reliable the figures are, whether cause and effect can be properly established - whether, for example, an increase in sales can be attributed directly to an improvement in customer service, or whether there are perhaps other factors at work?

Yet, these are things that - especially when it comes to customer loyalty and employee engagement - we *need* to know. Because they tell us more about our business than the financial numbers alone. Unlike the financial statements, they tell us about what is

likely to happen, not what has already happened. And, of course, investors are also interested in this information since it helps them to assess Aegon's prospects and to decide whether we are a good business in which to invest.

## "These are not factors you'd find on most balance sheets, or on a traditional profit & loss statement."

Over the past few years, we have made some good progress in this area. We have established key performance indicators like the Net Promoter Score and Employee Engagement. And we are using these indicators to make improvements to our products as well as to the way we manage our business and the way we make decisions. At the same time, we are also looking closely at how these factors - like customer loyalty and employee engagement - impact our bottom line, so we understand more about our business and, ultimately, manage it better.

It is important to keep in mind that this non-financial reporting is still a relatively new area. We have had more than a hundred years to perfect the rules on financial reporting, and we still don't always agree on those. Going beyond will be a challenge, but I am convinced the more we understand about our business - and the more our investors, customers and employees understand - the better."

### "Recently, I took a personal decision to retire..."

"When I joined four years ago, Aegon was just emerging from the financial crisis. Since then, conditions have remained tough. Even so, we have achieved a lot: we have reduced costs, lowered financial market risk, restructured many of our businesses and we have set Aegon on a new path, with clear goals and clear financial targets. Recently, I took a personal decision to retire, and I'll be doing so when my current term as a member of the Executive Board comes to an end in May 2013. I have every confidence that, with Alex at the helm and Darryl Button as my successor, Aegon will build on what has been achieved in recent years, and become an even stronger and more successful company."



“We are making  
use of **new**

## Our **strategy** story

Nearly a fifth of our sales are made direct to the customer - through our own agents, through worksite and affinity marketing, or online.

# 19%

Direct to customer sales

# technologies.”

# How we performed in 2012

For Aegon, 2012 was a year of transformation and growth. We continued to restructure many of our businesses, reducing financial risk and cutting costs. We also invested in new growth opportunities, and continued with a disciplined approach to pricing. We are now seeing the impact of this strategy in our financial results. Last year brought significant increases in both sales and earnings, despite historically low interest rates. Aegon's underlying earnings before tax - our preferred measure of profitability - rose 17% in 2012 to almost EUR 1.8 billion. Net income was 80% higher at €1.57 billion. There were also improvements in gross deposits, and we are already on course to meet our long-term targets with respect to both fee-based income and cash flow. Alongside our financial numbers, we are also making progress in other important areas. Last year, we saw an increase in employee engagement; we rolled out the Net Promoter Score to more of our business units and there was a significant decline in customer complaints.

## Our financial targets

As part of our ambition to be a leader in all our chosen markets, we are working toward a series of financial targets that we aim to achieve by the end of 2015. These targets, we believe, will ensure that our businesses are managed both for profitability and for the returns they offer over the long term. Last year, we made significant progress toward these targets, despite difficult market conditions. In addition to these targets, we have also worked hard to reduce costs - in the United States, the Netherlands, the United Kingdom, at our Corporate Center and other business units.

## Targets

## Progress



## Our earnings

In EUR million	2012	2011	Difference (+/-)	%
<b>Underlying earnings before tax</b>				
Americas	1,317	1,273	+44	+3%
The Netherlands	315	298	+17	+6%
United Kingdom	105	5	+100	-
New Markets	274	249	+25	+10%
Holding & other activities	(224)	(303)	+79	+26%
<b>Total</b>	<b>1,787</b>	<b>1,522</b>	<b>+265</b>	<b>+17%</b>
Fair value items	52	(416)	+468	-
Realized gains or losses on investments	407	446	-39	-9%
Impairment charges	(176)	(388)	+212	+55%
Other income or charges	(162)	(267)	+105	+39%
Run-off businesses	2	28	-26	-93%
Income before tax	1,910	925	+985	+106%
Income tax	(339)	(53)	-286	-
<b>Net income</b>	<b>1,571</b>	<b>872</b>	<b>+699</b>	<b>+80%</b>

**Underlying earnings before tax** rose 17% - a result of further growth in Aegon's businesses, lower costs and favorable financial markets. **Operating expenses** declined by 6% during the year. Sales were higher in both the United Kingdom and the United States, while a stronger US dollar also helped lift Aegon's US earnings in euro terms.

**Fair value items** showed a significant improvement during the year - a result of better financial markets. **Impairment charges**, meanwhile, dropped by more than a half, usually a sign of improving economic conditions.

**Net income** rose 80% in 2012 to just over €1.57 billion. The increase was the result mainly of higher underlying earnings and an improvement in world financial markets during the year, only partly offset by an increase in tax and lower realized gains from the sale of investments.

Return on equity of between 10% and 12% by 2015.

Grow underlying earnings before tax by an average of 7% to 10% a year between 2010 and 2015.

Double fee-based income to between 30% and 35% of overall underlying earnings before tax by 2015.

Increase annual operational free cash flow to between €1.3 billion and €1.6 billion by 2015.

**7.1%**

(8% excluding businesses currently in run-off)

**-1%**

2010-2012 compound annual growth rate

**33%**

Of Aegon's 2012 underlying earnings before tax

**€1.6 billion**

Operational free cash flow 2012\*

These targets are based on Aegon's medium-term economic assumptions.

\* Excludes market impact.

## Our business, people and wider community

	2012	2011	%	Unit
<b>Our business</b>				
<b>Customer relations:</b>				
Claims and benefits paid to customers	21.0	16.9	+24.3%	EUR, billions
Net Promoter Score coverage (weighted by IFRS capital)	74%	55%	+34.5%	
Customer complaints	50,415	82,314	-38.8%	
<b>Sales, deposits &amp; fees:</b>				
Total sales	6.73	5.70	+18%	EUR, billions
% of sales from direct channels	19%	NM	-	
% of earnings from fees	33%	NM	-	
Gross deposits	39.47	31.69	+24.6%	EUR, billions
<b>Procurement:</b>				
Total spending on goods and services	1.34	1.48	-9.5%	EUR, billions
<b>Efficiency:</b>				
Ratio of costs : assets <sup>1</sup>	1.1%	NM		
Ratio of costs : earnings <sup>2</sup>	62%	NM		
<b>Our people</b>				
<b>Workforce:</b>				
Total number of employees	24,407	25,288	-3.5%	
% part-time employees	11.3%	10.2%	+10.8%	
Annual employee turnover rate	14%	19%	-26.3%	
% women in senior management	31%	26%	+19.2%	
Absentee rate	2.3%	2.6%	-11.5%	
<b>Salaries &amp; benefits:</b>				
Total salaries and employee benefits	2.09	2.07	+1.0%	EUR, billions
<b>Employee "empowerment"<sup>3</sup>:</b>				
Employee engagement	67	63	+6.3%	Index (compiled by Hay Group)
Employee enablement	67	64	+4.7%	Index (compiled by Hay Group)
<b>Wider community</b>				
<b>Community investment:</b>				
Corporate donations	5.6	6.5	-13.8%	EUR, millions
<b>Carbon footprint:</b>				
Total emissions of CO <sub>2</sub>	88,152	108,976 <sup>4</sup>	-19.1%	Metric tons

<sup>1</sup> Operating expenses : revenue-generating investments.

<sup>2</sup> Operating expenses : underlying earnings before tax.

<sup>3</sup> Based on a survey of Aegon's global workforce conducted in January 2013. Employee engagement measures the degree of employee motivation and commitment to the company. Employee enablement, on the other hand, measures the extent to which employees feel able to carry out their work effectively. Results are benchmarked against peers and high-performing companies from other sectors.

<sup>4</sup> Please note that this figure has been restated to reflect a previous misreporting of air travel in the Netherlands.

NM - not measured.

**Employee "empowerment":** Our latest employee survey - carried out in January 2013 - showed an increase in both "engagement" and "enablement". We'll be using the results of the survey to set new HR priorities for the coming year.

**Customer loyalty:** Two years ago, we adopted the Net Promoter Score as our preferred measure of customer loyalty. Since then, we have been busy extending NPS to our business units. By the end of 2012, 74% of those units were using NPS, up from 55% twelve months previously.

**Community:** In 2012, we saw a further decrease in our emissions of carbon dioxide. Thanks mainly to local initiatives designed

to reduce energy consumption. Donations to charities and other good causes declined by nearly 14% to €5.6 million due to a decrease in spending in the United States and the effect of budget cuts elsewhere.

In the tables above, we have marked a number of indicators in gray. These are our non-financial key performance indicators. In the years ahead, we'll be using these indicators plus one other - NPS performance in our chosen markets - to assess progress against our four strategic objectives. Further work on these indicators is needed, so we'll be introducing them gradually over the course of 2013 and beyond.

# Listening to our customers in Hungary

Two years ago, Aegon started working with the Net Promoter Score (NPS). Rather than gauging “customer satisfaction”, NPS is based on identifying customers who would recommend Aegon to friends and family. NPS isn’t just a measurement. We think it is a way of driving real improvements in our products and services which means we’ll continue to attract new customers and ensure that our existing customers stay with us for the long term.

## How does NPS work?

Below is an example of what we are currently doing in Hungary. We begin by asking customers: How likely is it that you would recommend Aegon to friends or family?

Based on a scale of 1 to 10, we can then sort our sample into “promoters”, “detractors” and “passives”. More importantly, we also look at what drives our customers’ responses. By addressing their concerns, we can gradually turn “passives” and “detractors”

into “promoters” and, in doing so, strengthen our products and services, bring in new customers and convince those we already have to stay with us for longer. At the same time, we can see from our “promoters” what, as a company, we already do well.

So far, we have introduced NPS into just under three-quarters of our businesses worldwide. We expect to increase that further in 2013. We are also incorporating NPS into our targets and objectives and, where it is relevant, into our pay and incentive structures.

How Aegon’s business in Hungary is using the Net Promotor Score to drive real improvements in its products and services:



# How our strategic objectives are driving our **earnings**

Aegon's earnings are not only driven by factors such as sales and deposits. There are other factors, too - such as customer service or how engaged and motivated our employees are. The chart below attempts to show why we think these non-financial factors are also important in driving our financial performance.



## Empower employees

- By providing employees with the tools and training they need to serve our customers and achieve their own career goals.



## Achieve operational excellence

- By reducing costs, encouraging innovation, making better use of resources and taking a responsible approach toward investments, procurement and the environment.



## Optimize portfolio

- By investing in businesses that offer higher returns and strong growth, and if necessary by selling businesses we no longer consider core or that won't help us achieve our long-term ambitions.



## Greater customer loyalty

- By improving service levels, investing in new distribution and expanding our presence online.

New sales and higher customer retention

Improved earnings

# Our governance

For Aegon, corporate governance is all about maintaining trust - the trust not only of our investors and customers, but also of our employees, our business partners, our regulators and the communities in which we operate.

Public trust in financial services has declined significantly in recent years. And it is our responsibility - through the decisions we take and the products and services we provide - to help rebuild that trust. We are doing so by:

- Maintaining an efficient and effective system of corporate governance, with sufficient checks and balances and where different roles and responsibilities are clearly defined.
- Linking pay to performance, ensuring our employees work toward a clear set of goals and objectives.
- Managing financial and other risks to protect the company and ensure that we continue to fulfill the promises we make to our customers, even in the most difficult market conditions.
- Investing responsibly, taking into consideration, where possible, the social, environmental and economic consequences of our investments.
- Engaging with all our stakeholders, taking into account their views, and using the information and feedback they provide to make better business decisions.

## Corporate governance

As a company based in the Netherlands, we adhere to Dutch law and the Dutch Corporate Governance Code - and we publish details online of our compliance with the Code's provisions. In addition, we also follow a number of local, regional and international guidelines from organizations such as the International Corporate Governance Network (ICGN), and the Organization for Economic Cooperation and Development (OECD).

We have a two-tier system of corporate governance, with an Executive Board and an independent Supervisory Board. It is the role of the Executive Board to manage the company - its strategy, its risk management and its financial performance. The Supervisory Board oversees the work of the Executive Board, and provides advice and oversight.

As a governing body independent of the Executive Board, Supervisory Board members are appointed by the company's shareholders, and are usually former executives or financial and corporate experts, with a track record and career in international business. The Supervisory Board works through four separate committees:

- The Audit Committee, which oversees the audit of the company's accounts and business processes.
- The Compensation Committee, which oversees pay and remuneration for members of the Executive Board and other senior management in line with our remuneration policy.
- The Nominating Committee, which oversees executive appointments and succession planning.
- The Risk Committee, which oversees Aegon's approach to risk management.

All but one of Aegon's current Supervisory Board members is considered "independent" under the terms of the Dutch Corporate Governance Code<sup>1</sup>. In 2012, the Supervisory Board held seven face-to-face meetings and several conference calls. Among the issues discussed were Aegon's corporate strategy, the company's medium-term plan, risk and capital management, Aegon's approach to sustainability, changes to the Executive Board Remuneration Policy, its acquisition of Fidem Life in Ukraine and the company's new joint venture with Banco Santander in Spain.

## Ownership structure

Aegon has a very international shareholder base. Approximately 80% of our shares are owned by investors in the company's three main markets - the United States, the Netherlands and the United Kingdom. Most shares are held by institutional investors such as investment and pension funds. Aegon shares are listed on stock markets in both Amsterdam and New York.

<sup>1</sup> The exception is Kees Storm, who was formerly CEO of Aegon.

All shareholders, of course, are entitled to attend the General Meeting, which adopts the company's accounts, approves dividend payments and decides appointments to both the Executive and Supervisory Boards. All common shares carry one vote, and generally resolutions are passed by simple majority.

In addition to the common shares, we also have preferred shares, all of which are owned by Vereniging Aegon, the company's largest shareholder. The Vereniging's purpose is to protect the long-term interests of Aegon's stakeholders. These preferred shares carry 25/12 votes each. The Vereniging, however, has agreed not to use these full voting rights except in a "special cause". These causes include a hostile takeover bid for all or part of the company. Vereniging Aegon controls just under 33% of the company's voting rights. In the absence of a "special cause" however, Vereniging Aegon exercises only 22%.

### Cancelling our preferred shares

In February 2013, we announced plans to cancel our preferred shares. We are doing this partly to simplify Aegon's ownership structure, partly in response to new upcoming European capital regulations. The cancellation will also enable Vereniging Aegon

to substantially reduce its debt. The plans will be put to our annual General Meeting of Shareholders in May 2013 for approval. Under these plans, Vereniging Aegon will receive €1.1 billion for its preferred shares. Most of this - €655 million - will be in the form of common shares. Another €400 million will be paid in cash and a further €83 million in dividends. As a result, Vereniging Aegon's shareholding - in normal circumstances - will drop from 22% to 15%, equivalent to its economic value. In the case of a "special cause" however, Vereniging Aegon will retain its 33% of voting rights through a specially-created category of common shares.

### Share price and dividends

In 2012, the value of Aegon shares rose by nearly 55% - a result of improved earnings, and early signs of economic recovery in some of our major markets. During the year, our share price outperformed both the AEX index of leading Dutch stocks and the insurance sector Euro Stoxx 600. In May, our shareholders voted to resume payment of dividends on Aegon's common shares for the first time since the 2008 financial crisis. Including both the interim and final dividends, Aegon paid out approximately €380 million<sup>1</sup> in dividends to shareholders in 2012.

<sup>1</sup> Figure comprises both cash and shares, and covers the 2012 interim dividend and the 2011 final dividend (paid in 2012).

**In addition to our own system of governance, we have a number of international commitments that guide our decision-making and reporting, and form the basis of many of our internal policies.**



Last year, we became one of the founding signatories of the Principles for Sustainable Insurance (PSI). The aim of the PSI is to ensure environmental, social and governance factors are incorporated into everyday decision-making.

We support both the UN Declaration of Human Rights and the core standards of the International Labor Organization, and have incorporated both into our Human Rights Policy.

We are members of the UN Principles for Responsible Investment, which sets out guidelines for how investors should incorporate social, environmental and governance factors into their investment decisions.

We are organizational stakeholders of the Global Reporting Initiative, the most widely recognized system of corporate sustainability and non-financial reporting.

We are members of the Carbon Disclosure Project, which encourages companies to be more open about their greenhouse gas emissions.

We are working with the International Integrated Reporting Council on a pilot program to help develop a new approach to corporate reporting, combining both financial and non-financial indicators.

# Our Supervisory Board



## **Rob Routs** (Dutch, born 1946)



Rob Routs took over as Chairman of Aegon's Supervisory Board in 2010. He is a former executive at oil company Royal Dutch Shell.

## **Irv' Bailey** (American, born 1941)



Irv' Bailey has been a member of the Supervisory Board since 2004. He is a retired Chairman & CEO of finance company, Providian Corp. as well as former managing director of fund manager Chrysalis Ventures.

## **Antony Burgmans** (Dutch, born 1947)



Antony Burgmans was formerly Chairman of consumer goods group Unilever. He was appointed to the Supervisory Board in 2007.

## **Shemaya Levy** (French, born 1947)



Shemaya Levy has served on Aegon's Supervisory Board since 2005. He was formerly Executive Vice President and Chief Financial Officer at French car maker Renault.

## **Kees Storm** (Dutch, born 1942)



Kees Storm is a former CEO of Aegon and has been a member of the company's Supervisory Board for more than ten years.

## **Karla Peijs** (Dutch, born 1944)



Karla Peijs is a former member of the European Parliament and minister in the Dutch government. Currently the Queen's Commissioner for the Dutch province of Zeeland, she was appointed to the Supervisory Board in 2007.

## **Ben van der Veer** (Dutch, born 1951)



Ben van der Veer was formerly Chairman of the Management Board at audit firm KPMG. He was appointed to the Supervisory Board in 2008.

## **Dirk Verbeek** (Dutch, born 1950)



Dirk Verbeek is an adviser to the President & CEO of insurance broker Aon. He has served on the Supervisory Board since 2008.

## **Leo van Wijk** (Dutch, born 1946)



Leo van Wijk has been a member of the Supervisory Board since 2003. He was previously President & CEO of KLM Royal Dutch Airlines.

# Our Management Board



## Alex Wynaedts (Dutch, born 1960)



Alex Wynaedts has spent his career in international banking and insurance, joining Aegon in 1997 and becoming a member of the company's Executive Board six years later. As Chief Operating Officer, Alex led Aegon's expansion into new emerging markets in Asia and Central & Eastern Europe. Alex has been **CEO and Chairman** of the company's Management and Executive Boards since 2008.

## Jan Nootgedagt (Dutch, born 1953)



Jan Nootgedagt has worked in Europe's financial services sector for over thirty years, first for PWC, then for Ernst & Young, where he headed up the firm's financial services business in the Netherlands. He joined Aegon in 2009 as the company's **Chief Financial Officer and member of the Executive Board**.

Jan is due to retire in May 2013.

## Adrian Grace (British, born 1963)



Adrian Grace built his career at GE Capital, working for periods in both the United States and Asia. In the United Kingdom, he also held managing director roles at Sage Group, HBoS and Barclays Insurance. He was appointed Chief Operating Officer of Aegon's UK business in 2010, stepping up to become **Aegon UK CEO** two years later. He was appointed to Aegon's Management Board in 2012. Adrian also serves on the Board of the Association of British Insurers.

## Tom Grondin (Canadian, born 1969)



Tom Grondin worked at Canada's ManuLife Financial and consultancy firm Tillinghast-Towers Perrin before joining Aegon in 2000 as Director of Product Development and Risk Management. He was named Aegon's **Chief Risk Officer** in 2003. Tom was appointed to the company's Management Board in January 2013.

## Marco Keim (Dutch, born 1962)



Marco Keim started his career at accountants Coopers & Lybrand, before working for both Fokker Aircraft and NS Reizigers, part of Dutch railways. He joined Swiss Life in 1999 and was CEO of the company's Dutch operations for six years before becoming **CEO of Aegon the Netherlands** in 2009.

## Gábor Kepcs (Hungarian, born 1954)



Gábor Kepcs began his career with the Hungarian government before joining Állami Biztosító, becoming CEO two years before the state-owned insurer was privatized and bought by Aegon. As **CEO of Central & Eastern Europe**, Gábor has spearheaded the expansion of Aegon's business across the region. Gábor has been a member of Aegon's Management Board since 2007.

## Mark Mullin (American, born 1963)



Mark Mullin has been with Aegon for more than twenty years, serving in various management positions in both the United States and Europe. At the beginning of 2010, he joined the Management Board as **CEO of Aegon Americas**.

## Management Committee

In 2012, we formed a Management Committee to support our Management Board. The Committee brings together members of the Management Board and seven other senior managers from

across the organization. The Committee meets three or four times each year to review company-wide projects and initiatives, and monitor progress with Aegon's strategy.



**Darryl Button** joined Aegon in 1999, and held several management positions before becoming the Chief Financial Officer for Aegon's operations in the Americas in 2005. He is currently head of Aegon's Corporate Financial Center in The Hague, and will become Aegon's Chief Financial Officer in May 2013 when current CFO Jan Nooitgedagt retires.



**Brenda Clancy** has been with Aegon for 38 years. She is currently the Chief Operating Officer of Transamerica, Aegon's US business. Brenda began her career at Life Investors, one of our predecessor companies in the United States, before serving for several years as Treasurer and Senior Vice President for Information and Finance.



**Douglas Henck** began his career as an actuary at the US insurer Aetna Inc. before moving to Hong Kong to run Aetna's operations in Asia. He later served as President of Sun Life Financial Asia for five years before working in Israel as Chief Financial Officer at the Bahá'í World Center. In 2011, Doug was appointed Chairman & CEO of Aegon Asia.



**Damiaan Jacobovits de Szeged** held several positions at the investment bank J.P. Morgan before joining Aegon in 2005. Damiaan is currently Executive Vice President and head of the company's Group Business Development department, responsible for mergers and acquisitions, Aegon's overall corporate strategy and the company's brand strategy.



**Michiel van Katwijk** started his career with Aegon in 1991. Since then, he has been closely involved in the company's risk, treasury, capital and investor relations activities. Michiel was head of Aegon's Corporate Financial Center in The Hague before being appointed in 2012 to his current position as Chief Financial Officer of the company's operations in the Americas.



**Carla Mahieu** started her career at Royal Dutch Shell, where she held various management positions. After several years as a consultant, she was appointed Senior Vice President for Human Resources at Royal Philips Electronics. Carla joined Aegon as the Global Head of Human Resources in September 2010.



**Sarah Russell** has more than twenty years' experience in international finance and asset management. She began her career at Toronto Dominion in Melbourne, before joining ABN AMRO and moving to the Netherlands in 2000. Sarah was Chief Executive Officer of ABN AMRO's asset management operations from 2006 to 2008. She joined Aegon Asset Management as CEO in 2010.

# Managing risk

As an insurer, Aegon accepts and manages financial risk on behalf of its customers and policyholders. The most significant of these risks relates to movements in world financial markets, which may affect not only the value of our investments, but also the company's earnings. Ultimately, our objective is to ensure that we continue to meet our obligations to customers and policyholders, even in the most extreme market conditions.

Over the past few years, we have taken steps to reduce our exposure to financial markets. This has been an important part of the company's overall strategy. By lowering risk, we reduce the capital we need to set aside to cover that risk - capital which we can then use to re-invest in our businesses:

**We are taking steps to reduce equity market risk:** This refers to the risk that shares we own in other companies might decline in value. We are reducing this risk by selling some of our holdings and by hedging most of our remaining exposure, particularly where our products offer minimum income or return guarantees for customers. We have also been redesigning some of our products so that they contain less financial risk, including variable annuity products that we sell in the United States.

**We are taking steps to reduce our interest rate risk:** Generally, when interest rates are low, it becomes more difficult for insurance companies to make a profit, especially on products that provide a return guarantee for customers. Interest rates are currently the lowest they've been for decades. So we are lowering guarantees in some products and re-pricing others. We are also withdrawing from some product lines because we can't offer guarantees to customers without compromising our own profit margins. And - last year in the United States - we put in place additional hedges to further protect us against movements in interest rates.

**We are taking steps to reduce our credit risk:** This is the risk that the corporate bonds and other fixed-income investments we own lose their value. Corporate bonds, in particular, make up an important part of Aegon's overall portfolio. Here, we have acted in a number of areas: by shifting emphasis to earnings based on fees,

rather than interest rate spreads; by scaling back sales of fixed annuities in the United States; by switching more of our investments to safer securities and by reducing the overall size of the company's balance sheet. We have also lessened our exposure to troubled euro zone economies. Our investments in Greek, Irish, Italian, Portuguese and Spanish government securities at the end of 2012 represented just 0.6% of our overall general account.

Of course, movements in interest rates and share prices will still affect Aegon's earnings. However, the measures we have taken mean that our capital position is now much less sensitive to these movements than previously.

## Game changer

In recent years, we have taken an increasingly innovative approach to managing our financial risk. Last year, we launched a €12 billion longevity swap, which will help us offset risk related to increasing life expectancy in the Netherlands. The swap was the first of its kind in continental Europe, and has opened up the possibility of similar swaps in the future. Increased life expectancy, of course, means extended pension payouts, a significant risk for a company like Aegon. With the swap - arranged through Deutsche Bank - we have hedged about one-third of our €35 billion reserve amount in the Netherlands and freed up additional capital, further strengthening Aegon's overall financial position.



## Other risks

Financial risk is not the only risk Aegon manages. In many cases, as an insurance company, we actually look to take on more risk, particularly in areas that offer strong growth and high returns and where we are confident we can manage the risk effectively.

Of course, our earnings depend to a large extent on whether claims from customers correspond to the assumptions we make when pricing our products. Changes in mortality rates, life expectancy, morbidity or policyholder behavior may all have a significant effect on the company's financial results. We constantly monitor these risks and have complex models to predict trends. Findings from these models are then incorporated into the pricing and structure of our products.

As a company, we also recognize that social, environmental and governance risks can have a significant impact on our businesses, our reputation and, ultimately, on our earnings. We work to identify risk in areas such as sales practices, the conduct of our employees, IT security and customer complaints. In each case, we assess the possible impact on our financial performance, as well as on our wider reputation. In many areas, we set specific "tolerances" that, if breached, trigger action to head off potential financial or reputational problems for the company. Our Responsible Investment Policy - and our regular Stakeholder Survey - also help us identify areas of emerging risk.

## Building a strong internal risk culture

Managing risk is not only about having the right policies and procedures in place. It is also about encouraging a strong risk culture within the organization. Research shows that companies with a strong internal risk culture tend to perform better and recover more quickly following times of crisis.

Measuring "risk culture" isn't straightforward. We use our global employee survey to get an idea of how our employees view and manage risk. We then use the results to address any areas of weakness or underperformance. We want to know that our employees - even under pressure - will "do the right thing, the right way, at the right time". A strong risk culture within Aegon helps in the implementation of our processes and procedures, and plays a vital role in protecting both our business and, ultimately, our customers.

## Defining our "risk appetite"

Our strategy helps us decide which risks to accept and which to avoid. We assess risk using a number of different criteria. From that, we determine our "risk appetite" - how much and what type of risk we are willing to take on. We operate according to policies, which set out guidelines and specific limits on the risks we accept.

We also have a strong governance framework, which ensures that effective risk management is in place at all levels of the organization. At the same time, our Global Remuneration Framework ensures that our pay structure does not encourage excessive risk-taking.

We also encourage "risk diversification" to make sure we are not overexposed to particular types of risk and that we avoid an overconcentration of risk within individual business units.



## Aegon's system of risk governance spans all levels of the organization:



## Our **strategy** story

We have approximately €3.6 billion in impact investments, including affordable housing, renewable energy and sustainable timber.

**€3.6**  
billion

Impact investments

“We are forging new



relationships.”

# Pay for performance

To attract and retain talented staff, we recognize the need to pay competitive salaries. Our aim is to do so in a way that ties pay to performance, while discouraging excessive risk-taking.

Last year, we introduced a new Global Remuneration Framework. This framework applies to all staff worldwide, and sets out basic principles for salaries and incentive payments. One of the most important principles is "pay for performance". Which means that we tie incentives to specific performance targets. These targets are usually a mix of financial and non-financial objectives linked to Aegon's long-term corporate strategy, as well as individual goals. This ensures that we don't create a culture of entitlement within the company, or inadvertently encourage "pay for non-performance".

As a financial services company, with billions of euros under management, we believe it is essential that our system of variable pay and incentive payments doesn't encourage irresponsible or excessive risk-taking. To ensure this is the case, we make sure targets are in line with our overall risk management objectives, particularly for those staff involved in managing risk on behalf of the company. We have also put in place further safeguards. In the vast majority of cases, there's a cap on incentive payments, as a percentage of an employee's basic salary. In certain circumstances, the company can also claw-back all or part of personal incentive payments, especially if there is subsequent evidence of a substantial failure in risk management or a significant deterioration in the company's performance.



# Engaging with our stakeholders

Of course we engage with our stakeholders every day - not only our customers, but also our regulators, suppliers, business partners, shareholders, distributors and employees.

We also meet and speak with organizations that work in our local communities, such as private charities and community and civic groups. As a business, it is important that we know what impact we are having in the communities in which we operate, and in which our employees work and live. Similarly, we want to understand how the operations and decisions of these groups might also influence our business. Ultimately, we believe, it is our stakeholders who determine how successful we are as a company.

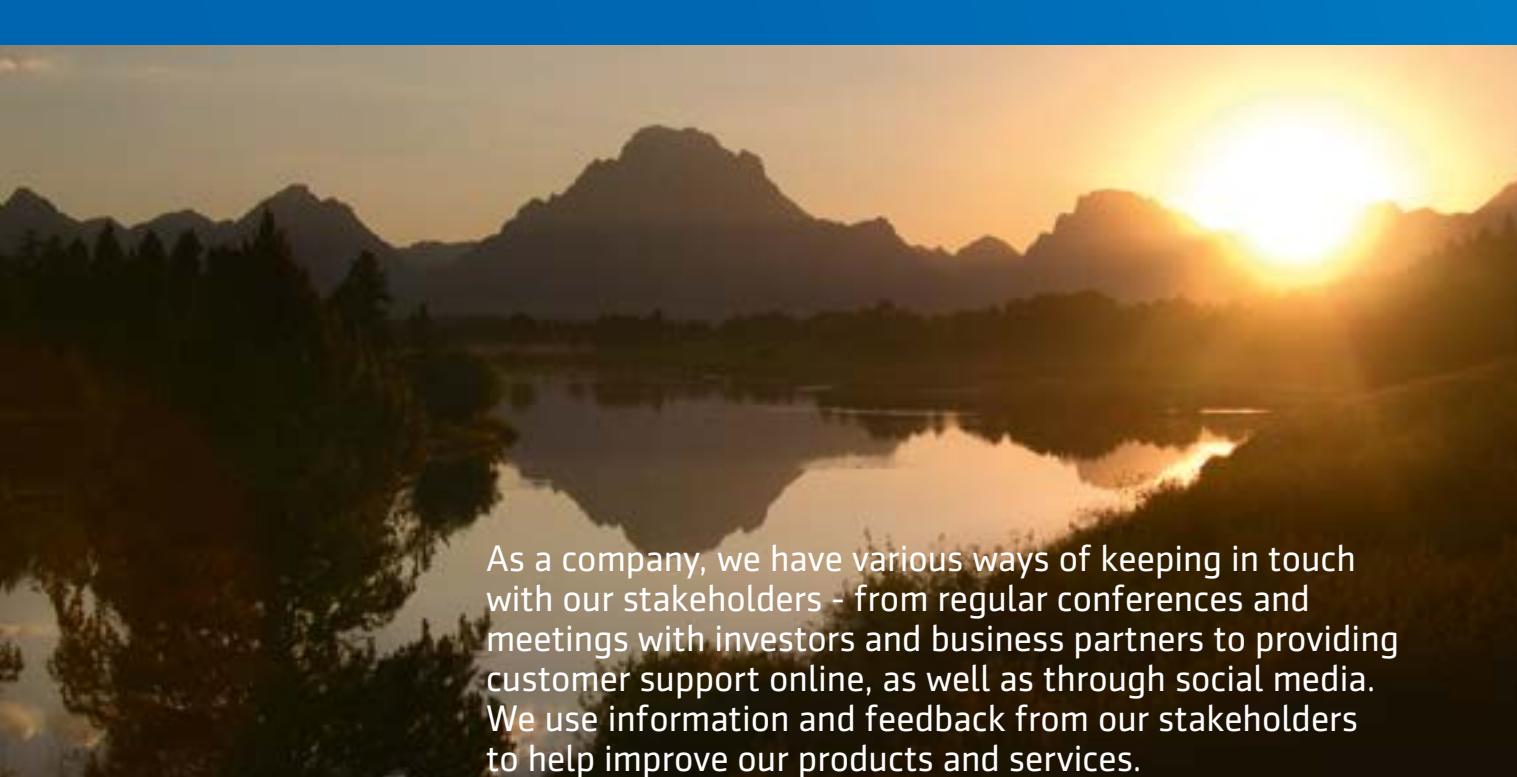
We have contact all the time, but we also have more formal structures in place to gather the views and opinions of our stakeholders. Each year, we organize an independent Stakeholder Survey. We ask some of our leading stakeholders to tell us what they think of our performance and what issues they think we should be addressing. We use this information to decide projects and initiatives, and to determine both the content and direction of our reporting. Our latest survey - carried out in November and December 2012 - identified which issues and trends were the most important for Aegon and its stakeholders (please see table below). In this Review, we have tried to address each of these issues. We have looked at how we think they will affect our businesses

in the years ahead, and how we intend to assess and deal with both the risks and opportunities they present.

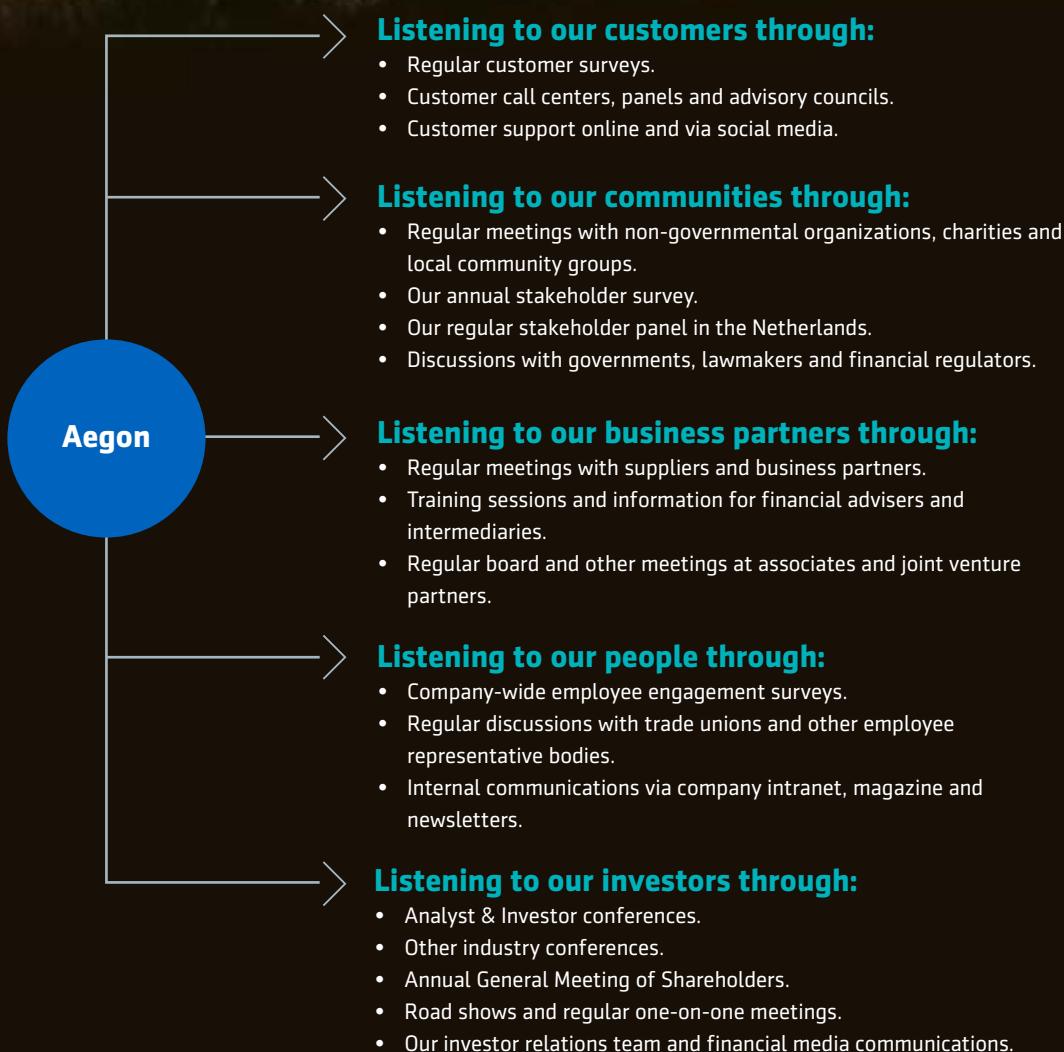
In addition to our annual survey, we also hold regular stakeholder panels in the Netherlands. These panels are designed to bring together stakeholders and Aegon management. Members of the panel include business leaders, academics and customer representatives, as well as our CEO in the Netherlands, Marco Keim. During the next year, we hope to extend similar stakeholder dialogue to both the United States and the United Kingdom.

Of course, it is one thing to say we take the interests of our stakeholders into account when making our decisions. It is another to put this into practice. In the real world, the interests of our different stakeholder groups do not always coincide with each other or with the business objectives of the company. Dealing with such dilemmas is an everyday part of doing business. That's why we examine the potential impact on all our stakeholders before decisions are made. Recognizing that we won't always please all stakeholders, we are committed to explaining the reasons behind the decisions we take (please see page 56 for our case study, "Changing strategy in Spain").

What are the key issues and trends?	Where can I read about them in this Review?
<b>The effects of the current global economic crisis</b>	<b>Page 24</b> New realities
<b>Our system of corporate governance and pay for senior managers</b>	<b>Page 38</b> Our governance <b>Page 48</b> Pay for performance
<b>Customer service and the products and services we offer</b>	<b>Page 16</b> Our strategy story: How we are transforming tomorrow
<b>The recent decrease in trust in the financial services sector</b>	<b>Page 16</b> Our strategy story: How we are transforming tomorrow
<b>Global aging and changing demographics</b>	<b>Page 24</b> New realities
<b>The social and environmental impact of our investments</b>	<b>Page 51</b> Investing responsibly



As a company, we have various ways of keeping in touch with our stakeholders - from regular conferences and meetings with investors and business partners to providing customer support online, as well as through social media. We use information and feedback from our stakeholders to help improve our products and services.



# Investing responsibly

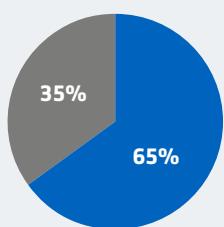
Through our global asset management organization - Aegon Asset Management - we manage approximately €250 billion in investments for both policyholders and other clients.

Through these investments, we are able to fulfill the commitments we make to our customers. But we also believe we have a responsibility, where possible, to use these investments to promote sustainable economic development. We have a Responsible Investment Policy, which incorporates social, environmental and corporate governance factors into decisions about where, when and how we invest. This approach helps us both manage risk and identify possible new investment opportunities. Over the long term, it may also help us secure higher returns for the company as well as its clients. The policy covers all major asset classes.

Our Responsible Investment Policy defines a number of standards which we use to assess the companies in which we invest. These standards cover issues such as child labor, the environment, discrimination, working conditions, business integrity and corporate

governance. We want to know whether the companies we invest in are meeting these standards, whether they've identified possible risks in these areas, and are taking the right measures to address those risks. In cases where we believe the standards are not being met, we'll meet with senior management to attempt to bring about a change in the company's practices. In 2012, we engaged with a total of 204 different companies on issues ranging from executive pay to human rights and the trade in controversial weapons. We may choose to exclude investment if, after engagement, companies still don't meet the standards contained in our Responsible Investment Policy. We already exclude those companies involved in controversial weapons, such as cluster bombs and anti-personnel mines. We also exclude bonds and other securities issued by governments that systematically breach internationally-recognized human rights.

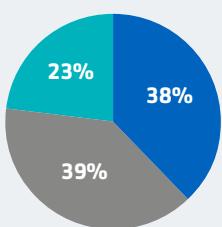
## What issues did we engage on?



● Corporate governance  
● Social or environmental

Last year, nearly two-thirds of our engagement related to matters of corporate governance such as voting rights and executive remuneration. Thirty-five percent concerned companies' social or environmental performance.

## How deep was our engagement?



● Basic  
● Moderate  
● Extensive

Aegon uses the definitions set out in the UN Principles for Responsible Investment, which categorize engagement as basic, moderate or extensive, depending on the objective, frequency and seniority of management involved.

## Aegon's Socially Responsible Investment funds

2012	1,434
2011	1,187
2010	1,224
2009	940
2008	828
2007	1,078
2006	800

In addition to our main investments, we also have specialized Socially Responsible Investment (SRI) funds in the United Kingdom, the Netherlands and Hungary. These funds only represent a small part of our overall investment portfolio - less than 0.3% - but offer niche investors an opportunity to invest in the best performing companies from a sustainability point of view, and avoid investments in areas like tobacco, armaments or alcohol. Last year, we saw a 20% increase in these funds' assets under management - the result mainly of an improvement in overall financial market conditions.

## Making an impact

"Impact investing" is an emerging approach within the asset management sector: making investments that deliver not only sound financial returns, but also a real social or environmental benefit. Currently, Aegon has approximately €3.6 billion invested in projects like these - ranging from low-cost housing to sustainable timber and renewable energy.

Where do we make an impact?

### Low-cost housing/social

Aegon has investments in affordable housing in both the United States and the Netherlands. In all, we have contributed to building more than 105,000 houses in the United States and another 2,000 in the Netherlands. In addition, we have smaller investments in the Dutch social/medical sector.

### Sustainable timber

Aegon has extensive investments in sustainable timber, certified by either the Sustainable Forestry Initiative or the Forestry Stewardship Council.

### Renewable energy

In the United States, we are involved in four separate wind power projects. Together, they generate enough power to supply approximately 85,000 homes. In total, these projects are saving 450,000 metric tons each year of carbon dioxide. We also have smaller investments in solar power.

### Elderly care homes

Through Kames Capital - our asset management business in the United Kingdom - we have a fund that invests in retirement homes in Scotland and northern England. These homes provide care for more than 900 elderly people, half of whom are living on government benefits.

### Development banks

In the United States, we have investments in fixed income products and other bonds issued by regional development banks. These banks operate in emerging and lesser developed countries, promoting economic growth and helping reduce poverty.

What's the investment?

€3.1 billion

€115 million

€170 million

€96 million

€81 million

# Managing our capital

As an international company, our goal is to secure strong and stable sources of capital, allowing our businesses to grow and ensuring that we continue to meet payment obligations to our customers and policyholders. Key to this is making sure we can raise capital from international financial markets on the most competitive terms.

The amount of capital we hold is determined mainly by the requirements of our regulators, as well as our own commitment to maintaining Aegon's strong financial strength ratings. This amount is directly linked to the types of products and services we provide, the markets in which we operate, and the financial risks we choose to accept. Over the past several years, by reducing risk and using our capital more efficiently, we have been able to free up billions of euros from our businesses. We have also taken a more innovative approach to capital management, and invested more in products and services that are less capital intensive. At the same time, we have maintained a significant capital buffer against any worsening in world financial markets.

Aegon's priority is not only to maintain this buffer, but also to improve the quality of the capital we hold. That means making sure that higher-quality "core capital" - essentially equity from our shareholders - accounts for at least three-quarters of the company's overall capital base. The higher our core capital, the less dependent Aegon is on debt. By the end of 2012, core capital accounted for nearly 77% of total capital, ahead of our target of 75%.

In addition to maintaining sufficient access to capital, Aegon also needs to maintain enough "liquidity" - cash and other easily-realizable assets - to meet demands for cash from its businesses. For Aegon, this liquidity generally comes from two sources: payments and deposits made by our customers and assets held in our investment portfolio that can be converted easily into cash.



This cash is then available for a variety of purposes: to meet day-to-day operating expenses, service the company's debt, make new investments, pay dividends to shareholders, and claims and benefits to the company's customers and policyholders. We regularly "stress test" our liquidity position to make sure we can continue to meet these obligations, even under extreme conditions. In 2012, we maintained holdings of cash and other highly liquid assets as a safeguard against volatile financial markets. Our stress tests determined that available liquidity in our operating companies would more than match demand for at least two years, even if market conditions were to deteriorate significantly.

Despite recent economic turmoil, Aegon has been able to maintain strong financial ratings from the main credit rating agencies. This is important because they act as a mark of confidence for both customers and investors.

## Ratings

December 31, 2012

Agency	Standard & Poor's	Moody's Investor Service	Fitch
Aegon N.V.	A-	A3	A
Aegon USA	AA-	A1	AA-
Aegon NL	AA-	-	-
Aegon UK	A+	-	-

# Investing in our communities

Aegon has a long tradition of investing in local communities, and supporting good causes and charities around the world. Last year, we contributed a total of €5.6 million to various causes in our markets.

More than 80% went to projects in our three main target areas: health, welfare and literacy. However, it is not just about the money we donate. In 2012, Aegon started to introduce limited paid time-off for employees wanting to volunteer in their local communities. By the end of the year, we had extended this benefit to almost two-thirds of our workforce. Already, in 2012, Aegon employees in the United States, the United Kingdom and Spain had given up almost 7,000 hours to work on community projects. Next year, we expect that figure to be higher as we extend our volunteering program to the rest of our employees.

For the most part, our local operating units determine which projects, institutions and causes are supported financially by

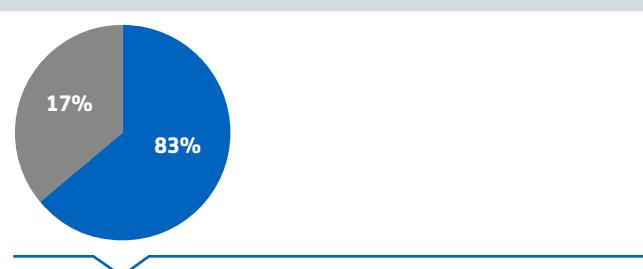
the company. This means that we are able to support projects that are important to our local communities. In the United States, we channel our support through the Transamerica Foundation. Last year, the Foundation gave \$4.6 million, primarily in those states where Transamerica - Aegon's US business - has a significant presence.

In addition to the United States, we also have giving and volunteering programs in the United Kingdom, the Netherlands, Asia and Central & Eastern Europe. We support projects ranging from research into serious illnesses like cancer and Alzheimer's to children's charities, schools, colleges and universities, and homes for the elderly.



Last year, we invested a total of €5.9 million<sup>1</sup> in community projects and other good causes - both in direct financial contributions and in employee volunteer work.

<sup>1</sup> The value of employee volunteer work is based on average salaries/hour in line with recommendations from the London Benchmarking Group.



In 2012, more than 80% of our donations went to projects in our three main focus areas: health, welfare and literacy. Sixty-four percent of the money donated went to various causes in the United States, Aegon's largest market.

## Building with Habitat for Humanity

According to the US government, an estimated 5.4 million American households are currently unable to find a decent place to live at a price they can afford. So, as a company, we have been working with Habitat for Humanity to help address this problem. Habitat for Humanity uses volunteers to build homes, which it then sells to low-income families at no profit. Over the past year, Transamerica employees have volunteered on Habitat construction sites across the United States - often alongside future homeowners.

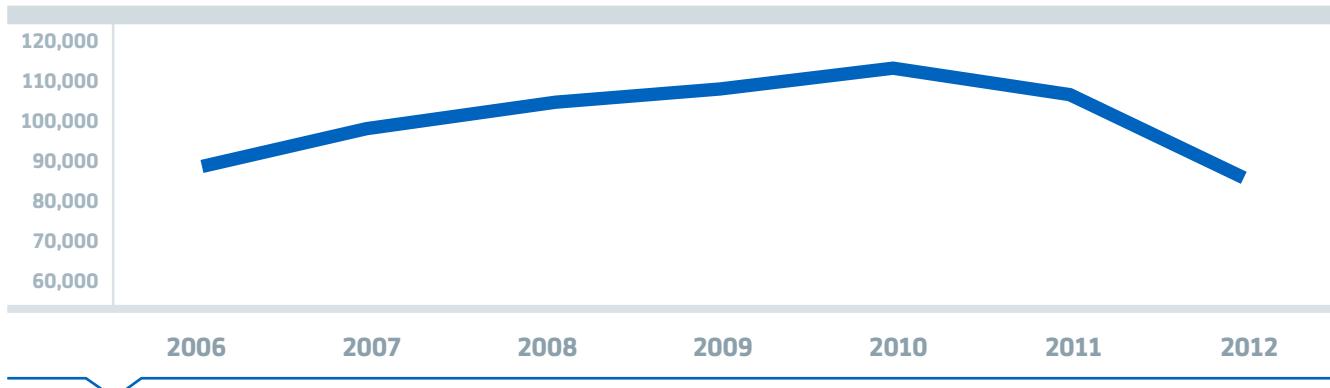
It is part of a long-term partnership with Habitat for Humanity which, in some areas, stretches back more than twenty years. In 2009, Transamerica and its employees worked closely with Habitat for Humanity to help residents of Cedar Rapids left homeless by devastating floods. In May last year, we took part in a special project, sending out over 450 employees to work on Habitat sites in 13 different cities, including Los Angeles, Chicago, Boston, Atlanta and Baltimore, as well as Transamerica's home town of Cedar Rapids, Iowa.

## Protecting the environment

We understand that we have a responsibility to help protect the environment. As an office-based company, we are not ourselves significant consumers of energy and other raw materials. But we do have considerable influence through our investments and our purchase of goods and services. That's why we have included the environment in both our Responsible Investment Policy and the guidelines we are currently drafting on procurement. Over the past few years, we have also done our best to reduce our own carbon footprint - by installing more efficient heating and lighting systems in our offices, by reducing the number of computer servers we use and by switching to more digital correspondence. We have also seen a drop in energy consumption as a result of office closures, part of broader restructuring in parts of our business. By 2014, our operations in both the United Kingdom and the Netherlands will be powered entirely by renewable energy.

**“Over the past three years, we have reduced emissions of CO<sub>2</sub> from our main office buildings by 24.9% - well ahead of the 10% target we set ourselves.”**

## Reducing Aegon's carbon footprint



CO<sub>2</sub> emissions (metric tons, from energy consumption and business air travel)

“This is all about getting involved in our communities, and making a real difference,” said Kent Callahan, who heads Transamerica’s Employer Solutions and Pensions division and has been closely involved in the company’s partnership with Habitat for Humanity. “By doing something very simple - putting a roof over their heads - we are transforming tomorrow for thousands of people across the country who can’t afford a decent home.”

Since its foundation in 1976, Habitat for Humanity has helped build or repair more than half a million homes in the United States and around the world. Its work has improved the lives of some two million people worldwide.



# Case study: Changing strategy in Spain

In recent years, we have built a successful business in Spain through partnerships with regional savings banks, which sold Aegon products via their branch networks. Last year, with Spain's economy in crisis and the financial sector undergoing significant restructuring, Aegon had to change its strategy and adopt a different approach to the Spanish market.

## What was the issue?

- Spain's financial sector was going through deep restructuring. Many of Aegon's partners among the country's savings banks were joining forces, or merging with other, bigger banking groups. We needed to exit some existing partnerships, and find new partners to sell and distribute our products and services.
- At the same time, Spain's economy faced severe challenges. There were concerns over growth and the need for significant cuts in public spending. Unemployment had reached record highs, and Spain's housing market was collapsing.

## What factors were important?

- More than 70% of life insurance in Spain is sold through banks - which meant we needed a distribution partner in the banking sector, one with a reach similar to the regional savings banks, or better.
- Despite economic turmoil, we were convinced Spain remained a very attractive market, with demand for life insurance and other savings and investments likely to grow over the longer term.
- Spain's government could no longer afford generous state pensions and other benefits, which meant more people, in the years ahead, would look to private sector providers like Aegon to help them manage their finances and save for retirement.
- We had proven expertise in selling life and other insurance products in Spain. We had a strong local management team, and had invested significantly in our employees and our brand over recent years. Moreover, we were committed to the Spanish market.

## What was the outcome?

- In December, we signed a new long-term partnership with Banco Santander, Spain's biggest bank. The agreement gives us access to Santander's network of more than 4,600 branches across Spain and a potential customer base of 12 million people. Meanwhile, we are investing proceeds from the sale of our previous joint ventures into further strengthening our own back office in Spain to support the partnership. We expect the partnership with Santander to close in the first half of 2013.



Last year, we joined thirty other leading insurance companies in signing the UN Principles for Sustainable Insurance. These principles are about making sure sustainability becomes "business as usual". To achieve this, we have set specific targets and objectives against each of the PSI's four principles:

## 1

We will embed in our decision-making environmental, social and governance issues, relevant to our insurance business.

### Our targets and objectives

Implement minimum standards of market conduct - for ourselves and our intermediaries.

Introduce new rules for pricing our products that are focused, in part, on benefits for customers.

Wherever we can, make our products clearer and easier for our customers to understand.

Use our employees' diversity to bring new insights into our business.

Develop a set of indicators and measurements to track progress on our sustainability strategy.

### Progress 2012

We have adopted a set of six basic market conduct principles to operate alongside our existing local codes. These principles apply to all our businesses worldwide, and ensure we put the interests of our customers first.

We have updated our pricing & product development policy. Among others, this policy commits us to assessing potential benefits for customers and other stakeholders before pricing any new product or service.

Over the past year, a number of our businesses have organized initiatives to use plainer, simpler language in letters and correspondence with customers.

Aegon has introduced a company-wide Statement on Diversity & Non-discrimination and we are currently working on local projects and initiatives to encourage greater diversity within our workforce.

We have now decided on key performance indicators linked to our four strategic objectives and our overall sustainability goals. We'll start reporting against these KPIs progressively during the course of 2013.

## 2

We will work together with our clients and business partners to raise awareness of environmental, social and governance issues, manage risk and develop solutions.

### Our targets and objectives

Put in place minimum social and environmental standards for the goods and services we buy.

Make sure we invest responsibly by engaging, where we can, with companies to improve policies and practices.

Look at opportunities to expand investments where there are clear, positive social or environmental impacts.

### Progress 2012

Aegon is currently working on new procurement guidelines, which will apply to all our businesses worldwide. We expect to have these guidelines in place by mid-2013.

Last year, we engaged with 204 companies as part of our approach to responsible investment. Engagement covered a number of areas, including corporate governance, remuneration, human rights and the environment.

We already have significant "impact investments", which deliver not only sound financial returns, but also social and environmental benefits. Over the next few months, we'll be looking at new opportunities in this area.

## 3

We will work together with governments, regulators and other key stakeholders to promote widespread action across society on environmental, social and governance issues.

### Our targets and objectives

Organize panels of key stakeholders to provide feedback on our work and performance.

Fund research into aging and demographic change in both Europe and the United States.

Provide limited paid time-off to allow employees to support community projects and initiatives.

### Progress 2012

Aegon organizes regular meetings of its stakeholder panel in the Netherlands. Plans are to organize similar dialogue in the United States and the United Kingdom in 2013.

Last year, we published our first Retirement Readiness Surveys, based on extensive research in the United States, Europe and Asia. In the United States, the non-profit Transamerica Center for Retirement Studies also publishes regular research into retirement trends and practices.

By the end of 2012, approximately 64% of Aegon's employees had access to limited paid time-off for volunteer work. Aegon expects to extend this benefit to remaining employees during the course of 2013.

## 4

We will demonstrate accountability and transparency in regularly disclosing publicly our progress in implementing the principles.

### Our targets and objectives

Make sure we publish these objectives and the progress we are making against them in this Review and on our company website.

### Progress 2012

We have published the PSI objectives, and our progress against them, in both this 2012 Review and our online Sustainability Supplement.

# Facts & figures

# Contents

Over the next few pages, we have set out all our financial and non-financial performance data. Alongside our consolidated income, cash flow and financial position statements, you will also find the main indicators for Our business, Our people and the Wider community. We have also included footnotes that explain our methodology and any changes in reporting and scope made over the past year.

## Facts & figures

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# Consolidated income statement

For the year ended December 31

Amounts in EUR million (except per share data)	2012	2011	2010
Premium income	19,526	19,521	21,097
Investment income	8,501	8,167	8,762
Fee and commission income	1,900	1,465	1,744
Other revenues	10	6	5
<b>Total revenues</b>	<b>29,937</b>	<b>29,159</b>	<b>31,608</b>
Income from reinsurance ceded	4,128	2,775	1,869
Results from financial transactions	13,048	(187)	15,662
Other income	151	39	40
<b>Total income</b>	<b>47,264</b>	<b>31,786</b>	<b>49,179</b>
Premiums to reinsurers	3,735	3,407	1,859
Policyholder claims and benefits	35,155	20,230	38,128
Profit sharing and rebates	34	55	36
Commissions and expenses	5,736	6,164	6,034
Impairment charges / (reversals)	206	483	701
Interest charges and related fees	467	491	426
Other charges	53	69	122
<b>Total charges</b>	<b>45,386</b>	<b>30,899</b>	<b>47,306</b>
<b>Income before share in profit / (loss) of associates and tax</b>	<b>1,878</b>	<b>887</b>	<b>1,873</b>
Share in profit / (loss) of associates	26	29	41
<b>Income / (loss) before tax</b>	<b>1,904</b>	<b>916</b>	<b>1,914</b>
Income tax	(333)	(44)	(154)
<b>Net income / (loss)</b>	<b>1,571</b>	<b>872</b>	<b>1,760</b>
<b>Net income / (loss) attributable to:</b>			
Equity holders of Aegon N.V.	1,570	869	1,759
Non-controlling interests	1	3	1
<b>Earnings per share (EUR per share)</b>			
Basic earnings per share	0.69	(0.06)	0.76
Diluted earnings per share	0.69	(0.06)	0.68

# Consolidated statement of financial position

As at December 31

Amounts in EUR million	2012	2011
<b>Assets</b>		
Intangible assets	2,948	3,285
Investments	146,234	144,079
Investments for account of policyholders	153,670	142,529
Derivatives	21,154	15,504
Investments in associates	829	742
Reinsurance assets	11,987	11,517
Defined benefit assets	201	303
Deferred tax assets	33	89
Deferred expenses	11,687	11,432
Other assets and receivables	7,722	7,792
Cash and cash equivalents	9,653	8,104
<b>Total assets</b>	<b>366,118</b>	<b>345,376</b>
<b>Equity and liabilities</b>		
Shareholders' equity	24,669	21,000
Other equity instruments	5,018	4,720
<b>Issued capital and reserves attributable to equity holders of Aegon N.V.</b>	<b>29,687</b>	<b>25,720</b>
Non-controlling interests	13	14
<b>Group equity</b>	<b>29,700</b>	<b>25,734</b>
Trust pass-through securities	155	159
Subordinated borrowings	61	18
Insurance contracts	105,209	104,974
Insurance contracts for account of policyholders	76,871	73,425
Investment contracts	17,768	20,847
Investment contracts for account of policyholders	78,418	71,433
Derivatives	17,848	12,728
Borrowings	12,758	10,141
Provisions	331	444
Defined benefit liabilities	2,222	2,184
Deferred revenue liabilities	106	104
Deferred tax liabilities	3,622	2,499
Other liabilities	20,716	19,501
Accruals	333	1,185
<b>Total liabilities</b>	<b>336,418</b>	<b>319,642</b>
<b>Total equity and liabilities</b>	<b>366,118</b>	<b>345,376</b>

# Consolidated cash flow statement

For the year ended December 31

Amounts in EUR million	2012	2011	2010
<b>Income / (loss) before tax</b>	<b>1,904</b>	916	1,914
Results from financial transactions	(12,955)	187	(15,662)
Amortization and depreciation	1,439	1,651	1,590
Impairment losses	206	483	701
Income from associates	(26)	(29)	(41)
Release of cash flow hedging reserve	(62)	(18)	(8)
Other	(139)	(138)	(5)
<b>Adjustments of non-cash items</b>	<b>(11,537)</b>	<b>2,136</b>	<b>(13,425)</b>
Insurance and investment liabilities	(3,224)	(4,940)	(4,274)
Insurance and investment liabilities for account of policyholders	11,042	(154)	14,274
Accrued expenses and other liabilities	536	(421)	502
Accrued income and prepayments	(1,743)	(1,460)	(2,299)
<b>Changes in accruals</b>	<b>6,611</b>	<b>(6,975)</b>	<b>8,203</b>
Purchase of investments (other than money market investments)	(32,464)	(29,612)	(42,691)
Purchase of derivatives	(1,528)	(1,350)	(940)
Disposal of investments (other than money market investments)	34,050	34,924	45,446
Disposal of derivatives	507	1,599	1,452
Net purchase of investments for account of policyholders	960	(1,577)	(1,522)
Net change in cash collateral	(179)	2,180	3,003
Net purchase of money market investments	552	445	39
<b>Cash flow movements on operating items not reflected in income</b>	<b>1,898</b>	<b>6,609</b>	<b>4,787</b>
Tax paid	105	(375)	(274)
Other	53	(45)	58
<b>Net cash flows from operating activities</b>	<b>(966)</b>	<b>2,266</b>	<b>1,263</b>
Purchase of individual intangible assets (other than VOBA and future servicing rights)	(38)	(18)	(20)

[Continuation >](#)

Amounts in EUR million	2012	2011	2010
Purchase of equipment and real estate for own use	(65)	(72)	(116)
Acquisition of subsidiaries and associates, net of cash	(126)	(99)	(31)
Disposal of intangible asset	1	1	2
Disposal of equipment	10	18	33
Disposal of subsidiaries and associates, net of cash	286	823	(158)
Dividend received from associates	2	3	14
Other	1	(3)	(2)
<b>Net cash flows from investing activities</b>	<b>71</b>	<b>653</b>	<b>(278)</b>
Issuance of share capital	2	913	-
Issuance of non-cumulative subordinated notes	271	-	-
Proceeds from TRUPS <sup>1</sup> , subordinated loans and borrowings	6,693	5,627	7,551
Repurchase of convertible core capital securities	-	(1,500)	(500)
Repayment of TRUPS <sup>1</sup> , subordinated loans and borrowings	(3,886)	(4,342)	(6,577)
Dividends paid	(207)	(59)	(90)
Coupons and premium on convertible core capital securities	-	(750)	(63)
Coupons on perpetual securities	(230)	(237)	(251)
Coupons on non-cumulative subordinated notes	(30)	-	-
Other	(11)	(26)	49
<b>Net cash flows from financing activities</b>	<b>2,602</b>	<b>(374)</b>	<b>119</b>
<b>Net increase / (decrease) in cash and cash equivalents <sup>2</sup></b>	<b>1,707</b>	<b>2,545</b>	<b>1,104</b>
Net cash and cash equivalents at the beginning of the year	7,826	5,174	4,013
Effects of changes in exchange rate	27	107	57
<b>Net cash and cash equivalents at the end of the year</b>	<b>9,560</b>	<b>7,826</b>	<b>5,174</b>

<sup>1</sup> Trust pass-through securities.

<sup>2</sup> Included in net increase / (decrease) in cash and cash equivalents are interest received (2012: EUR 7,345, 2011: EUR 7,407 million and 2010: EUR 8,167 million) dividends received (2012: EUR 1,005 million, 2011: EUR 760 million and 2010: EUR 635 million) and interest paid (2012: EUR 432 million, 2011: EUR 273 million and 2010: EUR 380 million).

The cash flow statement is prepared according to the indirect method.

# Indicators: our business, our people, wider community

Our business	2012	2011	Change
<b>Customer relations:</b>			
Claims & benefits paid	€21.0 billion	€16.9 billion	+24.3%
Net Promoter Score (% of Aegon businesses covered) <sup>1</sup>	74%	55%	+34.5%
Customer complaints <sup>2</sup>	50,415	82,314	-38.8%
<b>Responsible investment:</b>			
Total SRI assets under management <sup>3</sup>	€1.43 billion	€1.19 billion	+20.2%
Number of companies engaged as part of Aegon's Responsible Investment Policy	204	227	-10.1%
<b>Procurement:</b>			
Amount spent on goods and services	€1.34 billion	€1.48 billion	-9.5%
<b>Share performance:</b>			
Closing share price (Amsterdam, Dec. 31)	€4.80	€3.10	+54.8%
Dividends / share	€0.21	€0.10	+110.0%
Total shareholder return <sup>4</sup>	+63%	-32%	-
<b>Sales, deposits &amp; fees:</b>			
Total sales	€6.73 billion	€5.70 billion	+18%
% of sales from direct channels	19%	NM	-
% of earnings from fees	33%	NM	-
Gross deposits	€39.47 billion	€31.69 billion	+24.6%
<b>Efficiency:</b>			
Ratio of costs : assets <sup>5</sup>	1.1%	NM	-
Ratio of costs : earnings <sup>6</sup>	62%	NM	-
<b>Taxes:</b>			
Total taxes paid <sup>7</sup>	(€104.8 million)	€374.6 million	-

<sup>1</sup> Percentage of Aegon businesses using the Net Promoter Score as their primary measure of customer loyalty (weighted by IFRS capital).

<sup>2</sup> Includes both written and verbal complaints.

<sup>3</sup> Assets under management at Aegon's Socially Responsible Investment funds in the United Kingdom, the Netherlands and Hungary.

<sup>4</sup> Based on the increase in Aegon's share price during the year and dividend payments (assuming dividends are re-invested in Aegon stock).

<sup>5</sup> Operating expenses : revenue-generating investments.

<sup>6</sup> Operating expenses : underlying earnings before tax.

<sup>7</sup> Please note that there is often no direct correlation between tax on earnings for any given year and amounts paid or received in tax. Part of the explanation for this is that certain tax deductible items are not recognized in the profit & loss statement, but directly in equity. Also, payments to the tax authorities are spread over a number of years and payments made may be recovered due to tax losses in later years. In relation to 2012, Aegon reached an agreement with the tax authorities that resulted in an acceleration of tax deductions and corresponding tax refunds. In 2012, the income tax charge on earnings totaled EUR 333 million, while there was an amount of tax received of EUR 105 million. Figures in parentheses reflect payments to the company.

NM - not measured.

Our people	2012	2011	Change
<b>Employee empowerment:</b>			
Employee engagement <sup>1</sup>	67	63	+6.3%
Employee enablement <sup>1</sup>	67	64	+4.7%
Human capital return on investment <sup>2</sup>	1.88	1.78	+5.6%
<b>Our workforce:</b>			
Total number of employees	24,407	25,288	-3.5%
Staff turnover <sup>3</sup>	14%	19%	-26.3%
Number of new hires	2,740	2,516	+8.9%
Number of redundancies	1,211	2,377	-49.1%
Proportion of part-time employees	11.3%	10.2%	+10.8%
Proportion of employees on fixed-term contracts	7.3%	7.6%	-3.9%
Employees' average years of service	9.0	9.1	-1.1%
<b>Employment costs:</b>			
Total employment costs	€2.09 billion	€2.07 billion	+1.0%
<b>Diversity:</b>			
Percentage of women in the workforce	54%	54%	Unchanged
Percentage of women in senior management <sup>4</sup>	31%	26%	+19.2%
<b>Employee training &amp; welfare:</b>			
Spending on training per employee	€453	€508	-10.8%
Absentee rate <sup>5</sup>	2.4%	2.6%	-7.7%
Number of work-related injuries and illnesses <sup>6</sup>	271	236	+14.8%

<sup>1</sup> Based on Hay index (score out of 100).

<sup>2</sup> Human capital return on investment = (Underlying earnings before tax + employee expenses) ÷ employee expenses.

<sup>3</sup> Includes voluntary departures, redundancies and those employees retiring or leaving the company for other reasons.

<sup>4</sup> Senior management includes members of Aegon's Management Board, business unit CEOs and the two layers of management immediately below.

<sup>5</sup> Excludes maternity leave (except in the United States).

<sup>6</sup> Covers injuries and illnesses sustained by employees during the course of their work for the company.

Wider community	2012	2011	Change
<b>Community investment:</b>			
Total charitable donations	€5.6 million	€6.5 million	-13.8%
Community investment <sup>1</sup> as % of net income	0.4%	0.8%	-
Total employee volunteer hours	6,879	NM	-
<b>Environment:</b>			
CO <sub>2</sub> emissions <sup>2</sup>	88,152 metric tons	108,976 metric tons	-19.1%
CO <sub>2</sub> emissions per employee <sup>2</sup>	3,612 kilograms	4,309 kilograms	-16.2%
Electricity consumption	133.2 GwH	166.1 GwH	-19.8%
Gas consumption	2.9 million m <sup>3</sup>	3.8 million m <sup>3</sup>	-23.7%
Paper consumption	6,402 metric tons	6,711 metric tons	-4.6%
Water consumption	361,085 m <sup>3</sup>	380,560 m <sup>3</sup>	-5.1%
Production of waste	3,056 metric tons	3,339 metric tons	-8.5%
Business air travel	109.9 million km	113.7 million km	-3.3%

<sup>1</sup> Community investment = corporate donations + monetary value of employee volunteering (please see page 54 for further details).

<sup>2</sup> Emissions from energy consumption and business air travel. Please note that figures for 2011 have been restated to reflect a previous misreporting of air travel in the Netherlands.

## About this Review

We take an integrated approach to corporate reporting. This means that we report our environmental, social and governance performance with our financial performance. We do our best to explain how non-financial factors such as customer service or employee engagement impact our financial performance and drive our earnings. We believe this approach gives our stakeholders a more complete picture of our company: not only how we manage our businesses, but also our performance as an employer, investor and business partner. In addition to this Review, we also publish three other documents:

- An **Annual Report** and a **Form 20-F**, which meet obligations with regard to Dutch and US regulations and provide more in-depth data and information on earnings, risk management and the company's system of governance.
- An online **Sustainability Supplement**, which covers all Global Reporting Initiative indicators.

All these documents are available via Aegon's corporate website. Information for this Review is based on extensive reporting from our country and business units around the world. All information is reviewed formally by Aegon's Disclosure Committee and Disclosure Working Committee and is subject to approval by members of the company's Management, Executive and Supervisory Boards before publication. Contents have also been reviewed by our auditors, Ernst & Young LLP. For a copy of the auditors' report, please see page 67.

Aegon's 2012 Review covers the company's operations in twelve countries: Canada, China, the Czech Republic, Hungary, the Netherlands, Poland, Romania, Slovakia, Spain, Turkey, the United Kingdom and the United States. Unless otherwise stated, data does not include our associate companies and joint ventures in Brazil, India, Japan and Mexico (though some information from those operations has been made available for purposes of illustration).

All financial information has been taken from Aegon's 2012 Annual Report, and refers to all Aegon companies. This Review covers the full year 2012, unless specifically stated otherwise. All necessary notes, explanations and definitions are provided in the text or accompanying tables. Aegon's previous Review was published in March 2012.

## Independent Assurance Report on the 2012 Review and Supplement to the 2012 Review

To the shareholders of Aegon N.V.

### ENGAGEMENT AND RESPONSIBILITIES

We have reviewed the information in the accompanying integrated 2012 Review and Sustainability Supplement to the 2012 Review of Aegon N.V. (collectively referred to as "2012 Review"). The Management Board of Aegon N.V. is responsible for the preparation of the information, stakeholder engagement and the selection of material topics in accordance with the criteria applied. The decisions made by management in respect of the scope of the 2012 Review and the internal reporting guidelines are set forth in the section entitled GRI reporting tables in the Sustainability Supplement to the 2012 Review. Our responsibility is to provide limited assurance on the information included in the 2012 Review. Our engagement did not include providing any assurance relating to future information such as estimates, expectations or targets, or their achievability.

### Criteria applied

Aegon N.V. applies the G3 guidelines of the Global Reporting Initiative supported by the internal reporting guidelines as described in the Reporting Policy in the GRI reporting tables in the Sustainability Supplement to the 2012 Review. It is important to view the performance data in the context of these criteria. We believe that these criteria are suitable in view of the purpose of our assurance engagement.

### Procedures performed

We conducted our engagement in accordance with Dutch law, including the Dutch Standards 3410N, "Assurance Engagements with respect to Sustainability Reports". This requires that we comply with ethical requirements and plan and perform procedures to obtain sufficient and appropriate evidence to substantiate our conclusion.

Procedures to obtain limited level of assurance are less extensive in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks, than those for a reasonable level of assurance and therefore less assurance is provided.

The main procedures that we have performed with respect to the 2012 Review are:

- Assessing the acceptability of the reporting policies used and their consistent application, as well as reviewing significant estimates and calculations made in preparing the information in the integrated 2012 Review.
- Obtaining an understanding of the sector, the organization and its most relevant corporate social responsibility issues.
- Obtaining an understanding of the design and existence of processes used to collect, process and consolidate the reported information, including the consolidation process.
- Reviewing based on a risk analysis the plausibility of the sustainability information contained in Aegon's integrated 2012 Review by performing analytical procedures, conducting interviews with responsible company officers, checking the substantiations of this information on a test basis, as well as reviewing relevant corporate documents and external sources Aegon used as source for its reporting.
- Evaluating whether the financial information is properly derived from the Annual Report.
- Evaluating the sufficiency of the sustainability information in the integrated 2012 Review of Aegon and its overall presentation against the criteria mentioned above.

We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

### Conclusion

Based on our assurance procedures on the information included in the integrated 2012 Review, nothing came to our attention that causes us to believe that the information is not, in all material respects, correctly presented in accordance with the Sustainability Reporting Guidelines (G3) of the Global Reporting Initiative and the internal reporting criteria as described in the GRI reporting tables in the Sustainability Supplement to the 2012 Review.

The Hague, the Netherlands  
March 20, 2013

Ernst & Young Accountants LLP  
signed by R.J.W. Lelieveld

## How to contact us

Aegon welcomes views and opinions on both the contents of its Review and the company's overall performance in the area of sustainability. All comments and opinions should be sent to:

### Address:

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2501 CB The Hague  
The Netherlands

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Email: [sustainability@aegon.com](mailto:sustainability@aegon.com)



We can also be contacted via Twitter and Facebook.

## Thank you

We would like to thank all those employees who took part this year in our photo competition. Of all the entries, we could only choose a limited number for inclusion in Aegon's 2012 Review. Many congratulations to those employees whose photographs are featured this year.

## Colophon

Consultancy and design

DartGroup, Amsterdam (NL)

Editing and production

Aegon Group Sustainability and Aegon Corporate Communications (NL)

Portrait photography Alex Wynaendts

Ad Bogaard, Annabel Oosteweeghel (NL)

Portrait photography Board members

Ad Bogaard (NL)

Photography Management Board

Annabel Oosteweeghel (NL)

Typesetting

DartGroup, Amsterdam (NL)

Printing

Roto Smeets GrafiServices (NL)

Binding

Hexspoor (NL)

This is Aegon's 2012 Review. For more details about any of the issues here, please see our 2012 Annual Report, which is available on our website, [corporatereporting.aegon.com](http://corporatereporting.aegon.com). We also publish a Sustainability Supplement, which provides further information on Aegon's environmental, social and governance performance. For further information on the scope of this Review, external assurance and forward-looking statements, please refer to pages 66, 67 and the inside back cover.



## Forward-looking statements

The statements contained in this document that are not historical facts are forward-looking statements as defined in the US Private Securities Litigation Reform Act of 1995. The following are words that identify such forward-looking statements: aim, believe, estimate, target, intend, may, expect, anticipate, predict, project, counting on, plan, continue, want, forecast, goal, should, would, is confident, will, and similar expressions as they relate to Aegon. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. Aegon undertakes no obligation to publicly update or revise any forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which merely reflect company expectations at the time of writing. Actual results may differ materially from expectations conveyed in forward-looking statements due to changes caused by various risks and uncertainties. Such risks and uncertainties include but are not limited to the following:

- Changes in general economic conditions, particularly in the United States, the Netherlands and the United Kingdom.
- Changes in the performance of financial markets, including emerging markets, such as with regard to:
  - The frequency and severity of defaults by issuers in Aegon's fixed income investment portfolios; and
  - The effects of corporate bankruptcies and/or accounting restatements on the financial markets and the resulting decline in the value of equity and debt securities Aegon holds;
  - The effects of declining creditworthiness of certain private sector securities and the resulting decline in the value of sovereign exposure that Aegon holds.
- Changes in the performance of Aegon's investment portfolio and decline in ratings of the company's counterparties.
- Consequences of a potential (partial) break-up of the euro.
- The frequency and severity of insured loss events.
- Changes affecting mortality, morbidity, persistence and other factors that may impact the profitability of Aegon's insurance products.
- Reinsurers to whom Aegon has ceded significant underwriting risks may fail to meet their obligations.
- Changes affecting interest rate levels and continuing low or rapidly changing interest rate levels; changes affecting currency exchange rates, in particular the EUR/USD and EUR/GBP exchange rates.
- Changes in the availability of, and costs associated with, liquidity sources such as bank and capital markets funding, as well as conditions in the credit markets in general such as changes in borrower and counterparty creditworthiness.
- Increasing levels of competition in the United States, the Netherlands, the United Kingdom and emerging markets.
- Changes in laws and regulations, particularly those affecting Aegon's operations, ability to hire and retain key personnel, the products the company sells, and the attractiveness of certain products to its consumers.

- Regulatory changes relating to the insurance industry in the jurisdictions in which Aegon operates.
- Acts of God, acts of terrorism, acts of war and pandemics.
- Changes in the policies of central banks and/or governments.
- Lowering of one or more of Aegon's debt ratings issued by recognized rating organizations and the adverse impact such action may have on the company's ability to raise capital and on its liquidity and financial condition.
- Lowering of one or more of insurer financial strength ratings of Aegon's insurance subsidiaries and the adverse impact such action may have on the premium writings, policy retention, profitability of its insurance subsidiaries and liquidity.
- The effect of the European Union's Solvency II requirements and other regulations in other jurisdictions affecting the capital Aegon is required to maintain.
- Litigation or regulatory action that could require Aegon to pay significant damages or change the way the company does business.
- As Aegon's operations support complex transactions and are highly dependent on the proper functioning of information technology, a computer system failure or security breach may disrupt the company's business, damage its reputation and adversely affect its results of operations, financial condition and cash flows.
- Customer responsiveness to both new products and distribution channels.
- Competitive, legal, regulatory, or tax changes that affect profitability, the distribution cost of or demand for Aegon's products.
- Changes in accounting regulations and policies may affect Aegon's reported results and shareholder's equity.
- The impact of acquisitions and divestitures, restructurings, product withdrawals and other unusual items, including Aegon's ability to integrate acquisitions and to obtain the anticipated results and synergies from acquisitions.
- Catastrophic events, either manmade or by nature, could result in material losses and significantly interrupt Aegon's business; and
- Aegon's failure to achieve anticipated levels of earnings or operational efficiencies as well as other cost saving initiatives.

Further details of potential risks and uncertainties affecting the company are described in the company's filings with NYSE Euronext Amsterdam and the US Securities and Exchange Commission, including the Annual Report. These forward-looking statements speak only as of the date of this document. Except as required by any applicable law or regulation, the company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

A close-up photograph of a young man with short brown hair and a light beard, smiling warmly at the camera. He is wearing a white polo shirt with a red and blue collar. In his hands, he holds a white ceramic coffee cup and saucer. The background is a blurred coffee shop interior with a coffee machine and shelves.

Tomorrow's  
what we make it



Transform Tomorrow



[aegon.com](http://aegon.com)