REGAL ENTERTAINMENT GROUP
Form 10-K/A
March 14, 2014
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A

Amendment No. 1

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

For the fiscal year ended December 26, 2013

Commission file number: 001-31315

Regal Entertainment Group

(Exact name of Registrant as Specified in Its Charter)

Delaware	**02-0556934**
(State or Other Jurisdiction of	(I. R. S. Employer

Incorporation or Organization)	Identification Number)
7132 Regal Lane	
Knoxville, TN	**37918**
(Address of Principal Executive Offices)	(Zip Code)

Registrant s Telephone Number, Including Area Code: **865/922-1123**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Class A Common Stock, $.001 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K: o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act): Yes o No x

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant on June 27, 2013, computed by reference to the price at which the registrant s Class A common stock was last sold on the New York Stock Exchange on such date was $1,482,994,126 (79,730,867 shares at a closing price per share of $18.60).

Shares of Class A common stock outstanding 132,466,628 shares at March 7, 2014

Shares of Class B common stock outstanding 23,708,639 shares at March 7, 2014

Table of Contents

EXPLANATORY NOTE

The Company is filing this Amendment No. 1 to its Annual Report on Form 10-K (the Form 10-K/A) to include separate audited financial statements of National CineMedia, LLC (National CineMedia), pursuant to Rule 3-09 of Regulation S-X (Rule 3-09). The audited National CineMedia financial statements (the National CineMedia Financial Statements) were not available at the time of filing of the Company s Annual Report on Form 10-K (the Form 10-K). In accordance with Rule 3-09(b)(1), the National CineMedia Financial Statements are being filed as an amendment to the Form 10-K within 90 days after the end of the Company s fiscal year.

This Form 10-K/A amends the Form 10-K solely by the addition of the National CineMedia Financial Statements to Part IV, Item 15. No attempt has been made in this Form 10-K/A to update other disclosures presented in the Form 10-K and this Form 10-K/A does not reflect events occurring after the filing of the Form 10-K or modify or update those disclosures, including the exhibits to the Form 10-K affected by subsequent events. The following sections of the Form 10-K have been amended by this Form 10-K/A:

- Part IV Item 15 Exhibits, Financial Statement Schedules

This Form 10-K/A has been signed as of a current date and all certifications of the Company s Chief Executive Officer and Chief Financial Officer are given as of a current date. Accordingly, this Form 10-K/A should be read in conjunction with our filings made with the SEC subsequent to the filing of the Form 10-K for the year ended December 26, 2013, including any amendments to those filings.

Table of Contents

TABLE OF CONTENTS

Table of Contents

REGAL ENTERTAINMENT GROUP

PART IV

Item 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a)

The following documents are filed as a part of Amendment No. 1 to this report on Form 10-K:

(2) Financial Statement Schedules:

INDEX TO FINANCIAL STATEMENTS

(3) Exhibits: The following exhibits are filed as part of Amendment No. 1 to this annual report on Form 10-K.

Exhibit Number	**Description**
23.1	Consent of Deloitte & Touche LLP, Independent Registered Public Accounting Firm

31.1	Rule 13a-14(a) Certification of Chief Executive Officer of Regal
31.2	Rule 13a-14(a) Certification of Chief Financial Officer of Regal
32	Section 1350 Certifications
99.1	Consent of National CineMedia, LLC

The financial statements of National CineMedia, LLC are filed under Item 15(c) below:

(b) The exhibits required to be filed herewith are listed above.

(c) Financial Statement Schedules: Financial Statements of National CineMedia, LLC.

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Members of

National CineMedia, LLC

Centennial, Colorado

We have audited the accompanying balance sheets of National CineMedia, LLC as of December 26, 2013 and December 27, 2012, and the related statements of income, comprehensive income, members equity/(deficit), and cash flows for the years ended December 26, 2013, December 27, 2012 and December 29, 2011. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of National CineMedia, LLC as of December 26, 2013 and December 27, 2012, and the results of its operations and its cash flows for the years ended December 26, 2013, December 27, 2012 and December 29, 2011, in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP
Denver, Colorado
March 3, 2014

Table of Contents

NATIONAL CINEMEDIA, LLC

BALANCE SHEETS

(In millions)

ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	$	13.3	$	10.4
Receivables, net of allowance of $5.7 and $4.5, respectively		120.4		98.5
Prepaid expenses		2.9		2.4
Prepaid administrative fees to managing member		0.8		0.8
Current portion of notes receivable- founding members		4.2		
Total current assets		141.6		112.1
NON-CURRENT ASSETS:				
Property and equipment, net of accumulated depreciation of $69.5 and $63.1, respectively		25.6		25.7
Intangible assets, net of accumulated amortization of $48.7 and $32.5, respectively		492.0		280.3
Debt issuance costs, net of accumulated amortization of $15.0 and $12.2, respectively		17.7		18.3
Long-term notes receivable, net of current portion founding members		20.8		
Other investments (including $1.1 and $0.0 with related parties, respectively)		1.1		0.8
Other assets		0.4		0.2
Total non-current assets		557.6		325.3
TOTAL ASSETS	$	699.2	$	437.4
LIABILITIES AND MEMBERS EQUITY/(DEFICIT)				
CURRENT LIABILITIES:				
Amounts due to founding members		30.1		19.8
Amounts due to managing member		24.6		15.3
Accrued expenses		19.4		18.3
Accrued payroll and related expenses		11.5		9.6
Accounts payable (including $0.8 and $0.9 to related party affiliates, respectively)		18.1		13.9
Deferred revenue		4.7		5.7
Current portion of long-term debt		14.0		
Total current liabilities		122.4		82.6
NON-CURRENT LIABILITIES:				
Long-term debt		876.0		879.0
Total non-current liabilities		876.0		879.0
Total liabilities		998.4		961.6
COMMITMENTS AND CONTINGENCIES (NOTE 10)				
MEMBERS DEFICIT (including accumulated other comprehensive loss of $11.6 and $21.9 million, respectively)		(299.2)		(524.2)
TOTAL LIABILITIES AND EQUITY	$	699.2	$	437.4

Refer to accompanying notes to financial statements.

Table of Contents

NATIONAL CINEMEDIA, LLC

STATEMENTS OF INCOME

(In millions)

REVENUE:			
Advertising (including revenue from founding members of $41.6, $39.9 and $38.2, respectively)	$ 426.3	$ 409.5	$ 386.2
Fathom Events	36.5	39.3	49.2
Total	462.8	448.8	435.4
OPERATING EXPENSES:			
Advertising operating costs (including $3.6, $4.2 and $3.4 to related parties, respectively)	29.0	31.3	24.6
Fathom Events operating costs (including $5.3, $5.9 and $9.3 to founding members, respectively)	25.5	29.0	34.1
Network costs	18.7	18.9	17.7
Theatre access fees founding members	69.4	64.5	55.4
Selling and marketing costs (including $1.4, $1.1 and $1.1 to founding members, respectively)	61.5	60.5	59.8
Administrative and other costs	20.1	20.3	17.6
Administrative fee managing member	10.0	12.1	13.7
Depreciation and amortization	26.6	20.4	18.8
Total	260.8	257.0	241.7
OPERATING INCOME	202.0	191.8	193.7
NON-OPERATING EXPENSES:			
Interest on borrowings	51.6	56.7	49.2
Interest income	(0.1)		
Change in derivative fair value		(3.0)	
Amortization of terminated derivatives	10.3	4.0	1.3
Impairment of investment	0.8		6.7
Loss on swap terminations		26.7	
Gain on sale of Fathom Events to founding members	(25.4)		
Other non-operating expense	1.2	5.8	1.7
Total	38.4	90.2	58.9
INCOME BEFORE INCOME TAXES	163.6	101.6	134.8
Income tax expense	0.7	0.6	0.3
NET INCOME	$ 162.9	$ 101.0	$ 134.5

Refer to accompanying notes to financial statements.

Table of Contents

NATIONAL CINEMEDIA, LLC

STATEMENTS OF COMPREHENSIVE INCOME

(In millions)

	Years Ended December 26, 2013	December 27, 2012	December 29, 2011
NET INCOME	$ 162.9	$ 101.0	$ 134.5
OTHER COMPREHENSIVE INCOME:			
Amortization of terminated derivatives, net of tax of $0 and $0, respectively	10.3	4.0	1.3
Net unrealized gain on cash flow hedges, net of tax of $0 and $0, respectively		31.1	0.1
COMPREHENSIVE INCOME	$ 173.2	$ 136.1	$ 135.9

Refer to accompanying notes to financial statements.

Table of Contents

NATIONAL CINEMEDIA, LLC

STATEMENTS OF MEMBERS EQUITY/ (DEFICIT)

(In millions, except unit amounts)

[redacted]			
Balance December 30, 2010	110,752,192	$	(506.6)
[redacted]			
Distribution to managing member			(78.7)
[redacted]			
Equity returned from purchase of intangible asset	(322,751)		(5.5)
[redacted]			
Share-based compensation issued			(0.1)
[redacted]			
Balance December 29, 2011	110,814,569	$	(527.5)
[redacted]			
Distribution to managing member			(72.7)
[redacted]			
Units issued for purchase of intangible asset	651,612		10.1
[redacted]			
Share-based compensation expense/capitalized			4.3
[redacted]			
Capital contribution from managing member	1,732,878		20.3
[redacted]			
Distribution to founding members			(103.9)
[redacted]			
Comprehensive income			173.2
[redacted]			
Balance December 26, 2013	126,974,805	$	(299.2)

Refer to accompanying notes to financial statements.

Table of Contents

NATIONAL CINEMEDIA, LLC

STATEMENTS OF CASH FLOWS

(In millions)

[redacted]			
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 162.9	$ 101.0	$ 134.5
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	26.6	20.4	18.8
Non-cash share-based compensation	3.2	4.3	4.8
Net unrealized gain on hedging transactions		(3.0)	
Impairment on investment	0.8		6.7
Amortization of terminated derivatives	10.3	4.0	1.3
Amortization of debt issuance costs	2.8	2.4	2.3
Write-off of debt issuance costs and other non-operating items	1.2	5.9	1.5
Loss on swap terminations		26.7	
Gain on sale of Fathom Events	(26.0)		
Payment for swap terminations		(63.4)	
Changes in operating assets and liabilities:			
Receivables, net	(22.0)	(2.5)	3.3
Accounts payable and accrued expenses	6.9	3.5	9.7
Amounts due to founding members and managing member	3.5	(5.0)	(4.6)
Other, net	(1.7)	2.9	(1.1)
Net cash provided by operating activities	168.5	97.2	177.2
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property and equipment	(10.1)	(10.4)	(13.5)
Payment from founding members for intangible assets		0.2	
Purchases of intangible assets from affiliate circuits	(8.9)	(7.2)	(15.9)
Net cash used in investing activities	(19.0)	(17.4)	(29.4)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings	59.0	546.0	335.0
Repayments of borrowings	(48.0)	(461.0)	(317.2)
Payment of debt issuance costs	(3.4)	(14.0)	(9.1)
Founding member integration payments	2.1		1.9
Distributions to founding members and managing member	(176.6)	(151.9)	(168.4)
Unit settlement for share-based compensation	20.3	2.3	5.4
Net cash used in financing activities	(146.6)	(78.6)	(152.4)
CHANGE IN CASH AND CASH EQUIVALENTS	2.9	1.2	(4.6)
CASH AND CASH EQUIVALENTS:			
Beginning of period	10.4	9.2	13.8
End of period	$ 13.3	$ 10.4	$ 9.2

Refer to accompanying notes to financial statements.

Table of Contents

NATIONAL CINEMEDIA, LLC

STATEMENTS OF CASH FLOWS (CONTINUED)

(In millions)

	Years Ended December 26, 2013	December 27, 2012	December 29, 2011
Supplemental disclosure of non-cash financing and investing activity:			
Purchase of an intangible asset with managing member equity	$ 221.6	$ 10.1	$ (5.5)
Accrued distributions to founding members and managing member	$ 57.5	$ 40.7	$ 43.1
Operating segment sold under notes receivable	$ 25.0	$	$
Increase in cost and equity method investments	$ 0.3	$ 0.6	$ 0.2
Supplemental disclosure of cash flow information:			
Cash paid for interest	$ 49.3	$ 50.7	$ 39.2
Cash paid for income taxes, net of refunds	$ 0.1	$ 0.6	$ 0.3

Refer to accompanying notes to financial statements.

Table of Contents

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

National CineMedia, LLC (NCM LLC , the Company or we) commenced operations on April 1, 2005 and is owned by National CineMedia, Inc. (NCM, Inc. , manager or managing member), American Multi-Cinema, Inc. and AMC Showplace Theatres, Inc. (AMC), wholly owned subsidiaries of AMC Entertainment, Inc. (AMCE), Regal Cinemas, Inc. and Regal CineMedia Holdings, LLC, wholly owned subsidiaries of Regal Entertainment Group (Regal) and Cinemark Media, Inc. (Cinemark USA), a wholly owned subsidiary of Cinemark Holdings, Inc. (Cinemark). NCM LLC operates the largest digital in-theatre network in North America, allowing NCM LLC to sell advertising (the Services) under long-term exhibitor services agreements (ESAs) with AMC, Regal and Cinemark. AMC, Regal and Cinemark and their affiliates are referred to in this document as founding members . NCM LLC also provides the Services to certain third-party theatre circuits under network affiliate agreements referred to in this document as network affiliates , which expire at various dates.

As of December 26, 2013, the Company had 126,974,805 common membership units outstanding, of which 58,519,137 (46.1%) were owned by NCM, Inc., 25,404,393 (20.0%) were owned by Regal, 23,998,505 (18.9%) were owned by Cinemark, and 19,052,770 (15.0%) were owned by AMC. The membership units held by the founding members are exchangeable into NCM, Inc. common stock on a one-for-one basis.

On December 26, 2013, we sold our Fathom Events business to a newly formed limited liability company owned 32% by each of the founding members and 4% by NCM LLC, as described further in Note 2 *Divestiture*.

Basis of Presentation

The Company has prepared its financial statements and related notes of NCM, LLC in accordance with accounting principles generally accepted in the United States of America (GAAP) and the rules and regulations of the Securities and Exchange Commission (SEC). Certain reclassifications have been made to the prior years financial statements to conform to the current presentation. These reclassifications had no effect on previously reported results of operations or retained earnings.

Table of Contents

As a result of the various related-party agreements discussed in Note 6 *Related Party Transactions*, the operating results as presented are not necessarily indicative of the results that might have occurred if all agreements were with non-related third parties.

Estimates The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include those related to the reserve for uncollectible accounts receivable, share-based compensation and interest rate swaps. Actual results could differ from those estimates.

Significant Accounting Policies

Accounting Period We have a 52-week or 53-week fiscal year ending on the first Thursday after December 25. Fiscal years 2013, 2012 and 2011 contained 52 weeks. Throughout this document, we refer to our fiscal years as set forth below:

Fiscal Year Ended	**Reference in this Document**
December 26, 2013	2013
December 27, 2012	2012
December 29, 2011	2011

Segment Reporting Advertising is the principal business activity of the Company and is the Company s reportable segment under the requirements of ASC 280 *Segment Reporting*. Fathom Events (prior to its sale) was an operating segment under ASC 280. The Company does not evaluate its segments on a fully allocated cost basis, nor does the Company track segment assets separately. As such, the results are not indicative of what segment results of operations would have been had it been operated on a fully allocated cost basis. The Company cautions that it would be inappropriate to assume that unallocated operating costs are incurred proportional to segment revenue or any directly identifiable segment expenses. Refer to Note 13 *Segment Reporting*.

Revenue Recognition The Company derives revenue principally from the advertising business, which includes on-screen and lobby network (LEN) advertising and lobby promotions and advertising on entertainment websites and mobile applications owned by us and other companies. Revenue is recognized when persuasive evidence of an arrangement exists, delivery occurs or services are rendered, the sales price is fixed and determinable and collectability is reasonably assured. The Company considers the terms of each arrangement to determine the appropriate accounting treatment.

On-screen advertising consists of national and local advertising. National advertising is sold on a cost per thousand (CPM) basis, while local and regional advertising is sold on a per-screen, per-week basis. The Company recognizes national advertising as impressions (or theatre attendees) are delivered and recognizes local on-screen advertising revenue during the period in which the advertising airs. The Company recognizes revenue derived from lobby network and promotions when the advertising is displayed in theatre lobbies and recognizes revenue from branded entertainment websites and mobile applications when the online or mobile impressions are served. The Company may make contractual guarantees to deliver a specified number of impressions to view the customers advertising. If those contracted number of impressions are not delivered, the Company will either run additional advertising to deliver the contracted impressions at a later date. The deferred portion of the revenue associated with the undelivered impressions is referred to as a make-good provision. In rare cases, the Company will make a cash refund of the portion of the contract related to the undelivered impressions. The Company defers the revenue associated with the make-good until the advertising airs to the theatre attendance specified in the advertising contract. The make-good provision is recorded within accrued expenses in the Balance Sheets. We record deferred revenue when cash payments are received in advance of being earned and is classified as a current liability as it is expected to be earned within the next twelve months. Fathom Events revenue was recognized in the period in which the event is held.

Table of Contents

Barter Transactions The Company enters into barter transactions that exchange advertising program time for products and services used principally for selling and marketing activities. The Company records barter transactions at the estimated fair value of the advertising exchanged based on fair value received for similar advertising from cash paying customers. Revenues for advertising barter transactions are recognized when advertising is provided, and products and services received are charged to expense when used. The Company limits the use of such barter transactions to items and services for which it would otherwise have paid cash. Any timing differences between the delivery of the bartered revenue and the use of the bartered expense products and services are recorded through accounts receivable. Revenue from barter transactions for the years ended December 26, 2013, December 27, 2012 and December 29, 2011 was $1.9 million, $3.0 million and $1.6 million, respectively. Expense recorded from barter transactions for the years ended December 26, 2013, December 27, 2012 and December 29, 2011 was $2.9 million, $1.3 million and $1.1 million, respectively.

Operating Costs Advertising related operating costs primarily include personnel and other costs related to advertising fulfillment, payments due to unaffiliated theatre circuits under the network affiliate agreements, and to a lesser extent, production costs of non-digital advertising.

Fathom Events operating costs include revenue share under the ESAs to the founding members and revenue share to affiliate theatres under separate agreements, payments to event content producers and other direct costs of the meeting or event, including equipment rental, catering and movie tickets acquired primarily from the founding members.

Payment to the founding members of a theatre access fee is comprised of a payment per theatre attendee, a payment per digital screen and a payment per digital cinema projector equipped in the theatres, all of which escalate over time. Refer to Item 7 *Management s Discussion and Analysis of Financial Condition and Results of Operations* included elsewhere in this document.

Network costs include personnel, satellite bandwidth, repairs, and other costs of maintaining and operating the digital network and preparing advertising and other content for transmission across the digital network. These costs are not specifically allocated between the advertising business and the Fathom Events business.

Cash and Cash Equivalents All highly liquid debt instruments and investments purchased with an original maturity of three months or less are classified as cash equivalents and are considered available-for-sale securities. There are cash balances in a bank in excess of the federally insured limits or in the form of a money market demand account with a major financial institution.

Restricted Cash As of December 26, 2013 and December 27, 2012, other non-current assets included restricted cash of $0.3 million, which secures a letter of credit used as a lease deposit on our New York office.

Marketable Securities Marketable securities are reported at fair value, with unrealized gains and losses recognized in earnings. The fair value of substantially all securities is determined by quoted market information and pricing models using inputs based upon market information, including contractual terms, market prices and yield curves. The estimated fair value of securities for which there are no quoted market prices is based on similar types of securities that are traded in the market.

Concentration of Credit Risk and Significant Customers Bad debts are provided for based on historical experience and management s evaluation of outstanding receivables at the end of the period. Receivables are written off when management determines amounts are uncollectible. Trade accounts receivable are uncollateralized and represent a large number of geographically dispersed debtors. The collectability risk is reduced by dealing with large, national advertising agencies who have strong reputations in the advertising industry and clients with stable financial positions. As of December 26, 2013 and December 27, 2012, there were no advertising agency groups or individual customers through which the Company sources national advertising revenue representing more than 10% of the Company s outstanding gross receivable balance. During the years ended December 26, 2013, December 27, 2012 and December 29, 2011, there were no customers that accounted for more than 10% of revenue.

Receivables consisted of the following (in millions):

Table of Contents

	As of			
	December 26, 2013		December 27, 2012	
Trade accounts	$	124.5	$	101.8
Other		1.6		1.2
Less: Allowance for doubtful accounts		(5.7)		(4.5)
Total	$	120.4	$	98.5

Long-lived Assets Property and equipment is stated at cost, net of accumulated depreciation or amortization. Generally, the equipment associated with the digital network of the founding member theatres is owned by the founding members, while the equipment associated with network affiliate theatres is owned by the Company. Major renewals and improvements are capitalized, while replacements, maintenance, and repairs that do not improve or extend the lives of the respective assets are expensed as incurred. The Company records depreciation and amortization using the straight-line method over the following estimated useful lives:

Equipment	4-10 years
Computer hardware and software	3-5 years
Leasehold improvements	Lesser of lease term or asset life

Software and website development costs developed or obtained for internal use are accounted for in accordance with ASC 350 *Internal Use Software* and ASC 350 We*bsite Development Costs*. The subtopics require the capitalization of certain costs incurred in developing or obtaining software for internal use. The majority of software costs related primarily to our inventory management systems and digital network distribution system (DCS) and website development costs, which are included in equipment, are depreciated over three to five years. As of December 26, 2013 and December 27, 2012, the Company had a net book value of $10.9 million and $10.4 million, respectively, of capitalized software and website development costs. Approximately $6.1 million, $4.1 million and $4.8 million was recorded for the years ended December 26, 2013, December 27, 2012 and December 29, 2011, respectively, in depreciation expense related to software and website development. For the years ended December 26, 2013, December 27, 2012 and December 29, 2011, the Company recorded $1.8 million, $0.8 million and $0.9 million in research and development expense, respectively.

The Company assesses impairment of long-lived assets pursuant with ASC 360 *Property, Plant and Equipment.* This includes determining if certain triggering events have occurred that could affect the value of an asset. The Company has not recorded impairment charges related to long-lived assets.

Intangible assets Intangible assets consist of contractual rights to provide its services within the theatres of the founding members and network affiliates and are stated at cost, net of accumulated amortization. The Company records amortization using the straight-line method over the contractual life of the intangibles, corresponding to the term of the ESAs or the term of the contract with the network affiliate. Intangible assets are tested for impairment at least annually during the fourth quarter or whenever events or changes in circumstances indicate the carrying value may not be fully recoverable. In its impairment testing, the Company estimates the fair value of its ESAs or network affiliate agreements by determining the estimated future cash flows associated with the ESAs or network affiliate agreements. If the estimated fair value is less than the carrying value, the intangible asset is written down to its estimated fair value. Significant judgment is involved in estimating long-term cash flow forecasts. The Company has not recorded impairment charges related to intangible assets.

Amounts Due to/from Founding Members Amounts due to/from founding members include amounts due for the theatre access fee, offset by a receivable for advertising time purchased by the founding members on behalf of their beverage concessionaire, revenue share earned for Fathom Events plus any amounts outstanding under other contractually obligated payments. Payments to or received from the founding members against outstanding balances are made monthly.

Table of Contents

Amounts Due to Managing Member Amounts due to the managing member include amounts due under the NCM LLC operating agreement and other contractually obligated payments. Payments to or received from the managing member against outstanding balances are made monthly.

Income Taxes NCM LLC is not a taxable entity for federal income tax purposes. Accordingly, NCM LLC does not directly pay federal income tax. NCM LLC s taxable income or loss, which may vary substantially from the net income or loss reported in the Statements of Income, is includable in the federal income tax returns of each founding member and the managing member. NCM LLC is, however, a taxable entity under certain state jurisdictions. Further, in some state instances, NCM LLC may be required to remit composite withholding tax based on its results on behalf of its founding members and managing member.

NCM LLC s fiscal year 2007 and 2008 tax returns were under examination by the Internal Revenue Service (IRS). On September 10, 2013, NCM LLC and NCM, Inc., in its capacity as tax matters partner for NCM LLC, received a No Adjustments Letter from the IRS which stated that the IRS completed its review of the NCM LLC tax returns for the fiscal years ended 2007 and 2008 and did not propose any adjustments to those tax returns. NCM, Inc. had previously contested adjustments proposed by the IRS through the administrative appeals process. The Company had not recorded any adjustment to its financial statements for this matter and as such there was no effect on the Company s financial statements for the year ended December 26, 2013 related to the closure of these audits.

Debt Issuance Costs In relation to the issuance of outstanding debt discussed in Note 7 *Borrowings*, there is a balance of $17.7 million and $18.3 million in deferred financing costs as of December 26, 2013 and December 27, 2012, respectively. The debt issuance costs are being amortized on a straight-line basis over the terms of the underlying obligation and are included in interest on borrowings, which approximates the effective interest method.

The changes in debt issuance costs are as follows (in millions):

	Years Ended		
	December 26, 2013	**December 27, 2012**	**December 29, 2011**
Beginning balance	$ 18.3	$ 12.6	$ 7.3
Debt issuance payments	3.4	14.0	9.1
Amortization of debt issuance costs	(2.8)	(2.4)	(2.3)
Write-off of debt issuance costs	(1.2)	(5.9)	(1.5)
Ending balance	$ 17.7	$ 18.3	$ 12.6

Other Investments Other investments consisted of the following (in millions):

	As of	
	December 26, 2013	**December 27, 2012**
Investment in AC JV, LLC (1)	$ 1.1	$
Other investment (2)		0.8
Total	$ 1.1	$ 0.8

(1) On December 26, 2013, we sold our Fathom Events business into a newly formed limited liability company (AC JV, LLC) owned 32% by each of our founding members and 4% by us, as described further in Note 2- *Divestiture*. The Company accounted for its investment in AC JV, LLC under the equity method of accounting in accordance with ASC 970-323 *Investments Equity Method and Joint Ventures* (ASC 970-323) because AC JV, LLC is a limited liability company with the characteristics of a limited partnership and ASC 970-323 requires the use of equity method accounting unless the Company s interest is so minor that it would have virtually no influence over partnership operating and financial policies. The Company concluded that its interest was more than minor under the accounting guidance despite the fact that NCM LLC does not have a representative on AC JV, LLC s Board of Directors or any voting, consent or blocking rights with respect to the

Table of Contents

governance or operations of AC JV, LLC. The Company s proportional share of equity in the investment will be recorded in the Statements of Income.

(2) During 2011, the Company received equity securities in a privately held company as consideration for an advertising contract. The equity securities are accounted for under the cost method and represent an ownership interest of less than 20%. The Company does not exert significant influence over the company s operating or financial activities. The Company recorded an impairment charge of $0.8 million during the year ended December 26, 2013 to bring the fair value to $0.0 million, as described below.

The Company reviews investments accounted for under the cost and equity methods for impairment whenever events or changes in circumstances indicate that the carrying amount of the investment may not be fully recoverable. In order to determine whether the carrying value of investments may have experienced an other-than-temporary decline in value necessitating the write-down of the recorded investment, the Company considers various factors including the investees financial condition and quality of assets, the length of time the investee has been operating, the severity and nature of losses sustained in current and prior years, qualifications in accountant s reports due to liquidity or going concern issues, investee announcements of adverse changes, downgrading of investee debt, regulatory actions, loss of principal customer, negative operating cash flows or working capital deficiencies and the record of an impairment charge by the investee for goodwill, intangible or long-lived assets. Once a determination is made that an other-than-temporary impairment exists, the Company writes down its investment to fair value. During the years ended December 26, 2013, December 27, 2012 and December 29, 2011, the Company recorded other-than-temporary impairment charges of $0.8 million, $0.0 million and $6.7 million. The Company wrote-down these investments to a remaining fair value of $0.0 million.

Share-Based Compensation In 2011 and 2012, the Company issued two types of share-based compensation awards: stock options and restricted stock. In 2013, the Company only issued restricted stock. Restricted stock vests upon the achievement of NCM, Inc. performance measures and service conditions or only service conditions. Compensation expense of restricted stock that vests upon the achievement of NCM, Inc. performance measures is based on management s financial projections and the probability of achieving the projections, which require considerable judgment. A cumulative adjustment is recorded to share-based compensation expense in periods that management changes its estimate of the number of shares expected to vest. Ultimately, NCM, Inc. adjusts the expense recognized to reflect the actual vested shares following the resolution of the performance conditions.

Compensation cost of stock options was based on the estimated grant date fair value using the Black-Scholes option pricing model, which requires that NCM, Inc. make estimates of various factors. Under the fair value recognition provisions of ASC 718 *Compensation Stock Compensation*, the Company recognizes share-based compensation net of an estimated forfeiture rate, and therefore only recognizes compensation cost for those shares expected to vest over the requisite service period of the award. Refer to Note 8 *Share-Based Compensation* for more information.

Fair Value Measurements Fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Inputs that are generally unobservable and typically reflect management s estimate of assumptions that market participants would use in pricing the asset or liability.

Derivative Instruments The Company is exposed to various financial and market risks including changes in interest rates that exist as part of its ongoing operations. In 2012 and 2011, NCM LLC utilized certain interest rate swaps to manage these risks. In accordance with ASC 815 *Derivatives and Hedging*, the effective portion of

Table of Contents

changes in the fair value of a derivative that was designated as a cash flow hedge was recorded in Accumulated Other Comprehensive Income (AOCI) and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Any ineffectiveness associated with designated cash flow hedges, as well as any change in the fair value of a derivative that is not designated as a hedge, was recorded immediately in the Statements of Operations. Refer to Note 12- *Derivative Instruments and Hedging Activities*.

Recent Accounting Pronouncements

In February 2013, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2013-02, Other Comprehensive Income (Topic 220) (ASU 2013-02). The objective of ASU 2013-02 is to improve the reporting of reclassifications out of accumulated other comprehensive income. ASU 2013-02 seeks to attain that objective by requiring an entity to report the effect of significant reclassifications out of accumulated other comprehensive income on the respective line items in net income if the amount being reclassified is required under U.S. generally accepted accounting principles (GAAP) to be reclassified in its entirety to net income in the same reporting period. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income in the same reporting period, an entity is required to cross-reference other disclosures required under U.S. GAAP that provide additional detail about those amounts. ASU 2013-02 was effective prospectively for the Company in its first quarter of 2013. The adoption ASU 2013-02 did not impact the Financial Statements and the Company provided these disclosures in Note 15- *Derivative Instruments and Hedging Activities*.

The Company has considered all other recently issued accounting pronouncements and does not believe the adoption of such pronouncements will have a material impact on its audited Financial Statements.

2. DIVESTITURE

On December 26, 2013, we sold our Fathom Events business to a newly formed limited liability company (AC JV, LLC) owned 32% by each of the founding members and 4% by us. In consideration for the sale, we received a total of $25.0 million in promissory notes from our founding members (one-third or approximately $8.3 million from each founding member). The notes receivable bear interest at a fixed rate of 5.0% per annum, compounded annually. Interest and principal payments are due annually in six equal installments commencing on the first anniversary of the closing. Due to the related party nature of the transaction, we formed a committee of independent directors that hired a separate legal counsel and an investment banking firm who advised the committee and rendered an opinion as to the fairness of the transaction. The Company deconsolidated Fathom Events and recognized a gain on the sale of approximately $26.0 million during the year ended December 26, 2013. The gain was measured as the difference between (a) the net fair value of the retained noncontrolling investment and the consideration received for the sale and (b) the carrying value of Fathom Events net assets (approximately $0.1 million). The Company recorded approximately $0.6 million of expenses related to the sale, which were recorded as a reduction to the gain on the sale. Approximately $1.1 million of the gain recognized related to the re-measurement of our retained 4% interest in AC JV, LLC. The fair value of our retained noncontrolling investment of $1.1 million was determined by applying the Company s ownership percentage to the fair value of AC JV, LLC, which was valued using comparative market multiples. Under the terms of the agreement, the assets and liabilities related to Fathom events held prior to the sale were not assumed by the buyer and those pertaining to Fathom events held post-closing were transferred to the buyer.

Future minimum principal payments under the notes receivable as of December 26, 2013 are approximately as follows (in millions):

Year	Minimum Principal Payments	
2014	$	4.2
2015		4.2
2016		4.2
2017		4.2
2018		4.1
Thereafter		4.1
Total	$	25.0

Table of Contents

NCM LLC amended and restated its existing ESAs with each of the founding members to remove those provisions addressing the rights and obligations related to the digital programming services of the Fathom Events business. These rights and obligations were conveyed to AC JV, LLC in connection with the sale. In connection with the sale, we entered into a transition services agreement to provide certain corporate overhead services for a fee and reimbursement for the use of facilities and certain services including creative, technical event management and event management for the newly formed limited liability company for a period of nine months following the closing. In addition, we entered into a services agreement with a term coinciding with the ESAs, which grants the newly formed limited liability company advertising on-screen and on our LEN and a pre-feature program prior to Fathom events reasonably consistent with what was previously dedicated to Fathom. In addition, the services agreement provides that we will assist with event sponsorship sales in return for a share of the sponsorship revenue. We have also agreed to provide creative and media production services for a fee.

Due to the Company s continuing equity method investment in the newly formed limited liability company, the operations of Fathom Events and the gain on the sale were recorded in continuing operations on the Statements of Income. Refer to Note 1 *Basis of Presentation and Summary of Significant Accounting Policies* for further discussion of the investment.

3. PROPERTY AND EQUIPMENT

The following is a summary of property and equipment, at cost less accumulated depreciation (in millions):

	As of December 26, 2013	As of December 27, 2012
Equipment, computer hardware and software	$ 90.2	$ 84.3
Leasehold improvements	3.6	3.4
Less: Accumulated depreciation	(69.5)	(63.1)
Subtotal	24.3	24.6
Construction in progress	1.3	1.1
Total property and equipment	$ 25.6	$ 25.7

For the years ended December 26, 2013, December 27, 2012, and December 29, 2011, the Company recorded depreciation expense of $10.4 million, $8.7 million, and $8.8 million, respectively.

4. INTANGIBLE ASSETS

The Company s intangible assets consist of contractual rights to provide its services within the theatres of the founding members and network affiliates. The Company records amortization using the straight-line method over the contractual life of the intangibles, corresponding to the term of the ESAs or the term of the contract with the network affiliate. The Company s intangible assets with its founding members are recorded at the fair market value of NCM, Inc. s publicly traded stock as of the date on which the common membership units were issued. The Company s common membership units are fully convertible into NCM, Inc. s common stock. The Company also records intangible assets for up-front fees paid to network affiliates upon commencement of a network affiliate agreement. Pursuant to ASC 350-10 *Intangibles Goodwill and Other*, the Company s intangible assets have a finite useful life and the Company amortizes the assets over the remaining useful life corresponding with the ESAs or the term of the contract with the network affiliate. If common membership units are issued to a founding member for newly acquired theatres that are subject to an existing on-screen advertising agreement with an alternative provider, the amortization of the intangible asset commences after the existing agreement expires and the Company can utilize the theatres for all of its services. In addition, if common membership units are issued to a founding member for theatres under an existing on-screen consulting agreement with an alternative provider, NCM LLC may receive payments from the founding member pursuant to the ESAs on a quarterly basis in arrears in accordance with certain run-out provisions (integration payments). Integration payments approximate the advertising cash flow that the Company would have generated if it had exclusive access to sell advertising in the theatres with pre-existing advertising agreements. The integration payments are recorded as a reduction to net intangible assets, and not as part of operating income.

Table of Contents

In accordance with the Company s Common Unit Adjustment Agreement with its founding members, on an annual basis the Company determines the amount of common membership units to be issued to or returned by the founding members based on theatre additions or dispositions during the previous year. In addition, the Company s Common Unit Adjustment Agreement requires that a Common Unit Adjustment occur for a specific founding member if its acquisition or disposition of theatres, in a single transaction or cumulatively since the most recent Common Unit Adjustment, results in an attendance increase or decrease of two percent or more in the total annual attendance of all founding members as of the last adjustment date.

The following is a summary of the Company s intangible assets (in millions):

	As of December 27, 2012	Additions (1)	Amortization	Integration Payments (2)	As of December 26, 2013
Gross carrying amount	$ 312.8	$ 230.7	$	$ (2.8)	$ 540.7
Accumulated amortization	(32.5)		(16.2)		(48.7)
Total intangible assets, net	$ 280.3	$ 230.7	$ (16.2)	$ (2.8)	$ 492.0

	As of December 29, 2011	Additions (3)	Amortization	Integration Payments	As of December 27, 2012
Gross carrying amount	$ 295.7	$ 17.1	$	$	$ 312.8
Accumulated amortization	(20.8)		(11.7)		(32.5)
Total intangible assets, net	$ 274.9	$ 17.1	$ (11.7)	$	$ 280.3

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(1) During the first quarter of 2013, we issued 4,536,014 common membership units to our founding members for the rights to exclusive access to net new theatre screens and attendees added by the founding members to our network during 2012. We recorded a net intangible asset of $69.0 million in the first quarter of 2013 as a result of the Common Unit Adjustment.

In June of 2013, we issued 5,315,837 common membership units to Cinemark for attendees added in connection with Cinemark s acquisition of Rave Cinemas and one other newly built theatre. The Company recorded a net intangible asset of approximately $91.2 million for this Common Unit Adjustment.

In November 2013, we issued 3,372,241 common membership units to Regal for attendees added in connection with Regal s acquisition of Hollywood Theatres and three other newly built theatres. The Company recorded a net intangible asset of approximately $61.6 million for this Common Unit Adjustment.

During 2013, the Company purchased intangible assets for $8.9 million associated with network affiliate agreements.

(2) Rave had pre-existing advertising agreements for some of the theatres it owned prior to the acquisition by Cinemark, as well as prior to the acquisition of certain Rave theatres by AMC in December 2012. As a result, AMC and Cinemark will make integration payments over the

remaining term of those agreements. During the year ended December 26, 2013, we recorded a reduction to net intangible assets of $2.8 million related to integration payments due from AMC and Cinemark. During the year ended December 26, 2013, the founding members paid $2.1 million in integration payments.

(3) During the first quarter of 2012, NCM LLC issued 651,612 common membership units to its founding members for the rights to exclusive access to net new theatre screens and attendees added by the founding members to our network during 2011. The Company recorded a net intangible asset of $9.9 million in the first quarter of 2012 as a result of the common unit adjustment. In lieu of surrendering 16,727 units, AMC paid NCM LLC $0.2 million in the first quarter of 2012.

During 2012, the Company purchased intangible assets for $7.2 million associated with network affiliate agreements.

As of December 26, 2013 and December 27, 2012, the Company s intangible assets related to the founding members, net of accumulated amortization was $463.4 million and $258.7 million, respectively with weighted average remaining lives of 23.0 years and 23.6 years as of December 26, 2013 and December 27, 2012, respectively.

Table of Contents

As of December 26, 2013 and December 27, 2012, the Company s intangible assets related to the network affiliates, net of accumulated amortization was $28.6 and $21.6 million, respectively with weighted average remaining lives of 15.8 years and 16.8 years as of December 26, 2013 and December 27, 2012, respectively.

For the years ended December 26, 2013, December 27, 2012 and December 29, 2011 the Company recorded amortization expense of $16.2 million, $11.7 million and $10.0 million, respectively. The estimated aggregate amortization expense for each of the five succeeding years is as follows (in millions):

Year		**Amortization**
2014	$	20.2
2015	$	20.3
2016	$	20.3
2017	$	20.6
2018	$	21.5

5. ACCRUED EXPENSES

The following is a summary of the Company s accrued expenses (in millions):

	As of December 26, 2013		**As of December 27, 2012**	
Make-good reserve	$	1.8	$	1.2
Accrued interest		12.7		12.9
Deferred rent		2.6		2.8
Other accrued expenses		2.3		1.4
Total accrued expenses	$	19.4		

EUR millions		Deferred policy acquisition costs	Longevity reserving	
Share capital	8,701	-	-	8,701
Retained earnings	10,750	(1,557)	(832)	8,361
Revaluation reserves	2,998	26	-	3,023
Remeasurement of defined benefit plans	(706)	-	-	(706)
Other reserves	(1,777)	(1)	-	(1,778)
Shareholders equity	**19,966**	**(1,533)**	**(832)**	**17,601**

[1] As reported in Aegon s Annual Report dated March 19, 2014.

Table of Contents

3. Segment information

3.1 Income statement

EUR millions	Americas	The Netherlands	United Kingdom	New Markets	Holding and other activities	Eliminations	Segment Total	Joint ventures and associates eliminations	Consolidated
Three months ended September 30, 2014									
Underlying earnings before tax geographically	**134**	**127**	**28**	**40**	**(37)**	**-**	**291**	**4**	**295**
Fair value items	(159)	(101)	-	-	(36)	-	(296)	(7)	(304)
Realized gains / (losses) on investments	14	52	10	8	-	-	85	(1)	84
Impairment charges	(4)	(5)	-	(14)	-	-	(23)	-	(23)
Impairment reversals	25	3	-	-	-	-	28	-	28
Other income / (charges)	(27)	(6)	(10)	14	(1)	-	(29)	-	(29)
Run-off businesses	(31)	-	-	-	-	-	(31)	-	(31)
Income/ (loss) before tax	**(48)**	**70**	**27**	**48**	**(74)**	**-**	**23**	**(4)**	**19**
Income tax (expense) / benefit	52	(26)	(2)	(12)	17	-	29	4	33
Net income/ (loss)	**4**	**44**	**25**	**35**	**(57)**	**-**	**52**	**-**	**52**
Inter-segment underlying earnings	*(44)*	*(14)*	*(15)*	*69*	*4*				
Revenues									
Life insurance gross premiums	1,580	1,204	1,243	443	-	(18)	4,452	(89)	4,363
Accident and health insurance	485	34	14	37	1	(1)	570	(1)	569
General insurance	-	107	-	52	-	-	160	(16)	144
Total gross premiums	**2,065**	**1,345**	**1,257**	**533**	**2**	**(19)**	**5,181**	**(105)**	**5,076**
Investment income	823	637	487	61	79	(79)	2,009	(11)	1,998
Fee and commission income	454	81	11	159	-	(58)	647	(28)	619
Other revenues	1	-	-	-	2	-	3	-	2
Total revenues	**3,343**	**2,062**	**1,755**	**753**	**83**	**(156)**	**7,840**	**(145)**	**7,695**
Inter-segment revenues	*3*	-	-	*73*	*80*				

EUR millions	Americas	The Netherlands	United Kingdom	New Markets	Holding and other activities	Eliminations	Segment Total	Joint ventures and associates eliminations	Consolidated
Three months ended September 30, 2013									
Underlying earnings before tax geographically	**367**	**114**	**22**	**72**	**(25)**	**-**	**550**	**(18)**	**532**
Fair value items	(489)	37	(8)	(12)	15	-	(457)	4	(453)
Realized gains / (losses) on investments	7	190	9	(4)	-	-	202	2	204
Impairment charges	(44)	(13)	(12)	(4)	-	-	(73)	-	(73)
Impairment reversals	27	-	-	-	-	-	27	-	27
Other income / (charges)	90	(2)	(1)	(124)	(5)	-	(42)	7	(35)
Run-off businesses	2	-	-	-	-	-	2	-	2
Income/ (loss) before tax	**(40)**	**326**	**10**	**(72)**	**(15)**	**-**	**209**	**(5)**	**204**
Income tax (expense) / benefit	53	(94)	55	7	6	-	27	5	32

Net income/ (loss)	**13**	**232**	**65**	**(65)**	**(9)**	**-**	**236**	**-**	**236**
Inter-segment underlying earnings	*(42)*	*(15)*	*(14)*	*65*	*6*				
Revenues									
Life insurance gross premiums	1,550	431	1,487	304	-	(18)	3,754	(96)	3,658
Accident and health insurance	455	41	-	41	2	(2)	537	(2)	535
General insurance	-	104	-	55	-	-	159	(19)	140
Total gross premiums	**2,005**	**576**	**1,487**	**400**	**2**	**(20)**	**4,450**	**(117)**	**4,333**
Investment income	832	587	413	54	84	(83)	1,887	(10)	1,877
Fee and commission income	314	78	12	150	-	(59)	495	(20)	475
Other revenues	1	-	-	1	1	-	3	(1)	2
Total revenues	**3,152**	**1,241**	**1,912**	**605**	**87**	**(162)**	**6,835**	**(148)**	**6,687**
Inter-segment revenues	*5*	*1*	*-*	*72*	*84*				

Table of Contents

EUR millions	Americas	The Netherlands	United Kingdom	New Markets	Holding and other activities	Eliminations	Segment Total	Joint ventures and associates eliminations	Consolidated
Nine months ended September 30, 2014									
Underlying earnings before tax geographically	**767**	**386**	**86**	**163**	**(100)**	**-**	**1,303**	**(4)**	**1,299**
Fair value items	(326)	(268)	(16)	8	(73)	-	(675)	(2)	(677)
Realized gains / (losses) on investments	74	183	123	12	-	-	392	(2)	390
Impairment charges	(17)	(14)	-	(38)	-	-	(69)	-	(69)
Impairment reversals	56	7	-	-	-	-	63	-	63
Other income / (charges)	(35)	(14)	(12)	13	(2)	-	(49)	(1)	(50)
Run-off businesses	(18)	-	-	-	-	-	(18)	-	(18)
Income/ (loss) before tax	**502**	**281**	**181**	**157**	**(174)**	**-**	**947**	**(9)**	**938**
Income tax (expense) / benefit	(62)	(62)	(38)	(44)	46	-	(160)	9	(151)
Net income/ (loss)	**440**	**219**	**143**	**113**	**(128)**	**-**	**787**	**-**	**787**
Inter-segment underlying earnings	*(128)*	*(43)*	*(43)*	*199*	*15*				
Revenues									
Life insurance gross premiums	4,606	3,243	3,634	1,302	1	(54)	12,732	(262)	12,470
Accident and health insurance	1,356	203	43	128	4	(4)	1,730	(10)	1,720
General insurance	-	397	-	167	-	-	564	(53)	511
Total gross premiums	**5,962**	**3,843**	**3,677**	**1,596**	**5**	**(58)**	**15,026**	**(325)**	**14,701**
Investment income	2,424	1,957	1,560	175	237	(235)	6,118	(32)	6,086
Fee and commission income	1,095	238	31	449	-	(171)	1,642	(70)	1,572
Other revenues	1	-	-	2	4	-	7	(1)	5
Total revenues	**9,482**	**6,038**	**5,268**	**2,221**	**246**	**(463)**	**22,792**	**(428)**	**22,364**
Inter-segment revenues	*11*	-	-	*213*	*239*				

EUR millions	Americas	The Netherlands	United Kingdom	New Markets	Holding and other activities	Eliminations	Segment Total	Joint ventures and associates eliminations	Consolidated
Nine months ended September 30, 2013									
Underlying earnings before tax geographically	**1,015**	**330**	**67**	**181**	**(97)**	**(1)**	**1,495**	**(42)**	**1,453**
Fair value items	(877)	(72)	(11)	(23)	(39)	-	(1,022)	32	(990)
Realized gains / (losses) on investments	82	276	38	(1)	-	-	395	1	396
Impairment charges	(100)	(35)	(28)	(10)	-	-	(173)	-	(173)
Impairment reversals	52	-	-	-	-	-	52	-	52
Other income / (charges)	84	(29)	(47)	(22)	(5)	-	(19)	6	(13)
Run-off businesses	7	-	-	-	-	-	7	-	7
Income/ (loss) before tax	**263**	**470**	**19**	**125**	**(141)**	**(1)**	**735**	**(3)**	**732**
Income tax (expense) / benefit	10	(115)	56	(21)	35	-	(35)	3	(32)
Net income/ (loss)	**273**	**355**	**75**	**104**	**(106)**	**(1)**	**700**	**-**	**700**
Inter-segment underlying earnings	*(131)*	*(43)*	*(43)*	*196*	*21*				
Revenues									
Life insurance gross premiums	4,641	3,062	5,033	1,023	1	(56)	13,704	(341)	13,363
Accident and health insurance	1,351	213	-	136	6	(6)	1,700	(10)	1,690
General insurance	-	382	-	137	-	-	519	(25)	494

Total gross premiums	**5,992**	**3,657**	**5,033**	**1,296**	**7**	**(62)**	**15,923**	**(376)**	**15,547**
Investment income	2,528	1,684	1,595	179	255	(255)	5,986	(48)	5,938
Fee and commission income	942	241	68	425	-	(180)	1,496	(54)	1,442
Other revenues	4	-	-	2	3	-	9	(3)	6
Total revenues	**9,466**	**5,582**	**6,696**	**1,902**	**265**	**(497)**	**23,414**	**(481)**	**22,933**
Inter-segment revenues	*15*	*1*	*1*	*221*	*259*				

Non-IFRS measures

For segment reporting purposes the following non-IFRS financial measures are included: underlying earnings before tax, income tax and income before tax. These non-IFRS measures are calculated by consolidating on a proportionate basis Aegon s joint ventures and associated companies. Aegon believes that its non-IFRS measures provide meaningful information about the underlying results of Aegon s business, including insight into the financial measures that Aegon s senior management uses in managing the business.

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

Table of Contents

Aegon believes the non-IFRS measures shown herein, when read together with Aegon s reported IFRS financial statements, provide 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 policies alternatives that companies may select in presenting their results (i.e. companies can use different local GAAPs to measure the insurance contract liability) and that can make the comparability from period to period difficult.

The reconciliation from underlying earnings before tax to income before tax, being the most comparable IFRS measure, is presented in the tables in this note.

Underlying earnings

Underlying earnings reflect our profit from underlying business operations and exclude components that relate to accounting mismatches that are dependent on market volatility or relate to events that are considered outside the normal course of business. Below we describe items that are excluded from underlying earnings.

Fair value items

Fair value items include the over- or underperformance of investments and guarantees held at fair value for which the expected long-term return is included in underlying earnings. Changes to these long-term return assumptions are also included in the fair value items.

In addition, hedge ineffectiveness on hedge transactions, fair value changes on economic hedges without natural offset in earnings and for which no hedge accounting is applied and fair value movements on real estate are included under fair value items.

Certain assets held by Aegon Americas, Aegon the Netherlands and Aegon UK are carried at fair value and managed on a total return basis, with no offsetting changes in the valuation of related liabilities. These include assets such as investments in hedge funds, private equities, real estate (limited partnerships), convertible bonds and structured products. Underlying earnings exclude any over- or underperformance compared to management s long-term expected return on assets.

Based on current holdings and asset returns, the long-term expected return on an annual basis is 8-10%, depending on asset class, including cash income and market value changes. The expected earnings from these asset classes are net of deferred policy acquisition costs (DPAC) where applicable.

In addition, certain products offered by Aegon Americas contain guarantees and are reported on a fair value basis, including the segregated funds offered by Aegon Canada and the total return annuities and guarantees on variable annuities of Aegon USA. The earnings on these products are impacted by movements in equity markets and risk-free interest rates. Short-term developments in the financial markets may therefore cause volatility in earnings. Included in underlying earnings is a long-term expected return on these products and excluded is any over- or underperformance compared to management s expected return.

The fair value movements of certain guarantees and the fair value change of derivatives that hedge certain risks on these guarantees of Aegon the Netherlands and Variable Annuities Europe (included in New Markets) are excluded from underlying earnings, and the long-term expected return for these guarantees is set at zero.

Holding and other activities include certain issued bonds that are held at fair value through profit or loss (FVTPL). The interest rate risk on these bonds is hedged using swaps. The fair value movement resulting from changes in Aegon s credit spread used in the valuation of these bonds are excluded from underlying earnings and reported under fair value items.

Realized gains or losses on investments

This line item includes realized gains and losses on available-for-sale investments, mortgage loans and other loan portfolios.

14 Unaudited

Table of Contents

Impairment charges/reversals

Impairment charges include impairments on available-for-sale debt securities, shares including the effect of deferred policyholder acquisition costs, mortgage loans and other loan portfolios at amortized cost, joint ventures and associates. Impairment reversals include reversals on available-for-sale debt securities.

Other income or charges

Other income or charges is used to report any items which cannot be directly allocated to a specific line of business. Also items that are outside the normal course of business are reported under this heading.

Other charges include restructuring charges that are considered other charges for segment reporting purposes because they are outside the normal course of business. In the condensed consolidated interim financial statements, these charges are included in operating expenses.

Run-off businesses

Includes underlying results of business units where management has decided to exit the market and to run-off the existing block of business. Currently, this line includes results related to the run-off of the institutional spread-based business, structured settlements blocks of business, bank-owned and corporate-owned life insurance (BOLI/COLI) business, and the sale of the life reinsurance business in the United States. Aegon has other blocks of business for which sales have been discontinued and of which the earnings are included in underlying earnings.

Share in earnings of joint ventures and associates

Earnings from Aegon s joint ventures in Spain, China and Japan and Aegon s associates in India, Brazil and Mexico are reported on an underlying earnings basis.

Actuarial assumption and model updates

Assumptions are reviewed and updated periodically, typically in the third quarter, based on historical experience and observable market data, including market transactions such as acquisitions and reinsurance transactions. Similarly, the models and systems used for determining our liabilities are reviewed periodically and, if deemed necessary, updated based on emerging best practices and available technology.

During the third quarter of 2014, Aegon implemented model and assumption updates resulting in a net EUR 299 million charge to income before tax.

Charges arising from assumption and model updates included in underlying earnings before tax amounted to EUR 221 million.

- A charge for actuarial assumption updates in the Americas Life & Protection business amounted to EUR 265 million, and was primarily related to updated mortality assumptions for the older ages. Model updates, including changes to modeled premium persistency, had a negative impact of EUR 29 million.
- Actuarial assumption changes and model updates in the Americas Individual Savings & Retirement business resulted in a gain of EUR 100 million. Updated assumptions in variable annuities related to policyholder behavior on partial withdrawals accounted for the majority of an aggregated EUR 129 million benefit. A EUR 29 million charge was mainly caused by updated assumption for the asset portfolio at fixed annuities.

Actuarial assumption changes and model updates not included in underlying earnings resulted in a charge of EUR 78 million to income before tax. This was mainly caused by adjusting the modeled hedging costs for the GMWB variable annuity book, improving the hedging models for indexed universal life products and updating the discount rate on reserves in the run-off life reinsurance book.

Table of Contents

3.2 Investments geographically

Amounts included in the tables on investments geographically are presented on an IFRS basis.

Americas USD millions	United Kingdom GBP millions	September 30, 2014	Americas	The Netherlands	United Kingdom	New Markets	Holding & other activities	Eliminations	Total EUR
							EUR millions (unless otherwise stated)		
		Investments							
2,062	147	Shares	1,632	259	189	26	75	(1)	2,180
80,282	9,377	Debt securities	63,550	22,289	12,034	3,791	-	-	101,664
10,991	-	Loans	8,700	26,516	-	498	11	-	35,726
11,923	348	Other financial assets	9,438	330	446	10	107	-	10,331
972	-	Investments in real estate	770	796	-	2	-	-	1,568
106,231	**9,872**	**Investments general account**	**84,090**	**50,190**	**12,669**	**4,327**	**193**	**(1)**	**151,469**
1,537	12,983	Shares	1,216	9,254	16,662	412	-	(10)	27,534
6,380	9,401	Debt securities	5,050	18,541	12,065	269	-	-	35,925
101,380	22,158	Unconsolidated investment funds	80,250	-	28,437	6,275	-	-	114,962
276	3,263	Other financial assets	219	393	4,187	12	-	-	4,811
-	845	Investments in real estate	-	-	1,085	-	-	-	1,085
109,572	**48,650**	**Investments for account of policyholders**	**86,735**	**28,188**	**62,435**	**6,969**	**-**	**(10)**	**184,317**
215,804	**58,521**	**Investments on balance sheet**	**170,825**	**78,378**	**75,104**	**11,296**	**193**	**(11)**	**335,785**
166,188	**391**	**Off balance sheet investments third parties**	**131,550**	**927**	**501**	**69,453**	**-**	**-**	**202,432**
381,991	**58,912**	**Total revenue generating investments**	**302,376**	**79,305**	**75,606**	**80,749**	**193**	**(11)**	**538,217**
		Investments							
88,018	9,624	Available-for-sale	69,673	22,307	12,351	3,806	12	-	108,149
10,991	-	Loans	8,700	26,516	-	498	11	-	35,726
115,822	48,052	Financial assets at fair value through profit or loss	91,682	28,759	61,669	6,990	170	(11)	189,258
972	845	Investments in real estate	770	796	1,085	2	-	-	2,652
215,804	**58,521**	**Total investments on balance sheet**	**170,825**	**78,378**	**75,104**	**11,296**	**193**	**(11)**	**335,785**
12	-	Investments in joint ventures	10	789	-	609	1	-	1,408
112	18	Investments in associates	88	19	23	371	1	-	502
30,317	4,245	Other assets	23,999	28,236	5,448	3,288	36,262	(35,612)	61,621
246,245	**62,784**	**Consolidated total assets**	**194,922**	**107,423**	**80,575**	**15,563**	**36,456**	**(35,623)**	**399,316**

Americas USD millions	United Kingdom GBP millions	December 31, 2013	Americas	The Netherlands	United Kingdom	New Markets	Holding & other activities	Eliminations	Total EUR
							EUR millions (unless otherwise stated)		
		Investments							
2,007	46	Shares	1,456	447	55	45	36	(2)	2,036
78,719	8,719	Debt securities	57,125	19,095	10,479	2,812	-	-	89,511
11,289	1	Loans	8,192	24,708	1	508	-	-	33,409
11,418	173	Other financial assets	8,286	293	208	30	103	-	8,920
993	-	Investments in real estate	721	810	-	1	-	-	1,532
104,425	**8,938**	**Investments general account**	**75,780**	**45,354**	**10,743**	**3,396**	**139**	**(2)**	**135,409**
1,804	12,792	Shares	1,309	8,450	15,375	297	-	(8)	25,423
6,675	9,643	Debt securities	4,844	16,791	11,590	307	-	-	33,531
94,950	21,776	Unconsolidated investment funds	68,905	-	26,173	5,744	-	-	100,822
230	3,062	Other financial assets	167	405	3,680	9	-	-	4,261

-	828	Investments in real estate	-	-	996	-	-	-	996
103,659	**48,101**	**Investments for account of policyholders**	**75,224**	**25,646**	**57,813**	**6,357**	**-**	**(8)**	**165,032**
208,084	**57,039**	**Investments on balance sheet**	**151,004**	**70,999**	**68,556**	**9,754**	**139**	**(10)**	**300,441**
155,179	**239**	**Off balance sheet investments third parties**	**112,611**	**994**	**287**	**60,951**	**-**	**-**	**174,843**
363,262	**57,277**	**Total revenue generating investments**	**263,616**	**71,993**	**68,843**	**70,705**	**139**	**(10)**	**475,285**
		Investments							
86,347	8,892	Available-for-sale	62,661	19,452	10,687	2,827	8	-	95,635
11,289	1	Loans	8,192	24,708	1	508	-	-	33,409
109,455	47,318	Financial assets at fair value through profit or loss	79,430	26,029	56,872	6,418	131	(10)	168,870
993	828	Investments in real estate	721	810	996	1	-	-	2,528
208,084	**57,039**	**Total investments on balance sheet**	**151,004**	**70,999**	**68,556**	**9,754**	**139**	**(10)**	**300,441**
-	-	Investments in joint ventures	-	819	-	607	-	-	1,426
112	16	Investments in associates	81	19	20	350	1	-	470
31,112	4,227	Other assets	22,577	17,067	5,080	2,936	29,869	(28,103)	49,430
239,307	**61,282**	**Consolidated total assets**	**173,663**	**88,903**	**73,656**	**13,647**	**30,008**	**(28,113)**	**351,767**

4. Premium income and premium to reinsurers

EUR millions	Q3 2014	Q3 2013	YTD 2014	YTD 2013
Gross				
Life	4,363	3,658	12,470	13,363
Non-Life	713	675	2,231	2,184
Total	**5,076**	**4,333**	**14,701**	**15,547**
Reinsurance [1]				
Life	571	694	1,890	2,059
Non-Life	75	85	227	267
Total	**646**	**779**	**2,117**	**2,326**

[1] Premiums paid to reinsurers are included within Benefits and expenses in the condensed consolidated income statement.

Table of Contents

5. Investment income

EUR millions	Q3 2014	Q3 2013	YTD 2014	YTD 2013
Interest income	1,673	1,712	5,052	5,108
Dividend income	298	138	939	744
Rental income	27	27	94	86
Total investment income	**1,998**	**1,877**	**6,086**	**5,938**
Investment income related to general account	1,426	1,398	4,226	4,195
Investment income for account of policyholders	572	479	1,859	1,743
Total	**1,998**	**1,877**	**6,086**	**5,938**

6. Results from financial transactions

EUR millions	Q3 2014	Q3 2013	YTD 2014	YTD 2013
Net fair value change of general account financial investments at FVTPL other than derivatives	35	98	196	221
Realized gains /(losses) on financial investments	86	207	394	395
Gains /(losses) on investments in real estate	(5)	(8)	(19)	(34)
Net fair value change of derivatives	342	(432)	678	(911)
Net fair value change on for account of policyholder financial assets at FVTPL	562	4,543	6,430	10,005
Net fair value change on investments in real estate for account of policyholders	14	(5)	42	(38)
Net foreign currency gains /(losses)	(6)	2	(18)	6
Net fair value change on borrowings and other financial liabilities	11	3	7	36
Realized gains /(losses) on repurchased debt	(1)	-	2	(1)
Total	**1,038**	**4,408**	**7,710**	**9,679**

Net fair value change on for accounts of policyholder financial assets at FVTPL is offset by amounts in the Claims and benefits line reported in note 7 - Benefits and expenses.

7. Benefits and expenses

EUR millions	Q3 2014	Q3 2013	YTD 2014	YTD 2013
Claims and benefits	8,669	10,888	29,007	31,635
Employee expenses	508	502	1,490	1,542
Administration expenses	286	292	838	812
Deferred expenses	(392)	(319)	(1,048)	(977)
Amortization charges	181	232	674	766
Total	**9,253**	**11,595**	**30,962**	**33,778**

Claims and benefits includes claims and benefits in excess of account value for products for which deposit accounting is applied and the change in valuation of liabilities for insurance and investment contracts. In addition, commissions and expenses and premium paid to reinsurers are included. Claims and benefits fluctuates mainly as a result of changes in technical provisions resulting from fair value changes on for account of policyholder financial assets included in Results from financial transactions (note 6).

Unaudited 17

Table of Contents

8. Impairment charges/(reversals)

EUR millions	Q3 2014	Q3 2013	YTD 2014	YTD 2013
Impairment charges / (reversals) comprise:				
Impairment charges on financial assets, excluding receivables [1]	26	72	75	175
Impairment reversals on financial assets, excluding receivables [1]	(28)	(27)	(63)	(52)
Impairment charges / (reversals) on non-financial assets and receivables	(1)	163	1	159
Total	**(3)**	**208**	**13**	**282**
Impairment charges on financial assets, excluding receivables, from:				
Shares	2	-	4	-
Debt securities and money market instruments	3	53	14	116
Loans	21	18	56	58
Investments in associates	-	1	-	1
Total	**26**	**72**	**75**	**175**
Impairment reversals on financial assets, excluding receivables, from:				
Debt securities and money market instruments	(25)	(26)	(54)	(48)
Loans	(3)	(1)	(9)	(4)
Total	**(28)**	**(27)**	**(63)**	**(52)**

[1] Impairment charges / (reversals) on financial assets, excluding receivables, are excluded from underlying earnings before tax for segment reporting (refer to note 3).

9. Investments

EUR millions	Sep. 30, 2014	Dec. 31, 2013
Available-for-sale (AFS)	108,149	95,635
Loans	35,726	33,409
Financial assets at fair value through profit or loss (FVTPL)	6,026	4,833
Financial assets, excluding derivatives	**149,901**	**133,877**
Investments in real estate	1,568	1,532
Total investments for general account, excluding derivatives	**151,469**	**135,409**

Total financial assets, excluding derivatives

	AFS	FVTPL	Loans	Total
Shares	703	1,477	-	2,180
Debt securities	99,799	1,864	-	101,664
Money market and other short-term investments	6,410	764	-	7,173
Mortgages loans	-	-	31,540	31,540
Private loans	-	-	1,806	1,806

Deposits with financial institutions	-	-	180	180
Policy loans	-	-	2,058	2,058
Other	1,237	1,921	141	3,298
September 30, 2014	**108,149**	**6,026**	**35,726**	**149,901**

	AFS	FVTPL	Loans	Total
Shares	787	1,250	-	2,036
Debt securities	88,162	1,350	-	89,511
Money market and other short-term investments	5,524	449	-	5,974
Mortgages loans	-	-	29,245	29,245
Private loans	-	-	1,783	1,783
Deposits with financial institutions	-	-	292	292
Policy loans	-	-	1,955	1,955
Other	1,163	1,784	135	3,082
December 31, 2013	**95,635**	**4,833**	**33,409**	**133,877**

Table of Contents

10. Investments for account of policyholders

EUR millions	Sep. 30, 2014	Dec. 31, 2013
Shares	27,534	25,423
Debt securities	35,925	33,531
Money market and short-term investments	1,058	850
Deposits with financial institutions	3,362	3,006
Unconsolidated investment funds	114,962	100,822
Other	391	404
Total investments for account of policyholders at fair value through profit or loss, excluding derivatives	**183,232**	**164,037**
Investment in real estate	1,085	996
Total investments for account of policyholders	**184,317**	**165,032**

11. Derivatives

The movements in derivative balances mainly result from changes in interest rates and other market movements during the period.

12. Fair value

The following tables provide an analysis of financial instruments recorded at fair value on a recurring basis by level of the fair value hierarchy:

Fair value hierarchy

EUR millions	Level I	Level II	Level III	Total
As at September 30, 2014				
Financial assets carried at fair value				
Available-for-sale investments				
Shares	124	304	275	703
Debt securities	25,576	70,675	3,549	99,799
Money markets and other short-term instruments	-	6,410	-	6,410
Other investments at fair value	30	331	876	1,237
Total Available-for-sale investments	**25,729**	**77,719**	**4,700**	**108,149**
Fair value through profit or loss				
Shares	1,204	273	-	1,477
Debt securities	34	1,820	10	1,864
Money markets and other short-term instruments	95	669	-	764
Other investments at fair value	1	708	1,212	1,921
Investments for account of policyholders [1]	109,730	71,468	2,035	183,232

Derivatives	26	21,427	278	21,731
Total Fair value through profit or loss	**111,090**	**96,365**	**3,534**	**210,989**
Total financial assets at fair value	**136,820**	**174,084**	**8,234**	**319,138**
Financial liabilities carried at fair value				
Investment contracts for account of policyholders [2]	14,103	22,457	128	36,688
Borrowings [3]	504	545	-	1,049
Derivatives	20	16,169	2,140	18,328
Total financial liabilities at fair value	**14,627**	**39,171**	**2,267**	**56,065**

Table of Contents

Fair value hierarchy

EUR millions	Level I	Level II	Level III	Total
As at December 31, 2013				
Financial assets carried at fair value Available-for-sale investments				
Shares	202	262	322	787
Debt securities	20,815	64,184	3,162	88,162
Money markets and other short-term instruments	-	5,524	-	5,524
Other investments at fair value	25	312	826	1,163
Total Available-for-sale investments	**21,043**	**70,282**	**4,310**	**95,635**
Fair value through profit or loss				
Shares	1,120	130	-	1,250
Debt securities	64	1,268	17	1,350
Money markets and other short-term instruments	95	354	-	449
Other investments at fair value	-	567	1,217	1,784
Investments for account of policyholders [1]	99,040	63,008	1,989	164,037
Derivatives	69	13,134	328	13,531
Total Fair value through profit or loss	**100,388**	**78,461**	**3,552**	**182,401**
Total financial assets at fair value	**121,431**	**148,744**	**7,862**	**278,036**
Financial liabilities carried at fair value				
Investment contracts for account of policyholders [2]	12,872	19,641	114	32,628
Borrowings [3]	517	500	-	1,017
Derivatives	24	10,383	1,431	11,838
Total financial liabilities at fair value	**13,413**	**30,524**	**1,545**	**45,482**

[1] The investments for account of policyholders included in the table above represents only those investments carried at fair value through profit or loss.

[2] The investment contracts for account of policyholders included in the table above represents only those investment contracts carried at fair value.

[3] Total borrowings on the statement of financial position contain borrowings carried at amortized cost that are not included in the above schedule.

Significant transfers between Level I, Level II and Level III

Aegon s policy is to record transfers of assets and liabilities between Level I, Level II and Level III at their fair values as of the beginning of each reporting period.

The table below shows transfers between Level I and II for financial assets and financial liabilities recorded at fair value on a recurring basis during the nine-month period ended September 30, 2014.

Fair value transfers

EUR millions	YTD 2014		Full Year 2013	
	Transfers Level I to Level II	Transfers Level II to Level I	Transfers Level I to Level II	Transfers Level II to Level I
Financial assets carried at fair value Available-for-sale investments				
Shares	-	-	-	1
Debt securities	-	44	1	209
Total	**-**	**44**	**2**	**210**
Fair value through profit or loss				
Investments for account of policyholders	-	12	-	263
Total	**-**	**12**	**-**	**263**
Total financial assets at fair value	**-**	**56**	**2**	**473**

Transfers are identified based on transaction volume and frequency, which are indicative of an active market.

Table of Contents

Movements in Level III financial instruments measured at fair value

The following table summarizes the change of all assets and liabilities measured at estimated fair value on a recurring basis using significant unobservable inputs (Level III), including realized and unrealized gains (losses) of all assets and liabilities and unrealized gains (losses) of all assets and liabilities still held at the end of the respective period.

Roll forward of Level III financial instruments

EUR millions	January 1, 2014	Total gains / losses in income statement [1]	Total gains / losses in OCI [2]	Purchases	Sales	Settlements	Net exchange differences	Reclassification	Transfers from Level I and Level II	Transfers to Level I and Level II	September 30, 2014	Total unrealized gains and losses for the period recorded in the P&L for instruments held at September 30, 2014 [3]
Financial assets carried at fair value available-for-sale investments												
Shares	322	45	(16)	54	(141)	-	11	-	-	(1)	275	-
Debt securities	3,162	23	82	904	(290)	(158)	146	-	227	(548)	3,549	-
Other investments at fair value	826	(81)	(12)	100	(40)	(7)	73	-	17	-	876	-
	4,310	**(13)**	**54**	**1,058**	**(470)**	**(165)**	**230**	**-**	**244**	**(549)**	**4,700**	**-**
Fair value through profit or loss												
Debt securities	17	(1)	-	-	-	(9)	1	-	1	-	10	-
Other investments at fair value	1,217	43	-	26	(201)	-	103	-	80	(55)	1,212	50
Investments for account of policyholders	1,989	119	-	460	(505)	-	29	-	116	(174)	2,035	109
Derivatives	328	(41)	-	-	(16)	-	10	(4)	-	-	278	(61)
	3,552	**121**	**-**	**486**	**(722)**	**(9)**	**143**	**(4)**	**197**	**(230)**	**3,534**	**99**
Financial liabilities carried at fair value												
Investment contracts for account of policyholders	114	3	-	-	-	-	11	-	-	-	128	3
Derivatives	1,431	714	-	-	(41)	-	40	(4)	-	-	2,140	723
	1,545	**717**	**-**	**-**	**(41)**	**-**	**51**	**(4)**	**-**	**-**	**2,267**	**726**

[1] Includes impairments and movements related to fair value hedges. Gains and losses are recorded in the line item results from financial transactions of the income statement.

[2] Total gains and losses are recorded in line items Gains/ (losses) on revaluation of available-for-sale investments and (Gains)/ losses transferred to the income statement on disposal and impairment of available-for-sale investment of the statement of other comprehensive income.

[3] Total gains / (losses) for the period during which the financial instrument was in Level III.

During the first nine months of 2014, Aegon transferred certain financial instruments from Level II to Level III of the fair value hierarchy. The reason for the change in level was that the market liquidity for these securities decreased, which led to a change in market observability of prices. Prior to transfer, the fair value for the Level II securities was determined using observable market transactions or corroborated broker quotes respectively for the same or similar instruments. The amount of assets and liabilities transferred to Level III was EUR 441 million (full year 2013: EUR 785 million). Since the transfer, all such assets have been valued using valuation models incorporating significant non market-observable inputs or uncorroborated broker quotes.

Similarly, during the first nine months of 2014, Aegon transferred EUR 778 million (full year 2013: EUR 756 million) of financial instruments from Level III to other levels of the fair value hierarchy. The change in level was mainly the result of a return of activity in the market for these securities and that for these securities the fair value could be determined using observable market transactions or corroborated broker quotes for the same or similar instruments.

Table of Contents

The table below presents information about the significant unobservable inputs used for recurring fair value measurements for certain Level III financial instruments.

Overview of significant unobservable inputs

EUR millions	Carrying amount September 30, 2014	Valuation technique [1]	Significant unobservable input [2]	Range (weighted average)
Financial assets carried at fair value available-for-sale investments				
Shares	134	Broker quote	n.a.	n.a.
	141	Other	n.a.	n.a.
	275			
Debt securities				
	2,953	Broker quote	n.a.	n.a.
	102	Discounted cash flow	Discount rate	3% - 8% (7.89%)
	254	Discounted cash flow	Credit spread	0.8% - 3.3% (2.64%)
	240	Other	n.a.	n.a.
	3,549			
Other investments at fair value				
Tax credit investments	722	Discounted cash flow	Discount rate	8.5%
Investment funds	102	Net asset value	n.a.	n.a.
Other	51	Other	n.a.	n.a.
	876			
September 30, 2014				
Fair value through profit or loss				
Debt securities	10	Other	n.a.	n.a.
	10			
Other investments at fair value				
Investment funds	1,206	Net asset value	n.a.	n.a.
Other	6	Other	n.a.	n.a.
	1,212			
Derivatives [3]				
Longevity swap	91	Discounted cash flow	Mortality	n.a.
Other	96	Other	n.a.	n.a.
	187			
September 30, 2014				
Total financial assets at fair value [3]				
Financial liabilities carried at fair value				
Derivatives				
Embedded derivatives in insurance contracts	2,077	Discounted cash flow	Credit spread	0.3%
Other	62	Other	n.a.	n.a.

Total financial liabilities at fair value	**2,140**

1 Other in the table above (column Valuation technique) includes investments for which the fair value is uncorroborated and no broker quote is received.

2 Not applicable (n.a.) has been included when no significant unobservable assumption has been identified and used.

3 Investments for account of policyholders are excluded from the table above and from the disclosure regarding reasonably possible alternative assumptions. Policyholder assets, and their returns, belong to policyholders and do not impact Aegon s net income or equity. The effect on total assets is offset by the effect on total liabilities. Derivatives exclude derivatives for account of policyholders amounting to EUR 91 million.

The description of Aegon s methods of determining fair value is included in the consolidated financial statements for 2013. For reference purposes, the valuation techniques included in the table above are described in more detail on the following pages.

Shares

When available, Aegon uses quoted market prices in active markets to determine the fair value of its investments in shares. Fair values for unquoted shares are estimated using observations of the price/earnings or price/cash flow ratios of quoted companies considered comparable to the companies being valued. Valuations are adjusted to account for company-specific issues and the lack of liquidity inherent in an unquoted investment. Adjustments for illiquidity are generally based on available market evidence. In addition, a variety of other factors are reviewed by management, including, but not limited to, current operating performance, changes in market outlook and the third-party financing environment.

Table of Contents

Available-for-sale shares include shares in a Federal Home Loan Bank (FHLB) for an amount of EUR 103 million (December 31, 2013: EUR 94 million) that are measured at par, which are reported as part of Other. A FHLB has implicit financial support from the United States government. The redemption value of the shares is fixed at par and they can only be redeemed by the FHLB.

Debt securities

Debt securities are comprised of residential mortgage-backed securities (RMBS), commercial mortgage-backed securities (CMBS), asset-backed securities (ABS), corporate bonds and sovereign debt. Details on the fair value measurement for these specific types of debt securities are provided below.

Valuations of RMBS, CMBS and ABS are monitored and reviewed on a monthly basis. Valuations per asset type are based on a pricing hierarchy which uses a waterfall approach that starts with market prices from indices and follows with third-party pricing services or brokers. The pricing hierarchy is dependent on the possibilities of corroboration of the market prices. If no market prices are available, Aegon uses internal models to determine fair value. Significant inputs included in the internal models are generally determined based on relative value analyses, which incorporate comparisons to instruments with similar collateral and risk profiles. Market standard models may be used to model the specific collateral composition and cash flow structure of each transaction. The most significant unobservable input is liquidity premium which is embedded in the discount rate. The weighted average liquidity premium used in valuation of ABS has increased to 7.89% (December 31, 2013: 6.62%). Broker quoted debt securities include ABS for an amount of EUR 2,476 million (December 31, 2013: EUR 2,030 million).

Valuations of corporate bonds are monitored and reviewed on a monthly basis. The pricing hierarchy is dependent on the possibility of corroboration of market prices when available. If no market prices are available, valuations are determined by a discounted cash flow methodology using an internally calculated yield. The yield is comprised of a credit spread over a given benchmark. In all cases, the benchmark is an observable input. The credit spread contains both observable and unobservable inputs. Aegon starts by taking an observable credit spread from a similar bond of the given issuer, and then adjusts this spread based on unobservable inputs. These unobservable inputs may include subordination, liquidity and maturity differences. The weighted average credit spread used in valuation of corporate bonds has increased to 2.64% (December 31, 2013: 2.33%).

When available, Aegon uses quoted market prices in active markets to determine the fair value of its sovereign debt investments. When Aegon cannot make use of quoted market prices, market prices from indices or quotes from third-party pricing services or brokers are used.

Tax credit investments

The fair value of tax credit investments is determined by using a discounted cash flow valuation technique. This valuation technique takes into consideration projections of future capital contributions and distributions, as well as future tax credits and the tax benefits of future operating losses. The present value of these cash flows is calculated by applying a discount rate. In general, the discount rate is determined based on the cash outflows for the investments and the cash inflows from the tax credits/tax benefits (and the timing of those cash flows). These inputs are unobservable in the market place. The discount rate used in valuation of tax credit investments has increased to 8.5% (December 31, 2013: 8.2%).

Investment funds

Investment funds include real estate funds, private equity funds and hedge funds. The fair values of investments held in non-quoted investment funds are determined by management after taking into consideration information provided by the fund managers. Aegon reviews the valuations each month and performs analytical procedures and trending analyses to ensure the fair values are appropriate.

Table of Contents

Derivatives

Where quoted market prices are not available, other valuation techniques, such as option pricing or stochastic modeling, are applied. The valuation techniques incorporate all factors that a typical market participant would consider and are based on observable market data when available. Models are validated before they are used and calibrated to ensure that outputs reflect actual experience and comparable market prices.

Fair values for exchange-traded derivatives, principally futures and certain options, are based on quoted market prices in active markets. Fair values for over-the-counter (OTC) derivatives represent amounts estimated to be received from or paid to a third party in settlement of these instruments. These derivatives are valued using pricing models based on the net present value of estimated future cash flows, directly observed prices from exchange-traded derivatives, other OTC trades, or external pricing services. Most valuations are derived from swap and volatility matrices, which are constructed for applicable indices and currencies using current market data from many industry standard sources. Option pricing is based on industry standard valuation models and current market levels, where applicable. The pricing of complex or illiquid instruments is based on internal models or an independent third party. For long-dated illiquid contracts, extrapolation methods are applied to observed market data in order to estimate inputs and assumptions that are not directly observable. To value OTC derivatives, management uses observed market information, other trades in the market and dealer prices.

Some OTC derivatives are so-called longevity derivatives. The payout of longevity derivatives is linked to publicly available mortality tables. The derivatives are measured using the present value of the best estimate of expected payouts of the derivative plus a risk margin. The best estimate of expected payouts is determined using best estimate of mortality developments. Aegon determined the risk margin by stressing the best estimate mortality developments to quantify the risk and applying a cost-of-capital methodology. The most significant unobservable input for these derivatives is the (projected) mortality development.

Aegon normally mitigates counterparty credit risk in derivative contracts by entering into collateral agreements where practical and in ISDA master netting agreements for each of the Group s legal entities to facilitate Aegon s right to offset credit risk exposure. Changes in the fair value of derivatives attributable to changes in counterparty credit risk were not significant.

Embedded derivatives in insurance contracts including guarantees

All bifurcated guarantees for minimum benefits in insurance and investment contracts are carried at fair value. These guarantees include guaranteed minimum withdrawal benefits (GMWB) in the United States, United Kingdom and Japan which are offered on some variable annuity products and are also assumed from a ceding company; minimum investment return guarantees at end dates that are offered on universal life products sold in the Netherlands; and guaranteed minimum accumulation benefits on segregated funds sold in Canada.

Since the price of these guarantees is not quoted in any market, the fair values of these guarantees are calculated as the present value of future expected payments to policyholders less the present value of assessed rider fees attributable to the guarantees. Given the complexity and long-term nature of these guarantees which are unlike instruments available in financial markets, their fair values are determined by using stochastic techniques under a variety of market return scenarios. A variety of factors are considered including credit spread, expected market rates of return, equity and interest rate volatility, correlations of market returns, discount rates and actuarial assumptions. The most significant unobservable factor is credit spread. The credit spread used in the valuations of embedded derivatives in insurance contracts decreased to 0.3% (December 31, 2013: 0.5%).

The expected returns are based on risk-free rates. Aegon added a premium to reflect the credit spread as required. The credit spread is set by using the credit default swap (CDS) spreads of a reference portfolio of life insurance companies (including Aegon), adjusted to reflect the subordination of senior debt holders at the holding company level to the position of policyholders at the operating company level (who have priority in payments to other creditors). Aegon s assumptions are set by region to reflect differences in the valuation of the guarantee embedded in the insurance contracts.

Table of Contents

Since many of the assumptions are unobservable and are considered to be significant inputs to the liability valuation, the liability included in future policy benefits has been reflected within Level III of the fair value hierarchy.

Effect of reasonably possible alternative assumptions

The effect of changes in unobservable inputs on fair value measurement as reported in the 2013 consolidated financial statements of Aegon has not changed significantly as per September 30, 2014.

Fair value information about financial instruments not measured at fair value

The following table presents the carrying values and estimated fair values of financial assets and liabilities, excluding financial instruments which are carried at fair value on a recurring basis.

Fair value information about financial instruments not measured at fair value

EUR millions	Carrying amount September 30, 2014	Total estimated fair value September 30, 2014	Carrying amount December 31, 2013	Total estimated fair value December 31, 2013
Assets				
Mortgage loans - held at amortized cost	31,540	36,550	29,245	32,869
Private loans - held at amortized cost	1,806	2,085	1,783	1,888
Other loans - held at amortized cost	2,379	2,379	2,381	2,381
Liabilities				
Trust pass-through securities - held at amortized cost	135	131	135	122
Subordinated borrowings - held at amortized cost	744	828	44	73
Borrowings held at amortized cost	13,010	13,304	11,003	11,291
Investment contracts - held at amortized cost	14,315	14,680	14,079	14,387

During the third quarter of 2014, Aegon updated its fair value calculation of its Dutch mortgage loans based on additional market observable data, including market transactions. As a result of this update the discount rate used to present value the future cash flows has increased by 48 bps as of September 30, 2014, mainly driven by an increase in the cost of funds. This refinement reduced the disclosed fair value of Dutch mortgage loans by EUR 0.7 billion compared to its previous valuation. The carrying value, at amortized cost, of Dutch mortgage loans on Aegon s balance sheet has not been impacted.

Financial instruments for which carrying value approximates fair value

Certain financial instruments that are not carried at fair value are carried at amounts that approximate fair value, due to their short-term nature and generally negligible credit risk. These instruments include cash and cash equivalents, short-term receivables and accrued interest receivable, short-term liabilities, and accrued liabilities. These instruments are not included in the table above.

13. Deferred expenses

EUR millions	Sep. 30, 2014	Dec. 31, 2013
DPAC for insurance contracts and investment contracts with discretionary participation features	10,064	9,229
Deferred cost of reinsurance	429	421
Deferred transaction costs for investment management services	390	356
Total deferred expenses	**10,883**	**10,006**

Unaudited 25

Table of Contents

14. Share capital

EUR millions	Sep. 30, 2014	Dec. 31, 2013
Share capital - par value	327	325
Share premium	8,270	8,375
Total share capital	**8,597**	**8,701**
Share capital - par value		
Balance at January 1	325	319
Issuance	-	84
Withdrawal	-	(82)
Share dividend	2	5
Balance	**327**	**325**
Share premium		
Balance at January 1	8,375	8,780
Withdrawal	-	(400)
Share dividend	(106)	(5)
Balance	**8,270**	**8,375**

Basic and diluted earnings per share

EUR millions	Q3 2014	Q3 2013	YTD 2014	YTD 2013
Earnings per share (EUR per share)				
Basic earnings per common share	0.01	0.09	0.32	0.25
Basic earnings per common share B	-	-	0.01	0.01
Diluted earnings per common share	0.01	0.09	0.32	0.25
Diluted earnings per common share B	-	-	0.01	0.01
Earnings per share calculation				
Net income attributable to equity holders of Aegon N.V.	52	236	787	699
Preferred dividend	-	-	-	(83)
Coupons on other equity instruments	(36)	(51)	(119)	(120)
Earnings attributable to common shares and common shares B	16	185	668	496
Earnings attributable to common shareholders	16	184	663	494
Earnings attributable to common shareholders B	-	1	5	2
Weighted average number of common shares outstanding (in millions)	2,098	2,098	2,094	2,017
Weighted average number of common shares B outstanding (in millions)	581	579	580	295

Diluted earnings per share is calculated by adjusting the average number of shares outstanding for share options. During the nine months ended September 30, 2014, and during 2013, the average share price did not exceed the exercise price of these options. As a result, diluted earnings per share do not differ from basic earnings per share.

Interim dividend 2014

The interim dividend 2014 was paid in cash or stock at the election of the shareholder. The cash dividend amounted to EUR 0.11 per common share, the stock dividend amounted to one new Aegon common share for every 58 common shares held. The stock dividend and cash dividend are approximately equal in value. Dividend paid on common shares B amounted to 1/40th of the dividend paid on common shares. Approximately 45% of shareholders elected to receive the stock dividend. The remaining 55% opted for cash dividend. To neutralize the dilutive effect of the 2014 interim dividend paid in shares, Aegon executed a program to repurchase 16,319,939 common shares. Between September 17, 2014, and October 15, 2014, these common shares were repurchased at an average price of EUR 6.4900 per share. These shares will be held as treasury shares and will be used to cover future stock dividends.

At September 30, 2014, Aegon had repurchased 8,273,486 common shares at an average price of EUR 6.6060. The liability for the repurchase of the remaining 8,046,453 shares, valued at the closing share price of EUR 6.5320 at September 30, 2014, amounted to EUR 53 million.

Final dividend 2013

The Annual General Meeting of Shareholders on May 21, 2014, approved a final dividend over 2013 payable in either cash or stock, related to the second half of 2013, paid in the first half of 2014. The cash dividend amounted to EUR 0.11 per common share, the stock dividend amounted to one new Aegon common share for every 59 common shares held. The stock dividend and cash dividend are approximately equal in value. Dividend paid on common shares B amounted to 1/40th of the dividend paid on common shares. Approximately 40% of shareholders elected to receive the stock dividend. The remaining 60% opted for cash dividend. To neutralize the dilutive effect of the 2013 final dividend paid in shares, Aegon executed a program to repurchase 14,488,648 common shares. Between June 20, 2014, and July 17, 2014, these common shares were repurchased at an average price of EUR 6.4300 per share.

15. Other equity instruments

On June 15, 2014, Aegon redeemed junior perpetual capital securities with a coupon of 7.25% issued in 2007. The junior perpetual capital securities were originally issued at par with a carrying value of EUR 745 million. The principal amount of USD 1,050 million (EUR 774 million) was repaid with accrued interest. The cumulative foreign currency result at redemption was recorded directly in retained earnings.

On March 15, 2014, Aegon redeemed junior perpetual capital securities with a coupon of 6.875% issued in 2006. The junior perpetual capital securities were originally issued at par with a carrying value of EUR 438 million. The principal amount of USD 550 million (EUR 396 million) was repaid with accrued interest. The cumulative foreign currency result at redemption was recorded directly in retained earnings.

16. Subordinated borrowings

On April 25, 2014, Aegon issued EUR 700 million of subordinated notes, first callable on April 25, 2024, and maturing on April 25, 2044. The coupon is fixed at 4% until the first call date and floating thereafter.

17. Borrowings

EUR millions	Sep. 30, 2014	Dec. 31, 2013
Debentures and other loans	13,822	11,830
Commercial paper	150	135
Short-term deposits	-	16
Bank overdrafts	87	39
Total borrowings	**14,059**	**12,020**

Debentures and other loans

Included in Debentures and other loans is EUR 1,049 million relating to borrowings measured at fair value (December 31, 2013: EUR 1,017 million).

On March 13, 2014, Aegon executed a transaction under the Dutch SAECURE program to sell Class A mortgage backed securities (RMBS) amounting to EUR 1.4 billion. SAECURE 14 NHG consists of 2 tranches:

- EUR 343 million of class A1 notes with an expected weighted average life of 2 years and priced with a coupon of three month Euribor plus 0.40%; and
-

EUR 1,024 million of class A2 notes with an expected weighted average life of 5 years and priced with a coupon of three month Euribor plus 0.72%.

Commercial paper, Short-term deposits and Bank overdrafts vary with the normal course of business.

18. Commitments and contingencies

In June, 2013, the Dutch Supreme Court denied Aegon s appeal from a ruling of the Court of Appeal with respect to a specific Aegon unit-linked product, the KoersPlan product. As a result of the Dutch Supreme Court s denial of appeal, Aegon compensated the approximately 35,000 holders of KoersPlan products who were plaintiffs in the litigation. Aegon has issued, sold or advised on approximately 600,000 KoersPlan products. In June 2014, Aegon announced that it would also compensate holders of KoersPlan-products that were not plaintiffs in the litigation. The compensation equals the excess, if any, of the premium actually charged by Aegon over the amount of premium charged by Aegon for stand-alone death benefit coverage for a comparable risk over the same period. The costs of this product improvement will be covered by existing provisions.

In March 2014, consumer interest group Vereniging Woekerpolis.nl filed a claim against Aegon in court. This claim was resubmitted in September 2014. The claim relates to a range of unit-linked products of Aegon, challenging a variety of elements of these products on multiple legal grounds. At this time it is not practicable for Aegon to quantify a range or maximum liability, if any.

Optas

Aegon and BPVH a foundation representing Dutch harbor workers and employers have reached an agreement on removing restrictions on the capital of the harbor workers former pension fund Optas. This agreement, announced on April 14, 2014, ends a dispute that began when the Optas pension fund was transformed into an insurance company that was subsequently acquired by Aegon in 2007.

In September Aegon, jointly with BPVH, filed a request with the Dutch court to remove the restriction on the capital of Optas. Upon the court granting this request, Aegon will make a payment of EUR 80 million to BPVH, as well as offering harbor workers more favorable pension terms. In addition, over the coming years Aegon will contribute up to EUR 20 million to help mitigate the effect of an announced reduction in the tax-free pension allowance in the Netherlands.

No amounts in respect of this agreement have been recognized in these condensed consolidated interim financial statements because the outcome of the request to the court to remove the restriction is uncertain.

There have been no other material changes in contingent assets and liabilities as reported in the 2013 consolidated financial statements of Aegon.

19. Acquisitions / divestments

On September 3, 2014, Aegon reached an agreement with Ibercaja Banco S.A. to sell its 50% stake in its life insurance partnership originally established with Caja Badajoz Vida for a consideration of EUR 42 million. The transaction with Ibercaja Banco S.A. is expected to close in the fourth quarter of 2014, subject to regulatory approval. The sale is expected to result in a book gain of approximately EUR 7 million.

On July 30, 2014, Aegon signed a new 25-year agreement to distribute both protection and general insurance products through Banco Santander s approximately 600 branches in Portugal. Under the terms of the agreement, Aegon will acquire a 51% stake in Banco Santander s Portuguese insurance activities. The transaction is subject to regulatory approval and expected to close in the fourth quarter of 2014.

20. Events after the balance sheet date

On October 21, 2014, Aegon announced Tsinghua Tongfang will replace CNOOC as its joint venture partner in China.

On October 15, 2014, Aegon reached an agreement to sell its Canadian operations for a total consideration of CAD 0.6 billion (EUR 0.4 billion). The transaction is expected to close in the first quarter of 2015 after obtaining regulatory approval. The sale is expected to result in a book loss of approximately EUR 0.8 billion.

There were no other events after the balance sheet date with a significant impact on the financial position of the company per September 30, 2014.

Table of Contents

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Table of Contents

Disclaimers

Cautionary note regarding non-IFRS measures

This document includes the following non-IFRS financial measures: underlying earnings before tax, income tax and income before tax. These non-IFRS measures are calculated by consolidating on a proportionate basis Aegon s joint ventures and associated companies. The reconciliation of these measures to the most comparable IFRS measure is provided in note 3 Segment information of Aegon s Condensed Consolidated Interim Financial Statements. Aegon believes that these non-IFRS measures, together with the IFRS information, provide 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.

Currency exchange rates

This document contains certain information about Aegon s results, financial condition and revenue generating investments presented in USD for the Americas and GBP for the United Kingdom, because those businesses operate and are managed primarily in those currencies. None of this information is a substitute for or superior to financial information about Aegon presented in EUR, which is the currency of Aegon s primary financial statements.

Forward-looking statements

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

- Changes in general economic conditions, particularly in the United States, the Netherlands and the United Kingdom;
- Changes in the performance of financial markets, including emerging markets, such as with regard to:
  - The frequency and severity of defaults by issuers in Aegon s fixed income investment portfolios;
  - The effects of corporate bankruptcies and/or accounting restatements on the financial markets and the resulting decline in the value of equity and debt securities Aegon holds; and
  - The effects of declining creditworthiness of certain private sector securities and the resulting decline in the value of sovereign exposure that Aegon holds;
- Changes in the performance of Aegon s investment portfolio and decline in ratings of Aegon s counterparties;
- Consequences of a potential (partial) break-up of the euro;
- The frequency and severity of insured loss events;
- Changes affecting longevity, mortality, morbidity, persistence and other factors that may impact the profitability of Aegon s insurance products;
- Reinsurers to whom Aegon has ceded significant underwriting risks may fail to meet their obligations;
- Changes affecting interest rate levels and continuing low or rapidly changing interest rate levels;
- Changes affecting currency exchange rates, in particular the EUR/USD and EUR/GBP exchange rates;
- Changes in the availability of, and costs associated with, liquidity sources such as bank and capital markets funding, as well as conditions in the credit markets in general such as changes in borrower and counterparty creditworthiness;
- Increasing levels of competition in the United States, the Netherlands, the United Kingdom and emerging markets;
- Changes in laws and regulations, particularly those affecting Aegon s operations, ability to hire and retain key personnel, the products Aegon sells, and the attractiveness of certain products to its consumers;
- Regulatory changes relating to the insurance industry in the jurisdictions in which Aegon operates;
- Changes in customer behavior and public opinion in general related to, among other things, the type of products also Aegon sells, including legal, regulatory or commercial necessity to meet changing customer expectations;
- Acts of God, acts of terrorism, acts of war and pandemics;
- Changes in the policies of central banks and/or governments;
- Lowering of one or more of Aegon s debt ratings issued by recognized rating organizations and the adverse impact such action may have on Aegon s ability to raise capital and on its liquidity and financial condition;
- Lowering of one or more of insurer financial strength ratings of Aegon s insurance subsidiaries and the adverse impact such action may have on the premium writings, policy retention, profitability and liquidity of its insurance subsidiaries;
- The effect of the European Union s Solvency II requirements and other regulations in other jurisdictions affecting the capital Aegon is required to maintain;
- Litigation or regulatory action that could require Aegon to pay significant damages or change the way Aegon does business;
- As Aegon s operations support complex transactions and are highly dependent on the proper functioning of information technology, a computer system failure or security breach may disrupt Aegon s business, damage its reputation and adversely affect its results of operations, financial condition and cash flows;

- Customer responsiveness to both new products and distribution channels;
- Competitive, legal, regulatory, or tax changes that affect profitability, the distribution cost of or demand for Aegon s products;
- Changes in accounting regulations and policies or a change by Aegon in applying such regulations and policies, voluntarily or otherwise, may affect Aegon s reported results and shareholders equity;
- The impact of acquisitions and divestitures, restructurings, product withdrawals and other unusual items, including Aegon s ability to integrate acquisitions and to obtain the anticipated results and synergies from acquisitions;
- Catastrophic events, either manmade or by nature, could result in material losses and significantly interrupt Aegon s business; and
- Aegon s failure to achieve anticipated levels of earnings or operational efficiencies as well as other cost saving and excess capital and leverage ratio management initiatives.

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

Table of Contents

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Aegon s Q3 2014 press release and Financial Supplement are available on aegon.com.

About Aegon

Aegon s roots go back170 years to the first half of the nineteenth century. Since then, Aegon has grown into an international company, with businesses in more than 25 countries in the Americas, Europe and Asia. Today, Aegon is one of the world s leading financial services organizations, providing life insurance, pensions and asset management. Aegon s purpose is to help people take responsibility for their financial future. More information: aegon.com.