AEGON NV
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June 19, 2018

Securities and Exchange Commission

Washington, D.C. 20549

Form 6-K

Report of Foreign Issuer

Pursuant to Rule 13a-16 or 15d/16

of the Securities Exchange Act of 1934

June 2018

AEGON N.V.

Aegonplein 50

2591 TV THE HAGUE

The Netherlands

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Aegon s 2017 Solvency and Financial Condition Report, dated June 11, 2018, are included as appendix and incorporated herein by reference.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AEGON N.V.
(Registrant)

Date: June 19, 2018

By /s/ J.H.P.M. van Rossum
J.H.P.M. van Rossum
Head of Corporate Financial Center

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Solvency and Financial Condition Report 2017

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Scope of the report

This report is Aegon N.V. s Group Solvency and Financial Condition Report (SFCR) for the year 2017. This report informs Aegon N.V. s stakeholders about its:

- Business and performance;
- System of governance;
- Risk profile;
- Valuation for solvency purposes; and
- Capital management.

The material differences between the scope of Aegon Group used for the consolidated financial statements based on IFRS-EU and the scope of Aegon Group for the consolidated data determined in accordance with Article 335 of the Delegated Regulation Solvency II, are discussed in more detail in chapter D. Valuation for solvency purposes.

Basis of presentation

This report is prepared in accordance with the requirements of Solvency II Directive and Delegated Regulation (in particular article 256 of the Solvency II Directive, articles 359 371 and articles 290-298 of the Delegated Regulation, and relevant EIOPA Guidelines, in particular Guidelines on reporting and public disclosure (EIOPA-BoS-15/109) as issued by the European Insurance and Occupational Pensions Authority (EIOPA).

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

The figures reflecting monetary amounts in the SFCR are presented in euro (unless stated otherwise). Aegon discloses monetary amounts in millions of units for disclosing purposes. All values are rounded to the nearest million unless otherwise stated. The rounded amounts may therefore not add up to the rounded total in all cases. All ratios and variances are calculated using the underlying amount rather than the rounded amount.

In case IFRS figures are disclosed, the figures are prepared in accordance with the International Financial Reporting Standards as adopted by the European Union (IFRS-EU).

Under Solvency II, Aegon uses a combination of method 1 (Accounting Consolidation) and method 2 (Deduction & Aggregation) for the calculation of the Solvency II Group Solvency. The Solvency II consolidated data (the data included in accordance with method 1) does not include the entities that are included in the Group Solvency calculation in accordance with method 2 (US Life insurance entities, Bermuda, Japan, Mexico and Brazil). Furthermore, joint ventures are partially consolidated under Solvency II, whereas joint ventures are not consolidated under IFRS. As part of method 1 under Solvency II, Other Financial Sector (OFS) entities are included as related undertakings based on local sectoral rules, whereas, when OFS are controlled entities, such are consolidated under IFRS.

The consolidation under Solvency II is set out in more detail in chapter D. Valuation for solvency purposes and E. Capital management of the SFCR.

The 2017 SFCR of Aegon Group has been prepared and disclosed under the responsibility of the Executive Board. This document was approved on 11 June 2018 by Aegon s Executive Board.

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Summary

The 2017 Solvency Financial Condition Report provides Aegon s stakeholders insight in:

A. Business and performance

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

Through its subsidiaries and joint ventures, Aegon employs over 28,000 people worldwide. Aegon s common shares are listed on stock exchanges in Amsterdam (Euronext) and New York (NYSE). Aegon s main operating units are separate legal entities that operate under the laws of their respective countries. The shares of these legal entities are directly or indirectly held by three intermediate holding companies incorporated under Dutch law: Aegon Europe Holding B.V., the holding company for all European activities; Aegon International B.V., which serves as a holding company for the Aegon Group companies of all non-European countries; and Aegon Asset Management Holding B.V., the holding company for a number of its asset management entities. Aegon has the following operating segments: the Americas, which includes the United States, Mexico and Brazil; the Netherlands; the United Kingdom; Central

& Eastern Europe; Spain & Portugal; Asia and Aegon Asset Management. The separate operating segments of the Netherlands, the United Kingdom, Central & Eastern Europe and Spain & Portugal may be referred together as Europe , although Europe is not an operating segment.

Aegon exists to help people achieve a lifetime of financial security. It uses a multi-brand, multichannel distribution approach to meet its customers needs, and fosters an entrepreneurial spirit within its businesses, encouraging the development of innovative products and services.

Aegon s business model focuses on the following items:

Products & Services: Aegon begins with the customer Aegon assesses the customer s needs, price risk and develop products and services that fit with those needs. Aegon s products and services are then branded and marketed.

Distribution: Some of Aegon s products and services are sold directly to customers. Aegon sells most, however, via intermediaries, including brokers, agents, banks and financial advisors.

Asset Management: In exchange, customers pay fees or regular premiums. On pensions, savings and investments, customers make deposits. Aegon invests the money received and, over time, work to increase value.

Claims & Benefits: From the returns Aegon makes, Aegon pays customer claims and benefits, and make profits for Aegon s shareholders. Customers also make regular withdrawals from pensions and savings products.

For more information on Aegon s strategy, please see Aegon s 2017 Review.

Key events in 2017:

In the first quarter Aegon became the UK s #1 investment platform after completing Aegon s acquisition of Cofunds and the worksite DC pensions business of Blackrock. This is aligned with Aegon s strategy to focus on fee-based business.

In the second quarter Aegon finalized the sale in the US of Aegon s payout annuity and BOLI/COLI businesses. These businesses had already been placed in run-off. This transaction is in line with Aegon s strategic objective of accelerating the release of capital allocated to these businesses and enhances the financial flexibility of the group.

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6 Introduction **Summary**

In the third quarter Aegon injected EUR 1 billion in capital into Aegon s Dutch business, using proceeds from planned divestments. This allows Aegon the Netherlands to regain focus on executing the strategy, invest in core fee-based solutions, and execute its illiquid investment strategy. Furthermore, Aegon announced the sale of Aegon s Dutch financial advisory business Unirobe Meeus Group (UMG) to Aon Groep Nederland. This sale is in line with Aegon s strategy to focus on innovation in core insurance, banking and services businesses. Lastly, Aegon decided to divest Aegon Ireland, which sells unit-linked contracts with guarantees and offshore bonds, mainly in the UK.[1] This transaction will further optimize Aegon s portfolio of businesses and increase its financial flexibility.

In the fourth quarter Aegon announced the sale of a further tranche of Aegon US s run-off life reinsurance business to the French group SCOR. The transaction is consistent with Aegon s stated strategic objective to reduce the amount of capital allocated to its run-off businesses. Additionally, the US tax reform was approved by the US government which is considered to have a net positive outcome for Aegon over time.

From an underlying earnings perspective, Aegon s underlying earnings before tax has increased to EUR 2,103 million in 2017 (EUR 1,913 million in 2016). This was mainly driven by expense reductions, an improvement in claims experience in the Americas, and higher fee revenue resulting from favorable equity market performance.

Premium income amounted to EUR 22.8 billion, down by 3% from 2016 (EUR 23.5 billion). This was mostly driven by lower premium income from life business in Aegon UK and lower premium income in Aegon the Netherlands across all business lines.

Commissions and expenses decreased by 7% compared with 2016 to EUR 5.9 billion in 2017, mainly driven by lower sales of life and annuity products in the United States. Operating expenses increased by 3% compared with 2016 to EUR 3.7 billion in 2017. Expense savings were more than offset by the inclusion of Cofunds and integration related activities in the United Kingdom.

Total policyholder claims and benefits amounted to EUR 45.6 billion in 2017 compared to EUR 42.0 billion in 2016. The increase of EUR 3.6 billion is mainly attributable to changes in the valuation of liabilities of insurance contracts and investment contracts. The changes in valuation of liabilities for insurance contracts and investment contracts reflect changes in technical provisions resulting from net fair value changes on financial assets for account of policyholder included in results from financial transactions. This increase is partly offset by lower claims and benefits paid, mainly from lower claims and benefits paid for Aegon s life and non-life business.

Investment income amounted to EUR 7.3 billion in 2017 compared to EUR 7.8 billion in 2016. Aegon Americas is the largest contributor to the investment income with EUR 3.4 billion, followed by Aegon the Netherlands, EUR 2.2 billion, and Aegon UK with EUR 1.5 billion.

Results from financial transactions amounted to EUR 20.1 billion in 2017 compared to EUR 15.9 billion in 2016. The main contributor is the net fair value change on for account of policyholder financial assets of EUR 20.5 billion in 2017 and is driven by favorable equity markets results, which were partly offset by losses from interest rates movements.

Full details on the Aegon s business and performance are described in chapter A. Business and performance.

B. System of governance

General governance

Aegon is incorporated and established in the Netherlands and therefore must comply with Dutch law, such as the provisions of Book 2 of the Dutch Civil Code. In addition, Aegon is subject to the Dutch Corporate Governance Code.

Aegon is governed by three main corporate bodies: the Executive Board, the Supervisory Board, and the General Meeting of Shareholders. The Executive Board is assisted in its work by the Management Board who provides vital support and expertise in safeguarding Aegon s strategic goals. The Supervisory Board has established an Audit Committee, Risk Committee, Remuneration Committee and Nomination and Governance Committee from amongst its members. There were no material changes in the system of governance during the reporting period.

1 On April 3, 2018, Aegon completed the sale of Aegon Ireland plc to Athora Holding Ltd. (formerly AGER Bermuda Holding Ltd.)

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7 Introduction **Summary**

Aegon s Executive Board is charged with the overall management of the Company and is therefore responsible for achieving Aegon s aims and developing the strategy and its associated risk profile. In addition, it oversees any relevant sustainability issues and the development of the Aegon s earnings. Aegon s Executive Board is assisted in its work by the Management Board. Aegon s Articles of Association determine that for certain decisions the Executive Board must seek prior approval from the Supervisory Board and/or the approval of the General Meeting of Shareholders. In addition, the Supervisory Board may also subject other Executive Board decisions to its prior approval.

Aegon s Management Board is comprised of the members of Executive Board, the Group Chief Risk Officer (CRO) and Chief Executive Officers (CEOs) of the Americas, United Kingdom, Continental Europe and Asset management, General Counsel, Global Head of HR and the Chief Technology Officer.

Aegon s Supervisory Board oversees the management of the Executive Board, in addition to the Company s business and corporate strategy. The Supervisory Board members, nine members as per December 31, 2017, are appointed by the shareholders at the General Meeting of Shareholders and Aegon aims the Supervisory Board to be well-balanced in terms of professional background, geography and gender. The following Supervisory Board committees exist:

- Audit Committee;
- Risk Committee;
- Remuneration Committee; and
- Nomination and Governance Committee.

These committees are exclusively comprised of Supervisory Board members and deal with specific issues related to Aegon s financial accounts, risk management, executive remuneration and appointments.

In addition to the corporate bodies, described above, Aegon has in place a number of key functions, as required under Solvency II. These key functions are described below, in the section control environment .

Risk management

Aegon s risk management framework is designed and applied to identify and manage potential events and risks that may affect Aegon. This is established in the Enterprise Risk Management (ERM) framework which aims to identify and manage individual and aggregate risks within Aegon s risk tolerance in order to provide reasonable assurance regarding the achievement of Aegon s objectives. The ERM framework applies to all material businesses of Aegon for which it has operational control. Aegon s businesses are required to either adopt the Group level ERM framework directly, or tailor it to local needs, while meeting the requirements of the Group level ERM framework. Aegon s ERM framework is based on a well-defined risk governance structure. In addition to the Supervisory, Management and Executive Boards, the risk governance structure includes the following committees:

Group Risk & Capital Committee and its sub-committees; and

Regional Risk & Capital Committees.

Control environment

In addition to risk management, Aegon s Solvency II control environment consists of an internal control system, which includes a compliance function, an actuarial function and an internal audit function. The internal control system serves to facilitate compliance with applicable laws, regulation and administrative processes and it provides for an adequate control environment including appropriate control activities for key processes. The actuarial function has end-to-end accountability for the adequacy and reliability of reported technical provisions, including policy setting and monitoring of compliance regarding actuarial risk tolerances. Aegon s internal audit function is independent and objective from operational functions, including in performing its duties in evaluating the effectiveness of Aegon s internal control system. Full details on the Aegon s system of governance are described in chapter B. System of governance.

Full details on the Aegon s system of governance are described in chapter B. System of governance.

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C. Risk profile

As an insurance group, Aegon accepts and manages risk for the benefit of its customers and other stakeholders. Aegon s risk management and control systems are designed to ensure that these risks are managed effectively and efficiently in a way that is aligned with the Company s strategy. The targeted risk profile is determined by customer needs, Aegon s competence to manage the risk, Aegon s preference for risk, and whether there is sufficient capacity to take the risk. Aegon currently targets an equal balance between financial market and credit risks and underwriting risks. The targeted risk profile is set at Aegon Group level and developed in more detail within the subsidiaries where insurance business is written. Aegon s risk strategy provides direction for the targeted Aegon risk profile while supporting Aegon s business strategy. Aegon is exposed to a range of underwriting, market, credit, liquidity and operational risks.

The table provides for a quantitative representation of the key risks of Aegon Group on the basis of the Solvency II framework:

Composition of Group SCR

Amounts in EUR millions

SFCR section	**QRT S.25.02.22**	**2017**	**2016 revised[1)]**	**2016[2)]**
C.3.2 Market risk	Market Risk (SF)	1,056	1,342	1,342
	Market Risk (IM)	2,258	3,316	3,316
C.3.3 Credit risk [3)]	Counterparty default risk (SF)	371	314	314
	Counterparty default risk (IM)	18	19	19
C.3.1 Underwriting risk	Life underwriting risk (SF)	1,137	1,145	1,145
	Life underwriting risk (IM)	2,156	2,248	2,248
	Health underwriting risk (SF)	306	321	321
	Health underwriting risk (IM)			
	Non-life underwriting risk (SF)	130	137	137
	Non-life underwriting risk (IM)			
C.3.5 Operational risk	Operational risk (SF)	304	678	678
	Operational risk (IM)	301		
E.2.1 Solvency Capital Requirement	LAC-DT	(714)	(839)	(839)
	Total undiversified components	**7,321**	**8,679**	**8,679**
	Diversification [4)]	(2,851)	(3,152)	(3,152)
	PIM SCR after diversification (AC only) [5)]	**4,470**	**5,527**	**5,527**
		3,304	3,874	6,036

Capital requirements for D&A and OFS 6)			
Group PIM SCR	**7,774**	**9,401**	**11,563**

1 The numbers are based on the revised method which was confirmed by the DNB in 2017, presented for comparative purposes.
2 The 2016 comparative numbers are the final numbers as disclosed in Aegon N.V. s 2016 Solvency and Financial Condition Report based on the revised component representation (in 2016 totals per risk component were presented, in 2017 the split into IM (Internal Model) and SF (Standard Formula) is presented).
3 To align with the SCR in QRT s.25.02.22 and section E, Aegon will only discuss Counterparty Default Risk (as defined in the Delegated Regulation) in section C3.3. More generally, Aegon considers the term credit risk to also include spread risk, migration risk and default (market risk concentration) risk relating to financial investments. To keep this alignment with QRT s.25.02.22 consistent throughout the SFCR, these other components of credit risk are discussed instead in section C3.2 Market risk.
4 In the 2016 Aegon Group SFCR, diversification of EUR 6,2 bln was shown in the S.25.02.22 , which included the diversification between risk components of EUR 3,2 bln (shown in this SFCR) as well as diversification within components of EUR 3,0 bln which is not shown in the 2017 disclosure. The 2017 disclosure in QRT S25.02.22 now shows components for IM and SF separately after diversification within components. Diversification between components and between Standard Formula and Internal Model components are included in this line.
5 AC stands for Accounting Consolidation method for the calculation of the Solvency II group solvency.
6 Includes capital requirements for Deduction & Aggregation (D&A) and Other Financial Sector entities (excluding Aegon Bank in line with Group supervisor requirement). The decrease in 2017 is mainly related to the revised method in calculating the Solvency II contribution of the Aegon US Insurance entities under D&A.

Material movements in risk profile during 2017 mainly include the following:

Positive market movements, mainly influencing market risks and underwriting risks;

The implementation of approved major model changes to Aegon s PIM, which mainly related to adjusting the calculation of spread risk and introduction of currency risk to the internal model, lowered the contribution of market risk to Aegon s risk profile;

Separate account derisking by Aegon the Netherlands, mainly impacting market risk;

The sale of the payout annuity, BOLI/COLI, and half of the remaining run-off life reinsurance businesses in the Americas resulting in a decrease in the exposure to underwriting risks (capital requirements for US insurance entities are captured in the other capital requirements line in the table above); and

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- The legal transfer of the Scottish Equitable annuity portfolio was completed in 2017, thereby removing the counterparty exposure to Rothesay and Legal & General;

Full details on Aegon s risk profile are described in chapter C. Risk profile.

D. Valuation for solvency purposes

Aegon values its Solvency II balance sheet items on a basis that reflects their economic value. Where the IFRS fair value is consistent with Solvency II requirements, Aegon follows IFRS for valuing assets and liabilities other than technical provisions.

The reconciliation of Excess Assets over Liabilities (Solvency II basis) and Shareholder s Equity (IFRS-EU basis) can be summarized as follows:

- Revaluation differences mainly on assets and liabilities using a method other than fair value in the IFRS balance sheet;

- Differences in scope, where Aegon s Non-EEA (re)insurance entities are aggregated based on the Deduction & Aggregation method and the net asset values is represented in the line Participation on Aegon s Solvency II economic balance sheet; and

- De-recognition of items on the Solvency II economic balance sheet which are admissible on the IFRS statement of financial position but not under Solvency II, for instance deferred policy acquisition costs, Goodwill and Intangible assets.

After receiving a confirmation from the Dutch Central Bank (DNB) Aegon started to apply a revised method in calculating the Solvency II contribution of the Aegon United States Insurance entities under Deduction & Aggregation (D&A). This influences the amount recorded for these entities on the participation line of the Group Solvency II balance sheet.

Full details on the reconciliation between Aegon s economic balance sheet based on Solvency II and consolidated financial statements based on IFRS-EU are described in chapter D. Valuation for solvency purposes.

E. Capital Management

Aegon s target capital ratio is between 150% 200%. At December 31, 2017, the Solvency II ratio of 201% was in excess of this target range.

In the following table the Solvency II key figures for Aegon are presented as at December 31, 2017:

Aegon Group capital position

Amounts in EUR millions	**December 31, 2017[1) 2)]**	December 31, 2016 revised[3)]	December 31, 2016[4)]
Group own funds	15,628	15,957	18,119
Group PIM SCR	7,774	9,401	11,563
Group Solvency II ratio	201%	170%	157%
Group Solvency II ratio (Matching Adjustment set to zero)	199%		154%
Group Solvency II ratio (Volatility Adjustment set to zero)	169%		132%
Group Solvency II ratio (excluding transitional arrangements)	200%		156%
Group Solvency II ratio (excluding Long term guarantees and transitional measures)	168%		130%
Group eligible own funds to meet minimum consolidated group SCR	6,152		4,417
Minimum consolidated Group SCR	1,930		1,856
Group MCR ratio [5)]	319%		238%

1 The Group own funds information is based on the revised method which was confirmed by the DNB in 2017. Based on the old method, the December 31, 2017 Group Solvency II ratio is equal to 182%.

2 Group Solvency II ratio at December 31, 2017 does not reflect impact of NAIC tax factor changes following the US tax reform. At this point it is unclear when the NAIC will update the tax factors used in the RBC calculation.

3 The numbers are based on the revised method which was confirmed by the DNB in 2017, presented for comparative purposes. The Group Solvency II ratio Matching Adjustment / Volatility adjustment / excluding transitionals arrangements have not been recalculated.

4 The 2016 comparative numbers are the final numbers as disclosed in Aegon N.V. s 2016 Solvency and Financial Condition Report based on the revised component representation.

5 Ratio of Eligible own funds to meet the minimum consolidated Group SCR.

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Solvency II Group own funds Amounts in EUR millions	**December 31, 2017[1)]** **Avail-able own funds**	**Eligible own funds**	**Eligible own funds to meet mini-mum consoli-dated Group SCR**	December 31, 2016 revised[2)] Available own funds	Eligible own funds	December 31, 2016[3)] Available own funds	Eligible own funds	Eligible own funds to meet minimum consoli-dated Group SCR
Unrestricted Tier 1	10,428	10,428	4,613	10,081	10,081	10,656	10,656	3236
Restricted Tier 1	3,540	2,451	1,153	3,817	2,373	3,817	2,517	809
Tier 2 own funds	1,213	2,302	386	1,291	2,735	2,008	3,309	371
Tier 3 own funds	448	448		768	768	1,638	1,638	
Total Tiers	**15,628**	**15,628**	**6,152**	**15,957**	**15,957**	**18,119**	**18,119**	**4417**

1 The tiering information is based on the revised method which was confirmed by DNB in 2017

2 Pro forma tiering based on the revised method which was confirmed by the DNB in 2017, presented for comparative purposes.

3 The 2016 comparative numbers are the final numbers as disclosed in Aegon N.V s 2016 Solvency and Financial Condition Report.

Aegon uses a combination of Accounting Consolidation (method 1) and Deduction & Aggregation (method 2) for the calculation of the Solvency II Group Solvency. In addition, Aegon uses a Partial Internal Model (PIM) to calculate the solvency position of Aegon Levensverzekering N.V, Scottisch Equitable Plc, Aegon Spaarkas N.V., Optas Pensioenen N.V, and Aegon N.V (which is a mixed financial holding company). Other entities included via the Accounting Consolidation method, excluding Other Financial Sector entities, use the Solvency II determined Standard Formula approach. The capital requirements of Other Financial Sector entities are based on relevant sectoral capital requirements. Aegon Bank is excluded from the Group Solvency II ratio, as required by the Group Solvency II supervisor, DNB.

In Aegon s Non-EEA regions, (re)insurance entities domiciled in third countries deemed (provisional) equivalent (US life insurance entities, Bermuda, Japan, Mexico and Brazil), the capital requirement is based on local capital requirements.

Aegon s internal model was approved by the College of Supervisors as part of the Internal Model Application Process. Aegon is of the opinion a (partial) internal model is a better representation of the actual risk, since this contains Company specific modelling and sensitivities as opposed to industry-wide approximations included in the standard formula methodology.

In 2017, Aegon implemented approved major model changes, mainly reflecting the introduction of operational risk (Scottish Equitable Plc only) and currency risk (Scottish Equitable Plc and Aegon N.V. only) as internal model components, and changing the calculation of spread risk. This allows Aegon to more accurately model risks for Solvency II purposes.

After receiving a confirmation from the Dutch Central Bank (DNB) Aegon started to apply a revised method in calculating the Solvency II contribution of the Aegon US Insurance entities under Deduction & Aggregation (D&A), affecting Aegon s tiering of capital in 2017. It includes lowering the conversion factor from 250% to 150% Risk-Based Capital Company Action Level and reducing own funds by a 100% RBC Company Action Level requirement to reflect transferability restrictions. The methodology is subject to annual review. This methodology is consistent with EIOPA s guidance on Group Solvency calculation in the context of equivalence, and in line with methods applied by European peer companies. As a consequence, this adjustment improves the comparability to capital positions of European insurance groups with substantial insurance activities in the US.

After discussions with the DNB, Aegon resolved a number of outstanding methodological matters with respect to its partial internal model in 2017. Following agreement on the interpretation of the DNB s guidance on the loss absorbing capacity of deferred taxes (LAC-DT), Aegon has applied a LAC-DT factor in the Netherlands of 75% as of December 31, 2017. The LAC-DT factor will be recalibrated on a quarterly basis using the agreed methodology.

The Solvency II capital ratios of the Group and Aegon the Netherlands do not include any contingent liability potentially arising from unit-linked products sold, issued or advised on by Aegon in the Netherlands in the past, as the potential liability cannot be reliably quantified at this point.

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11 Introduction **Summary**

Aegon applies the matching adjustment, in Aegon UK and Aegon Spain, which has a positive impact to the Group own funds of EUR 55 million as of December 31, 2017 (2016: EUR 107 million) and an impact of EUR (65) million (2016: EUR (105) million) on the Group Solvency capital requirement. The matching adjustment methodology has been approved by local regulators. In addition, Aegon applies the volatility adjustment in Aegon the Netherlands, Aegon UK and Aegon Spain, which has a positive impact to the Group own funds of EUR 205 million (2016: EUR 651 million) and an impact of EUR (1,273) million (2016: EUR (1,636) million) on the Group Solvency capital requirement.

Aegon applies the transitional measure on technical provisions in Aegon Spain, which has a positive impact on Group own funds of EUR 56 million as of December 31, 2017. This increases the Group Solvency II ratio by 1%.

The combined positive impact of the matching adjustment, volatility adjustment and transitional measures on the Group Solvency II ratio is 33% (2016: 27%).

Aegon Group and all of the EEA (re)insurance entities subject to the Solvency II regulation did not face any form of non-compliance with the Minimum Capital Requirement or significant non-compliance with the Solvency Capital Requirement during the reporting period.

Full details on Aegon s available and eligible own funds are described in section E.1 Own funds, and Aegon s PIM SCR is described in section E.2.1 Solvency capital requirement.

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A. Business and performance

A.1 Business

A.1.1 Overview

Aegon is an international life insurance, pensions and asset management group. Its listed holding company, Aegon N.V., is a public limited liability company with its corporate seat and head office in the Netherlands. The Company s history dates back over 170 years. Aegon N.V. was formed in 1983 through the merger of AGO and Ennia, both of which were successors to insurance companies founded in the 1800s.

Aegon is headquartered in the Netherlands, and through its subsidiaries and joint ventures it employs over 28,000 people worldwide. Aegon s common shares are listed on stock exchanges in Amsterdam (Euronext) and New York (NYSE). Aegon s main operating units are separate legal entities that operate under the laws of their respective countries. The shares of these legal entities are directly or indirectly held by three intermediate holding companies incorporated under Dutch law: Aegon Europe Holding B.V., the holding company for all European activities; Aegon International B.V., which serves as a holding company for the Aegon Group companies of all non-European countries; and Aegon Asset Management Holding B.V., the holding company for a number of its asset management entities.

Aegon exists to help people achieve a lifetime of financial security. It uses a multi-brand, multichannel distribution approach to meet its customers needs, and fosters an entrepreneurial spirit within its businesses, encouraging the development of innovative products and services.

Aegon s financial results are impacted by a number of external factors, including demographic trends, market conditions, and regulation. Furthermore, the business is affected by corporate actions taken by the Group, including acquisitions, disposals and other action in order to achieve Aegon s strategy. The key significant business events or other events that have occurred over the reporting period that have had a material impact on Aegon are mentioned in the summary of section A on page 5. Below more information on the impact of US tax reform on Aegon Group:

On December 22, 2017, the US Tax Cuts and Jobs Act was signed into law. The key item of this change to tax law is the lowering of the nominal corporate tax rate from 35% to 21%, lowering the year-end estimated RBC ratio of the US Life entities by approximately 16%-points. This was mainly driven by the reduction of deferred tax assets that are part of available capital. The estimated RBC ratio of the US business per year-end 2017 was 472%;

Contingent on the decision by the National Association of Insurance Commissioners (NAIC) to reflect the new tax rate in its RBC requirements, an additional one-time increase to required capital is expected in the future;

The group s Solvency II ratio is expected to remain well within the upper half of the 150 to 200% target range despite the potential increase in required capital. Aegon expects increased capital generation as a result of the lower effective tax rate, which increases its financial flexibility;

All ongoing impacts will fluctuate depending on market conditions and other elements affecting taxable income and the company s tax position. In terms of the impact on required capital, Aegon has made assumptions with regard to the use of a single corporate tax rate of 21% for Aegon s US business, and application of concepts currently exposed by the NAIC regarding capital requirements. Outcomes are dependent on changes to NAIC requirements, which may deviate from Aegon s current assumptions.

A.1.2 Regulators and auditor

The supervisory authority responsible for Solvency II group supervision on the Aegon Group and for supplementary group supervision in accordance with the EU Financial Conglomerates Directive (FCD) is:

De Nederlandsche Bank (DNB), the Dutch Central Bank

Address: Westeinde 1, 1017 ZN, Amsterdam

Telephone: +31(0)20 524 91 11

Aegon s external auditor is PricewaterhouseCoopers Accountants N.V. The external auditor s mandate does not cover an audit on the information disclosed in this SFCR. Their contact details are:

PricewaterhouseCoopers Accountants N.V.

Address: Thomas R. Malthusstraat 5, 1066 JR, Amsterdam

Telephone: +31 (0)88 792 00 20

A.1.3 Holders of qualifying holdings

A qualifying holding means a direct or indirect holding in Aegon N.V. which represents 10% or more of the capital or of the voting rights or which makes it possible to exercise a significant influence over the management of Aegon N.V Only Vereniging Aegon qualifies based on this definition.

Vereniging Aegon, a Dutch association located in The Hague, the Netherlands, with a special purpose to protect the broader interests of Aegon N.V. and its stakeholders. On December 31, 2017, Vereniging Aegon, Aegon s largest shareholder, held a total of 279,236,609 common shares and 569,676,480 common shares B.

Under the terms of the 1983 Merger Agreement as amended in May 2013, Vereniging Aegon has the option to acquire additional common shares B. Vereniging Aegon may exercise its call option to keep or restore its total stake to 32.6% of the voting rights, irrespective of the circumstances that caused the total shareholding to be or become lower than 32.6%. In the absence of a Special Cause Vereniging Aegon may cast one vote for every common share it holds and one vote only for every 40 common shares B it holds. As Special Cause qualifies the acquisition of a 15% interest in Aegon N.V., a tender offer for Aegon N.V. shares or a proposed business combination by any person or group of persons, whether individually or as a group, other than in a transaction approved by the Executive Board and the Supervisory Board. If, in its sole discretion, Vereniging Aegon determines that a Special Cause has occurred, Vereniging Aegon will notify the General Meeting of Shareholders and retain its right to exercise the full voting power of one vote per common share B for a limited period of six months. Accordingly, at December 31, 2017, the voting power of Vereniging Aegon under normal circumstances amounted to approximately 14.34 %, based on the number of outstanding and voting shares (excluding issued common shares held in treasury by Aegon N.V.). In the event of a Special Cause, Vereniging Aegon s voting rights will increase, currently to 32.6%, for up to six months.

A.1.4 Aegon s Group structure

Aegon s main operating units are separate legal entities that operate under the laws of their respective countries. The shares of these legal entities are directly or indirectly held by three intermediate holding companies incorporated under Dutch law: Aegon Europe Holding B.V., the holding company for all European activities; Aegon International B.V., which serves as a holding company for the Aegon Group companies of all non-European countries; and Aegon Asset Management Holding B.V., the holding company for a number of its asset management entities.

Aegon has the following operating segments: the Americas, which includes the United States, Mexico and Brazil; the Netherlands; the United Kingdom; Central & Eastern Europe; Spain & Portugal; Asia and Aegon Asset Management. The separate operating segments of the Netherlands, the United Kingdom, Central & Eastern Europe and Spain &

Portugal may be referred together as Europe , but Europe is not an operating segment.

For more information on Aegon s governance structure, please see section B.1.1. Corporate Governance.

A.1.5 List of material related undertakings

The principal undertakings of the parent company Aegon N.V. are listed by geographical segment. All are wholly owned, directly or indirectly, unless stated otherwise, and are involved in insurance or reinsurance business, asset management or services related to these activities. The voting power in these undertakings held by Aegon is equal to the shareholdings unless otherwise specified.

For information on the material differences between the scope of the group used for the consolidated financial statements and the scope for the consolidated data used for the Group Solvency calculation, see section D Valuation of Solvency Purposes and section E.1.4 Difference between Solvency II own funds and IFRS shareholders equity .

Americas

Transamerica Advisors Life Insurance Company, Little Rock, Arkansas (United States);

Transamerica Casualty Insurance Company, Columbus, Ohio (United States);

Transamerica Corporation, Wilmington, Delaware (United States);

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- Transamerica Financial Life Insurance Company, Albany, New York (United States);
- Transamerica Life Insurance Company, Cedar Rapids, Iowa (United States);
- Transamerica Premier Life Insurance Company, Cedar Rapids, Iowa (United States);
- Akaan-Aegon, S.A.P.I. de C.V., Mexico City (Mexico), (99.99%, 50% voting rights); and
- Mongeral Aegon, Seguros e Previdencia S.A., Rio de Janeiro (Brazil), (50%).

Europe

The Netherlands

- Aegon Bank N.V., The Hague;
- Aegon Hypotheken B.V., The Hague;
- Aegon Levensverzekering N.V., The Hague;
- Aegon Schadeverzekering N.V., The Hague;
- Aegon Spaarkas N.V., The Hague;
- Optas Pensioenen N.V., Rotterdam;
- TKP Pensioen B.V., Groningen;
- Unirobe Meeùs Groep B.V., The Hague (until November 1, 2017);
- Aegon PPI B.V., The Hague;

CAPPITAL Premiepensioeninstelling B.V., Groningen; and

AMVEST Vastgoed B.V., Utrecht (50%), property management and development.

United Kingdom

Aegon Investment Solutions Ltd., Edinburgh;

Scottish Equitable plc, Edinburgh; and

Cofunds Limited, London.

Central & Eastern Europe

Aegon Magyarország Általános Biztosító Zártkörűen Működő Részvénytársaság, Budapest (Aegon Hungary Composite Insurance Co.);

Aegon Towarzystwo Ubezpieczeń na Życie Spółka Akcyjna, Warsaw (Aegon Poland Life);

Aegon Powszechne Towarzystwo Emerytaine Spólka Akcyjna, Warsaw (Aegon Poland Pension Fund Management Co.);

Aegon Emeklilik ve Hayat A.Ş., Istanbul (Aegon Turkey);

Aegon Pensii Societate de Administrare a Fondurilor de Pensii Private S.A., Cluj (Aegon Romania Pension Administrator Co.);

Aegon Poji tovna, a.s., Prague (Aegon Czech Life);

Aegon ivotná poist ovňa, a.s., Bratislava (Aegon Slovakia Life); and

Aegon, d.s.s., a.s., Bratislava (Aegon Slovakia Pension Management Co.).

Spain & Portugal

Aegon España S.A.U. de Seguros y Reaseguros, Madrid (Spain);

Aegon Administracion y Servicios A.I.E., Madrid (Spain);

Aegon Activos A.V., S.A., Madrid (Spain);

Aegon Mediacion, S.L.U, Madrid (Spain);

Santander Generales Seguros y Reaseguros, S.A., Madrid (Spain), (51%);

Aegon Santander Portugal Vida Companhia de Seguros de Vida S.A., Lisbon (Portugal), (51%);

Aegon Santander Portugal Não Vida Companhia de Seguros S.A., Lisbon (Portugal), (51%);

Santander Vida Seguros y Reaseguros, S.A., Madrid (Spain), (51%); and

Liberbank Vida y Pensiones, Seguros y Reaseguros, S.A., Oviedo (Spain), (50%).

Asia

Transamerica Life (Bermuda) Ltd., Hamilton (Bermuda);

Aegon Insights Limited, Hong Kong (Hong Kong);

Aegon Sony Life Insurance Co., Tokyo (Japan), (50%);

Aegon THTF Life Insurance Co., Ltd., Shanghai (China), (50%); and

SA Reinsurance Ltd, Hamilton (Bermuda), (50%).

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Asset Management

- Aegon Asset Management Holding B.V., The Hague (The Netherlands);
- Aegon Custody B.V., The Hague (The Netherlands);
- Aegon Asset Management Pan-Europe B.V., The Hague (The Netherlands);
- Kames Capital plc, Edinburgh (United Kingdom);
- TKP Investments B.V., Groningen (The Netherlands);
- Aegon USA Investment Management, LLC, Cedar Rapids (United States);
- Aegon USA Realty Advisors, LLC, Des Moines (United States);
- Aegon Magyarország Befektetési Alapkezelő Zártkörűen Működő Részvénytársaság (Aegon Hungary Asset Management Company ZrtA), Budapest (Hungary);
- Aegon Investment Management B.V, The Hague (The Netherlands);
- Aegon Industrial Fund Management Co., Ltd, Shanghai (China), (49%); and
- La Banque Postale Asset Management, Paris (France), (25%).

For a complete list of related undertakings, please refer to QRT S.32.01.22 Undertakings in scope of the group. A list of Aegon s branches is provided below:

Aegon s branches	Ownership	Trading at town/city	Country
Company name			

Aegon Asia B.V. - Hong Kong Branch	100%	Hong Kong	Hong Kong
Aegon Asset Management Pan-Europe B.V. - Germany Branch	100%	Frankfurt	Germany
Aegon Asset Management Pan-Europe B.V. - Japan Branch	100%	Tokyo	Japan
Aegon Asset Management Pan-Europe B.V. - Spain Branch	100%	Madrid	Spain
Aegon CEE B.V., Hungarian Branch Office	100%	Budapest	Hungary
Aegon Industrial Fund Management Co., LTD, Beijing Branch	100%	Beijing	China
Aegon Industrial Fund Management Co., LTD, ShenZhen Branch	100%	ShenZhen	China
Aegon Industrial Fund Management Co., LTD, Xiamen Branch	100%	Xiamen	China
Aegon Insights Limited - Singapore Branch	100%	Singapore	Singapore
Aegon Ireland plc. - German Branch	100%	Frankfurt am Main	Germany
Aegon Magyarország Általános Biztosító Zártkörűen Csehországi Fióktelepe - Czech Branch	100%	Prague	Czech Republic
Aegon Magyarország Általános Biztosító Zártkörűen Szlovákiai Fióktelepe - Slovakian Branch	100%	Bratislava	Slovakia
Aegon Ubezpieczenia Majątkowe Oddział w Polsce Zakładu Aegon Magyarország Általános Biztosító Spółka Akcyjna w Budapeszcie - Polish Branch	100%	Chorzów	Poland
Aegon UK Corporate Services Limited - Irish Branch	100%	Dublin	Ireland
S.C. Aegon Towarzystwo Ubezpieczeń na Życie S.A. Varsovia-Sucursala Floresti - Romanian Branch	100%	Floresti	Romania
TLIC-UK Branch Office	100%	Edinburgh	Scotland
Transamerica Life (Bermuda) Ltd. - Hong Kong Branch	100%	Hong Kong	Hong Kong
Transamerica Life (Bermuda) Ltd. - Singapore Branch	100%	Singapore	Singapore

A.1.6 Material lines of business and material geographical areas

Below is an overview, region by region, of Aegon s different business units and the material lines of business tha they provide.

Americas

Life

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

Accident & health

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

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Mutual funds

Wide range of specialized mutual funds, including asset allocation, US equity, global/international equity, alternative investments, hybrid allocation, fixed income and target date funds.

Retirement plans

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

Variable annuities

Variable annuities allow the holder to accumulate assets for retirement on a tax-deferred basis and to participate in equity or bond market performance, in addition to receiving one of many payout options designed to provide income in retirement.

Fixed annuities

Fixed annuities allow customers to make a lump-sum payment or a series of payments and receive income in the form of periodic payments that can begin immediately or after a period of time.

Stable value solutions

Synthetic Guaranteed Investment Contracts (GICs) in the United States offered primarily to tax-qualified institutional entities such as 401(k) plans and other retirement plans.

Brazil

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

Mexico

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

Europe

The Netherlands

Life

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

Pensions

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

Non-life

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

Distribution

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

United Kingdom

Life

Individual protection products, such as term insurance, critical illness, income protection and international/offshore bonds.

Pension

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

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17 Business and performance **Business**

Central & Eastern Europe

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

Spain & Portugal

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

Asia

High net worth businesses

Life insurance marketed to high-net-worth individuals in Hong Kong and Singapore.

Aegon Insights

Full range of direct insurance solutions from product design, customer analytics insights, marketing campaign design and multi-channel product distribution to policy administration and claims management.

Strategic partnerships

Joint ventures in China and India offering (term) life insurance and savings products, and in Japan offering variable annuities.

Aegon Asset Management

Americas

Investment products covering third-party customers, insurance-linked solutions, and Aegon s own insurance companies.

The Netherlands

Investment products covering third-party customers, insurance-linked solutions, and Aegon s own insurance companies in addition to manager selection and tailored advice on balance sheet solutions for the pension market.

United Kingdom

Fixed income, equities, real estate and multi-asset solutions to Aegon s own insurance companies as well as external UK and international customers.

Rest of the world

Asset management activities in Central & Eastern Europe and Spain & Portugal and distribution in Asia.

Strategic partnerships

China

Aegon Asset Management owns 49% of the shares of Aegon Industrial Fund Management Company, a Shanghai-based asset manager.

France

Aegon Asset Management has a strategic asset management partnership with La Banque Postale through its 25% equity stake in La Banque Postale Asset Management.

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18 Business and performance **Business**

A.1.7 Results of operations

Results 2017 (IFRS-EU)

Underlying earnings geographically

Amounts in EUR millions	**2017**	2016	%
Net underlying earnings	**1,543**	**1,483**	4
Tax on underlying earnings	559	429	30
Underlying earnings before tax geographically			
Americas	1,381	1,249	11
The Netherlands	520	534	(2)
United Kingdom	116	59	98
Central & Eastern Europe	67	55	20
Spain & Portugal	4	8	(47)
Europe	707	655	8
Asia	49	21	131
Asset Management	136	149	(9)
Holding and other activities	(170)	(162)	(5)
Underlying earnings before tax	**2,103**	**1,913**	**10**
Fair value items		(645)	100
Gains / (losses) on investments	413	340	21
Net impairments	(39)	(54)	28
Other income / (charges)	(68)	(771)	91
Run-off businesses	30	54	(45)
Income before tax (excluding income tax from certain proportionately consolidated joint ventures and associates)	**2,437**	**836**	**192**
Income tax from certain proportionately consolidated joint ventures and associates included in income before tax	44	31	45
Income tax	(76)	(250)	69
Of which Income tax from certain proportionately consolidated joint ventures and associates included in income before tax	(44)	(31)	(45)
Net income	**2,361**	**586**	**n.m.**
Commissions and expenses	6,309	6,696	(6)
of which operating expenses	3,878	3,764	3

New life sales

Amounts in EUR millions	**2017**	2016	%
Americas	472	542	(13)
The Netherlands	99	111	(11)
United Kingdom	37	66	(44)
Central & Eastern Europe	88	83	6
Spain & Portugal	48	39	23
Europe	273	299	(9)
Asia	151	128	18
Total recurring plus 1/10 single	**896**	**969**	**(8)**

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Gross deposits (on and off balance)

Amounts in EUR millions	**2017**	**2016**	**%**
Americas	38,543	40,881	(6)
The Netherlands	8,061	6,686	21
United Kingdom	35,896	5,791	n.m.
Central & Eastern Europe	323	265	22
Spain & Portugal	36	31	15
Europe	44,316	12,773	n.m.
Asia	222	304	(27)
Asset Management	61,332	46,366	32
Total gross deposits	**144,412**	**100,325**	**44**

Net deposits (on and off balance)

Amounts in EUR millions	**2017**	2016	%
Americas	(29,713)	(1,015)	n.m.
The Netherlands	1,067	1,909	(44)
United Kingdom	4,665	(846)	n.m.
Central & Eastern Europe	176	176	
Spain & Portugal	13	20	(37)
Europe	5,921	1,260	n.m.
Asia	129	259	(50)
Asset Management	6,913	2,964	133
Total net deposits excluding run-off businesses	**(16,750)**	**3,468**	**n.m.**
Run-off businesses	(338)	(759)	55
Total net deposits / (outflows)	**(17,088)**	**2,709**	**n.m.**

rldwide revenues

graphically 2017

ounts in EUR millions	Americas	The Nether-lands	United King-dom	Central & Eastern Europe	Spain & Portu-gal	*Europe*	Asia	Asset Man-age-ment	Holding, other activities and elimina-tions	Seg-ment total	Associ-ates and Joint Ventures elimina-tions	Con sol date
l life insurance gross niums	7,437	1,857	9,603	411	208	*12,079*	983		(1)	20,498	(546)	19,9
ident and health insurance niums	2,115	203	32	1	83	*319*	97			2,531	(20)	2,5

eral insurance premiums		148		216	103	*467*			(0)	466	(103)	3
al gross premiums	**9,553**	**2,208**	**9,635**	**628**	**394**	*12,865*	**1,080**		**(2)**	**23,496**	**(670)**	**22,8**
estment income	3,368	2,172	1,517	49	37	*3,774*	246	4	5	7,396	(58)	7,3
s and commission income	1,919	326	235	43	17	*621*	63	609	(221)	2,991	(189)	2,8
er revenue	5				3	*3*	1		4	13	(5)	
al revenues	**14,844**	**4,706**	**11,387**	**720**	**450**	*17,263*	**1,390**	**613**	**(214)**	**33,895**	**(922)**	**32,9**
nber of employees, uding agent employees	10,951	3,089	3,435	2,337	610	*9,471*	6,025	1,500	371	28,318		

Underlying earnings before tax by line of business

Amounts in EUR millions	**2017**	2016	%
Life	939	779	21
Individual Savings & Retirement	520	534	(3)
Pensions	603	555	8
Non-life	64	34	85
Asset management	136	149	(9)
Other	(158)	(139)	(14)
Underlying earnings before tax	**2,103**	**1,913**	**10**

Net income

Net income amounted to EUR 2,361 million in 2017 driven by underlying earnings before tax of EUR 2,103 million, realized gains and an effective tax rate of only 3% as a result of a benefit related to US tax reform.

Underlying earnings before tax

Aegon s underlying earnings before tax increased compared with 2016 to EUR 2,103 million in 2017. This was mainly driven by expense reductions, an improvement in claims experience in the Americas, and higher fee revenue resulting from favorable equity market performance.

Underlying earnings before tax from the Americas increased compared with 2016 to EUR 1,381 million in 2017. Expense reductions, an improvement in claims experience, and higher fee revenue resulting from favorable equity market performance more than offset net outflows.

In Europe, underlying earnings before tax in 2017 increased by 8% compared with 2016 to EUR 707 million. This was mainly driven by higher fee income in the United Kingdom compared with 2016 from favorable equity markets and net inflows. In addition, the inclusion of Cofunds in 2017 led to higher underlying earnings before tax compared with 2016.

In Asia, underlying earnings before tax increased in 2017 compared with 2016 to EUR 49 million as a result of increased underlying earnings before tax from the High Net Worth business, Aegon Insights and the Strategic Partnership in China. This was in part driven by lower expenses compared with 2016 as well as favorable mortality experience, favorable persistency and favorable intangible adjustments related to anticipated investment yields.

Underlying earnings before tax from asset management decreased by 9% in 2017 compared with 2016 to EUR 136 million. This decline was mainly driven by lower underlying earnings before tax from the United Kingdom due to lower management fees.

Total holding costs amounted to EUR 170 million in 2017 compared with EUR 162 million in 2016 impacted by regulatory projects.

Fair value items

The results from fair value items amounted to nil in 2017. EUR 170 million fair value gains in the United States in 2017 were driven by positive results on hedging programs and the outperformance of real estate investments. These positive results on hedging programs were the result of favorable equity market movements and reflect changes made to the macro equity hedge program throughout 2017 to a 100% option-based program. Fair value losses in Europe amounted to EUR 194 million, as gains on real estate investments in the Netherlands were more than offset by a fair value loss on the guarantee provision in the Netherlands, as well as negative fair value changes on equity hedges in the United Kingdom, and interest rate hedges in the Netherlands to protect Aegon s capital position. Gains on interest rate swaps were the main driver of the EUR 24 million fair value gains in 2017 at the holding.

Realized gains on investments

Realized gains on investments amounted to EUR 413 million in 2017 and were primarily related to normal trading activity, the sale of an equity investment in the United States, and gains on bonds to optimize the general account investment portfolio in the Netherlands and the United Kingdom.

Impairment charges

Net impairments of EUR 39 million in 2017 primarily related to a single commercial mortgage loan in the United States and loan loss provisions in connection to growing consumer loan origination in the Netherlands.

Other income/charges

Other charges amounted to EUR 68 million in 2017. The book gains on the divestments of UMG (EUR 208 million) and the majority of the run-off businesses in the Americas (EUR 231 million) were more than offset by the loss on the divestment of an additional block of life reinsurance business in the Americas (EUR 105 million), charges related to assumption changes and model updates (EUR 276 million), a provision in anticipation of a possible settlement in connection with an investigation by the US Securities

and Exchange Commission at Aegon s Asset Management business in the United States (EUR 85 million), and restructuring and integration charges.

Run-off businesses

The results of run-off businesses declined compared with 2016 to EUR 30 million in 2017, mainly as a result of the divestment of the majority of the run-off businesses.

Income tax

Income tax amounted to a charge of EUR 76 million in 2017, and included a EUR 554 million one-time benefit from US tax reform driven by a reduction in net deferred tax liabilities. As a result of this benefit and the tax exempt gain on the sale of UMG, the effective tax rate on total income for 2017 amounted to 3%. The effective tax rate on underlying earnings before tax amounted to 27%.

Commissions and expenses

Commissions and expenses decreased by 6% compared with 2016 to EUR 6.3 billion in 2017, mainly driven by lower sales of life and annuity products in the United States. Operating expenses increased by 3% compared with 2016 to EUR 3.9 billion in 2017. Expense savings were more than offset by higher expenses associated with the acquisitions of Cofunds and BlackRock s defined contribution business in the United Kingdom.

Production

Compared with 2016, gross deposits in 2017 were up by 44% to EUR 144.4 billion, driven by higher gross deposits in Asset Management and the acquisition of Cofunds. Net outflows amounted to EUR 17.1 billion as inflows in Asset Management and the United Kingdom were more than offset by contract discontinuances from the business acquired from Mercer. These outflows were in line with the guidance provided in 2017, and are driven by the conversion of customers to the Transamerica recordkeeping platform. New life sales declined by 8% compared with 2016 to EUR 896 million in 2017, mostly driven by lower indexed universal life and term life production in the United States and the sale of the annuity business in the United Kingdom, which more than offset the increase in sales in Asia driven by the continued success of the whole life critical illness product. New premium production for accident & health and general insurance decreased by 7% compared with 2016 to EUR 885 million in 2017, mainly as product exits and lower supplemental health sales in the United States more than offset increased general insurance production supported by a portfolio acquisition in Hungary.

A.1.8 Related party transactions

This section provides information about the material transactions during the reporting period with Aegon s shareholders, with persons who exercise a significant influence on Aegon and with members of the administrative, management or supervisory body. The second part of this section provides information on relevant operations and transactions within the Group.

Material transactions with shareholders

Referring to section A.1.3 Holders of qualifying holdings, Aegon largest and only material holder of qualifying holdings is Vereniging Aegon. All other qualifying holdings in Aegon are less than 10% and considered not having significant influence over the management of the company. The transactions with Vereniging Aegon during the financial year 2017 were:

On December 19, 2017, Aegon N.V. repurchased 13,042,592 common shares B from Vereniging Aegon for the amount of EUR 1,725,169.73 based on 1/40th of the Value Weight Average Price of the common shares of the five trading days preceding this transaction. The repurchase of common shares B was executed to align the aggregate shareholding of Vereniging Aegon in Aegon N.V. with its special cause voting rights of 32.6% following the completion of the Share Buy Back Program, initiated by Aegon N.V. in October 2017 to neutralize the dilutive effect of the distribution of final dividend 2016 in stock and interim dividend 2017 in stock.

On June 23, 2017, Vereniging Aegon exercised its options rights to purchase in aggregate 13,042,612 common shares B at fair value of a common share B (being 1/40th of the market value of a common share in the capital of the Company at the time of issuance) to mitigate dilution caused by Aegon s issuance of shares on June 23, 2017, being the final dividend 2016 in the form of stock dividend; and

On May 19, 2017, Vereniging Aegon exercised its options rights to purchase in aggregate 1,979,260 common shares B at fair value of a common share B (being 1/40th of the market value of a common share in the capital of the Company at the time of issuance) to mitigate dilution caused the issuance of shares on May 19, 2017, in connection with the Long Term Incentive Plans for senior management.

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Material transactions with persons who exercise a significant influence on the undertaking

There are no material transactions with other persons who exercise a significant influence on the undertaking.

Relevant operations and transactions within the Group

Aegon facilitates intra-group transactions (IGTs) to support intra group efficiencies, including optimizing economies of scale, processes, liquidity and capital management. Due to the nature of these activities, there is interaction with business units and affiliates within the Group, resulting in a diverse set of IGTs. These include amongst other intercompany loans, derivatives, guarantees, internal reinsurance and capital injections. Aegon s IGT Policy establishes definitions, governance, reporting and monitoring of IGTs ensuring a consistent standard of IGT usage across the Aegon Group for new and existing IGTs. All IGTs are further covered by the Aegon Global Transfer Pricing policy in order to ensure compliance with the internationally accepted at arm s length principle, which dictates that related entities transact with each other as if they are third parties.

Loans

Aegon utilizes intercompany loans for operational liquidity and capital purposes. Within the Group, the following material uncollateralized intra-group loans are granted:

Loans granted by Aegon N.V. to Transamerica Corporation, for an amount of EUR 2,172 million (2016: EUR 3,666 million), to finance activities in the US;

Loans granted by Coöperatieve Aegon Financieringsmaatschappij U.A. (Coop) to Transamerica Corporation for an amount of EUR 333 million (2016: EUR 662 million), to finance activities in the US;

Loans granted by Aegon Funding Company LLC to Transamerica Corporation, for an amount of EUR 416 million (2016: nil), to finance activities in the US;

Loans granted by Aegon Global Investment Fund B.V. to Aegon Nederland N.V. for an amount of EUR 2,500 million (2016: EUR 2,692 million, classified as current account balance);

Loans granted by Aegon Levensverzekering N.V. to Aegon Hypotheken B.V. for an amount of EUR 510 million (2016: nil), to finance the issuing of mortgages;

A subordinated loan granted by Aegon Nederland N.V. to Aegon Levensverzekering N.V. for an amount of EUR 600 million (2016: EUR 636 million) to provide Aegon Levensverzekering N.V. with capital; and

A loan granted by Optas Pensioenen N.V. to Aegon Nederland N.V. for an amount of EUR 850 million (2016: EUR 850 million).

Derivatives

Aegon Derivatives N.V., a 100% pass-through vehicle, centralizes and mitigates counterparty risk related to the use of OTC derivatives across the Aegon Group in one entity. Primarily European entities (except UK domiciled entities), make use of Aegon Derivatives N.V. In addition, foreign exchange derivatives are centrally managed within Aegon N.V. ensuring netting advantages. As of December 31, 2017, the net (credit) exposure on the abovementioned internal arrangements was limited as most of these are supported by collateral arrangements.

Guarantees

Aegon N.V. and its subsidiaries provide guarantees for performance under contracts for certain aspects of the business transacted within the group. The agreements include, but are not limited to, letters of credit, (re)insurance contracts, maintenance of liquidity, capital and net worth. The performance of the various entities under the terms of the agreements are regularly assessed to ensure that the entity has sufficient resources on a best estimate basis to meet the obligations guaranteed under the agreement. As a result there is minimum exposure for these guarantees to the group.

Internal reinsurance

Subsidiaries of Aegon N.V. enter into reinsurance agreements in the normal course of business to (among other reasons), pool risks, improve group diversification, facilitate higher group risk retention for smaller units and efficiently manage capital. All transactions are executed with the arm s length principle and in accordance with the Aegon Global Transfer Pricing Framework. In many cases, the reinsurance is supported by trusts, funds withheld and / or letters of credit. Any exposure above these amounts are assessed based on Aegon N.V. s IGT policy to ensure the exposure is within policy limits. As of December 31, 2017, there are no exposures greater than the policy levels set for affiliated reinsurance.

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Capital injections

Capital injections are done to strengthen the capital position of the legal entities making the request and are typically provided by the centrally-managed Dutch holding companies. In the third quarter of 2017, EUR 1 billion was injected in Aegon s Dutch business.

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A.2 Underwriting performance

ting performance by line of business	**2017**				2016		
n EUR millions	**Group**	**Life**	**Non-Life**	**Other[1)]**	Group	Life	Non-Life
income	**22,826**	**19,952**	**2,874**		23,453	20,400	3,053
s paid to reinsurers	**3,431**	**3,214**	**217**		3,176	2,932	244
der claims and benefits	**45,599**	**43,455**	**2,144**		41,974	39,620	2,354
ons and expenses							
ons	2,661	2,278	590	(208)	2,929	2,495	662
expenses	3,658	2,478	484	696	3,560	2,363	513
xpenses	(980)	(905)	(74)		(1,203)	(1,110)	(92)
ion of intangibles	586	504	82		1,065	978	83
nmissions and expenses	**5,925**	**4,355**	**1,081**	**488**	**6,351**	**4,726**	**1,166**

Holding and Asset Management.

ting performance by geographical area	**2017**					2016			
n EUR millions	**Group**	**Americas**	**The Netherlands**	**United Kingdom**	**Other[1)]**	Group	Americas	The Netherlands	United Kingdom
income	**22,826**	**9,383**	**2,208**	**9,635**	**1,600**	23,453	9,433	2,491	9,924
s paid to reinsurers	**3,431**	**2,996**	**16**	**369**	**50**	3,176	2,609	13	593
der claims and benefits	**45,599**	**25,407**	**3,096**	**15,616**	**1,480**	41,974	15,497	5,713	18,874
ons and expenses									
ons	2,661	2,392	110	139	19	2,929	2,613	149	175
expenses	3,658	1,537	818	546	757	3,560	1,609	821	394
xpenses	(980)	(760)	(11)	(62)	(146)	(1,203)	(970)	(11)	(79)
ion of intangibles	586	336	27	134	89	1,065	761	32	177
nmissions and expenses	**5,925**	**3,505**	**944**	**757**	**719**	**6,351**	**4,013**	**991**	**667**

[1] includes all other businesses except for Americas, NL and UK.

Premium income

Americas total premium income for the year 2017 amounted to EUR 9.4 billion (2016: EUR 9.4 billion) and is comprised of recurring premiums for an amount of EUR 8.8 billion (2016: EUR 8.9 billion) and single premiums for an amount of EUR 0.6 billion (2016: EUR 0.6 billion). The main lines of businesses contributing to Americas total premium income are Life for EUR 6.4 billion (2016: EUR 6.4 billion) and Individual Savings & Retirement for EUR 1.4 billion (2016: EUR 1.3 billion). Premiums related to run-off business for the Americas amounted to EUR 1.6 billion (2016: EUR 1.7 billion), and were mainly driven by the run-off for Life reinsurance.

Total premium income of Aegon the Netherlands amounted to EUR 2.2 billion (2016: EUR 2.5 billion) and almost entirely reflects recurring premiums. Most of Aegon the Netherlands premium income relates to the Pensions EUR 1.3 billion (2016: EUR 1.3 billion) and Life business EUR 0.6 billion (2016: EUR 0.7 billion), both reported in the Life segment, and the Non-life segment with EUR 0.4 billion (2016: EUR 0.5 billion). The decrease in premium income compared to 2016 is caused by the decrease in premium income in all business lines.

Total premium income of Aegon UK amounted to EUR 9.6 billion (2016: EUR 9.9 billion) of which EUR 2.5 billion (2016:

EUR 2.8 billion) relates to recurring premiums and EUR 7.1 billion (2016: EUR 7.2 billion) to single premiums (including premiums related to insurance policies upgraded to the retirement platform in the UK (EUR 5.1 billion (2016: EUR 5.3 billion)). Most of Aegon UK s premium income relates to the Pensions business (EUR 9.3 billion (2016: EUR 9.3 billion)). The decrease in premium income compared to 2016 is driven by Life, as the total premium income for Life decreased by EUR 0.3 billion compared to 2016.

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25 Business and performance **Underwriting performance**

Commissions and expenses

In 2017, commissions and expenses in the Americas decreased by 13% compared with 2016 to EUR 3.5 billion (2016: EUR 4.0 billion). Operating expenses in the Americas decreased by 4% compared with 2016 to EUR 1.5 billion in 2017 (2016: EUR 1.6 billion) as a result of expense savings, which were partly offset by investments in business transformation and project expenses.

Commissions and expenses in the Netherlands decreased by 5% compared with 2016 to EUR 944 million (2016: EUR 991 million) in 2017. Operating expenses in the Netherlands were down by 1% compared with 2016 to EUR 818 million (2016: EUR 821 million) in 2017, reflecting the sale of UMG. Expense savings in the insurance businesses were more than offset by investments in growth.

Commissions and expenses in the UK increased by 14% compared with 2016 to EUR 757 million (2016: EUR 667 million) in 2017. Operating expenses in the UK increased by 39% compared with 2016 to EUR 546 million (2016: EUR 394 million) in 2017, mainly due to the inclusion of Cofunds and integration related activities.

Policyholder claims and benefits

Total policyholder claims and benefits amounted to EUR 45.6 billion in 2017 compared to EUR 42.0 billion in 2016. The increase of EUR 3.6 billion is mainly attributable to changes in the valuation of liabilities of insurance contracts (2017: EUR 22.7 billion and 2016: EUR 16.2 billion) and investment contracts (2017: EUR (2.6) billion) and (2016: EUR (0.1) billion).

The changes in valuation of liabilities for insurance contracts and investment contracts reflect changes in technical provisions resulting from net fair value changes on financial assets for account of policyholder included in results from financial transactions of EUR 20,524 million (2016: EUR 15,121 million) (please see section A.3.2 Investment related results and impairments). In addition, the change in valuation of liabilities for insurance contracts includes an increase in technical provisions for life insurance contracts of EUR 601 million (2016: increase of EUR 2,349 million).

Total claims and benefits paid amounted to EUR 25.5 billion (2016: EUR 25.9 billion) and is comprised of claims and benefits paid for Aegon s life business amounting to EUR 23.6 billion (2016: EUR 23.9 billion) and claims and benefits paid for Aegon s non-life business amounting to EUR 1.9 billion (2016: EUR 2.1 billion).

Of the total policyholder claims and benefits of EUR 45.6 billion (2016: EUR 42.0 billion), EUR 25.4 billion (2016:

EUR 15.5 billion) relates to the Americas, EUR 3.1 billion (2016: EUR 5.7 billion) to the Netherlands and EUR 15.6 billion (2016: EUR 18.9 billion) to the UK.

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A.3 Investment performance

Investment performance recognized in income statement			
Amounts in EUR millions	**Note**	**2017**	2016
Investment income	**A.3.1**	7,338	7,788
Results from financial transactions	**A.3.2**	20,108	15,949
Gains/(losses) on investments [1)]	**A.3.2**	413	340
Net impairments	**A.3.2**	(39)	(54)

1 This relates to realized gains/(losses) on investments which are included in the line Results from financial transactions.

The following sections will provide more detail about Aegon s investment income in general and by asset class (section A.3.1) and its investment related results and impairments (section A.3.2). Section A.3.3 provides information about Aegon s gains and losses of investments recognized directly in equity. Finally, the last section A.3.4 provides information about Aegon s investments in securitizations.

A.3.1 Investment income

Aegon Americas is the largest contributor to the investment income with EUR 3,368 million (2016: EUR 3,717 million). Aegon Americas is followed by Aegon the Netherlands, EUR 2,172 million (2016 :EUR 2,135 million), and Aegon UK with EUR 1,517 million (2016: EUR 1,661 million).

Most of Aegon s investment income relates to investment income related to general account investments for an amount of EUR 5,394 million (2016: EUR 5,737 million), while the investment income for account of policyholders amounted to EUR 1,944 million (2016: EUR 2,051 million), mainly due to the fact that the investments for account of policyholders are on a fair value through profit or loss (FVTPL) basis.

Investment income by asset class

For interest-bearing assets, interest is recognized as it accrues and is calculated using the effective interest rate method. Fees and commissions that are an integral part of the effective yield of the financial assets or liabilities are recognized as an adjustment to the effective interest rate of the instrument. Investment income includes the interest income and dividend income on financial assets carried at fair value through profit or loss. Investment income also includes rental income due.

	2017				**2016**			
Investment Income by asset class	**Interest**	**Dividend**	**Rental**		Interest	Dividend	Rental	
Amounts in EUR millions	**income**	**income**	**income**	**Total**	income	income	income	Total
Shares		1,164		1,164		1,180		1,180

Debt securities and money market instruments	4,248			4,248	4,838			4,838
Loans	1,686			1,686	1,752			1,752
Real estate			121	121			129	129
Other	119			119	(111)			(111)
Total	**6,052**	**1,164**	**121**	**7,338**	**6,479**	**1,180**	**129**	**7,788**

Included in interest income is EUR 190 million (2016: EUR 230 million) in respect of interest income accrued on impaired financial assets. The interest income on financial assets that are not carried at fair value through profit or loss amounted to EUR 5,056 million (2016: EUR 5,642 million).

Most of Aegon s investment income relates to debt securities and money market instruments, namely EUR 4,248 million (2016: EUR 4,838 million), which represent 58% (2016: 62%) of total investment income. The expenses related to debt securities and money market instruments mainly consisted of transaction costs. As the transaction costs are included in the fair value at the date of recognition, these are not separately disclosed.

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A.3.2 Investment related results and impairments

First, this section will provide more information about Aegon s results from financial transactions amounting to EUR 20,108 million (2016: EUR 15,949 million), followed by its gains/(losses) on investments amounting to EUR 413 million (2016: EUR 340 million). Finally, information about Aegon s net impairments is provided, amounted to EUR (39) million (2016: EUR (54) million).

Results from financial transactions

The income arising from financial transactions during the years 2017 and 2016 comprises of:

Results from financial transactions		
Amounts in EUR millions	**2017**	2016
Net fair value change of General Account investments at FVtPL other than derivatives	232	(42)
Realized gains and losses on financial investments	431	327
Gains and (losses) on investments in real estate	193	70
Net fair value change of derivatives	(1,301)	435
Net fair value change of policyholder assets at FVtPL	20,524	15,121
Net fair value change of investments in real estate for policyholder	38	(26)
Net foreign currency gains and (losses)	(20)	41
Net fair value change on borrowing and other financial liabilities	10	21
Realized gains and (losses) on repurchased debt	1	1
Total results from financial transactions	**20,108**	**15,949**

The net fair value change on for account of policyholder financial assets amounted to EUR 20,524 million in 2017 (2016: EUR 15,121 million) and is driven by favorable equity markets results, which were partly offset by losses from interest rates movements. Net fair value changes on for account of policyholder financial assets at fair value through profit or loss are offset by changes in technical provisions reported as part of the lines Change in valuation of liabilities for insurance contracts and Change in valuation of liabilities for investment contracts.

Realized gains/(losses) on investments

Realized gains on investments amounted to EUR 413 million in 2017 (2016: EUR 340 million) and were primarily related to normal trading activity, the sale of an equity investment in the United States, and gains on bonds to optimize the general account investment portfolio in the Netherlands and the United Kingdom.

Net impairments

Net impairments amounted to EUR (39) million in 2017 (2016: EUR (54) million), and were primarily related to a single commercial mortgage loan in the United States and loan loss provisions in connection to growing consumer loan investments in the Netherlands.

A.3.3 Gains and losses recognized directly in equity

This section provides information about the gains and losses of investments recognized directly in equity. The gains and losses of investments recognized directly in equity consist of the unrealized gains or losses of available-for-sale investments.

Items that may be reclassified subsequently to profit and loss		
Amounts in EUR millions	**2017**	2016
Gains/(losses) on revaluation of available-for-sale investments	1,283	854
(Gains)/losses transferred to income statement on disposal and impairment of available-for-sale investments	(1,330)	(2,122)

Gains on revaluation of available-for-sale investments amounted to EUR 1,283 million (2016: EUR 854 million) reflecting favorable markets resulting in credit spreads tightening and an overall positive revaluation of available-for-sale investments.

As of December 2017, gains transferred to the income statement on disposal and impairment of available-for-sale investments amounted to EUR (1,330) million (2016: EUR (2,122) million) and reflect the sale in the US of our pay-out annuity and BOLI/ COLI business.

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A.3.4 Investments in securitization

This section provides information about any of Aegon s investments in securitizations.

Residential mortgage-backed securities

Aegon Americas, Aegon the Netherlands and Aegon UK hold EUR 3,557 million (December 31, 2016: EUR 4,162 million) of residential mortgage-backed securities available-for-sale (RMBS), of which EUR 2,985 million (December 31, 2016: EUR 3,494 million) is held by Aegon Americas, EUR 556 million (December 31, 2016: EUR 649 million) by Aegon the Netherlands, and EUR 17 million (December 31, 2016: EUR 19 million) by Aegon UK. Residential mortgage-backed securities are securitizations of underlying pools of non-commercial mortgages on real estate. The underlying residential mortgages have varying credit characteristics and are pooled together and sold in tranches. The following table shows the breakdown of Aegon USA s RMBS available-for-sale (AFS) portfolio.

AFS RMBS by quality					**2017**		
Amounts in EUR millions	**AAA**	**AA**	**A**	**BBB**	**<BBB**	**Total amortized cost**	**Total fair value**
GSE guaranteed	1,025	270				1,295	1,298
Prime jumbo				5	124	130	136
Alt-A		33	20	8	277	337	437
Negative amortization floaters					502	502	584
Other housing		9	17	30	397	453	530
At December 31, 2017	**1,025**	**312**	**37**	**43**	**1,300**	**2,717**	**2,985**
Of which insured			24	5	146	175	166

AFS RMBS by quality					2016		
Amounts in EUR millions	AAA	AA	A	BBB	<BBB	Total amortized cost	Total fair value
GSE guaranteed	771	500				1,272	1,271
Prime jumbo		1	1	11	170	182	194
Alt-A		39	27	11	403	479	572
Negative amortization floaters				1	679	679	712
Other housing		50	71	43	519	683	745
At December 31, 2016	**771**	**589**	**98**	**65**	**1,771**	**3,295**	**3,494**
Of which insured			43	8	203	254	237

A significant part of Aegon USA s RMBS holdings are rated < BBB, as the issuances took place before the United States housing downturn that started in 2007. Additionally, Aegon USA has investments in RMBS of EUR 40 million (December 31, 2016: EUR 89 million), which are classified as fair value through profit or loss.

For more information about Aegon s residential mortgage-backed securities, reference is made to pages 193-195 of the consolidated Annual Report 2017 of Aegon N.V.

Commercial mortgage-backed securities

As of December, 31, 2017, Aegon Americas, Aegon the Netherlands and Aegon UK hold EUR 3,549 million (December 31, 2016: EUR 5,579 million) of AFS commercial mortgage-backed securities (CMBS), of which EUR 3,375 million (December 31, 2016: EUR 5,340 million) is held by Aegon USA, EUR 146 million (December 31, 2016: EUR 195 million) by Aegon UK and EUR 28 million (December 31, 2016: EUR 44 million) by Aegon the Netherlands. CMBS are securitizations of underlying pools of mortgages on commercial real estate. The underlying mortgages have varying risk characteristics and are pooled together and sold in different rated tranches. The company s CMBS include conduit, large loan, single borrower, commercial real estate collateralized debt obligations (CRE CDOs), collateralized debt obligations (CDOs), government agency, and franchise loan receivable trusts.

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The total gross unrealized loss on available-for-sale CMBS of Aegon Americas amounted to EUR 22 million as of December 31, 2017 (December 31, 2016: EUR 67 million). The total net unrealized gain on the available-for-sale CMBS as of December 31, 2017, is EUR 81 million (December 31, 2016: EUR 87 million), of which EUR 36 million (December 31, 2016: EUR 34 million) relates to positions of Aegon USA, followed by Aegon UK at EUR 44 million. CMBS fundamentals remain supportive with commercial property prices above their prior peak. Commercial real estate valuation increases have slowed. The delinquency rate has started to fall as loan resolutions outpace new defaults and positive net supply increases the total outstanding balance. Liquidity remains reasonable for the CMBS market; however, credit spreads on legacy subordinate CMBS tranches remain at wide levels.

The tables below summarize the credit quality of Aegon USA s available-for-sale (AFS) CMBS portfolio. Additionally, Aegon USA has no investments in CMBS (December 31, 2016: EUR nil), which are classified as fair value through profit or loss.

CMBS by quality				**2017**			
Amounts in EUR millions	**AAA**	**AA**	**A**	**BBB**	**<BBB**	**Total amortized cost**	**Total fair value**
CMBS	2,626	559	63	3	84	3,335	3,372
CMBS and CRE CDOs					4	4	3
At December 31, 2017	**2,626**	**559**	**63**	**3**	**88**	**3,339**	**3,375**

CMBS by quality				2016			
Amounts in EUR millions	AAA	AA	A	BBB	<BBB	Total amortized cost	Total fair value
CMBS	4,295	688	141	73	105	5,301	5,337
CMBS and CRE CDOs					5	5	3
At December 31, 2016	**4,295**	**688**	**141**	**73**	**110**	**5,306**	**5,340**

For more information about Aegon s commercial mortgage-backed securities, reference is made to pages 195-196 of the 2017 Annual Report of Aegon N.V.

Asset-backed securities

Aegon Americas, Aegon the Netherlands and Aegon UK hold EUR 4,314 million (December 31, 2016: EUR 6,188 million) of AFS ABS instruments of which EUR 2,429 million (December 31, 2016: EUR 3,377 million) is held by Aegon USA, EUR 1,799 million (December 31, 2016: EUR 2,714 million) by Aegon the Netherlands and EUR 88 million (December 31, 2016: EUR 97 million) by Aegon UK. Additionally, Aegon Americas has investments in ABS of EUR 10 million (December 31, 2016: EUR 13 million), which are classified as fair value through profit or loss. ABS are securitizations of underlying pools of credit card receivables, auto financing loans, small business loans, bank loans, and other receivables. The underlying assets of the asset backed securities have been pooled together and sold in tranches with varying credit ratings.

The total gross unrealized loss on available-for-sale ABS of Aegon Americas, Aegon the Netherlands and Aegon UK amounted to EUR 15 million as of December 31, 2017 (December 31, 2016: EUR 54 million). Aegon USA has EUR 12 million (December 31, 2016: EUR 44 million) of this gross unrealized loss and Aegon the Netherlands EUR 2 million (December 31, 2016: EUR 10 million). In the United States, increasing investor demand has been met with new issuance in the asset-backed sector. The combination of these factors has led to varied performance by sector with most sectors exhibiting tighter credit spreads over the course of the year. During 2017, the European ABS spreads tightened considerably on the backdrop of a benign macro environment. The majority of European ABS sectors is now trading at their tightest levels since the financial crisis. The more basic sectors are slowly approaching their all-time lows helped by very low issuance volumes and the support of the European Central Bank asset backed securities purchase program. Due to the ample liquidity provided through the different programs of the Central Banks issuance levels for European ABS will remain subdued and in combination with further improving fundamentals this leads to continued downward pressure on spreads going forward.

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The breakdown by quality of the available-for-sale (AFS) ABS portfolio of Aegon USA, Aegon the Netherlands and Aegon UK is as follows:

ABS US, NL and UK				**2017**			
Amounts in EUR millions	**AAA**	**AA**	**A**	**BBB**	**<BBB**	**Total amortized cost**	**Total fair value**
Credit cards	170	19		30		219	229
Autos	226		64	2		292	292
Small business loans			3	6	62	70	74
CDOs backed by ABS, Corp. bonds, Bank loans	1,467	407	224	120	46	2,265	2,281
Other ABS	494	76	738	81	6	1,395	1,438
At December 31, 2017	**2,357**	**503**	**1,029**	**238**	**114**	**4,242**	**4,314**

ABS US, NL and UK				2016			
Amounts in EUR millions	AAA	AA	A	BBB	<BBB	Total amortized cost	Total fair value
Credit cards	482	28	35	30		575	589
Autos	277	9	46	42		375	374
Small business loans		1	7	6	104	118	116
CDOs backed by ABS, Corp. bonds, Bank loans	2,108	790	368	134	94	3,493	3,504
Other ABS	627	165	697	85	22	1,596	1,606
At December 31, 2016	**3,495**	**992**	**1,153**	**296**	**220**	**6,156**	**6,188**

For more information about Aegon s asset-backed securities, reference is made to page 196 of the 2017 Annual Report of Aegon N.V.

A.4 Performance of other activities

A.4.1 Other activities income and expenses

Aegon did not recognize other material income or expenses related to other activities during 2017 (2016: nil).

A.4.2 Material leasing arrangements

Aegon is the lessee

Leases that do not transfer substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases, where the Group is the lessee, are charged to the income statement on a straight line basis over the period of the lease.

In the United States, Aegon owns many of the buildings that the Company uses in the normal course of its business, primarily as offices. Aegon owns 16 offices located throughout the United States with a total square footage of 2 million. Aegon also leases space for various offices located throughout the United States under long-term leases with a total square footage of 1 million.

Other principal offices owned by Aegon are located in The Hague, the Netherlands and Budapest, Hungary. Aegon owns its headquarters and leases other offices in the Netherlands (Hoofddorp, Leeuwarden and Groningen), in the United Kingdom and in Spain under long-term leases. Aegon believes that its properties are adequate to meet its current needs.

Future lease payments

The operating lease obligations relate mainly to office space leased from third parties. The operating lease rights relate to non-cancellable commercial property leases.

Aegon is the lessor

Where the Group is the lessor under an operating lease, the assets subject to the operating lease arrangement are presented in the statement of financial position according to the nature of the asset. Income from these leases are recognized in the income statement on a straight line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

Aegon USA has entered into a commercial property portfolio, consisting of office, retail and industrial buildings. These non-cancellable leases have remaining lease terms up to 20 years. Most leases include a clause to enable upward revision of the rental charge on an annual basis according to either a fixed schedule or prevailing market conditions.

Aegon the Netherlands has entered into long-term residential property leases that can be terminated subject to a short-term notice. Under Dutch law, the maximum annual rent increase on residential property rented in the affordable housing segment is specified by the Dutch national government and equals the annual inflation rate plus a small margin.

Investment in real estate for account of policyholders

As of December 31, 2017. the investment property amounted to EUR 655 million (2016: EUR 686 million) and is leased out under operating leases.

A.5 Any other information

Aegon does not have any other material information regarding its business and performance.

B. System of governance

B.1 General information on the system of governance

B.1.1 Corporate governance

Aegon is governed by three main corporate bodies: the Executive Board, the Supervisory Board, and the General Meeting of Shareholders. The Executive Board is assisted in its work by the Management Board who provides vital support and expertise in safeguarding Aegon s strategic goals. The Supervisory Board has established an Audit Committee, Risk Committee, Remuneration Committee and Nomination and Governance Committee from amongst its members.

B.1.1.1 The Supervisory Board and its committees

Aegon s Supervisory Board oversees the management of the Executive Board, in addition to the Company s business and corporate strategy. The Supervisory Board must take into account the interests of all Aegon stakeholders. The Supervisory Board operates according to the principles of collective responsibility and accountability.

Composition of the Supervisory Board

Members of the Supervisory Board are appointed by the General Meeting of Shareholders, following nomination by the Supervisory Board itself. Aegon aims to ensure that the composition of the Company s Supervisory Board is in line with Aegon s diversity policy for the Supervisory Board, Executive Board and Management Board and is as such well-balanced in terms of professional background, geography, gender and other relevant aspects of the diversity policy. A profile, which is published on aegon.com, has been established that outlines the required qualifications of its members. Supervisory Board members are appointed for a four-year term, and may then be reappointed for another four-year period. Subsequently, the Supervisory Board member can be reappointed again for a period of two years, and then extended by two years at the most. Supervisory Board members are no longer eligible for (re)appointment after reaching the age of 70, unless the Supervisory Board decides to make an exception. Remuneration of the Supervisory Board members is determined by the General Meeting of Shareholders. In 2017, no transactions were concluded between the Company and any of the Supervisory Board members. Furthermore, the Company did not provide loans or issue guarantees to any members of the Supervisory Board. At present, Aegon s Supervisory Board consists of nine members, all of whom qualify as independent in accordance with the Dutch Corporate Governance Code.

Committees

The Supervisory Board also oversees the activities of its committees. These committees are composed exclusively of Supervisory Board members and deal with specific issues related to Aegon s financial accounts, risk management, executive remuneration and appointments. These committees are the:

- Audit Committee;

- Risk Committee;
- Remuneration Committee; and
- Nomination and Governance Committee.

Audit Committee

As Aegon has both an Audit Committee and a Risk Committee, the risk management responsibilities stated in the Dutch Corporate Governance Code are assigned to the Risk Committee. With regard to the oversight of the operation of the risk management framework and risk control systems, including supervising the enforcement of relevant legislation and regulations, the Audit Committee operates in close coordination with the Risk Committee as established by the Board. Certain Board members participate in both committees and a combined meeting of the Audit and Risk Committees is scheduled on an annual basis.

The main role and responsibilities of the Audit Committee are to assist and advise the Supervisory Board in fulfilling its oversight responsibilities regarding:

- The integrity of the consolidated interim and full-year financial statements and financial reporting processes;
- Internal control systems and the effectiveness of the internal audit process; and
- The performance of the external auditors and the effectiveness of the external audit process, including monitoring the independence and objectivity of PwC.

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34 System of governance **General information on the system of governance**

The Audit Committee reports to the Supervisory Board on its activities, identifying any matters about which it considers action or improvements are needed, and making recommendations as to the steps to be taken. For more information about the functioning of the Audit Committee, please see the Audit Committee Charter on aegon.com.

Risk Committee

The main role and responsibilities of the Risk Committee are to assist and advise the Supervisory Board in fulfilling its oversight responsibilities regarding the effectiveness of the design, operation and appropriateness of both the Enterprise Risk Management (ERM) framework and the internal control systems of the Company and the subsidiaries and affiliates that comprise the Aegon Group. This includes:

- Risk strategy, risk tolerance and risk governance;
- Product development and pricing;
- Risk assessment;
- Risk response and internal control effectiveness;
- Risk monitoring;
- Risk reporting;
- Operational risk; and
- Transformation risks

Furthermore, the Risk Committee regularly reviews risk exposures as they relate to capital, earnings and compliance with risk policies. The Company s risk management is an important topic for the Supervisory Board. For more information about the functioning of the Risk Committee, please see the Risk Committee Charter on aegon.com.

Remuneration Committee

The main role and responsibilities of the Remuneration Committee are to advise the Supervisory Board and prepare decisions to be taken by the Board. The Committee is designated to safeguard sound remuneration policies and practices within the Company by overseeing the development and execution of these policies and practices. In order to ensure that the remuneration policies and practices take all types of risks properly into account, in addition to liquidity and capital levels, the Remuneration Committee assesses in particular the remuneration governance processes, procedures and methodologies adopted. Furthermore, the Committee ensures that the overall remuneration policy is consistent with the longer-term strategy of the Company and the longer-term interest of its shareholders, investors and other stakeholders. This includes:

- Reviewing the Aegon Group Global Remuneration Framework and making recommendations on the outcomes;
- Preparing recommendations regarding variable compensation both at the beginning and after the end of the performance year;
- Overseeing the remuneration of the Executive Board, Identified Staff and Heads of Group Control functions; and
- Preparing the information provided to shareholders on remuneration policies and practices, including the Remuneration Report.

Nomination and Governance Committee

The main role and responsibilities of the Nomination and Governance Committee are to assist and advise the Supervisory Board in fulfilling its responsibilities in the areas of Human Resources Management and Corporate Governance. This include:

- Board member and senior management succession planning;
- Drawing up selection criteria and procedures for Board members, together with supervising the selection criteria and procedures for senior management;
- Advising and proposing nominations, appointments and reappointments;
- Reviewing and updating the Supervisory Board profile and charters for the Supervisory Board and its committees;
- Periodically assessing the functioning of individual members of the Supervisory Board and the Executive Board;
- Discussing the annual global employee survey;
- Overseeing the corporate governance structure of the Company, compliance with the Dutch Corporate Governance Code and any other applicable corporate governance legislation and regulations; and

Assessing and advising on the responsible business strategy as part of the corporate strategy, and overseeing the execution of the responsible business strategy.

B.1.1.2 The Executive Board

Aegon s Executive Board is charged with the overall management of the Company and is therefore responsible for achieving

Aegon s aims and developing the strategy and its associated risk profile, in addition to overseeing any relevant sustainability issues and the development of the Company s earnings. Each member has duties related to his or her specific area of expertise.

Aegon s Articles of Association determine that for certain decisions the Executive Board must seek prior approval from the Supervisory Board and/or the approval of the General Meeting of Shareholders. In addition, the Supervisory Board may also subject other Executive Board decisions to its prior approval.

Composition of the Executive Board

Aegon s Executive Board consists of Alexander R. Wynaendts, who is Chief Executive Officer (CEO) and Chairman of the Executive Board, and Matthew J. Rider, who is Chief Financial Officer (CFO), and member of the Executive Board, having been appointed to the Executive Board at the Annual General Meeting of the Company on May 19, 2017.

The number of Executive Board members and their terms of employment are determined by the Company s Supervisory Board. Executive Board members are appointed by the General Meeting of Shareholders for a four-year term, following nomination by the Supervisory Board.

The members of the Executive Board have an engagement agreement with the Company rather than an employment contract. The Company s Remuneration Policy for the Executive Board limits exit arrangements to a maximum of one year of the fixed component of the salary.

B.1.1.3 The Management Board

Aegon s Executive Board is assisted in its work by the Company s Management Board, which has ten members, including the members of the Executive Board.

Composition of the Management Board

Aegon s Management Board is composed of Alex Wynaendts, Matthew J. Rider, Mark Bloom, Adrian Grace, Allegra van Hövell-Patrizi, Marco Keim, Onno van Klinken, Carla Mahieu, Mark Mullin and Sarah Russell.

Role of the Management Board

Aegon s Management Board works in unison with the Executive Board, and helps oversee operational issues and the implementation of Aegon s strategy. Members are drawn from Aegon s business units and from Aegon s global functions. The members have both regional and global responsibilities. This ensures that Aegon is managed as an integrated international business. While the Executive Board is Aegon s sole statutory executive body, the

Management Board provides vital support and expertise in pursuit of the Company s strategic objectives.

In the relation between the Management Board and the Supervisory Board, the CEO shall be the first contact for the Supervisory Board and its Chairman. In addition thereto, and in connection with how the contacts between the Supervisory Board and the Management Board committee have been given shape, the members of the Management Board will act in accordance with the provisions provided therefore in the Management Board Charter, the Executive Board Charter and the Supervisory Board Charter.

B.1.1.4 General Meeting of Shareholders

A General Meeting of Shareholders is held at least once a year and, if deemed necessary, the Supervisory or Executive Board of the Company is able to convene an Extraordinary General Meeting of Shareholders. The main function of the General Meeting of Shareholders is to decide on matters such as the adoption of annual accounts, the approval of dividend payments and (re) appointments to the Supervisory Board and Executive Board of Aegon.

B.1.1.5 Key Functions

A description of the main roles and responsibilities of key functions, as well as their necessary and operational independence is disclosed in section B.2 Fit and proper requirements. Reference is made to sections B.3, B.4, B.5 and B.6 for more details on Aegon s key functions.

B.1.1.6 Material changes in the system of governance

During 2017, there were no material changes to the system of governance. For the changes in the composition of the Supervisory Board and Executive Board during 2017, please refer to page 116 of the Annual Report 2017.

Risk management, internal control systems and reporting procedures

For a description of how the risk management and internal control systems and reporting procedures are implemented consistently, please see section B.4 Internal control system. There were no material changes during 2017 on how the risk management and internal control systems and reporting procedures are implemented.

B.1.2 Remuneration policy

The Aegon Group Global Remuneration Principles, as set out in the Aegon Global Remuneration Framework, have been applicable in the Aegon Group and consistently applied to regional and local remuneration policies and practices. The below provides a summary of Aegon s Remuneration policy and its governance. During the reporting period no material changes have taken place in this policy and its governance. For further details, reference is made to the Remuneration Report on pages 126 - 133 of the IFRS Annual Report 2017 of Aegon Group.

Global Remuneration Principles

Aegon s Global Remuneration Framework (AGRF) contains the guiding principles to support sound and effective remuneration policies and practices by ensuring consistency throughout Aegon.

Aegon s remuneration policies are derived from the AGRF. These policies define specific terms and conditions for the employment of various groups of staff.

Role of risk management and compliance

The risk management and compliance functions, together with the Human Resources and Finance functions, are responsible for the execution of the various measures that ensure the AGRF and associated practices are aligned with the defined risk tolerances and behaviors.

Supervisory Board Remuneration Policy

The Supervisory Board Remuneration Policy was adopted at the General Meeting of Shareholders on May 15, 2013. The Policy will remain in force until such time as the Supervisory Board proposes changes or amendments. Any material changes in the Supervisory Board Remuneration Policy will be referred to the General Meeting of Shareholders for adoption.

Aegon s Remuneration Policy for members of its Supervisory Board is aimed at ensuring fair compensation, and protecting the independence of the Supervisory Board s members. Terms and conditions for members of the Supervisory Board are part of Aegon s broader Remuneration Policy, and are the responsibility of the Company s Remuneration Committee.

Members of Aegon s Supervisory Board receive a fee for their services. They do not receive any performance or equity-related compensation, and do not accrue pension rights with the Company. These measures are designed to ensure the independence of Supervisory Board members and to strengthen the overall effectiveness of Aegon s corporate governance.

The total remuneration in 2017 of active and retired members of the Supervisory Board amounted to EUR 932,375 excluding VAT (2016: EUR 935,875). Not included in the total remuneration is a premium for state health insurance paid on behalf of Dutch Supervisory Board members. There are no outstanding balances such as loans, guarantees or advanced payments.

Executive Board remuneration

The Executive Board Remuneration Policy was adopted at the General Meeting of Shareholders on May 12, 2011. The Policy will remain in force until such time as the Supervisory Board proposes changes or amendments. Any material changes in the Executive Board Remuneration Policy will be referred to the General Meeting of Shareholders for adoption. During the reporting period no material changes have taken place in the system of governance.

In 2017, Mr. Rider was appointed to the Executive Board for a term of four years by the shareholders on May 19, 2017 as CFO. Amounts and numbers are disclosed for the period Mr. Rider has been part of the Executive Board. Under the current remuneration structure, rewards are paid out over a number of years, or in the case of shares, vest over a number of years. This remuneration structure has made it more relevant to present rewards earned during a certain performance year instead of what was received in a certain year.

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The total amount of remuneration, consisting of the fixed compensation, conditional variable compensation awards, other benefits and pension contributions, for Mr. Wynaendts related to 2017 was EUR 4,683 thousand (2016: EUR 4,538 thousand) and for Mr. Rider EUR 1,342 thousand (2016: EUR nil). The total remuneration for the members of the Executive Board over 2017 was EUR 6.0 million (2016: EUR 7.3 million).

At the reporting date no loans with Aegon or outstanding balances such as guarantees or advanced payments exist for either Mr. Wynaendts or Mr. Rider.

Role of the Remuneration Committee

The Supervisory Board has overall responsibility for the Company s Remuneration Policies, including the Executive Board Remuneration Policy. Members of the Remuneration Committee are drawn from the Supervisory Board.

Each year, Aegon s Remuneration Committee reviews Aegon s remuneration policies to ensure they remain in line with prevailing international standards. This review is based partly on information provided by Aegon s external advisor, Towers Watson. The advisor does not, however, advise individual members of the Executive and Supervisory Boards.

The Remuneration Committee may recommend changes to the policies to the Supervisory Board.

Review of the Remuneration Policy

Aegon s Executive Board Remuneration Policy is reviewed every year by the Remuneration Committee. The policy applies to all members of Aegon s Executive Board.

Ensuring pay remains competitive

The Company regularly compares its levels of executive remuneration with those of other comparable companies.

The Supervisory Board reviews compensation on the basis of an international peer group and a reference group based on companies listed on Euronext Amsterdam. The composition of the two groups is regularly reviewed in order to ensure that they continue to provide a reliable and suitable basis for comparison.

Total compensation

For each member of the Executive Board, Aegon s Supervisory Board determines a maximum total compensation, reflecting the specific roles and responsibilities of the individual.

The Supervisory Board conducts regular scenario analysis to determine the long-term effect of company performance on the level and structure of compensation granted to members of the Executive Board. The Supervisory Board (Remuneration Committee) discussed and endorsed the 2017 total compensation for the Executive Board.

Fixed compensation

It is the responsibility of the Supervisory Board to determine fixed compensation for members of the Executive Board based on their qualifications, experience and expertise.

Variable compensation

Variable compensation is based on a number of individual and company performance indicators that are linked to the Company s objectives, business strategy, risk tolerance and long-term performance.

Performance is determined by using a mix of financial and non-financial indicators. The individual performance criteria concern a basket of strategic and personal objectives related to Aegon s strategy. The type of performance indicators are selected in accordance with the long-term goals of the Company. The targets and levels are agreed by the Supervisory Board.

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Performance is assessed by Aegon s Remuneration Committee and validated by the full Supervisory Board. Each year, a one-year target is set for each performance indicator. By paying half of the variable compensation in cash and the other half in shares, together with adding deferral and additional holding periods to the variable compensation that is allocated, Aegon believes that the long-term interests of Executive Board members is aligned with the long term performance of the company and aligned with the interests of Aegon s stakeholders.

Variable compensation is conditionally granted at the beginning of the performance period. Variable compensation is allocated once the accounts for the financial year in question have been adopted by the Company s General Meeting of Shareholders and after an ex-ante assessment.

The allocated variable compensation consists of equal parts of cash and shares, of which 40% is paid out (or vests) in the year following the performance year, and 60% is deferred to later years and vests in equal individual parts in the 3 years following. These deferred portions remain conditional until it vests.

At the end of the performance period, but prior to allocation of variable compensation, the Supervisory Board assesses whether (downward) modifications are needed (so called Ex-ante risk adjustment methodology). For this purpose, quantitative and qualitative measures at Aegon Group, regional unit and individual level are taken into account.

Ex-post assessment, discretionary adjustments, circuit breaker and claw back provisions

The Supervisory Board uses judgment in the assessment of the outcome of strategic/personal targets to ensure that, taken together, they represent a fair reflection of the overall performance of the Executive Board member over the performance period.

In addition, the Supervisory Board applies an ex-post risk assessment to deferred payouts of variable compensation to determine whether allocated (that is, unvested) variable compensation should become unconditional (meaning it vests) or should be adjusted. This ex-post assessment is based on informed judgment by the Supervisory Board, taking into account significant and exceptional circumstances that are not (sufficiently) reflected in the initially applied performance indicators.

Deferred variable compensation may only be adjusted downwards. Ex-post, risk-based assessments concern deferred variable compensation, not fixed compensation.

For each performance indicator, variable compensation is only paid if the threshold level set for that performance indicator is reached.

Aegon s Supervisory Board is obliged to claim back variable compensation that has already been paid out or vested where required based on the regulations that apply from time to time, if variable compensation is based on incorrect data (including non-achievement of performance indicators in hindsight), or in the event of material financial restatements or individual gross misconduct.

Pension arrangements

Members of Aegon s Executive Board are offered pension arrangements and retirement benefits. Benefits offered are consistent with Executive Board members agreements. Pension arrangements do not include discretionary elements.

The arrangements with Mr. Wynaendts include retirement provisions that allow benefits to be taken at the end of the term. This retirement arrangement stem from pre Executive Board membership. The arrangement with Mr. Rider is similar to the arrangements for other staff in the Netherlands and consists of a so-called career average defined benefits plan up to EUR 103,317 (2017 threshold) base salary and a defined contribution plan for the amount above EUR 103,317. Details are not disclosed due to the individual nature of such arrangement.

Loans

Aegon does not grant Executive Board members personal loans, guarantees or other such arrangements, unless in the normal course of business and on terms applicable to all employees, and only with the approval of the Company s Supervisory Board.

Terms of Engagement Agreement

Members of the Executive Board are appointed for four years, and may then be re-appointed for successive mandates also for a period of four years.

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Executive Board members have an engagement agreement with Aegon N.V., rather than a contract of employment. Members of the Executive Board may terminate their engagement agreement with a notice period of three months. The Company may terminate the board agreement by giving six months notice if it wishes to terminate the agreement of Mr. Wynaendts, and three months notice if it wishes to terminate the agreement of Mr. Rider.

The arrangements with current members of the Executive Board contain provisions for severance payments in the event that their agreement is terminated as a result of a merger or takeover.

Currently, it is expected that the terms of the engagement agreements will remain largely unchanged during 2018.

Management Board remuneration

Members of the Management Board, who are not on the Executive Board, are rewarded on the basis of local remuneration policies and in line with local market practice for roles with a similar scope and complexity. These policies are derived from the Aegon Global Remuneration Framework and are updated regularly.

Their remuneration includes fixed compensation, variable compensation and benefits.

The variable compensation is determined by a similar approach as for the members of the Executive Board. It s also based on a mix of individual and company performance indicators that are linked to the Company s objectives, business strategy, risk tolerance and long-term performance. However their targets, levels and performance assessment are agreed and determined by their local Remuneration Committee.

The Executive Board and/or their local Remuneration Committee decide on a potential downward modification of the variable compensation (based on either an Ex-ante or Ex-post risk assessment) or claw back.

The allocated variable compensation is paid in cash and shares. Depending on location, this mix ranges from 50% cash and 50% shares (in the Netherlands) up to 33% cash and 67% shares (outside the Netherlands). At least 50% of the variable compensation is deferred. Additional holding periods may apply to the allocated shares.

Depending on local practices the pension arrangements may include provisions allow for early retirement.

The total remuneration for the members of the Management Board over 2017 was EUR 19.8 million (2016: EUR 18.6 million), consisting of EUR 7.4 million (2016: EUR 7.0 million) fixed compensation, EUR 7.8 million variable compensation awards (2016: EUR 6.4 million), EUR 0.9 million (2016: EUR 1.9 million) other benefits and EUR 3.7 million (2016: EUR 3.4 million) pension premiums. Amounts are reflective of time spent on the Management Board.

Material transactions with Aegon s boards

There were no material transactions with members of the Supervisory, Executive, or Management Board.

B.2 Fit and proper requirements

B.2.1 Requirements

The Executive Board

The Executive Board is charged with the management of the Company, which means, among other things, that it is responsible for setting and achieving the Company s objectives, strategy and the associated risk strategy and risk tolerance, and ensuring delivery of results and corporate social responsibility issues that are relevant to the Company. The Executive Board is accountable for these matters to the Supervisory Board and the General Meeting of Shareholders. Responsibility for the management of the Company is vested collectively in the Executive Board. The Executive Board is responsible for compliance with all relevant laws and regulations, for managing the risks attached to the Company s activities and for the financing of the Company. The Executive Board reports on these issues to and discusses the internal risk management and control systems with the Supervisory Board, the Audit Committee of the Supervisory Board, and the Risk Committee of the Supervisory Board.

Individual members of the Executive Board may be charged with specific parts of the managerial tasks, without prejudice to the collective responsibility of the Executive Board as a whole. The Executive Board is collectively responsible for decisions, even if they are prepared by individual members of the Executive Board. An individual member of the Executive Board may only exercise such powers if these are explicitly attributed or delegated to the individual member and the individual member may never exercise powers beyond those exercisable by the Executive Board as a whole. The division of tasks within the Executive Board is determined (and amended, if necessary) by the Executive Board, subject to the approval of the Supervisory Board. Executive Board members especially charged with particular managerial tasks are primarily responsible for the risk control and monitoring of the managerial tasks concerned.

To fulfil these tasks, the specific skills that members of the Executive Board should have at their disposal include:

- Leadership (i.e. ideas, people and change);
- Strategic thinking and sound judgment, financial and commercial acumen, particularly around complex and inorganic change activities;
- Influencing and relationship building;
- Communication;
- Delivery with clear focus on outcomes; and

Innovation and problem solving and customer-centric.

Moreover, the members of the Executive Board should possess knowledge and experience in the areas of having a strategic understanding of - and insight into - the financial services industry, with particular emphasis on the challenges and opportunities associated with achieving success for a market leading life and pensions and digitized platform company specifically, a good understanding of the different regimes associated with insurance and investments, including capital management and regulatory frameworks. The Executive Board should possess extensive industry and executive management experience in a number of financial, operational and strategic roles in addition to being - an industry leader recognized by regulators, trade associations and government bodies. In addition, the Executive Board should have a proven ability to lead complex transactions across an organization, including inorganic activity.

The Management Board

As stated in section B.1.1.1, the Executive Board is assisted in its work by the Company s Management Board. The Management Board is entrusted with the overall strategic direction of Aegon Group, particularly with respect to Aegon Group s business objectives and strategy as well as ensuring delivery of results, Aegon Group s policies, Enterprise Risk Management, corporate responsibility issues that are relevant to Aegon Group.

Management Board members are collectively responsible for managing Aegon s senior leadership talent. Management Board members have a responsibility to manage talent consistently at all Aegon s business units around the world. The Management Board has full information rights vis-à-vis all countries and business lines within the Aegon Group.

The Management Board has, in performing its duties, access to the expertise of and support and services from all Corporate Center departments. In undertaking its responsibilities the Management Board acts in accordance with the interests of Aegon Group and the business units connected with it, taking into consideration the interests of Aegon Group s stakeholders. Members of the Management

Board express views with respect to important affairs, matters of principle and matters of general interest in accordance with final decision-making, and with due observance of each member s individual responsibilities.

All members of the Executive and Management Boards (as day-to-day policymakers of Aegon) have been approved by the Dutch supervisory authorities on fitness and propriety prior to their respective appointments and fulfil these requirements on an ongoing basis.

The Supervisory Board

Aegon s Supervisory Board oversees the management of the Executive Board, in addition to the Company s business and corporate strategy. The Supervisory Board must take the interests of all Aegon stakeholders into account. The Supervisory Board operates according to the principles of collective responsibility and accountability.

The Supervisory Board, as a collective, should have the following qualifications:

- An international composition;
- Experience with, and understanding of the administrative procedures and internal control systems; an affinity with and knowledge of the industry, its clients, its products and services, the financial services market and Aegon s businesses and strategy;
- Knowledge and experience in (digital) marketing and distribution and the applications of information technology;
- Expertise and experience in digital transformation;
- Experience in the business world, both nationally and internationally; and
- Expertise in financial, accounting and business economics, and the ability to judge issues in the areas of risk management, solvency, actuary, currencies and investment and acquisition projects.

Individual members of the Supervisory Board will be assessed on the basis of personal qualifications including: managerial experience and skills at the highest levels; experience with large listed companies; understanding of a global business; entrepreneurial attitude; sound business judgment, common sense and decisiveness; independence and a critical attitude with regard to the other Supervisory Board members and the Executive Board; an international orientation; and outside experience.

Aegon aims to ensure that the composition of the Company s Supervisory Board is in line with Aegon s diversity policy for the Supervisory Board, Executive Board and Management Board and is as such well-balanced in terms of professional background, geography, gender and other relevant aspects of the diversity policy.

All members of Aegon s Supervisory Board have been approved by the Dutch supervisory authorities, the Dutch Central Bank (DNB) and the Netherlands Authority of Financial Markets (AFM), with regard to fitness and propriety prior to their appointment and fulfil these requirements on an ongoing basis.

Other key functions

Furthermore, with regard to the Solvency II Delegated Regulation, Aegon has implemented the following four key control functions: risk management, compliance, internal audit and the actuarial function. These functions have been in place within Aegon for many years.

Risk management

The Aegon Group Chief Risk Officer (CRO) is the function holder for risk management. The Aegon Group CRO is also member of the Management Board and of high level Risk Committees. For more information about the risk management system and its functions, please refer to section B.3 Risk management system.

Compliance

During 2017, the Head of Operational & Conduct Risk Assessment has been the key function holder for the Solvency II compliance function. OCRM reports to the Aegon Group CRO and is responsible for ensuring that the risk profile is managed in line with risk tolerance. The regulatory compliance function supports the Head of OCRM in meeting its responsibilities as Solvency II key function holder for Compliance. In 2018, it is the intention to transfer the responsibility for the Solvency II compliance function to the head of Regulatory Compliance (reporting to the Group s General Counsel). For more details about the compliance function reference is made to section B.4 Internal control system.

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Internal Audit

The Global Head of Internal Audit is the function holder for Internal Audit. In line with the requirements, Internal Audit is fully objective and independent from all other functions, reporting directly to the CEO and Supervisory Board Audit Committee. For more details about the Internal Audit function refer to section B.5 Internal audit function.

Actuarial function

The actuarial function holder is the Global Chief Actuary/Head of Underwriting Risk Management and is part of the second line of defense at Aegon Group level with a functional line to the CFO for financial control related aspects. For more details about the Actuarial function please refer to section B.6 Actuarial function.

The key functions stated above have the necessary resources to carry out their tasks. Resourcing of staff and other means required to execute control is documented as part of the charters agreed with the Supervisory Board of Aegon N.V Changes to the resources require approval from the key function. Issues can be brought forward to the Supervisory Board of Aegon N.V. for resolution.

The necessary operational independence of the key functions is documented as part of the charters agreed with the Supervisory Board of Aegon N.V. Issues can be brought forward to the Supervisory Board of Aegon N.V. for resolution.

B.2.2 Process for assessment

In accordance with the Dutch Financial Supervision Act, Aegon has identified, in addition to the members of the Management Board and Supervisory Board, those persons that fulfil key functions as referred to in Articles 3:271 and 3:272, in connection with Articles 3:8 and 3:9 of the Dutch Financial Supervision Act. This group of persons is broader than but includes all persons that fulfil key functions as referred to in Art. 294 (2) of the Solvency II Delegated Regulation. These persons are subject to a pre-employment screening prior to their employment within Aegon, as well as a propriety assessment by the Dutch supervisory authorities prior to their appointment in a key function.

Ongoing compliance with propriety requirements of the persons that effectively run the undertaking or have other key functions is a joint responsibility of the respective person as well as Aegon.

Fitness of the persons that effectively run the undertaking or have other key functions is determined at the point of selection as well as thereafter. As regards the point of selection, Aegon has drawn up a specific job profile for each function. These profiles detail the requirements in terms of the level of skills, knowledge and experience required to successfully fulfil the specific position within the Company. The selection of the jobholder takes place by assessing the candidate for a position against these specific job requirements. The score on the three elements (expertise, knowledge and experience) is balanced and leads to potential recruitment in the position. Once selected, fitness of a specific person for a function is continuously assessed against this job profile. The ongoing compliance with fitness requirements is monitored as part of the regular human resource cycle within Aegon. Regular formal assessments of performance against the requirements are part of this cycle and are documented for record keeping purposes. In the human resources cycle, performance management is an important element in which targets are set and the results are monitored to assess if the jobholder continues to meet both the specific job requirements and the fitness requirements.

B.3 Risk management system including the Own Risk and Solvency Assessment

B.3.1 Risk management system

B.3.1.1 Aegon s Enterprise Risk Management framework

Aegon s ERM framework is designed and applied to identify and manage potential risks that may affect Aegon. This means identifying and managing individual and aggregate risks within Aegon s risk tolerance in order to provide reasonable assurance regarding the achievement of Aegon s objectives. The ERM framework is designed in line with the Committee of Sponsoring Organizations of the Treadway Commission (COSO) model. The ERM framework applies to all of Aegon s businesses for which it has operational control. Aegon s businesses are required to either adopt the Group level ERM framework directly, or tailor it to local needs while meeting the requirements of the Group level ERM framework.

General

As an insurance group, Aegon manages risk for the benefit of its customers and other stakeholders. As a result, the Company is exposed to a range of underwriting, operational and financial risks. Aegon s risk management and control systems are designed to ensure that these risks are managed effectively and efficiently in a way that is aligned with the Company s strategy.

Definition and tolerances

For Aegon, enterprise risk management involves:

- Understanding the risks that Aegon faces;
- Maintaining a company-wide framework through which the risk-return trade-off associated with these risks can be assessed;
- Maintaining risk tolerances and supporting policies to limit exposure to a particular risk or combination of risks; and
- Monitoring risk exposures and actively maintaining oversight of the Company s overall risk and solvency positions.

By setting certain predefined tolerances and adhering to policies that limit the overall risk to which the Company is exposed, Aegon is able to accept risk with the knowledge of potential returns and losses.

The ERM framework consists of various components, as shown below:

Risk strategy and risk tolerance

The formulation of the risk strategy starts with the principle that taking a risk should be based on serving a customer s need. In terms of Aegon s purpose statement, risk taking should be instrumental to helping people achieve a lifetime of financial security. The competence with which Aegon is able to manage the risk is assessed and Aegon s risk preferences are formulated, taking into account Aegon s risk capacity. The risk preferences eventually lead to a targeted risk profile that reflects the risks Aegon wants to keep on the balance sheet, and the risks Aegon would like to avoid. Aegon s tolerance for risk is established in order to assist management in carrying out Aegon s strategy using the resources available to Aegon Group. Aegon has defined four areas where risk tolerance plays an important role:

- Financial strength: ensure Aegon meets long-term obligations to policyholders, thereby enabling Aegon to compete in key markets as a financially strong global insurer;
- Continuity: ensure that Aegon remains solvent and liquid even under adverse scenarios;
- Culture: encourage strong risk awareness by stressing the Company s low tolerance for operational risk. This helps to improve operational excellence and ensures that the Company is fair in its treatment of customers and other stakeholders; and
- Risk balance: manage the concentration of risk and encourage risk diversification within Aegon.

Risk identification and risk assessment

Aegon has identified a risk universe that captures all known material risks to which the Company is exposed. An Emerging Risk process is in place to ensure on-going appropriateness of both the risk universe and the risk management framework. In order to assess all risks, a consistent methodology for measuring risks is required. Aegon s methodology for this is documented in a manual and maintained up-to-date. The risk metrics are embedded in Aegon s key reports and are used for decision making.

Risk response

Aegon distinguishes the following risk responses:

- When the risk exposure is within the set risk tolerance, management can accept the risk; and