

AEGON NV
Form 20-F
March 23, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

(Mark One)

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

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2011

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)

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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
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Executive Vice-President

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

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Title of each class	Name of each exchange on which registered
Common shares, par value EUR 0.12 per share Securities registered or to be registered pursuant to Section 12(g) of the Act.	New York Stock Exchange

Not applicable
(Title of Class)

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

Not applicable
(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: 1,909,654,051 common shares

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

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. 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

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 International Financial Reporting Standards as issued Other

by the International Accounting Standards Board

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

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INTRODUCTION

FILING

This document contains AEGON's Annual Report 2011 and will also be filed as AEGON's Annual Report on Form 20-F with the United States Securities and Exchange Commission (SEC).

PRESENTATION OF CERTAIN INFORMATION

AEGON N.V. is referred to in this document as AEGON, , or the company. AEGON N.V. together with its member companies are together referred to as the AEGON Group. For such purposes, member companies means, in relation to AEGON N.V., those companies that are required to be consolidated in accordance with legislative requirements of the Netherlands relating to consolidating accounts. References to the NYSE are to the New York Stock Exchange. References to the SEC are to the Securities and Exchange Commission.

In this document, references to EUR and euro are to the lawful currency of the member states of the European Monetary Union that have adopted the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union. References to USD, and US dollars are to the lawful currency of the United States of America, references to GBP, pound sterling and the UK pound are to the lawful currency of the United Kingdom, references to CAD and Canadian dollars are to the lawful currency of Canada, and references to CNY are to the lawful currency of the People's Republic of China.

ABOUT THIS REPORT

This report serves as the Annual Report in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), with IFRS as issued by the International Accounting Standards Board (IASB), with Part 9 of Book 2 of the Netherlands Civil Code and as the Annual Report on Form 20-F as filed with the US Securities and Exchange Commission for the year ended December 31, 2011, for AEGON N.V. (the company) and its subsidiaries (collectively known as AEGON). This report presents the Consolidated Financial Statements of AEGON (pages 132-311) and Parent Company Financial Statements of AEGON (pages 312-325). Cross references to the prescribed sections of the Annual Report Form on 20-F are set out on pages 344 and 345 of this Annual Report.

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4 / LETTER OF THE CEO

Alex Wynaendts, CEO

FULFILLING PROMISES

No single factor is more critical to the success of a financial services company than the trust of its customers. At AEGON, we regard the trust and confidence of those who rely on us to help them take responsibility for their financial security as both a measure of our performance and the strength of our potential. In what continues to be a time of considerable economic uncertainty, we are committed to providing our customers reliable solutions that address the full range of financial security needs at every stage of life and for an increasingly longer retirement. This is both our mission and promise.

The severe economic crises that confronted the euro zone during 2011 forced governments to adopt drastic fiscal austerity measures, further undermining consumer confidence and dimming prospects for growth in the near-term. At the same time, in AEGON's largest market—the United States—economic recovery has been slow, with conditions improving in the last quarter of the year. The resulting historically low interest rate environment continues to pose particular challenges for our business. Despite these adverse factors, however, I am pleased to report that we achieved meaningful progress in delivering on AEGON's strategic priorities, not least of which was the full repurchase of the capital provided by the Dutch State in 2008. Our ability to fulfill this key objective—and within the time frame promised—is clear evidence that our strategy is delivering its intended results. Moreover, AEGON's continued strong balance sheet has enabled us to reaffirm our intention to propose a dividend to common shareholders related to the second half of 2011.

Over the past year, we pursued a broad range of actions to realign our operations to the new realities of today's environment and enable us to fully exploit the substantial opportunities for our core businesses of life insurance, pensions and asset management. These actions reflect our focus on four strategic areas that are critical to AEGON's long-term success.

In our efforts to fully Optimize our Portfolio, we completed the divestiture of AEGON's life reinsurance business, Transamerica Reinsurance, as well as the sale of Guardian, a closed book of life insurance business in the United Kingdom.

The reorganization of our operations in the United States that began in 2009 is now complete with the consolidation of 12 divisions into three core operating divisions. Going forward in the UK, we are well-positioned to capture new growth opportunities arising from changes in consumer trends and market developments. An essential component of our strategy is to expand in those markets that offer strong growth and high returns given favorable demographics as well as political and economic developments. This is why we have established a new regional headquarters in Hong Kong. Our new team there is now responsible for coordinating AEGON's activities throughout Asia and fully leveraging our capabilities to support our ambitions in China, Japan and India, as well as in our other Asian markets. In India we have been the first to introduce direct sales with the development of a new online life insurance product known as iTerm. This is an example of how we are exploiting innovation and technology to serve the growing demand for life insurance in this important emerging market for AEGON. We are also focused on capturing opportunities throughout the Central & Eastern Europe region where our businesses in Hungary, Poland and Turkey, in particular, are delivering strong results. Similarly, Latin America is a key market for AEGON where we are pursuing growth in Brazil through our partnership, Mongeral AEGON.

Our second key strategic objective is to Enhance Customer Loyalty. In every market around the world, individuals and families increasingly realize that their financial security depends on the decisions they make to build and protect their assets. As such, we are committed to providing simpler, more transparent products and high quality services.

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In order to track our progress, we have introduced a measurement tool known as Net Promoter Score which will enable us to measure more consistently our efforts to increase customer loyalty across our businesses. Recognizing the role which a strong brand plays in strengthening customer preference, a new multimedia campaign to reposition our lead retail brand in the United States *Transamerica* was launched during the year. The underlying premise of the campaign is to highlight our strong expertise in helping customers achieve their financial goals and longer-term ambitions. All of these efforts support our aim to establish an ongoing relationship with our customers, while also enhancing AEGON's competitive advantages.

Our commitment to fulfilling AEGON's third strategic priority *Delivering Operational Excellence* has been demonstrated over the past year by achieving substantial cost and operational efficiencies. In the United Kingdom, we achieved our 2011 target to reduce the overall cost base of operations by GBP 80 million, resulting in a more streamlined and focused organization. Supporting our aim to create a more responsive and efficient organization in the Netherlands, we implemented a significant restructuring program that will reduce costs by EUR 100 million – the majority of which will be realized in 2012. In the Dutch market, AEGON is a leading provider of pension products, and we aim to further solidify our position to capture opportunities arising in the market.

Reducing costs represents one aspect of how we are improving our operations; making critical investments for the future represents an equally important aspect. In our operations globally, we are investing in new web-based technology to enable us to deliver a broader range of retirement and savings products as well as facilitating greater ease of interaction for our customers. Also during past year, we established AEGON Global Technology (AGT) to leverage our investments in IT infrastructure for the benefit of all of AEGON's operations in Europe, the Americas and Asia.

Our fourth strategic objective *Empowering Employees* represents the most critical factor in our aim to differentiate AEGON. What we do and how we do it are the determining factors in our current and future success. This is why we are introducing new talent management programs to ensure that we attract the most promising individuals to lead and support our business. It is then our aim to retain them, enhance their capabilities and support them in helping our customers achieve financial security. Ensuring a more effective performance management approach across AEGON, management incentives have been aligned with our key strategic objectives.

AEGON is a company significantly transformed. We have taken decisive steps to ensure that our businesses continue to adapt and grow in today's rapidly changing environment. AEGON today is a much stronger company, both from a financial and operational point of view. We have substantially reduced our exposure to the volatility of financial markets while creating a more focused and efficient organization. Consequently, we are well-positioned to leverage our considerable expertise and resources for the benefit of our customers, business partners, employees and shareholders.

On behalf of the entire Management Board, I wish to express our gratitude to AEGON's dedicated employees who have made possible the progress highlighted in this report. I also thank our many shareholders and other stakeholders whose confidence is essential as we work to deliver the sustainable value which they have every reason to expect.

Alex Wynaendts
Chief Executive Officer and Chairman

of the Executive Board of AEGON N.V.

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COMPOSITION OF THE EXECUTIVE BOARD AND THE MANAGEMENT BOARD

ALEXANDER R. WYNAENDTS (1960, DUTCH)

Chief Executive Officer

Chairman of the Executive Board

Chairman of the Management Board

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

MARK MULLIN (1963, US CITIZEN)

Member of the Management Board

Chief Executive Officer of AEGON Americas

Mark Mullin has spent more than 20 years with AEGON in various management positions in both the United States and Europe. Mr. Mullin has served as President and CEO of one of AEGON's US subsidiaries, Diversified Investment Advisors, and as head of the company's annuity and mutual fund businesses. In January 2009, he was named President of AEGON Americas and became President and CEO of AEGON Americas and a member of the Management Board one year later.

MARCO B.A. KEIM (1962, DUTCH)

Member of the Management Board

Chief Executive Officer of AEGON The Netherlands

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

JAN J. NOOITGEDAGT (1953, DUTCH)

Chief Financial Officer

Member of the Executive Board

Member of the Management Board

Jan Nooitgedagt has worked in Europe's financial services sector for over 30 years. Formerly with PWC, he joined Ernst & Young in 1980, becoming a partner in the firm in 1989. Mr. Nooitgedagt headed Ernst & Young's financial services business in the Netherlands for five years until his appointment in 2005 to the firm's Executive Committee. A year later, Mr. Nooitgedagt was appointed Chairman of Ernst & Young in the Netherlands and became Managing Partner for the Netherlands and Belgium in July 2008. He was appointed member of AEGON's Executive

Board and Chief Financial Officer in April 2009.

GÁBOR KEPECS (1954, HUNGARIAN)

Member of the Management Board

Chief Executive Officer of AEGON Central & Eastern Europe

Gábor Kepecs began his career with the Hungarian government before joining former state-owned insurance company Állami Biztosító. In 1990, he was appointed CEO, two years before Állami Biztosító was privatized and acquired by AEGON. Between 1992 and 2009, Mr. Kepecs was the CEO of AEGON Hungary. In that time, he has headed the expansion of AEGON's businesses not only in Hungary but also across the Central & Eastern European region. Mr. Kepecs has been a member of AEGON's Management Board since it was established in 2007.

ADRIAN GRACE (1963, BRITISH)

Member of the Management Board

Chief Executive Officer of AEGON UK

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

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AEGON'S STRATEGY

AEGON is one of the world's leading providers of life insurance, pensions and asset management, with businesses in more than 20 countries in the Americas, Europe and Asia. AEGON employs over 25,000 people, who serve nearly 47 million customers and carries EUR 424 billion in revenue-generating investments.

The year 2011 was one of transformation for AEGON as its businesses continued to carry out significant restructuring programs to achieve greater operational and cost efficiencies and further sharpen the company's focus on its core businesses—life insurance, pensions and asset management. And continuing forward, the company is increasing efficiency by encouraging innovation, and focusing even more on providing products and services that serve its customers' changing needs.

COMPLETION OF CAPITAL REPURCHASE FROM THE DUTCH STATE

In June 2011, AEGON completed a key strategic priority—the full repurchase of the capital AEGON received from the Dutch State at the height of the financial crisis in 2008. The amount AEGON repaid totaled EUR 4.1 billion. Of this amount, EUR 3 billion covered the repurchase of the original issue of convertible core capital securities, while an additional EUR 1.1 billion was paid in premium and interest. With the repurchase completed, AEGON has now even more focus on achieving sustainable profitable growth with a substantially improved risk-return profile.

MARKET CONDITIONS

After a relatively positive start, the macroeconomic environment deteriorated significantly over the course of 2011. US economic growth was lower than previously expected. Economic growth in Europe was mixed, but in general was negatively impacted by a deepening of the sovereign debt crisis. Growth in the emerging markets of Asia and Latin America continued to be strong. In Central & Eastern Europe, the picture remained mixed with Poland experiencing strong growth and Hungary showing generally weak performance.

The differences in the growth profiles of the United States and Europe is reflected in the development of the main equity indices. In general, equity markets were negatively impacted by the earthquake in Japan in March, and by the worsening macroeconomic sentiment in July and August. Toward the end of the year, the US and main European indices strengthened. The S&P 500 closed the year at around the same level as it started. The FTSE ended slightly lower and the main continental European indices ended considerably lower. Equity volatility spiked in the third quarter and edged down again towards the end of the year.

Interest rates developments also differed. Safe haven countries (mainly the United States, Germany and the Netherlands) experienced a significant drop in long-term interest rates. At the end of the third quarter, 10-year interest rates dropped to below 2%, compared to around 3% at the start of 2011. At the same time, interest rates spreads of the pressured euro zone countries in relation to German bonds increased significantly. Greece and Portugal showed by far the largest spread increases. In the course of the year, Italy and, to a lesser degree France, also came under pressure. The spread of the crisis to Italy occurred more or less in line with a weakening of the euro versus the US dollar. Over the first four months of 2011, the euro strengthened against the US dollar from 1.33 to 1.49, after which it weakened to 1.30 at year-end.

The worsening economic environment also had an impact on corporate spreads. After initially trending down, corporate spreads increased strongly and remained elevated at year-end. The spreads rose to around 2002 recession levels, but remained clearly lower than the 2008 levels.

2012 began with some positive consumer confidence indicators and other favorable macroeconomic data, while equity markets continued to strengthen. However, in general the outlook for the year remains weak and there continues to be considerable economic uncertainty. Economic growth for the United States is expected to remain weak, but shows a positive trend. A shallow recession is expected for the euro zone. The actual outcome will be dependent on the development of the sovereign debt crisis, and as such, could be worse if the crisis deepens further.

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The difficult market environment and the persistently low interest rates in particular, had a negative impact on AEGON's sales and value of new business. On the other hand, the drop in interest rates had a positive effect on the revaluation reserve, as did the strengthening of the US dollar versus the euro. Nevertheless, the low interest rate environment will remain a challenge going forward. AEGON's exposure to peripheral European countries was reduced further during 2011, totaling 3% of AEGON's general account.

LONG-TERM INDUSTRY TRENDS

The financial crisis that began in 2008 brought a shift in financial market and economic conditions. AEGON initially focused on measures designed to combat the effects of the financial crisis. The company transformed its approach, strengthening its balance sheet, lowering costs and significantly improving its overall risk-return profile. These measures enabled AEGON to emerge from the financial crisis in a sound financial position and further positioned its businesses to withstand the continued turmoil throughout 2011.

The insurance and pensions industry is continuing to go through a period of significant change. AEGON's opportunity and challenge is to understand the nature of this change, and respond effectively in each of its markets. The industry also faces the challenge of further reforms to financial regulations and capital adequacy requirements.

There are several factors creating significant growth potential for AEGON's businesses:

In many countries, people are living longer, healthier lives. People are spending longer in retirement than before, and there is a growing demand for life insurance, private pensions and long-term investment products.

Working populations in many countries are shrinking. This means that there are fewer economically active people to fund traditional pay-as-you-go state pensions. As a result, governments, particularly in Western Europe, are under pressure to reform pension systems. At the same time, individuals are increasingly relying on private sector providers to help them finance their retirement. The private sector providers are well positioned to provide this service. However, they do have to face the challenge of low interest rates and low and volatile equity market returns.

Emerging markets are becoming more important. Economic growth and political reform have opened up new markets in Central & Eastern Europe, Asia and Latin America. In these markets, a new and ambitious middle class is emerging, and with it a rise in demand for life insurance, pensions and asset management products and services. The potential of these markets is substantial. China and India account for 40% of the world's population, but currently only 8% of the global life insurance market. The regulatory environment is one of the challenges of operating in these markets.

Distribution patterns are changing due to new technology and new laws and changes in regulatory environment. Customers are increasingly using the Internet and social media to locate and purchase financial services. In some countries, this has led to the emergence of new competitors using online distribution models, or non-traditional suppliers such as supermarkets and retailers. Established providers are under increasing pressure to reduce costs and adapt their systems of distribution.

Customer behavior is also changing. Customers are more aware of financial risk and they want simpler, more transparent products with clear guarantees. At the same time, public trust in the financial sector has diminished. In response, governments are introducing new regulations to protect consumers. The industry is responding by becoming more customer-centric.

AEGON'S STRATEGY

AEGON's ambition is to become a leader in all its chosen markets by 2015. This means becoming the most recommended life and pensions provider among customers, the preferred partner among distributors and the employer of choice for both current and prospective employees.

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In order to achieve its ambition, AEGON has defined four strategic areas of focus which it regards as essential to positioning its businesses for the growth opportunities it has identified in each of its markets:

Optimize Portfolio Focus on those businesses that reflect AEGON's core expertise and which adhere to AEGON's risk and return requirements.

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

Deliver Operational Excellence Fully leverage AEGON's significant expertise and resources across the organization; investing in technology to drive innovation and enable cost and operational efficiencies.

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

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During 2011, AEGON made clear progress with each of these key strategic objectives:

OPTIMIZE PORTFOLIO

AEGON completed the divestment of its life reinsurance business, Transamerica Reinsurance, to SCOR, the French reinsurance company, on August 9, 2011.

AEGON completed on November 24, 2011, the sale of Guardian, a UK-based life and pensions company that had been closed to new business since 2001.

In moves to increase the earnings derived from fee-based business, instead of spread-based business, AEGON achieved substantial growth in its retirement related products and services in the United States, including its strong variable annuity business.

ENHANCE CUSTOMER LOYALTY

In order to ensure that AEGON's businesses fully understand the developing needs of their customers, and regularly measure customer loyalty on a consistent basis, several of AEGON's businesses have adopted the Net Promoter Score (NPS) measurement system.

In the United States, AEGON's prominent retail brand, Transamerica, introduced a refreshed brand campaign, asserting its new positioning as the Tomorrow Makers. All of AEGON's US retail operations have now been brought together under the Transamerica brand.

With a focus on creating a new culture of innovation, AEGON's senior leaders have committed to identifying ways to leverage best practices in the areas of product development, online distribution, and technology.

AEGON rebranded its asset management business in the United Kingdom to Kames Capital in order to enhance distinctive third party proposition in the marketplace.

AEGON Religare in India launched the first online life insurance product in the country iTerm.

DELIVER OPERATIONAL EXCELLENCE

AEGON achieved its target to reduce costs in its operations in the United Kingdom by 25%, in order to improve returns, with GBP 80 million in cost reductions during 2011.

With the aim of creating a more focused and efficient organization in the Netherlands, AEGON initiated a major transformation program within AEGON The Netherlands, targeting EUR 100 million in cost reductions by 2013.

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AEGON in the United States continued its restructuring program, during the course of 2011, consolidating a number of operations and functions to create greater cost and operational efficiencies. These included the consolidation of its Louisville, Kentucky, office with two operations in Baltimore, Maryland.

AEGON Global Technology was formed to leverage IT investments, share best practices, and capture cost efficiencies. The European data center that was formed to coordinate the IT operations of AEGON's European businesses was made part of this new global IT organization.

EMPOWER EMPLOYEES

Management incentives across AEGON's businesses have been aligned with clear performance targets.

AEGON has introduced a more structured, global approach for identifying, supporting and retaining the company's top talent.

AEGON has redesigned its leadership program known as AEGON University in cooperation with Duke Corporate Education of Duke University in the United States, ranked number one globally by the Financial Times and Business Week as a provider of custom executive education.

AEGON's global Employee Survey, resulted in 78% participation rate among employees internationally, and actions to address responses are being implemented on all business levels into 2012.

SUSTAINABILITY

AEGON believes it makes a valuable contribution to society both as a provider of long-term financial products and services and as a responsible employer and investor. The company's approach to sustainability is based on two main considerations:

Responsible management of resources, whether financial, human or material resources.

Active engagement with the company's leading stakeholder groups – customers, business partners and distributors, employees, investors and the wider communities in which AEGON operates.

Sustainability is at the heart of AEGON's approach to business, its brand and values, as well as the company's four strategic priorities: Optimize Portfolio, Enhance Customers Loyalty, Deliver Operational Excellence, and Empower Employees. AEGON's key objective is to create a sustainable, profitable business by forging long-term relationships with its customers, and helping them build secure financial futures for themselves and their families.

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GOVERNANCE

AEGON's Group Sustainability department is based in The Hague. This department is responsible for the company's policies and initiatives in this area, and coordinates the work of those managers responsible for sustainability at the company's individual country and operating units. The Global Head of Sustainability reports directly to AEGON's CEO and to the Management Board member responsible for sustainability issues. Questions of strategy and policy are subject to approval by AEGON's Executive and Management Boards. Sustainability is also regularly discussed by the company's Supervisory Board.

INTERNATIONAL COMMITMENTS AND INTERNAL POLICIES

As part of its approach, AEGON has a number of international commitments with regard to sustainability reporting, environmental standards and responsible investment. AEGON is a signatory to both the United Nations Principles for Responsible Investment (UNPRI) and the Carbon Disclosure Project (CDP). The company is also an organizational stakeholder of the Global Reporting Initiative (GRI), which provides a common framework for sustainability and other non-financial reporting. AEGON has additional internal policies in this area, including a company-wide human rights policy, a statement on diversity and non-discrimination and a policy on responsible investment. AEGON is also a member of both the FTSE4Good index and the Dow Jones Sustainability World Index.

HIGHLIGHTS FROM 2011

In 2011, AEGON took a number of important steps to strengthen its sustainability performance, particularly in customer loyalty, employee engagement and responsible investment.

AEGON became a founding member of the Global Coalition on Aging, an alliance of international companies formed to raise awareness of the social, economic and financial impact of global aging.

AEGON announced a target to reduce emissions of carbon dioxide from its main office buildings in the United States, the Netherlands and the United Kingdom by 10% over a three-year period from 2009 through 2012.

AEGON grouped together the company's North American businesses under a common brand name, Transamerica, as part of efforts to create a stronger, more consistent global brand portfolio.

AEGON organized a global Employee Survey, which was completed by nearly 17,000 employees worldwide.

AEGON launched a new policy on responsible investment, outlining environmental, social and governance standards for the company's investments.

AEGON updated its Code of Conduct to incorporate the company's renewed values and the latest developments in insurance and pension regulations.

AEGON adopted the Net Promoter Score (NPS) as its preferred measurement for customer loyalty, and extended the use of NPS to 55% of its businesses worldwide by the end of 2011.

PLANS FOR 2012

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AEGON has set out several focus points for its sustainability strategy in 2012. Each of these builds on progress already achieved in 2011:

The development of key indicators to track the performance of the company's brand.

The extension of NPS to at least 70% of AEGON's businesses worldwide.

The roll-out of action plans, based on results from the 2011 global Employee Survey, to improve employee engagement throughout the company.

The extensions of AEGON's talent review to other levels of management within the company.

An assessment of AEGON's leading suppliers to identify possible environmental, governance or social risks as part of a more integrated approach to supply chain management.

For more information on AEGON's approach to sustainability, please see the company's 2011 Review, available at www.aegon.com.

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BUSINESS OVERVIEW

HISTORY AND DEVELOPMENT OF AEGON

AEGON N.V., domiciled in the Netherlands, is a public limited liability share company organized under Dutch law. AEGON N.V. was formed in 1983 through the merger of AGO and Ennia, both of which were successors to insurance companies founded in the 1800s.

AEGON N.V., through its member companies that are collectively referred to as AEGON or the AEGON Group, is an international life insurance, pensions and asset management company. AEGON is headquartered in the Netherlands and employs, through its subsidiaries, over 25,000 people worldwide. AEGON's common shares are listed on stock exchanges in Amsterdam (NYSE Euronext), New York (NYSE) and London (LSE).

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

The main operating units of AEGON are separate legal entities organized under the laws of their respective countries. The shares of those legal entities are directly or indirectly held by two intermediate holding companies incorporated under Dutch law: AEGON Nederland N.V., the parent company of the Dutch operations, and AEGON International B.V., which serves as a holding company for the Group companies of all countries except the Netherlands and AEGON Asset Management.

AEGON's main markets are the United States, the Netherlands and the United Kingdom. AEGON operates in more than 20 countries in the Americas, Europe and Asia, serving about 47 million customers.

The company encourages product innovation and fosters an entrepreneurial spirit within its businesses. New products and services are developed by local business units with a continuous focus on helping people take responsibility for their financial futures. AEGON uses a multi-brand, multi-channel distribution approach to meet its customers' needs.

AEGON has the following reportable geographic segments: the Americas (which include the United States, Canada, Mexico and Brazil), the Netherlands, the United Kingdom and New Markets, which includes Central & Eastern Europe, Asia, Spain, France, Variable Annuities Europe and AEGON Asset Management.

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12 BUSINESS OVERVIEW / SELECTED FINANCIAL DATA

SELECTED FINANCIAL DATA

The business-results reviews is based upon AEGON's consolidated financial statements, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

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

A summary of historical financial data is found in the table below. It is important to read this summary in conjunction with the consolidated financial statements and related notes included elsewhere in this annual report.

All per share amounts have been calculated based on the weighted average number of common shares outstanding after giving effect to all stock dividends through December 31, 2011.

Selected consolidated income statement information

In million EUR (except per share amount)	2011	2010	2009	2008	2007
Amounts based upon IFRS					
Premium income	19,521	21,097	19,473	22,409	26,900
Investment income	8,167	8,762	8,681	9,965	10,457
Total revenues ¹	29,159	31,608	29,751	34,082	39,271
Income/(loss) before tax	916	1,914	(464)	(1,061)	3,077
NET INCOME/ (LOSS)	872	1,760	204	(1,082)	2,551
Earnings per common share²					
Basic	(0.06)	0.76	(0.16)	(0.92)	1.47
Earnings per share, excluding premium on convertible core capital securities	0.34	0.86	(0.09)	(0.92)	1.47
Diluted	(0.06)	0.68	(0.16)	(0.92)	1.47

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

² Earnings reflect net income.

Per share data has been calculated based on the weighted average number of common shares outstanding after giving effect to all stock dividends, stock splits and share repurchases through December 31, 2011. Diluted per share data gives effect to all dilutive securities.

Selected consolidated balance sheet information

In million EUR (except per share amount)	2011	2010	2009	2008	2007
Amounts based upon IFRS					
Total assets	345,577	332,222	298,540	289,156	314,227
Insurance and investment contracts	270,880	270,920	248,903	240,030	266,735

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Trust pass-through securities and (subordinated) borrowings ¹	10,040	8,604	7,314	4,824	5,152
Shareholders' equity	21,000	17,328	12,273	6,169	15,258

¹ Excludes bank overdrafts.

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Number of common shares

(in thousands)	2011	2010	2009	2008	2007
Balance at January 1	1,736,049	1,736,049	1,578,227	1,636,545	1,622,927
Share issuance	173,605		157,822		
Stock dividends				41,452	25,218
Share withdrawal				(99,770)	(11,600)
BALANCE AT END OF PERIOD	1,909,654	1,736,049	1,736,049	1,578,227	1,636,545

DIVIDENDS

AEGON declared interim and final dividends for the years 2006 through 2008 in the amounts set forth in the table below. AEGON paid no dividend in 2009 or 2010. At the annual General Meeting of Shareholders on May 16, 2012, the Executive Board will, absent unforeseen circumstances, propose a final dividend of EUR 0.10 per common share related to the second half of 2011. Dividends in US dollars are calculated based on the foreign exchange reference rate (the 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 shareholder meeting approving the relevant final dividend.

Year	EUR per common share ¹			USD per common share ¹		
	Interim	Final	Total	Interim	Final	Total
2007	0.30	0.32	0.62	0.41	0.50	0.91
2008	0.30		0.30	0.45		0.45
2009						
2010						
2011			0.10 ²			

¹ Paid, at each shareholder's option, in cash or in stock.

² Proposed.

The annual dividend on our class A and class B preferred shares is calculated on the basis of the paid-in capital on the preferred shares using a rate equal to the European Central Bank's fixed interest percentage for basic refinancing transactions plus 1.75%, as determined on NYSE Euronext Amsterdam's first working day of the financial year to which the dividend relates. Apart from this, no other dividend is paid on the preferred shares. This resulted in a rate of 2.75% for the year 2010. Applying this rate to the weighted average paid-in capital of our preferred shares during 2010, the total amount of annual distributions we made in 2011 on our preferred shares for the year 2010 was EUR 59 million.

The rate for annual dividends or distributions, if any, on preferred shares to be made in 2012 for the year 2011, as determined on January 1, 2011 is 2.75% and the annual dividends or distributions, if any, on preferred shares for the year 2011, based on the weighted average paid-in capital on the preferred shares during 2011 will be EUR 59 million.

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14 BUSINESS OVERVIEW / SELECTED FINANCIAL DATA

EXCHANGE RATES

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

As of March 2, 2012 the USD exchange rate 1 was EUR 1 = USD 1.3202.

The high and low exchange rates 1 for the US dollar per euro for each of the last six months through February 2012 are set forth below:

	Sept. 2011	Oct. 2011	Nov. 2011	Dec. 2011	Jan. 2012	Feb. 2012
High (USD per EUR)	1.4283	1.4172	1.3803	1.3487	1.3192	1.3463
Low (USD per EUR)	1.3446	1.3281	1.3244	1.2926	1.2682	1.3087

The average exchange rates ¹ for the US dollar per euro for the five years ended December 31, 2011, 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
2007	1.3797
2008	1.4695
2009	1.3955
2010	1.3216
2011	1.2973

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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LINES OF BUSINESSES

AMERICAS

Includes AEGON's business and operating units in the United States, Canada, Mexico and Brazil.

Life and protection

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

Individual savings and retirement products

Primarily fixed and variable annuity products and retail mutual funds.

Employer solutions and pensions

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

Life reinsurance

Includes business written by AEGON's subsidiary, Transamerica Reinsurance, until August 9, 2011 after which it has been divested.

THE NETHERLANDS

Life and savings

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

Pensions

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

Distribution

Includes commissions earned by AEGON's Unirobe Meeùs distribution business.

Non-life insurance

General insurance, including mainly automotive, liability and household insurance and fire protection.

UNITED KINGDOM

Life

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

Pensions

Individual pensions, including self invested personal pensions and income drawdown products. Group pensions, sponsored by, or obtained via, an employer.

Distribution

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

NEW MARKETS

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

Central & Eastern Europe

Active in six countries: Czech Republic, Hungary, Poland, Romania, Slovakia and Turkey. Includes life insurance, individual and group pension products, savings and investments, as well as general insurance.

Spain

Distribution partnerships with leading Spanish savings banks. Products include life insurance and investment products.

France

Partnership with French insurer and pension specialist AG2R La Mondiale.

Asia

Joint ventures in China, India and Japan. Products include life insurance in China and India and variable annuities in Japan.

Variable Annuities Europe

Variable annuities offered by AEGON operating companies in Europe.

AEGON Asset Management

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Asset management products, including both equity and fixed income, covering third party clients and AEGON's own insurance companies.

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16 BUSINESS OVERVIEW / RESULTS 2011 WORLDWIDE

RESULTS OF OPERATIONS**RESULTS 2011 WORLDWIDE****Underlying earnings geographically**

Amounts in EUR million	2011	2010	%
Americas	1,310	1,459	(10%)
The Netherlands	298	385	(23%)
United Kingdom	5	72	(93%)
New markets	212	200	6%
Holdings and other activities	(303)	(283)	(7%)
UNDERLYING EARNINGS BEFORE TAX	1,522	1,833	(17%)
Net fair value items	(416)	221	
Gains / (losses) on investments	446	658	(32%)
Impairment charges	(388)	(452)	14%
Other income / (charges)	(267)	(309)	14%
Run-off businesses	28	(26)	
Income before tax (excluding income tax from certain proportionately consolidated associates)	925	1,925	(52%)
<i>Income tax from certain proportionately consolidated associates included in income before tax</i>	9	11	(18%)
Income tax	(53)	(165)	68%
<i>Of which income tax from certain proportionately consolidated associates</i>	(9)	(11)	18%
NET INCOME	872	1,760	(50%)
Net underlying earnings	1,233	1,417	(13%)
Commissions and expenses	6,272	6,145	2%
Of which operating expenses	3,442	3,397	1%

This Annual Report includes the non-IFRS financial measure: underlying earnings before tax. The reconciliation of this measure to the most comparable IFRS measure is presented in the table above as well as in note 5 of the consolidated financial statements. This non-IFRS measure is calculated by consolidating on a proportionate basis the revenues and expenses of AEGON's associated companies in Spain, India, Brazil and Mexico. AEGON believes that its non-IFRS measure provides meaningful information about the underlying operating results of AEGON's business including insight into the financial measures that senior management uses in managing the business.

AEGON's senior management is compensated based in part on AEGON's results against targets using the non-IFRS measure presented herein. While many other insurers in AEGON's peer group present substantially similar non-IFRS measures, the non-IFRS measure presented in this document may nevertheless differ from the non-IFRS measures presented by other insurers. There is no standardized meaning to these measures under IFRS or any other recognized set of accounting standards and readers are cautioned to consider carefully the different ways in which AEGON and its peers present similar information before comparing them.

AEGON believes the non-IFRS measure shown herein, when read together with AEGON's reported IFRS financial statements, provides meaningful supplemental information for the investing public to evaluate AEGON's business 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

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may select in presenting their results (i.e. companies can use different local GAAPs) and that can make the comparability from period to period difficult.

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New life sales

Amounts in EUR million	2011	2010	%
Americas	446	497	(10%)
The Netherlands	254	248	2%
United Kingdom	852	1,061	(20%)
New markets	283	275	3%
TOTAL LIFE PRODUCTION	1,835	2,081	(12%)

Gross deposits (on and off balance sheet)

Amounts in EUR million	2011	2010	%
Americas	23,028	21,018	10%
The Netherlands	2,048	2,382	(14%)
United Kingdom	56	96	(42%)
New markets	6,556	9,082	(28%)
TOTAL GROSS DEPOSITS	31,688	32,578	(3%)

Worldwide revenues geographically 2011

Amounts in EUR million	Americas	The Netherlands	United Kingdom	New Markets	Holdings, other activities and eliminations	Total	Associates eliminations	Total
Total life insurance gross premiums	6,232	3,213	6,474	1,317		17,236	(383)	16,853
Accident and health insurance premiums	1,780	216		71		2,067		2,067
General insurance premiums		452		149		601		601
Total gross premiums	8,012	3,881	6,474	1,537		19,904	(383)	19,521
Investment income	3,638	2,192	2,154	247	7	8,238	(70)	8,168
Fees and commission income	749	329	137	464	(215)	1,464		1,464
Other revenues	1			1	4	6		6
TOTAL REVENUES	12,400	6,402	8,765	2,249	(204)	29,612	(453)	29,159

Number of employees, including agent-employees	12,547	4,839	3,203	8,354	327	29,270	(3,982)	25,288
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By product segment

Amounts in EUR million	2011	2010	%
Life	945	1,048	(10%)
Individual Savings and Retirement	474	500	(5%)

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Pensions	254	409	(38%)
Non-life	51	53	(4%)
Distribution		10	
Asset management	60	46	30%
Other	(303)	(283)	(7%)
Associates	41	50	(18%)
UNDERLYING EARNINGS BEFORE TAX	1,522	1,833	(17%)

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18 BUSINESS OVERVIEW / RESULTS 2011 WORLDWIDE

RESULTS 2011 WORLDWIDE

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

NET INCOME

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

UNDERLYING EARNINGS BEFORE TAX

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

Underlying earnings before tax in the Americas decreased 5% to USD 1,823 million. Earnings from Life & Protection decreased mainly as a result of unfavorable persistency and lower spreads. Individual Savings & Retirement earnings remained stable as increased earnings from variable annuities and retail mutual funds were offset by lower earnings from fixed annuities as the product is de-emphasized. Earnings from Employer Solutions & Pensions increased as a result of continued strong growth of the business.

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

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

In New Markets, AEGON reported underlying earnings before tax of EUR 212 million, an increase of 6% compared to 2010. The increase is primarily the result of higher underlying earnings before tax from AEGON Asset Management.

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

FAIR VALUE ITEMS

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

REALIZED GAINS ON INVESTMENTS

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

IMPAIRMENT CHARGES

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

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OTHER CHARGES

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

RUN-OFF BUSINESSES

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

INCOME TAX

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

COMMISSIONS AND EXPENSES

Commissions and expenses increased 2% in 2011 to EUR 6.3 billion. In 2011, operating expenses increased 1% to EUR 3,442 million as achieved costs savings and the positive effect of changes to employee benefit plans were more than offset by investments in new propositions and restructuring charges, mainly in the Netherlands and the United Kingdom.

PRODUCTION

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

CAPITAL MANAGEMENT

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

Shareholders' equity increased to EUR 21 billion mainly as a result of the appreciation of the US dollar against the euro reflected in the foreign currency translation reserves and a significant increase in the revaluation reserves during the year. The revaluation reserves at December 31, 2011 increased mainly the result of a decrease in interest rates which had a positive effect on the value of fixed income securities. Shareholders' equity per common share, excluding preferred capital, amounted to EUR 10.03 at December 31, 2011.

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

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

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

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20 BUSINESS OVERVIEW / RESULTS 2011 WORLDWIDE

In June 2011, AEGON completed the repurchase of convertible core capital securities from the Dutch State with a final payment of EUR 1.125 billion to repurchase of 187.5 million convertible core capital securities for EUR 750 million and EUR 375 million in premium. With this payment, AEGON fulfilled its key objective of repurchasing all of the EUR 3 billion core capital securities issued to the Dutch State at the height of the financial crisis in 2008. The total amount AEGON has paid to the Dutch State amounts to EUR 4.1 billion. Of this amount, EUR 3 billion covered the original issue of convertible core capital securities, while an additional EUR 1.1 billion was paid in premium and interest.

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RESULTS 2010 WORLDWIDE**Underlying earnings geographically**

Amounts in EUR million	2010	2009	%
Americas	1,459	761	92%
The Netherlands	385	398	(3%)
United Kingdom	72	52	38%
New markets	200	170	18%
Holdings and other activities	(283)	(252)	(12%)
UNDERLYING EARNINGS BEFORE TAX	1,833	1,129	62%
Net fair value items	221	(544)	
Gains / (losses) on investments	658	518	27%
Impairment charges	(452)	(1,277)	65%
Other income / (charges)	(309)	(323)	4%
Run-off businesses	(26)	43	
Income before tax (excluding income tax from certain proportionately consolidated associates)	1,925	(454)	
<i>Income tax from certain proportionately consolidated associates included in income before tax</i>	<i>11</i>	<i>10</i>	<i>10%</i>
Income tax	(165)	658	
<i>Of which income tax from certain proportionately consolidated associates</i>	<i>(11)</i>	<i>(10)</i>	<i>(10)%</i>
NET INCOME	1,760	204	
Net underlying earnings	1,417	934	52%
Commissions and expenses	6,145	6,046	2%
Of which operating expenses	3,397	3,292	3%

This Annual Report includes the non-IFRS financial measure: underlying earnings before tax. The reconciliation of this measure to the most comparable IFRS measure is presented in the table above as well as in note 5 of the consolidated financial statements. This non-IFRS measure is calculated by consolidating on a proportionate basis the revenues and expenses of AEGON's associated companies in Spain, India, Brazil and Mexico. AEGON believes that its non-IFRS measure provides meaningful information about the underlying operating results of AEGON's business including insight into the financial measures that senior management uses in managing the business.

AEGON's senior management is compensated based in part on AEGON's results against targets using the non-IFRS measure presented herein. While many other insurers in AEGON's peer group present substantially similar non-IFRS measures, the non-IFRS measure presented in this document may nevertheless differ from the non-IFRS measures presented by other insurers. There is no standardized meaning to these measures under IFRS or any other recognized set of accounting standards and readers are cautioned to consider carefully the different ways in which AEGON and its peers present similar information before comparing them.

AEGON believes the non-IFRS measure shown herein, when read together with AEGON's reported IFRS financial statements, provides meaningful supplemental information for the investing public to evaluate AEGON's business 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 (i.e. companies can use different local GAAPs) and that can make the comparability from period to period difficult.

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New life sales

Amounts in EUR million	2010	2009	%
Americas	497	416	19%
The Netherlands	248	239	4%
United Kingdom	1,061	1,010	5%
New markets	275	285	(4%)
TOTAL LIFE PRODUCTION	2,081	1,950	7%

Gross deposits (on and off balance sheet)

Amounts in EUR million	2010	2009	%
Americas	21,018	19,188	10%
The Netherlands	2,382	3,434	(31%)
United Kingdom	96	177	(46%)
New markets	9,082	4,817	89%
TOTAL GROSS DEPOSITS	32,578	27,616	18%

Amounts in EUR million	Americas	The Netherlands	United Kingdom	New Markets	Holdings, other activities and eliminations	Total	Associates eliminations	Total
Total life insurance gross premiums	6,877	3,185	7,425	1,306		18,793	(427)	18,366
Accident and health insurance premiums	1,850	201		72		2,123	(2)	2,121
General insurance premiums		451		159		610		610
Total gross premiums	8,727	3,837	7,425	1,537		21,526	(429)	21,097
Investment income	4,073	2,161	2,340	234	26	8,834	(72)	8,762
Fees and commission income	998	348	164	479	(245)	1,744		1,744
Other revenues	1			4	1	6	(1)	5
TOTAL REVENUES	13,799	6,346	9,929	2,254	(218)	32,110	(502)	31,608
Number of employees, including agent-employees	13,362	5,122	4,138	8,216	316	31,154	(3,680)	27,474

By product segment

Amounts in EUR million	2010	2009	%
Life	1,048	931	13%
Individual Savings and Retirement	500	(10)	
Pensions	409	360	14%
Non-life	53	67	(21%)
Distribution	10	(2)	

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Asset management	46		
Other	(283)	(252)	(12%)
Associates	50	35	43%
UNDERLYING EARNINGS BEFORE TAX	1,833	1,129	62%

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RESULTS 2010 WORLDWIDE

During 2010, both AEGON's net income and underlying earnings improved considerably. The increases were the result of business growth, cost savings, further improvements in financial markets and strengthening of the dollar against the euro. Sales increased in most countries, while gross deposits also increased strongly. AEGON's capital position was further strengthened during the year, with core capital of EUR 18.7 billion at year-end 2010.

NET INCOME

AEGON's net income for 2010 amounted to EUR 1.8 billion, a significant increase compared with net income of EUR 204 million in 2009. The improvement was driven by higher underlying earnings before tax, a turnaround in fair value results, higher realized gains on investments and considerably lower impairments. These positive effects were partly offset by higher losses for the run-off businesses and tax charges, where 2009 had included tax benefits. Results from fair value items amounted to EUR 0.2 billion compared with a loss for the previous year of EUR 0.5 billion. Most of the turnaround was attributable to an improvement in the fair value of guarantees net of related hedges in the Netherlands. Impairments totaled EUR 452 million, a significant improvement in 2010 that reflected better market conditions. This was the lowest level of impairments in three years, but is still above AEGON's long-term expectations. Impairments were primarily related to US housing related securities. Other charges amounted to EUR 309 million and included a payment for settlement of a dispute related to a bank-owned life insurance policy in the United States and restructuring charges in the United States, the United Kingdom and Hungary. The charges were partly offset by a book gain from the sale of AEGON's funeral insurance business in the Netherlands. Income tax amounted to EUR 165 million for 2010, while 2009 had included a tax credit of EUR 658 million.

UNDERLYING EARNINGS BEFORE TAX

Underlying earnings before tax increased 62% to EUR 1.8 billion, mainly as a result of a strong recovery in the Americas. The improvement was the result of growth of the business, cost savings, higher fee income as a result of higher account balances driven by a recovery in financial markets and the absence of reserve strengthening in the Americas. Underlying earnings before tax in the Netherlands remained strong. AEGON's operations in the United Kingdom reported higher underlying earnings before tax, while underlying earnings before tax from New Markets increased mainly as a result of the inclusion of AEGON Asset Management, only partly offset by higher claim experience in the nonlife business in Hungary.

COMMISSIONS AND EXPENSES

Commissions and expenses increased 2% in 2010 to EUR 6.1 billion and operating expenses increased 3% to EUR 3.4 billion. The results of expense savings in AEGON's main operations in the United States, the Netherlands and the United Kingdom were more than offset by restructuring charges, project related costs (e.g. Solvency II) and investments in growth markets. At constant currency, excluding restructuring charges, operating expenses declined 2% in 2010 compared with the previous year.

PRODUCTION

AEGON's new life sales in 2010 increased 6% compared with 2009 to EUR 2.1 billion. Sales across the company showed improvements during the year. Spain was an exception, as a consequence of continued weak economic conditions that affected one of AEGON's joint venture partners there. Gross deposits excluding run-off businesses increased 18% to EUR 32.6 billion in 2010 as a result of continued strong growth in variable annuity, retail mutual fund and pension deposits in the United States, as well as new mandates for AEGON Asset Management.

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RESULTS 2011 AMERICAS

	2011	2010	%	2011	2010	%
	Amounts in USD million			Amounts in EUR million		
Income by product segment						
Life & Protection	779	897	(13%)	560	679	(18%)
<i>Fixed annuities</i>	286	439	(35%)	206	333	(38%)
<i>Variable annuities</i>	358	216	66%	258	164	57%
<i>Retail mutual funds</i>	22	9	144%	15	7	114%
Individual Savings and Retirement	666	664		479	504	(5%)
Employer Solutions & Pensions	326	307	6%	234	231	1%
Canada	51	54	(6%)	37	40	(8%)
Latin America	1	6	(83%)		5	
Underlying earnings before tax	1,823	1,928	(5%)	1,310	1,459	(10%)
Net fair value items	(665)	(32)		(478)	(24)	
Gains / (losses) on investments	172	502	(66%)	124	380	(67%)
Impairment charges	(352)	(506)	30%	(253)	(383)	34%
Other income / (charges)	(49)	(404)	88%	(35)	(306)	89%
Run-off businesses	39	(35)		28	(26)	
Income before tax (excluding income tax from certain proportionately consolidated associates)	968	1,453	(33%)	696	1,100	(37%)
<i>Income tax from certain proportionately consolidated associates included in income before tax</i>	<i>1</i>	<i>2</i>	<i>(50%)</i>	<i>1</i>	<i>2</i>	<i>(50%)</i>
Income tax	(35)	41		(26)	31	
<i>Of which income tax from certain proportionately consolidated associates</i>	<i>(1)</i>	<i>(2)</i>	<i>50%</i>	<i>(1)</i>	<i>(2)</i>	<i>50%</i>
Net income	933	1,494	(38%)	670	1,131	(41%)
Net underlying earnings	1,368	1,419	(4%)	984	1,074	(8%)
Life insurance gross premiums	8,668	9,085	(5%)	6,232	6,877	(9%)
Accident and health insurance premiums	2,475	2,443	1%	1,780	1,850	(4%)
Total gross premiums	11,143	11,528	(3%)	8,012	8,727	(8%)
Investment income	5,061	5,380	(6%)	3,638	4,073	(11%)
Fees and commission income	1,041	1,319	(21%)	749	998	(25%)
Other revenues	2	2		1	1	
Total revenues	17,247	18,229	(5%)	12,400	13,799	(10%)
Commissions and expenses	5,046	4,816	5%	3,628	3,646	
which includes operating expenses of	1,992	1,971	1%	1,432	1,492	(4%)

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	2011	2010	%	2011	2010	%
	Amounts in USD million			Amounts in EUR million		
New life sales						
Life & Protection	481	531	(9%)	345	402	(14%)
Employer solutions & Pensions	24	22	9%	17	16	6%
Canada	65	60	8%	47	46	2%
Latin America	51	44	16%	37	33	12%
Total recurring plus 1/10 single	621	657	(5%)	446	497	(10%)
New premium production accident and health insurance	846	773	9%	609	585	4%
Gross deposits (on and off balance)						
Life & Protection	12	10	20%	9	8	13%
<i>Fixed annuities</i>	<i>313</i>	<i>585</i>	<i>(46%)</i>	<i>225</i>	<i>443</i>	<i>(49%)</i>
<i>Variable annuities</i>	<i>5,314</i>	<i>3,830</i>	<i>39%</i>	<i>3,821</i>	<i>2,899</i>	<i>32%</i>
<i>Retail mutual funds</i>	<i>2,785</i>	<i>3,486</i>	<i>(20%)</i>	<i>2,002</i>	<i>2,639</i>	<i>(24%)</i>
Individual Savings and Retirement	8,412	7,901	6%	6,048	5,981	1%
Employer Solutions & Pensions	23,266	19,247	21%	16,727	14,570	15%
Canada	335	606	(45%)	241	459	(47%)
TOTAL GROSS DEPOSITS	32,029	27,764	15%	23,028	21,018	10%

Exchange rates

	Weighted average rate		Closing rate as of	
	2011	2010	Dec. 31, 2011	Dec. 31, 2010
Per 1 EUR				
USD	1.3909	1.3210	1.2982	1.3362
CAD	1.3744	1.3599	1.3218	1.3322

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RESULTS 2011 AMERICAS

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

NET INCOME

Net income from AEGON's businesses in the Americas declined to USD 933 million. This was the result of lower underlying earnings before tax, lower than expected results from fair value items and fewer gains on investments. Lower other charges and improved levels of impairments only partly offset the decline.

In the third quarter of 2011, to reflect the low interest rate environment, AEGON has lowered its long-term assumption for 10-year US Treasury yields by 50 basis points to 4.75% (graded uniformly from current yields over the next five years) and lowered the 90-day rate to 0.2% for the next two years followed by a three year grade to 3%. No change has been made to the long-term credit spread or default assumptions. In addition, AEGON has lowered its assumed return for separate account bond fund returns by 200 basis points to 4% over the next five years, followed by a return of 6% thereafter. The bond fund return is a gross assumption from which asset management and policy fees are deducted to determine the policyholder return. In total, these assumption changes led to a charge of USD 237 million in the third quarter of 2011.

UNDERLYING EARNINGS BEFORE TAX

Underlying earnings before tax amounted to USD 1,823 million, a decline of 5% compared with 2010.

Earnings from AEGON's Life & Protection business in the Americas decreased to USD 779 million mainly as a result of unfavorable persistency and lower spreads. Also higher Long Term Care provisions and a charge related to Executive Life of New York contributed unfavorably to the results. In addition, 2010 included an employee benefit release.

Individual Savings & Retirement earnings amounted to USD 666 million. Increased earnings from variable annuities of USD 358 million and retail mutual funds of USD 22 million in 2011, were offset by lower earnings from fixed annuities of USD 286 million as a result of declining asset balances as this product is de-emphasized. Variable annuity underlying earnings before tax increased as a result of continued inflows and higher asset balances and included a benefit related to updated assumptions for revenue sharing with third-party fund managers.

Earnings from Employer Solutions & Pensions increased to USD 326 million as a result of continued strong growth of the business and rate increases for synthetic guaranteed investment contracts.

Canada earnings decreased slightly compared to 2010 to USD 51 million, while earnings from AEGON's joint-ventures in Brazil and Mexico declined to USD 1 million.

COMMISSIONS AND EXPENSES

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

PRODUCTION

New life sales decreased 5% to USD 621 million, mainly the effect of the discontinuance of single premium universal life sales in the bank channel during the second half of 2010, as well as repricing of certain universal life products in 2011 to reflect the low interest rate environment. New premium production for accident & health insurance increased to USD 846 million, primarily the result of improved sales in the employer benefits and affinity marketing businesses.

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

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

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RESULTS 2010 AMERICAS

	2010	2009	%	2010	2009	%
	Amounts in USD million			Amounts in EUR million		
Income by product segment						
Life & Protection	897	903	(1%)	679	641	6%
<i>Fixed annuities</i>	439	334	31%	333	237	41%
<i>Variable annuities</i>	216	(348)		164	(248)	
<i>Retail mutual funds</i>	9	(16)		7	(11)	
Individual Savings and Retirement	664	(30)		504	(22)	
Employer Solutions & Pensions	307	172	78%	231	123	88%
Canada	54	32	69%	40	23	74%
Latin America	6	(6)		5	(4)	
Underlying earnings before tax	1,928	1,071	80%	1,459	761	92%
Net fair value items	(32)	(123)	74%	(24)	(87)	72%
Gains / (losses) on investments	502	89		380	63	
Impairment charges	(506)	(1,337)	62%	(383)	(950)	60%
Other income / (charges)	(404)	(4)		(306)	(3)	
Run-off businesses	(35)	61		(26)	43	
Income before tax (excluding income tax from certain proportionately consolidated associates)	1,453	(243)		1,100	(173)	
<i>Income tax from certain proportionately consolidated associates included in income before tax</i>	2			2		
Income tax	41	940	(96%)	31	669	(95%)
<i>Of which income tax from certain proportionately consolidated associates</i>	(2)			(2)		
Net income	1,494	697	114%	1,131	496	128%
Net underlying earnings	1,419	917	55%	1,074	652	65%
Life insurance gross premiums	9,085	8,388	8%	6,877	5,961	15%
Accident and health insurance premiums	2,443	2,377	3%	1,850	1,689	10%
Total gross premiums	11,528	10,765	7%	8,727	7,650	14%
Investment income	5,380	5,505	(2%)	4,073	3,913	4%
Fees and commission income	1,319	1,260	5%	998	896	11%
Other revenues	2	3	(33%)	1	2	(50%)
Total revenues	18,229	17,534	4%	13,799	12,461	11%
Commissions and expenses	4,816	5,065	(5%)	3,646	3,600	1%
which includes operating expenses of	1,971	2,249	(12%)	1,492	1,599	(7%)

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	2010	2009	%	2010	2009	%
	Amounts in USD million			Amounts in EUR million		
New life sales						
Life & Protection	531	480	11%	402	341	18%
Employer solutions & Pensions	22	25	(12%)	16	17	(6%)
Canada	60	61	(2%)	46	44	5%
Latin America	44	20	120%	33	14	136%
Total recurring plus 1/10 single	657	586	12%	497	416	19%
New premium production accident and health insurance	773	758	2%	585	539	9%
Gross deposits (on and off balance)						
Life & Protection	10	10		8	7	14%
<i>Fixed annuities</i>	585	4,730	(88%)	443	3,362	(87%)
<i>Variable annuities</i>	3,830	3,372	14%	2,899	2,396	21%
<i>Retail mutual funds</i>	3,486	2,408	45%	2,639	1,712	54%
Individual Savings and Retirement	7,901	10,510	(25%)	5,981	7,470	(20%)
Employer Solutions & Pensions	19,247	16,075	20%	14,570	11,422	28%
Canada	606	403	50%	459	287	60%
TOTAL GROSS DEPOSITS	27,764	26,998	3%	21,018	19,186	10%

Exchange rates

Per 1 EUR	Weighted average rate		Closing rate as of	
	2010	2009	Dec. 31, 2010	Dec. 31, 2009
USD	1.3210	1.4071	1.3362	1.4406
CAD	1.3599	1.5773	1.3322	1.5128

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RESULTS 2010 AMERICAS

AEGON's businesses in the Americas showed a strong increase in net income and underlying earnings before tax mainly as a result of improved market conditions in 2010. During the year, AEGON announced that it would explore strategic options regarding its life reinsurance business, Transamerica Reinsurance. This followed the restructuring process started in 2009 and the company's announcement in 2010 that it would sharpen its focus on its core businesses. AEGON also decided to discontinue its BOLI/COLI business in the United States and to pursue further operational and cost efficiencies by consolidating operations currently based in Louisville, Kentucky with other existing locations.

NET INCOME

Net income from the Americas more than doubled compared with 2009 to USD 1.5 billion. This was mainly the result of higher underlying earnings before tax and realized gains on investments, a better performance from fair value items and fewer impairments. The result was only partly offset by higher charges that were mainly related to restructuring, the settlement of a dispute related to a BOLI policy and losses from the run-off businesses.

UNDERLYING EARNINGS BEFORE TAX

Underlying earnings before tax increased 80% during the year to USD 1.9 billion.

Underlying earnings before tax from Life & Protection remained stable as cost savings were offset by lower margins.

Individual Savings & Retirement returned to profit, mainly a result of higher account balances driven by a recovery in financial markets and the absence of reserve strengthening

Underlying earnings before tax from Employer Solutions & Pensions increased as a result of continued strong growth of the business as well as an improvement in the financial markets.

COMMISSIONS AND EXPENSES

Total commissions and expenses decreased by 5% in 2010. Operating expenses declined 12% compared with 2009 to USD 2 billion, mainly as a result of significant cost reductions, lower restructuring charges, a decrease in employee benefit plan expenses and the transfer of asset management activities to AEGON Asset Management.

PRODUCTION

AEGON experienced a 12% increase in new life sales in the Americas during the course of 2010 Due to strong retail new life sales in the United States and Latin America.

Gross deposits excluding run-off businesses increased 3% to USD 27.8 billion in 2010. Continued strong growth in variable annuity, retail mutual fund and pension deposits was offset by a decline in fixed annuity deposits as sales of this product are de-emphasized. In the United States, one of AEGON's chosen markets and key growth drivers, the company's pension businesses experienced a year with more than USD 8 billion of net deposits for 2010. Total net deposits, excluding the run-off businesses, declined to USD 1.6 billion during the year, mainly due to the decision to de-emphasize sales of fixed annuities and stable value solutions outflows.

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BACKGROUND AMERICAS

AEGON Americas comprises AEGON USA, AEGON Canada and the Group's operations in Mexico and Brazil.

AEGON USA

AEGON USA¹ is one of the leading life insurance organizations in the United States and is the largest of AEGON's country units. AEGON USA administers more than 33 million policies and employs approximately 10,000 people. AEGON USA companies can trace their roots back as far as the mid-19th century. AEGON USA operates under one of the best known names in the US insurance business: Transamerica. AEGON USA's main offices are in Cedar Rapids, Iowa, and Baltimore, Maryland, with affiliated companies' offices located throughout the United States.

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

Like other AEGON companies around the world, AEGON USA uses a variety of distribution channels to ensure customers can access the products in a way that best suits their needs. AEGON USA has long-standing relations with banks across the United States, and also distributes products and services through other channels: agents, broker-dealers, specialized financial advisors, internet as well as direct and worksite marketing.

AEGON CANADA

Based in Toronto, AEGON Canada offers a range of insurance products and financial services, primarily through its Transamerica Life Canada subsidiary, first established in 1927. Total employment of AEGON Canada on December 31, 2011 was approximately 700.

AEGON MEXICO

In 2006, AEGON acquired a 49% interest in Seguros Argos S.A. de C.V., a Mexican life insurance company.

AEGON BRAZIL

In 2009, AEGON acquired a 50% interest in Mongeral AEGON S.A. Seguros e Previdência, Brazil's sixth largest independent life insurer.

ORGANIZATIONAL STRUCTURE

AEGON USA

AEGON USA, LLC is a principal holding company of AEGON USA. AEGON USA was founded in 1989 when AEGON brought all of its operating companies in the United States under a single financial services holding company. Business is conducted through its subsidiaries. AEGON USA has operating licenses in every US state, the District of Columbia, Puerto Rico, the Virgin Islands and Guam.

AEGON USA's primary insurance subsidiaries are:

Transamerica Life Insurance Company

Transamerica Financial Life Insurance Company

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Transamerica Advisors Life Insurance Company

Transamerica Advisors Life Insurance Company of New York

Monumental Life Insurance Company

Stonebridge Life Insurance Company

Stonebridge Casualty Insurance Company

Western Reserve Life Assurance Co. of Ohio

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

Life & Protection

Individual Savings & Retirement

Employer Solutions & Pensions

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

¹ Throughout this report, "AEGON USA" refers to subsidiary and affiliate AEGON companies managed from the United States. Similarly, "AEGON Canada" refers to all AEGON companies operating in Canada. AEGON's operations in North America—the United States, Canada and Latin America—Mexico and Brazil—are referred to collectively as AEGON Americas.

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AEGON CANADA

In Canada, AEGON has three main operating subsidiaries:

Transamerica Life Canada

AEGON Capital Management Inc.

AEGON Fund Management Inc.

OVERVIEW SALES AND DISTRIBUTION CHANNELS

AEGON USA

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

Independent and career agents

Financial planners

Registered representatives

Independent marketing organizations

Banks

Regional and independent broker-dealers

Benefit consulting firms

Wirehouses

Affinity groups

Institutional partners

In addition, AEGON USA provides a range of products and services online, and uses direct and worksite marketing. This approach allows AEGON USA customers more ways to access products and services. Generally, AEGON USA companies are focused on particular products or market segments, ranging from lower income to high net worth individuals and large corporations.

AEGON CANADA

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

Independent managing general agencies

Agencies owned by Transamerica Life Canada and operated as separate profit centers

Bank-owned national broker-dealers

World Financial Group, part of AEGON Americas

Other national, regional or local niche broker-dealers

OVERVIEW LINES OF BUSINESS

LIFE & PROTECTION

GENERAL DESCRIPTION

AEGON USA affiliates provide whole life, universal life, variable universal life, indexed life, term life insurance and supplemental health, special accident, and long-term care protection products.

Life & Protection (L&P) is the largest division within AEGON USA. Operating in a broad range of market segments and distribution channels, L&P services more than 15 million policies. Since the division was formed in 2009, significant progress has been made toward fully leveraging expertise and capabilities and achieving economies of scale. The diverse distribution channels within L&P are organized into business units that serve specific market segments. This focus, combined with a shared support platform, keeps L&P close to its customers.

PRODUCTS

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

TERM LIFE INSURANCE

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

UNIVERSAL LIFE INSURANCE

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

WHOLE LIFE INSURANCE

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

OTHER LIFE INSURANCE

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

SUPPLEMENTAL HEALTH AND SPECIALTY

Supplemental health insurance products include accidental death, other injury, critical illness, hospital indemnity, Medicare supplement, and student health. Specialty lines include travel, membership and creditor (installment/mortgage/guaranteed auto protection) products.

LONG TERM CARE

Long Term Care (LTC) insurance products provide benefits to policyholders who require care due to a chronic illness or cognitive impairment. LTC insurance serves as an asset

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protection tool by reimbursing policyholders for costly expenses associated with LTC services, and it may also help a family better manage the financial, health and safety issues that are associated with LTC.

SALES AND DISTRIBUTION

The business units are organized by distribution type and each focuses on a particular market segment.

AFFINITY MARKETS

The Affinity Markets Group works with independent distributors as well as directly with associations, financial institutions, retailers and other sponsored groups, to offer products that add value to their customers or members, using a broad range of direct response, online and point-of-sale marketing methods.

AGENCY

Agency Distribution provides product and marketing services to closely tied distribution groups serving the middle income and small business markets through face-to-face consulting by service-oriented agents. The distribution groups include a captive agent sales force, a personal producing general agency system, and several independent marketing organizations.

BROKERAGE

The Brokerage Group is a sales and marketing organization offering life insurance products and services through independent brokerage distributors to high net worth, affluent and middle income individuals, families and businesses.

INTERNATIONAL MARKETS

International Markets makes its products and direct response marketing expertise available through brokers, alliances with financial institutions, retailers, telecommunications providers, insurance companies and other database owners in Asia Pacific, Europe and Latin America.

From the first quarter of 2012, AEGON will adjust its financial reporting to reflect changes in its organization. A number of businesses in Asia, which were previously managed by and reported to the United States, will be included in the Asia segment within New Markets, and will be managed from AEGON's regional head office in Hong Kong.

BROKER-DEALER

Transamerica Financial Advisors, Inc. is a full service, registered independent broker-dealer and Registered Investment Advisor that focuses on creating, growing and managing wealth through a range of financial products and services.

INDIVIDUAL SAVINGS & RETIREMENT

GENERAL DESCRIPTION

AEGON USA offers a wide range of savings and retirement products and services, including mutual funds, fixed and variable annuities, as well as investment advice to people who are entering their retirement years. The Individual Savings and Retirement Division administers and distributes these products through a variety of channels: including wirehouse firms, banks, regional broker dealers, independent financial planners and direct distribution.

PRODUCTS

VARIABLE ANNUITIES

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Variable annuities are sold to individuals and retirement plans in the United States.

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

Premiums paid on variable annuity contracts are invested in underlying funds chosen by the policyholder, including bond and equity funds as well as various types of asset-allocation funds. A fixed account is available on most products and in most cases, the investment options are selected by a policyholder, within certain boundaries, based on the policyholder's preferred level of risk. The assets and liabilities related to this product are legally segregated in separate accounts of the insurance company for the benefit of variable annuity policyholders. These separate accounts are classified as investments for the account of policyholders. Various riders are available on variable annuity contracts, providing guaranteed minimum death, maturity, withdrawal or income benefits.

The account value of variable annuities reflects the performance of the underlying funds. AEGON USA earns mortality and expense charges as well as various types of rider fees for providing guarantees and benefits. This category includes segregated fund products offered by AEGON Canada. Surrender charges are generally not a large form of revenue as policyholder surrender rates are typically lower when a surrender charge penalty is still present. Any surrender charges collected are typically used to recoup unamortized deferred acquisition costs.

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A guaranteed minimum withdrawal benefit is offered on some variable annuity products AEGON USA either issued or assumed from a ceding company. This benefit guarantees a policyholder can withdraw a certain percentage of the account value, starting at a certain age or duration, for either a fixed period or the life of the policyholder.

Certain variable insurance contracts also provide guaranteed minimum death benefits and guaranteed minimum income benefits. Under a guaranteed minimum death benefit, the beneficiaries receive the greater of the account balance or the guaranteed amount upon the death of the insured. The guaranteed minimum income benefit feature (which is no longer offered on new business) provides for minimum payments if the policyholder elects to convert to an immediate payout annuity. The guaranteed amount is calculated using the total deposits made by the policyholder, less any withdrawals and sometimes includes a roll-up or step-up feature that increases the value of the guarantee with interest or with increases in the account value.

These guaranteed benefits subject the company to equity market risk, since poor market performance may cause the guaranteed benefits to exceed the policyholder account value.

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

MUTUAL FUNDS / ASSET MANAGEMENT

AEGON's fee business comprises products that generate fee income by providing management, administrative or risk services related to off balance sheet assets (i.e., equity or bond funds, third party managed assets and collective investment trusts). Fee income is mainly sensitive to withdrawals and equity market movements.

AEGON's operations in the United States provide various investment products and administrative services, individual and group variable annuities, mutual funds, collective investment trusts and asset allocation (retirement planning) services.

The operations in the United States provide the fund manager oversight for the Transamerica Funds. AEGON USA selects, manages, and retains affiliated and non-affiliated managers from a variety of investment firms based on performance. In most cases, the manager remains with the investment company and acts as a sub-adviser for AEGON USA's mutual funds. AEGON USA earns investment management fees on these investment products. AEGON USA also earns direct investment management fees through affiliated managers acting as sub-advisers.

FIXED ANNUITIES

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

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

Fixed deferred annuity contracts may be purchased on either a flexible or single premium basis. Deferred annuities are offered on a fixed interest crediting method or indexed basis. The policyholder can surrender the annuity prior to maturity and receive the cash value less surrender charges. Fixed deferred annuities have a specified crediting rate that can be reset periodically at the company's discretion after an initial guarantee period. Fixed deferred annuity contracts in the United States also offer guaranteed minimum surrender values and payout options. Upon maturity of the annuity, the policyholder can select payout options that include a lump sum payment, income for life, or payment for a specified period of time. In the event of the death of the policyholder prior to receiving the benefits of the policy, the beneficiary receives either

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an accumulated cash value death benefit or an enhanced death benefit in the event there are benefit riders attached to the base contract. Early withdrawal by the policyholder of the cash value of the annuity is subject to surrender charges. These surrender charges are generally not a large form of revenue as policyholder surrender rates are

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typically lower when a surrender charge penalty is still present. Any surrender charges collected are typically used to recoup unamortized deferred acquisition costs.

Minimum interest rate guarantees exist in all generations of deferred annuity products, as they are required by state non-forfeiture regulations. The average minimum interest rate guarantees of the in-force fixed annuity block is approximately 2.65%. Equity indexed annuities offer additional returns that are indexed to published stock market indices, with a minimum cash value equal to a percentage of the premium increased at a minimum rate that varies. Equity indexed annuities make up a small fraction of the in-force business, and AEGON currently offers no such products for new sales.

Besides the minimum interest rate guarantee, certain fixed deferred annuity products also offer a bailout provision. Under the bailout provision, if the crediting rate falls below the bailout rate, policyholders can surrender their contracts without incurring any surrender charges.

AEGON USA has decided to de-emphasize the sale of fixed annuities.

SALES AND DISTRIBUTION

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

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

Transamerica Financial Advisors, part of AEGON USA, provides a range of financial and investment products, operating as a retail broker-dealer. These products include mutual funds, variable life insurance, variable annuities and other securities.

To help the millions of baby boomers who are approaching or transitioning into retirement, AEGON USA formed Transamerica Retirement Management, Inc. (TRM) in 2006. This division is focused on providing consumers with personalized financial advice, brokerage products and guidance to help them successfully transition into and throughout retirement. TRM helps pre-retirees develop an individual retirement plan that is tailored to be as simple or as detailed as necessary, depending on the growth or retirement income goals and needs of the individual. As of January 2012, this division will be part of Employer Solutions and Pensions.

EMPLOYER SOLUTIONS & PENSIONS

GENERAL DESCRIPTION

AEGON USA offers retirement plans, pension plans, pension-related products and services, life and supplemental health insurance products through employers.

AEGON USA covers a range of different pension plans, including:

401 (k)

403 (b)

457 (b)
Non-qualified deferred compensation

Money purchase

Defined benefit

Defined contribution

Profit-sharing

PRODUCTS

PENSION PLANS

At Diversified Investment Advisors, the emphasis is on choice. A wide array of investment options is offered to create a fully customized investment line-up for clients and a personalized retirement funding strategy for their retirement plan participants. Diversified Investment Advisors' open architecture investment platform provides its clients access to a broad investment universe, including institutional and retail mutual funds, registered or non-registered variable annuities, or a collective investment trust. The investment options offered in each plan are selected by the client and/or the client's financial advisor.

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

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

LIFE AND SUPPLEMENTAL HEALTH

Transamerica Employee Benefits offers life, supplemental health and Stop Loss products.

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

SYNTHETIC GICS

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

SALES AND DISTRIBUTION

Diversified Investment Advisors provides a comprehensive and customized approach to retirement plan management, catering to the mid- to large-sized defined contribution, defined benefit and non qualified deferred compensation retirement plans market. Diversified Investment Advisors clients are generally organizations with 250 to 100,000 employees and between USD 15 million and USD 2 billion in retirement assets.

Transamerica Retirement Services serves more than 16,500 small to mid-sized companies across the United States. Transamerica Retirement Services offers a number of specialized services, including innovative plan design, a wide array of investment choices, extensive education programs and online investment education.

Transamerica Retirement Services is also a leading provider of single premium group annuities (Terminal Funding) in the United States, which are used by companies to decrease the liability of their defined benefit plans. This is a growing market segment as more employers look to reduce the cost and complexity of their pension liabilities, often driven by widespread economic and sector restructuring.

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

CANADA**LIFE & PROTECTION**

Transamerica Life Canada is AEGON Canada's principal operating company. It offers a variety of individual life insurance products, predominantly universal life and term life insurance to consumers in the broad middle market. For a description of life insurance products offered by AEGON Canada, see description of life insurance products offered by Life & Protection in the United States.

INDIVIDUAL SAVINGS & RETIREMENT

Transamerica Life Canada's current product offerings comprise the following: segregated funds, mutual funds, guaranteed investment accounts and single premium immediate annuities.

SEGREGATED FUNDS

Segregated funds contracts provide minimum death and maturity value guarantees and allow the contract holders to invest in segregated investment funds managed by the company for their benefit. Transamerica Canada announced on January 18, 2012, that it would no longer sell its Five for Life segregated fund product and has discontinued sales and marketing support for all segregated fund products. These changes were made due to the current economic and competitive environment, and to strengthen the focus on the life side of its business.

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For a description of other individual savings and retirement products offered by AEGON Canada, see description of individual savings and retirement products offered in the United States.

LATIN AMERICA

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

RUN-OFF BUSINESSES

INSTITUTIONAL SPREAD BASED BUSINESS

This business was put into run-off during 2009. The primary products included guaranteed investment contracts (GICs), funding agreements (FAs) and medium term notes (MTNs).

GUARANTEED INVESTMENT CONTRACTS AND FUNDING AGREEMENTS

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

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

MEDIUM-TERM NOTES

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

AEGON Global Institutional Markets plc (AGIM) is domiciled in Ireland and was set up for the purpose of issuing MTNs to non-US investors and investing in a diversified portfolio of eligible assets with the proceeds of the issued notes. AEGON Financial Assurance Ireland Limited (AFA), another AEGON Ireland entity, provides a financial guarantee for the medium-term notes issued by AGIM.

PAY-OUT ANNUITIES

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

BOLI/COLI

AEGON USA services life insurance products sold to the bank and corporate owned life insurance (BOLI/COLI) market in the United States. BOLI/COLI helps institutional customers fund long-term employee benefits such as executive compensation and post-retirement medical plans.

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The corporation insures key employees and is the owner and beneficiary of the policies. New sales of BOLI/COLI were discontinued in 2010.

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

LIFE REINSURANCE

In August 2011, AEGON announced that it had completed the divestment of its life reinsurance business, Transamerica Reinsurance, to SCOR, a global reinsurance company based in France.

The conclusion of the transaction followed the final approval of the relevant regulatory authorities. In addition to allowing the company to concentrate its activities on its core businesses—life insurance, pensions and asset management—the transaction will also contribute to a broader geographical allocation of capital.

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Under the sale agreement, AEGON divested its global life reinsurance activities with the exception of select blocks of business. The retained businesses comprise mainly variable annuity guarantee business.

COMPETITION

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

In the United States, Transamerica and related units deliver traditional life and protection products to a variety of markets, including the lower-middle, middle, upper-middle and affluent markets. The division faces competition from a broad range of competitors, including AIG, Genworth, John Hancock, Lincoln Benefit, Lincoln Financial and MetLife. The result is a highly competitive marketplace and increasing commoditization in many product categories. In the current environment, AEGON USA believes the best and most enduring competitive advantages are relationships and service.

AEGON USA markets variable universal life, mutual funds, and variable annuities to middle-income clients with equity investment objectives. Sales are often driven by the competitiveness of the living benefits offered by competitors, with most product development focusing on guaranteed lifetime withdrawal benefits, which guarantee lifetime withdrawals of a certain amount under certain conditions.

AEGON USA has built long-term relations with many institutions, and these relations have enabled AEGON USA to offer many product lines such as fixed annuities, variable annuities, life insurance, mutual funds, and 401(k) products through these institutions.

Most fixed annuity sales occur at banks. AEGON USA's primary competitors for fixed annuity sales are AIG, New York Life, Protective, Western-Southern, and Symetra Financial.

AEGON USA competes in the variable annuity marketplace by maintaining an effective wholesaling force, focusing on strategic business relationships and by developing products with features, benefits and pricing that it believes are attractive in that market place. The market has shown a continued interest in guaranteed lifetime withdrawal products, and there is strong competition among providers. AEGON USA's primary competitors in the variable annuity market are Metropolitan Life, Prudential, Lincoln National, Nationwide and Jackson National.

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

The pension market continues to evolve rapidly and is facing growing regulatory compliance pressures, continuing demand for technological innovation, pricing pressures, and provider consolidation. AEGON USA's ability to achieve greater economies of scale in operations will be assisted if growth in key market segments continues, technology improves, and if process management increases efficiency.

In the defined contribution market, AEGON USA's main competitors are Fidelity, T. Rowe Price, Vanguard, Schwab, Principal Financial, Mass Mutual and New York Life. AEGON USA's main competitors in the defined benefit segment are Mass Mutual, New York Life, Principal Financial, and Prudential. In the small business retirement plan segment and the multiple employer plan segment, AEGON USA's main competitors are Principal Financial, John Hancock, American Funds, Hartford Financial, Fidelity, and ING. In the single premium group annuity market, AEGON USA's main competitors are Mass Mutual, Prudential, John Hancock, Metropolitan Life and Mutual of Omaha.

AEGON USA has been a leading issuer of synthetic GICs (Source: reports from LIMRA International and the Stable Value Investment Association's Stable Value and Funding Agreement Products as of the first two quarters for 2011).

CANADIAN LIFE INSURANCE MARKETPLACE

The top ten companies in Canada account for 88% of the life insurance sales (Source: LIMRA's Canadian Individual Life Insurance Sales - Fourth Quarter 2011, issued February 2012). TLC's primary competitors in Canada are the following: Power Corporation (Canada Life, London Life, Great West Life), Manulife Financial, Sun Life Financial, Industrial-Alliance, RBC Life, Empire Life, Equitable Life, Desjardins Financial and BMO Life.

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TLC ranks sixth in overall individual life insurance sales (new business premiums) with a market share of 4.6%, up from 4.2% on December 31, 2010. TLC ranks fifth for universal life sales, representing 8.6% of the market and seventh for term sales representing 5.4% of the market (Source: LIMRA's Canadian Individual Life Insurance Sales Fourth Quarter 2011, issued February 2012).

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REGULATION AND SUPERVISION**AEGON USA**

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

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

States have risk-based capital (RBC) standards for life insurance companies, established by the National Association of Insurance Commissioners (NAIC). The RBC Model Act (Model Act) provides for various actions should an insurer's adjusted capital, based on statutory accounting principles, fall below certain prescribed levels (defined in terms of its risk-based capital). The adjusted capital levels of the AEGON USA insurance companies currently exceed all of the regulatory action levels as defined by the Model Act. Any modifications of these adjusted capital levels by the regulators or rating agency capital models may impact AEGON USA. States previously adopted conservative reserving requirements for term and universal life products that continue to cause capital strain for the life insurance industry. In volatile market conditions, funding for those reserves continues to be challenging.

The NAIC is finalizing changes to its Model Holding Company Act and Regulation to enhance disclosure to regulators about risk exposure to insurers from within their holding company system, for potential adoption by jurisdictions in 2012. Existing insurance holding company statutes and the regulations of each insurer's domiciliary state in the United States already impose various limitations on investments in affiliates, and require prior approval of the payment of dividends above certain threshold levels by the licensed insurer to AEGON or its affiliates. The NAIC is also considering, in response to international developments, various other regulatory changes that may impact corporate governance, life insurance reserving and capital standards, and an Own Risk and Solvency Assessment by insurers.

Although the US federal government has not historically regulated the insurance business, many federal laws impact the insurance business in a variety of ways. US federal and state privacy laws and regulations impose restrictions on financial institutions' use and disclosure of customer information. Legislation is sometimes introduced in the US Congress or state governments that would either impose additional restrictions on the use and disclosure of customer information or would require financial institutions to enhance the security of personal information and impose new obligations in the event of data security breaches. States are considering as the US Congress may also do again legislation that would restrict the ability of insurers to underwrite based in whole or in part on specified risks or practices such as genetic testing. These laws and regulations, if enacted, could impact AEGON's ability to market or underwrite its products, or otherwise limit the nature or scope of AEGON's insurance and financial services operations in the United States.

In addition, the Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act), enacted in 2010, established the Federal Insurance Office (FIO). A FIO director was appointed in June of 2011. While the FIO does not have any direct regulatory authority over US insurers, it does have certain authority to represent the US government in establishing international regulatory standards for insurers, and to represent the US insurance industry in international matters. The Dodd-Frank Act also established the Consumer Financial Protection Bureau, which has the authority to regulate the marketing practices of credit insurance as well as other financial products sold through banks. The Federal Reserve Board has also established certain disclosures relating to credit insurance sold in connection with a bank loan. The activities of the FIO and other federal agencies under the Dodd-Frank Act may have a significant impact on the capital standards and sale of life insurance and annuities in the United States.

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

Additionally, certain policies and contracts offered by AEGON USA insurance companies are subject to regulation under the federal securities laws administered by the Securities and Exchange Commission (the SEC) and under certain state securities laws. The SEC conducts regular examinations of the insurance companies' variable life insurance and variable annuity operations, and occasionally makes requests for information from these insurers in connection with examinations of affiliate and third party broker-dealers, investment advisers and investment companies. The SEC and other governmental regulatory authorities, including state securities administrators, may institute administrative or judicial proceedings that may result in censure, fines, issuance of cease-and-desist orders or other sanctions. Sales of variable insurance and annuity products are regulated by the SEC and the Financial Industry Regulatory Authority, Inc. (FINRA, formerly known as the National Association of Securities Dealers, Inc. or NASD). The SEC, FINRA and other regulators have from time to time investigated certain sales practices involving certain sales of variable annuities and transactions in which an existing variable annuity is replaced by, or exchanged for, a new variable annuity. Certain separate accounts of AEGON USA insurers are registered as investment companies under the Investment Company Act of 1940, as amended. Separate account interests under certain annuity contracts and insurance policies issued by the insurance companies are also registered under the Securities Act of 1933, as amended.

Some of AEGON USA's investment advisory activities are subject to federal and state securities laws and regulations. Mutual Funds managed, issued and distributed by AEGON USA companies are registered under the Securities Act of 1933, as amended (the Securities Act), and the Investment Company Act of 1940 (the Investment Company Act). With the exception of its investment accounts which fund private placement investment options that are exempt from registration, or support fixed rate investment options that are also exempt from registration, all of AEGON USA's separate investment accounts that fund retail variable annuity contracts and retail variable life insurance products issued by AEGON USA companies are registered both under the Securities Act and the Investment Company Act. Institutional products such as group annuity contracts, guaranteed investment contracts, and funding agreements are sold to tax qualified pension plans or to other sophisticated investors and are exempt from registration under both Acts. On July 21, 2010, the SEC proposed a framework to replace the requirements of Rule 12b-1 of the Investment Company Act with respect to how mutual funds and underlying funds of separate accounts collect and pay fees to cover the costs of selling and marketing their shares. The proposed changes are subject to public comment and, following any enactment, would be phased in over several years. Since these changes are still proposed, the impact of changes proposed by these regulations cannot be predicted at this time.

Some of the AEGON USA companies are registered as broker-dealers with the SEC under the Securities Exchange Act of 1934, as amended (the Securities Exchange Act) and are regulated by the FINRA. A number of AEGON USA companies are also registered as investment advisers under the Investment Advisers Act of 1940. AEGON USA insurance companies and other subsidiaries also own or manage other investment vehicles that are exempt from registration under the Securities Act and the Investment Company Act but may be subject to other requirements of those laws, such as anti-fraud provisions and the terms of applicable exemptions. The Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act), enacted in 2010, reforms the regulatory structure of the financial services industry in the United States, including providing for additional oversight of systemically significant companies. Provisions of Dodd-Frank Act require the SEC to study the effectiveness of the legal and regulatory standards of care of broker-dealers, investment advisers and persons associated with these firms who are providing personalized investment advice. The study was completed in January, 2011 and regulations may be promulgated to address perceived gaps in the regulatory framework currently governing broker-dealers and investment advisers. Another study required by Dodd-Frank Act and conducted by the US Government Accounting Office in 2011 could result in the regulation, registration and examination of investment advisers by a new or existing self-regulatory organization. The impact of regulations resulting from these studies cannot be predicted at this time.

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The financial services industry, which includes businesses engaged in issuing, administering, and selling variable insurance products, mutual funds, and other securities, as well as broker-dealers, continues to be under heightened scrutiny and increased regulation in various jurisdictions. Such scrutiny and regulations have included matters relating to so-called producer compensation arrangements, suitability of sales, selling practices, unclaimed property reporting, revenue sharing, and valuation issues involving mutual funds and life insurance separate accounts and their underlying funds. AEGON USA companies, like other businesses in the financial services industry, have received inquiries, examinations, and requests for information from regulators and others relating to certain AEGON USA companies' historical and current practices with respect to these and other matters. Some of those inquiries have led to investigations, which remain open or have resulted in fines, corrective actions or restitution. AEGON USA companies continue to cooperate with these regulatory agencies. In certain instances, AEGON USA companies modified business practices in response to those inquiries or findings. Certain AEGON USA companies have paid or been informed that the regulators may seek restitution, fines or other monetary penalties or changes in the way that business is conducted. The impact of any such fines or other monetary penalties is not expected to have a material impact on AEGON USA's financial position, net income or cash flow. Since 2004, there has been an increase in litigation across the industry, new legislation, regulations, and regulatory initiatives aimed at curbing alleged improper annuity sales to seniors. As many of the estimated 77 million baby boomers are reaching the age of 60, the industry will likely see an increase in senior issues presented in various legal arenas. In addition, certain industry practices in respect of market conduct have been the subject of investigations by various state regulators. With the significant decline in financial markets in late 2008 and early 2009, management expects there will be further regulation and litigation which could increase costs and limit AEGON's ability to operate.

Some of AEGON USA companies offer products and services to individual retirement accounts, pension and welfare benefit plans that are subject to the federal Employment Retirement Income Security Act (ERISA). ERISA is administered by the US Department of Labor (DOL) and Internal Revenue Service (IRS). Accordingly, the DOL and IRS have jurisdiction to regulate the products and services sold by these AEGON USA businesses. DOL has issued regulations defining the nature of fees to be paid for investment advice in these plans, as well as requiring increased fee disclosure from defined contribution plan service providers and to plan participants. The DOL has also proposed regulations regarding the scope of a plan fiduciary in IRAs and defined contribution plans. Implementation of these and other regulations in the manner proposed could increase the cost and administrative burdens of AEGON USA companies providing administrative burdens to these plans. The proposed DOL rule on investment advice fiduciary, if promulgated as originally proposed, could adversely impact the manner in which certain AEGON USA companies sell products within an IRA, as well as the nature of services provided to plan participants and sponsors of a defined contribution plan.

In an attempt to increase the number of workers covered by a retirement savings plan, several states have or are considering legislation that would permit non-governmental workers to join the state government workers retirement plan or a similar governmental plan. If enacted, this legislation could impact the products and services sold by some of AEGON USA companies to private employers in those states.

Although the insurance business is regulated on the state level, the US federal tax preferences of life insurance, pension and annuity products are governed by the US federal tax code. Proposals to remove or decrease the value of these tax preferences both in and of themselves and relative to other investment vehicles are debated periodically in the US Congress. This risk is heightened when Congress seeks additional revenue needed to reduce the federal deficit. In addition, current discussions on major tax reform initiatives further increase the risk of changes to the tax incentives for short and long term savings products, as well as to the taxation of life insurers. These changes, if enacted, would directly impact the cost and competitiveness of life insurance, annuity and pension products sold to ensure Americans' financial retirement security.

Moreover, legislative proposals which impose restrictions on executive compensation or restrict employment-based savings plans adversely impact the sale of life insurance products used in funding those plans and their attractiveness relative to other non-insurance products. Finally, regulations promulgated under the Dodd-Frank Act that limit investment by banks in certain financial services products or increase the cost of issuing certain life insurance products would adversely impact the sale of life insurance products. In particular, any determination that stable value products sold to defined contribution plans, as well as other insurance products, are to be regulated as derivatives would adversely impact the market for those products.

There also have been occasional legislative proposals in the US Congress that target foreign owned companies, such as a

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proposal containing a corporate residency provision that threatens to redefine some historically foreign-based companies as US corporations for US tax purposes.

The economic crisis of 2008 has resulted in proposals for regulatory reform of the financial services industry, both in the US and around the world. The Dodd-Frank Act generally leaves the state insurance regulatory system in place, but creates a Federal Insurance Office in part to represent the US insurance industry in international matters. Many details of the Dodd-Frank Act are left to study or regulation, and therefore, the impact of the Dodd-Frank Act on AEGON USA or the life insurance market in general, cannot be fully determined until the regulations implementing the Dodd-Frank Act are promulgated and the studies completed. This includes any determination of the likelihood that AEGON USA will be considered systemically significant and subject to heightened prudential standards.

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

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

The Patient Protection and Affordable Care Act does not directly impact the business of life insurance. It is uncertain whether any of the new laws implementing regulations anticipated over the next several years will impact any of AEGON's supplemental products. One component of the new law, the Community Living Assistance Services and Support program (CLASS Act) has been withdrawn by the Department of Health and Human Services. The CLASS program could have had an adverse impact on the private LTC insurance market.

Many other federal tax laws affect the business in a variety of ways. At the end of 2010, the US congress reinstated the federal estate tax rate at 45% for those estates over USD 5 million. This will expire at the end of 2012. As a result, uncertainty remains in this area. AEGON believes a permanent repeal of the federal estate tax would have an adverse impact on sales and surrenders of life insurance in connection with estate planning.

AEGON CANADA

Transamerica Life Canada (TLC) is organized and regulated pursuant to the federal Insurance Companies Act (Canada). The primary regulator for TLC is the Office of the Superintendent of Financial Institutions. In addition, TLC is subject to the laws, regulations and insurance commissions of each of Canada's ten provinces and three territories in which it carries on business. The laws of these jurisdictions generally establish supervisory agencies with broad administrative powers that include the following: granting and revoking licenses to conduct business, regulating trade practices, licensing agents, establishing reserve requirements, determining permitted investments and establishing minimum levels of capital. TLC's ability to continue to conduct its insurance business depends upon the maintenance of its licenses at both the federal and provincial/territorial levels.

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

The life insurance operations of Transamerica Life Canada are also governed by policy statements and guidelines established by the Canadian Life & Health Insurance Association.

ASSET LIABILITY MANAGEMENT

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The AEGON USA 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.

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The key investment strategy for traditional insurance-linked portfolios is asset/liability management, 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 asset/liability management, and AEGON USA's investment personnel are highly skilled and experienced in these investments.

The AEGON USA companies manage their asset liability matching through the work of several committees. These committees review strategies, define risk measures, define and review asset liability management studies, examine risk-hedging techniques, including the use of derivatives, and analyze the potential use of new asset classes. Cash flow testing analysis is performed using computer simulations, which model assets and liabilities under stochastically projected interest rate scenarios and commonly used stress-test interest rate scenarios. Based on the results of these computer simulations, the investment portfolio is structured to maintain a desired investment spread between the yield on the portfolio assets and the rate credited on the policy liabilities. Interest rate scenario testing is a continual process and the analysis of the expected values and variability for four critical risk measures (capital charges, cash flows, present value of profits, and interest rate spreads) forms the foundation for modifying investment strategies, adjusting asset duration and mix, and exploring hedging opportunities. On the liability side, AEGON USA has some offsetting risks; some liabilities perform better in rising interest rate environments while others tend to perform well in falling interest rate environments. The amount of offset can vary depending on the absolute level of interest rates and 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 to the risk reduction they offer.

REINSURANCE CEDED**UNITED STATES**

AEGON USA reinsures part of its life insurance exposure with third-party reinsurers under traditional indemnity, quota share reinsurance treaties, as well as, less frequently, excess-of-loss contracts. AEGON USA's reinsurance strategy is in line with typical industry practice.

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, but generally fluctuate between USD 3,000 and USD 10 million per life insured.

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. AEGON USA has experienced no material reinsurance recoverability problems in recent years. Where appropriate, the company arranges additional cover through letters of credit or trust agreements. Availability of letters of credit or other financing mechanics are scarce in difficult financial markets. For certain agreements, funds are withheld for investment by the ceding company.

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

CANADA

In the normal course of business, TLC reinsures part of its mortality and morbidity risk with third-party reinsurers. The maximum life insurance exposure retained is CAD 1.25 million per life insured.

Ceding reinsurance does not remove TLC's liability as the primary insurer. TLC could incur losses should reinsurance companies not be able to meet their obligations. To minimize its exposure to the risk of such defaults, TLC regularly monitors the creditworthiness of its reinsurers. TLC only contracts business with reinsurance companies that are registered with Canada's Office of the Superintendent of Financial Institutions.

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Amounts in EUR million	2011	2010	%
Income by product segment			
Life & Savings	185	186	(1%)
Pensions	98	153	(36%)
Non life	6	33	(82%)
Distribution	8	16	(50%)
Share in underlying earnings before tax of associates	1	(3)	
Underlying earnings before tax	298	385	(23%)
Net fair value items	156	361	(57%)
Gains / (losses) on investments	269	155	74%
Impairment charges	(15)	(11)	(36%)
Other income / (charges)	(164)	38	
Income before tax	544	928	(41%)
Income tax	(125)	(217)	42%
Net income	419	711	(41%)
Net underlying earnings	238	292	(18%)
Life insurance gross premiums	3,213	3,185	1%
Accident and health insurance premiums	216	201	7%
General insurance premiums	452	451	0%
Total gross premiums	3,881	3,837	1%
Investment income	2,192	2,161	1%
Fees and commission income	329	348	(5%)
Total revenues	6,402	6,346	1%
Commissions and expenses	1,122	1,058	6%
which includes operating expenses of	823	748	10%
New life sales			
Amounts in EUR million	2011	2010	%
Life & Savings	81	83	(2%)
Pensions	173	165	5%
Total recurring plus 1/10 single	254	248	2%
New premium production accident and health insurance	27	26	4%
New premium production general insurance	27	26	4%
Gross deposits (on and off balance)			

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Life & Savings	1,968	2,036	(3%)
Pensions	80	346	(77%)
TOTAL GROSS DEPOSITS	2,048	2,382	(14%)

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RESULTS 2011 THE NETHERLANDS

Underlying earnings in the Netherlands were impacted by increased provisioning for longevity, while net income was affected by business restructuring. In 2011, AEGON initiated actions to make its business in the Netherlands more agile and better positioned to respond to changing conditions and opportunities in the Dutch market.

NET INCOME

Net income from AEGON's businesses in the Netherlands decreased to EUR 419 million. This decrease was mainly a result of a decline in fair value items, primarily guarantees net of related hedges, to EUR 156 million and other charges of EUR 164 million. These charges related to restructuring of AEGON's businesses in the Netherlands of EUR 92 million and a write-down of goodwill and VOBA of EUR 75 million related to the distribution businesses. AEGON's distribution businesses in the Netherlands are experiencing pressure on margins and are implementing a new operating model following legislative changes related to commission payments which will result in lower profitability going forward. Realized gains on investments increased to EUR 269 million and were primarily the result of a decision to replace equities by fixed income securities and normal trading activity in the investment portfolio in a low interest rate environment. Impairments amounted to EUR 15 million.

UNDERLYING EARNINGS BEFORE TAX

Underlying earnings before tax from AEGON's operations in the Netherlands amounted to EUR 298 million, a decrease of 23% compared to 2010.

Earnings from AEGON's Life & Savings operations in the Netherlands remained level at EUR 185 million. Favorable mortality and higher contribution from mortgages was offset by higher expenses related to the execution of a program for product improvements and investments in new propositions.

Earnings from the Pension business declined to EUR 98 million. Additional provisioning for longevity of EUR 82 million was only partly offset by the positive impact of favorable technical results.

Earnings from Non-life declined to EUR 6 million, mainly as the result of a lower release of provisions, adverse claim experience and investments made in the business to increase efficiency.

Income from the distribution businesses amounted to EUR 8 million, a decrease compared with 2010 as a result of investments in business development initiatives. Also fee income remained under pressure as a result of the competitive environment.

COMMISSIONS AND EXPENSES

Commissions and expenses increased by 6% in 2011. Operating expenses increased 10% to EUR 823 million in 2011, mainly as a result of restructuring charges and investments in the further development of a new online banking proposition. In 2011, AEGON initiated actions to make its business in the Netherlands more agile and better positioned to respond to changing conditions and opportunities in the Dutch market. The reorganization program and other initiatives are aimed at reducing the cost base by approximately 20% or EUR 100 million in comparison to the cost base for 2010.

PRODUCTION

New life sales increased to EUR 254 million. Pension sales increased 5% compared with 2010, mainly driven by successful institutional sales during the fourth quarter of 2011. Individual life sales declined and amounted to EUR 81 million, primarily driven by lower recurring premium

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as mortgage production slowed down.

Premium production for accident & health increased 4% to EUR 27 million and benefited from stronger sales in income insurance products. General insurance production also increased 4% to EUR 27 million driven by increased sales for the Motor and Fire segments of the market.

Gross deposits decreased 14% to EUR 2.0 billion. The decline is a combination of less competitive interest rates on savings accounts offered and the transfer of third-party pension deposits to AEGON Asset Management as of the second quarter of 2011.

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RESULTS 2010 THE NETHERLANDS

Amounts in EUR million	2010	2009	%
Income by product segment			
Life & Savings	186	180	3%
Pensions	153	174	(12%)
Non life	33	29	14%
Distribution	16	16	
Share in underlying earnings before tax of associates	(3)	(1)	
Underlying earnings before tax	385	398	(3%)
Net fair value items	361	(374)	
Gains / (losses) on investments	155	351	(56%)
Impairment charges	(11)	(111)	90%
Other income / (charges)	38		
Income before tax	928	264	
Income tax	(217)	(23)	
Net income	711	241	195%
Net underlying earnings	292	298	(2%)
Life insurance gross premiums	3,185	3,066	4%
Accident and health insurance premiums	201	206	(2%)
General insurance premiums	451	457	(1%)
Total gross premiums	3,837	3,729	3%
Investment income	2,161	2,211	(2%)
Fees and commission income	348		