AEGON NV
Form 20-F
March 24, 2017
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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FORM 20-F

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(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR(g) OF THE

SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2016

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

For the transition period from _________ to _________

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

Commission file number 1-10882

-

Aegon N.V.

(Exact name of Registrant as specified in its charter)

-

Not Applicable

(Translation of Registrant s name into English)

The Netherlands

(Jurisdiction of incorporation or organization)

Aegonplein 50, PO Box 85, 2501 CB The Hague, The Netherlands

(Address of principal executive offices)

J.H.P.M. van Rossum

Executive Vice President and Corporate Controller

Aegon N.V.

Aegonplein 50, 2501 CB The Hague, The Netherlands

+31-70-3445458

Jurgen.vanRossum@aegon.com

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

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

Title of each class	Name of each exchange on which registered
Common shares, par value EUR 0.12 per share	**New York Stock Exchange**

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

Not applicable

(Title of Class)

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

Not applicable

(Title of Class)

Indicate the number of outstanding shares of each of the issuer s classes of capital or common stock as of the close of the period covered by the annual report: 2,074,548,842 common shares and 585,022,160 common shares B

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

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by checkmark which basis of accounting the registrant has used to prepare the financial statements included in this filing

U.S. GAAP International Financial Reporting Standards as issued by the International Accounting Standards Board Other

If other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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Introduction

Filing

This document contains Aegon s Annual Report as filed on Form 20-F (also referred to in this document as Annual Report) with the United States Securities and Exchange Commission (SEC).

About this report

This report serves as Aegon s Annual Report for the year ended December 31, 2016. It presents the consolidated financial statements of Aegon pages 131-303 and the stand-alone financial statements of Aegon N.V. pages 305-320, both prepared in accordance with the International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS), and Part 9 of Book 2 of the Dutch Civil Code.

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 N.V., those companies required to be consolidated in accordance with the Netherlands legislative requirements relating to consolidated accounts.

Presentation of certain information

References to the NYSE are to the New York Stock Exchange and references to the SEC are to the US Securities and Exchange Commission. Aegon uses EUR and euro when referring to the lawful currency of the member states of the European Monetary Union; USD , and US dollar when referring to the lawful currency of the United States of America; GBP , UK pound and pound sterling when referring to the lawful currency of the United Kingdom; CAD Canadian dollar when referring to the lawful currency of Canada, and PLN when referring to the lawful currency of Poland.

Aegon prepares its consolidated financial statements in accordance with IFRS and with Part 9 of Book 2 of the Netherlands Civil Code for purposes of reporting with the U.S. SEC, including financial information contained in this Annual Report on Form 20-F. Aegon s accounting policies and its use of various options under IFRS are described in note 2 to the consolidated financial statements.

Other than for SEC reporting, Aegon prepares its Annual Accounts under International Financial Reporting Standards as adopted by the European Union, including the decisions Aegon made with regard to the options available under International Financial Reporting Standards as adopted by the EU (IFRS-EU). IFRS-EU differs from IFRS in respect of certain paragraphs in IAS 39 Financial Instruments: Recognition and Measurement regarding hedge accounting for portfolio hedges of interest rate risk. Under IFRS-EU, Aegon applies fair value hedge accounting for portfolio hedges of interest rate risk (fair value macro hedges) in accordance with the EU carve out version of IAS 39. Under IFRS, hedge accounting for fair value macro hedges cannot be applied to mortgage loans and ineffectiveness arises whenever the revised estimate of the amount of cash flows in scheduled time buckets is either more or less than the original designated amount of that bucket.

This information is prepared by reversing the hedge accounting impacts that are applied under the EU   carve out version of IAS 39. Financial information under IFRS accordingly does not take account of the possibility that had Aegon applied IFRS as its primary accounting framework it might have applied alternative hedge strategies where those alternative hedge strategies could have qualified for IFRS compliant hedge accounting. These decisions could have resulted in different shareholders   equity and net income amounts compared to those indicated in this Annual Report on Form 20-F.

A reconciliation between IFRS-EU and IFRS is included in note 2.1 to the consolidated financial statements.

CEO letter

In 2016, we made further progress in transforming our company and in delivering on our targets, despite a challenging macro-economic environment.

From the Brexit referendum in the UK to the presidential election in the US, 2016 was a year defined by a series of events that had profound effects on the global economy. Uncertainty and instability led to considerable volatility on financial markets, interest rates decreased to historically low levels before rising later in the year, and the trend of governments retreating from providing retirement security continued. Against this backdrop, Aegon s work of bringing certainty in an uncertain world has never been more important, and I m proud of how we delivered on our promises to our many millions of customers worldwide during the year paying out over EUR 59 billion in claims, benefits and plan withdrawals.

Our financial performance

I am pleased that Aegon s Solvency II ratio remained well within our target range of 140 to 170 percent throughout the year despite the widespread economic volatility. The ratio on December 31, 2016, of 157 percent was above the midpoint of our target range, and this consistent performance throughout the year is a demonstration of our company s diligent approach to managing risk and protecting our balance sheet. There is nonetheless potential for renewed volatility and uncertainty around the calculation of this ratio, and we remain mindful and focused on such risks.

2016 was once again a year of strong sales especially in terms of our fee businesses, in particular Asset Management and I am therefore happy that we reached over EUR 100 billion of gross deposits for the very first time, which contributed to EUR 3 billion net deposits. This strong performance was above all a reflection of the need and relevance of our products and services, the strength of our franchise, and the trust our loyal customers continue to place in us.

While we experienced some significant headwinds this year in the form of market volatility and some adverse claims experience both of which had an impact on earnings we are on track to deliver on our 2018 financial targets. Moreover, I am pleased that we successfully increased capital returns to our shareholders this year as part of our commitment to return EUR 2.1 billion to shareholders in the period 2016-2018.

Transforming our company

Meeting our purpose of helping people achieve a lifetime of financial security demands that we constantly evolve as a business so that we can continue to serve our customers changing needs. For this reason we, once again, invested significantly in developing innovative digital solutions from new apps and customer-friendly platforms that enable people to better understand their finances, to exploring the future of the insurance industry through co-launching the Blockchain Initiative B3i.

The environment in which we operate is changing fast, and over the course of the year we continued to demonstrate how we are adapting to the new landscape. In the UK, we divested our annuity book and acquired Cofunds and BlackRock s defined contribution recordkeeping business. This successfully completed the transformation of our UK business from a largely traditional pension business into a market-leading, cost efficient and scalable platform business, with over 3 million customers and approximately 100 billion pounds of assets under administration. We also continued the very significant restructuring of our US business, which has brought all of Transamerica s business units together into a single, customer-facing company, and gives our customers easier access to all our different products and services.

By transforming Aegon s US operations from distinct business lines into one, functionally-organized business, we identified potential for cost savings. These savings constituted the bulk of the group s original 2018 expense savings target of EUR 200 million, announced in January 2016. Meeting these expense reductions was a key priority for our business throughout the year as we continued to focus on becoming more efficient, more profitable, raising our returns, investing in new digital solutions, and deploying our capital in the best way for our company and stakeholders. By accelerating the execution of our strategy, we were able to exceed our expense savings target for the year, achieving a total of EUR 110 million in run-rate savings. As a result, this enabled us to announce that our group 2018 run-rate expense savings target would rise to EUR 350 million.

Our communities

Although this Annual Report focusses primarily on Aegon s financial performance, we also choose to publish an integrated annual review. This outlines our company s wider impact on all the communities on which we have an impact, and how Aegon creates and shares value for stakeholders by letting customers, investors, business partners, local communities and employees tell their story.

Our employees and shareholders

On behalf of Aegon s Management Board, I would like to express my sincere thanks to over 29,000 colleagues for all that they do. 2016 was a year of significant change for our company, and it would have been impossible to continue to provide the very best service to our millions of customers around the world without their extraordinary professionalism, ingenuity and dedication.

I would also like to thank our many shareholders around the world. We value your continued interest, and are grateful for the trust you place in our company. Aegon achieved much over the last twelve months, and I am confident that by successfully executing our strategy we will continue to become a more efficient and customer-centric organization. By doing so we will be able to secure long-term, sustainable growth, and thereby meet our commitments to all our valued stakeholders.

Alex Wynaendts

Chief Executive Officer and

Chairman of the Executive Board of Aegon N.V.

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Composition of the Executive Board

Alex Wynaendts (1960, Dutch)

CEO and Chairman of the Executive and Management Boards of Aegon N.V.

Alex Wynaendts began his career in 1984 with ABN AMRO Bank, working in Amsterdam and London in the Dutch bank s capital markets, asset management, corporate finance and private banking operations. In 1997, Mr. Wynaendts joined Aegon as Senior Vice President for Group Business Development. He was appointed as a member of Aegon s Executive Board in 2003,

overseeing the Company s international growth strategy.

In April 2007, Mr. Wynaendts was named Aegon s Chief Operating Officer. A year later, he became CEO and Chairman of Aegon s Executive Board and Management Board. Mr. Wynaendts was reappointed at the Annual General Meeting of Shareholders in 2015. His third term of office ends in 2019. Mr. Wynaendts has been an Independent Director of the Board of Air France-KLM S.A. since May 2016. Mr. Wynaendts has held no other external board memberships in the past five years.

Darryl Button (1969, Canadian)

CFO and member of the Executive and Management Boards of Aegon N.V. (until December 1, 2016)[1]

Darryl Button began his career at Mutual Life Insurance Co. of Canada, joining Aegon in 1999 as Director of Product Development and Risk Management at Aegon USA s Institutional Markets business unit. He was appointed Corporate Actuary of Aegon USA in 2002 and became CFO of Aegon Americas in 2005. From 2008 to 2011, Mr. Button also took on the responsibilities

of Chairman and executive management of Aegon s Canadian operations, before joining Aegon s Corporate Center in 2012 as Executive Vice President and Head of the Corporate Financial Center. In 2013, Mr. Button was appointed as CFO and member of the Executive Board of Aegon. In addition, Mr. Button is a Board member at the American Chamber of Commerce in the Netherlands. He has held no other external board memberships in the past five years.

Composition of the Management Board

Alex Wynaendts: see above

Darryl Button: see above

Mark Bloom (1964, American)

Global Chief Technology Officer and member of the Management Board, Aegon N.V.

Mark Bloom has over 30 years experience in information technology. He joined Aegon from Citi in February 2016, where he served as Global Head of Consumer Digital and Operations Technology, responsible for Digital, Data and Operations technology solutions and innovations, including Citi s online and mobile banking applications, ATMs, and Call Center technologies.

Prior to that, he held a number of technology leadership positions in financial services and the aerospace industry. At Aegon, as Global Chief Technology Officer, Mr. Bloom is responsible for leading the Company s technology and innovation activities, including leadership of Aegon s digital initiatives, leveraging technology to drive efficiency and focus on improving the customer experience. Mr. Bloom was appointed as a member of Aegon s Management Board in August 2016. Mr. Bloom has held no other external board memberships in the past five years.

1 On September 6, 2016, Aegon announced Mr. Button s decision to step down as CFO and to leave the Company on December 1, 2016. On November 29, 2016, Aegon announced that its Supervisory Board intends to nominate Matthew J. Rider (1963, US Citizen) for appointment as CFO and member of the Executive Board at its Annual General Meeting of Shareholders on May 19, 2017.

Adrian Grace (1963, British)

CEO of Aegon UK and member of the Management Board Aegon N.V.

Adrian held various roles within GE capital, Sage Group Inc. and joined Barclays Bank in 2004 as Chief Executive of the Insurance Business. In 2007 he joined HBOS after which he started with

Aegon as CEO of the UK in 2011. He became member of the Management Board of Aegon in 2012 and is a non-executive Director at Clydesdale Bank and a member of the Financial Conduct Authority practitioners panel. Mr. Grace was member of the Board of Scottish Financial Enterprise up until June 2013 and held no other external board memberships in the past five years.

Allegra van Hövell-Patrizi (1974, Italian)

Chief Risk Officer of Aegon N.V. and member of the Management Board Aegon N.V.

Allegra van Hövell-Patrizi began her career in 1996 at McKinsey & Company, specializing in financial institutions. After several years as a partner there, she joined F&C Asset Management in 2007 as a member of the Management Committee. In 2009, she joined Prudential plc where she became Group Risk Director,

and a member of the Group Executive Risk Committee, as well as the PUSL Board (within the Prudential plc group). Ms. Van Hövell-Patrizi joined Aegon at the end of 2015. She was appointed Chief Risk Officer of Aegon N.V. and a member of Aegon s Management Board in January 2016. Ms. Van Hövell-Patrizi has held no other external board memberships in the past five years.

Marco Keim (1962, Dutch)

CEO of Aegon the Netherlands and member of the Management Board Aegon N.V.

Marco Keim began his career with accountancy firm Coopers & Lybrand / Van Dien. He has also worked at aircraft manufacturer Fokker Aircraft and NS Reizigers, part of the Dutch railway company, NS Group. In 1999, he joined

Swiss Life in the Netherlands as a member of the Board, and was appointed CEO three years later.

Mr. Keim was appointed CEO of Aegon the Netherlands and member of Aegon s Management Board in June 2008. Mr. Keim was a member of the Supervisory Board of AMVEST Vastgoed B.V. until June 2013, and is a member of the Supervisory Board of Eneco Holding N.V. In addition, Mr. Keim holds board positions at VNO-NCW and at Verbond van Verzekeraars. Mr. Keim has held no other external board memberships in the past five years[1].

Gábor Kepecs (1954, Hungarian)

CEO of Aegon Central & Eastern Europe and member of the Management Board Aegon N.V.

Gábor Kepecs began his career with the Hungarian government before joining former state-owned insurance company Állami Biztosító. He was appointed CEO in 1990, two years before Állami Biztosító was privatized and acquired by Aegon. Mr. Kepecs

was the CEO of Aegon Hungary from 1992 to 2009, during which time he headed the expansion of Aegon s businesses in Hungary and across the wider Central & Eastern European region. Mr. Kepecs has been a member of Aegon s Management Board since 2008. Mr. Kepecs has not held any external board memberships in the past five years[2].

1. On December 16, 2016, Aegon announced that Mr. Keim would become responsible for Aegon s activities in continental Europe as of January 1, 2017.
2. On December 16, 2016, Aegon announced that Mr. Kepecs will retire in 2017.

 Composition of the Executive Board and the Management Board

Onno van Klinken (1969, Dutch)

General Counsel and member of the Management Board, Aegon N.V.

Onno van Klinken has over 20 years experience providing legal advice to a range of companies and leading Executive Board offices. Mr. Van Klinken started his career at Allen & Overy, and previously worked for Aegon between 2002 and 2006. He then served as Corporate Secretary for Royal Numico, the Dutch baby food company, before it was acquired by Groupe Danone. His next position was as General Counsel for the Dutch global mail and

express group TNT, where he served from 2008 until the legal demerger of the group in 2011. This was followed by General Counsel positions at D.E. Master Blenders 1753 and Corio N.V. Mr. Van Klinken rejoined Aegon in 2014 as General Counsel responsible for Group Legal, Regulatory Compliance, the Executive Board Office and Supervisor Relations. Mr. Van Klinken has been a member of Aegon s Management Board since August 2016. He has not held any external board memberships in the past five years.

Carla Mahieu (1959, Dutch)

Global Head Human Resources and member of the Management Board Aegon N.V.

Carla Mahieu started her career in 1984 at Royal Dutch Shell, where she held various management positions within Human Resources, Communications and Corporate Strategy. Following several years as a consultant during which time she worked for Spencer Stuart, among other companies Ms. Mahieu was

appointed Senior Vice President Corporate Human Resource Management at Royal Philips Electronics in 2003. Ms. Mahieu joined Aegon in 2010 as Global Head Human Resources, and has been a member of Aegon s Management Board since August 2016. Ms. Mahieu is a former Board member of Duisenberg School of Finance and has been a member of the non-executive Board of the Royal BAM Group since 2011. Ms. Mahieu has held no other external board memberships in the past five years.

Mark Mullin (1963, American)

CEO of Aegon Americas and member of the Management Board Aegon N.V.

Mark Mullin has spent more than 20 years with Aegon in various management positions in both the United States and Europe. Mr. Mullin served as President and CEO of one of Aegon s US

subsidiaries, Diversified Investment Advisors, and as head of the Company s US annuity and mutual fund businesses. He was named President of Aegon Americas in 2009, and became President and CEO of Aegon Americas and a member of the Management Board in 2010. Mr. Mullin has not held any external board memberships in the past five years.

Sarah Russell (1962, Australian)

CEO of Aegon Asset Management and member of the Management Committee

Sarah Russell has 25 years experience in international finance and asset management. Ms. Russell began her career at Toronto Dominion in Melbourne before joining ABN AMRO in 1994. She moved to the Netherlands in 2000, where she held a number of various roles, leading to her appointment as CEO of ABN AMRO s

asset management operations. Ms. Russell joined Aegon Asset Management as CEO in 2010, and has been a member of Aegon s Management Board since August 2016. Ms. Russell is a non-executive director of Nordea Bank AB since 2010 and also holds a Supervisory Board member position at Nederlandse Investeringsinstelling, and is Vice Chairman of the Supervisory Board of La Banque Postale Asset Management. Ms. Russell has held no other external board memberships in the past five years.

Aegon s strategy

Aegon s ambition

Aegon s purpose to help people achieve a lifetime of financial security forms the basis of the Company s strategy. The central focus of the strategy is to further change the Company by shifting from a product-based company to a customer need-driven one. This means serving diverse and evolving needs across the customer life cycle (right time, right solution); aligning Aegon s brand promise with being a trusted partner for financial solutions that are relevant, simple, rewarding, and convenient; and developing long-term customer relationships by providing guidance and advice, and identifying additional financial security needs at every stage of customers lives.

The aim of Aegon s strategy is that the Company be a truly international enterprise with a common culture across its businesses of working together; that Aegon s respective businesses learn from each other and replicate best practices to benefit customers; that it recognizes and addresses opportunities in rapidly changing markets in a timely and nimble way; and that it attracts, develops, and retains the best people who share its values and are committed to its purpose.

In order to do so, Aegon will focus on reducing complexity, eliminating duplication, improving accuracy, and increasing automation to realize cost efficiencies, allowing investments in its transformation to a digitally enabled, customer-centric company. Furthermore, the Company will focus on driving scale and establishing strong market positions in its current footprint, and strictly adhering to comprehensive standards that support the efficient use of capital by all businesses. The different market segments, the different geographies, and the different starting positions of Aegon s businesses nonetheless mean that they will experience different paths to meet the same goals. Expertise and knowledge available in Aegon s established markets will be utilized to position its businesses in emerging markets.

In summary, it is Aegon s ambition to be regarded as a trusted partner for financial solutions at every stage of life in all its markets. That means: being recognized by its customers, business partners, and society as a company that puts the interests of its customers first in all that it does; and being regarded as an employer of choice by employees, engaging and enabling them to succeed. In addition, the Company will strive to generate the returns, earnings, and dividends that fulfil shareholders expectations.

Aegon s strategic objectives

Aegon believes that it will achieve its ambition of becoming a trusted partner for financial solutions at every stage of life if it realizes the following strategic objectives:

- Serving customers need for financial security throughout their lifetimes by providing digitally- enabled, omni-channel, accessible solutions and superior customer experience (**Loyal Customers**);
- Delivering excellent service to customers at competitive cost levels by increasing scale and improving quality, efficiency, and accuracy of processes with technology (**Operational Excellence**);

- Valuing and supporting Aegon employees as the Company s greatest asset by engaging and enabling them with the tools, training, and culture needed to exceed customers expectations (**Empowered Employees**); and
- Ensuring that the Company always meets its long-term commitments to stakeholders by delivering sustainable financial results and maintaining a strong and stable balance sheet (**Optimized Portfolio**).

To realize these objectives, Aegon needs to be more focused and more forward-looking, and it needs to accelerate and improve the quality of execution.

Acquisitions & divestments

Acquisitions can accelerate the implementation of Aegon s strategy, provide it with access to new technologies and provide the scale needed in markets in which it is already active. Aegon is selective when determining which businesses it would like to acquire, generally targeting acquisitions that fit the Company s mission of securing the financial future of its customers, and that are aligned with its four strategic objectives. The Company uses several financial criteria for determining the attractiveness of acquisitions including: return on capital, internal rate of return, capital generation, and capital fungibility. Similar strategic and financial criteria are applied when considering the potential divestment of existing activities.

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History and development of Aegon

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 29,000 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 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.

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Selected financial data

The financial results in this Annual Report are based on Aegon s consolidated financial statements, which have been prepared in accordance with International Financial Reporting Standards as issued by the IASB (IFRS).

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

or significant judgment are described in the notes to the financial statements.

A summary of historical financial data is provided in the table below. It is important to read this summary in conjunction with the consolidated financial statements and related notes (see pages 131-303) of this Annual Report.

Selected consolidated income statement information					
In EUR million (except per share amount)	**2016**	2015 [1)]	2014 [1)]	2013 [1)]	2012 [1)]
Amounts based upon IFRS					
Premium income	23,453	22,925	19,864	19,939	19,049
Investment income	7,788	8,525	8,148	7,909	8,413
Total revenues [2)]	33,655	33,902	30,157	29,805	29,327
Income/ (loss) before tax	610	(514)	916	1,236	2,024
Net income/ (loss)	438	(431)	766	1,003	1,628
Earnings per common share					
Basic	0.15	(0.27)	0.29	0.37	0.72
Diluted	0.15	(0.27)	0.29	0.37	0.72
Earnings per common share B					
Basic	-	(0.01)	0.01	0.01	-
Diluted	-	(0.01)	0.01	0.01	-

1 Amounts have been restated to reflect the voluntary changes in accounting policies for deferred cost of reinsurance that was adopted by Aegon effective January 1, 2016. Furthermore a voluntary change in insurance accounting for business in United Kingdom was adopted by Aegon effective January 1, 2016 as well. Refer to note 2.1.2 Voluntary changes in accounting policies for details about these changes.

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

Selected consolidated balance sheet information					
In million EUR (except per share amount)	**2016**	2015 1)	2014 1)	2013 1)	2012 1)
Amounts based upon IFRS					
Total assets	425,425	415,415	424,112	351,523	362,663
Insurance and investment contracts	344,844	343,558	321,384	283,234	277,596
Borrowings including subordinated and trust pass-through securities	14,076	13,361	15,049	12,009	13,416
Shareholders equity	20,520	22,441	23,847	17,589	20,913

1 Amounts have been restated to reflect the voluntary changes in accounting policies for deferred cost of reinsurance that was adopted by Aegon effective January 1, 2016. Furthermore a voluntary change in insurance accounting for business in United Kingdom was adopted by Aegon effective January 1, 2016 as well. Refer to note 2.1.2 Voluntary changes in accounting policies for details about these changes.

Number of common shares					
In thousands	**2016**	2015	2014	2013	2012
Balance at January 1	2,147,037	2,145,948	2,131,459	1,972,030	1,909,654
Share issuance	-	-	-	120,713	-
Stock dividends	10,629	1,089	14,489	38,716	62,376
Shares withdrawn	(83,117)	-	-	-	-
Balance at end of period	**2,074,549**	**2,147,037**	**2,145,948**	**2,131,459**	**1,972,030**

Number of common shares B					
In thousands	**2016**	2015	2014	2013	2012
Balance at January 1	585,022	581,326	579,005	-	-
Share issuance	-	3,696	2,320	579,005	-
Balance at end of period	**585,022**	**585,022**	**581,326**	**579,005**	**-**

Dividends

Aegon declared interim and final dividends on common shares for the years 2012 through 2016 in the amounts set forth in the following table. The 2016 interim dividend amounted to EUR 0.13 per common share. The interim dividend was paid in cash or stock at the election of the shareholder. The interim dividend was payable as of September 16, 2016. At the General Meeting of Shareholders on May 19, 2017, the Supervisory Board will, absent unforeseen circumstances, propose a final dividend

of EUR 0.13 per common share (at each shareholders option in cash or in stock), which will bring the total dividend for 2016 to EUR 0.26. Proposed final dividend for the year and proposed total dividend 2016 per common share B are EUR 0.00325 and EUR 0.00650 respectively. Dividends in US dollars are calculated based on the foreign exchange reference rate (WM/Reuters closing spot exchange rate fixed at 5.00 pm Central European Summer Time (CEST)) on the US-ex dividend day.

	EUR per common share [1)]			USD per common share [1)]		
Year	Interim	Final	Total	Interim	Final	Total
2012	0.10	0.11	0.21	0.12	0.14	0.26
2013	0.11	0.11	0.22	0.15	0.15	0.30
2014	0.11	0.12	0.23	0.15	0.13	0.28
2015	0.12	0.13	0.25	0.13	0.15	0.28
2016	0.13	0.13[2)]	0.26	0.15		

[1] Paid at each shareholders option in cash or in stock.
[2] Proposed.

From May 2003 to May 2013, Aegon had common shares and class A and class B preferred shares. The annual dividend on Aegon s class A and class B preferred shares was calculated on the basis of the paid-in capital on the preferred shares using a rate equal to the European Central Bank s fixed interest percentage for basic refinancing transactions plus 1.75%, as determined on Euronext Amsterdam s first working day of the financial year to which the dividend relates. Apart from this,

no other dividend was paid on the preferred shares. This resulted in a rate of 2.75% for the year 2012. Applying this rate to the weighted average paid-in capital of its preferred shares during 2012, the total amount of annual dividends Aegon made in 2013 on its preferred shares for the year 2012 was EUR 59 million. In addition, Aegon paid a 2013 interim dividend on the preferred shares of EUR 24 million, covering the period from January 1, 2013 until the cancellation of all preferred shares in May 2013.

Exchange rates

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

As of March 15, 2017, the USD exchange rate was EUR 1 = USD 1.0630.

The high and low exchange rates for the US dollar per euro for each of the last six months through February 2017 are set forth below:

Closing rates	Sept. 2016	Oct. 2016	Nov. 2016	Dec. 2016	Jan. 2017	Feb. 2017
High (USD per EUR)	1.1271	1.1212	1.1121	1.0758	1.0794	1.0802
Low (USD per EUR)	1.1158	1.0866	1.0560	1.0375	1.0416	1.0551

The average exchange rates for the US dollar per euro for the five years ended December 31, 2016, calculated by using the average of the exchange rates on the last day of each month during the period, are set forth below:

Year ended December 31,	Average rate 1)
2012	1.2909
2013	1.3303
2014	1.3210
2015	1.1032
2016	1.1029

1 The US dollar exchange rates are the noon buying rates in New York City for cable transfers in euros as certified for customs purposes by the Federal Reserve Bank of New York.

Business lines

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.

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.

Latin America

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 annuities, term insurance, critical illness, income protection and international/ offshore bonds.
Pensions: 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.

Central & Eastern Europe

Activities in the Czech Republic, Hungary, Poland, Romania, Slovakia, and Turkey. This business line 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. This business line 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 World

Asset management activities in Central & Eastern Europe and Spain & Portugal, in addition to results of the asset management holding.

Strategic partnerships

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

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

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Results of operations

This Annual Report includes the non-IFRS financial measure: underlying earnings before tax. The reconciliation of this measure to the most comparable IFRS measure is presented in the table below in addition to note 5 Segment information of the consolidated financial statements. This non-IFRS measure is calculated by consolidating on a proportionate basis the revenues and expenses of Aegon s joint ventures in the Netherlands, Mexico, Spain, Portugal, China and Japan and Aegon s associates in India, Brazil, the Netherlands, United Kingdom and Mexico.

The table also includes the non-IFRS financial measure: net underlying earnings. This is the after-tax equivalent of underlying earnings before tax. The reconciliation of net underlying earnings to the most comparable IFRS measure is presented in the table below. Aegon believes that these non-IFRS measures provides meaningful supplemental information about the underlying operating results of Aegon s businesses, including insight into the financial measures that senior management uses in managing the businesses.

Aegon s senior management is compensated based in part on Aegon s results against targets using the non-IFRS measures presented in this report. While many other insurers in Aegon s peer group present substantially similar non-IFRS measures, the non-IFRS measures presented in this document may nevertheless differ from the non-IFRS measures presented by other insurers. There is no standardized meaning to these measures under IFRS or any other recognized set of accounting standards and readers are cautioned to consider carefully the different ways in which Aegon and its peers present similar information before making a comparison. Aegon believes the non-IFRS measures present within this report, when read together with Aegon s reported IFRS financial statements, provide meaningful supplemental information for the investing public. This enables them to evaluate Aegon s businesses after eliminating the impact of current IFRS accounting policies for financial instruments and insurance contracts, which embed a number of accounting policy alternatives that companies may select in presenting their results (as companies may use different local generally accepted accounting principles (GAAPs)), and this may make the comparability difficult between time periods.

Results 2016 worldwide

Underlying earnings before tax geographically			
Amounts in EUR millions	2016	2015	%
Net underlying earnings	**1,483**	**1,481**	-
Tax on underlying earnings	429	386	11%
Underlying earnings before tax geographically			
Americas	1,249	1,278	(2%)
The Netherlands	534	537	(1%)
United Kingdom	59	(27)	-
Central & Eastern Europe	55	37	51%

Spain & Portugal	8	12	(38%)
Europe	*655*	*559*	*17%*
Asia	21	20	3%
Asset Management	149	170	(12%)
Holding and other activities	(162)	(161)	-
Underlying earnings before tax	**1,913**	**1,867**	**2%**
Fair value items	(840)	(651)	(29%)
Gains / (losses) on investments	340	346	(2%)
Net impairments	(54)	49	-
Other income / (charges)	(771)	(2,180)	65%
Run-off businesses	54	88	(39%)
Income before tax (excluding income tax from certain proportionately consolidated joint ventures and associates)	**641**	**(482)**	**-**
Income tax from certain proportionately consolidated joint ventures and associates included in income before tax	31	33	(6%)
Income tax	(203)	51	-
Of which Income tax from certain proportionately consolidated joint ventures and associates included in income before tax	(31)	(33)	6%
Net income	**438**	**(431)**	**-**
Commissions and expenses	6,696	6,916	(3%)
of which operating expenses	3,764	3,734	1%

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New life sales

Amounts in EUR millions	**2016**	2015	%
Americas	542	599	(9%)
The Netherlands	111	130	(15%)
United Kingdom	66	72	(8%)
Central & Eastern Europe	83	91	(9%)
Spain & Portugal	39	39	1%
Europe	*299*	*332*	*(10%)*
Asia	128	173	(26%)
Total recurring plus 1/10 single	**969**	**1,104**	**(12%)**

Gross deposits (on and off balance)

Amounts in EUR millions	**2016**	2015	%
Americas	40,881	36,999	10%
The Netherlands	6,686	5,137	30%
United Kingdom	5,791	6,096	(5%)
Central & Eastern Europe	265	227	17%
Spain & Portugal	31	29	8%
Europe	*12,773*	*11,489*	*11%*
Asia	304	408	(25%)
Asset Management	46,366	33,722	37%
Total gross deposits	**100,325**	**82,618**	**21%**

de s nically in lions	Americas	The Nether-lands	United Kingdom	Central & Eastern Europe	Spain & Portugal	Europe	Asia	Asset Manage-ment	Holding, other activities and elimina-tions	Segment total	Associ-ates and Joint Ventures elimina-tions
gross s	7,363	2,015	9,888	399	191	*12,493*	1,121	-	(78)	20,898	(498)
and surance s	2,204	210	36	1	73	*320*	104	-	(4)	2,624	(15)
e s	-	266	-	179	92	*536*	-	-	-	536	(92)
oss ns	**9,567**	**2,491**	**9,924**	**578**	**355**	***13,348***	**1,225**	**-**	**(82)**	**24,058**	**(606)**

nt	3,717	2,135	1,661	45	45	*3,886*	232	3	3	7,841	(54)
ion	1,651	350	95	36	14	*495*	61	632	(242)	2,596	(188)
enue	4	-	-	-	2	*2*	-	1	3	11	(4)
venues	**14,940**	**4,976**	**11,680**	**659**	**416**	***17,732***	**1,517**	**636**	**(318)**	**34,507**	**(852)**
of es, agent es	11,943	4,464	2,673	2,317	600	*10,054*	5,579	1,474	330	29,380	

Underlying earnings before tax by line of business

Amounts in EUR millions	**2016**	2015	%
Life	779	774	1%
Individual Savings & Retirement	534	604	(12%)
Pensions	555	440	26%
Non-life	34	17	99%
Asset management	149	170	(12%)
Other	(139)	(139)	-
Underlying earnings before tax	**1,913**	**1,867**	**2%**

Results 2016 worldwide

Aegon s net income in 2016 improved to EUR 438 million compared with 2015. Underlying earnings before tax increased 2% compared with 2015 to EUR 1,913 million in 2016, primarily as a result of higher underlying earnings before tax from the United Kingdom. The net result in 2016 was impacted by a loss of EUR 840 million on fair value items, which was driven by accounting losses on hedging programs and underperformance of alternative investments. Realized gains of EUR 340 million in 2016 mainly related to normal trading in the investment portfolio. Other charges amounted to EUR 771 million in 2016, mainly driven by the EUR 682 million book loss on the divestment of the annuity portfolio in the United Kingdom.

Net income

The net income amounted to EUR 438 million in 2016 driven by underlying earnings before tax of EUR 1,913 million, and was impacted by the book loss on the divestment of the UK annuity portfolio and fair value losses, partly offset by gains on investments.

Underlying earnings before tax

Aegon s underlying earnings before tax increased compared with 2015 to EUR 1,913 million in 2016. This was mainly driven by lower amortization of deferred policy acquisition costs (DPAC) in the United Kingdom following the write down of DPAC in the fourth quarter of 2015.

- Underlying earnings before tax from the Americas declined compared with 2015 to EUR 1,249 million in 2016. Expense reductions and an improvement in claims experience offset lower variable annuities underlying earnings before tax compared with 2015 and the impact on recurring underlying earnings before tax of the actuarial assumption changes and model updates implemented in the third quarter of 2015.
- In Europe, underlying earnings before tax in 2016 increased by 17% compared with 2015 to EUR 655 million. This was mainly driven by lower amortization of deferred policy acquisition costs in the United Kingdom related to upgrading customers to the retirement platform compared to 2015.
- In Asia, underlying earnings before tax increased in 2016 compared with 2015 to EUR 21 million as a result of increased underlying earnings before tax from the High Net Worth business. This was partly offset by lower underlying earnings before tax from Strategic partnerships compared with 2015 mainly a result of the increase in ownership from 26% to 49% in India, which is currently loss-making.

Underlying earnings before tax from asset management decreased by 12% in 2016 compared with 2015 to EUR 149 million. This decline was mainly driven by lower underlying earnings before tax from Aegon s Chinese asset management joint venture AIFMC due to the normalization of performance fees.

Total holding costs remained stable compared with 2015 at EUR 162 million in 2016.

Fair value items

The results from fair value items amounted to a loss of EUR 840 million in 2016, and were mainly driven by fair value losses in the United States. EUR 521 million fair value losses in the United States in 2016 were driven by the loss on hedging programs and the underperformance of alternative investments. Included in the loss on hedging programs in the United States is the loss on fair value hedges without accounting match in the Americas (EUR 322 million). This was mainly driven by the loss on equity hedges, which were set up to protect Aegon s capital position. Underperformance of fair value investments of EUR 226 million was primarily driven by investments related to hedge funds in the United States. Fair value losses of EUR 236 million in Europe in 2016 were driven by credit spreads movements, declining interest rates as a result of a mismatch on an IFRS basis between the valuation of interest rate hedges and liabilities, and declining interest rates as a result of the mismatch on an IFRS basis between certain interest rate hedges on the mortgage portfolio and the underlying mortgages. In addition, the loss on interest rate swaps was the main driver of the EUR 74 million fair value losses in 2016 at the holding.

Realized gains on investments

Realized gains on investments amounted to EUR 340 million in 2016 and were primarily related to a rebalancing of the investment portfolio in the United Kingdom and gains resulting from asset-liability management adjustments in the Netherlands.

Impairment charges

Net impairments of EUR 54 million in 2016 primarily related to investments in the energy industry in the United States.

Other charges

Other charges amounted to EUR 771 million in 2016. These were mostly caused by the book loss on the divestment of the annuity portfolio in the United Kingdom (EUR 682 million), and assumption changes and model updates (EUR 118 million).

Run-off businesses

The results of run-off businesses declined to EUR 54 million in 2016 mainly as a result of an adjustment to the intangible balances for BOLI/COLI business.

Income tax

Income tax amounted to EUR 203 million in 2016, and included one-time tax benefits in the United States and the United Kingdom. The effective tax rate on underlying earnings before tax and total income for 2016 was 22% and 32%, respectively.

Commissions and expenses

Commissions and expenses decreased by 3% in 2016 compared with 2015 to EUR 6.7 billion, mainly driven by lower amortization of deferred policy acquisition costs in the United Kingdom. Operating expenses increased by 1% in 2016 compared with 2015 to EUR 3.8 billion. Increased variable personnel expenses compared with 2015 and the acquisition of the defined contribution business from Mercer more than offset expense savings.

Production

In 2016, compared with 2015, gross deposits were up 21% to EUR 100.3 billion, driven by higher gross deposits in asset management and Retirement Plans in the United States. Net deposits, excluding run-off businesses, declined to EUR 3.5 billion in 2016 compared with 2015, mostly due to lower gross deposits in variable annuities, anticipated contract discontinuances from the business acquired from Mercer, and low asset management net flows. The latter were mainly driven by market insecurity following the Brexit vote and a reduction in flows from money market funds in China. New life sales declined by 12% compared with 2015 to EUR 969 million in 2016, mostly driven lower universal life and term life production in the United States, fewer pension buy-out sales in the Netherlands, and lower sales in Asia as a result of Aegon s strict pricing policy in a low rate environment. New premium production for accident & health and general insurance decreased by 9% compared with 2015 to EUR 954 million in 2016, mainly as a result of several product exits and a lower contribution from portfolio acquisitions.

Capital management

During 2016, shareholders equity decreased by EUR 1.9 billion to EUR 20.5 billion, as a result of a EUR 400 million share buyback and the impact from higher interest rates on revaluation reserves. During the year, the revaluation reserves decreased by EUR 1.1 billion to EUR 5.4 billion. Aegon s shareholders equity, excluding revaluation reserves and defined benefit plan remeasurements, amounted to EUR 17.0 billion on December 31, 2016, or 8.51 per common share. The gross leverage ratio increased to 29.8% on December 31, 2016, compared with 28.4% at the end of 2015, which was mostly the result of the issuance of EUR 500 million senior unsecured notes. Excess capital in the holding increased from EUR 1.4 billion at the end of 2015 to EUR 1.5 billion on December 31, 2016, as net remittances from business units and the aforementioned issuance of senior unsecured notes more than offset the EUR 400 million share buyback, dividends to shareholders, interest payments and operating expenses.

On December 31, 2016, Aegon s estimated Solvency II ratio amounted to 157%. The RBC ratio in the United States decreased from 460% at year-end 2015 to ~440% on December 31, 2016 which primarily reflects dividends upstreamed to the holding. In the Netherlands, the estimated Solvency II ratio at the end of 2016 amounted to 135%. The estimated Solvency II ratio at the end of 2016 of Aegon United Kingdom amounted to 156%.

The Group Solvency II ratio and Aegon the Netherlands Solvency II ratio have been updated since the earlier public communications on February 17, 2017 as a result of a change in the calculations of the risk margin in the Netherlands.

The Solvency ratios as disclosed in this section represent Aegon s estimates are not final until filed with the regulator and subject to supervisory review. Solvency II capital ratios are still subject to final interpretations of Solvency II regulations including the assumptions underlying Aegon s factor for the loss absorbing capacity of deferred taxes in the Netherlands of 75%.

Dividends from and capital contributions to business units

Aegon received EUR 1.1 billion of dividends from its business units during 2016 from the Americas, asset management, Central & Eastern Europe and Spain & Portugal. Aegon spent EUR 0.2 billion on capital contributions.

Results 2015 worldwide

Underlying earnings before tax geographically			
Amounts in EUR millions	**2015**	2014	%
Net underlying earnings	**1,481**	**1,507**	**(2%)**
Tax on underlying earnings	386	499	(23%)
Underlying earnings before tax geographically			
Americas	1,278	1,275	-
The Netherlands	537	558	(4%)
United Kingdom	(27)	125	-
Central & Eastern Europe	37	60	(39%)
Spain & Portugal	12	28	(56%)
Europe	*559*	*771*	*(27%)*
Asia	20	(17)	-
Asset Management	170	115	48%
Holding and other activities	(161)	(138)	(17%)
Underlying earnings before tax	**1,867**	**2,006**	**(7%)**
Fair value items	(651)	(1,362)	52%
Gains / (losses) on investments	346	697	(50%)
Net impairments	49	(34)	-
Other income / (charges)	(2,180)	(391)	-
Run-off businesses	88	11	-
Income before tax (excluding income tax from certain proportionately consolidated joint ventures and associates)	**(482)**	**927**	**-**
Income tax from certain proportionately consolidated joint ventures and associates included in income before tax	33	10	-
Income tax	51	(161)	-
Of which Income tax from certain proportionately consolidated joint ventures and associates included in income before tax	(33)	(10)	-
Net income	**(431)**	**766**	**-**
Commissions and expenses	6,916	5,865	18%
of which operating expenses	3,734	3,312	13%

New life sales			
Amounts in EUR millions	**2015**	2014	%
Americas	599	552	9%
The Netherlands	130	251	(48%)
United Kingdom	72	65	10%
Central & Eastern Europe	91	107	(15%)
Spain & Portugal	39	49	(20%)
Europe	*332*	*472*	*(30%)*

Asia	173	114	52%
Total recurring plus 1/10 single	**1,104**	**1,138**	**(3%)**

Gross deposits (on and off balance)

Amounts in EUR millions	**2015**	2014	%
Americas	36,999	31,849	16%
The Netherlands	5,137	2,781	85%
United Kingdom	6,096	5,238	16%
Central & Eastern Europe	227	215	5%
Spain & Portugal	29	55	(47%)
Europe	*11,489*	*8,289*	*39%*
Asia	408	526	(22%)
Asset Management	33,722	19,340	74%
Total gross deposits	**82,618**	**60,004**	**38%**

de s nically in lions	Americas	The Nether- lands	United Kingdom	Central & Eastern Europe	Spain & Portugal	Europe	Asia	Asset Manage- ment	Holding, other activities and elimina- tions	Segment total	Associ- ates and Joint Ventures elimina- tions
e gross s	7,046	2,240	8,465	477	174	*11,356*	1,713	-	(102)	20,013	(431)
and surance s	2,266	234	47	1	64	*345*	105	-	-	2,717	(14)
e s	-	473	-	164	80	*717*	-	-	2	720	(80)
oss ns	**9,312**	**2,947**	**8,512**	**642**	**317**	***12,419***	**1,819**	**-**	**(100)**	**23,450**	**(524)**
nt	3,680	2,277	2,331	45	41	*4,693*	194	7	2	8,576	(51)
ion	1,704	351	98	39	13	*501*	62	650	(284)	2,633	(195)
enue	9	-	-	-	2	*2*	-	-	7	19	(5)
venues	**14,705**	**5,575**	**10,941**	**726**	**373**	***17,615***	**2,076**	**657**	**(375)**	**34,677**	**(775)**
of es, agent es	12,701	4,503	2,478	2,470	534	*9,985*	7,163	1,382	299	31,530	

Underlying earnings before tax by line of business

Amounts in EUR millions	**2015**	2014	%
Life	774	923	(16%)
Individual Savings & Retirement	604	528	14%
Pensions	440	518	(15%)
Non-life	17	46	(62%)
Asset management	170	115	48%
Other	(139)	(124)	(13%)
Underlying earnings before tax	**1,867**	**2,006**	**(7%)**

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Results 2015 worldwide

Aegon s net loss in 2015 amounted to EUR 431 million. Underlying earnings before tax declined compared with 2014 to EUR 1,867 million in 2015, primarily impacted by lower underlying earnings before tax in the United Kingdom from the write down of deferred policy acquisition costs related to the restructuring of the organization. Results in 2015 were impacted by a loss of EUR 651 million on fair value items, which was driven by accounting losses on hedging programs. Realized gains of EUR 346 million in 2015 mainly related to normal trading in the investment portfolio. Other charges amounted to EUR 2,180 million in 2015, mainly driven by the write down of deferred policy acquisition costs in the United Kingdom related to the restructuring of the organization, and the loss on the divestment of the Canadian life insurance activities.

Net income

The net loss amounted to EUR 431 million in 2015, impacted by the write down of deferred policy acquisition costs in the United Kingdom related to the restructuring of the organization, the loss on the divestment of the Canadian life insurance activities and the impact of model updates.

Underlying earnings before tax

Aegon s underlying earnings before tax in 2015 declined compared with 2014 to EUR 1,867 million. This was driven by the write down of deferred policy acquisition costs in the United Kingdom related to upgrading customers to the retirement platform and a lower result from the Holding.

- Underlying earnings before tax from the Americas remained stable compared with 2014 at EUR 1,278 million in 2015. The impact of the stronger US dollar offset adverse claims experience and the impact on recurring underlying earnings before tax of the actuarial assumption changes and model updates implemented in the third quarters of 2014 and 2015.
- In Europe, underlying earnings before tax declined compared with 2014 to EUR 559 million in 2015, as a result of the write down of deferred policy acquisition costs in the United Kingdom related to upgrading customers to the retirement platform.
- Underlying earnings before tax from Asia increased compared with 2014 to EUR 20 million in 2015 as one-time charges in 2014 did not recur.
- Asset Management underlying earnings before tax were up 48% compared with 2014 to EUR 170 million in 2015, driven by the positive impact of higher performance fees and third-party assets under management.
- The result from the holding deteriorated compared with 2014 to a loss of EUR 161 million in 2015. This was mainly the result of higher net interest costs compared with 2014 following a debt issuance to refinance a perpetual security for which the cost was previously accounted for directly through shareholders equity and a tax gain received in 2014.

Fair value items

The results from fair value items amounted to a loss of EUR 651 million in 2015, and were mainly driven by fair value losses in the United States in 2015. EUR 691 million fair value losses in the United States were driven by the loss on hedging programs and the underperformance of alternative investments. Included in the loss on hedging programs in the United States is the loss on fair value hedges without accounting match in the Americas (EUR 403 million). This was mainly driven by the loss on equity hedges, which were set up to protect Aegon s capital position. Underperformance of fair value investments of EUR 201 million was primarily driven by investments related to energy-related investments and hedge funds in the United States. Results on fair value items in Europe amounted to a gain of EUR 101 million in 2015 driven mainly by positive revaluations on real estate and results of interest rate hedging in the Netherlands. In addition, the loss on interest rate swaps was the main driver of the EUR 68 million fair value losses in 2015 at the holding.

Realized gains on investments

Realized gains on investments amounted to EUR 346 million in 2015 and were primarily related to a rebalancing of the fixed income portfolio in the Netherlands and the United Kingdom.

Impairment charges

Net recoveries totaled to EUR 49 million in 2015. In the United States, gross impairments were more than offset by recoveries mostly related to investments in previously impaired subprime residential mortgage-backed securities.

Other charges

Other charges amounted to EUR 2,180 million in 2015. These were mostly caused by the write down of deferred policy acquisition costs in the United Kingdom related to the restructuring of the organization (EUR 1,274 million), the loss on the divestment of the Canadian life insurance activities (EUR 751 million) and the negative impact of assumption changes and model updates (EUR 131 million).

Run-off businesses

The results of run-off businesses improved compared with 2014 to EUR 88 million in 2015.

Income tax

Income tax amounted to EUR 51 million benefit in 2015. This was mostly driven by tax credits related to solar energy investments in the United States and the low tax rate on losses as a result of the write down of deferred policy acquisition costs in the United Kingdom.

Commissions and expenses

Commissions and expenses increased by 18% in 2015 compared with 2014 to EUR 6.9 billion, which was mainly caused by the adverse impact of the accounting changes. Operating expenses increased by 13% in 2015 compared with 2014 to EUR 3.7 billion. Adverse currency movements and higher defined benefit expenses in the Netherlands compared with 2014 more than offset lower project and transformation costs in the UK and the positive impact of the divestment of the Canadian life insurance activities.

Production

In 2015, compared with 2014, gross deposits were up 38% to EUR 82.6 billion, driven by higher pensions and mutual fund deposits in the United States, production from online bank Knab in the Netherlands, and sales in Aegon Asset Management. Net deposits, excluding run-off businesses, increased by 85% compared with 2014 to EUR 17.2 billion in 2015, mostly due to higher gross deposits and the de-recognition of movements in stable value solutions balances. New life sales declined by 3% compared with 2014 to EUR 1.1 billion in 2015, mostly driven by lower universal life production in the United States, fewer pension buy-out sales in the Netherlands. New premium production for accident & health and general insurance increased by 3% compared with 2014 to EUR 1.0 billion in 2015, as the stronger US dollar more than offset a lower contribution from portfolio acquisitions and several product exits.

Capital management

During 2015, shareholders equity decreased by EUR 1.4 billion to EUR 22.4 billion, as favorable currency exchange rates were more than offset by the book loss on the sale of the Canadian life insurance activities and higher interest rates, which resulted in lower revaluation reserves. During the year, the revaluation reserves decreased by EUR 1.8 billion to EUR 6.5 billion. Aegon s shareholders equity, excluding revaluation reserves and defined benefit plan remeasurements, amounted to EUR 17.5 billion on December 31, 2015, or 8.27 per common share. The gross leverage ratio improved to 28.4% on December 31, 2015, compared with the end of 2014, which was mostly as a result of earnings generated during the year. The negative impact on the gross leverage ratio of the book loss on the sale of the Canadian life insurance activities was offset by the redemption of the USD 500 million senior bond, which matured on December 8, 2015. Excess capital in the holding increased from EUR 1.2 billion at the end of 2014 to EUR 1.4 billion on December 31, 2015, as dividends from business units and proceeds from divestments were partly offset by the impact of cash used for deleveraging, dividends to shareholders, interest payments and operating expenses.

During 2015, Aegon s Insurance Group Directive (IGD) ratio increased from 208% at the end of 2014 to 220% on December 31, 2015. The increase reflects positive retained earnings during the year, in addition to the impact of divestments. On March 3, 2015, Aegon completed the sale of its 35% share in La Mondiale Participations to La Mondiale for EUR 350 million. Furthermore, on July 31, 2015, Aegon completed the sale of its Canadian operations to Wilton Re for CAD 600 million (EUR 428 million). The capital in excess of the S&P AA threshold in the United States decreased from USD 1.1 billion at the end of 2014 to USD 0.2 billion on December 31, 2015, as dividends paid to the holding were offset by earnings, while the RBC ratio in the United States decreased from 540% at year-end 2014 to ~460% on December 31, 2015. The decrease in the United States primarily reflected market conditions and the impact of assumption changes and model updates implemented during the third quarter. In the Netherlands, the IGD ratio, excluding Aegon Bank, increased from 215% on December 31, 2014, to ~240% at the end of 2015 due to earnings generated during the year. The Pillar I ratio in the United Kingdom, including the with-profit fund, increased from 140% at the end of 2014 to ~165% at the end of 2015 due to earnings and changes to longevity assumptions in the fourth quarter.

On November 24, 2015, Aegon successfully placed its inaugural EUR 750 million Conditional Pass-Through Covered Bond. The placement enabled Aegon to further diversify its funding sources and to attract new external long-term funding. The net proceeds were used to refinance part of the existing Dutch mortgage portfolio of Aegon.

Dividends from and capital contributions to business units

Aegon received EUR 1.1 billion of dividends from its business units during 2015, almost all of which from the Americas. Aegon spent EUR 0.3 billion on capital contributions and acquisitions in 2015 in Asia, Central & Eastern Europe, Asset Management and Variable Annuities Europe.

Results 2016 Americas

	Amounts in USD millions			Amounts in EUR millions		
	2016	2015	%	**2016**	2015	%
Net underlying earnings	**1,059**	**1,100**	**(4%)**	**956**	**991**	**(4%)**
Tax on underlying earnings	323	318	2%	292	286	2%
Underlying earnings before tax by business						
Life	174	207	(16%)	157	186	(16%)
Accident & Health	218	165	32%	197	149	32%
Retirement plans	280	261	7%	253	235	7%
Mutual funds	50	50	-	45	45	-
Variable annuities	393	503	(22%)	355	453	(22%)
Fixed annuities	172	131	31%	155	118	32%
Stable Value Solutions	96	101	(4%)	87	91	(4%)
Latin America	1	1	(41%)	1	1	(41%)
Underlying earnings before tax	**1,382**	**1,418**	**(3%)**	**1,249**	**1,278**	**(2%)**
Fair value items	(577)	(768)	25%	(521)	(691)	25%
Gains / (losses) on investments	(14)	(83)	83%	(13)	(74)	83%
Net impairments	(33)	79	-	(30)	71	-
Other income / (charges)	(111)	(1,013)	89%	(100)	(913)	89%
Run-off businesses	60	98	(39%)	54	88	(39%)
Income before tax (excluding income tax from certain proportionately consolidated joint ventures and associates)	**706**	**(268)**	**-**	**638**	**(241)**	**-**
Income tax from certain proportionately consolidated joint ventures and associates included in income before tax	3	5	(32%)	3	5	(32%)
Income tax	(88)	7	-	(80)	6	-
Of which Income tax from certain proportionately consolidated joint ventures and associates included in income before tax	(3)	(5)	32%	(3)	(5)	32%
Net income	**618**	**(261)**	**-**	**558**	**(235)**	**-**
Life insurance gross premiums	8,150	7,821	4%	7,363	7,046	5%
Accident and health insurance premiums	2,440	2,515	(3%)	2,204	2,266	(3%)

Total gross premiums	**10,590**	**10,336**	**2%**	**9,567**	**9,312**	**3%**
Investment income	4,114	4,085	1%	3,717	3,680	1%
Fees and commission income	1,828	1,891	(3%)	1,651	1,704	(3%)
Other revenues	5	11	(56%)	4	9	(56%)
Total revenues	**16,537**	**16,322**	**1%**	**14,940**	**14,705**	**2%**
Commissions and expenses	4,532	4,489	1%	4,095	4,044	1%
of which operating expenses	1,834	1,843	(1%)	1,656	1,660	-

New life sales	Amounts in USD millions 2016	2015	%	Amounts in EUR millions 2016	2015	
Life	547	622	(12%)	494	561	(12%)
Latin America	53	42	24%	48	38	25%
Total recurring plus 1/10 single	**600**	**665**	**(10%)**	**542**	**599**	**(9%)**

	Amounts in USD millions 2016	2015	%	Amounts in EUR millions 2016	2015	%
New premium production accident and health insurance	895	1,003	(11%)	808	904	(11%)

Gross deposits (on and off balance)	Amounts in USD millions 2016	2015	%	Amounts in EUR millions 2016	2015	%
Life	8	7	21%	8	6	21%
Retirement plans	35,137	27,833	26%	31,743	25,075	27%
Mutual funds	5,467	5,084	8%	4,939	4,580	8%
Variable annuities	4,375	7,857	(44%)	3,952	7,079	(44%)
Fixed annuities	254	276	(8%)	230	249	(8%)
Latin America	10	12	(14%)	9	10	(13%)
Total gross deposits	**45,251**	**41,069**	**10%**	**40,881**	**36,999**	**10%**

Exchange rates	Weighted average rate		Closing rate as of	
			December 31,	December 31,
Per 1 EUR	2016	2015	2016	2015
USD	1.1069	1.1100	1.0548	1.0863

Results 2016 Americas

The net income from the Americas amounted to USD 618 million in 2016. Underlying earnings before tax in 2016 were stable compared with 2015 at USD 1.4 billion. Expense reductions and an improvement in claims experience compared with 2015 offset lower variable annuities underlying earnings before tax and the impact on recurring underlying earnings before tax of the actuarial assumption changes and model updates implemented in the third quarter of 2015. Gross deposits increased to USD 45.3 billion in 2016 compared with 2015, as a result of the deposits from the defined contribution business acquired from Mercer in 2015, which more than offset lower variable annuity deposits. New life sales declined to USD 600 million in 2016 compared with 2015 due to a decline in the recruitment of new agents and Aegon s strict pricing policy, while new premium production for accident & health insurance was down to USD 0.9 billion compared with 2015 due to lower contribution from portfolio acquisitions and several product exits.

Net income

The net income amounted to USD 618 million in 2016, as underlying earnings before tax were partly offset by losses from fair value items. Underlying earnings before tax in 2016 were stable compared with 2015 at USD 1.4 billion. Results on fair value items amounted to a loss of USD 577 million in 2016, which was primarily related to underperformance of hedge fund investments and the impact on hedging programs as a result of higher equity markets. Income before tax from run-off businesses in 2016 amounted to USD 60 million, while realized losses on investments in 2016 amounted to USD 14 million. Net impairments amounted USD 33 million in 2016, primarily related to investments in the energy industry. Other charges of USD 111 million in 2016 mainly related to the net impact of assumption changes and model updates. These charges were mainly driven by the assumption changes and model updates in the US from long-term care, primarily resulting from experience updates for morbidity, termination rates and utilization assumptions. For the other business lines, assumption and model changes largely offset each other.

Underlying earnings before tax

Underlying earnings before tax in 2016 were stable compared with 2015 at USD 1.4 billion. Expense reductions and an improvement in claims experience compared with 2015 offset lower variable annuities underlying earnings before tax and the impact on recurring underlying earnings before tax of the actuarial assumption changes and model updates implemented in the third quarter of 2015.

Underlying earnings before tax from Life decreased to USD 174 million in 2016 compared with USD 207 million in 2015. Expense savings were more than offset by unfavorable mortality, the impact of lower interest rates compared with
2015 and the impact on recurring underlying earnings before tax of the actuarial assumption changes and model updates implemented in the third quarter of 2015.
Accident & Health underlying earnings before tax increased to USD 218 million in 2016 compared with USD 165 million in 2015, as an improvement in long-term care morbidity experience and expense savings more

than offset the negative impact on underlying earnings before tax of product exits.

Underlying earnings before tax from Mutual Funds were stable in 2016 compared with 2015 at USD 50 million.

Retirement Plans underlying earnings before tax were up to USD 280 million in 2016 compared with USD 261 million in 2015, primarily driven by the benefit of expense savings and increased fee income compared with 2015. Increased fee income resulted from higher average account balances driven by equity market performance, which more than offset margin pressure arising from the competitive environment on fees.

Underlying earnings before tax from Variable Annuities declined to USD 393 million in 2016 compared with USD 503 million in 2015 as a result of lower underlying earnings before tax from the declining closed block, lower margins on new business and adverse claims experience.

Fixed Annuity underlying earnings before tax increased by 31% in 2016 compared with 2015 to USD 172 million, as an increase in the result from adjustments to intangible assets more than offset the continued balance reduction.

Underlying earnings before tax from Stable Value Solutions amounted to USD 96 million in 2016 compared with USD 101 million in 2015 due to lower average account balances.

Latin America contributed USD 1 million to underlying earnings before tax in 2016.

Commissions and expenses

Commissions and expenses increased by 1% compared with 2015 in 2016 to USD 4.5 billion. Operating expenses decreased by 1% compared with 2015 in 2016 to USD 1.8 billion. Expense savings and lower restructuring charges compared with 2015 were partly offset by increased variable personnel expense and the acquisition of the defined contribution business acquired from Mercer.

Production

Gross deposits increased by 10% in 2016 compared with 2015 to USD 45.3 billion. Higher gross deposits in Retirement Plans more than offset a decline in variable annuity deposits compared with 2015. Increased retirement plan gross deposits were mostly driven by the acquisition of the defined contribution business acquired from Mercer. Variable annuity gross deposits were down

by 44% in 2016 compared with 2015 to USD 4.4 billion, mainly driven by product adjustments implemented last year in response to the low interest rate environment and lower market demand as a result of the upcoming implementation of the Department of Labor fiduciary rule.

New life sales declined by 10% in 2016 to USD 600 million compared with 2015, as a result of lower universal life and term life sales. Lower universal life sales resulted from a decline in the recruitment of new agents. Sales of term life products declined as Aegon did not lower its pricing in line with a number of its competitors. New premium production for accident & health insurance was down 11% to USD 0.9 billion in 2016 compared with 2015, mainly resulting from a lower contribution from portfolio acquisitions and several product exits.

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Results 2015 Americas

	Amounts in USD millions			Amounts in EUR millions		
	2015	2014	%	**2015**	2014	%
Net underlying earnings	**1,100**	**1,204**	**(9%)**	**991**	**906**	**9%**
Tax on underlying earnings	318	491	(35%)	286	369	(22%)
Underlying earnings before tax by business						
Life insurance	207	347	(40%)	186	261	(29%)
Accident & health insurance	165	212	(22%)	149	160	(7%)
Retirement plans	261	272	(4%)	235	205	15%
Mutual funds	50	47	6%	45	35	26%
Variable annuities	503	460	9%	453	346	31%
Fixed annuities	131	211	(38%)	118	159	(26%)
Stable value solutions	101	109	(8%)	91	82	11%
Canada	-	30	-	-	23	-
Latin America	1	5	(72%)	1	4	(67%)
Underlying earnings before tax	**1,418**	**1,694**	**(16%)**	**1,278**	**1,275**	**-**
Fair value items	(768)	(656)	(17%)	(691)	(494)	(40%)
Gains / (losses) on investments	(83)	113	-	(74)	85	-
Net impairments	79	27	189%	71	21	-
Other income / (charges)	(1,013)	(269)	-	(913)	(202)	-
Run-off businesses	98	15	-	88	11	-
Income before tax (excluding income tax from certain proportionately consolidated joint ventures and associates)	**(268)**	**925**	**-**	**(241)**	**696**	**-**
Income tax from certain proportionately consolidated joint ventures and associates included in income before tax	5	4	39%	5	3	66%
Income tax	7	(129)	-	6	(97)	-
Of which Income tax from certain proportionately consolidated joint ventures and associates included in income before tax	(5)	(4)	(39%)	(5)	(3)	(66%)
Net income	**(261)**	**796**	**-**	**(235)**	**599**	**-**
Life insurance gross premiums	7,821	8,585	(9%)	7,046	6,461	9%
Accident and health insurance	2,515	2,490	1%	2,266	1,874	21%

premiums						
Total gross premiums	**10,336**	**11,074**	**(7%)**	**9,312**	**8,334**	**12%**
Investment income	4,085	4,401	(7%)	3,680	3,312	11%
Fees and commission income	1,891	1,974	(4%)	1,704	1,485	15%
Other revenues	11	3	-	9	2	-
Total revenues	**16,322**	**17,453**	**(6%)**	**14,705**	**13,134**	**12%**
Commissions and expenses	4,489	4,410	2%	4,044	3,319	22%
of which operating expenses	1,843	1,871	(2%)	1,660	1,408	18%

New life sales	Amounts in USD millions 2015	2014	%	Amounts in EUR millions 2015	2014	%
Life	622	615	1%	561	463	21%
Canada	-	75	-	-	56	-
Latin America	42	43	(2%)	38	33	17%
Total recurring plus 1/10 single	**665**	**733**	**(9%)**	**599**	**552**	**9%**

	Amounts in USD millions 2015	2014	%	Amounts in EUR millions 2015	2014	%
New premium production accident and health insurance	1,003	1,193	(16%)	904	898	1%

Gross deposits (on and off balance)	Amounts in USD millions 2015	2014	%	Amounts in EUR millions 2015	2014	%
Life	7	9	(20%)	6	7	(4%)
Retirement plans	27,833	26,736	4%	25,075	20,121	25%
Mutual funds	5,084	4,879	4%	4,580	3,672	25%
Variable annuities	7,857	10,235	(23%)	7,079	7,702	(8%)
Fixed annuities	276	323	(15%)	249	243	2%
Canada	-	121	-	-	91	-
Latin America	12	18	(35%)	10	14	(22%)
Total gross deposits	**41,069**	**42,321**	**(3%)**	**36,999**	**31,849**	**16%**

Exchange rates	Weighted average rate		Closing rate as of	
			December 31,	December 31,
Per 1 EUR	2015	2014	2015	2014
USD	1.1100	1.3288	1.0863	1.2101
CAD	1.4173	1.4667	1.5090	1.4015

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Results 2015 Americas

The net loss in 2015 was USD 261 million, primarily the result of the book loss on the divestment of Canada of USD 837 million. Underlying earnings before tax decreased by 16% in 2015 compared with 2014 to USD 1.4 billion. This was mainly driven by adverse claims experience and the impact on recurring underlying earnings before tax of the actuarial assumption changes and model updates implemented in the third quarters of 2014 and 2015. Gross deposits declined by 3% in 2015 compared with 2014 to USD 41.1 billion and new life sales by 9% in 2015 compared with 2014 to USD 665 million, both due to product adjustments to improve profitability, while new premium production for accident & health insurance was down 16% in 2015 compared with 2014 to USD 1.0 billion.

Net income

The net loss amounted to USD 261 million in 2015, primarily as the result of the book loss on the divestment of Aegon s Canadian life insurance business of USD 837 million in 2015. Result on fair value items amounted to a loss of USD 768 million in 2015, which was primarily related to the impact on hedging programs as a result of lower interest rates and higher equity markets compared with 2014. Income before tax from run-off businesses amounted to USD 98 million in 2015. Realized losses on investments amounted to USD 83 million in 2015, and were mainly related to investments in emerging markets and the energy sector. Net impairments improved from a benefit of USD 27 million in 2014 to a benefit of USD 79 million in 2015 as recoveries, which were mostly related to investments in subprime residential mortgage-backed securities, more than offset gross impairments. Other charges were USD 1.0 billion in 2015, and were primarily related to the divestment of Aegon s Canadian business and model updates.

Underlying earnings before tax

Underlying earnings before tax in 2015 decreased by 16% compared with 2014 to USD 1.4 billion. This was mainly driven by adverse claims experience and the impact on recurring underlying earnings before tax of the actuarial assumption changes and model updates implemented in the third quarters of 2014 and 2015.

Underlying earnings before tax from Life decreased to USD 207 million in 2015 compared with USD 347 million in 2014. This is due to unfavorable mortality, the impact of lower interest rates and the impact on recurring underlying earnings before tax of the actuarial assumption changes and model updates implemented in the third quarters of 2014 and 2015.

Accident & Health underlying earnings before tax declined by 22% in 2015 compared with 2014 to USD 165 million, which was mainly the result of adverse morbidity.

Underlying earnings before tax from Mutual Funds increased by 6% in 2015 to USD 50 million compared with 2014, mainly driven by favorable markets.

Retirement Plans underlying earnings before tax were down 4% to USD 261 million in 2015 compared with 2014, primarily driven by lower general account pension liabilities and margin pressure arising from the competitive environment on fees.

Underlying earnings before tax from Variable Annuities increased by 9% in 2015 compared with 2014 to USD 503 million as a result of higher average balances driven by net deposits.

Fixed Annuity underlying earnings before tax were down 38% in 2015 compared with 2014 to USD 131 million. Underlying earnings before tax from fixed annuities were impacted by the decline of balances compared with 2014 as a result of deemphasizing the business.

Underlying earnings before tax from Stable Value Solutions amounted to USD 101 million in 2015 compared with USD 109 million in 2014 due to lower account balances from net outflows.

Latin America contributed USD 1 million to underlying earnings before tax in 2015.

Commissions and expenses

Commissions and expenses increased by 2% in 2015 to USD 4.5 billion compared with 2014. Operating expenses decreased by 2% in 2015 to USD 1.8 billion compared with 2014, and this was mainly driven by the divestment of Canada.

Production

Gross deposits declined by 3% in 2015 to USD 41.1 billion compared with 2014. Higher gross deposits in retirement plans were more than offset by lower gross deposits in variable annuities. Gross deposits in retirement plans increased by 4% in 2015 to USD 27.8 billion compared with 2014 due to higher recurring deposits. Variable annuity gross deposits were down by 23% in 2015 to USD 7.9 billion compared with 2014, mainly driven by product adjustments implemented in the first quarter of 2015 in response to the low interest rate environment.

New life sales declined by 9% in 2015 to USD 665 million compared with 2014, as growth in indexed universal life was more than offset by the divestment of Canada, the withdrawal of the universal life secondary guarantee product due to the low interest rate environment, and lower term life sales. New premium production for accident & health insurance was down 16% in 2015 compared with 2014 to USD 1.0 billion, mainly resulting from a lower contribution from portfolio acquisitions and several product exits.

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Overview of Americas

Aegon Americas operates under the Transamerica brand in the United States, and also has operations in Brazil and Mexico.

Aegon in the US

Transamerica is one of the leading[1] life insurance organizations in the United States, and the largest of Aegon s operating units worldwide. Its businesses in the US serve customers in all fifty states and employs approximately 11,000 people. Most Aegon companies in the United States operate under the Transamerica brand. Its companies have existed since the mid-19th century, and its main offices are in Cedar Rapids, Iowa, and Baltimore, Maryland with additional offices located throughout the United States.

Through its subsidiaries and affiliated companies, Aegon provides a wide range of life insurance, supplemental health insurance, retirement plans, long-term savings and investment products.

Aegon utilizes a variety of distribution channels to help customers access its products and services as suits their needs. These include brokerage, partner, institutional/worksite and wholesale.

Aegon in Brazil

In 2009, Aegon acquired a 50% interest in Mongeral Aegon Seguros e Previdência S.A. (hereafter referred to as Mongeral Aegon), Brazil s fourth largest independent (i.e. non-bank affiliated) life insurer. As of December 2016, Aegon Brazil had approximately 500 employees.

To further capture growth prospects in Brazil, Mongeral Aegon and Bancoob (Banco Cooperativo do Brasil) established Sicoob Seguradora de Vida e Previdência, a new life insurance and pensions company dedicated to providing life insurance and pension products to the Sicoob system on August 12, 2016. Sicoob is the largest cooperative financial system in the country, with over 3.2 million associates and 2,340 points of service. Bancoob is a private commercial bank owned by the credit cooperative entities affiliated with the Sicoob system. This agreement represents a key expansion of distribution for Mongeral Aegon, which already serves over 2 million customers nationwide through over 4,000 brokers.

Aegon in Mexico

In 2006, Aegon acquired a 49% interest in Seguros Argos S.A. de C.V., a Mexican life insurance company. In 2013, Aegon entered into a joint venture with Administradora Akaan S.A. de C.V. and created Akaan-Aegon S.A.P.I. de C.V. to explore financial service opportunities. This Mexico City-based organization is still in the start-up phase and focuses on third-party asset management.

Aegon in Canada

In Canada, Aegon operates an insurance agency under the brand World Financial Group Insurance Agency of Canada Inc., in addition to an affiliated securities dealer. On July 31, 2015, Aegon completed the sale of its Canadian life insurance and asset management business.

Organizational structure

Aegon USA

Aegon USA was founded in 1989, when Aegon brought all of its operating companies in the United States together under a single financial services holding company: Aegon USA, LLC. As of December 31, 2015, Aegon USA, LLC was merged into Transamerica Corporation, which is the holding company for the US operations. Business is conducted through its various subsidiaries. The use of the term Aegon USA throughout this business overview refers to the operating subsidiaries in the United States, collectively or individually, through which Aegon conducts business. Aegon USA has operating licenses in every US state, in addition to the District of Columbia, Puerto Rico, the Virgin Islands and Guam.

Aegon USA s primary insurance subsidiaries are:

- Transamerica Life Insurance Company;
- Transamerica Financial Life Insurance Company;
- Transamerica Advisors Life Insurance Company;
- Transamerica Premier Life Insurance Company; and
- Transamerica Casualty Insurance Company.

In 2016, Aegon USA made the strategic decision to bring all of its businesses together, restructuring into a functionally organized firm aimed at better meeting customers needs and creating a consistent, positive experience for customers, business partners and employees. The new simplified structure is designed to provide relevant customer solutions that are easy to understand, and that address the full range of customers financial protection and savings needs at every stage of life. The further aim is to better leverage Transamerica s brand strength, expertise and capabilities in order to fulfill Aegon s purpose of helping people achieve a lifetime of financial security.

The product lines sold or operated through one or more of the Aegon USA s life insurance companies include: life, accident & health, mutual funds, variable annuities, fixed annuities, retirement plans, stable value solutions, and Latin America. The product lines, described in greater detail below, represent groups of products and services that Aegon USA offers through

1 Source: A.M. Best s Rating Report dated June 24, 2016 https://www.transamerica.com/individual/about-us/who-we-are/financial-strength/am-best.html. Webpage visited November 21, 2016.

a number of distribution methods and sales channels. Products are also offered and distributed through one or more of Aegon USA s licensed insurance or brokerage subsidiary companies.

Overview of sales and distribution channels

Aegon USA s product lines are now organized by distribution channel in order to ensure that they are aligned with customers needs. Each channel has primary target market segments on which it is focused. The distribution channels fall into four main categories: brokerage, partner, institutional/worksite, and wholesale.

Brokerage

Aegon USA offers protection products (life insurance and long-term care) through third-party distribution outlets known as Brokerage General Agents or Independent Wholesale Organizations . These are typically registered products sold through independent insurance agents. This channel offers life insurance (term life, universal life, variable universal life[1], index universal life and whole life insurance), long-term care and supplemental health products and services through approximately 65,000 independent brokerage distributors and financial institutions that target the affluent, emerging affluent and middle markets. These products are designed for family protection, business needs and legacy planning.

Partner

Known as Transamerica Financial Network , Aegon USA provides advice and guidance to individuals to meet their protection and investment needs. Over 54,000 associates (World Financial Group) and 1,700 career agents (Transamerica Agency Network) offer insurance, annuities, mutual funds, retirement plans and managed accounts to individuals. This channel provides the same life and health products as the brokerage channel, with a focus on the middle and emerging affluent markets.

Institutional/Worksite

Aegon USA offers mutual funds, annuities, life insurance (universal life, whole life and term life), supplemental health products (critical illness, cancer, hospital indemnity, supplemental medical expense, short-term disability, vision, and dental policies), accident products, and Stable Value Solutions in this channel. The channel focuses on the sale of products to consumers through the employer segment, also known as the worksite. Aegon USA also offers individual products through institutions including large broker-dealer research and advisory platforms and large registered investment advisors.

Wholesale

Aegon USA offers annuities, mutual funds, retirement plans, life insurance and long-term care products through partnerships with independent broker-dealers that want a direct relationship with Aegon USA. The broker-dealer network is broken out into three areas: banks, wirehouses, and independent financial planners. Aegon USA s wholesalers are dedicated to one product line, but work closely together to refer advisors across Aegon USA s multiple product lines with the intent of creating deeper partnerships with advisors and becoming even more relevant in the financial lives of customers.

On December 7, 2016, Aegon announced its intention to exit the Affinity, Direct TV and Direct Mail channels, which were part of the Accident & health line of business in the United States. After reviewing these businesses, Aegon decided that they no longer fitted with its strategic objectives.

Overview of business lines

Life

Aegon USA offers a comprehensive portfolio of protection solutions to customers in a broad range of market segments. Products offered include term life, universal life, variable universal life, index universal life and whole life insurance.

Term life insurance

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

Universal life insurance

Universal life insurance is flexible permanent life insurance that offers death benefit protection together with the potential for cash value accumulation. The frequency and amount of premiums, in addition to the death benefit, can be adjusted by a policyholder when a policyholder s circumstances change. In determining the monthly deductions, Aegon USA takes a wide number of factors into account, including but not limited to: interest rates, mortality, taxes and expenses associated with the policy. Any changes in the monthly deductions reflect Aegon USA s current expectations with respect to future policy performance. At any time, the policy owner is able to see the maximum rate that can be charged. A version of this product has secondary guarantees , which guarantee continuation of the life insurance if the customer consistently pays an agreed minimum amount of premium each year.

Variable universal life insurance

Variable universal life insurance is cash-value life insurance that offers both a death benefit and an investment feature. The premium amount for variable universal life insurance is flexible and, within contract limits, may be changed by the consumer as needed although these changes can result in a change in the coverage amount. The investment feature usually includes sub-accounts, which function like mutual funds and can provide exposure to stocks and bonds. This exposure offers the possibility of an increased (or decreased) rate of return over a universal life or permanent insurance policy.

1 A small amount of variable universal life insurance is sold in the Brokerage channel by registered advisors through a broker dealer.

Index universal life insurance

Index Universal Life (IUL) insurance provides permanent death benefit protection and cash value accumulation with flexible premium payments. What distinguishes it from other types of permanent life insurance is the way in which interest earnings are credited. Net premiums may be allocated to either a fixed account or indexed accounts. Indexed accounts credit interest based in part on the performance of one or more market indices. The credited interest is based on the index, but with a floor and a cap. IUL offers both market-paced growth potential in the indexed accounts and downside protection. It is an appealing alternative to regular Universal Life for which interest is credited at a fixed rate and Variable Universal Life, in which the cash value is directly exposed to ups and downs of the market.

Whole life insurance

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

Accident & health

Aegon USA offers supplemental health insurance and long-term care insurance as well as casualty products.

Supplemental health insurance

Supplemental health insurance products include accidental death and dismemberment, accidental injury, cancer, critical illness, disability, hospital indemnity, Medicare Supplement, Medicare Part D prescription drug, retiree medical, and supplemental medical expense indemnity.

A number of these products provide policyholders with lump sum or specified income payments if hospitalized, injured, or diagnosed with a critical illness. Others pay benefits for specific medical expenses and treatments, or cover deductibles, co-payments and co-insurance amounts not covered by other health insurance. In addition, medical stop-loss insurance is offered to employers to protect against catastrophic losses under self-funded health plans.

Long-term care insurance

Long-term care (LTC) insurance products provide benefits to policyholders that require qualified LTC services as they are unable to perform two or more specific activities of daily living or due to a severe cognitive impairment. LTC insurance helps protect a policyholder s assets from the high cost of LTC services, and it may also help families better manage the financial, health and safety issues associated with LTC.

Casualty insurance

Casualty insurance products include travel, involuntary unemployment and bike insurance products that provide protection for covered trips, unemployment and damage/loss to bicycles respectively. Following the announcement to exit the Affinity, Direct TV and Direct Mail channels, these casualty products will be discontinued after a wind down period.

Mutual funds

Mutual funds are offered for all market conditions, including asset allocation, US equity, global/international equity, alternative investments, hybrid allocation, fixed income and target date funds. Mutual funds are offered through a sub-advised or manager of managers mutual fund platform. Sub-advisors can include both those affiliated and not affiliated with Aegon USA. A rigorous on-going process of due diligence, manager selection, and ongoing reviews of manager performance versus objectives and peers enables our sub-advised mutual fund business to provide best-in-class investment options to Aegon USA customers.

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. The standalone variable annuity is often referred to in the market as an investment-only variable annuity (IOVA). Additional guarantees, also referred to as riders, can be added to variable annuities, including guaranteed minimum death benefits (GMDBs) and guaranteed living benefits (GLBs). GMDBs provide a guaranteed benefit in the event of death. GLBs are intended to provide a measure of protection against market risk while the annuitant is alive. Different forms of GLBs are offered, such as guaranteeing an income stream for life and/or guaranteeing principal protection.

Fixed annuities

Fixed annuities allow investors 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. Aegon USA is not actively marketing new sales of traditional fixed deferred annuities, and current sales primarily represent annuitizations and additional premium on existing contracts. Aegon USA actively offers a fixed-indexed annuity that may credit interest based, in part, on the percentage change in the value of the selected index account option(s) at the start and end of the crediting period. A fixed account option is also available. Aegon USA s fixed-indexed annuity is distributed through third-party or affiliated broker-dealers and/or insurance agencies.

Retirement plans

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

Retirement plan services, including administration, recordkeeping and related services are offered to employers of all sizes and to plans across all market segments. Aegon USA also partners with plan advisors and third-party administrators to serve their customers. On December 31, 2015, Aegon USA closed the acquisition of Mercer s US defined contribution administration business. As a result of the acquisition, Transamerica Retirement Solutions is now a top ten defined contribution record-keeper in the United States based on plan participants and assets[1].

Plan sponsors have access to a wide array of investment options. Depending on the product chosen by the plan sponsor, unrestricted access to the entire universe of publicly-available investments can be offered. Smaller plans have access to an array of hundreds of investment choices from more than 40 investment management companies.

Tools are provided to help plan participants monitor their retirement accounts and engage in behavior to stay on track towards a funded retirement. Managed Advice® is an option that plan sponsors can make available to participants that provides investment and savings advice to participants.

For individual plan participants in transition due to a job loss or change or planned retirement, services are offered through the Transamerica Advice Center, a team of experienced registered representatives and registered investment advisors. Solutions include IRAs, advisory services, annuities and access to other financial products and resources.

Stable Value Solutions

Synthetic Guaranteed Investment Contracts (GICs) are offered primarily to tax-qualified institutional entities such as 401(k) plans and other retirement plans. A synthetic GIC wrapper is offered around fixed-income invested assets, which are owned by the plan and managed by the plan or a third-party money manager hired by the plan. A synthetic GIC is typically issued with an evergreen maturity and may be terminated under certain conditions. Such a contract helps to reduce fluctuations in the value of the wrapped assets for plan participants, and provides book value benefit-responsiveness.

Latin America

Aegon s businesses in Latin America comprise of a 50% interest in Mongeral Aegon Seguros e Previdência S.A., a Brazilian independent life insurer; a 50% interest in Akaan-Aegon S.A.P.I. de C.V., a joint venture with Administradora Akaan S.A. de C.V., and a 49% interest in Seguros Argos S.A. de C.V., a Mexican life insurance company. Mongeral Aegon s insurance activities include pension product distribution, individual and group life insurance products, mutual fund management, and administrative services. Akaan-Aegon is in the start-up process and will initially focus on

third-party asset management. Seguros Argos primary product is a 20-year term life insurance product.

Run-off businesses

Institutional spread-based business

This business was put into run-off in 2009. The primary products included Guaranteed Investment Contracts (GICs), funding agreements, and medium-term notes (MTNs). GICs were generally issued to tax qualified plans, while funding agreements and MTNs were typically issued to non-tax qualified institutional investors.

GICs and funding agreements are spread-based products issued on a fixed-rate or floating-rate basis. They provide customers with a guarantee of principal and a specified rate of return. Nearly all the liabilities represented by the fixed-rate contracts were effectively converted to a floating-rate via swap agreements when the contracts were issued. Contracts issued in foreign currencies were converted at issuance to US dollars through swap agreements when the contracts were issued to eliminate currency risk.

Before 2009, Aegon USA utilized consolidated special purpose entities to issue MTNs that are backed by funding agreements. The proceeds of each note series were used to purchase a funding agreement from an Aegon USA insurance company, which was used to secure that particular series of notes. The payment terms of any particular series substantially matched the payment terms of the funding agreement that secured that series.

Payout annuities

Payout annuities are a form of immediate annuity purchased as a result of a lawsuit or claim. New sales of payout annuities were discontinued in 2003, although Aegon USA continues to administer the closed block of business.

Bank- and corporate-owned life insurance

Aegon USA services life insurance products sold to the bank- and corporate-owned life insurance (BOLI/COLI) market in the United States. BOLI/COLI helps bank and corporate customers fund long-term employee benefits such as executive compensation and post-retirement medical plans. The bank or corporation insures key employees, and is the owner and beneficiary of the policies. New sales of BOLI/COLI were discontinued in 2010.

1 PLANSPONSOR, June 2016, http://www.plansponsor.com/2016-Recordkeeping-Survey/?type=top. Webpage visited November 21, 2016.

On September 2, 2015, Aegon USA sold Clark Consulting, its BOLI distribution and servicing unit. Clark Consulting was a distinct entity within the BOLI/COLI insurance business that continues to be in run-off.

Life reinsurance

In August 2011, Aegon completed the effective divestment of its life reinsurance business with the exception of select blocks of business. The retained businesses comprise primarily variable annuity guarantee business.

Competition

The US marketplace is highly competitive. Aegon USA s competitors include other large insurance carriers, in addition to certain banks, securities brokerage firms, investment advisors, and other financial intermediaries marketing insurance products, annuities and mutual funds. Aegon USA leverages long-term relationships with many institutions to offer them product lines such as life insurance, variable annuities, mutual funds, and defined contribution pension plans.

In individual life insurance, leading competitors include Lincoln National, Prudential Financial, MetLife, Pacific Life, and John Hancock. Genworth is a primary competitor for sales of individual long-term care insurance through the brokerage channel. Competitors for supplemental health include a wide range of companies and company types based on the nature of the coverage including Aflac, Allstate, MetLife, and Unum.

Aegon USA s primary competitors in the variable annuity market are AIG, Jackson National, Lincoln National, MetLife, Nationwide and Prudential Financial.

Top five competitors in the mutual fund market include American Funds, Fidelity, Vanguard, PIMCO and T. Rowe Price.

In the institutional segment of the defined contribution market, Aegon USA s main competitors are Fidelity, Empower Retirement, Prudential Financial, MassMutual, Principal Financial, Charles Schwab, and Lincoln. Aegon USA s main competitors in the defined benefit segment are MassMutual, New York Life, Principal Financial and Prudential Financial. In the emerging market segment and the multiple employer plan segment, Aegon USA s main competitors are Fidelity, Voya Financial, John Hancock, Principal Financial and MassMutual.

Regulation and supervision

Aegon USA s insurance companies and the business they conduct in the US are regulated primarily at state level, as carried out by various state insurance regulators. Some activities, products and services are also subject to federal regulation.

State Insurance Regulation

Aegon USA s largest insurance companies are domiciled in the State of Iowa, and the Iowa Insurance Division exercises principal regulatory jurisdiction over those companies. This regulation includes implementation and enforcement of standards of solvency, adequacy of reserves and capital, and reinsurance.

The Aegon USA insurance companies are licensed as insurers and are regulated in each US state and jurisdiction in which they conduct insurance business. The extent of such regulation varies, but has a shared purpose in terms of the protection of policy and contract holders. The insurance regulators in each state carry out their mission by providing oversight in the broad areas of market conduct and financial solvency regulation.

In the areas of licensing and market conduct, states grant or revoke licenses to transact insurance business, regulate trade, advertising and marketing practices, approve policy forms and certain premium rates, review and approve products and rates prior to sale, address consumer complaints, and perform market conduct examinations on both a regular and targeted basis.

In the area of financial regulation, state regulators implement and supervise statutory reserve and capital requirements, including minimum risk-based capital solvency standards. Insurance companies are also subject to extensive reporting, investment limitations, and required approval of significant transactions in each state in which they are licensed. State regulators, by law, conduct extensive financial examinations every three to five years.

State regulators have the authority to impose a variety of punitive measures, including revoking licenses, for failure to comply with applicable regulations. All state insurance regulators are members of the National Association of Insurance Commissioners (NAIC), a non-regulatory association that works to achieve uniformity and efficiency of insurance regulation across the United States and US jurisdictions.

Recent regulatory enhancements include increased reporting of holding company activities, increased transparency and uniformity for certain captive reinsurance transactions, and requirements for companies to conduct an Own Risk and Solvency Assessment (ORSA). In 2014, the NAIC adopted a regulatory framework impacting captives used for term and universal life with secondary guarantee products (Actuarial Guideline 48), which became effective on January 1, 2015. In addition, principle-based reserving for life insurance will come into force in 2017. Actuarial Guideline 49 added new rules for illustrations of index universal life insurance, with changes to the maximum illustration rate effective as of September 1, 2015, and other sections effective as of March 1, 2016.

Emerging state issues that may impact Aegon USA include consideration of changes to accounting and actuarial requirements for variable annuities (VA), which may reduce insurers needs and abilities to use variable annuity captives. Aegon USA uses captives for certain variable annuity business in order to facilitate effective hedging. Other current initiatives include a project to update capital charges for asset default risk, longevity risk and operational risk. A project to develop a group capital calculation is in its early stages. Long-term care is currently regulated by states as health insurance, although both state regulators and federal agencies are examining the current environment for long-term care industry, and this may lead to a more predictable regulatory regime for premium adjustments, and facilitate the development of new and innovative products. Although the proposals related to VA captive reinsurance arrangements are still being formulated, their possible impact of the current proposals on Aegon USA s operations is not expected to be material.

Federal Regulation of Financial Services and Health Insurance

Although the insurance business is primarily regulated at state level, many federal laws and initiatives impact the insurance sector in such areas as the regulation of financial services, derivatives, retirement plans, securities products, health care, taxes and privacy. Regulation of financial services has increased as result of the Dodd Frank Act, which also created the Federal Insurance Office (FIO) and the Office of Financial Research (OFR). The FIO is authorized to review the insurance market in the US and make recommendations to Congress, and the OFR conducts research in financial services, including insurance, in support of such oversight. In addition, the FIO is authorized to establish US insurance policy in international matters. The Federal Reserve Board also has authority to establish capital standards for systemically significant insurers, and insurers that are also Savings and Loan Holding Companies, and to participate in the establishment of international insurance capital standards for Internationally Active Insurance Groups (IAIGs) and globally systemically significant insurers (G-SIIs). The Federal Reserve Board has issued an Advanced Notice of Proposed Rulemaking, the initial step in establishing capital standards for insurers under its jurisdiction. In the area of privacy, there has been increased scrutiny at a state, federal and international level following a number of high-profile data breaches of financial services and other companies. As a result, Congress and federal regulators are considering options to combat data breaches and cyber-threats, in addition to those already imposed by the Gramm-Leach-Bliley Act and other federal law and regulations.

In addition to financial services products, many supplemental health insurance products offered by Aegon USA, such as Medicare Supplement products, are subject to both federal and state regulation as health insurance. The Patient Protection and Affordable Care Act (PPACA), enacted in 2011, significantly changed the regulation of health insurance and the delivery of health care in the United States, including in certain respects, the regulation and delivery of supplemental health insurance products. Regulations under the PPACA have been proposed, which if promulgated in the form proposed, could impose additional restrictions and requirements on these products. While the US Supreme Court has upheld critical provisions of PPACA, driving an expectation of continued federal regulation of certain health insurance products, it is also expected that

sweeping changes will be proposed or, possibly, a partial or full repeal of PPACA based on the stated policy positions of the Trump administration, although at present it is too early to comment as to what, if any, impacts will come to pass.

Solvency II

As of January 1, 2016, under the new Solvency II requirements, the activities of Aegon Americas have been consolidated into the Aegon Group Solvency II results through deduction and aggregation using available and required capital as per the local capital regimes. The US regulatory regimes have been granted provisional equivalence. The US insurance and reinsurance entities are included in Aegon s group solvency calculation in accordance with local US (RBC) requirements. Aegon uses 250% of the local RBC Company Action Level (CAL) as the SCR equivalent. The non-regulated US entities and the US holding companies are included in Aegon s group Solvency II results through application of the Accounting Consolidation method under Solvency II, using Solvency II valuation and capital requirement calculations for these local balance sheets.

Securities Regulation

A number of Aegon USA subsidiaries are subject to regulation under the federal securities laws administered by the Securities and Exchange Commission (SEC) and aspects of states securities and other laws. Variable insurance policies, certain annuity contracts and registered management investment companies (mutual funds) offered by Aegon USA are subject to regulation under the federal securities laws administered by the SEC and aspects of states securities laws. Certain separate accounts of Aegon USA insurers that offer variable life insurance and certain annuities and interests under these annuity and insurance policies are registered and subject to SEC regulation. The distribution and sale of these and other securities by affiliate and non-affiliate broker-dealers is regulated by the SEC and the Financial Industry Regulatory Authority (FINRA). A number of Aegon USA companies are also registered as investment advisors and subject to SEC regulation.

Aegon USA also owns or manages other investment vehicles that are exempt from registration but may be subject to other requirements of those laws, such as anti-fraud provisions and the terms of applicable exemptions.

In accordance with Dodd-Frank Act requirements, in January 2011 the SEC studied and recommended a harmonized standard of care for broker-dealers, investment advisors and persons associated with firms that provide personalized investment advice. Broker-dealers are currently subject to requirements to make suitable recommendations, while investment advisors are regulated as fiduciaries, required to put customer interests above their own. The SEC intends to propose regulations imposing a harmonized standard of care, and has announced that the proposed regulations will be published in the spring of 2017. In addition, in accordance with Dodd-Frank Act requirements, the SEC intends to enhance its regulatory and examination oversight of registered investment advisors, but has not provided any timeframe for such a proposal. Finally, the SEC has reformed the regulation of money market funds by distinguishing between institutional and retail funds and by requiring institutional funds to price and transact their shares at a market value floating net asset value per share (NAV) and requiring retail funds to verify the non-institutional, natural person status of investors in those funds. The new regulations also allow for funds to operate as government money market funds, provided a fund invests at least 99.5% of its assets in US government securities, cash, and/or repurchase agreements that are fully collateralized by US government securities or cash. The SEC has also provided institutional and retail money market fund boards with the discretion to stem heavy redemptions by, among other tools, imposing liquidity fees and gates, if determined to be in the fund s best interests. Government money market funds may, but are not required to, impose liquidity fees and gates. The compliance date for the majority of the rule s requirements was October 14, 2016. In response to the rule, Aegon s money market funds in the United States have all converted to government money market funds, effective as of May 1, 2016. The impact of these requirements and any future regulations regarding investment advisors or other investment products, including proposed liquidity management rules and rules designed to enhance the regulation of the use of derivatives by registered investment companies, is still under review and cannot be predicted at this time.

The financial services industry continues to operate under heightened scrutiny and increased regulation in various jurisdictions. Such scrutiny and regulations have included matters relating to producer and other compensation arrangements, suitability of sales (especially to seniors), misleading sales practices, unclaimed property reporting, revenue sharing, investment management and valuation issues involving mutual funds and life insurance separate accounts and their underlying funds, sales, investments and oversight processes related to retail investors saving for retirement, variable annuity buyout offers, and share classes in mutual funds and variable annuities. Aegon USA, like other businesses in the financial services industry, is routinely examined and receives requests for information from the SEC, FINRA, state regulators and others in connection with examinations and investigations of its own companies and third-party or unaffiliated insurers, broker-dealers, investment advisors, investment companies and service providers relating to certain historical and current practices with respect to these and other matters. Some of those inquiries have led to investigations, which remain open, or have resulted in fines, corrective actions or restitution. Aegon USA continues to cooperate with these regulatory agencies. In certain instances, Aegon USA modified business practices in response to those inquiries or findings. Certain Aegon USA companies have paid, or have been informed that the regulators may seek, restitution, fines or other monetary penalties or changes in the way that business is conducted. The impact of any such fines or other monetary penalties is not expected to have a material impact on Aegon USA s financial position, net income or cash flow.

Regulation of Retirement Plans and IRAs

Aegon USA administers and provides recordkeeping, investment and insurance services and products used to fund defined contribution plans, such as 401(k) plans, in addition to defined benefit plans, IRAs, 529 plans and other savings vehicles. Aegon USA also provides plans used to administer benefits distributed on termination of defined benefit plans. These products and services are subject to the Employee Retirement Income Security Act (ERISA) and the federal Internal Revenue Code of 1986, as amended (the Code) for which the US Department of Labor (DOL) and the U.S. Department of the Treasury (Treasury) have regulatory jurisdiction, respectively.

The DOL recently promulgated a conflicts of interest rule (the DOL Rule) that significantly expands the scope of retirement investment advice and imposes a fiduciary standard on providers in many contexts. The DOL Rule impacts the delivery of products, such as variable annuities, and services to workforce retirement plans and participants in those plans and in IRAs, and is subject to interpretation and guidance from the DOL. Legislation is also being considered that would facilitate the use of multiple employer plans (MEPs), of which Aegon USA is a leading provider. In addition, both the Treasury and the DOL have published, in final and proposed forms respectively, guidance to facilitate the offering of guaranteed lifetime income products. Finally, many states have sought to open their plans to non-government workers who do not have access to an employer retirement savings plan. Any proposals that impact the current business models or fees and services to employer plans or IRAs will impact the Aegon USA companies that provide administration and investment services and products to private workforce plans. The likelihood that these legislative proposals will be passed or the regulatory guidance finalized cannot be predicted at this time.

Tax Treatment of Insurance Companies and their Products and Plans

Although the insurance business is regulated at state level, the US federal tax treatment of life insurers, life insurance, pension and annuity products is governed by the US federal tax code. Provisions that increase the taxation of life insurers, as well as remove or decrease the value of tax incentives for life insurance, pensions and annuity products considered alone and relative to other investment vehicles have been proposed in prior Administrations federal budget and by the US Congress. These initiatives also contemplate international tax reform, including proposals that would limit the ability of companies to deduct interest expense on financing provided by a non-US affiliate. Executive Administration budget proposals, legislative proposals and discussion drafts must be enacted by Congress and signed by the President before they become law. The risk of tax law changes is heightened when additional revenue is sought to reduce the federal deficit or to pay for other tax law changes, such as lower tax rates. In addition, tax reform initiatives of the type contemplated by discussion drafts of comprehensive federal tax reform legislation further increase the risk of both increased taxation of life insurers and of decreased tax incentives for short- and long-term savings products. These changes, if enacted, would have a direct impact on the cost and competitiveness of life insurance, annuity and pension products sold to ensure Americans financial and retirement security.

Asset liability management

Aegon USA s insurance companies are primarily subject to regulation under the laws of the states in which they are domiciled. Each state s laws prescribe the nature, quality and percentage of various types of investments that may be made by the companies. Such laws generally permit investments in government bonds, corporate debt, preferred and common stock, real estate and mortgage loans. Limits are generally placed on other classes of investments.

The key investment strategy for traditional general account insurance is asset liability management (ALM), whereby predominately high-quality investment assets are matched in an optimal way to the corresponding insurance liability. This strategy takes into account currency, yield and maturity characteristics. Asset diversification and quality considerations are also taken into account, along with considerations of the policyholders guaranteed or reasonably expected excess interest sharing. Investment-grade fixed income securities are the main vehicle for ALM, and Aegon USA s investment personnel are highly skilled and experienced in these investments.

Aegon USA manages its asset liability matching through the work of several committees. These committees review strategies, define risk measures, define and review asset liability management studies, examine risk-hedging techniques, including the use of derivatives, and analyze the potential use of new asset classes. The primary method for analyzing interest rate sensitivity is the economic capital risk measure. Under this measure, the sensitivity of assets relative to liabilities is calculated in a market consistent manner and presented as the risk of loss in a 1 in 200-year event. Another methodology used to analyze risk is cash flow testing. Cash flow testing analysis is performed using computer simulations, which model assets and liabilities under projected interest rate scenarios and commonly used stress-test interest rate scenarios. Cash flow testing is run using defined scenarios and is a real world simulation. It takes various forms of management action into account such as reinvestment and sales decisions, together with spreads and defaults on Aegon s assets, which is not the case in a market consistent framework.

Based on the results of these risk measures, an investment portfolio is constructed to best match the cash flow and interest

sensitivity of the underlying liabilities, while trying to maximize the spread between the yield on the portfolio assets and the rate credited on the policy liabilities. ALM is a continual process. Results from the economic framework and scenario testing are analyzed on an ongoing basis and portfolios are adjusted accordingly. Decisions are made based on minimizing the amount of interest rate risk capital, while maximizing expected returns. These decisions are built into portfolio benchmarks in terms of duration and asset mix targets, and also in exploring hedging opportunities. On the liability side, Aegon USA has some offsetting risks, whereby some liabilities perform better in rising interest rate environments, while others tend to perform well in falling interest rate environments. The amount of offset may vary depending on the absolute level of interest rates, together with the magnitude and timing of interest rate changes, but it generally provides some level of diversification. On the asset side, hedging instruments are continuously studied to determine whether their cost is commensurate with the risk reduction they offer.

Reinsurance ceded

Reinsurance agreements within Aegon USA are designed to achieve multiple company objectives. Agreements are used to manage or diversify risk, limit volatility, improve the company s capital position, limit maximum losses and enter into Strategic partnerships. The amount and type of reinsurance depend on the objective and availability of appropriate reinsurance in the market.

In order to minimize its exposure to reinsurer defaults, Aegon USA regularly monitors the creditworthiness of its reinsurers, and where appropriate, arranges additional protection through letters of credit, trust agreements and over collateralization. For certain agreements, funds are withheld for investment by Aegon USA rather than relying on the reinsurer to meet investment expectations. Default exposure is further reduced by the use of multiple reinsurers within certain reinsurance agreements. Aegon USA has experienced no material reinsurance recoverability problems in recent years.

Managing life insurance exposure requires various types of agreements with third-party reinsurers. Aegon USA relies heavily on quota-share and excess-of-loss reinsurance arrangements. The primary purpose of these agreements is to diversify Aegon USA s overall risk and limit the maximum loss on risks that exceed policy retention levels. Maximum retention levels vary by product, method of underwriting, and the nature of the risk being reinsured.

Introduction Europe

The Results 2016 Europe cover the following operating segments: The Netherlands, United Kingdom (including VA Europe), Central & Eastern Europe, Spain & Portugal. As disclosed in note 2.4 Segment reporting to the consolidated financial statements, Aegon changed its segment reporting.

This segment reporting is based on the businesses as presented in internal reports that are regularly reviewed by the Executive Board which is regarded as the chief operating decision maker. For Europe, the underlying businesses are separate operating segments which under IFRS 8 cannot be aggregated, therefore

further details will be provided for these operating segments in this section. Management is of the opinion that presenting the information for the entire European area is beneficial to the users of the financial information as it aligns to how Aegon management is looking at the information following convergence in Europe from a regulatory standpoint (introduction of Solvency II per January 1, 2016) and financial markets perspective.

The following tables comprise the reconciliation of the operating segments within Europe for the years 2016, 2015 and 2014:

Income statement - Underlying earnings

Amounts in EUR millions	The Netherlands	United Kingdom	Central & Eastern Europe	Spain & Portugal	Europe
2016					
Net underlying earnings	414	89	47	(1)	**548**
Tax on underlying earnings	119	(30)	9	9	107
Underlying earnings before tax by product segment	534	59	55	8	**655**
Fair value items	(228)	(7)	-	(1)	(236)
Gains / (losses) on investments	189	153	-	(1)	342
	(12)	-	1	-	(10)

Net impairments					
Other income / (charges)	44	(678)	(23)	-	(658)
Income / (loss) before tax (excluding income tax from certain proportionately consolidated joint ventures and associates)	**526**	**(474)**	**34**	**6**	**92**
Income tax	(109)	18	(15)	(8)	(114)
Net income / (loss)	**418**	**(456)**	**19**	**(2)**	**(22)**
2016					
Revenues					
Life insurance gross premiums	2,015	9,888	399	191	12,493
Accident and health insurance premiums	210	36	1	73	320
General insurance premiums	266	-	179	92	536
Total gross premiums	**2,491**	**9,924**	**578**	**355**	**13,348**
Investment income	2,135	1,661	45	45	3,886
Fees and commission income	350	95	36	14	495
Other revenues	-	-	-	2	2
Total revenues	**4,976**	**11,680**	**659**	**416**	**17,732**
Commissions and expenses	975	667	244	172	2,058
of which operating expenses	821	394	143	88	1,445

Income statement - Underlying earnings

Amounts in EUR millions	The Netherlands	United Kingdom	Central & Eastern Europe	Spain & Portugal	Europe
2015					
Net underlying earnings	419	31	26	6	482
Tax on underlying earnings	118	(58)	10	7	77
Underlying earnings before tax by product segment	537	(27)	37	12	559
Fair value items	126	(25)	-	-	101
Gains / (losses) on investments	306	103	2	-	411
Net impairments	(20)	-	(2)	-	(22)
Other income / (charges)	27	(1,247)	(2)	17	(1,205)
Income / (loss) before tax (excluding income tax from certain proportionately consolidated joint ventures and associates)	977	(1,196)	35	29	(156)
Income tax	(223)	268	(11)	(7)	27
Net income / (loss)	**753**	**(928)**	**24**	**22**	**(129)**
2015					
Revenues					
Life insurance gross premiums	2,240	8,465	477	174	11,356
Accident and health insurance premiums	234	47	1	64	345
General insurance premiums	473	-	164	80	717

Total gross premiums	**2,947**	**8,512**	**642**	**317**	**12,419**
Investment income	2,277	2,331	45	41	4,693
Fees and commission income	351	98	39	13	501
Other revenues	-	-	-	2	2
Total revenues	**5,575**	**10,941**	**726**	**373**	**17,615**
Commissions and expenses	1,053	907	264	144	2,368
of which operating expenses	831	398	143	70	1,442

Income statement - Underlying earnings

Amounts in EUR millions	The Netherlands	United Kingdom	Central & Eastern Europe	Spain & Portugal	Europe
2014					
Net underlying earnings	423	144	48	23	**638**
Tax on underlying earnings	135	(19)	12	5	133
Underlying earnings before tax by product segment	558	125	60	28	**771**
Fair value items	(766)	(31)	8	-	(789)
Gains / (losses) on investments	431	164	9	2	606
Net impairments	(12)	-	(42)	-	(54)
Other income / (charges)	(113)	(49)	(26)	(1)	(189)
Income / (loss) before tax (excluding income tax from certain proportionately consolidated joint ventures and associates)	**99**	**209**	**9**	**28**	**345**
Income tax	(37)	(35)	-	(7)	(79)
Net income / (loss)	**62**	**173**	**9**	**22**	**266**

2014

Revenues

Life insurance gross premiums	3,982	5,057	524	196	9,759
Accident and health insurance premiums	233	56	1	60	351
General insurance premiums	501	-	152	72	725
Total gross premiums	**4,716**	**5,113**	**678**	**328**	**10,835**
Investment income	2,568	2,077	54	49	4,748
Fees and commission income	324	94	41	8	467
Other revenues	-	-	-	2	2
Total revenues	**7,608**	**7,284**	**773**	**387**	**16,052**
Commissions and expenses	977	821	258	120	2,175
of which operating expenses	726	476	138	60	1,401

The results of operations Europe for 2016 and 2015 that are based on the figures of the separate operating segments are further disclosed on the following pages.

Results 2016 Europe

Amounts in EUR millions	2016	2015	%
Net underlying earnings	**548**	**482**	**14%**
Tax on underlying earnings	107	77	38%
Underlying earnings before tax by business / country			
The Netherlands	534	537	(1%)
United Kingdom	59	(27)	-
Central & Eastern Europe	55	37	51%
Spain & Portugal	8	12	(38%)
Underlying earnings before tax	**655**	**559**	**17%**
Fair value items	(236)	101	-
Gains / (losses) on investments	342	411	(17%)
Net impairments	(10)	(22)	53%
Other income / (charges)	(658)	(1,205)	45%
Income before tax (excluding income tax from certain proportionately consolidated joint ventures and associates)	**92**	**(156)**	-
Income tax from certain proportionately consolidated joint ventures and associates included in income before tax	7	6	19%
Income tax	(114)	27	-
Of which Income tax from certain proportionately consolidated joint ventures and associates included in income before tax	(7)	(6)	(19%)
Net income	**(22)**	**(129)**	**83%**
Life insurance gross premiums	12,493	11,356	10%
Accident and health insurance premiums	320	345	(8%)
General insurance premiums	536	717	(25%)
Total gross premiums	**13,348**	**12,419**	**7%**
Investment income	3,886	4,693	(17%)
Fees and commission income	495	501	(1%)
Other revenues	2	2	47%
Total revenues	**17,732**	**17,615**	**1%**
Commissions and expenses	2,058	2,368	(13%)
of which operating expenses	1,445	1,442	-

New life sales

Amounts in EUR millions	2016	2015	%
The Netherlands	111	130	(15%)
United Kingdom	66	72	(8%)
Central & Eastern Europe	83	91	(9%)
Spain & Portugal	39	39	1%
Total recurring plus 1/10 single	**299**	**332**	**(10%)**

Amounts in EUR million	2016	2015	%
New premium production accident and health insurance	34	28	22%
New premium production general insurance	94	84	12%

Gross deposits (on and off balance)	2016	2015	%
The Netherlands	6,686	5,137	30%
United Kingdom	5,791	6,096	(5%)
Central & Eastern Europe	265	227	17%
Spain & Portugal	31	29	8%
Total gross deposits	**12,773**	**11,489**	**11%**

Exchange rates	**Weighted average rate**	
Per 1 EUR	2016	2015
Pound sterling	0.8187	0.7256
Czech koruna	27.0184	27.2662
Hungarian forint	310.9128	309.3147
Polish zloty	4.3616	4.1819
Romanian leu	4.4889	4.4428
Turkish Lira	3.3426	3.0206
Ukrainian Hryvnia	28.3029	24.1414

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Results 2016 Europe

The net result improved compared with 2015 to a loss of EUR 22 million in 2016 driven by higher underlying earnings before tax and lower losses from other charges, which more than offset a lower result from fair value items. The sale of the annuity portfolio of Aegon UK was the main driver behind Other charges of EUR 658 million in 2016. Underlying earnings before tax increased compared with 2015 to EUR 655 million in 2016. This was mainly the result of lower amortization of deferred policy acquisition costs in the United Kingdom related to upgrading customers to the new retirement platform.

Net income

The net loss amounted to EUR 22 million in 2016 compared with a loss of EUR 129 million in 2015. Drivers of the improvement were higher underlying earnings before tax and lower losses from other charges, which more than offset a lower result from fair value items. Other charges in 2015 included a write down of deferred policy acquisition costs in the United Kingdom. The sale of the UK annuity portfolio was the main driver behind Other charges of EUR 658 million in 2016.

Net income for the Netherlands

Net income from Aegon s businesses in the Netherlands amounted to EUR 418 million in 2016, largely driven by underlying earnings before tax of EUR 534 million. Results on fair value items worsened compared with 2015 to a loss of EUR 228 million in 2016 as the impact of credit spreads movements, declining interest rates as a result of a mismatch on an IFRS basis between the valuation of interest rate hedges and liabilities, and declining interest rates as a result of the mismatch on an IFRS basis between certain interest rate hedges on the mortgage portfolio and the underlying mortgages more than offset positive real estate revaluations. Realized gains of EUR 189 million in 2016 were the result of asset-liability management adjustments and normal trading activity in the investment portfolio. Impairments amounted to EUR 12 million in 2016 and were mostly driven by the consumer loan portfolio. Other income amounted to EUR 44 million in 2016 and was driven by model updates.

Net income for the United Kingdom

Net income from Aegon s businesses in the United Kingdom amounted to a loss of EUR 456 million in 2016. The sale of the annuity portfolio which resulted in a loss of EUR 678 million recorded in other charges, was the main driver behind this loss. Losses from fair value items of EUR 7 million were driven by losses on equity hedging programs which were only partly offset by fair value gains related to Aegon s European variable annuities business. Positive components were realized gains which amounted to EUR 153 million in 2016 and were driven by rebalancing of the investment portfolio following the sale of the annuity portfolio, and underlying earnings before tax which amounted to EUR 59 million.

Net income for Central & Eastern Europe

Net income from Aegon s businesses in Central & Eastern Europe (CEE) amounted to EUR 19 million in 2016. Underlying earnings before tax of EUR 55 million were partly offset by other charges which amounted to EUR

23 million in 2016 as a result of additions to a legal claims provision. Impairment reversals amounted to EUR 1 million in 2016.

Net income for Spain & Portugal

Net income from Aegon s businesses in Spain & Portugal amounted to a loss of EUR 2 million in 2016 as underlying earnings before tax of EUR 8 million were more than offset by income tax of EUR 8 million, losses on fair value items of EUR 1 million and losses on investments of EUR 1 million.

Underlying earnings before tax

Underlying earnings before tax in 2016 increased 17% compared with 2015 to EUR 655 million. This was mainly driven by lower amortization of deferred policy acquisition costs in the United Kingdom related to upgrading customers to the retirement platform compared to 2015.

Underlying earnings before tax for the Netherlands

Underlying earnings before tax for the Netherlands in 2016 decreased by 1% compared with 2015 to EUR 534 million.

- Underlying earnings before tax from Life & Savings declined by 5% compared with 2015 to EUR 309 million in 2016 as lower funding costs for the mortgage portfolio were offset by lower investment income and increased expenses, which were partly the result of new business initiatives.
- Underlying earnings before tax from Pensions decreased by 7% compared with 2015 to EUR 197 million in 2016, mainly due to lower investment income.
- The results from the Non-life business increased compared with 2015 to EUR 1 million in 2016. Lower investment income and weather related losses were more than offset by favorable claims experience driven by management actions implemented in 2015 and 2016 as well as the benefit from the divestment of the loss-making commercial line non-life business.
- Underlying earnings before tax from the Distribution business increased compared with 2015 to EUR 27 million in 2016. The increase was mainly driven by expense reductions.

Underlying earnings before tax for the United Kingdom

Underlying earnings before tax in the United Kingdom amounted to EUR 59 million in 2016.

- Underlying earnings before tax from Life decreased compared with 2015 to EUR 50 million. This was mostly due to the impact of the sale of the annuity business partly offset by expense savings, favorable claims experience and reserve releases.
- Underlying earnings before tax from Pensions improved compared with 2015 to EUR 9 million in 2016. This was mainly driven by lower amortization of deferred policy acquisition costs in the United Kingdom related to upgrading customers to the retirement platform compared to 2015.

Underlying earnings before tax for Central & Eastern Europe

Underlying earnings before tax from Central & Eastern Europe increased to EUR 55 million in 2016, up from EUR 37 million in 2015. This increase was primarily driven by a normalization of surrender levels in Poland which led to a negative impact following product changes in 2015.

Underlying earnings before tax for Spain & Portugal

Underlying earnings before tax from Spain & Portugal decreased compared with 2015 to EUR 8 million in 2016. Higher results from the joint ventures with Banco Santander were offset by adverse claims experience and increased investments in the direct channel and new business initiatives.

Commissions and expenses

Commissions and expenses decreased by 13% compared with 2015 to EUR 2.1 billion in 2016. Operating expenses were stable compared with 2015 and amounted to EUR 1,445 million in 2016.

Commissions and expenses for the Netherlands

Commissions and expenses decreased compared with 2015 to EUR 975 million in 2016. Operating expenses were down compared with 2015 to EUR 821 million in 2016 as the non-recurrence of one-time charges in 2015 and expense savings were partly offset by investments in new business initiatives, Solvency II related expenses, and the cost of an IT project that will result in annual expense savings going forward.

Commissions and expenses for the United Kingdom

Commissions and expenses decreased by 27% in 2016 to EUR 667 million compared with 2015. Operating expenses decreased by 1% in 2016 to EUR 394 million compared with 2015, mainly due to favorable currency movements, partly offset by expenses related to the acquisitions of Cofunds and BlackRock s defined contribution business.

Commissions and expenses for Central & Eastern Europe

Commissions and expenses decreased compared with 2015 to EUR 244 million in 2016. Operating expenses remained stable compared with 2015 at EUR 143 million in 2016.

Commissions and expenses for Spain & Portugal

Commissions and expenses increased compared with 2015 to EUR 172 million in 2016. Operating expenses increased compared with 2015 to EUR 88 million in 2016, mainly resulting from growth of Aegon s joint ventures with Santander in Spain & Portugal and project-related expenses.

Production

Gross deposits increased by 11% compared with 2015 to EUR 12.8 billion in 2016. The increase compared with 2015 was primarily driven by the growth of Knab, Aegon s online bank in the Netherlands.

New life sales declined by 10% compared with 2015 to EUR 299 million in 2016. The decline compared with 2015 was mainly the result of the absence of large pension buyouts in the Netherlands. New premium production for general and accident & health insurance increased compared with 2015 to EUR 129 million in 2016.

Production for the Netherlands

Gross deposits increased by 30% compared with 2015 to EUR 6.7 billion in 2016, mainly driven by the growth of Knab, Aegon s online bank. New life sales declined compared with 2015 to EUR 111 million in 2016, which was a result of the absence of large pension buyouts. Premium production for accident & health increased compared with 2015 to EUR 14 million in 2016, while general insurance production decreased compared with 2015 to EUR 21 million in 2016.

Production for the United Kingdom

Gross deposits of EUR 5.8 billion in 2016 were mainly driven by the addition of new customers as the platform continues to grow. New life sales decreased compared with 2015 to EUR 66 million in 2016.

Production for Central & Eastern Europe

In Central & Eastern Europe, new life sales in 2016 declined compared with 2015 to EUR 83 million. Sales growth in Turkey was more than offset by lower sales in Poland resulting from changes in the product offering. For general insurance business there were higher sales compared with 2015 amounting to EUR 43 million in 2016.

Production for Spain & Portugal

New life sales in Spain & Portugal in 2016 remained stable compared with 2015 and amounted to EUR 39 million as increasing sales through the joint venture with Banco Santander were offset by declines in other channels. General insurance and accident & health insurance sales increased compared with 2015 to EUR 50 million in 2016, also as a result of higher sales from the joint ventures with Santander.

Results 2015 Europe

Amounts in EUR millions	2015	2014	%
Net underlying earnings	**482**	**638**	**(25%)**
Tax on underlying earnings	77	133	(42%)
Underlying earnings before tax by business / country			
Netherlands	537	558	(4%)
United Kingdom	(27)	125	-
Central & Eastern Europe	37	60	(39%)
Spain & Portugal[1)]	12	28	(56%)
Underlying earnings before tax	**559**	**771**	**(27%)**
Fair value items	101	(789)	-
Gains / (losses) on investments	411	606	(32%)
Net impairments	(22)	(54)	58%
Other income / (charges)	(1,205)	(189)	-
Income before tax (excluding income tax from certain proportionately consolidated joint ventures and associates)	**(156)**	**345**	**-**
Income tax from certain proportionately consolidated joint ventures and associates included in income before tax	6	2	-
Income tax	27	(79)	-
Of which Income tax from certain proportionately consolidated joint ventures and associates included in income before tax	(6)	(2)	-
Net income	**(129)**	**266**	**-**
Life insurance gross premiums	11,356	9,759	16%
Accident and health insurance premiums	345	351	(2%)
General insurance premiums	717	725	(1%)
Total gross premiums	**12,419**	**10,835**	**15%**
Investment income	4,693	4,748	(1%)
Fees and commission income	501	467	7%
Other revenues	2	2	(20%)
Total revenues	**17,615**	**16,052**	**10%**
Commissions and expenses	2,368	2,175	9%
of which operating expenses	1,442	1,401	3%

1

Underlying Earnings before tax in 2014 include EUR 19 million of Aegon s stake in La Mondiale Participations (France).

New life sales

Amounts in EUR millions	2015	2014	%
The Netherlands	130	251	(48%)
United Kingdom	72	65	10%
Central & Eastern Europe	91	107	(15%)
Spain & Portugal	39	49	(20%)
Total recurring plus 1/10 single	**332**	**472**	**(30%)**

Amounts in EUR million	2015	2014	%
New premium production accident and health insurance	28	21	31%
New premium production general insurance	84	72	17%

Gross deposits (on and off balance)	2015	2014	%
The Netherlands	5,137	2,781	85%
United Kingdom	6,096	5,238	16%
Central & Eastern Europe	227	215	5%
Spain & Portugal	29	55	(47%)
Total gross deposits	**11,489**	**8,289**	**39%**

Exchange rates

	Weighted average rate	
Per 1 EUR	2015	2014
Pound sterling	0.7256	0.8061
Czech koruna	27.2662	27.5153
Hungarian forint	309.3147	308.3758
Polish zloty	4.1819	4.1839
Romanian leu	4.4428	4.4429
Turkish Lira	3.0206	2.9060
Ukrainian Hryvnia	24.1414	15.8120

Results 2015 Europe

The net loss in 2015 was EUR 129 million, primarily due to a charge of EUR 1,274 million related to the write down of deferred policy acquisition costs in the United Kingdom related to the restructuring of the organization. Underlying earnings before tax decreased to EUR 559 million in 2015, mainly driven by the United Kingdom, compared with a profit of EUR 771 million in 2014. Gross deposits increased compared with 2014 to EUR 11.5 billion in 2015 primarily as a result of higher bank deposits in the Netherlands. New life sales declined compared with 2014 to EUR 332 million in 2015 mainly due to the absence of large pension buyouts in the Netherlands. New premium production for general and accident & health insurance increased compared with 2014 to EUR 112 million in 2015.

Net income

The net loss in 2015 was EUR 129 million, primarily due to other charges of EUR 1,205 million mainly related to the write down of deferred policy acquisition costs in the United Kingdom related to the restructuring of the organization. Underlying earnings before tax decreased to EUR 559 million in 2015, mainly driven by the United Kingdom, compared with a profit of EUR 771 million in 2014. Results on fair value items improved compared with 2014 to a gain of EUR 101 million in 2015 driven mainly by positive revaluations on real estate and results of interest rate hedging in the Netherlands. Realized gains on investments amounted to EUR 411 million in 2015, and were mainly related to normal trading in the investment portfolio in the Netherlands. Net impairments improved compared with 2014 to a loss of EUR 22 million in 2015.

Net income for the Netherlands

Net income from Aegon s businesses in the Netherlands amounted to EUR 753 million in 2015, largely driven by underlying earnings before tax of EUR 537 million. Realized gains on investments totaled EUR 306 million in 2015, and were mainly the result of portfolio rebalancing in the low rate environment. Results on fair value items amounted to a gain of EUR 126 million in 2015, as positive revaluations on real estate and fair value gains on interest rate hedges more than offset fair value losses on the guarantee portfolio. Impairment charges amounted to EUR 20 million in 2015 and were primarily related to the consumer loan portfolio. Other income of EUR 27 million in 2015 mainly related to assumption changes and model updates.

Net income for the United Kingdom

Net income in 2015 from Aegon s business in the United Kingdom amounted to a loss of GBP 674 million in 2015. This loss was primarily driven by a charge of GBP 924 million related to the write down of deferred policy acquisition costs related to the restructuring of the organization. Underlying earnings before tax amounted to a loss of GBP 20 million in 2015. Realized gains on investments totaled GBP 75 million in 2015, and were mainly the result of selective de-risking of the asset portfolio to improve Aegon s capital position in preparation for Solvency II. Results on fair value items amounted to a loss of GBP 18 million in 2015 as a result of unrealized losses on equity hedges to protect the capital position. Other charges of GBP 905 million in 2015 were mainly due to the write down of deferred policy acquisition costs related to the restructuring of the organization.

Net income for Central & Eastern Europe

Net income from Aegon s businesses in Central & Eastern Europe improved compared with 2014 by EUR 15 million in 2015 mainly as a result of lower impairments recorded in Hungary.

Net income for Spain & Portugal

Net income in Spain & Portugal remained level compared with 2014 at EUR 22 million in 2015.

Underlying earnings before tax

Underlying earnings before tax in 2015 decreased 27% compared with 2014 to EUR 559 million. This was mainly driven by an acceleration in the amortization of deferred policy acquisition costs in the United Kingdom related to upgrading customers to the new retirement platform.

Underlying earnings before tax for the Netherlands

Underlying earnings before tax for the Netherlands in 2015 decreased by 4% compared with 2014 to EUR 537 million, as 2014 included an employee pension-related reserve release of EUR 45 million. On a comparable basis, underlying earnings before tax in 2015 increased by 5% compared with 2014, as lower funding costs, higher underlying earnings before tax from mortgages and a mortality provision release more than offset lower non-life results.

- Underlying earnings before tax from Life & Savings amounted to EUR 325 million in 2015. Higher investment income compared with 2014, primarily generated by profitable mortgage production, and lower funding costs compared with 2014 were more than offset by the non-recurrence of an employee benefit reserve release and the transfer of part of the mortgage portfolio to the Pension business.
- Underlying earnings before tax from Pensions increased by 9% compared with 2014 to EUR 212 million in 2015. Higher underlying earnings before tax from mortgages and favorable mortality more than offset the non-recurrence of an employee benefit reserve release and lower investment income resulting from rebalancing the fixed income portfolio.
- The loss from the Non-life business amounted to EUR 21 million in 2015. This was driven by a continuation of the high level of claims in the proxy channel and commercial lines, which Aegon agreed in January 2016 to sell to Allianz.
- Underlying earnings before tax from the Distribution business increased to EUR 22 million in 2015, compared with EUR 15 million in 2014. The increase was mainly driven by cost savings.

Underlying earnings before tax for the United Kingdom

Underlying earnings before tax in the United Kingdom amounted to a loss of GBP 20 million in 2015. This was mainly driven by the write down of deferred policy acquisition costs in the United Kingdom related to upgrading customers to the retirement platform.

- Underlying earnings before tax from Life decreased by 26% compared with 2014 to GBP 59 million in 2015. This was mostly due to lower investment income as a result of selective de-risking of the asset portfolio to improve Aegon s capital position in preparation of Solvency II.
- Underlying earnings before tax from Pensions amounted to a loss of GBP 78 million in 2015. This was mainly driven by the write down of deferred policy acquisition costs in the United Kingdom related to upgrading customers to the retirement platform.

Underlying earnings before tax for Central & Eastern Europe

Underlying earnings before tax from Central & Eastern Europe decreased to EUR 37 million in 2015 compared with EUR 60 million in 2014. This decrease was primarily driven by the negative impact of higher surrenders in Poland following product changes and adverse claim experience due to storms in Hungary.

Underlying earnings before tax for Spain & Portugal

Underlying earnings before tax from Spain & Portugal decreased from EUR 28 million in 2014 to EUR 12 million in 2015. Underlying earnings before tax in 2014 include EUR 19 million of Aegon s stake in La Mondiale Participations

(France) which was divested by Aegon in 2015. Excluding this divestment, underlying earnings before tax increased in 2015 compared with 2014 driven by growth of Aegon s joint ventures with Santander in Spain.

Commissions and expenses

Commissions and expenses increased by 9% compared with 2014 to EUR 2.4 billion in 2015. Operating expenses increased by 3% compared with 2014 to EUR 1,442 million in 2015, mainly the result of currency movements.

Commissions and expenses for the Netherlands

Commissions and expenses increased compared with 2014 to EUR 1,053 million in 2015. Operating expenses were up to EUR 831 million in 2015 compared with 2014 due to a charge related to the non-life business, the release of the employee benefit reserve booked in 2014, and higher employee benefit expenses.

Commissions and expenses for the United Kingdom

Commissions and expenses decreased by 1% in 2015 to GBP 658 million compared with 2014. Operating expenses decreased by 25% in 2015 to GBP 289 million compared with 2014, mainly due to lower business transformation costs and the non-recurrence of a provision for the implementation of the pension fee cap.

Commissions and expenses for Central & Eastern Europe

Commissions and expenses increased by 2% in 2015 to EUR 264 million compared with 2014. Operating expenses were up 4% to EUR 143 million in 2015, compared with 2014, mainly due to higher marketing expenses to support growth.

Commissions and expenses for Spain & Portugal

Commissions and expenses increased by 20% in 2015 to EUR 144 million compared with 2014. Operating expenses increased by 17% in 2015 to EUR 70 million compared with 2014, mainly to support growth of Aegon s joint ventures with Santander in Spain & Portugal.

Production

Gross deposits increased by 39% in 2015 to EUR 11.5 billion. The increase compared with 2014 was primarily driven by the growth of Knab, Aegon s online bank and by the defined contribution pension business (PPI) in the Netherlands.

New life sales declined by 30% in 2015 to EUR 332 million. The decline compared with 2014 was mainly the result of the absence of large pension buyouts in the Netherlands. New premium production for general and accident & health insurance increased to EUR 112 million in 2015 compared with 2014.

Production for the Netherlands

Gross deposits almost doubled in 2015 to EUR 5.1 billion compared with 2014, mainly driven by the growth of Knab, Aegon s online bank in the Netherlands, and by the PPI business. New life sales amounted to EUR 130 million in 2015, which was a result of the absence of large pension buyouts. Individual life sales remained stable compared with 2014 at EUR 32 million in 2015, while pension sales decreased compared with 2014 to EUR 98 million in 2015. Premium production for accident & health was stable in 2015 compared with 2014 at EUR 9 million. General insurance production increased to EUR 29 million in 2015 compared with 2014.

Production for the United Kingdom

New life sales decreased by 1% in 2015 to GBP 52 million compared with 2014. This was mostly the result of lower annuity levels largely offset by higher protection sales. Gross deposits increased compared with 2014 to GBP 4,423 million in 2015. This increase was mainly driven by the addition of new customers as the platform gained additional traction in the market.

Production for Central & Eastern Europe

In Central & Eastern Europe, new life sales in 2015 declined by 15% compared with 2014 to EUR 91 million in 2015. Sales growth in Turkey was more than offset by lower sales in Poland resulting from changes in the product offering. For general insurance business there were higher sales compared with 2014 amounting to EUR 36 million in 2015 in Central & Eastern Europe.

Production for Spain & Portugal

New life sales in Spain & Portugal declined by 20% in 2015 compared with 2014 to EUR 39 million due to a lower sales contribution from bancassurance joint ventures in Spain. For accident & health and general insurance business there were higher sales in Spain & Portugal in 2015 compared with 2014 totaling EUR 19 million for general insurance and EUR 19 million for accident & health.

Overview of the Netherlands

Aegon has operated in the Netherlands for more than 170 years, and is a leading provider of life insurance and pensions[1], with approximately 4,500 employees. Aegon the Netherlands is headquartered in The Hague, and its other main offices are in Hoofddorp, Leeuwarden and Groningen. Aegon the Netherlands owns the Unirobe Meeùs Group, one of the largest intermediaries in the Netherlands[2].

Organizational structure

Aegon the Netherlands operates through a number of brands, including KNAB, TKP Pensioen, Optas and Unirobe Meeùs. Aegon is itself one of the most widely recognized brands in the Dutch financial services sector[3].

Aegon the Netherlands primary subsidiaries are:

- Aegon Bank N.V.;
- Aegon Levensverzekering N.V.;
- Aegon Schadeverzekering N.V.;
- Aegon Spaarkas N.V.;
- Optas Pensioenen N.V.;
- Aegon Hypotheken B.V.;
- TKP Pensioen B.V.;
- Unirobe Meeùs Groep B.V.;
- Aegon PPI B.V.; and

CAPPITAL Premiepensioeninstelling B.V.

Aegon the Netherlands has four lines of business:

- Life & Savings;
- Pensions;
- Non-life; and
- Distribution.

Overview of sales and distribution channels

Like other Aegon companies, Aegon the Netherlands uses a variety of distribution channels to help customers access its products and services as suits their needs. In general, all business lines use the intermediary channel, which focuses on independent agents, brokers and retail sales organizations in the Netherlands. Aegon the Netherlands is making significant investments in its direct online channel, including the proprietary brands Knab, Kroodle and onna-onna. Aegon will nonetheless continue to distribute the largest part of its portfolio through intermediaries. In 2015, Aegon launched its own advice channel Aegon Advies, and the number of times advice was given to customers is growing rapidly ever since. Distribution channels such as online and the contact centers generated leads for Aegon Advies.

1 Verbond van Verzekeraars, Verzekerd van cijfers, The Hague, 2016.
2 Assurantie Magazine, AM Jaarcijfers. Deventer, 2016.
3 Metrixlab brandtrackers.

Aegon the Netherlands also uses specific distribution channels to help customers access its products and services. The Pensions business line includes sales and account management, which serves large corporations and financial institutions, such as company and industry pension funds. In 2016, Aegon TKP launched Stap general pension fund (Stap Algemeen Pensioenfonds), a solution for pension funds that no longer wish to continue on an individual basis due to the current high legal requirements and costs. Aegon Bank uses the direct channel, primarily for savings, whereas Aegon Schadeverzekering has Strategic partnerships for the sale of its products, and uses an online channel.

Knab, Aegon s online bank, enables customers to make their own choices regarding their personal financial situation, thereby helping them to achieve their financial goals. The online bank reflects Aegon s purpose by offering customers an insight and overview of their finances through its unique financial planning tools. It alerts them to opportunities relevant to their personal situation and offers a wide range of banking products, with a focus on wealth accumulation and payment services.

Overview of business lines

Life & Savings

Aegon the Netherlands provides a range of individual savings products, mortgage loans and life insurance and personal protection products and services, including traditional, universal and term life. Based on underlying earnings before tax, Life & Savings is Aegon the Netherlands largest line of business.

Products

Endowment insurance

Endowment insurance includes several products that accumulate a cash value. Premiums are paid at inception or over the term of the contract.

Accumulation products pay benefits on the policy maturity date, subject to survival of the insured. Most policies also pay death benefits should the insured die during the term of the contract. Death benefits may be stipulated in the policy or depend on the gross premiums paid to date. Premiums and amounts insured are established at inception of the contract. The amount insured can be increased as a result of profit sharing, if provided for under the terms and conditions of the product.

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Minimum interest guarantees exist for all generations of accumulation products written, except for universal life products, for which premiums are invested solely in equity funds. Older generation products contained a 4% guarantee when sold. In 1999, the guarantee for new products decreased to 3%; and in 2013, the guarantee on new products was reduced to 0%.

Various profit-sharing mechanisms exist. Bonuses are either paid in cash (usually for a pension, as described below) or used to increase the sum insured. A common form of profit sharing is to set bonus levels by reference to external indexes based on pre-defined portfolios of Dutch government bonds. The bonds included in the portfolios have different remaining maturities and interest rates. Together they are considered an approximation of the long-term rate of return on high-quality Dutch financial investments.

Term and whole life insurance

Term life insurance pays out death benefits should the insured die during the term of the contract. Whole life insurance pays out death benefits in the event of death, regardless of when this occurs. Premiums and amounts insured are established at inception of the contract and are guaranteed. The amount insured may be adjusted at the request of the policyholder. Term life insurance policies do not include profit-sharing mechanisms. Part of the whole life insurance portfolio has profit-sharing features, which are based on external indexes or the return of related assets.

Annuity insurance

Annuity insurance includes products in the accumulation phase and products in the deaccumulation phase. Payout commences at a date determined in the policy, and usually continues until the death of the insured or the beneficiary. Premiums are paid at inception of the policy or during the accumulation phase of the policy. The contracts contain minimum guarantees of 3% or 4%, and prior to 1999, of 4%. Interest rebates are given on both single and regular premium annuity insurance, and may be based on a portfolio of Dutch government bonds although other calculation benchmarks may also be applied. There are also profit-sharing schemes set by reference to external indexes based on pre-defined portfolios of Dutch government bonds.

Variable unit-linked products

These products have a minimum benefit guarantee, except for those premiums invested in equity funds, and the initial guarantee period is ten years. A certain type of unit-linked products called tontine plans have a specific bonus structure. At the end of the year in which the insured dies, the policy balance is distributed to surviving policyholders that belong to the same tontine series, rather than to the policyholder s estate. A death benefit is paid to the dependents in the event that the policyholder dies before the policy matures. Aegon the Netherlands manages tontine plans, but no longer sells them.

Mortgage loans

At present, Aegon the Netherlands mostly offers annuity mortgages . Before 2013, Aegon the Netherlands also offered interest-only, unit-linked and savings mortgage loans, and is continuing to do so for existing mortgage loans that are being renegotiated. Mortgage loans are partly funded externally. Besides residential mortgage-backed securities in

Saecure Aegon s Dutch residential mortgage-backed securities program and private placements, the Aegon Mortgage fund is the main source of external funding. For this business, Aegon originates the mortgage loans fully for account of third parties and remains the service provider for these mortgage loans.

Savings and Banking products

Aegon Bank N.V. aims to achieve its vision and ambition through two business units: Aegon Bank and Knab.

Aegon Bank focuses on the income and housing market, together with seeking to reinforce the Aegon Netherlands-wide pensions offering. Customers are increasingly having to make provision for their current and future income and wealth since the government changed the rules for pension provisions.

The bank offers simple and high quality products. These include both savings products focused on security, and investment products focused on a suitable risk/return profile that fits the customer s need and risk appetite. Processes are designed in such a way as to provide the maximum benefit to customers, and customer service is based on the principles of easy access, speed, first time right, convenience, insight and understanding.

Aegon Bank s focus is on customers whose income and wealth is in the middle-market, in line with Aegon the Netherlands s target group. Products are distributed directly to our customers. For more complex advice products, independent financial advisers continue to be a very important distribution channel for Aegon Bank. Aegon Bank s activities mainly focus on Banksparen products . Banksparen is a tax-deferred savings product in which amounts are deposited in a locked bank account. The amount saved is available after a certain period of time for specific purposes such as for a supplementary pension or paying off a mortgage.

Knab aims to be the most customer-oriented bank in the Netherlands, by informing customers about their personal financial situation and enabling them to achieve their financial goals. It reflects the core of Aegon s purpose, offering customers both insight and an overview of their finances through its financial planning tools and alerts. Furthermore, Knab offers a wide range of banking and investment products with a focus on wealth accumulation and payment services.

Investment contracts

Investment contracts are investment products that offer returns and generate fee income from the performance of the investments.

Sales and distribution

Aegon the Netherland s Life & Savings products are sold through Aegon s intermediary and direct channels.

Pensions

The Pensions business provides a variety of pension products to pension funds and companies both full service contracts and low cost subscriptions.

Products

Aegon the Netherlands provides full-service pension solutions, administration-only services and life or disability insurances to company and industry pension funds, large companies and owners of small and medium-sized companies.

Separate account group contracts are large group contracts that have an individually-determined asset investment underlying the pension contract. For older generation products, a guarantee consists of profit sharing with a contractual interest rate of 3% or 4%. At present, the contracts offered to clients hold a guarantee of 3% or market interest rate, and Aegon always relates guarantee cost to the current market interest rate. If profit sharing turns into a loss, the minimum guarantee becomes effective, but the loss in any given year is carried forward to be offset against future surpluses. In general, the guarantee is dependent on the life of the insured in order that their pension benefit is guaranteed. Some large group contracts also receive part of the technical results for mortality risk and disability risk. The contract period for these types of contracts is typically five years and the tariffs, cost loadings and risk premiums are generally fixed over this period.

Aegon the Netherlands also offers products for small and medium-sized companies, both defined benefit and defined contribution products on a subscription basis. These products reduce complexity and enable Aegon to adapt the tariffs, cost loadings and risk premiums annually. Customers also have the opportunity on an annual basis to decide as to whether they wish to continue with their subscription. Larger group of customers are currently becoming more interested in these low cost and flexible solutions which results in a significant flow from separate account and other 5-year contracts to subscription products.

These subscription products include an all-in defined benefit product with guaranteed benefits. The expected profit for the customer and anticipated investment returns are taken into account in the pricing of the product. Customers may contribute funds for future pension increases to a separate account. Next to defined benefit subscriptions Aegon the Netherlands also offers defined contribution products on a subscription basis. Profit sharing is based on investment returns on specified funds. All positive and negative risks, such as investment risk and longevity risk, are attributed to the employees.

1 Verbond van Verzekeraars, Verzekerd van cijfers, The Hague, 2016.

Defined benefit group contracts or defined benefit subscriptions both provide a guarantee on the benefits paid. The longevity risk therefore lies with Aegon the Netherlands.

A decrease in the number of company and industry pension funds in the Netherlands is continuing. By law, the assets and liabilities of a terminated pension fund must be transferred to another pension provider. Aegon the Netherlands offers a pension fund buy-out product for its terminating pension funds. It takes on the guaranteed or non-guaranteed liabilities, with or without annual pension increases, and receives a lump-sum premium upfront. All risks related to the transferred benefits are carried by Aegon the Netherlands. Current market conditions lead to significantly fewer buy-outs in de Dutch market than in recent years.

On December 22, 2015, legislation was passed that enables companies to set up an Algemeen Pensioen Fonds (General Pension Fund). In 2016, Stap (a separate legal entity) introduced this new proposition to clients. This offers pension solutions to clients in which STAP provides no guarantees and the investment benefits lie with the participants. Aegon the Netherlands provides fee-based services to this General Pension Fund as administration and investment solutions.

Sales and distribution

Most of Aegon the Netherlands pensions are sold through sales and account management and Aegon s intermediary channel. Customers include individuals, company and industry pension funds, and small, medium and large corporations. Aegon the Netherlands is one of the country s leading pension providers[1]

For the majority of company and industry customers, Aegon the Netherlands provides a full range of pension products and services. In addition, TKP Pensioen specializes in pension administration for company and industry pension funds, and also provides defined contribution plans to corporate and institutional clients. Aegon offers defined contribution plans for small and medium-sized companies, and CAPPITAL offers the same plans for large companies. On June 20, 2016, Aegon the Netherlands was the first company to receive approval from the Dutch Central Bank to launch a general pension fund Stap , together with TKP. Stap is a pension pooling vehicle that enables separate financial administration for multiple pension plans from multiple employers. This vehicle enables smaller pension schemes to benefit from economies of scale and to comply with complex pension regulations, meaning that a greater percentage of the employees pension premium is invested, and that employers and participants receive the same high quality of service as a traditional pension plan. The fiduciary investments for Stap are carried out by TKP Investments, a subsidiary of Aegon Asset Management.

Non-life

The Non-life business consists of general insurance and accident and health insurance.

Products

General insurance

During 2015, Aegon revised its general insurance strategy and consequently concluded that its commercial portfolio (including authorized agent and co-insurance distribution channels) was non-core. The commercial portfolio was sold to Allianz Benelux NV on January 18, 2016, and was subsequently transferred on July 1, 2016. Following this divestment, Aegon the Netherlands has focused exclusively on private lines in general insurance, with products offered providing cover for property, motor, travel, legal aid and casualty.

Accident and income protection insurance

Aegon the Netherlands offers disability and sick leave products to employers that cover sick leave payments to employees not covered by social security, and for which the employer bears the risk.

Sales and distribution

Aegon the Netherlands offers its non-life insurance products primarily through direct and intermediary channels. In addition, sales and account management provides products for larger corporations in the Netherlands.

Distribution

The main distribution channel owned by Aegon the Netherlands is Unirobe Meeùs Group, through which it offers financial advice to customers, including the sale of insurance, pensions, mortgage loans, financing, and savings and investment products.

Competition[1]

Aegon the Netherlands faces strong competition in all of its markets from insurers, banks, investment management companies and pension funds. Its main competitors are Achmea, NN Group, ASR, Delta Lloyd and Vivat. In addition, these markets are subject to fast-changing dynamics, including the growing use of online distribution channels and a changing pensions landscape (such as the introduction of Premie Pensioen Instellingen and the Algemeen Pensioen Fonds).

Aegon the Netherlands has been a key company in the total life market for many years, and was ranked number two in 2015 based on gross premium income. The life insurance market in the Netherlands comprises pensions and life insurance. The top six companies in the Netherlands by gross premium income

1 Verbond van Verzekeraars, Verzekerd van cijfers, The Hague, 2016.

accounted for almost 90% of total premium income in 2015 in the insurance market. Aegon the Netherlands is one of the main companies in the overall pension market, and has been the market leader in the pension market for insurance companies for several years. Aegon the Netherlands is ranked sixth in the individual life insurance market. It is one of many insurers in the non-life market, where in 2015, sixteen companies accounted for 90% of the total premium income. In terms of premium income, Aegon the Netherlands non-life market share is around 4%.

In the mortgage loans market, Aegon the Netherlands held a market share of approximately 9% based on new sales in 2015, making it the fourth largest mortgage loan provider in the market. Rabobank, ING and ABN AMRO are the largest mortgage loan providers in the market, and competition is increasing from foreign competitors and capital from pension funds.

Aegon the Netherlands share is growing in the market for Dutch household savings. In 2015, its market share was approximately 2.1%, which is relatively small in comparison to banks such as Rabobank, ING and ABN AMRO.

Several regulatory changes have had an impact on demand for insurance products in the Dutch market notably in the life insurance market where the tax deductibility of certain products has been reduced, which has also caused a shift to bank saving products (banksparen). Furthermore, low economic growth and financial market volatility have made customers more reluctant to commit to long-term contracts. These changes have increased competition, resulting in a greater focus on competitive pricing, improved customer service and retention, and product innovation.

In the pensions market, pension funds face pressure on their coverage ratios, in addition to increased regulatory and governance requirements. In response, these funds are seeking to reduce risk exposure by insuring all or part of their business. This is an opportunity for pension insurers, and Aegon is one of the leading providers of these solutions.

The premium pension institution (PPI) market is set to grow significantly due to the shift from defined benefit plans to defined contribution plans, and demand for more transparent and cost-efficient pension products. As a result, significant economies of scale will be required to service this market effectively, and the number of providers is expected to shrink within a few years. Aegon the Netherlands has identified this market as an opportunity for growth, and plans to invest in maintaining its leadership position.

Regulation and supervision

General

Regulation of the financial sector in the Netherlands is included in the Financial Supervision Act (Wet op het financieel toezicht or Wft). The aim of the Wft is to embed the cross-sectorial functional approach within the Dutch supervisory system. This approach replaced the prior sectorial approach to financial supervision, which was embedded in the previous legislation. The supervision of financial institutions pursuant to the Wft rests with the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM).

DNB is responsible for prudential supervision, while the AFM supervises the conduct of business of financial institutions, and the conduct of business on financial markets. The aim of DNB s prudential supervision is to ensure the solidity of financial institutions and contribute to the stability of the financial sector. With regard to banks, DNB undertakes its supervisory role, in particular with respect to prudential supervision, together with the European Central Bank (ECB).

The AFM s conduct of business supervision focuses on ensuring orderly and transparent financial market processes, integrity in relations between market parties and due care in the provision of services to customers.

The Dutch supervisory authorities have a number of formal tools to exercise their supervisory tasks. These tools include the authority to request information, if this is necessary for the purpose of prudential supervision; and the power to issue formal instructions to financial institutions, to impose fines, or to publish sanctions. DNB, as prudential supervisory authority, can, under certain circumstances, require a recovery plan, a short-term financing plan, appoint a trustee, draw up a transfer plan or (ultimately) withdraw the license of a financial institution.

Financial supervision of insurance companies

Insurance supervision in EU member states is based on EU legislation, which, up until December 31, 2015, was set out in the Solvency I framework. Effective as of January 1, 2016, EU insurance regulation is embedded in the Solvency II framework. The Solvency I framework consisted primarily of EU directives, which were transposed into national law, in the Netherlands in the Dutch Financial Supervision Act and lower level national rules, such as in particular the Decree on Prudential Rules for Financial Undertakings (Besluit prudentiële regels Wft or Bpr Wft).

The Solvency II framework also consists of an EU Directive and has consequently been transposed into the Dutch Financial Supervision Act. A large part of the Level II Solvency II rules are, however, also set out in EU regulations, which apply directly in EU member states, and as a consequence have not been implemented into national legislation, such as in the Decree on Prudential Rules under the Wft (Besluit prudentiële regels Wft).

The following insurance entities of Aegon the Netherlands are subject to prudential supervision of DNB:

Aegon Levensverzekering N.V.;

Aegon Schadeverzekering N.V.;

Aegon Spaarkas N.V.; and

Optas Pensioenen N.V.

An insurance company is neither permitted to conduct both life insurance and non-life insurance business within a single legal entity (with the exception of reinsurance), nor to carry out both insurance and banking activities within the same legal entity. Within Aegon the Netherlands, Aegon Levensverzekering N.V., Aegon Spaarkas N.V. and Optas Pensioenen N.V. conduct life insurance activities. Aegon Schadeverzekering N.V. conducts non-life insurance activities. Prudential supervision is exercised by the home state supervisory authority (DNB in the Netherlands). Insurance companies in the Netherlands may conduct their activities on a cross-border basis or through a branch office based on the mutual recognition of (prudential) supervision in the EU (the so-called European passport). Aegon the Netherlands does not have material cross-border insurance business or business conducted through branch offices elsewhere in the EU.

Solvency II

Aegon the Netherlands uses a Partial Internal Model (PIM) to calculate the solvency position of its insurance activities under Solvency II. The calculation includes the use of the volatility adjustment, but does not include the use of any transitional measures. The internal model was approved on November 26, 2015, by the supervisor DNB as part of the Internal Model Application Process. Following the Internal Model Application Process, Aegon the Netherlands has made minor changes to the internal model and has submitted several major changes to its regulator (DNB) for approval. Until approval, these model changes are not reflected in the solvency position of Aegon the Netherlands. The solvency position of the banking activities will continue to be calculated using the CRR/CRD IV framework.

Financial supervision of credit institutions

As of November 4, 2014, Aegon Bank N.V. has been subject to indirect supervision by the ECB under the new European system of banking supervision, the Single Supervisory Mechanism (SSM), which comprises the European Central Bank and the relevant national authorities of participating EU Member States. The SSM is one of the elements of the Banking Union. The ECB may give instructions to DNB in respect of Aegon Bank N.V. or even assume direct supervision over the prudential aspects of the Aegon Bank N.V. s business. Pursuant to the banking supervision by DNB, Aegon Bank N.V. is (among others) required to file monthly regulatory reports and an audited Annual Report.

Credit institutions are subject to regulatory requirements. These include (among others) capital and liquidity requirements, the requirement to maintain a certain leverage ratio, governance and reporting requirements in line with the requirements of EU Directive 2013/36/EU (CRD IV) and EU Regulation 575/2013 (CRR).

CRD IV and the CRR are the European Union s translation of the Basel III accord for prudential supervision of credit institutions and investment firms. The CRR is binding for all EU member states and became effective on January 1, 2014. CRD IV is an EU directive, and is required to be implemented into local legislation. CRD IV has been implemented in the Netherlands by means of amending the Financial Supervision Act (Wet op het financieel toezicht, the Wft) on August 1, 2014. The application in full of all measures under CRD IV (including any national implementation thereof in the Netherlands) has to be completed before January 1, 2019.

The CRR has been applied across all EU member states since January 1, 2014. The CRD IV and CRR frameworks include requirements with respect to capital adequacy, and introduce requirements with respect to increased capital against derivative positions, the introduction of two supplementary buffers (a capital conservation buffer and a counter-cyclical buffer), a new liquidity framework (liquidity coverage ratio and net stable funding ratio and a leverage ratio. The leverage ratio is defined as Tier-1 capital divided by a measure of non-risk weighted assets. If Basel III is followed under CRD IV, the leverage ratio may not fall below 3%, although uncertainty still remains as to the exact percentage and the scope of the leverage ratio under CRD IV. With respect to the percentage, the Dutch government has announced that it wishes to implement a leverage ratio of at least 4% for large Dutch banks, which does not apply to Aegon Bank N.V. The ultimate aim of Basel III/CRD IV is to reduce leverage in order to bring institutions unweighted assets more in line with their Tier-1 capital. The capital requirements include qualitative in addition to quantitative requirements.

Capital of the highest quality, Common Equity Tier 1, forms a substantial part of the capital of a credit institution. Additional Tier 1 capital forms the rest of the Tier 1 capital. In addition, the capital of a credit institution may be composed of Tier 2 capital, which is of a lesser quality than Tier 1 capital.

EU Directive 2014/59/EU (the Banking Recovery and Resolution Directive, BRRD) and Regulation 806/2014 on the Single Resolution Mechanism (the SRM Regulation) form the European framework for recovery and resolution for (among others) ailing banks, certain investment firms and their holding companies. The BRRD was implemented in the Netherlands on November 26, 2015, by means of an amendment of the Wft (the BRRD

Implementation Act). The SRM Regulation was adopted on July 15, 2014. Those parts of the SRM Regulation that deal with recovery and resolution entered into force on January 1, 2016.

The BBRD provides for early intervention measures that may be imposed by the national competent authority in respect of Aegon Bank N.V. in the event that its financial condition is deteriorating. These early intervention measures could pertain, among others,

to a change of its legal or operational structure, the removal of (individuals within) senior management or the management body, or the appointment of a temporary administrator to work together with or replace such (individual within) senior management or management body. The national resolution authority may also under certain circumstances decide to write down or convert relevant capital instruments, including Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments, in a specific order.

Were Aegon Bank N.V. to fail or be likely to fail and the other resolution conditions were also met, the national resolution authority would be able to place Aegon Bank N.V. under resolution. As part of the resolution scheme to be adopted by the national resolution authority it may decide to apply certain resolution tools and exercise its powers pursuant to the implemented BRRD in order to give effect to such resolution tools. In addition, the SRM Regulation and the BRRD Implementation Act introduce the bail-in tool which gives the national resolution authority the power to write down or convert into equity certain debt and other liabilities of the institution.

Pursuant to the SRM Regulation and the BRRD Implementation Act, banks are required at all times to meet a minimum amount of own funds and eligible liabilities (MREL), expressed as a percentage of the total liabilities and own funds. The competent resolution authority will set a level of minimum MREL on a bank-by-bank basis based on assessment criteria due to be set out in technical regulatory standards.

Other financial undertakings in the Netherlands

DNB also supervises pension funds, including investment firms and fund management companies as well as general pension funds.

Asset liability management

Aegon the Netherlands offers products that absorb risks on behalf of its customers, such as market and underwriting risks. The Company actively manages these risks. It is unlikely that risks taken on from customers will automatically lead to the preferred risk profile, and for this reason, Aegon the Netherlands has a risk strategy in place that provides guidelines regarding Aegon s overall risk appetite and risk tolerance. Aegon maintains certain risks that are within its risk appetite, but mitigates the remaining risks, for instance through hedging programs and derivatives. For each portfolio containing derivatives, detailed guidelines have been implemented on the scope of instruments and the purpose of the derivatives.

Within its overall Asset liability management (ALM) framework, Aegon mainly uses fixed income instruments to match its liabilities. These are to a large extent high-quality government and corporate bonds. In addition, a sizeable portfolio of residential mortgages in the Netherlands has been built up to match liability cash flows. Derivatives are used in addition to these instruments in order to hedge the guarantees embedded in some of Aegon the Netherlands s products and optimize ALM. This can be undertaken through directly targeting specific risks, such as interest rate risk via interest rate swaps or longevity risk via longevity swaps. For more complex risk exposures, Aegon the Netherlands uses a combination of options, total return swaps and variance swaps.

Aegon sees derivatives as a suitable instrument to use in its ALM processes. The derivatives market is a highly regulated market that has in recent years been subject to many changes following the introduction of European Market Infrastructure Regulation (EMIR) and Dodd-Frank Act. Any counterparty risks embedded in such transactions are mitigated by having high quality collateral in place in all its derivatives transactions. The introduction of central clearing for parts of the derivatives markets has increased collateral requirements and reduced counterparty risk. Liquidity risk, which is the direct result of the collateral processes, needs to be carefully managed. Due to market movements Aegon the Netherlands s collateral position may change rapidly, and in order not to breach any collateral agreements, Aegon has to ensure sufficient high quality collateral is available at all times in order to comply with collateral calls from its counterparties. Liquidity stress testing has been set up to monitor this need. Operational risk is another key risk, given that derivatives are specialized instruments that require expertise as well as a specific (IT) infrastructure in order to be properly managed. Furthermore, as recent developments have shown, regulatory risk as a category within operational risk, needs to be constantly monitored. Aegon s automated processes regarding real-time monitoring, automated controls and integrated reporting reduce operational risks and enable it to comply with the increasing demands that result from regulations.

Aegon the Netherlands Risk & Capital Committee, which meets every month, determines and monitors the balance sheet and profit and loss account. The focus of these meetings is, among other activities, to ensure an optimal strategic asset allocation, to determine hedging strategies to reduce interest rate and equity risks, to manage and possibly hedge actuarial risks, and to decide on the need for securitizations of residential mortgage portfolios in order to improve the liquidity and funding position of Aegon the Netherlands.

Reinsurance ceded

Like other Aegon companies around the world, Aegon the Netherlands reinsures part of its insurance exposure with third-party reinsurers under traditional indemnity, and excess of loss contracts. Reinsurance helps Aegon manage, mitigate and diversify its insurance risks, and limit the maximum loss it may incur.

Since January 1, 2014, Aegon the Netherlands has reinsured its term life assurance through a quota-sharing contract between its subsidiary Aegon Levensverzekering N.V. and Reinsurance Group of America (RGA).

For non-life, Aegon the Netherlands only reinsures its property, general and motor third-party liability business. The main counterparties are Hannover Re, SCOR Re Europe and QBE Re. For property insurance, an excess of loss contract is in place with a retention level of EUR 1.5 million for each separate risk, and EUR 15 million for each windstorm event. For motor third-party liability insurance, Aegon the Netherlands has reinsurance in place with a retention level of EUR 1.5 million for each event. For general third-party liability, Aegon the Netherlands has reinsurance in place with a retention level of EUR 1 million for each event.

Overview of United Kingdom

Following the agreed sale of its own annuity portfolio and the acquisition of Cofunds and the BlackRock s Defined Contribution business, Aegon UK will be primarily a long term savings and protection business, supporting customers who are retired or saving for their retirement. Products are increasingly sold through its online platform, which enables advisors, employers and individuals to buy and manage investments online, and to also have a single view of investments. Aegon Ireland is a specialist provider reinsurer of variable annuity (guarantee) products in the United Kingdom, and Germany. It also offers offshore investment bonds in the United Kingdom.

Organizational structure

Aegon UK PLC (Aegon UK) is Aegon s holding company in the United Kingdom. It was registered as a public limited company at the beginning of December 1998. The leading operating subsidiaries are:

- Scottish Equitable PLC, and
- Aegon Investment Solutions Ltd

These subsidiaries operate under the Aegon brand.

Aegon UK s main offices are in Edinburgh and London. The main office of Aegon Ireland PLC (Aegon Ireland) is located in Dublin, Ireland, with a branch office in Frankfurt, Germany.

Acquisitions and disposals

Aegon UK s business strategy is focused on developing the business as the leading platform savings, investments and pensions provider in the market. For this reason, during 2016 it made a number of strategic changes in order to align its business model with its strategy.

On May 3, 2016, Aegon UK announced an agreement to acquire BlackRock s UK defined contribution (DC) platform and administration business, strengthening its position as a leading player in the UK workplace market, adding Master Trust and Investment Only capability as well as assets under administration of around GBP 12 billion. This transaction will be finalized in 2017 or 2018, once the legal ownership has been transferred through a so-called Part VII transfer.

On April 11, and May 23, 2016, Aegon announced the divestment of its own annuity portfolio to Rothesay Life and Legal & General respectively. Aegon initially reinsured GBP 9 billion of liabilities to Rothesay Life and Legal & General. The divestments are expected to be completed in 2017 upon the Part VII transfers. The transaction was consistent with the company s ambition to free up capital from non-core businesses. The capital position of the company improved as a result of the transaction. Aegon has approximately GBP 1 billion annuity liabilities remaining through an inward reinsurance transaction.

1 Source: UK Adviser Platform Guide, Issue 27, September 2016.

On January 1, 2017, Aegon UK completed the acquisition of Cofunds, funding for which came from the divestment of the annuity portfolio. The transaction demonstrates Aegon s commitment to the retail platform market. Intermediaries that use Cofunds will be upgraded to an enhanced version of Aegon s platform.

The combination of the acquisitions and Aegon s program to upgrade existing customers to the digital solutions platform will see Aegon create the largest[1] UK platform with approximately GBP110 billion assets under administration, and provide broad expertise across the savings, investments and pensions markets.

Overview of sales and distribution channels

In the United Kingdom, Aegon has two main distribution channels: retail and workplace intermediaries. These are supported by Aegon UK s customer capability, which offers employees and adviser clients a market leading portal to view and manage their money. Aegon UK s award-winning platform supports these channels in an integrated way, making it easier for customers to move between products and channels. The platform continues to be the fastest-growing platform in the UK market.

Retail channel

Aegon UK offers a comprehensive proposition to intermediaries and strategic partners underpinned by technology that drives efficiency and supports the profitability of advisor s businesses.

Aegon Retirement Choices (ARC) helps advisors and their customers save for the long term and manage the transition from work to retirement. ARC uses leading-edge digital technology to deliver an intuitive method of saving for the long term including retirement, taking income in retirement, including the UKs only on-platform guaranteed drawdown product, and dealing with changing circumstances. It also provides valuable online reporting and lifestyle tools that enable advisors to demonstrate their professionalism and display their charges for advice in a transparent way. In addition to the Self Invested Pension Plan which provides a range of pre-and post-retirement investment options for high-net-worth customers (including insured funds and a wide range of open-ended investment companies) Individual Savings Accounts and General Investment Accounts are also offered.

Aegon UK offers two distinct versions of the proposition targeted at distinct market segments:

- A fund supermarket service, which includes multiple wrapper choices, fully open architecture fund choice and digital advisor/ customer self-service access; and
- One Retirement , a standalone pension accumulation and drawdown product, designed to be a single-point solution for customers that do not have a broader set of needs.

The acquisition of Cofunds made Aegon UK the UK s leading[1] fund supermarket adding approximately GBP 80 billion of assets, predominantly in ISAs and GIAs, complementing Aegon UK s core pension expertise. The modernization of the Cofunds business by migrating it on to Aegon s market-leading technology will see Aegon UK emerge with a market-leading[2] position among intermediary platforms.

Workplace channel

Aegon is building and diversifying its workplace distribution capability to cover a range of intermediaries from Independent Financial Advisors (IFAs) to large Employee Benefit Consultants (EBCs) by utilizing successful partnerships such as with Mercer. Services that Aegon UK offers include:

- Workplace Aegon Retirement Choices , a comprehensive pension proposition that manages workplace pensions for employers in a seamless and streamlined way, enabling them to offer employees a choice of savings wrappers;
- Employers auto-enrolment obligations, which are supported through Aegon s SmartEnrol capability;
- Support for the governance of the workplace pension scheme, which is offered through the sophisticated analytics of Aegon s Smart Governance; and
- Employee access to Retiready, which enables employers to cater for all levels of employee investment knowledge and confidence, in addition to moving with their employees throughout their working life.

The strength of Aegon s proposition has historically been in the small to medium-sized employer market. The acquisition of BlackRock s defined contribution pension business expanded Aegon UK s market position in the large employer market. BlackRock s main focus in this market is on Mastertrust products, defined benefit target, investment-only business, and unbundled defined contribution pension schemes.

Customer capability

Aegon s Retiready digital retirement planning service is designed to help customers understand how on track they are for the retirement they want, and to support them in taking action. Answering a few simple questions gives customers a Retiready score out of 100, showing how ready they are for retirement.

Retiready is focused on existing Aegon UK customers that no longer have an advisor. The majority of customers receive the service having been upgraded from Aegon UK s existing business, thereby allowing longstanding customers to benefit from the advantages of a modern digital pension. Retiready customers have access to a number of tools to help them better engage with and manage their retirement savings. In 2016, over 160,000 customers with assets of around GBP 4.3 billion were upgraded to the new proposition.

Aegon Ireland

Aegon Ireland reinsures Aegon UK s Secure Retirement Income product, a guaranteed SIPP/drawdown product on the ARC platform. It also manages an existing book of variable annuity (guaranteed) contracts through Aegon UK s retail advisor channel since 2006. In Germany, Aegon Ireland has its own branch office in Frankfurt and has a number of distributors and a customer service team.

Aegon Ireland offshore investment bonds are offered exclusively in the UK. They are not actively marketed, and are distributed through the ARC proposition, other third-party propositions, banks and financial advisors.

Overview of business Lines

Reporting for Aegon UK is organized along two business lines: Life and Pensions and Investments . Life comprises protection products sold to individuals and small to medium-sized companies (SMEs) . Pensions comprises a broad range of workplace and personal pensions in addition to investment products and variable annuities.

Aegon UK was in 2016 reorganized into Digital Solutions , which oversees the core platforms and protection business lines, and Existing Business , which oversees the existing life and pensions business. These business lines have separate leadership teams.

1 Source: UK Adviser Platform Guide, Issue 27, September 2016.
2 Source: UK Adviser Platform Guide, Issue 27, September 2016.

The Digital Solutions business is responsible for Aegon UK s new digital platform propositions sold through Retail Advisor, Workplace and Direct to Customer channels, together with the protection lines. The majority of new assets going forward will be accumulated in this business. In addition, where appropriate, Aegon UK is upgrading customers from its Existing Business to Digital Solutions to ensure an enhanced customer experience, a more engaged relationship, and lower cost to serve. The Digital Solutions business also includes Aegon UK s protection proposition. As of January 1, 2016, Aegon s European variable annuity business has also been part of this business line.

The Existing Business is responsible for older products that are no longer actively marketed to new customers. However, new assets are accumulated as customers pay into existing policies, or as new employees join older workplace schemes. These propositions include older style group pensions, individual pensions and with-profits policies.

Products

Aegon UK s main product focus is on savings, investments, pensions and protection products.

Savings, Investments & Pensions

Aegon UK provides a full range of personal and corporate pensions and saving-related products. These include:

- Individual Saving Accounts;
- General Investment Account;
- Flexible personal pensions;
- Self-invested personal pensions;
- Group personal pensions;
- Group Self-invested personal pensions;
- Mastertrust;
- Investment Only capability for workplace pension schemes;
- Phased retirement options and income drawdown;
- Secure retirement income (SRI), for which the underlying guarantee is reinsured by Aegon Ireland PLC;
- Off-shore investment bonds.

Protection products

Aegon UK offers a range of products for individual customers, including life cover, critical illness and income protection. The target market is wealthier customers over the age of 40, where Aegon UK s underwriting expertise helps it to provide a customer-centric proposition. This also provides a strong overlap with the target customers for Aegon Retirement Choices, giving opportunities to leverage sales and promotional activity. In addition, Aegon UK offers a range of protection products for small to medium-sized companies that wish to insure key personnel. This is a key market for Aegon, and the company currently protects 400,000 customers.

Traditional Pensions

Traditional Pensions include a variety of individual and corporate pensions, with-profits products and annuity products (via Legal & General). These products are not actively marketed.

Competition

There are a diverse range of competitors in the markets in which Aegon UK operates, and market dynamics are continuing to evolve. While competition can be seen partly in terms of product features and benefits, it is also increasingly played out in terms of establishing Aegon UK s proposition as the primary or secondary platform used by intermediaries to manage their clients assets, or as a preferred partner for EBCs advising corporate clients.

One of the key drivers for competition is the considerable regulatory and legislative change that is continuing to create new commercial opportunities. For example, automatic enrolment (which requires all employers to offer pensions to their employees) is driving greater numbers of customers to save in a pension, and the proposed introduction of a Lifetime Individual Savings Account (ISA) will provide an additional incentive for many people to save for retirement.

In addition, in April 2015, the government removed all restrictions on individuals being able to access their pension pots, thereby significantly increasing the flexibility with which individuals can use their pension savings. Individuals are now no longer restricted to buying an annuity or entering drawdown, and can choose to withdraw some of their money and take flexible income through drawdown, or secure income via an annuity or guaranteed product. This development has had a substantial impact on the at retirement market, with a large reduction in annuity sales and an increase in the purchase of income drawdown products, in addition to supporting a shift from traditional products to platforms better able to support the delivery of flexible solutions to customers.

Regulation and supervision

All relevant Aegon UK companies based in the United Kingdom are regulated by the Prudential Regulation Authority (PRA) and/or the FCA.

The PRA is responsible for the prudential regulation of deposit takers, insurers and major investment firms. The FCA is responsible for regulating firms conduct in retail and wholesale markets. It is also responsible for the prudential regulation of those firms that do not come under the PRA s remit.

The UK vote to leave the European Union (EU) on June 23, 2016, has significant implications for the UK. Much financial regulation currently applicable in the UK derives from EU legislation. This regulation will remain in force until any changes are made, which will be a matter for the UK government and the UK parliament. Aegon UK must therefore continue to comply with UK law, including those that derive from EU law and continue with implementation plans for legislation that is anticipated to come into effect. The FCA has acknowledged that the longer term impacts of the decision to leave the EU on the overall regulatory framework for the UK will depend, in part, on the relationship that the UK seeks with the EU in the future.

Aegon Ireland is registered as a life insurance company in Ireland under the European Communities (Life Assurance) Framework Regulations 1994 (the 1994 Regulations), which implement the Consolidated Life Directive in Ireland. Aegon Ireland is regulated by the Central Bank of Ireland. As an Irish-authorized life insurance company, Aegon Ireland may undertake life insurance business in any member state of the European Economic Area on either a freedom of services (FOS) or freedom of establishment (FOE) basis, subject to the notification requirements set out in the 1994 Regulations.

Aegon Ireland operates on an FOE basis in Germany (with a branch office in Frankfurt) and on an FOS basis in the UK, selling life insurance products in Class III (contracts linked to investment funds) and Class I (life insurance and contracts to pay annuities on human life), excluding contracts written in Class II (contracts of insurance to provide a sum on marriage or on the birth of a child). Aegon Ireland must comply with the general good provisions that apply to insurers selling such policies in each jurisdiction.

Financial supervision of insurance companies

The European Union Insurance Directives referred to collectively as Solvency II are incorporated into UK law. The Solvency II directives came into effect on January 1, 2016. The directives are based on the home country control principle, i.e. an insurance company with a license issued by the regulatory authorities in its home country is allowed to conduct business in any country of the European Union, either directly or through a branch. Separate licenses are required for each branch of the insurance company where it conducts business. The regulatory body that issued the license (the PRA in the UK) is responsible for monitoring the solvency of the insurer.

Under UK law, a company (other than existing conglomerates) is not permitted to conduct both life insurance and non-life insurance business within one legal entity, nor is a company allowed to carry out both insurance and banking business within the same legal entity.

Every life insurance company licensed by and/or falling under the supervision of the PRA must file audited regulatory reports on at least an annual basis. These reports, primarily designed to enable the PRA to monitor the solvency of the insurance company, include a (consolidated) balance sheet, a (consolidated) income statement, a breakdown of the Solvency Capital Requirements (SCR), extensive actuarial information, and detailed information regarding the investments of the insurance company. The PRA s regulatory reporting is based on a single entity focus, and is designed to highlight risk assessment and risk management.

The PRA may request additional information it considers necessary and may conduct an audit at any time. The PRA may also make recommendations for improvements, and may, ultimately, withdraw an insurance company s license.

Solvency II

Under Solvency II, life insurance companies are required to maintain certain levels of shareholders equity in accordance with EU directives, and have to hold the level of capital required to withstand a 1 in 200 shock on a 1-year value at risk basis.

Since the introduction of Solvency II on January 1, 2016, Aegon has been using a PIM to calculate the solvency position of its insurance activities in the United Kingdom. The internal model was approved on December 14, 2015 by the PRA as part of the Internal Model Application Process.

In addition, Aegon uses the matching adjustment in the calculation of the technical provisions for its annuities, and uses the volatility adjustment in the calculation of the technical provisions for the With Profits business with investment guarantees. Following the reinsurance of the majority of its annuity business in 2016, Aegon no longer uses the transitional measures on technical provisions.

Aegon Ireland has been using the Standard Formula to calculate the solvency position of its insurance activities.

Asset liability management

In the United Kingdom, asset liability management (ALM) is overseen by Aegon UK s Management Investment Committee (MIC), which meets each month to monitor capital requirements and ensure appropriate matching of assets and liabilities.

In addition to monitoring risk exposures in compliance with Aegon N.V. s worldwide risk management strategies, investment exposure to any single counterparty is limited by an internal framework that reflects the limits set by the appropriate regulatory regime. This applies both within asset classes (equities, bonds and cash) and across all investments.

For its with-profits business, Aegon UK s guiding philosophy is to match guarantees with appropriate investments. The nature of with-profits businesses, however, typically prevents perfect matching, and the role of the MIC is therefore to monitor the capital implications of any mismatching. Reports covering the impact of a range of possible investment scenarios on the solvency of the fund are produced on a periodic basis. These reports allow the investment strategy for the with-profits fund to be discussed, and are summarized for the With-Profits Forum, a sub-committee of the Board of Aegon UK.

For unit-linked business, customers money is invested across a range of internally and externally managed funds. Derivative positions are held to protect the value of future fee income. The MIC monitors the performance of the investment managers against fund benchmarks. For the remaining annuity business, this is invested in corporate bonds and gilts in line with the matching adjustment principles. The Own Funds are invested in line with our Risk Appetite Framework.

Aegon Ireland s main market exposures arise from the guarantees provided on Variable Annuity (guarantee) products. The primary exposure is to changes in equity and interest rates. Aegon Ireland employs a dynamic hedge program to mitigate these financial market risks associated with the guarantees provided. On a daily basis, and if necessary on an intra-day basis, the hedge positions are reviewed and updated. Instruments used for the hedge program include equity futures, total return swaps, variance swaps and interest rate swaps.

With-profits fund

The invested assets, insurance and investment contract liabilities of Aegon UK s with-profits fund are included in for account of policyholder assets and liabilities . Assets and liabilities are always equal, as an excess of assets over liabilities regarding guaranteed benefits and constructive obligations is classified as an insurance or investment contract liability. All assets in the Scottish Equitable with-profits fund are held 100% for participating policyholders.

With-profits fund guarantees

With the exception of Aegon Secure Lifetime Income and 5 for Life (which are written by Aegon Ireland) and the product guarantees within Secure Retirement Income, Investment Control and Income for Life (which are reinsured to Aegon Ireland PLC), all Aegon UK contracts with investment guarantees are written in the policyholder-owned fund (otherwise called the with-profits fund).

This fund contains free assets that have not yet been fully distributed to individual policyholders. Free assets help meet the cost of guarantees and provide a buffer to protect the fund from the impact of adverse events. Aegon UK has an exposure only once these assets have been exhausted. As outlined below, Aegon UK believes this exposure to be low.

Certain policies have a guaranteed minimum rate of return, guaranteed minimum pension, or guaranteed death or other benefits. Guaranteed rates of return only apply if the policy is kept in force as per the dates specified, or according to the events described in the policy conditions. The costs of all guarantees are borne by the with-profits fund, and therefore impact payouts to with-profits policyholders.

As part of its demutualization process prior to acquisition by Aegon N.V., the business and assets of Scottish Equitable Life Assurance Society were transferred to Scottish Equitable PLC on December 31, 1993. Aegon UK has no financial interest in Scottish Equitable PLC s with-profits fund, except routine yearly fund management charges, and costs and expenses that the Company agreed to accept at the time of demutualization.

Guaranteed rates of return on with-profits policies are typically in the range of 0% to 5.5% a year. The funds with the highest rates have, however, been closed to premiums since 1999, and all funds have been closed to new business with investment guarantees since October 2002 (except for a small increase in regular payments). For a number of contracts written mainly in the 1970s and 1980s, Scottish Equitable also offered minimum pension guarantees, including guaranteed annuity options. As life expectancy rates have improved and interest rates have fallen over time, these minimum guarantees are now often valuable.

Management of the with-profits fund

Aegon UK s with-profits fund has an investment strategy that reflects the nature of the underlying guarantees. The fund can invest in a variety of different asset types. The main categories are UK and overseas equities, UK and overseas-fixed interest securities, UK property and cash. The with-profits fund has a target range for the percentage of its assets that are invested in equities, and this range may be varied. There is a policy of holding an appropriate mix of asset classes to reduce risk within these target ranges.

The results of the with-profits fund s investment performance are distributed to policyholders through a system of bonuses that depends on:

- The guarantees under the policy, including previous annual bonus additions; and
- The investment returns on the underlying assets, with an allowance for smoothing to reduce volatility. Although smoothing means that investment profits are spread from one year to the next, the aim is to pay out all of the investment profits earned by the fund over the long term. For early withdrawals, there are other measures to ensure that a fair share of total fund growth is received. A market value reduction may be applied to certain funds where, for cohorts of similar contracts, the face value of the benefits is greater than the value of the underlying assets. Policy conditions may state specific points for which a market value reduction will not apply.

As mentioned above, the free assets (assets that, as yet, have not been distributed to policyholders) help meet the cost of guarantees and provide a buffer to deal with adverse events. These free assets are partly invested in equity put options and interest rate swaps and swaptions to protect against adverse market movements. Aegon UK has an exposure only once these free assets are exhausted. The risk of exposure has been assessed by Aegon UK as remote, based on applying the risk-based capital approach now required for Solvency II reporting in the UK.

As the Scottish Equitable with-profits fund is now closed to new business, the free assets are gradually being distributed to with-profits policyholders through the bonus system outlined above. This includes ensuring that any surpluses in the with-profits fund from other (historic) business lines can be distributed to existing with-profits policyholders at a suitable rate, helping to prevent a tontine effect as the number of with-profits policyholders declines.

Reinsurance ceded

Aegon UK uses reinsurance to both manage risk and maximize financial value, through returns achieved and efficient capital management. The degree to which reinsurance is used across the product lines varies, depending largely on the appropriateness and value of reinsurance available in the market.

The protection business is significantly reinsured. A reinsurance panel is in place to provide reinsurance, predominantly on a quota share basis across the range of benefits. A facultative reinsurance panel is also used to assist the placement of the very large cases.

Aegon UK uses a range of reinsurers across the reinsurance market. Reinsurance is currently in place with Hannover, Munich Re, Pacific, RGA, Scor, Swiss Re, and XLRe.

On April 11, 2016 and May 23, 2016, Aegon announced deals with Rothesay Life and Legal & General respectively for the sale of the annuity portfolio. These deals are structured as reinsurance arrangements until the legal Part VII transfer processes are complete, which is due to be mid-2017. The longevity swaps that Aegon is holding to back these annuity portfolios will be transferred as part of the Part VII process in 2017.

While Aegon Ireland does not cede any reinsurance, it does accept reinsurance of certain guarantee lifetime income options on behalf of Aegon UK, including the new guaranteed pension product Secure Retirement Income .

Overview of Central & Eastern Europe

Aegon has operations in the Central & Eastern European (CEE) countries of the Czech Republic, Hungary, Poland, Romania, Slovakia, and Turkey. It first entered the Central & Eastern European market in 1992 with the purchase of a majority stake in Hungary s former state-owned insurance company, Állami Biztosító. Aegon Hungary is Aegon s leading business in Central & Eastern Europe.

Organizational structure

Aegon s main subsidiaries and affiliates in Central & Eastern Europe are:

- Aegon Hungary Composite Insurance Co. (Aegon Magyarország Általános Biztosító Zártkörűen Működő Részvénytársaság);
- Aegon Poland Life (Aegon Towarzystwo Ubezpieczeń na Życie Spółka Akcyjna);
- Aegon Poland Pension Fund Management Co. (Aegon Powszechne Towarzystwo Emerytalne Spółka Akcyjna);
- Aegon Turkey (Aegon Emeklilik ve Hayat A.Ş.);
- Aegon Romania Pension Administrator Co. (Aegon Pensii Societate de Administrare a Fondurilor de Pensii Private S.A);
- Aegon Czech Life (Aegon Poji t ovna, a.s);
- Aegon Slovakia Life (Aegon ivotná poist ovňa, a.s.); and
- Aegon Slovakia Pension Management Co. (Aegon, d.s.s., a.s).

Overview of sales and distribution channels

Aegon operates through a number of different sales channels in Central & Eastern Europe. These include tied agents, insurance brokers, call centers, online channels and particularly in Hungary, Romania and Turkey retail banks.

Overview of business lines

Life & Savings

Aegon companies in Central & Eastern Europe offer a range of life insurance and personal protection products. These include traditional life and unit-linked products. Unit-linked products cover all types of life insurance, including pension, endowment and savings.

Traditional general account life insurance mainly consists of index-life products that are not unit-linked but have guaranteed interest rates, in addition to group life and preferred term life products.

Preferred life is an individual term life insurance product that offers insurance protection. The product distinguishes between whether an individual is a smoker or non-smoker, and uses standard and preferred pricing dependent on the respective health of customers.

Group life contracts are renewable each year and carry optional accident and health cover.

In Poland, Aegon focuses on unit-linked as well as traditional life products. In line with the local regulatory and market developments, the products marketed have been modified in recent years.

In Hungary, Aegon offers a wide range of life insurance products, including term life products, whole life products, group life insurance, and accidental life and traditional saving type products, in addition to unit-linked policies, which are frequently accompanied with riders. These riders provide customers in addition to the main coverage with additional financial support in the event of, for instance: having an accident, becoming disabled, or being hospitalized. Aegon is a significant market player in Hungary in the unit-linked segment[1].

In both the Czech Republic and Slovakia, Aegon focuses on the unit-linked segment, in addition to offering term life products and offering a wide range of riders that cover, among others, accidental death, disability, critical illness risks, and providing a daily hospitalization allowance to insured clients.

In Turkey, Aegon provides only traditional life insurance products, the most important of which are pure term life with several riders, term life with premium refund on maturity, and saving-type endowment products. Aegon s insurance portfolio is growing significantly in Turkey due to the country s high growth rate.

Aegon entered the Ukrainian life insurance market in February 2013 by acquiring Fidem Life, a life insurance company offering mainly endowment traditional life products. The company was subsequently renamed Aegon Life Ukraine . The business developed slowly due to the unstable political and economic climate, and Aegon entered into an agreement on September 21, 2016 to sell 100 percent of its shares to TAS Group. The transaction was completed on December 16, 2016.

In Romania, Aegon undertakes life insurance business via a branch of Aegon Poland Life Insurance Company. The Romanian branch sells unit-linked, term life and endowment insurance policies.

Also in Hungary, Aegon Hungary Home Savings and Loan Association provides a saving product combined with a preferential loan option, which is subsidized by the state during the saving period.

1 Source: MABISZ, http://www.mabisz.hu/en/market-reports.html. Webpage visited February 9, 2017.

Mortgage loans

Aegon Hungary first offered mortgage loans to retail customers in 2006 via Aegon Hungary Mortgage Finance Co., a subsidiary of Aegon Hungary Composite Insurance Company. After its launch, the mortgage loan business was affected by several legislative changes. On March 17, 2014, Aegon Hungary Mortgage Finance Company suspended the acceptance of new loan applications for an indefinite period of time.

Pensions

Aegon s pension business in Central & Eastern Europe was impacted by reforms to the pension system in several countries in the region during recent years. Aegon is currently active in the (formerly mandatory) private pension market in Slovakia, Poland and Romania. In the voluntary pension market, Aegon is active in Hungary, Turkey and Romania.

Aegon launched its Pillar 3 voluntary pension fund, Aegon Esential, in Romania, on May 11, 2015. On December 4, 2015, Aegon Romania Pension Administrator Company took over the management of Eureko s voluntary pension fund, which subsequently merged with Aegon Esential.

On June 21, 2016, Aegon announced that it had signed an agreement with Nordea to take over the management of Nordea s Pillar 2 pension fund in Poland. The deal, which is subject to regulatory approval, will bring economies of scale and will further improve the quality of services that Aegon provides to its customers. As of December 2016, the pension fund under Aegon PTE S.A. s management had assets of PLN 6 billion (EUR 1.4 billion) and 914,000 members. Following the merger, the fund will grow to PLN 13.5 billion (EUR 3.1 billion) based on 2016 year-end data[1].

In terms of assets under management, Aegon s private pension funds in Poland, Slovakia and Romania, and its voluntary pension fund in Hungary, are significant market players in the respective countries. In terms of numbers of members, Aegon has a significant market presence in Poland, Romania, and Hungary. As of December 2016, Aegon had over 2.1 million pension fund members in Central & Eastern Europe.

Non-life

Aegon Hungary offers non-life cover (mainly household and car insurance, in addition to some wealth and liability industrial risk and travel insurance). Aegon is the leading insurance company in the Hungarian household market.[2] In recent years, margins on non-life insurance in Hungary have been attractive. Moreover, household insurance provides considerable opportunities for the cross-selling of life insurance.

As part of Aegon s regional expansion, Aegon Hungary has operated branch offices selling household insurance policies in Slovakia since 2010 and Poland since 2011.

Competition

In 2016, Aegon was the third largest life insurance provider in Hungary, based on the first nine months standardized premium income, and the third largest provider in the non-life insurance market[3]. In Turkey, Aegon was ranked nineth based on written premium at the end of November[4]. Aegon is a less significant market participant in Poland, Slovakia, the Czech Republic and Romania.

Aegon was ranked third in terms of both the number of participants and managed assets in 2015 in the voluntary pension fund market in Hungary[5]. For managed assets, in November 2016, Aegon was ranked fifth in the Slovakian private pension market[6]. In December 2016, Aegon ranked tenth in terms of both the number of participants and managed assets in Poland[7]. At year-end 2016, Aegon was the fourth largest provider in the Romanian mandatory private pension market, both in terms of net assets under management and number of participants[8].

1 Source: KNF, https://www.knf.gov.pl/en/about_the_market/Pension_system/Financial_and_statistical_data/Monthly_data.html. Webpage visited February 9, 2017.

2 Source: MABISZ, Hungarian Insurance Companies Yearbook 2015, http://www.mabisz.hu/images/stories/docs-eng/publications/yearbook-2015-english.pdf. Webpage visited February 9, 2017.

3 Source: MABISZ, Q32016 Quarterly report, http://www.mabisz.hu/images/stories/docs-eng/publications/quarter/2016-i-iii-quarter.pdf. Webpage visited February 9, 2017.

4 Source: Insurance Association of Turkey, http://www.tsb.org.tr/official-statistics.aspx?pageID=1003. Webpage visited February 9, 2017.

5 Source: MNB, Aranykönyv 2015, http://www.mnb.hu/felugyelet/idosorok/v-aranykonyv. Webpage visited February 9, 2017.

6 Source: ADSS, http://www.adss.sk/en/Default.aspx?CatID=60&fundID=611. Webpage visited February 9, 2017.

7 Source: KNF, https://www.knf.gov.pl/en/about_the_market/Pension_system/Financial_and_statistical_data/Monthly_data.html. Webpage visited February 9, 2017.

8 Source: APAPR, http://www.apapr.ro/statistics.html. Webpage visited February 9, 2017.

Regulation and supervision

In Central & Eastern Europe, a single insurance company may only be licensed for and conduct either a life insurance business or a non-life insurance business not both. In Hungary, however, insurance companies established before 1995 are exempt from this rule. This exemption therefore applies to Aegon Hungary.

State supervision and oversight of the insurance industry is conducted by the following bodies and institutions:

- The Central Bank of Hungary (MNB);
- National Bank of Slovakia (NBS);
- Czech National Bank (CNB);
- Polish Financial Supervisory Authority (KNF);
- Authority for Financial Supervision (ASF) (Romania); and
- Undersecretariat of Treasury (Turkey).

The authorities mentioned above promote consumer protection and have the right to investigate prudential activities and conduct, financial position and solvency, and compliance with all relevant laws.

In addition to legal regulation, insurance companies are members of a number of self-regulatory groups in their respective countries. These self-regulatory groups are the main forums for discussion among insurance companies. Their specialized departments (for example, actuarial, financial, and legal) meet periodically.

Solvency II

As of January 1, 2016, Solvency II, the new insurance solvency regime, became effective in European Economic Area (EEA) countries. Aegon s EU-domiciled entities in Central & Eastern Europe use the Standard Formula to calculate the solvency position of their insurance activities. The activities in Turkey and, prior to its disposal, in Ukraine have been included through Deduction & Aggregation on a Solvency II Standard Formula basis.

The foundation and operations of voluntary pension funds are regulated in Hungary by the country s Voluntary Mutual Pension Funds Act (XCVI. 1993). Activity in this area is also supervised by the MNB. Slovakia s pension market is regulated by the Pension Asset Management Companies and Respective Notices Act (43/2004). The private pension business is under the supervision of the National Bank of Slovakia (NBS). In Romania, the private and voluntary pension system is regulated and supervised by the Authority for Financial Supervision (ASF). The mandatory pension system is subject to the Privately Administered Pension Funds Act (411/2004) and the voluntary pension system is subject to the Voluntary Pension Law (204/2006), both complemented by individual regulations (as secondary legislation). In Poland, this activity is supervised by the KNF and governed by the Organization and Operation of Pension Funds Act. In Turkey, the voluntary pension funds are under the supervision of the Undersecretariat of Treasury and the companies are subject to Individual Retirement Saving and Investment System Law No. 4632.

In Hungary, the Credit Institutions and Financial Enterprises Act (2013) stipulates the foundation, operation and reporting obligations of the country s financial institutions (including Aegon Hungary Mortgage Finance Company). In addition, Aegon Hungary Mortgage Finance Company is under the supervision of the MNB, in exactly the same way as Aegon Hungary Home Savings and Loan Association.

Asset liability management

The investment strategy and the asset liability management of the CEE region is overseen within Aegon by the Regional Risk and Capital Committee, which meets on a quarterly basis. Aegon CEE s asset liability management focuses on asset liability duration and liquidity. The performance of the portfolios against benchmarks is also evaluated during the Committee s meetings. Furthermore, each country unit in the CEE region has an Asset Liability Committee that coordinates ALM-related reporting and makes the relevant decisions within the framework set by local management or by the Regional Risk and Capital Committee.

Reinsurance ceded

Aegon takes out reinsurance for its life and non-life businesses in Central & Eastern Europe, the aim of which is to mitigate insurance risk. In accordance with Aegon s Reinsurance Use Policy, Aegon s companies in the region only work through large multinational reinsurers that have well-established operations in the region. For short-tail business, Aegon CEE accepts reinsurance companies with a minimum Standard & Poor s (S&P) rating of A-. For long-tail business Aegon CEE accepts reinsurance companies with a minimum S&P rating of AA-. The credit standing of the reinsurance partners is strictly monitored, discussed on a monthly basis by the Global Reinsurance Use Committee, and assessed on a quarterly basis by the Risk & Capital Committee.

The five most important reinsurance programs currently in force (with retention levels for each event indicated in parentheses) are:

- Property catastrophe excess of loss treaty (EUR 16 million retention); and
- Excess of loss treaties for other risks (up to EUR 1.0 million retention);

The majority of treaties in force for Aegon s operations in Central & Eastern Europe are non-proportional excess of loss programs except for the life reinsurance treaties, which are made on a surplus and quota-share basis (including various riders).

Overview of Spain & Portugal

Aegon entered the Spanish insurance market in 1980. In recent years, Aegon s activities in Spain have developed through distribution partnerships with Spanish banks.

Aegon Spain Holding (hereafter referred to as Aegon Spain) operates in Spain through Aegon España. In addition, Aegon Spain operates through partnerships with Banco Santander and Liberbank, S.A.. Aegon Administracion y Servicos A.I.E., a separate legal entity, provides administration and operations services to all Aegon companies in Spain, including joint ventures with third parties. Aegon Spain has a long-term agreement to distribute both protection and general insurance products through Banco Santander s network of branches in Portugal.

Organizational structure

Aegon s main subsidiaries and affiliates in Spain & Portugal are:

- Aegon España S.A.U. de Seguros y Reaseguros;
- Aegon Administracion y Servicios A.I.E.;
- Aegon Activos A.V, S.A.;
- Aegon Santander Generales Seguros y Reaseguros S.A. (51%), in partnership with Banco Santander;
- Aegon Santander Vida Seguros y Reaseguros S.A. (51%), in partnership with Banco Santander;
- Aegon Santander Portugal Vida-Companhia de Seguros de Vida S.A. (51%), in partnership with Banco Santander Totta;
- Aegon Santander Portugal Não Vida-Companhia de Seguros S.A. (51%), in partnership with Banco Santander Totta; and
- Liberbank Vida y Pensiones, Seguros y Reaseguros, S.A. (50%), in partnership with Liberbank, S.A..

Overview of sales and distribution channels

The main distribution channel in the Spanish market is bancassurance, which accounts for 66% of life sales, whereas brokers and direct customers account for 25% and 9% of the total respectively[1]. Aegon Spain distributes its products nationwide through partner branches and its own sales network.

In the Portuguese market, approximately 67% (2015: 69%) of pure life risk premiums and 29% (2015: 29%) of household insurance premiums are written through bancassurance channels, where credit-related policies mostly related to mortgages play a significant role[2].

Aegon Spain and Banco Santander

Since June 4, 2013, Aegon Spain and Banco Santander have partnered to distribute a number of insurance products.

Banco Santander is the largest financial institution in Spain, with over 3,000 branches nationwide. Aegon Spain s agreement with Banco Santander concerns the business lines of pure life risk and general insurance products (accident, home and commercial multi-risk insurance, and critical illness). These are sold through two insurance entities: Aegon Santander Vida for pure life risk products; and Aegon Santander Generales for general insurance products. Aegon s share in each entity is 51%. Since December 28, 2016 Aegon Spain and Banco Santander have further extended their partnership agreement to distribute health insurance products.

Since December 31, 2014, Aegon Spain and Banco Santander Totta Seguros, a Portuguese insurance company that is part of the Santander International group, have partnered to distribute a number of insurance products. The partnership concerns the distribution of pure life risk and general insurance products (accident, home and commercial multi-risk insurance, and sickness) through over 600 branches nationwide the largest network of its kind in the country. These are sold through two insurance entities: Aegon Santander Portugal Vida, for pure life risk products; and Aegon Santander Portugal Não Vida, for general insurance products. Aegon has a 51% share in each entity.

On December 21, 2015, Banco Santander Totta announced that it had acquired domestic bank Banco Internacional de Funchal (Banif). On December 5, 2016, Aegon and Santander Totta reached an agreement in order to add Banif s retail and corporate network consisting of 174 branches and 370,000 clients to the current distribution network for Aegon Santander Portugal Vida and Aegon Santander Portugal Não Vida.

Aegon Spain and Liberbank

Liberbank, S.A. has a presence nationwide, with special focus on retail markets in a number of Spanish regions (Asturias, Cantabria, Castilla La Mancha and Extremadura). Liberbank Vida y Pensiones currently distributes its products through nearly 650 Liberbank, S.A. branches. Aegon s share in this entity is 50%.