How we **create value**

Aegon provides financial services, mainly life insurance and pensions. We also manage financial assets. Many of our products last a lifetime. How do we make sure, when the times comes, that we can pay the pensions, benefits and claims our customers are expecting... and still make a profit to share with our investors?

Our value chain: turning capital and talent into benefits for all our stakeholders.

Capital	Talent	Expertise	Trust	Benefits	Profits	Society
It begins with **capital**... We raise the capital we need for our business from shareholders and bondholders who are willing to invest in us... We then allocate this capital to our businesses, focusing on those areas we think offer the best prospects for growth and returns.	We employ **talent**ed people, and make sure we give them the skills, training and equipment they need.	We use their **expertise** to develop, price and market the services our customers need.	When they buy our products, customers en**trust** money to us. We invest this money responsibly; We protect its value and, over time, work to make it grow. Through our products, we also seek to protect what's important to our customers; we manage risk on their behalf and help them save and invest for the future.	From the returns we make, we pay out **benefits**, annuities, pensions and other claims to our customers.	We also make **profits**, which we share with our investors through dividends and coupon payments.	And we make **contributions** to wider society, through our tax payments, through the goods and services we buy and through investments in our local communities.

Creating value, sharing value

Our value chain is important. It shows how we create value, not only for our customers, but also for our employees, business partners and investors, as well as for the local communities in which we operate.

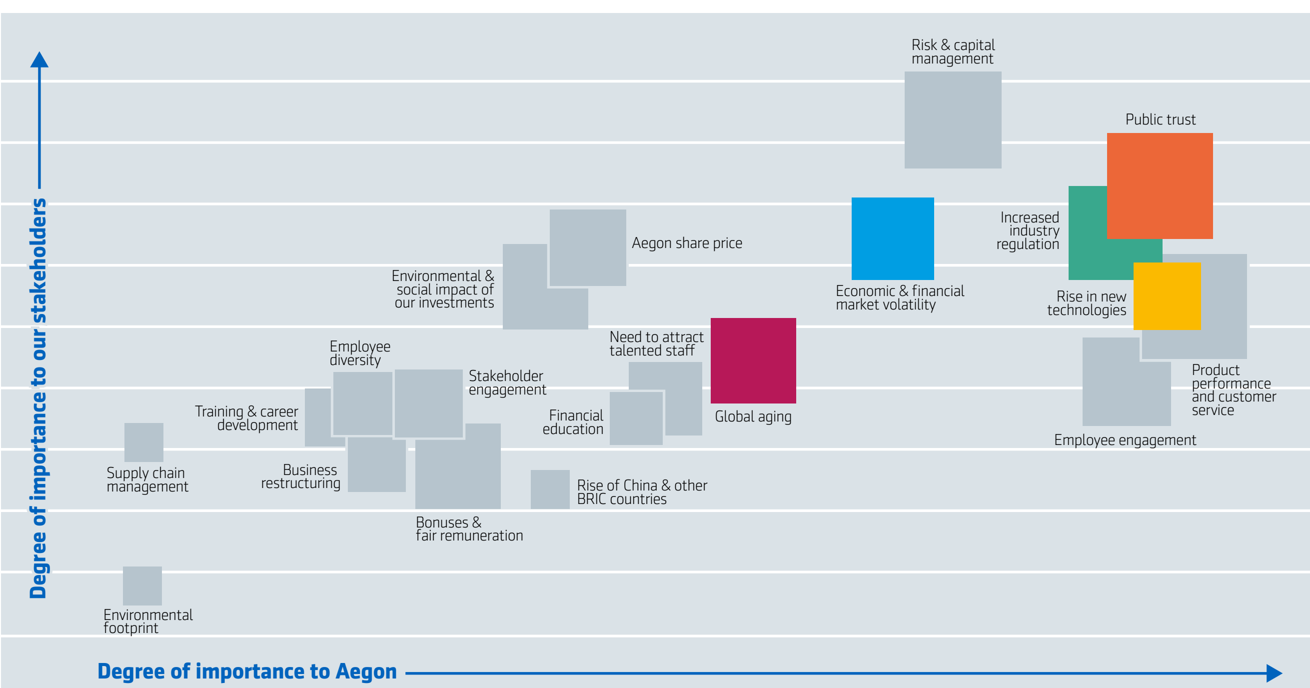
As we go through this report, we'll be looking at our value chain in more detail. We'll also look at the five key trends we think will shape the life insurance and pension industry in the years ahead: global aging, continued economic uncertainty, changing regulations, the rise of new technologies and the growing importance of responsible corporate behavior. We'll be using these trends to examine the opportunities and risks currently facing Aegon. And we'll be looking at what we're doing to address them, and how they fit into our longer-term strategy.

How did we identify these key trends?

Identifying “material issues” is an important part of our approach to reporting. It's also a key principle behind the Global Reporting Initiative guidelines. “Material issues” are those we think will have the most impact on our performance and our operating environment.

To identify these issues, we took input from both inside and outside our company. We looked at what our stakeholders were telling us locally. We also conducted a more formal survey of some of our leading stakeholders. We asked them to assess a series of issues – from the environment and employee diversity to public trust and product performance. We then asked our senior management to go through the same exercise. And we used the information from our management and our stakeholders to compile a “materiality matrix” (see below).

This matrix maps these issues according to their degree of importance and to our stakeholders. This allowed us to identify five “key trends”. Each of these trends is highlighted in color below. Many of the other issues, shown in gray, feed directly into these trends, particularly employee engagement, risk & capital management, product performance and customer service.



Our five key trends:

Global aging | Economic uncertainty | Changing regulations | Rise in new technologies | Responsible corporate behavior

This matrix is based on surveys of leading stakeholders and members of Aegon's Management Committee, carried out in November-December 2013. Participants in the survey were asked to rate issues on a scale of 1 to 10, ten being the most important. The size of each “square” reflects the number of times a particular issue was listed by participants as “material”. The stakeholder survey was conducted by independent consultants, Steward Redqueen, to ensure impartiality.

Our five **key trends**

What will affect our industry in the coming years? What factors will influence the way people buy life insurance or pensions? What impact will new technology have? What are the opportunities and risks for us as a company? We've identified five key trends we think will shape life insurance and pensions in the years ahead. And, in the table opposite, we've outlined some of the measures we're taking to address a changing business environment.

1 Global aging

The world is getting older – By the middle of this century, nearly 1.5 billion people worldwide will be over the age of 65. Governments in many countries can no longer afford generous state pensions.

Where do we see opportunity and risk?

People have to take greater personal responsibility for saving for retirement. That means increasing demand for the kinds of products Aegon offers. At the same time, as our customer base ages, we will have to pay out more in pension benefits.

What are we doing about it?

We've improved our overall product mix to make sure we're providing the products and services our customers need. We've also reviewed many of our products, made them simpler and easier to understand. Meanwhile, we've used longevity swaps in the Netherlands to reduce risks associated with longer life expectancy rates.

Where does this affect our value chain?

Capital **Trust**
Expertise **Benefits**

2 Economic uncertainty

Economic recovery is still uncertain – The world economy is improving, though growth in many parts of Europe is still sluggish. Financial markets have risen sharply, but they remain volatile. Interest rates are still at historic lows.

Where do we see opportunity and risk?

Economic growth is good news for Aegon. In emerging markets, growth in recent years has brought an expanding middle class and an increase in demand for financial products. Volatile financial markets, however, can mean additional risk, while low interest rates may restrict profits.

What are we doing about it?

We've continued to strengthen our capital position, and maintained a "capital buffer" to guard against sharp swings in financial markets. We've also reduced risk – by scaling back the sale of some products, hedging our exposure and placing greater emphasis on fees, rather than interest rate spreads. In addition, we've maintained a strict pricing policy, favoring value over volume. We've expanded our presence in some emerging markets, and continued to cut costs, where possible.

Where does this affect our value chain?

Capital **Trust**
Profits

3 Changing regulations

The way our products are bought and sold is changing – Last year, new regulations effectively ended commissions for brokers in the Netherlands and the UK.

Where do we see opportunity and risk?

New regulations mean we have an opportunity to forge a much closer relationship directly with our customers. But, to do so, we also need the right products and the right level of customer service.

What are we doing about it?

We're investing in new distribution, including online. We're also expanding direct sales to customers, and have taken steps to strengthen customer service. We've also strengthened our Pricing & Product Development Policy to ensure we continue to put the interests of our customers at the heart of our products and services.

Where does this affect our value chain?

Trust

Benefits

4 Rise in new technologies

Technology has brought a change in customer behavior – Customers are more willing to go online to research – *and buy* – financial products. There's more visibility than ever before in terms of pricing and customer service.

Where do we see opportunity and risk?

Technology is bringing increased competition, particularly from online-only providers. But it's also giving companies like Aegon an opportunity to expand distribution by adding online to other existing channels.

What are we doing about it?

We've expanded our online business; we've also invested in social media. At the start of this year, we set up a corporate venture fund in the US to invest in new financial technology start-ups. At the same time, we've strengthened other forms of distribution – through banks, for example; we're also looking at new partnerships with stores and online retailers.

Where does this affect our value chain?

Talent

Expertise

Trust

Benefits

5 Responsible corporate behavior

Companies are increasingly expected to "do the right thing" – More than ever before, companies need to demonstrate responsible behavior with regard to their employment practices, their investments, the taxes they pay and the goods and services they buy.

Where do we see opportunity and risk?

Pressure is coming, not only from non-governmental organizations and the media, but also from companies, customers and employees. Increased scrutiny brings potential risk, of course – but it also brings benefits for companies willing to adopt a responsible approach to business. Increasingly, employees want to work for companies that share their values.

What are we doing about it?

Internally, we've brought in employee volunteering programs; we've strengthened our approach to diversity, health & safety and talent management. We've made improvements to employee engagement. On the business side, we've introduced social and environmental standards for our investments, and to help us choose suppliers. We're also investing significant amounts in areas like renewable energy and affordable housing.

Where does this affect our value chain?

Talent

Trust

Society