

The life insurance, pensions and asset management sectors are undergoing a period of profound change.

# HOW OUR BUSINESS

## FIVE KEY TRENDS

1

Change has been brought about by regulatory reform, or in response to increased short-term financial market and economic volatility. AEGON's businesses must also adapt to deeper social trends that are fundamentally altering the behavior of customers and employees, and reshaping traditional patterns of distribution in the company's main markets. Meanwhile, the emergence of social media has made it even more important for companies like AEGON to engage with stakeholders. These stakeholders will ultimately determine the company's reputation and business success.

### AGING POPULATIONS

Populations are aging, particularly in Europe and Asia. At the same time, working populations are shrinking. In many cases, this means governments are no longer able to fund current pension payments, and individuals are looking instead to private sector companies to provide long-term financial security.

#### Where are the opportunities?

Rising life expectancy is opening up new opportunities for AEGON. Demand is growing for products that not only help people save for their retirement, but also help them manage their assets once they have retired.

#### What are the risks for AEGON?

As life expectancy rises, AEGON expects benefit payments on certain products and services also to rise. If life expectancy increases more quickly than projected, we may also have to increase reserves to cover future payments, reducing our earnings.

2

### CHANGING CUSTOMER BEHAVIOR

Customers have become more aware of financial risk in recent years. As a result, they demand products that are clear and easy to understand - products that will deliver sound financial returns. Distribution patterns are changing as more people use the Internet to research and purchase financial services, and regulation brings a more direct relationship between provider and customer.

#### Where are the opportunities?

AEGON sees an opportunity to respond to changing customer needs by developing simpler, easier-to-understand products and services. There are also opportunities to invest in new distribution channels: partnerships with banks, more direct marketing and utilization of social media.

#### What are the risks for AEGON?

For AEGON, there are clear risks both in terms of sales and market share if the company does not respond to changes to customer behavior and patterns of distribution.



Social pressure means more scrutiny, but it also means greater openness and transparency.

# IS CHANGING

3

## RISING STAKEHOLDER EXPECTATIONS

Companies are under greater pressure to manage their resources responsibly and engage with stakeholders, giving an account not only of their financial performance, but also their contribution to society as a whole. Attitudes are also changing in the workplace: jobseekers want to work for companies that share their values, the concept of “a job for life” has almost disappeared, and skills shortages – especially in emerging markets – make it difficult to recruit and retain talented staff.

### Where are the opportunities?

Greater openness and transparency will help us improve our processes and decision making; in addition, we can engage more with our stakeholders, which will help build trust.

### What are the risks for AEGON?

AEGON's reputation both as an employer and a provider of financial services could be affected if the company does not respond to social pressures and rising stakeholder expectations. This could impact not only our financial performance, but also our ability to attract and recruit talented staff.

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## ECONOMIC UNCERTAINTY

Economic and financial market conditions have proved extremely volatile since 2008. Growth has slowed, while unemployment in many parts of the world has risen, leading to lower consumer spending and greater economic uncertainty. In Europe, the debt crisis in the euro zone has contributed to renewed difficulties in the financial services sector, and there remains a significant risk of further economic downturn in 2012 and into 2013.

### Where are the opportunities?

Given the continued economic turbulence, AEGON has reduced its exposure to movements in financial markets, including low interest rates. Because of this, we have taken steps to significantly improve our “risk-reward” balance for investors. Shifts in the global economy have also opened up important opportunities for us in China, India and other emerging markets in Asia, Latin America and Central & Eastern Europe.

### What are the risks for AEGON?

AEGON's financial performance will be adversely affected by any prolonged economic downturn or increased volatility in financial markets. Low interest rates and lower returns on equity investments also affect the company's earnings. In turn, poor economic conditions could reduce demand for AEGON's products and services.

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## REGULATORY CHANGES

Recent years have brought a loss of trust in the financial services sector. Regulators have responded with tighter consumer protection legislation that, in some markets, will remove the payment of commissions to intermediaries and bring customers and insurers closer. New international rules will change the way insurers manage capital and risk; these rules may bring higher overall capital requirements, but should also reward those insurers with sound and effective risk management.

### Where are the opportunities?

AEGON believes new solvency rules will bring benefits, in particular, increased protection for customers and policyholders. A more integrated approach to risk, capital and product pricing will result in stronger management and improved performance. AEGON also sees new legislation in the United Kingdom and the Netherlands as an opportunity to forge closer relations with customers.

### What are the risks for AEGON?

New solvency rules may mean insurance companies holding more capital than they did in the past. Companies will also have to change the way they manage both capital and risk. New legislation in the United Kingdom and the Netherlands is expected to bring significant changes to the relationship between insurers, intermediaries and customers.

As we have seen, the business environment in which AEGON operates has changed significantly in recent years. In response, AEGON has reduced costs and restructured operations in the United States, the Netherlands, the United Kingdom and Canada. We have lowered risk exposure and exited businesses that were no longer core to our strategy.

## OUR STRATEGIC OBJECTIVES

# HOW WE ARE

These measures have transformed AEGON, making the company less vulnerable to fluctuations in world financial markets and more efficient in control of costs and its use of capital and resources. We want to build on this progress, and become a leader in all our chosen markets by 2015 - not necessarily the biggest, but the "most recommended" among our customers, employees and distributors, as well as the "most respected" insurer in wider society. Our long-term goal is to create sustainable earnings growth, an improved risk-return profile for our investors, and a company focused on the needs of its customers.

### OUR BUSINESS IS CHANGING...



Aging populations

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Changing customer behavior

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Rising stakeholder expectations

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Economic uncertainty

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Regulatory changes



## IN RESPONSE, WE HAVE SET FOUR STRATEGIC OBJECTIVES...



## WITH A CLEAR AMBITION FOR THE FUTURE...



### Optimize Portfolio by:

- Using capital efficiently, ensuring that it is targeted at those areas that offer the best returns and the strongest growth.
- Reducing exposure to fluctuations in financial markets, and releasing more capital for reinvestment in the business.



### Enhance Customer Loyalty by:

- Building new distribution capabilities.
- Offering simple, easy-to-understand products that strengthen trust and inspire loyalty among customers.



### Deliver Operational Excellence by:

- Reducing costs while further improving customer service.
- Encouraging greater efficiency in leveraging resources and capabilities.



### Empower Employees by:

- Creating a culture of innovation and accountability.
- Using greater employee engagement to drive improvements in efficiency and customer service.

**To be a leader in all  
our chosen markets  
by 2015**