AEGON NV
Form 20-F
March 25, 2016
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

-

FORM 20-F

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(Mark One)

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

OR

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

For the fiscal year ended December 31, 2015

OR

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

For the transition period from _________ to _________

OR

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

Commission file number 1-10882

-

Aegon N.V.

(Exact name of Registrant as specified in its charter)

-

Not Applicable

(Translation of Registrant s name into English)

The Netherlands

(Jurisdiction of incorporation or organization)

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

(Address of principal executive offices)

J.H.P.M. van Rossum

Executive Vice President and Corporate Controller

Aegon N.V.

Aegonplein 50, 2501 CB The Hague, The Netherlands

+31-70-3445458

Jurgen.vanRossum@aegon.com

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

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

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

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

Not applicable

(Title of Class)

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

Not applicable

(Title of Class)

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

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

x Yes No ¨

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

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

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

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

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

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

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

¨ Item 17 ¨ Item 18

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

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Introduction

Filing

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

About this report

This report serves as Aegon s Annual Report for the year ended December 31, 2015. It presents the consolidated financial statements of Aegon (pages 126-288) and the stand-alone financial statements of Aegon N.V. (pages 290-304), both prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board, and Part 9 of Book 2 of the Dutch Civil Code.

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

Presentation of certain information

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

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

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

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

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

CEO letter

2015 was a year in which we made significant progress in the execution of our strategy. Our operational and financial successes are ultimately the result of customers placing their trust in Aegon, and I m proud that we are helping millions of people achieve a lifetime of financial security.

Once again, one of the key highlights of the year was the very strong and profitable sales we generated across the Company, which are up by 24% on 2014. Moreover, I am pleased that we have seen a 12% year-on-year increase in sales over the last five years, and this success underlines the continued progress Aegon has made to connect with customers in new ways including through our new and innovative digital propositions.

While we had strong results in terms of sales, it was a challenging year from an earnings perspective and I am disappointed that our results in particular those in the US did not meet our expectations. The main cause of this decline in earnings was the adverse effect from model updates and assumption changes. These included the impact of changes in customer behavior, the effect of which was exacerbated by the low interest rate environment. We have taken actions to mitigate this adverse effect and remain committed to generating attractive returns.

Adapting to change

The global economic climate continues to present challenges for the insurance sector. Credit conditions worsened in 2015 as world oil prices reached their lowest point in over a decade. While the gradual upturn in the US economy was a positive sign, the economic growth outlook in the US remains mixed and below that of the pre-crisis level. Similarly, although measures to stimulate the eurozone economy had a positive effect on the outlook for the region, conditions for insurers became more challenging as interest rates dropped to historic lows. In this challenging environment Aegon remains well positioned for the future. The transformation in our business over the last five years, from one reliant largely on spread businesses to one focused on fee and technical income, makes us a stronger and more resilient franchise going forward.

Transforming our business

2015 was the final year of a five-year strategy cycle at the Company. As pleasing as it was to not only meet, but exceed, our targets for operational free cash flows and fee-based earnings, I am disappointed that we did not achieve our targets for return on equity and earnings growth. In January 2016, we updated the market on our strategy and the steps we are taking to continue to improve our operational performance. Central to this is the announcement that we will further reduce our expenses by EUR 200 million over the next three years. In parallel, we will focus on developing a life-long relationship with our customers so that we can serve their financial needs at all the major financial junctures in their lives; rather than on a one-off basis. In order to accomplish this, we need to get much closer to our customers and connect with them how and when they wish. To this end, we will step up our work to provide guidance and advice to customers and accelerate our investments in digital solutions.

Focusing on value creation

We continued to make progress in the optimization of our portfolio, allocating capital to those businesses that create value and growth in order to deliver on our financial targets and strategy. 2015 saw the divestment of a number of non-core activities, including our life insurance business in Canada, Clark Consulting and our joint venture with La Mondiale in France, freeing up close to a billion euros of capital. In terms of reinvesting our capital, two transactions that we secured are particularly exciting: first, the creation of a strategic partnership with La Banque Postale Asset Management, the fifth largest asset manager in France with over 10 million customers; and second, the acquisition of Mercer s record keeping business, which makes Aegon one of the top five in the US pension administration market, with approximately 5 million plan participants. Both of these deals illustrate how we are reaching new customers by enhancing our distribution networks and teaming up with market leaders.

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Navigating a complex regulatory landscape

While regulation of our industry is changing rapidly and compliance costs are rising, with the right business model these changes represent a clear opportunity. Indeed, Aegon has the added competitive advantage of knowing how to operate in rapidly changing markets due to its global presence.

Preparations for the European Union Solvency II Directive were a considerable undertaking throughout the year. Gaining approval for Aegon s internal model in the Netherlands and the United Kingdom in December was a significant achievement, and our strong capital position was reflected in the fact that all our major business units are above their respective target levels. I am pleased that our estimated group Solvency II ratio of 160% is in the upper end of our target range, meaning we are in a strong position to return capital to our shareholders. Our strong capital position enabled us to announce a share buyback of EUR 400 million, and to increase the dividend yet again this year by 9% in line with our dividend policy of having a sustainable and growing dividend.

In November, Aegon was designated as one of a group of nine Global Systemically Important Insurers (G-SII) by the Financial Stability Board (FSB). We are engaging with supervisors with regard to the G-SII Framework, and while some implications of G-SII designation are not clear, we are making progress on the plans we need to develop.

Our communities and our employees

Although this report provides a comprehensive overview of Aegon s financial activities, we take the impact we have on the communities in which we operate, wider society and the environment very seriously. For this reason, we are pleased to also publish an annual review, which is available on aegon.com. This explains our social, economic and environmental performance and impacts, together with outlining how we create value for our stakeholders.

I am proud to work alongside over 31,500 talented colleagues who are dedicated to making a difference and who share my passion for our purpose *to help people achieve a lifetime of financial security*. On behalf of the Management Board I would like to express my sincere thanks for all their hard work and commitment. Furthermore, I would like to thank Aegon s many shareholders for placing their trust in the company. Without their support and investment, we would not be able to deliver on the promises we make to our 30 million customers around the world.

Looking to the future

Aegon is, I believe, well positioned to take advantage of the many opportunities in our markets by connecting with ever more customers and meeting their needs in a smooth and seamless way across their lifetimes. This gives me confidence that Aegon will achieve its strategic and financial objectives, and also create long-term value for customers and therefore shareholders alike.

Thank you for your support and interest in our company.

Alex Wynaendts

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

Composition of the Executive Board and the Management Board

Alex Wynaendts (1960, Dutch)

Chief Executive Officer

Chairman of the Executive Board

Chairman of the Management Board

Alex Wynaendts began his career in 1984 with ABN AMRO Bank, working in Amsterdam and London in the Dutch bank s capital markets, asset management, corporate finance and private banking operations. In 1997, Mr. Wynaendts joined Aegon as Senior Vice President for Group Business Development. He was appointed as a member of the Executive Board in 2003, overseeing the Company s international growth strategy. In April 2007, Mr. Wynaendts was named Aegon s Chief Operating Officer, and has been CEO and Chairman of the Executive Board and Management Board since April 2008. Mr. Wynaendts was reappointed as member of the Executive Board at the Annual General Meeting of Shareholders of Aegon N.V. on May 20, 2015. His third and final term of office will end in 2019.

Darryl Button (1969, Canadian)

Chief Financial Officer

Member of the Executive Board

Member of the Management Board

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

Adrian Grace (1963, British)

Chief Executive Officer of Aegon UK

Member of the Management Board

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

Tom Grondin (1969, Canadian)[1]

Chief Risk Officer of Aegon N.V.

Member of the Management Board

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

1 Tom Grondin was appointed as Chief Financial Officer, Aegon Asia, effective January 1, 2016. Allegra van Hövell-Patrizi joined Aegon on January 1, 2016 as Group Chief Risk Officer, and member of the Management Board.

Marco Keim (1962, Dutch)

Chief Executive Officer of Aegon the Netherlands

Member of the Management Board

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

Gábor Kepecs (1954, Hungarian)

Chief Executive Officer of Aegon Central & Eastern Europe

Member of the Management Board

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

Mark Mullin (1963, American)

Chief Executive Officer of Aegon Americas

Member of the Management Board

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

President of Aegon Americas in 2009, and became President and CEO of Aegon Americas and a member of the Management Board in 2010.

Aegon s strategy

Achievements since 2011

In 2011, Aegon embarked on a strategic direction based on the following objectives: to get closer to customers by addressing their financial needs across the various stages of their lives; to leverage technology to improve service and customer experience, while also reducing expenses in order to remain competitive; and to focus on protection and accumulation needs in emerging markets, and on accumulation and post-retirement needs in developed markets.

Since this time, the profile of the Company has been transformed by refocusing the Group on fee business. Key accomplishments include: divesting non-core businesses, such as Transamerica s Reinsurance business, a number of joint ventures in Spain, La Mondiale in France, and the Company s Canadian life insurance business; creating a successful asset management business; significantly reducing expenses, while investing in new digital business models, e.g. Knab in the Netherlands and Aegon s retirement platform in the UK; and increasing the number of customers that place their trust in Aegon to 30 million.

Key drivers for change

Going forward, it is necessary to constantly anticipate changes in Aegon s business environment. This environment is being shaped by a number of trends:

- Low interest rates, which may persist for a longer period than anticipated;
- The shift from state and corporate benefits to individuals taking responsibility for their own privately-funded plans;
- Reduced accessibility to traditional financial advice for the middle market and mass-affluent customer segments;
- Increased competition due to the blurring of boundaries between insurers, banks, asset managers, distributors, and other (new) non-traditional entrants into the financial services industry following regulatory and technology developments;
- Shifting consumer demand towards digital first, multi-channel access, and personalized offerings;
- Increasing customer expectations for greater transparency, simplicity, and superior service; and
- A regulatory environment that increases complexity across all lines of business and puts pressure on returns.

Aegon s ambition

Aegon s purpose *to help people achieve a lifetime of financial security* forms the basis of the Company s strategy. The central focus of the strategy is to further change the Company by shifting from a product-based company to a customer need-driven one. This means serving diverse and evolving needs across the customer life cycle (right time, right solution); aligning Aegon s brand promise with being a trusted partner for financial solutions that are relevant, simple, rewarding, and convenient; and developing long-term customer relationships by providing guidance and advice, and identifying additional financial security needs at every stage of customers lives.

The aim of Aegon s strategy is that the Company be a truly international enterprise with a common culture across its businesses of working together; that Aegon s respective businesses learn from each other and replicate best practices to benefit customers; that it recognizes and addresses opportunities in rapidly changing markets in a timely and nimble way; and that it attracts, develops, and retains the best people who share its values and are committed to its purpose.

In order to do so, Aegon will focus on reducing complexity, eliminating duplication, improving accuracy, and increasing automation to realize cost efficiencies, allowing investments in its transformation to a digitally enabled, customer-centric company. Furthermore, the Company will focus on driving scale and establishing strong market positions in its current footprint, and strictly adhering to comprehensive standards that support the efficient use of capital by all businesses. The different market segments, the different geographies, and the different starting positions of Aegon s businesses nonetheless mean that they will experience different paths to meet the same goals. Expertise and knowledge available in Aegon s established markets will be utilized to position its businesses in emerging markets.

In summary, it is Aegon s ambition to be regarded as *a trusted partner for financial solutions at every stage of life* in all its markets. That means: being recognized by its customers, business partners, and society as a company that puts the interests of its customers first in all that it does; and being regarded as an employer of choice by employees, engaging and enabling them to succeed. In addition, the Company will strive to generate the returns, earnings, and dividends that fulfil shareholders expectations.

Aegon s strategic objectives

Aegon believes that it will achieve its ambition of becoming a trusted partner for financial solutions at every stage of life if it realizes the following strategic objectives:

- ¿ Serving customers need for financial security throughout their lifetimes by providing digitally- enabled, omni-channel, accessible solutions and superior customer experience (**Loyal Customers**);
- ¿ Delivering excellent service to customers at competitive cost levels by increasing scale and improving quality, efficiency, and accuracy of processes with technology (**Operational Excellence**);
- ¿ Valuing and supporting Aegon employees as the Company s greatest asset by engaging and enabling them with the tools, training, and culture needed to exceed customers expectations (**Empowered Employees**); and
- ¿ Ensuring that the Company always meets its long-term commitments to stakeholders by delivering sustainable financial results and maintaining a strong and stable balance sheet (**Optimized Portfolio**).

To realize these objectives, Aegon needs to be more focused and more forward-looking, and it needs to accelerate and improve the quality of execution.

Acquisitions & divestments

Acquisitions can accelerate the implementation of Aegon s strategy, provide it with access to new technologies and provide the scale needed in markets in which it is already active. Aegon is selective when determining which businesses it would like to acquire, generally targeting acquisitions that fit the Company s mission of securing the financial future of its customers, and that are aligned with its four strategic objectives. The Company uses several financial criteria for determining the attractiveness of acquisitions including: return on capital, internal rate of return, capital generation, and capital fungibility. Similar strategic and financial criteria are applied when considering the potential divestment of existing activities.

Business overview

History and development of Aegon

Aegon is an international life insurance, pensions and asset management group. Its listed holding company, Aegon N.V., is a public limited liability company with its statutory seat and head office in the Netherlands.

Aegon s history dates back over 170 years. Aegon N.V. was formed in 1983 through the merger of AGO and Ennia, both of which were successors to insurance companies founded in the 1800s.

Aegon is headquartered in the Netherlands and through its subsidiaries it employs over 31,500 people worldwide. Aegon s common shares are listed on stock exchanges in Amsterdam (Euronext) and New York (NYSE). Aegon s main operating units are separate legal entities and operate under the laws of their respective countries. The shares of these legal entities are directly or indirectly held by three intermediate holding companies incorporated under Dutch law: Aegon Europe Holding B.V., the holding company for all European activities; Aegon International B.V., which serves as a holding company for the Aegon Group companies of all non-European countries; and Aegon Asset Management Holding B.V., the holding company for some of its asset management entities.

The Company fosters an entrepreneurial spirit within its businesses and encourages the innovation of products and services, with the focus always on helping people achieve a lifetime of financial security. Aegon uses a multi-brand, multichannel distribution approach to meet its customers needs.

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

Selected financial data

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

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

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

A summary of historical financial data is provided in the table below. It is important to read this summary in conjunction with the consolidated financial statements and related notes (see pages 126-288) of this Annual Report.

Selected consolidated income statement information					
In EUR million (except per share amount)	**2015**	2014	2013	2012	2011
Amounts based upon IFRS					
Premium income	20,311	19,864	19,939	19,049	19,521
Investment income	8,525	8,148	7,909	8,413	8,167
Total revenues [1)]	31,289	30,157	29,805	29,327	29,159
Income/ (loss) before tax	873	889	1,189	2,005	1,027
Net income/ (loss)	**712**	**757**	**989**	**1,633**	**936**
Earnings per common share					
Basic	0.27	0.29	0.36	0.72	(0.03)
Diluted	0.27	0.29	0.36	0.72	(0.03)
Earnings per common share B					
Basic	0.01	0.01	0.01	-	-
Diluted	0.01	0.01	0.01	-	-

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

Selected consolidated balance sheet information					
In million EUR (except per share amount)	**2015**	2014	2013	2012	2011
Amounts based upon IFRS					
Total assets	417,175	424,467	351,860	363,063	343,155
Insurance and investment contracts	343,558	321,384	283,234	277,596	272,105
Borrowings including subordinated and trust pass-through securities	13,361	15,049	12,009	13,416	9,377
Shareholders equity	23,688	23,957	17,694	21,037	17,545

Number of common shares					
In thousands	**2015**	2014	2013	2012	2011
Balance at January 1	2,145,948	2,131,459	1,972,030	1,909,654	1,736,049
Share issuance	-	-	120,713	-	173,605
Stock dividends	1,089	14,489	38,716	62,376	-
Balance at end of period	**2,147,037**	**2,145,948**	**2,131,459**	**1,972,030**	**1,909,654**

Number of common shares B					
In thousands	**2015**	2014	2013	2012	2011
Balance at January 1	581,326	579,005	-	-	-
Share issuance	3,696	2,320	579,005	-	-
Balance at end of period	**585,022**	**581,326**	**579,005**	**-**	**-**

Dividends

Aegon declared interim and final dividends on common shares for the years 2011 through 2015 in the amounts set forth in the following table. The 2015 interim dividend amounted to EUR 0.12 per common share. The interim dividend was paid in cash or stock at the election of the shareholder. The interim dividend was payable as of September 18, 2015. At the General Meeting of Shareholders on May 20, 2016, the Supervisory Board will, absent unforeseen circumstances, propose a final dividend of EUR 0.13 per common share (at each shareholders option in cash or in stock), which will bring the total dividend for 2015 to EUR 0.25. Proposed final dividend for the year and proposed total dividend 2015 per common share B are EUR 0.00325 and EUR 0.00625 respectively. Dividends in US dollars are calculated based on the foreign exchange reference rate as published each working day at 14:15 hours by the European Central Bank on the business day following the announcement of the interim dividend or on the business day following the General Meeting of Shareholders approving the relevant final dividend.

	EUR per common share [1)]			USD per common share [1)]		
Year	Interim	Final	Total	Interim	Final	Total
2011	-	0.10	0.10	-	0.13	0.13
2012	0.10	0.11	0.21	0.12	0.14	0.26
2013	0.11	0.11	0.22	0.15	0.15	0.30
2014	0.11	0.12	0.23	0.15	0.13	0.28

2015	0.12	0.13[2)]	0.25	0.13

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

From May 2003 to May 2013, Aegon had common shares and class A and class B preferred shares. The annual dividend on Aegon s class A and class B preferred shares was calculated on the basis of the paid-in capital on the preferred shares using a rate equal to the European Central Bank s fixed interest percentage for basic refinancing transactions plus 1.75%, as determined on Euronext Amsterdam s first working day of the financial year to which the dividend relates. Apart from this,

no other dividend was paid on the preferred shares. This resulted in a rate of 2.75% for the year 2012. Applying this rate to the weighted average paid-in capital of its preferred shares during 2012, the total amount of annual dividends Aegon made in 2013 on its preferred shares for the year 2012 was EUR 59 million. In addition, Aegon paid a 2013 interim dividend on the preferred shares of EUR 24 million, covering the period from January 1, 2013 until the cancellation of all preferred shares in May 2013.

Exchange rates

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

As of March 9, 2016, the USD exchange rate was EUR 1 = USD 1.0997.

The high and low exchange rates for the US dollar per euro for each of the last six months through February 2016 are set forth below:

Closing rates	Sept. 2015	Oct. 2015	Nov. 2015	Dec. 2015	Jan. 2016	Feb. 2016
High (USD per EUR)	1.1358	1.1473	1.1026	1.1025	1.0964	1.1362
Low (USD per EUR)	1.1104	1.0963	1.0562	1.0573	1.0743	1.0868

The average exchange rates for the US dollar per euro for the five years ended December 31, 2015, calculated by using the average of the exchange rates on the last day of each month during the period, are set forth below:

Year ended December 31,	Average rate [1)]
2011	1.4002
2012	1.2909
2013	1.3303
2014	1.3210
2015	1.1032

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

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Business lines

Americas

¿ United States - Life & Protection

¿ Life insurance

Products offering protection against mortality, morbidity and longevity risks, including traditional and universal life, in addition to endowment, term, and whole life insurance products.

¿ Accident and health insurance

Products offering supplemental health, accidental death and dismemberment insurance, critical illness, cancer treatment, credit/disability, income protection, travel and long-term care insurance.

¿ United States - Investments & Retirement

Products and services include variable and fixed annuities, retirement plans (including ancillary services), mutual funds and stable value solutions.

¿ Latin America

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

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

The Netherlands

¿ Life & Savings

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

¿ Pensions

Individual and group pensions usually sponsored by, or obtained via, an employer. Administration-only services are offered to company and industry pension funds.

¿ Non-life

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

¿ Distribution

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

United Kingdom

¿ Life

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

¿ Pensions

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

New Markets

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

¿ Central & Eastern Europe

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

¿ Spain & Portugal

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

¿ Asia

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

¿ Variable Annuities Europe

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

¿ Aegon Asset Management

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

In January 2016, Aegon announced that it had changed its reporting structure going forward. The new reporting structure will consist of four business lines: Americas, Europe (consisting of the Netherlands; United Kingdom, including Variable Annuities Europe; Central & Eastern Europe; and Spain & Portugal), Asia and Aegon Asset Management. Furthermore, rather than report its financial results by division, Aegon Americas will report by using the following product groups:

- Life
- Accident & Health
- Retirement Plans
- Mutual Funds
- Variable Annuities
- Fixed Annuities
- Stable Value Solutions
- Latin America

The new reporting structure is effective from January 1, 2016. For this reason, Aegon s 2015 Annual Report on Form 20-F reflects the former reporting structure.

Results of operations

Results 2015 worldwide

Underlying earnings geographically			
Amounts in EUR millions	**2015**	2014	%
Net underlying earnings	**1,552**	**1,416**	**10%**
Tax on underlying earnings	387	449	(14%)
Underlying earnings before tax geographically			
Americas	1,200	1,134	6%
The Netherlands	537	558	(4%)
United Kingdom	125	115	9%
New markets	236	196	20%
Holding and other activities	(161)	(138)	(17%)
Underlying earnings before tax	**1,939**	**1,865**	**4%**
Fair value items	(500)	(1,366)	63%
Gains / (losses) on investments	346	697	(50%)
Net impairments	49	(34)	-
Other income / (charges)	(980)	(240)	-
Run-off businesses	52	(21)	-
Income before tax (excluding income tax from certain proportionately consolidated joint ventures and associates)	**906**	**900**	**1%**
Income tax from certain proportionately consolidated joint ventures and associates included in income before tax	*33*	*10*	-
Income tax	*(194)*	*(143)*	*(36%)*
Of which Income tax from certain proportionately consolidated joint ventures and associates included in income before tax	(33)	(10)	-
Net income	**712**	**757**	**(6%)**
Commissions and expenses	6,802	5,892	15%
of which operating expenses	3,734	3,312	13%

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

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

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

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New life sales Amounts in EUR millions	2015	2014	%
Americas	599	552	9%
The Netherlands	130	251	(48%)
United Kingdom	911	972	(6%)
New markets	304	271	12%
Total recurring plus 1/10 single	**1,944**	**2,045**	**(5%)**

Gross deposits (on and off balance) Amounts in EUR millions	2015	2014	%
Americas	36,999	31,849	16%
The Netherlands	5,137	2,781	85%
United Kingdom	307	281	9%
New markets	34,761	20,519	69%
Total gross deposits	**77,205**	**55,431**	**39%**

Worldwide revenues geographically 2015 Amounts in EUR millions	Americas	The Netherlands	United Kingdom	New Markets	Holding, other activities and eliminations	Segment total	Associates and Joint Ventures eliminations	Consolidated
Total life insurance gross premiums	7,046	2,240	5,650	2,565	(102)	17,400	(431)	16,969
Accident and health insurance premiums	2,266	234	47	170	-	2,717	(14)	2,703
General insurance premiums	-	473	-	244	2	720	(80)	640
Total gross premiums	**9,312**	**2,947**	**5,697**	**2,979**	**(100)**	**20,836**	**(524)**	**20,311**
Investment income	3,680	2,277	2,327	291	2	8,576	(51)	8,525
Fees and commission income	1,704	351	43	813	(278)	2,633	(195)	2,438

Other revenue	9	-	-	2	7	19	(5)	14
Total revenues	**14,705**	**5,575**	**8,067**	**4,086**	**(369)**	**32,064**	**(775)**	**31,289**
Number of employees, including agent employees	12,701	4,503	2,260	11,767	299	31,530		

Underlying earnings before tax by line of business

Amounts in EUR millions	**2015**	2014	%
Life	757	652	16%
Individual Savings & Retirement	540	665	(19%)
Pensions	594	510	16%
Non-life	17	46	(62%)
Distribution	22	15	50%
Asset management	170	115	48%
Other	(161)	(138)	(17%)
Underlying earnings before tax	**1,939**	**1,865**	**4%**

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Results 2015 worldwide

Aegon s net income in 2015 declined to EUR 712 million. Underlying earnings before tax increased to EUR 1,939 million, driven by favorable currency movements. Results in 2015 were impacted by a loss of EUR 500 million on fair value items, which was driven by accounting losses on hedging programs and the impact of assumption changes. Other charges amounted to EUR 980 million, mainly driven by the loss on the divestment of the Canadian life insurance activities and the impact of model updates. This loss was partly offset by realized gains of EUR 346 million, and net recoveries of EUR 49 million.

Net income

Net income declined by 6% to EUR 712 million compared with 2014 as lower losses on fair value items and net recoveries were more than offset by higher other charges and lower realized gains.

Underlying earnings before tax

Aegon s underlying earnings before tax in 2015 increased by 4% to EUR 1,939 million compared with 2014. The recurring impact of the actuarial assumption changes and model updates implemented in the third quarters of 2014 and 2015 and adverse claims experience in the United States were more than offset by favorable currency movements.

- ¿ Underlying earnings before tax from the Americas increased by 6% to EUR 1,200 million in 2015 compared with 2014. The impact of the stronger US dollar more than offset adverse claims experience and the impact on recurring earnings of the actuarial assumption changes and model updates implemented in the third quarters of 2014 and 2015.
- ¿ In the Netherlands, underlying earnings before tax declined by 4% to EUR 537 million in 2015 compared with 2014, as underlying earnings before tax in 2014 included a EUR 45 million employee benefit release resulting from legislation changes in the Netherlands. Excluding this benefit, earnings increased by 5%, primarily driven by lower funding costs and higher investment income.
- ¿ Underlying earnings before tax from Aegon s operations in the United Kingdom were up 9% to EUR 125 million in 2014, mainly due to favorable currency movements.
- ¿ Underlying earnings before tax from New Markets increased by 20% to EUR 236 million compared with 2014, as the positive impact of higher performance fees and third-party assets under management at Aegon Asset Management more than offset lower earnings from Central & Eastern Europe primarily driven by the negative impact of higher surrenders in Poland following product changes.

¿ Total holding costs increased by 17% to EUR 161 million in 2015 compared with 2014. This was mainly as a result of higher net interest costs following a debt issuance to refinance a perpetual security for which the cost was previously accounted for directly through shareholders equity and a gain related to interest on tax.

Fair value items

The results from fair value items amounted to a loss of EUR 500 million. The loss was mainly driven by adverse results on hedging programs in the United States (EUR 521 million) and the underperformance of alternative investments in the United States (EUR 171 million) partly offset by the result on derivatives where no hedge accounting is applied in the Netherlands (EUR 120 million) and the positive impact of assumption changes (EUR 101 million).

Included in the loss on hedging programs in the United States is the loss on fair value hedges without accounting match in the Americas (EUR 402 million). This was mainly driven by the loss on equity and interest rate hedges, which were set up to protect Aegon s capital position.

Underperformance of fair value investments was primarily driven by investments related to the energy sector and hedge funds in the United States.

Realized gains on investments

Realized gains on investments amounted to EUR 346 million, and were primarily related to a rebalancing of the fixed income portfolio in the Netherlands and the United Kingdom to improve Aegon s capital position under Solvency II.

Impairment charges

Net recoveries improved by EUR 83 million to EUR 49 million in 2015 compared with 2014. In the United States, gross impairments were more than offset by recoveries mostly related to investments in subprime residential mortgage-backed securities.

Other charges

Other charges amounted to EUR 980 million. These were mostly caused by the loss on the divestment of the Canadian life insurance activities (EUR 751 million) and charges related to model updates (EUR 205 million).

Run-off businesses

The results of run-off businesses improved to EUR 52 million, as the 2014 result included a negative impact from model updates of EUR 32 million.

Income tax

Income tax amounted to EUR 194 million. The effective tax rate on underlying earnings and total income for 2015 was 20% and 21%, respectively. This was mostly driven by tax credits related to solar energy investments in the United States.

Commissions and expenses

Commissions and expenses increased by 15% in 2015 compared with 2014 to EUR 6.8 billion. Operating expenses increased by 13% in 2015 compared with 2014 to EUR 3.7 billion. Adverse currency movements and higher defined benefit expenses in the Netherlands more than offset lower project and transformation costs in the UK and the positive impact of the divestment of the Canadian life insurance activities.

Production

Compared with 2014, Aegon s total sales in 2015 increased by 24% to EUR 10.7 billion. This was a result of higher gross deposits, partly driven by favorable currency movements. In 2015, compared with 2014, gross deposits were up 39% to EUR 77.2 billion, driven by higher pensions and mutual fund deposits in the United States, production from online bank Knab in the Netherlands, and sales in Aegon Asset Management. Net deposits, excluding run-off businesses, increased by 85% to EUR 18.4 billion compared to 2014, mostly due to higher gross deposits and the de-recognition of movements in stable value solutions balances. New life sales declined by 5% compared with 2014 to EUR 1.9 billion, mostly driven by lower universal life production in the United States, fewer pension buy-out sales in the Netherlands, and a lower demand for traditional pension products in the United Kingdom. New premium production for accident & health life and general insurance increased by 3% compared with 2014 to EUR 1.0 billion, as the stronger US dollar more than offset a lower contribution from portfolio acquisitions and several product exits.

Capital management

During 2015, shareholders equity decreased by EUR 0.3 billion to EUR 23.7 billion, as retained earnings and favorable currency exchange rates were more than offset by the book loss on the sale of the Canadian life insurance activities and higher interest rates, which resulted in lower revaluation reserves. During the year, the revaluation reserves decreased by

EUR 1.8 billion to EUR 6.5 billion. Aegon s shareholders equity, excluding revaluation reserves and defined benefit plan remeasurements, amounted to EUR 18.7 billion on December 31, 2015, or 8.86 per common share. The gross leverage ratio improved to 27.0% on December 31, 2015, compared with the end of 2014, which was mostly as a result of earnings generated during the year. The negative impact on the gross leverage ratio of the book loss on the sale of the Canadian life insurance activities was offset by the redemption of the USD 500 million senior bond, which matured on December 8, 2015. Excess capital in the holding increased from EUR 1.2 billion at the end of 2014 to EUR 1.4 billion on December 31, 2015, as dividends from business units and proceeds from divestments were partly offset by the impact of cash used for deleveraging, dividends to shareholders, interest payments and operating expenses.

During 2015, Aegon s Insurance Group Directive (IGD) ratio increased from 208% at the end of 2014 to 220% on December 31, 2015. The increase reflects positive retained earnings during the year, in addition to the impact of divestments. On March 3, 2015, Aegon completed the sale of its 35% share in La Mondiale Participations to La Mondiale for EUR 350 million. Furthermore, on July 31, 2015, Aegon completed the sale of its Canadian operations to Wilton Re for CAD 600 million (EUR 428 million). The capital in excess of the S&P AA threshold in the United States decreased from USD 1.1 billion at the end of 2014 to USD 0.2 billion on December 31, 2015, as dividends paid to the holding were offset by earnings, while the RBC ratio in the United States decreased from 540% at year-end 2014 to ~460% on December 31, 2015. The decrease in the United States primarily reflected market conditions and the impact of assumption changes and model updates implemented during the third quarter. In the Netherlands, the IGD ratio, excluding Aegon Bank, increased from 215% on December 31, 2014, to ~240% at the end of 2015 due to earnings generated during the year. The Pillar 1 ratio in the United Kingdom, including the with-profit fund, increased from 140% at the end of 2014 to ~165% at the end of 2015 due to earnings and changes to longevity assumptions in the fourth quarter.

On November 24, 2015, Aegon successfully placed its inaugural EUR 750 million Conditional Pass-Through Covered Bond. The placement enabled Aegon to further diversify its funding sources and to attract new external long-term funding. The net proceeds were used to refinance part of the existing Dutch mortgage portfolio of Aegon.

Dividends from and capital contributions to business units

Aegon received EUR 1.1 billion of dividends from its business units during 2015, almost all of which from the Americas. Aegon spent EUR 0.3 billion on capital contributions and acquisitions in New Markets.

Results 2014 worldwide

Underlying earnings geographically

Amounts in EUR millions	2014	2013	%
Net underlying earnings	**1,416**	**1,531**	**(8%)**
Tax on underlying earnings	449	437	3%
Underlying earnings before tax geographically			
Americas	1,134	1,314	(14%)
The Netherlands	558	454	23%
United Kingdom	115	87	32%
New markets	196	227	(13%)
Holding and other activities	(138)	(113)	(22%)
Underlying earnings before tax	**1,865**	**1,968**	**(5%)**
Fair value items	(1,366)	(1,118)	(22%)
Gains / (losses) on investments	697	500	39%
Net impairments	(34)	(122)	72%
Other income / (charges)	(240)	(52)	0%
Run-off businesses	(21)	21	0%
Income before tax (excluding income tax from certain proportionately consolidated joint ventures and associates)	**900**	**1,197**	**(25%)**
Income tax from certain proportionately consolidated joint ventures and associates included in income before tax	*10*	*8*	*33%*
Income tax	*(143)*	*(208)*	*31%*
Of which Income tax from certain proportionately consolidated joint ventures and associates included in income before tax	*(10)*	*(8)*	*(33%)*
Net income	**757**	**989**	**(23%)**
Commissions and expenses	5,892	5,873	0%
of which operating expenses	3,312	3,273	1%

New life sales

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

Gross deposits (on and off balance)

Amounts in EUR millions	2014	2013	%
Americas	31,849	28,424	12%
The Netherlands	2,781	1,338	108%
United Kingdom	281	281	(0%)
New markets	20,519	14,287	44%
Total gross deposits	**55,431**	**44,330**	**25%**

Worldwide revenues geographically 2014 Amounts in EUR millions	Americas	The Nether-lands	United Kingdom	New Markets	Holding, other activities and elimina-tions	Segment total	Associ-ates and Joint Ventures elimina-tions	Consoli-dated
Total life insurance gross premiums	6,461	3,982	4,859	2,015	(70)	17,246	(351)	16,896
Accident and health insurance premiums	1,874	233	56	163	-	2,326	(11)	2,316
General insurance premiums	-	501	-	224	-	725	(72)	653
Total gross premiums	**8,334**	**4,716**	**4,916**	**2,402**	**(70)**	**20,298**	**(433)**	**19,864**
Investment income	3,312	2,568	2,073	234	2	8,191	(42)	8,148
Fees and commission income	1,485	324	43	623	(237)	2,237	(100)	2,137
Other revenue	2	-	-	3	5	10	(3)	7
Total revenues	**13,134**	**7,608**	**7,032**	**3,262**	**(300)**	**30,735**	**(578)**	**30,157**
Number of employees, including agent employees	12,865	4,426	2,420	8,617	274	28,602		

Underlying earnings before tax by line of business Amounts in EUR millions	2014	2013	%
Life	652	1,003	(35%)
Individual Savings & Retirement	665	487	37%
Pensions	510	471	8%
Non-life	46	12	-
Distribution	15	16	(8%)
Asset management	115	95	21%
Other	(138)	(115)	20%
Underlying earnings before tax	**1,865**	**1,968**	**(5%)**

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Results 2014 worldwide

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

Net income

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

Underlying earnings before tax

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

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

Fair value items

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

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

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

Realized gains on investments

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

Impairment charges

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

Other charges

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

Run-off businesses

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

Income tax

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

Commissions and expenses

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

Production

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

Capital management

In 2014, shareholders equity increased EUR 6.3 billion compared with December 31, 2013 to EUR 24.0 billion. This was driven by lower interest rates, which resulted in higher revaluation reserves, and favorable currency exchange rates. During the year, the revaluation reserves increased by EUR 5.3 billion to EUR 8.3 billion. Aegon s shareholders equity, excluding revaluation reserves and defined benefit plan remeasurements, amounted to EUR 17.3 billion on

December 31, 2014.

The gross leverage ratio improved to 28.7% on December 31, 2014 compared to the end of 2013, which was mostly as a result of deleveraging. Excess capital in the holding decreased to EUR 1.2 billion on December 31, 2014 compared to 2013 (EUR 2.2 billion), as dividends from business units were more than offset by the impact of cash used for deleveraging, interest payments and operating expenses.

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

On December 31, 2014, Aegon s Insurance Group Directive (IGD) ratio stood at 208%. The capital in excess of the S&P AA threshold in the United States remained stable at USD 1.1 billion, as dividends paid to the holding were offset by earnings. The RBC ratio in the United States was ~540% at year-end 2014. In the Netherlands, the IGD ratio, excluding Aegon Bank, was ~215%. The Pillar 1 ratio in the United Kingdom, including the with-profit fund, was approximately 140% at the end of 2014 reflecting the negative impact of de-risking of the asset portfolio in preparation for Solvency II.

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

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

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

Dividends from and capital contributions to business units

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

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Results 2015 Americas

	Amounts in USD millions			Amounts in EUR millions		
	2015	2014	%	**2015**	2014	%
Net underlying earnings	**1,045**	**1,082**	**(3%)**	**941**	**814**	**16%**
Tax on underlying earnings	287	424	(32%)	259	320	(19%)
Underlying earnings before tax by business						
Life insurance	213	(13)	-	192	(10)	-
Accident & health insurance	*140*	*212*	*(34%)*	*126*	*160*	*(21%)*
Life & Protection	*353*	*199*	*77%*	*318*	*150*	*112%*
Retirement plans	*261*	*272*	*(4%)*	*235*	*205*	*15%*
Mutual funds	*50*	*47*	*6%*	*45*	*35*	*26%*
Variable annuities	*501*	*671*	*(25%)*	*452*	*505*	*(11%)*
Fixed annuities	*66*	*172*	*(62%)*	*59*	*130*	*(54%)*
Stable value solutions	*101*	*109*	*(8%)*	*91*	*82*	*11%*
Investments & retirement	978	1,271	(23%)	881	957	(8%)
Canada	-	30	-	-	23	-
Latin America	1	5	(72%)	1	4	(67%)
Underlying earnings before tax	**1,332**	**1,506**	**(12%)**	**1,200**	**1,134**	**6%**
Fair value items	(654)	(661)	1%	(589)	(497)	(18%)
Gains / (losses) on investments	(83)	113	-	(74)	85	-
Net impairments	79	27	189%	71	21	-
Other income / (charges)	(1,041)	(69)	-	(938)	(52)	-
Run-off businesses	58	(28)	-	52	(21)	-
Income before tax (excluding income tax from certain proportionately consolidated joint ventures and associates)	**(308)**	**889**	**-**	**(277)**	**669**	**-**
Income tax from certain proportionately consolidated joint ventures and associates included in income before tax	*5*	*4*	*39%*	*5*	*3*	*66%*
Income tax	35	(105)	-	31	(79)	-
Of which Income tax from certain proportionately consolidated joint ventures and associates included in income before tax	*(5)*	*(4)*	*(39%)*	*(5)*	*(3)*	*(66%)*
Net income	**(273)**	**784**	**-**	**(246)**	**590**	**-**

Life insurance gross premiums	7,821	8,585	(9%)	7,046	6,461	9%
Accident and health insurance premiums	2,515	2,490	1%	2,266	1,874	21%
Total gross premiums	**10,336**	**11,074**	**(7%)**	**9,312**	**8,334**	**12%**
Investment income	4,085	4,401	(7%)	3,680	3,312	11%
Fees and commission income	1,891	1,974	(4%)	1,704	1,485	15%
Other revenues	11	3	-	9	2	-
Total revenues	**16,322**	**17,453**	**(6%)**	**14,705**	**13,134**	**12%**
Commissions and expenses	4,529	4,446	2%	4,080	3,346	22%
of which operating expenses	1,843	1,871	(2%)	1,660	1,408	18%

New life sales	Amounts in USD millions 2015	2014	%	Amounts in EUR millions 2015	2014	%
Life & Protection	622	615	1%	561	463	21%
Canada	-	75	-	-	56	-
Latin America	42	43	(2%)	38	33	17%
Total recurring plus 1/10 single	**665**	**733**	**(9%)**	**599**	**552**	**9%**

	Amounts in USD millions 2015	2014	%	Amounts in EUR millions 2015	2014	%
New premium production accident and health insurance	1,003	1,193	(16%)	904	898	1%

Gross deposits (on and off balance)	Amounts in USD millions 2015	2014	%	Amounts in EUR millions 2015	2014	%
Life & Protection	7	9	(20%)	6	7	(4%)
Retirement plans	*27,833*	*26,736*	*4%*	*25,075*	*20,121*	*25%*
Mutual funds	*5,084*	*4,879*	*4%*	*4,580*	*3,672*	*25%*
Variable annuities	*7,857*	*10,235*	*(23%)*	*7,079*	*7,702*	*(8%)*
Fixed annuities	*276*	*323*	*(15%)*	*249*	*243*	*2%*
Investment & retirement	41,051	42,173	(3%)	36,983	31,738	17%
Canada	-	121	-	-	91	-
Latin America	12	18	(35%)	10	14	(22%)
Total gross deposits	**41,069**	**42,321**	**(3%)**	**36,999**	**31,849**	**16%**

Exchange rates	Weighted average rate		Closing rate as of	
Per 1 EUR	2015	**2014**	**December 31, 2015**	December 31, 2014
USD	1.1100	1.3288	1.0863	1.2101
CAD	1.4173	1.4667	1.5090	1.4015

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Results 2015 Americas

The net loss in 2015 was USD 273 million, primarily the result of the book loss on the divestment of Canada of USD 837 million. Underlying earnings before tax decreased to USD 1.3 billion compared with 2014. This was mainly driven by adverse claims experience and the impact on recurring earnings of the actuarial assumption changes and model updates implemented in the third quarters of 2014 and 2015. Gross deposits and new life sales declined to USD 41.1 billion and USD 665 million respectively, due to product adjustments to improve profitability, while new premium production for accident & health insurance was down to USD 1.0 billion.

Net loss

The net loss amounted to USD 273 million in 2015, primarily the result of the book loss on the divestment of Aegon s Canadian life insurance business of USD 837 million. Results on fair value items amounted to a loss of USD 654 million, which was primarily related to the impact on hedging programs as a result of lower interest rates and higher equity markets. Realized losses on investments amounted to USD 83 million, and were mainly related to investments in emerging markets and the energy sector. Net impairments improved compared with 2014 to a benefit of USD 79 million as recoveries, which were mostly related to investments in subprime residential mortgage-backed securities, more than offset gross impairments. Other charges were USD 1.0 billion, and were primarily related to the divestment of Aegon s Canadian business and model updates.

Underlying earnings before tax

Underlying earnings before tax in 2015 decreased by 12% to USD 1.3 billion compared with 2014. This was mainly driven by adverse claims experience and the impact on recurring earnings of the actuarial assumption changes and model updates implemented in the third quarters of 2014 and 2015.

- Underlying earnings before tax from Life & Protection increased by 77% compared with 2014 to USD 353 million. This is due to lower charges for assumption changes more than offsetting unfavorable mortality and morbidity, the impact of lower interest rates and the impact on recurring earnings of the actuarial assumption changes and model updates implemented in the third quarters of 2014 and 2015. The earnings impact of the updates in 2015 was primarily caused by long-term care.
- Investments & Retirement underlying earnings before tax declined by 23% to USD 978 million compared with 2014, which was caused by higher charges for actuarial assumption changes and margin pressure. Retirement plans underlying earnings before tax were down 4% to USD 261 million in 2015 compared with 2014, primarily driven by lower general account pension liabilities and margin pressure arising from the competitive environment on fees. Underlying earnings before tax from variable annuities declined by 25% to USD 501 million compared with 2014 as a result of the negative impact from actuarial assumption changes of USD 2 million in 2015, while 2014 included a benefit of USD 174 million. Underlying earnings before tax from mutual funds increased by 6% to USD 50 million, mainly driven by favorable markets. Fixed annuity underlying earnings before tax were down 62% to USD 66 million compared with 2014, as the product is no longer actively sold. Furthermore, underlying earnings

before tax from fixed annuities were adversely impacted by assumption changes amounting to USD 65 million.

Commissions and expenses

Commissions and expenses increased by 2% in 2015 to USD 4.5 billion compared with 2014. Operating expenses decreased by 2% in 2015 to USD 1.8 billion compared with 2014, and this was mainly driven by the divestment of Canada.

Production

Gross deposits declined by 3% in 2015 to USD 41.1 billion compared with 2014. Higher gross deposits in retirement plans were more than offset by lower gross deposits in variable annuities. Gross deposits in retirement plans increased by 4% to USD 27.8 billion due to higher recurring deposits. Variable annuity gross deposits were down by 23% to USD 7.9 billion compared with 2014, mainly driven by product adjustments implemented in the first quarter of 2015 in response to the low interest rate environment.

New life sales declined by 9% in 2015 to USD 665 million compared with 2014, as growth in indexed universal life was more than offset by the divestment of Canada, the withdrawal of the universal life secondary guarantee product due to the low interest rate environment, and lower term life sales. New premium production for accident & health insurance was down 16% to USD 1.0 billion, mainly resulting from a lower contribution from portfolio acquisitions and several product exits.

Results 2014 Americas

	Amounts in USD millions			Amounts in EUR millions		
	2014	2013	%	2014	2013	%
Net underlying earnings	**1,082**	**1,280**	**(15%)**	**814**	**965**	**(16%)**
Tax on underlying earnings	424	464	(9%)	320	349	(8%)
Underlying earnings before tax by business						
Life insurance	(13)	469	-	(10)	353	-
Accident & health insurance	*212*	*254*	*(17%)*	*160*	*191*	*(16%)*
Life & Protection	*199*	*719*	*(72%)*	*150*	*542*	*(72%)*
Retirement plans	*272*	*239*	*14%*	*205*	*180*	*14%*
Mutual funds	*47*	*33*	*42%*	*35*	*25*	*40%*
Variable annuities	*671*	*414*	*62%*	*505*	*312*	*62%*
Fixed annuities	*172*	*215*	*(20%)*	*130*	*162*	*(20%)*
Stable value solutions	*109*	*110*	*(1%)*	*82*	*83*	*(1%)*
Investments & retirement	1,271	1,011	26%	957	762	26%
Canada	30	4	-	23	3	-
Latin America	5	9	(44%)	4	7	(43%)
Underlying earnings before tax	**1,506**	**1,744**	**(14%)**	**1,134**	**1,314**	**(14%)**
Fair value items	(661)	(1,300)	49%	(497)	(980)	49%
Gains / (losses) on investments	113	145	(22%)	85	110	(23%)
Net impairments	27	(58)	-	21	(44)	-
Other income / (charges)	(69)	95	-	(52)	72	-
Run-off businesses	(28)	28	-	(21)	21	-
Income before tax (excluding income tax from certain proportionately consolidated joint ventures and associates)	**889**	**655**	**36%**	**669**	**493**	**36%**
Income tax from certain proportionately consolidated joint ventures and associates included in income before tax	4	4	-	3	3	-
Income tax	(105)	(115)	9%	(79)	(86)	8%
Of which Income tax from certain proportionately consolidated joint ventures and associates included in income before tax	*(4)*	*(4)*	-	*(3)*	*(3)*	-
Net income	**784**	**540**	**45%**	**590**	**407**	**45%**

Life insurance gross premiums	8,585	8,212	5%	6,461	6,187	4%
Accident and health insurance premiums	2,49	2,372	5%	1,874	1,787	5%
Total gross premiums	**11,074**	**10,584**	**5%**	**8,334**	**7,974**	**5%**
Investment income	4,401	4,473	(2%)	3,312	3,370	(2%)
Fees and commission income	1,974	1,689	17%	1,485	1,273	17%
Other revenues	3	6	(50%)	2	4	(50%)
Total revenues	**17,453**	**16,752**	**4%**	**13,134**	**12,622**	**4%**
Commissions and expenses	4,446	4,394	1%	3,346	3,311	1%
of which operating expenses	1,871	1,911	(2%)	1,408	1,440	(2%)

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

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

	Amounts in USD millions			Amounts in EUR millions		
Gross deposits (on and off balance)	2014	2013	%	2014	2013	%
Life & Protection	9	11	(18%)	7	8	(13%)
Retirement plans	*26,736*	*21,238*	*26%*	*20,121*	*16,002*	*26%*
Mutual funds	*4,879*	*4,301*	*13%*	*3,672*	*3,241*	*13%*
Variable annuities	*10,235*	*8,496*	*20%*	*7,702*	*6,402*	*20%*
Fixed annuities	*323*	*552*	*(41%)*	*243*	*416*	*(41%)*
Stable value solutions	*-*	*2,984*	*-*	*-*	*2,248*	*-*
Investment & Retirement	42,173	37,571	12%	31,738	28,309	12%
Canada	121	125	(3%)	91	94	(3%)
Latin America	18	18	-	14	14	-
Total gross deposits	**42,321**	**37,725**	**12%**	**31,849**	**28,424**	**12%**

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

Results 2014 Americas

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

Net income

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

Underlying earnings before tax

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

- Underlying earnings before tax from Life & Protection decreased 72% compared to 2013 to USD 199 million as growth from the business was more than offset by the negative impact of assumption changes and model updates (USD 400 million), unfavorable mortality and the impact of lower interest rates. The actuarial assumption updates were primarily related to updated mortality assumptions for the older ages. The model updates were primarily related to changes to modeled premium persistency.
- Individual Savings & Retirement underlying earnings before tax increased 35% to USD 891 million compared to 2013. Higher underlying earnings before tax from variable annuities and mutual funds more than offset lower underlying earnings before tax from fixed annuities. Underlying earnings before tax from variable annuities were up 62% to USD 671 million compared to 2013, resulting from the positive impact from actuarial assumption changes and model update of USD 174 million. Excluding this benefit, underlying earnings before tax were up due to higher fee income from higher account balances. Underlying earnings before tax from mutual funds increased 42% to USD 47 million compared to 2013, primarily driven by higher net inflows and favorable markets. Underlying earnings before tax from fixed annuities was down 20% to

USD 172 million compared to 2013 as the product is no longer being actively sold. Furthermore, underlying earnings before tax from fixed annuities was adversely impacted by assumption changes amounting to USD 39 million.

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

Commissions and expenses

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

Production

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

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

Overview of Americas

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

Aegon USA

Aegon USA is one of the leading[1] life insurance organizations in the United States, and the largest of Aegon s operating units worldwide. It administers millions of policies and employs around 12,000 people. Most of Aegon USA s companies operate under the Transamerica brand, one of the best-known[2] names in the United States for financial services (i.e. banks and businesses engaged in issuing, administering and selling insurance products, mutual funds, and other securities). Its companies have existed since the mid-19th century, and its main offices are in Cedar Rapids, Iowa, and Baltimore, Maryland with additional offices located throughout the United States.

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

Like other Aegon companies, Aegon USA uses a variety of distribution channels to help customers access its products and services as best suits their needs. Aegon USA distributes products and services through a number of channels, including agents, banks, investment advisers, registered representatives of broker-dealers, the internet, and direct and worksite marketing.

Aegon Brazil

In 2009, Aegon acquired a 50% interest in Mongeral Aegon Seguros e Previdência S.A., Brazil s fourth largest independent (i.e. non-bank affiliated) life insurer. As of December 31, 2015, Aegon Brazil had around 500 employees.

To further capture growth prospects in Brazil, on November 6, 2014, Mongeral Aegon and Bancoob (Banco Cooperativo do Brasil) signed an agreement to establish a new life insurance and pensions company dedicated to providing life insurance and pension products and services to the Sicoob system. Sicoob is the largest cooperative financial system in the country, with over 3 million associates and 2,340 points of service. Bancoob is a private commercial bank owned by the credit cooperative entities affiliated with the Sicoob system. This agreement represents a key expansion of distribution for Mongeral Aegon, which already serves over 2 million customers nationwide through over 4,000 broker partners. The venture is still subject to final regulatory approval from SUSEP (Superintendência de Seguros Privados).

Aegon Mexico

In 2006, Aegon acquired a 49% interest in Seguros Argos S.A. de C.V., a Mexican life insurance company. In 2013, Aegon entered into a joint venture with Administradora Akaan S.A. de C.V. to create Akaan-Aegon S.A.P.I. de C.V.

and explore financial service opportunities. This organization is in the start-up phase and will initially focus on third-party asset management. As of December 31, 2015, Aegon Mexico had around 40 employees.

Aegon Canada

On July 31, 2015, Aegon completed the sale of its Canadian life insurance business to Wilton Re following regulatory approval. The agreement to sell Aegon s Canadian life insurance was announced on October 16, 2014. Based in Toronto, Aegon Canada offered a range of insurance products and financial services, primarily through its Transamerica Life Canada and Canadian Premier Life subsidiaries. Aegon maintains an insurance agency operating in Canada as World Financial Group Insurance Agency of Canada Inc., in addition to an affiliated securities dealer.

Organizational structure

Aegon USA

Aegon USA was founded in 1989, when Aegon brought all of its operating companies in the United States together under a single financial services holding company: Aegon USA, LLC. As of December 31, 2015, Aegon USA, LLC was merged into Transamerica Corporation, which is the holding company for the US operations. Business is conducted through its various subsidiaries. The use of the term Aegon USA throughout this document refers to the operating subsidiaries in the United States, through which Aegon USA conducts business. Aegon USA has operating licenses in every US state, in addition to the District of Columbia, Puerto Rico, the Virgin Islands and Guam.

Aegon USA s primary insurance subsidiaries are:

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

In 2015, Aegon USA was organized into two divisions each operating through one or more of the Aegon USA life insurance companies:

¿ Life & Protection (L&P); and
¿ Investments & Retirement (I&R).

1 Source: A.M. Best.
2 Source: BrandPower Analysis.

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

Overview of sales and distribution channels

Aegon USA

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

¿ Affinity groups;
¿ Banks;
¿ Benefit consulting firms;
¿ Direct- to-consumer;
¿ Independent and career agents;
¿ Independent marketing organizations;
¿ Institutional partners;
¿ Registered representatives of regional and independent broker-dealers;
¿ Registered investment advisers;
¿ Third-party administrators;
¿ Wirehouses; and
¿ Worksite.

In general, Aegon USA companies are focused on particular products or market segments, ranging from lower income to high-net-worth individuals, and from small to large institutions.

Overview of business lines

Aegon USA

Life & Protection

Life & Protection (L&P) offers a comprehensive portfolio of protection solutions to customers in a broad range of market segments. Consumers may choose to purchase through independent distributors, sales associates with an exclusive relationship to Transamerica, through the worksite, or directly from Aegon USA s subsidiaries.

Products

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

Term life insurance

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

Universal life insurance

Universal life insurance is flexible permanent life insurance that offers death benefit protection together with the potential for cash value accumulation. The frequency and amount of premiums, in addition to the death benefit, can be adjusted as a policyholder s circumstances change. A version of this product has secondary guarantees, which guarantee continuation of the life insurance if the customer consistently pays an agreed minimum amount of premium each year. Transamerica withdrew its universal life secondary guarantees product in early 2015, in response to the low and volatile interest rate environment.

Variable universal life insurance

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

Indexed universal life insurance

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

Whole life insurance

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

Supplemental health

Supplemental health insurance products include accidental death, accident, cancer, critical illness, disability, hospital indemnity, Medicare Supplement, Medicare Part D prescription drug, and retiree medical.

A number of these products provide insureds with lump sum or specified income payments if hospitalized or diagnosed with a critical illness. Others pay benefits for specific medical expenses and treatments, or cover deductibles, co-payments and co-insurance amounts not covered by other health insurance. In addition, L&P offers stop-loss insurance to employers to protect against catastrophic losses under self-funded health plans.

Long-term care insurance

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

Life & Protection sales and distribution

The L&P division is organized by distribution channel to better align with customers needs. It is supported by a shared services platform. Each channel has primary target market segments on which it focuses. The L&P distribution channels fall into four main categories: independent, partner, worksite and direct-to-consumer.

Independent

This channel offers life insurance (term life, universal life, variable and indexed universal life and whole life), long-term care and supplemental health products and services through approximately 65,000 independent brokerage distributors and financial institutions that target the affluent, emerging affluent and middle markets. These products are designed for family protection, business needs, and estate and legacy planning.

Partner

Through exclusive relationships with over 35,000 sales associates, this channel provides the same life and health products as the independent distribution channel, with a focus on the middle and emerging affluent markets.

Worksite

The L&P division is also active in the employee benefits market. It offers life and supplemental health insurance products through employers, labor unions and trade associations. The comprehensive portfolio includes universal life, whole life and term life insurance, in addition to accident, critical illness, cancer, hospital indemnity, supplemental medical expense, short-term disability, vision, and dental policies.

Direct-to-consumer

Transamerica Direct targets consumers in the mass affluent, emerging mass affluent and middle markets both directly and via affinity endorsements to provide them with easy access to insurance, investment and retirement solutions.

Investments & Retirement

Investments & Retirement (I&R) offers a wide range of solutions to serve customers to and through retirement: first, as they accumulate assets; and second, as they manage assets to generate retirement income. The division administers these products, and distributes them through a variety of channels, including wirehouse firms, banks, broker-dealers, consultants, insurance agents, registered investment advisors, independent financial planners, and direct-to-consumer.

Investments & Retirement products

I&R products and services include mutual funds, variable and fixed annuities, retirement plans (including ancillary services) and stable value solutions.

Mutual funds

I&R provides a wide range of specialized mutual funds for all market conditions, including asset allocation, US equity, global/ international equity, alternative investments, hybrid allocation, fixed income and target date funds. Funds are offered through Transamerica Asset Management (TAM), a sub-advised or manager of managers mutual fund platform. Sub-advisers can include both those affiliated or not affiliated with Transamerica.

Variable annuities

For new sales, I&R currently offers several different variable annuity products to meet a range of investor needs. I&R also offers guaranteed living benefits, often referred to as riders.

Variable annuities allow the holder to accumulate assets for retirement on a tax-deferred basis and to participate in equity or bond market performance, in addition to receiving one of many payout options designed to help meet the policyholder s need for income in retirement. Variable annuity payments can vary based on investment performance. Guaranteed living benefits (GLBs) are generally optional guarantees that can be embedded into variable annuity products. GLBs are intended to provide a significant measure of protection against market risk while the annuitant is alive. I&R offers different forms of GLBs, such as guaranteeing an income stream for life and/or guaranteeing principal protection.

Fixed annuities

Fixed annuities allow investors to make a lump-sum payment or a series of payments and receive income in the form of periodic payments that can begin immediately or after a period of time. I&R introduced a new fixed-indexed annuity in 2015. A fixed-indexed annuity may credit interest using an annual point-to-point crediting method based, in part, on the percentage change in the value of the selected index account option(s) at the start and end of the crediting period. A fixed account option is also available. Transamerica is not actively marketing new sales of fixed deferred annuities; current sales primarily represent annuitizations and additional premium on existing contracts.

Retirement plan services

I&R provides comprehensive and customized retirement plan services to employers across the entire spectrum of defined benefit, defined contribution and non-qualified deferred compensation plans. I&R also offers services to individuals rolling over funds from other qualified retirement funds or Individual Retirement Accounts (IRAs).

Retirement plan services are offered by Transamerica Retirement Solutions, which provides plans across all market segments, including administration, recordkeeping and investment services to employers of all sizes, also in addition to partnering with plan advisors and third-party administrators to serve their customers. On December 31, 2015, Aegon closed the acquisition of Mercer s US defined contribution administration business. As a result of the acquisition, Transamerica Retirement Solutions is now a top ten defined contribution record-keeper based on plan participants and assets[1].

Transamerica Retirement Solutions provides plan sponsors with access to a wide array of investment options. Depending on the product chosen by the plan sponsor, the Company can offer unrestricted access to the entire universe of publicly-available investments. The Company also offers a product for smaller plans with an array of hundreds of investment choices from more than 40 investment management companies.

Transamerica Retirement Solutions provides tools to help plan participants monitor their retirement accounts and engage in behavior to stay on track toward a funded retirement. The Company also offers Managed Advice®, an option that plan sponsors can make available to participants that provides investment and savings advice.

For individual plan participants who are in transition due to a job loss or change or planned retirement, Transamerica Retirement Solutions offers Personal Retirement Services (PRS) through a team of experienced registered representatives ad registered investment advisers. Solutions include IRAs, advisory services, annuities and access to other financial products and resources.

Transamerica Stable Value Solutions

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

Investments & Retirement sales and distribution

I&R distributes its retirement plan, mutual fund and annuity products primarily on a wholesale basis through third-party intermediaries such as broker-dealers, wirehouses, consultants, insurance agents, and registered investment advisors. A subset of those firms that represent a significant portion of I&R sales are managed by the I&R Business

Development Group.

I&R has three main wholesaling teams: retirement, mutual fund, and annuities. The retirement team is broken down into two segments: Emerging Markets, which focuses on the USD 20 million and below asset segment; and Institutional Markets, which focuses on the USD 20 million and over asset segment. The annuity wholesaling team is divided into groups by distribution channel (i.e., independent broker-dealers, banks and wirehouses). The mutual fund wholesaling group is split into two teams, one that concentrates on retail advisors and one that focuses on institutional and platform opportunities. In total, I&R has a team of more than 400 sales and business development professionals who are focused on distributing Transamerica products.

I&R also serves customers directly through two businesses: PRS, as described above, and Your Financial Life (YFL). YFL offers guidance and resources for retirement planning (including financial articles and tools, and Transamerica certified financial planners), together with access to annuity, mutual fund and IRA rollover products. YFL is marketed directly to customers, primarily through digital channels.

Latin America

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

Run-off businesses

Institutional spread-based business

This business was put into run-off in 2009. The primary products included Guaranteed Investment Contracts (GICs), Funding Agreements (FAs), and medium-term notes (MTNs). GICs were generally issued to tax qualified plans, while FAs and MTNs were typically issued to non-tax qualified institutional investors.

1 Plansponsor, 2015.

Guaranteed investment contracts and funding agreements GICs and FAs are spread-based products issued on a fixed-rate or floating-rate basis. They provide the customer with a guarantee of principal and a specified rate of return. Practically all of the liabilities represented by the fixed-rate contracts were effectively converted to a floating-rate via swap agreements when the contracts were issued. Contracts issued in foreign currencies were converted at issuance to US dollars through swap agreements when the contracts were issued to eliminate currency risk.

Medium-term notes

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

Structured settlement annuities

Structured settlement annuities are a form of immediate annuity purchased as a result of a lawsuit or claim. New sales of structured settlement annuities were discontinued in 2003, although Aegon USA continues to administer the closed block of business.

Bank- and corporate-owned life insurance

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

On July 10, 2015, Aegon announced an agreement with Greenspoint Capital and The Newport Group to sell Clark Consulting, its BOLI distribution and servicing unit, for USD 177.5 million. The transaction closed on September 2, 2015. Clark Consulting was a distinct entity within the BOLI/COLI insurance business that will continue to be in run-off.

Life reinsurance

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

Competition

The US marketplace is highly competitive. Aegon USA s competitors include other large insurance carriers, in addition to

certain banks, securities brokerage firms, investment advisors, and other financial intermediaries marketing insurance products, annuities and mutual funds. Aegon USA leverages long-term relationships with many institutions to offer them product lines such as variable annuities, life insurance, mutual funds, and defined contribution pension plans.

The Life & Protection division faces competition from a variety of carriers. In individual life insurance, leading competitors include Lincoln National, Prudential Financial, MetLife, Pacific Life, and John Hancock. In long-term care insurance, Transamerica competes primarily with Genworth and John Hancock. In supplemental health, Transamerica competes with a wide range of companies and company types based on the nature of the coverage.

The Investment & Retirement division also faces competition from a variety of carriers. It maintains an effective wholesaling force, and focuses on strategic business relationships and products with competitive features, benefits and pricing.

Aegon USA s primary competitors in the variable annuity market are AIG, Jackson National, Lincoln National, MetLife, Nationwide, and Prudential Financial.

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

In the institutional segment of the defined contribution market, Aegon USA s main competitors are Fidelity, Empower Retirement, Prudential Financial, Mass Mutual, Principal Financial, Charles Schwab, T. Rowe Price, and Vanguard. Aegon USA s main competitors in the defined benefit segment are Mass Mutual, New York Life, Principal Financial, and Prudential Financial. In the emerging market segment and the multiple employer plan segment, Aegon USA s main competitors are American Funds, Fidelity, Voya Financial, John Hancock, and Principal Financial.

Regulation and supervision

Aegon USA

Aegon USA s insurance companies and the business they conduct in the US are regulated primarily at a US state level, with some activities, products and services also subject to federal regulation.

State Insurance Regulation

Aegon USA s largest insurance companies are domiciled in the State of Iowa, and the Iowa Insurance Division exercises principal regulatory jurisdiction over those companies. This regulation includes implementation and enforcement of standards of solvency, adequacy of reserves and capital, and reinsurance.

The Aegon USA insurance companies are licensed as insurers in Iowa and are also licensed and regulated in each US state and jurisdiction in which they conduct insurance business. The extent of such regulation varies, but has a shared purpose in terms of the protection of policy and contract holders. The insurance regulators in each state carry out their mission by providing oversight in the broad areas of market conduct and financial solvency regulation.

In the areas of licensing and market conduct, states grant or revoke licenses to transact insurance business, regulate trade and marketing practices, approve policy forms and certain premium rates, review and approve products and rates prior to sale, address consumer complaints, and perform market conduct examinations on both a regular and targeted basis.

In the area of financial regulation, state regulators implement and supervise statutory reserve and capital requirements, including minimum risk-based capital solvency standards. Insurance companies are also subject to extensive reporting, investment limitations, and required approval of significant transactions in each state in which they are licensed.

State regulators, by law, conduct extensive financial examinations every three to five years.

State regulators have the authority to impose a variety of punitive measures, including revoking licenses, for failure to comply with applicable regulations. All state insurance regulators are members of the National Association of Insurance Commissioners (NAIC), a non-regulatory association that works to achieve uniformity and efficiency of insurance regulation across the United States and US jurisdictions.

Recent regulatory enhancements that have been or are being implemented in states, include increased reporting of holding company activities, increased transparency and uniformity for certain captive reinsurance transactions and requirements for companies to conduct an Own Risk and Solvency Assessment (ORSA). In 2014, the NAIC adopted a regulatory framework impacting captives used for term and universal life with secondary guarantee products (Actuarial Guideline 48), which became effective on January 1, 2015. Additionally, principle-based reserving is expected to come into force in 2017. Actuarial Guideline 49 adds new rules for illustrations of indexed universal life insurance, with changes to the maximum illustration rate effective as of September 1, 2015, and other sections effective as of March 1, 2016.

Emerging state issues that may impact Aegon USA include consideration of changes to accounting and actuarial requirements for variable annuities (VA), which may reduce insurers needs and abilities to use variable annuity captives, and initiatives to develop group capital requirements for certain Internationally Active Insurance Groups (IAIGs). Aegon USA uses reinsurance and VA captives in part for reserve requirements and to hedge risk. Given that proposals related to VA captive reinsurance arrangements are still being formulated, it is too early to assess their possible impact on Aegon USA s operations. Aegon USA is prepared to comply with new regulations.

Federal Regulation of Financial Services and Health Insurance

Although the insurance business is primarily regulated at the state level, many federal laws and initiatives impact the insurance sector in such areas as the regulation of financial services, derivatives, retirement plans, securities products, health care, taxes and privacy. Regulation of financial services has increased as result of the Dodd Frank Act, which also created the Federal Insurance Office (FIO) and the Office of Financial Research (OFR). The FIO is authorized to review the insurance market in the US and make recommendations to Congress, and the OFR conducts research in financial services, including insurance, in support of such oversight. In addition, the FIO is authorized to establish US insurance policy in international matters. Finally, the Federal Reserve Board also has authority to establish capital standards for systemically significant insurers and to participate in the establishment of international insurance capital standards. In the area of privacy, there has been increased scrutiny at a state, federal and international level following a number of high-profile data breaches of financial services and other companies. As a result, Congress and federal regulators are considering options to combat data breaches and cyber-threats, in addition to those already imposed by the Gramm-Leach-Bliley Act and other federal law and regulations.

In addition to financial services products, many supplemental health insurance products offered by Aegon USA, such as Medicare Supplement products, are subject to both federal and state regulation as health insurance. The Patient Protection and Affordable Care Act (PPACA), enacted in 2011, significantly changed the regulation of health insurance and the delivery of health care in the United States, including in certain respects, the regulation and delivery of supplemental health insurance products. Following decisions by the US Supreme Court to uphold critical provisions of PPACA, continued federal regulation of certain health insurance products should be expected.

Solvency II

As of January 1, 2016, under the new Solvency II requirements, the activities of Aegon Americas have been consolidated into the Aegon Group Solvency II results through deduction and aggregation using available and required capital as per the local capital regimes. The US regulatory regimes were granted provisional equivalence on December 7, 2015. The combined Solvency II position of the activities of Aegon Americas on December 31, 2015, is estimated to be ~160%.

Securities Regulation

A number of Aegon USA subsidiaries are subject to regulation under the federal securities laws administered by the SEC and aspects of states securities and other laws. Variable insurance policies, certain annuity contracts and registered investment companies (funds) offered by Aegon USA are subject to regulation under the federal securities laws administered by the SEC and aspects of states securities laws. Certain separate accounts of Aegon USA insurers that offer variable life insurance and certain annuities and interests under these annuity and insurance policies are registered and subject to SEC regulation. The distribution and sale of these and other securities by affiliate and non-affiliate broker-dealers is regulated by the SEC and the Financial Industry Regulatory Authority (FINRA). A number of Aegon USA companies are also registered as investment advisors and subject to SEC regulation.

Aegon USA also owns or manages other investment vehicles that are exempt from registration but may be subject to other requirements of those laws, such as anti-fraud provisions and the terms of applicable exemptions.

In accordance with Dodd-Frank Act requirements, in January 2011 the SEC studied and recommended a harmonized standard of care for broker-dealers, investment advisors and persons associated with firms that provide personalized investment advice. Broker-dealers are currently subject to requirements to make suitable recommendations, while investment advisers are regulated as fiduciaries, required to put customer interests above their own. The SEC intends to propose regulations imposing a harmonized standard of care, and has announced that the proposed regulations will be published in the fall of 2016. In addition, in accordance with Dodd-Frank Act requirements, the SEC intends to enhance its regulatory and examination oversight of registered investment advisers, but has not provided any timeframe for such a proposal. Finally, the SEC has reformed the regulation of institutional money market funds by requiring those funds to price and transact their shares at a market value floating net asset value per share (NAV). The SEC has also provided money market fund boards with the discretion to stem heavy redemptions by, among other tools, imposing liquidity fees and gates in the fund s best interests. The SEC has set a two-year period for compliance. The impact of these requirements and any future regulations regarding investment advisors, money market funds, or other investment products, including proposed rules designed to enhance the regulation of the use of derivatives by registered investment companies, is still under review and cannot be predicted at this time.

The financial services industry continues to operate under heightened scrutiny and increased regulation in various jurisdictions. Such scrutiny and regulations have included matters relating to producer and other compensation arrangements, suitability of sales (especially to seniors), misleading sales practices, unclaimed property reporting, revenue sharing, investment management and valuation issues involving mutual funds and life insurance separate accounts and their underlying funds. Aegon USA, like other businesses in the financial services industry, is routinely examined and receives requests for information from the SEC, FINRA, state regulators and others in

connection with examinations and investigations of its own companies and third-party or unaffiliated insurers, broker-dealers, investment advisers, investment companies and service providers relating to certain historical and current practices with respect to these and other matters. Some of those inquiries have led to investigations, which remain open, or have resulted in fines, corrective actions or restitution. Aegon USA continues to cooperate with these regulatory agencies. In certain instances, Aegon USA modified business practices in response to those inquiries or findings. Certain Aegon USA companies have paid, or have been informed that the regulators may seek, restitution, fines or other monetary penalties or changes in the way that business is conducted. The impact of any such fines or other monetary penalties is not expected to have a material impact on Aegon USA s financial position, net income or cash flow.

Regulation of Workforce Retirement Plans and IRAs

Aegon USA administers and provides investment and insurance services and products used to fund defined contribution plans, such as 401(k) plans, defined benefit plans, IRAs, 529 plans and other savings vehicles. Aegon USA also provides plans used to administer benefits distributed on termination of defined benefit plans. These products and services are subject to the Employee Retirement Income Security Act (ERISA) and the federal Internal Revenue Code of 1986, as amended (the Code) for which the Department of Labor (DOL) and the US Treasury Department (Treasury) have regulatory jurisdiction, respectively.

The DOL recently proposed a conflicts of interest rule that significantly expands the scope of activities that are classified as fiduciary investment advice and that are subject to a best interest standard. The rule, if promulgated in the manner proposed, would impact the delivery of products and services to workforce retirement plans and participants in those plans and in IRAs, especially concerning sales and services to small business plans and sales of variable annuities. Legislation and regulation is also being considered that would facilitate the use of multiple employer plans (MEPs), of which Aegon USA is a leading provider. In addition, both the Treasury and the DOL have published, in final and proposed forms respectively, guidance to facilitate the offering of guaranteed lifetime income products. Finally, many states have sought to open their plans to non-government workers who do not have access to an employer retirement savings plan. Any proposals that impact the current business models or fees and services to employer plans or IRAs will impact the Aegon USA companies that provide administration and investment services and products to private workforce plans. The likelihood that these legislative proposals will be passed or the regulatory guidance finalized cannot be predicted at this time.

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Tax Treatment of Insurance Companies and their Products and Plans

Although the insurance business is regulated at a state level, the US federal tax treatment of life insurers, life insurance, pension and annuity products is governed by the US federal tax code. Provisions that increase the taxation of life insurers, as well as remove or decrease the value of tax incentives for life insurance, pensions and annuity products considered alone and relative to other investment vehicles have been proposed in the Executive Administration s Fiscal Year 2016 budget for the US federal government and set forth in discussion drafts and whitepapers on comprehensive federal tax reform legislation. These initiatives also contemplate international tax reform, including proposals that would limit the ability of companies to deduct interest expense on financing provided by a non-US affiliate. Executive Administration budget proposals, legislative proposals and discussion drafts must be enacted by Congress before they become law. The risk of tax law changes is heightened when additional revenue is sought to reduce the federal deficit or to pay for other tax law changes, such as lower tax rates. In addition, tax reform initiatives of the type contemplated by discussion drafts of comprehensive federal tax reform legislation further increase the risk of both increased taxation of life insurers and of decreased tax incentives for short- and long-term savings products. These changes, if enacted, would have a direct impact on the cost and competitiveness of life insurance, annuity and pension products sold to ensure Americans financial and retirement security.

Asset liability management

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

The key investment strategy for traditional general account insurance is asset liability management (ALM), whereby predominately high-quality investment assets are matched in an optimal way to the corresponding insurance liability. This strategy takes into account currency, yield and maturity characteristics. Asset diversification and quality considerations are also taken into account, along with considerations of the policyholders

guaranteed or reasonably expected excess interest sharing. Investment-grade fixed income securities are the main vehicle for ALM, and Aegon USA s investment personnel are highly skilled and experienced in these investments.

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

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

Reinsurance ceded

Ceding reinsurance does not remove Aegon s liability as the primary insurer. Aegon could incur losses should reinsurance companies not be able to meet their obligations.

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

Aegon USA remains contingently liable with respect to the amounts ceded should the reinsurance company not be able to meet its obligations. To minimize its exposure to such defaults, Aegon USA regularly monitors the creditworthiness of its reinsurers, and where appropriate, arranges additional protection

through letters of credit or trust agreements. For certain agreements, funds are withheld for investment by the ceding company. Aegon USA has experienced no material reinsurance recoverability problems in recent years.

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

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

Results 2015 the Netherlands

Amounts in EUR millions	2015	2014	%
Net underlying earnings	**419**	**423**	**(1%)**
Tax on underlying earnings	118	135	(13%)
Underlying earnings before tax by business			
Life & Savings	325	336	(3%)
Pensions	212	195	9%
Non-life	(21)	13	-
Distribution	22	15	50%
Underlying earnings before tax	**537**	**558**	**(4%)**
Fair value items	175	(766)	-
Gains / (losses) on investments	306	431	(29%)
Net impairments	(20)	(12)	(76%)
Other income / (charges)	(22)	(113)	81%
Income before tax	**977**	**99**	**-**
Income tax	(223)	(37)	-
Net income	**753**	**62**	**-**
Life insurance gross premiums	2,240	3,982	(44%)
Accident and health insurance premiums	234	233	0%
General insurance premiums	473	501	(5%)
Total gross premiums	**2,947**	**4,716**	**(38%)**
Investment income	2,277	2,568	(11%)
Fees and commission income	351	324	8%
Total revenues	**5,575**	**7,608**	**(27%)**
Commissions and expenses	1,053	977	8%
of which operating expenses	831	726	14%

New life sales

Amounts in EUR millions	2015	2014	%
Life & Savings	32	33	(2%)
Pensions	98	218	(55%)
Total recurring plus 1/10 single	**130**	**251**	**(48%)**

Amounts in EUR million	2015	2014	%
New premium production accident and health insurance	9	9	1%

New premium production general insurance	29	26	11%

Gross deposits (on and off balance)	**2015**	2014	%
Life & Savings	4,870	2,708	80%
Pensions	267	73	-
Total gross deposits	**5,137**	**2,781**	**85%**

Results 2015 the Netherlands[1]

Net income in 2015 increased to EUR 753 million compared with EUR 62 million in 2014, mainly driven by the positive impact of rising credit spreads on fair value items. Underlying earnings before tax declined, as 2014 included an employee pension-related reserve release of EUR 45 million. On a comparable basis, underlying earnings before tax increased by 5%, as lower funding costs, higher earnings from mortgages and a mortality provision release more than offset lower non-life results. Lower new life sales were driven by the absence of large pension buyouts given the low interest rate environment. Gross deposits almost doubled resulting from growth of Knab, Aegon s online bank and premium pension institutions (PPI), Aegon s defined contribution pension business.

Net income

Net income from Aegon s businesses in the Netherlands increased with EUR 691 million to EUR 753 million in 2015 compared with 2014. Realized gains on investments totalled EUR 306 million, and were mainly the result of portfolio rebalancing in the low rate environment. Results on fair value items amounted to a gain of EUR 175 million, driven by a positive impact of rising credit spreads and interest rates. Impairment charges amounted to EUR 20 million and were primarily related to the consumer loan portfolio. Other charges of EUR 22 million included a EUR 11 million charge for the restructuring of the non-life business.

Underlying earnings before tax

Underlying earnings before tax in 2015 decreased by 4% to EUR 537 million, as 2014 included an employee pension-related reserve release of EUR 45 million. On a comparable basis, underlying earnings before tax increased by 5%, as lower funding costs, higher earnings from mortgages and a mortality provision release more than offset lower non-life results.

  - ¿ Underlying earnings before tax from Life & Savings amounted to EUR 325 million in 2015. Higher investment income, primarily generated by profitable mortgage production, and lower funding costs were more than offset by the non-recurrence of an employee benefit reserve release and the transfer of part of the mortgage portfolio to the Pension business.
  - ¿ Underlying earnings before tax from Pensions increased by 9% to EUR 212 million compared with 2014. Higher earnings from mortgages and favorable mortality more than offset the non-recurrence of an employee benefit reserve release and lower investment income resulting from rebalancing the fixed income portfolio..
- ¿ The loss from the Non-life business amounted to EUR 21 million in 2015. This was driven by a continuation of the high level of claims in the proxy channel and commercial lines, which Aegon agreed in January 2016 to sell to Allianz.
- ¿ Underlying earnings before tax from the Distribution business increased to EUR 22 million in 2015, compared with EUR 15 million in 2014. The increase was mainly driven by cost savings.

Commissions and expenses

Commissions and expenses increased in 2015 to EUR 1,053 million. Operating expenses were up to EUR 831 million in 2015 compared with 2014 due to a charge related to the non-life business, the release of the employee benefit reserve booked in 2014, and the higher employee benefit expenses, which resulted from the low interest rate environment.

Production

Gross deposits almost doubled in 2015 to EUR 5.1 billion compared with 2014, mainly driven by the growth of Knab, Aegon s online bank in the Netherlands, and by the PPI business. Production of mortgages in 2015 increased by 24% to EUR 5.9 billion, of which EUR 3.7 billion was related to third-party investor demand (2014: EUR 2.1 billion).

New life sales amounted to EUR 130 million, which was a result of the absence of large pension buyouts. Individual life sales remained stable at EUR 32 million, while pension sales decreased to EUR 98 million.

Premium production for accident & health was stable in 2015 compared to 2014 at EUR 9 million. General insurance production increased to EUR 29 million.

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

Results 2014 the Netherlands

Amounts in EUR millions	2014	2013	%
Net underlying earnings	**423**	**352**	**20%**
Tax on underlying earnings	135	102	32%
Underlying earnings before tax by business			
Life & Savings	336	247	36%
Pensions	195	208	(6%)
Non-life	13	(20)	-
Distribution	15	18	(17%)
Underlying earnings before tax	**558**	**454**	**23%**
Fair value items	(766)	(41)	-
Gains / (losses) on investments	431	342	26%
Net impairments	(12)	(32)	64%
Other income / (charges)	(113)	(36)	-
Income before tax	**99**	**687**	**(86%)**
Income tax	(37)	(166)	78%
Net income	**62**	**521**	**(88%)**
Life insurance gross premiums	3,982	3,515	13%
Accident and health insurance premiums	233	243	(4%)
General insurance premiums	501	487	3%
Total gross premiums	**4,716**	**4,245**	**11%**
Investment income	2,568	2,310	11%
Fees and commission income	324	328	(1%)
Total revenues	**7,608**	**6,883**	**11%**
Commissions and expenses	977	990	(1%)
of which operating expenses	726	732	(1%)

New life sales

Amounts in EUR millions	2014	2013	%
Life & Savings	33	40	(19%)
Pensions	218	166	32%
Total recurring plus 1/10 single	**251**	**206**	**22%**

Amounts in EUR million	2014	2013	%

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

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

Results 2014 the Netherlands

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

Net income

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

Underlying earnings before tax

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

- ¿ Underlying earnings before tax from Life & Savings increased 36% to EUR 336 million compared with 2013, and were mostly a result of higher investment income, primarily generated by mortgage production, and improved margins on savings. An employee benefit reserve release resulting from legislation changes accounted for EUR 20 million of the increase.
- ¿ Underlying earnings before tax from Pensions decreased 6% to EUR 195 million compared with 2013. The positive impact of growth of the business and an employee benefit reserve release resulting from legislation changes of EUR 14 million was more than offset by lower investment income, mostly due to a reduced mortgage allocation to the investment portfolio.
- ¿ Non-life underlying earnings before tax improved to EUR 13 million in 2014, including the impact of an employee benefit reserve release resulting from legislation changes of EUR 11 million. Management actions taken to improve the profitability of the disability segment and the proxy channel in the general insurance business showed positive results, but are yet to have the desired impact. For this reason, Aegon expects to discontinue additional contracts in the proxy channel in 2015.
- ¿ Underlying earnings before tax from the Distribution business amounted to EUR 15 million in 2014. The decrease compared with 2013 was mainly driven by lower margins, as a result of the competitive market environment.

Commissions and expenses

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

Production

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

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

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

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Overview of the Netherlands

Aegon has operated in the Netherlands for more than 170 years, and is the country s leading provider of life insurance and pensions1, with approximately 4,500 employees. Aegon the Netherlands is headquartered in The Hague, has offices in Leeuwarden and Groningen, and owns the Unirobe Meeùs Group, one of the largest intermediaries in the Netherlands[2].

Organizational structure

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

Aegon the Netherlands primary subsidiaries are:

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

- Stichting CAPPITAL Premiepensioeninstelling.

Aegon the Netherlands has four lines of business:

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

Overview of sales and distribution channels

Like other Aegon companies, Aegon NL uses a variety of distribution channels to help customers access its products and services as best suits their needs. In general, all business lines use the intermediary channel, which focuses on independent agents and retail sales organizations in the Netherlands. The Pensions business line includes sales and account management, which serves large corporations and financial institutions, such as company and industry pension funds. Aegon Bank uses the direct channel, primarily for savings, and Aegon Schadeverzekering has strategic partnerships for the sale of its products, and uses an online channel. Furthermore, Aegon the Netherlands has made significant investments in its direct online channel, including the proprietary brands Knab, Kroodle and onna-onna.

1 Verzekerd van cijfers 2014, Verbond van Verzekeraars.
2 AM Jaarcijfers
3 Metrixlab brandtrackers.

Knab was launched in 2012 by Aegon Bank, to help people better understand their finances. Knab enables its customers to make their own choices regarding their personal financial situation and thereby achieve their financial goals. The online bank reflects Aegon s purpose by offering its customers an insight and overview of their finances through its unique financial planning tools. It alerts them to opportunities relevant to their personal situation. Furthermore, Knab offers a wide range of banking products, with a focus on wealth accumulation and payment services.

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

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

In early 2015, Aegon launched its own advice channel, in response to growing customer demand for direct services. While the distribution landscape is becoming increasingly multi-channel, Aegon will continue to distribute the largest part of its portfolio through intermediaries.

Overview of business lines

Life & Savings

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

Products

Endowment insurance

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

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

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

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

Term and whole life insurance

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

Annuity insurance

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

Variable unit-linked products

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

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

Mortgage loans

At present, Aegon the Netherlands mostly offers annuity mortgages . Before 2013, Aegon the Netherlands also offered interest-only, unit-linked and savings mortgage loans, and is continuing to do so for existing mortgage loans that are being renegotiated. Mortgage loans are partly funded by issuing residential mortgage-backed securities in Saecure Aegon s Dutch residential mortgage-backed securities program. In 2015, Aegon the Netherlands increased its mortgage loan fee business. For this business, Aegon originates the mortgage loans fully for account of third parties and remains the service provider for these mortgage loans.

Savings accounts

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

Investment contracts

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

Long-term deposits (Banksparen)

Banksparen is a tax-deferred savings product in which amounts are deposited in a locked bank account. The amount saved is available after a certain period of time for specific purposes such as for a supplementary pension or paying off a mortgage.

Sales and distribution

Aegon the Netherland s Life & Savings products are sold through Aegon s intermediary and direct channels.

Pensions

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

Products

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

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Separate account group contracts are large group contracts that have an individually-determined asset investment underlying the pension contract. For older generation products, a guarantee consists of profit sharing, and is the highest of either the market interest rate or the contractual interest rate of 3% or 4%. At present, the contracts offered to clients hold a maximum guarantee of 3%, and Aegon is also planning to introduce a 0% guarantee product. If profit sharing turns into a loss, the minimum guarantee becomes effective, but the loss in any given year is carried forward to be offset against future surpluses. In general, the guarantee is dependent on the life of the insured in order that their pension benefit is guaranteed. Large group contracts also receive part of the technical results for mortality risk and disability risk. The contract period for these types of contracts is typically five years and the tariffs, cost loadings and risk premiums are generally fixed over this period.

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

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

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

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

On December 22, 2015, legislation was passed that enables companies to set up Algemeen Pensioen Fonds (General Pension

1 Verzekerd van cijfers 2014, Verbond van Verzekeraars.

Fund). In 2016, Aegon the Netherlands introduced this new proposition to clients. This offers pension solutions to clients in which Aegon the Netherlands provides no guarantees and the investment benefits lie with the participants. Aegon the Netherlands provides fee-based services to this General Pension Fund as administration and investment solutions.

Sales and distribution

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

For the majority of company and industry customers, Aegon the Netherlands provides a full range of pension products and services. In addition, TKP Pensioen specializes in pension administration for company and industry pension funds, and also provides defined contribution plans to corporate and institutional clients. Aegon offers defined contribution plans for small and medium-sized companies, and Stichting CAPPITAL Premiepensioeninstelling offers the same plans for large companies.

Non-life

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

Products

General insurance

Aegon the Netherlands offers general insurance products in retail markets. These include house, inventory, car, fire and travel insurance. In the Netherlands, Aegon has completed a thorough business review and will restructure its non-life business to focus exclusively on the retail and SME segments of the market, which includes property & casualty and disability insurance. Aegon will exit the proxy channel entirely and is considering strategic options for its commercial lines business. These actions are expected to result in improved non-life returns in the future.

Accident and income protection insurance

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

Sales and distribution

Aegon the Netherlands offers non-life insurance products primarily through direct and intermediary channels. In addition, sales and account management provides products for larger corporations in the Netherlands.

Distribution

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

Competition

Aegon the Netherlands faces strong competition in all of its markets from insurers, banks, investment management companies and pension funds. Its main competitors are NN Group, Achmea, ASR, Vivat and Delta Lloyd. In addition, these markets are subject to fast-changing dynamics, including the growing use of online distribution channels and a changing pensions landscape (such as the introduction of Premie Pensioen Instellingen and the Algemeen Pensioen Fonds).

Aegon the Netherlands has been a key company in the total life market for many years, and was ranked number one in 2014[1] based on gross premium income. The life insurance market in the Netherlands comprises pensions and life insurance. The top six companies in the Netherlands by gross premium income accounted for approximately 90% of total premium income in 2014 in the insurance market. Aegon the Netherlands is one of the main companies in the pension market for insurance companies and pension funds. Aegon the Netherlands is ranked fifth in the individual life insurance market[2]. Aegon the Netherlands is one of a number of many insurers in the non-life market. Aegon the Netherlands non-life market share is around 4.2%[3], measured by premium income.

In the mortgage loans market, Aegon the Netherlands held a market share of approximately 11% based on new sales[4] in 2014 and its maket share continues to grow. Rabobank, ING and ABN AMRO are the largest mortgage loan providers in this market. Competition from foreign competitors and capital from pension funds is increasing.

Aegon the Netherlands holds approximately 1.9% of Dutch household savings[5], and is therefore small in comparison to banks such as Rabobank, ING, ABN AMRO and SNS Bank.

Since 2008, several regulatory changes have had an impact on demand for insurance products in the Dutch market notably in the life insurance market where the tax deductibility of certain products has been reduced, which has also caused a shift to bank saving products (banksparen). Furthermore, low economic growth and financial market volatility have made customers more reluctant to commit to long-term contracts. These changes have increased competition, resulting in a greater focus on competitive

1 Verzekerd van Cijfers.
2 Verzekerd van Cijfers.
3 Dutch Central Bank.

4 The Land Registry (Kadaster), 2015.
5 Dutch Central Bank.

pricing, improved customer service and retention, and product innovation.

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

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

Regulation and supervision

General

Regulation of the financial sector in the Netherlands is included in the Financial Supervision Act (Wet op het financieel toezicht or Wft). The Wft came into force on January 1, 2007, replacing the seven, primarily sectoral financial supervision Acts that were in place at that time, completing reform of financial supervision legislation in the Netherlands.

The aim of the Wft is to embed the cross-sectoral functional approach within the Dutch supervisory system. This approach replaced the prior sectoral approach to financial supervision, which was embedded in the previous legislation. The supervision of financial institutions pursuant to the Wft rests with the Dutch Central Bank (DNB) and the Authority for the Financial Markets (AFM).

DNB is responsible for prudential supervision, while the AFM supervises the conduct of business of financial institutions, and the conduct of business on financial markets. The aim of DNB s prudential supervision is to ensure the solidity of financial institutions and contribute to the stability of the financial sector.

The AFM s conduct of business supervision focuses on ensuring orderly and transparent financial market processes, integrity in relations between market parties and due care in the provision of services to clients. With regard to insurance companies and banks, DNB is the supervisory authority, and therefore the main insurance and banking supervisory authority in the Netherlands, in the case of the latter, together with the European Central Bank (ECB).

The Dutch supervisory authorities have a number of formal tools to exercise their supervisory tasks. These tools include the authority to request information, if this is necessary for the purpose of prudential supervision; and the power to issue formal instructions to financial institutions, to impose fines, or to publish sanctions. DNB, as prudential supervisory authority, can, under certain circumstances, require a recovery plan, a short-term financing plan, appoint a trustee, draw up a transfer plan or (ultimately) withdraw the license of a financial institution.

Financial supervision of insurance companies

Insurance supervision in EU member states is based on EU legislation, which, up until December 31, 2015, was set out in the Solvency I framework. Effective as of January 1, 2016, EU insurance regulation is contained in the Solvency II framework. The Solvency I framework consisted primarily of EU directives, which were transposed into national law, in the Netherlands in the Dutch Financial Supervision Act and lower level national rules, such as in particular the Decree on Prudential Rules for Financial Undertakings (Besluit prudentiële regels Wft or Bpr Wft).

The Solvency II framework also consists of an EU Directive and has consequently been transposed into the Dutch Financial Supervision Act. However, a large part of the Level II Solvency II rules are also set out in EU regulations, which apply directly in EU member states, and as a consequence do not need to be implemented into national legislation, such as in the Bpr Wft.

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

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

An insurance company is neither permitted to conduct both life insurance and non-life insurance business within a single legal entity (with the exception of reinsurance), nor to carry out both insurance and banking activities within the same legal entity. Within Aegon the Netherlands, Aegon Levensverzekering N.V., Aegon Spaarkas N.V. and Optas Pensioenen N.V. conduct life insurance activities. Aegon Schadeverzekering N.V. conducts non-life insurance activities. Prudential supervision is exercised by the home state supervisory authority (DNB in the Netherlands). Insurance companies in the Netherlands may conduct their activities on a cross-border basis or through a branch office based on the mutual recognition of (prudential) supervision in the EU (the so-called European passport). Aegon the Netherlands does not have material cross-border insurance business or business conducted through branch offices elsewhere in the EU.

Solvency I

Under Solvency I, life insurance companies were required to maintain certain levels of capital in accordance with EU directives.

During 2015, this level was approximately 4% of general account technical provision or, if no interest guarantees were provided, approximately 1% of technical provisions with investments for the account of policyholders, and an additional 0.3% charge for value at risk. General insurance companies were, under Solvency I, required to maintain shareholders equity of equal to or greater than 18% of gross written premiums a year, or 23% of the three-year average of gross claims.

With respect to the period up to December 31, 2015, every life and non-life insurance company licensed by DNB and falling under its prudential supervision must file audited regulatory reports on at least an annual basis. These reports, which are primarily designed to enable DNB to monitor the solvency of the insurance company, include a (consolidated) balance sheet, a (consolidated) income statement, extensive actuarial information, and detailed information on the insurance company s investments. DNB s regulatory reporting is based on a single entity focus, and is designed to highlight risk assessment and risk management.

Preparing for Solvency II

Solvency II came into effect on January 1, 2016. In anticipation of Solvency II, the Dutch Ministry of Finance made the European Insurance and Occupational Pensions Authority (EIOPA) Preparatory Guidelines for Solvency II reporting mandatory as of May 17, 2015, by amending the Decree on Prudential Rules for Financial Undertakings. This amendment to the Bpr Wft meant that insurance companies were required to submit an annual report for 2014 and two quarterly reports (for the second and third quarters of 2015) on the basis of the EIOPA guidelines in preparation for Solvency II. These mandatory preparatory Solvency II reports replaced the Theoretical Solvency Criteria (TSC) introduced on January 1, 2014. Solvency I quarterly reports were therefore no longer required as of the second quarter of 2015, and yearly reports are no longer required from 2016 onwards.

In the run up to Solvency II, all Dutch insurance companies were required to produce an Own Risk and Solvency Assessment (Eigen Risico Beoordeling or ERB) for 2015. Both the preparatory Solvency II reports and ERB were used as proxies for the ability of insurance companies (going forward) to comply with the applicable solvency requirements. Capital requirements until the date from which Solvency II came into force were based on Solvency I.

If an insurance company in the Netherlands is not compliant with the Solvency II requirements or does not expect to remain compliant with the applicable Solvency II requirements within one year, the approval of the DNB is required for it to be able to pay a dividend or to redeem capital. For this reason, the preparatory Solvency II reports also served as indications for the ability to pay a dividend or to redeem capital.

Solvency II

Aegon the Netherlands uses a Partial Internal Model to calculate the solvency position of its insurance activities under Solvency II. The calculation includes the use of the volatility adjuster, but does not include the use of any transitional measures. The internal model was approved on November 26, 2015, by the regulator DNB as part of the Internal Model Application Process. The solvency position of the banking activities will continue to be calculated using the CRR/CRD IV framework. The combined Solvency II position of the activities of Aegon the Netherlands on December 31, 2015, is estimated to be ~150%.

Financial supervision of credit institutions

As of November 4, 2014, Aegon Bank N.V. has been subject to indirect supervision by the ECB under the new European system of banking supervision, the Single Supervisory Mechanism (SSM), which comprises the European Central Bank and the relevant national authorities of participating EU Member States. The SSM is one of the elements of the Banking Union. The ECB may give instructions to DNB in respect of Aegon Bank N.V. or even assume direct supervision over the prudential aspects of the Aegon Bank N.V. s business. Pursuant to the banking supervision by DNB, Aegon Bank N.V. is (among others) required to file monthly regulatory reports and an audited Annual Report.

Credit institutions are subject to regulatory requirements. These include (among others) capital and liquidity requirements, the requirement to maintain a certain leverage ratio, governance and reporting requirements in line with the requirements of EU Directive 2013/36/EU (CRD IV) and EU Regulation 575/2013 (CRR).

CRD IV and the CRR are the European Union s translation of the Basel III accord for prudential supervision of credit institutions and investment firms. The CRR is binding for all EU member states and became effective on January 1, 2014. CRD IV is an EU directive, and is required to be implemented into local legislation. CRD IV has been implemented in the Netherlands by means of amending the Financial Supervision Act (Wet op het financieel toezicht, the Wft) on August 1, 2014. The majority of the requirements became effective as of that date, with the liquidity coverage ratio becoming effective on October 1, 2015 and a number of other requirements (such as the leverage ratio and net stable funding ratio) to be further defined.

The CRR has applied across all EU member states since January 1, 2014. The CRD IV and CRR frameworks include requirements with respect to capital adequacy, and introduce requirements with respect to the counterparty risk relating to derivative transactions, a new liquidity framework (liquidity coverage ratio and net stable funding ratio) in addition to a leverage ratio and two new, supplementary capital buffers, a capital preservation buffer and a countercyclical buffer. The capital requirements include qualitative in addition to quantitative requirements.

Capital of the highest quality, Core Equity Tier 1 or CET1 capital, forms a substantial part of the capital of a credit institution. Additional Tier 1 capital (AT1 capital) forms the rest of the Tier 1 capital. In addition, the capital of a credit institution may be composed of Tier 2 (T2) capital, which is of a lesser quality than Tier 1 capital.

EU Directive 2014/59/EU (the Banking Recovery and Resolution Directive, BRRD) has been implemented in the Netherlands as of November 16, 2015, by means of an amendment of the Wft. The BRRD gives regulators powers to write down debt (or to convert such debt into equity) of ailing banks, certain investment firms and their holding companies to strengthen their financial position and allow such institutions to continue as a going concern subject to appropriate restructuring. Pursuant to the BRRD, the banks are required at all times to meet a minimum amount of own funds and eligible liabilities (MREL) expressed as a percentage of the total liabilities and own funds. The resolution authority will set a level of minimum MREL on a bank-by-bank basis based on assessment criteria due to be set out in technical regulatory standards.

Other financial undertakings in the Netherlands

DNB also supervises pension funds, including premium pension institutions (PPIs), investment firms and fund management companies.

Asset liability management

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

Most of the liabilities of Aegon the Netherlands, insurance or otherwise, are long-term. Scenarios and optimization analyses are conducted for fixed income, equities and real estate asset classes. The result is an asset allocation and hedges representing the desired risk-return profile. Constraints, such as the minimum return on equity or economic required capital and the minimum desired solvency ratio, are also taken into account. The implementation of Solvency II on January 1, 2016 has implications for Asset Liability Management. The majority of Aegon the Netherlands investments are managed by Aegon Asset Management. Risk-based restrictions are in place to monitor and control actual portfolio allocations against strategic portfolio allocations. An internal framework limits investment exposure to any single counterparty.

Aegon the Netherlands partially offsets the risk of future longevity increases related to parts of its insurance liabilities by buying longevity index derivatives. These longevity derivatives will pay out if the mortality rates in future years have decreased more than a pre-determined percentage compared with the base scenario at the moment of signing the contract. To further implement the strategy of reducing longevity risk, Aegon the Netherlands implemented an additional longevity hedge on July 15, 2015. This hedge is based on a longevity experience index and provides out-of-the money protection. The tenor is 50 years, while Aegon the Netherlands has a one-sided option to exit after five years and after ten years.

Reinsurance ceded

Like other Aegon companies around the world, Aegon the Netherlands reinsures part of its insurance exposure with third-party reinsurers under traditional indemnity, and excess of loss contracts. Reinsurance helps Aegon manage, mitigate and diversify its insurance risks, and limit the maximum loss it may incur.

Since January 1, 2014, Aegon the Netherlands reinsures its term life assurance through a quota-sharing contract between its subsidiary Aegon Levensverzekering N.V. and a reinsurer.

For non-life, Aegon the Netherlands reinsures its property, marine, general and motor third-party liability business only. For property insurance, an excess of loss contract is in place with a retention level of EUR 3 million for each separate risk, and EUR 20 million for each windstorm event. For motor third-party liability insurance, Aegon the Netherlands has reinsurance in place with a retention level of EUR 2.5 million for each event. For general third-party liability, Aegon the Netherlands has reinsurance in place with a retention level of EUR 1 million for each event.

For marine insurance there is also an excess of loss contract in place with a retention level of EUR 1.5 million for each event.

Results 2015 United Kingdom

	Amounts in GBP millions			Amounts in EUR millions		
	2015	2014	%	2015	2014	%
Net underlying earnings	**112**	**108**	**3%**	**154**	**134**	**15%**
Tax on underlying earnings	(21)	(16)	(33%)	(29)	(19)	(47%)
Underlying earnings before tax by business						
Life	58	77	(24%)	80	95	(16%)
Pensions	33	16	108%	46	20	132%
Underlying earnings before tax	**91**	**92**	**(2%)**	**125**	**115**	**9%**
Fair value items	(19)	(12)	(62%)	(27)	(15)	(80%)
Gains / (losses) on investments	69	132	(48%)	95	164	(42%)
Net impairments	-	-	-	-	-	-
Other income / (charges)	19	(40)	-	27	(49)	-
Income before tax	**160**	**173**	**(8%)**	**220**	**215**	**3%**
Income tax attributable to policyholder return	(12)	(34)	63%	(17)	(42)	59%
Income before tax on shareholders return	**147**	**139**	**6%**	**203**	**172**	**18%**
Income tax on shareholders return	11	5	135%	15	6	162%
Net income	**158**	**143**	**10%**	**218**	**178**	**22%**
Life insurance gross premiums	4,134	3,962	4%	5,697	4,916	16%
Total gross premiums	**4,134**	**3,962**	**4%**	**5,697**	**4,916**	**16%**
Investment income	1,688	1,671	1%	2,327	2,073	12%
Fees and commission income	31	34	(8%)	43	43	2%
Total revenues	**5,854**	**5,668**	**3%**	**8,067**	**7,032**	**15%**
Commissions and expenses	508	620	(18%)	700	769	(9%)
of which operating expenses	259	354	(27%)	357	439	(19%)

New life sales	Amounts in GBP millions 2015	2014	%	Amounts in EUR millions 2015	2014	%
Life	52	53	(1%)	72	65	10%
Pensions	609	731	(17%)	840	907	(7%)
Total recurring plus 1/10 single	**661**	**783**	**(16%)**	**911**	**972**	**(6%)**

Gross deposits (on and off balance)	Amounts in GBP millions 2015	2014	%	Amounts in EUR millions 2015	2014	%
Savings	223	227	(2%)	307	281	9%
Total gross deposits	**223**	**227**	**(2%)**	**307**	**281**	**9%**

Exchange rates	Weighted average rate		Closing rate as of	
Per 1 EUR	2015	2014	December 31, 2015	December 31, 2014
GBP	0.7256	0.8061	0.7370	0.7760

Results 2015 United Kingdom

Net income in 2015 increased by more than 10% to GBP 158 million compared with 2014, primarily due to lower business transformation costs and the non-recurrence of a provision for the implementation of the pension fee cap. Underlying earnings before tax decreased slightly compared with 2014. New life sales declined by 16% to GBP 661 million compared with 2014, driven by lower traditional pensions production. Platform assets more than doubled to GBP 6.4 billion by the end of 2015 compared with the end of 2014.

Net income

Net income from Aegon s businesses in the United Kingdom increased by more than 10% to GBP 158 million in 2015 compared with 2014, primarily due to lower business transformation costs and the non-recurrence of a provision for the implementation of the pension fee cap. Realized gains on investments totaled GBP 69 million, and were mainly the result of selective de-risking of the asset portfolio to improve Aegon s capital position in preparation for Solvency II. Results on fair value items amounted to a loss of GBP 19 million as a result of unrealized losses on equity hedges to protect the capital position. Other income of GBP 19 million was mostly due to charges for policyholders in respect of tax, with an equal offset in taxes attributable to policyholder return.

Underlying earnings before tax

Underlying earnings before tax in the United Kingdom decreased by 2% to GBP 91 million compared with 2014. Higher underlying earnings before tax in Pensions nearly offset lower underlying earnings before tax from the Life business.

- Underlying earnings before tax from Life decreased by 24% to GBP 58 million compared with 2014. This was mostly due to lower investment income as a result of selective de-risking of the asset portfolio to improve Aegon s capital position in preparation of Solvency II.
- Underlying earnings before tax from Pensions increased by 108% to GBP 33 million in 2015 compared with 2014. This was primarily driven by lower expenses, positive market movements and policy adjustments resulting from market movements and higher lapses.

Commissions and expenses

Commissions and expenses decreased by 18% in 2015 to GBP 508 million compared with 2014. Operating expenses decreased by 27% in 2015 to GBP 259 million compared with 2014, mainly due to lower business transformation costs and the non-recurrence of a provision for the implementation of the pension fee cap.

Production

New life sales decreased by 16% in 2015 to GBP 661 million compared with 2014. This was mostly the result of lower group pensions sales driven by lower demand for traditional pension products.

Platform assets reached GBP 6.4 billion by the end of 2015, which was more than double the total at the end of 2014. Gross deposits of GBP 223 million in 2015 were mainly driven by the addition of new customers as the platform gained additional traction in the market.

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Results 2014 United Kingdom

	Amounts in GBP millions			Amounts in EUR millions		
	2014	2013	%	2014	2013	%
Net underlying earnings	**108**	**118**	**(8%)**	**134**	**139**	**(4%)**
Tax on underlying earnings	(16)	(44)	(64%)	(19)	(52)	(63%)
Underlying earnings before tax by business						
Life	77	85	(9%)	95	100	(5%)
Pensions	16	(9)	-	20	(11)	-
Distribution	-	(2)	-	-	(2)	-
Underlying earnings before tax	**92**	**74**	**24%**	**115**	**87**	**32%**
Fair value items	(12)	(14)	(14%)	(15)	(16)	(6%)
Gains / (losses) on investments	132	41	-	164	48	-
Net impairments	-	(26)	-	-	(31)	-
Other income / (charges)	(40)	(38)	5%	(49)	(45)	9%
Income before tax	**173**	**37**	**-**	**215**	**43**	**-**
Income tax attributable to policyholder return	(34)	(27)	(26%)	(42)	(32)	(31%)
Income before tax on shareholders return	**139**	**9**	**-**	**172**	**11**	**-**
Income tax on shareholders return						