AEGON

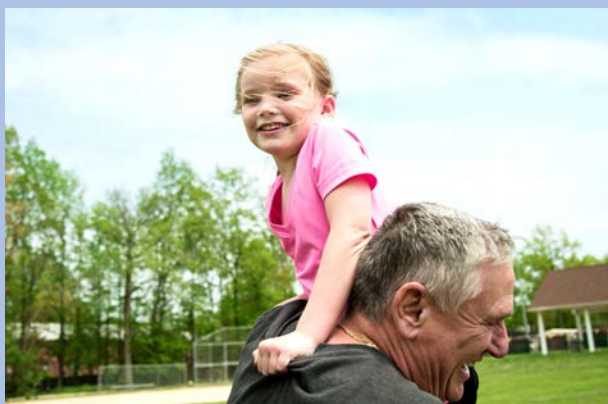
**Creating and sharing value**

Aegon's 2017 Review

# Future **Fit**

Publication date: March 2018

# Welcome to Aegon's 2017 Review



To prosper, we believe companies need to create long-term value for the societies in which they operate. In this Review, we'll be looking at our operating environment, and some of the opportunities and risks we see for our business. We'll also explain our strategy and how we intend to continue creating real, long-term value for our stakeholders.

We hope you enjoy our Review. To contact us, please see page 44.

We've chosen Future Fit as our theme for this year's Review. We know that, to adjust to a world of exciting new technologies, we need to change not only what we do, but also how we do it. Future Fit is also the name of our own cultural transformation program. In this Review, we'll set out exactly what this program means for us in the divider pages between each section. Each one will address a distinct area of Future Fit: **Acting as One**, which means sharing ideas and building on others' achievements within Aegon (page 12); **Accountability** – standing up and owning problems and solutions (page 19); **Agility** – adapting quickly to new opportunities (page 23); and **Customer Centricity**, which brings the three other areas together, putting customers at the center of our decisions, and making sure that, with digitization, we're still a people business, focused on helping our customers achieve a lifetime of financial security (page 37). Future Fit, we believe, will change Aegon for the better; the program will help us seize new opportunities, identify areas of growth, making Aegon fit for the future.

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This is Aegon's annual **integrated report**, and has been prepared in accordance with the GRI Standards: Comprehensive option. These standards are issued by the Global Reporting Initiative (GRI). For more details on our approach to integrated reporting, please see page 38.

# Aegon today

Aegon's history dates back almost 175 years. Today, we're one of the world's leading financial services companies, with operations across the Americas, Europe and Asia.

- In the Netherlands, Aegon also operates through several other businesses, including TKP, Nedasco and the online bank Knab.
- Aegon Asset Management operates as Aegon in the US, and Kames Capital in the UK. In the Netherlands, Aegon also has TKP Investments and is the majority shareholder in investment firms Pelargos and Saemor Capital.
- In the UK, Aegon also owns financial advice service Origen.

Please note that this map does not provide an exhaustive list of Aegon's operations and subsidiaries.
For more information, please see our Annual Report.

## Main brands

**Aegon**
US, Brazil, Czech Republic, Hungary, Netherlands, Poland, Romania, Slovakia, Spain, Turkey and UK

**Transamerica**
US

**Aegon Asset Management**
US, Netherlands, Hungary, Spain, UK, Germany and Hong Kong

## Other brands

**Transamerica Life Bermuda**
Bermuda, Hong Kong and Singapore

**World Financial Group**
Canada and US

**Knab** Netherlands

**Futuready** Indonesia

## Joint ventures

### Asia

**Aegon Industrial Fund Management** (49%) – China

**Aegon Life** (49%) – India

**Aegon Sony Life** (50%) – Japan

**Aegon THTF** (50%) – China

**Go Bear** (50%) – Hong Kong, Malaysia, Philippines, Singapore, Thailand, Vietnam

### Europe

**La Banque Postale Asset Management** (25%) – France

**Banco Santander Insurance** (51%) – Spain & Portugal

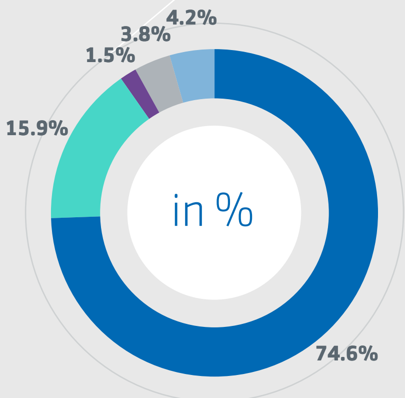
**Amvest** (50%) – Netherlands

### Latin America

**Akaan Transamerica** (99.99%) – Mexico

**Mongeral Aegon** (50%) – Brazil

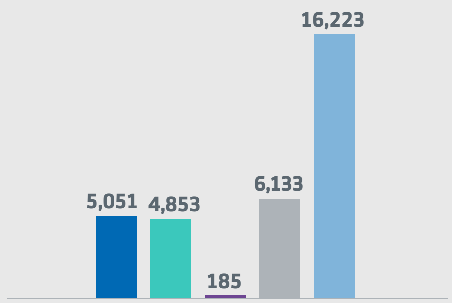
# Key data 2017




## What we invest in

Assets under management by asset class (Aegon Asset Management only, for institutional, intermediaries and retail clients)

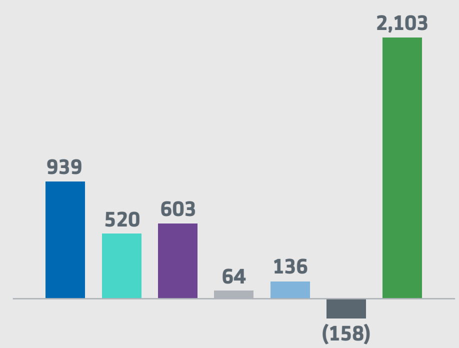
- Fixed income
- Equities
- Real estate
- Mortgage loans
- Alternatives & others




## Where our sales come from

Aegon sales by location, € million, 2017

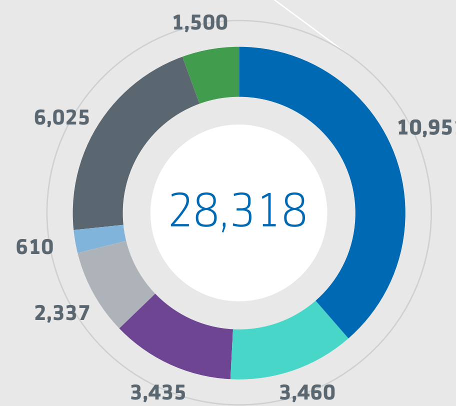
- Americas
- Europe
- Asia
- Asset Management
- Total




## Where our earnings come from

Aegon underlying earnings before tax by business line, € million, 2017

- Life
- Individual savings & retirement
- Pensions
- Non-life
- Asset Management
- Holding & other
- Total




## Where our employees work

Number of Aegon employees by location or business unit

- Americas
- Netherlands
- UK
- Central & Eastern Europe
- Spain & Portugal
- Asia
- Asset Management

# Our businesses

Aegon is an international financial services, insurance, pensions and asset management company. Every year, we help millions of people plan and invest for the future. We help them at the most critical moments of their lives: when they're starting a family, paying for their children's education or preparing for retirement – sometimes when they are at their most vulnerable, during long-term illnesses, or have lost a loved one. In retirement particularly, we see a connection between wealth and well-being. Our purpose is to help our customers achieve a lifetime of financial security.

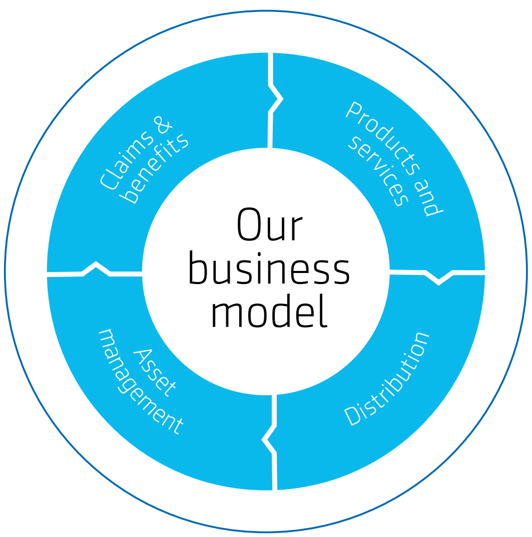
Aegon, as we know it today, was formed in 1983, with the merger of two Dutch insurance companies, AGO and Ennia. With our headquarters in The Hague, we now serve approximately 29 million individual and group customers, and manage €817 billion in investments, both for our customers and for our own account. Our main operations are in the US, Netherlands and UK. Of these, the US is by far the largest, accounting for approximately two-thirds of our earnings. In the US, we operate as Transamerica.

We also have a number of global businesses: our asset management activities, for example, which operate as Aegon Asset Management, as well as Transamerica Ventures and Blue Square Re, our internal reinsurance company. In addition, we have operations in Central & Eastern Europe and Latin America. Included in these are joint ventures with other companies – in Brazil with Mongeral, for example, in Japan with Sony Life, or with Banco Santander in Spain and Portugal. These partnerships support distribution of our products and services and help strengthen our overall market position.

We offer a range of financial products; these include life insurance, pensions, retirement plans, property & casualty cover, savings products and investments[1]. Most of our income comes from our life insurance, individual savings & retirement, pensions and asset management businesses. In recent years, we've been through several significant reorganizations – to simplify operations, reduce costs, invest more in digital and bring our businesses much closer to their customers.

[1] For more information about our products and services, see our Annual Report.

## Our business model




**Products & services**
We begin with the customer – we assess the customer's needs, price risk and develop products and services that fit with those needs. Our products and services are then branded and marketed.

**Distribution**
Some of our products and services are sold directly to customers. We sell most, however, via intermediaries, including brokers, agents, banks and financial advisors.

**Asset management**
In exchange, customers pay fees or regular premiums. On pensions, savings and investments, customers make deposits. We invest the money we receive and, over time, work to increase its value.

**Claims & benefits**
From the returns we make, we pay customer claims and benefits, and make profits for our shareholders. Customers also make regular withdrawals from pensions and savings products.

## Creating value

Life insurance, savings and pensions is a long-term business. To be successful, we have to be profitable. But we also have to create consistent value for the societies in which we operate. Where does this value come from?

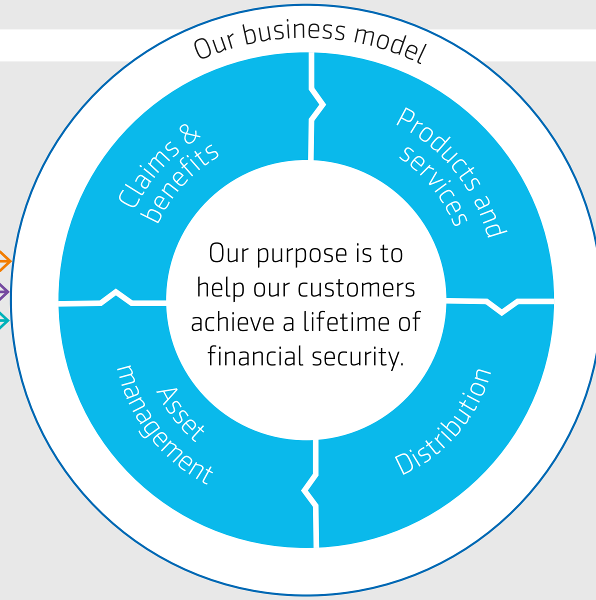
> For our **customers**, it's about life-long protection and financial security. It's about paying claims, and helping them save for a financially secure retirement.
> For our **shareholders** and **bondholders**, it's about providing returns through regular dividends and coupon payments.
> For our business **partners**, it's about fair treatment and allowing their businesses to grow and prosper alongside ours.
> For our **employees**, it's about offering regular salaries and benefits, training and opportunities for career development.
> And for the **wider community**, it's about acting as a responsible corporate citizen, meeting our obligations, and investing in areas that bring clear social and environmental benefits.

To operate, our business needs resources – or 'capitals'. Three capitals in particular are important to us:

> **Financial** capital from our investors
> **Human & intellectual** capital from our employees
> And **social & relationship** capital from our customers, business partners, brokers and intermediaries.

The chart on page 7 shows our value chain – how our businesses transform these capitals into direct and indirect economic value for our stakeholders. You can read more about the value we create for our stakeholders on pages 24-34.

# Our value chain




**Our capitals**

In our business, we use different resources or 'capitals'. This is not only financial capital from our investors and customers, but also human, intellectual and social & relationship capital from our employees and business partners.

### Financial capital

Investors buy Aegon shares, bonds and other securities. This gives us the financial capital we need to run our businesses.

### Human & intellectual capital

We use the skills, time and resources of our employees to develop, price and market our products and services.

### Social & relationship capital

To sell our products and services, we rely on key relationships – with customers, intermediaries and other business partners.

**Creating value**

With these capitals, we create value for our stakeholders through our products and services, our investments, the tax we pay and the jobs we create.

### Financial capital

To our customers, we pay out pensions, savings and insurance claims. We reinvest in our business and from profits, we aim to provide stable, attractive returns for investors.

### Human & intellectual capital

We offer our employees a safe, productive workplace, pay salaries and benefits, and invest in training and career development.

### Social & relationship capital

Through our products and services, we provide protection and peace of mind to our customers. We're a significant investor, a reliable business partner and support local communities.

## Direct & indirect economic value generated

Financial capital:
- **€48 billion** paid out to customers in claims, benefits and plan withdrawals.
- **€721 million** paid out to investors in dividends and interest payments.

Human & intellectual capital:
- **€2.2 billion** in salaries and social benefits to our employees.
- **€14 million** spent on training and career development programs.

Social & relationship capital:
- **€2.7 billion** in commissions to financial intermediaries.
- **€1.4 billion** paid to suppliers.
- **€444 million** in taxes borne directly by Aegon.
- **€8.9 million** invested in local communities.

**Explanatory note**

This chart is based on the International Integrated Reporting Council's (IIRC) six capitals: financial, human, intellectual, natural, manufactured and social & relationship. Each of these capitals represents a store of value, which companies use and transform through their business activities. It's important to remember that, during this process, capitals may increase or be depleted in value. For the purposes of our value chain, we've chosen the capitals most relevant to our business (financial, human, intellectual and social & relationship).

- **Financial capital** represents the funds to which we have access; this includes both debt and equity finance.
- **Intellectual capital** refers to institutional knowledge, innovation and research etc. developed within the organization. **Human capital** is different – it refers to individual knowledge, skills and capacities in our workforce.
- **Social & relationship capital** covers relationships developed both within and outside the organization. It includes relationships with customers, business partners and suppliers.

We've chosen not to include manufactured and natural capital. Neither are directly relevant to our core financial services business, though we may, of course, affect the value of these capitals through our investments (see page 31). For more information on our use of IIRC capitals, see our Reporting Supplement.

# Our governance

Aegon's system of governance is based on checks and balances. This helps us manage our business responsibly and take the best possible decisions for both Aegon and its stakeholders. As a company based in the Netherlands, we comply with the Dutch Corporate Governance Code[1]. Our governance system comprises three tiers:

- The *Executive Board*, charged with the strategy, management and control of the company
- The *Supervisory Board*, which oversees the work of the Executive Board
- And the *General Meeting of Shareholders*, which decides Board appointments, remuneration and is responsible for adopting financial accounts.

### Supervisory Board

Our Supervisory Board is independent of management, which is important in ensuring effective oversight. Its members are not employed by Aegon; they have no business relationship with the company. This independence is set out clearly in our Supervisory Board Charter. Supervisory Board members may serve a maximum of twelve years.

When appointing new members, we aim for a Board that is "balanced and diverse[2]" in age, gender, nationality and background. On our website, we publish a Competency Overview, showing members' individual areas of expertise[3]. In 2017, we introduced new diversity targets for our Supervisory, Executive and Management Boards. These include a minimum 30% women on each Board, and at least one female candidate for any new appointment.

### Executive and Management Boards

Our Executive Board has two members: our CEO Alex Wynaendts and CFO Matt Rider. The Executive Board is Aegon's official decision-making body. It determines company strategy, as well as Aegon's budget, business development, risk management and capital position. It's also responsible for ensuring the company retains strong internal controls – that management has the systems and processes it needs to run the company. Aegon's Executive Board is supported by a separate Management Board, responsible for operational issues and strategy implementation. Members of this Management Board are drawn from across the company's country and business units, or head up specific functions, such as Legal, HR, Risk or Technology.

Pay for senior management is tightly controlled. Across the company, we apply a principle of pay for performance. That means we incorporate both financial and non-financial performance targets into our executives' variable pay. We ensure that a significant part of this variable pay is deferred over a period of time and that, under certain circumstances (if there is a financial restatement, for example), we can take the money back. We have a specific Remuneration Policy, which sets out our approach in detail. All executive pay is overseen by the Supervisory Board's Remuneration Committee.

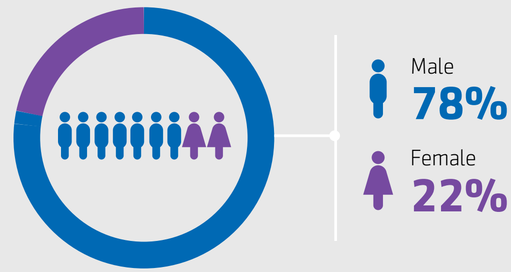
### Ownership

Aegon is listed in both Amsterdam and New York. More than three-quarters of our shareholders are located in our three main markets: the US, Netherlands and UK. Shareholders meet at least once a year in The Hague. Our largest shareholder is Vereniging Aegon, an association whose purpose is to protect the long-term interests of both Aegon and its stakeholders. Vereniging Aegon holds just over 14% of voting rights in the company, though in certain circumstances – including a hostile takeover bid – it can temporarily invoke its full voting rights, which would take this share to nearly 33%. At the end of 2017, US fund manager Dodge & Cox was the only other shareholder owning more than 5% of Aegon shares.

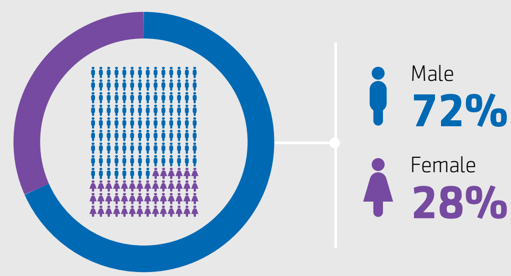
### Gender gap at management and Board level

#### Management Board


#### Supervisory Board




#### Senior management




Charts above show split between men and women in senior management and on Aegon's Management and Supervisory Boards. Our aim is to have at least 30% women on both Boards (this also applies to our Executive Board). We've incorporated this target into diversity policies for each Board. Currently, we're meeting the target for our Management Board, but we're still short of our goal with regard to the Supervisory Board. Women currently make up 53% of Aegon's overall workforce.

1 We publish a statement of compliance with the Dutch Corporate Governance Code as part of our Annual Report. As an international company, Aegon also complies with applicable governance legislation and regulation in other countries (see our 2017 Annual Report for further details).
2 See Aegon's Supervisory Board Charter.
3 At the end of 2017, we had nine Supervisory Board members. Of these, two are women. One-third of the members are non-EU. The average age was 64.5 years (ranging between 58 and 71 years).

### Responsible decision-making

As a company, we're committed to doing business responsibly. We have internal policies, procedures and frameworks[1], which set out how we make our decisions in areas such as executive remuneration, payment of dividends, fraud and financial wrongdoing, product development and approval, sustainable procurement and tax. We also have a Code of Conduct, which applies to all Aegon employees worldwide; this Code of Conduct contains principles governing our workplace, social responsibility and business conduct. We've had a human rights policy in place since 2007, and a policy on responsible investment, which sets out minimum social, environmental and ethical standards for the companies in which we invest. Our Responsible Investment Policy was last updated in October 2017. Together, these policies help us identify risks to our business; their aim is to protect stakeholders by ensuring we're aware of all financial and non-financial factors before we make our decisions.

### Managing risk

As an insurer, it's our job to accept risk on behalf of our customers. That means we're exposed to a range of underwriting, financial and operational risks. It's important, therefore, that we have a strong risk management framework. At Aegon, ultimately, the responsibility for risk management lies with the Executive Board, the highest level in the company. Our Chief Risk Officer, Allegra van Hövell Patrizi, regularly joins meetings of the Executive Board.

Our framework is built around three lines of defense: first, the business and support functions; second, our risk management and compliance teams and, third, our audit teams, who make sure we're managing risk effectively and in line with our own business strategy. That means risk is managed at all levels of the company. As part of this, we set clear risk limits and tolerances. Of course, the vast majority of risks we deal with are financial or underwriting risks. What's left – our operational risks – include compliance and systems risks, as well as social and environmental.

Over the past two years, we've been busy strengthening our risk controls. We've put in place a Control Excellence program. As part of this program, we examined everything from governance and the frameworks we use to how we identify, assess, respond to and report on risk. Working closely with our auditor PwC, we've made improvements in key areas. We've strengthened IT controls, stepped up independent checks on fraud, improved our reporting and data quality. We've also tightened up controls relating to financial regulations, in particular our Solvency II reporting and our obligations under the US Sarbanes Oxley Act. Strong internal controls are important: they protect not only our business, but also our customers.

More information on our governance may be found in our 2017 Annual Report and online. This includes full details of members of Aegon's Supervisory, Executive and Management Boards as well as our compliance with the Dutch Corporate Governance Code and Aegon's Non Financial Information Statement. Our Solvency and Financial Condition Report, meanwhile, provides further details of the company's approach to Solvency II and capital management.

## Statement of materiality and significant audiences

Every year, we identify the issues that matter most to us and our stakeholders. These are the issues, we believe, will have the most impact on our business in the years ahead, not only on our financial performance, but also our ability to continue creating long-term value for the societies in which we operate. This Review looks in detail at these issues, and at how we, as a financial services company, employer and investor, are meeting the challenges and opportunities they represent for our business.

This Review is intended first and foremost for investors. We believe it's important that financial markets price in fully social, business and environmental risk. For this to happen, management must disclose these risks, and work to understand the connection between value creation and longer-term financial performance. Legislators are already moving in this direction, with the adoption of a new decree in the Netherlands on non-financial reporting, changes to the country's Corporate Governance Code and the publication last year of recommendations from the Financial Stability Board's Task Force on Climate-Related Financial Disclosures. Aegon is not only a financial services provider; it's also an investor. This Review examines the efforts we've made to embed social, environmental and economic factors in our own investment decision-making.

This is our seventh integrated report. We're happy to support the IIRC and GRI in their push for more complete and more relevant corporate reporting. Disclosure is only part of the story. For us, integrated reporting is also about understanding both the financial and non-financial factors affecting our business, and using that understanding to drive better, more integrated decision-making.

*Signed:* **on behalf of Aegon Management Board**

**Alex Wynaendts**
Chief Executive Officer

**Matt Rider**
Chief Financial Officer

[1] Many of our internal policies and guidelines are available online at aegon.com (including Aegon's Code of Conduct, and policies covering responsible investment, tax, health and safety, human rights, remuneration, sustainable procurement, diversity & non-discrimination, charitable donations and financial crime).

# Interview with our CEO

CEO Alex Wynaendts discusses Aegon's social role, investing for the long term and the need for new skills in the insurance industry.

**Alex Wynaendts**
Aegon CEO

"Many people lack financial security. We're here to change that."

**There is a tendency to talk a lot about insurance companies purely in financial terms, but what does Aegon bring to society as a whole?**
Our work addresses a fundamental and universal need: financial security. Literally millions of people rely on us. Our customers' future is dependent on us being able to fulfill the promises we've made, and last year alone we paid out close to €50 billion in claims and benefits to them.

Financial security is something that many people lack, which not only has serious implications for them, but for wider society too. We're here to change that. We want to help people throughout their lifetime, enabling them to fund their children's education, to pay their medical bills, and to provide for loved ones in the future. We want everyone to have a long and happy retirement. That work inspired me on my first day at the company and it continues to inspire me today.

**Looking beyond customers, how else does Aegon create value for all its stakeholders?**
What's also vital is that those who invest in us get a return, that our employees receive competitive salaries and benefits, and that we help our business partners to grow alongside us.

Beyond that, we also play an active role in the communities in which we operate, and we leverage our position as a significant investor.

**Does the nature of the insurance industry mean that Aegon invests in a different way to other investors?**
Yes and no. Like any investor we want to make a return. That way, we can in turn finance our customers' pensions, pay out claims, and internally invest in new technologies and future growth, and so forth. Where we are different to other investors is that we focus more on the long term in order to match our liabilities. We are therefore the ideal provider of long-term financing not only through bonds for governments and other companies, but also to help fund infrastructure projects, such as roads, bridges, wind farms and affordable housing. By doing so, our company plays an important role in the wider economy, stimulating and supporting growth.

**How will Aegon continue creating value for those stakeholders in the future?**
From a financial perspective we need to have a strong capital position; we need to continue to change the business mix so that we are less dependent on financial markets; and we need to keep growing our business. Looking beyond that, this is ultimately a question of relevance.

It doesn't matter whether it's the insurance, banking, or the travel industry. As a customer if you don't feel you're getting the right service, you can look elsewhere at the click of a button. We have to understand customers better than ever before, and we have to be able to serve them in the way they wish to be served. Being their preferred choice therefore means that we need to keep evolving, keep innovating and keep embracing change.

**Was this the motivation behind many of the changes you implemented in 2017?**
Absolutely. Last year was a big year in terms of change. First, we continued to transform our business so that we can meet our customers' ever-changing needs, and this work will continue in 2018 and beyond. In our US business, for instance, we recently entered into a strategic partnership that will enable us to improve customer service levels. Second, we worked hard to bring down expenses to bring us closer to meeting our €350 million cost savings while improving returns across the businesses. Third, we worked to restore the capital position of our Dutch business. We were able to achieve this by utilizing resources from other parts of the group. In doing so, we have successfully improved the capital buffer of our Dutch business.

**In recent years, new technologies and automation have led to job losses across financial services. Will this trend continue?**
There's no doubt that the composition of our workforce has changed, and will continue to change. In order to offer the right services to our customers, we have to have the right skills. On the one hand, some processes are being automated, which inevitably has an impact on jobs. On the other hand, we need new skills.

We can achieve that in several ways: bring in experts, for instance, in the fields of data analytics and digital marketing; re-skill existing employees; or work with partners, outsourcing certain functions – just as we have recently done with parts of our US business – and investing in start-up companies.

"Our workforce will continue to change. To offer the right services to our customers, we have to have the right skills."

**Given all this change, how do you ensure that Aegon operates in a sustainable way?**
For me it's all about embedding responsible business in everything we do. This starts with our strategy. We don't have a business strategy and a sustainability strategy; we have a single strategy ensuring customer needs are always central to all that we do. Strategies are, however, only as good as the paper they're written on unless you also get the culture right.

That's why we've made a concerted effort to ensure everyone at our company really lives the Future Fit behaviors, and by that I mean working in more agile ways, being truly customer centric, acting as one – be it in a team or across the whole company – and always being accountable for what we do.

"At this year's annual General Meeting, we're saying farewell to Aegon's Supervisory Board Chairman, Rob Routs, and fellow member of the Supervisory Board, Dirk Verbeek. I'd like to sincerely thank them both for their commitment, challenge and support over the last ten years, and wish them well for the future."


## **Acting as One** means...

**"We're stronger together."**
One of the advantages of having a global business is that individual units can learn from each other. Which is why we encourage cross-border cooperation as much as we can. In Brazil, for example, Mongeral Aegon is tapping into our US marketing expertise to improve analysis of its customer base. We're also bringing our asset management businesses in the UK and the Netherlands closer together, giving them a single management structure and integrating operations. In Hungary, meanwhile, we're introducing new data-driven underwriting, based on models developed in the US. Building on others' ideas helps us save costs, identify new business opportunities and improve customer service.

20+

We now operate in more than 20 countries around the world. Our main businesses are in the US, Netherlands and UK, but we have growing businesses in Asia, Central & Eastern Europe, and Latin America.

# Our operating environment

We operate in a fast-moving, highly regulated environment. This environment is affected by a number of factors: economic, financial, regulatory, social and environmental.

**The world economy** has continued to improve over the past year. Growth has picked up in the US and Europe; it's also accelerating in China and Japan. Economic growth, generally, is good news for our business. But growth in some parts of the world is still uncertain. And wages haven't kept pace with this growth everywhere, which means many consumers aren't yet feeling the benefits of the economic recovery.

**Financial markets** have performed well. During the past year, stock markets have been trading at all-time highs. Again, that's good news for investors like us and many of our customers. Interest rates are still a concern despite recent increases in the US and UK. In Europe, the European Central Bank's (ECB) benchmark refinancing rate has been at 0% now for almost two years.

Low interest rates are a challenge for insurers. In the past, the industry earned much of its money from interest rate spreads.

**Regulation** is becoming increasingly complex. New capital requirements, known as Solvency II, have been in force since the start of 2016, bringing significant change to the industry. In Europe, we're also seeing a step-up in data privacy controls, with the EU's new General Data Protection Regulation (GDPR), as well as new rules on insurance distribution, financial reporting (IFRS 9 and IFRS 17) and MiFID II[1], which is aimed at increasing transparency and offering investors greater security. New regulations help protect consumers and strengthen confidence in financial markets, but they can also add to operating costs.

**Political uncertainty** makes investment harder, and may pose a threat to longer-term economic growth. In the past year, we've seen an increase in political uncertainty in several key Aegon markets, including the UK, Spain, Turkey and the US. More generally, we've seen an increase in protectionism in some parts of the world, but also, promisingly, the emergence of a new international development agenda, with the Paris Climate Agreement and the adoption of new UN Sustainable Development Goals.

**Our society** is also changing rapidly, beyond politics and the economy. Most of us are living longer, healthier lives; this is increasingly true of developing countries, as well as Europe, the US and Japan. At the same time, new technologies are having a profound effect on the way we work, the way we interact with others and, ultimately, the way we organize our economies.

## Who are our stakeholders?

We define our stakeholders as 'any individual or organization affected, or likely to be affected, by our business, or that may, in turn, affect the environment in which we operate'. Our stakeholders include customers, employees, investors, business partners and distributors, and the wider community – governments, regulators, NGOs and community groups. We regularly engage with stakeholders through polls and surveys, conferences, workshops and face-to-face meetings. We use what our stakeholders tell us to improve our products and services, and to make sure our business remains accountable and delivers value. This chart shows our five main stakeholder groups, and the basis of the relationship we have with each group:

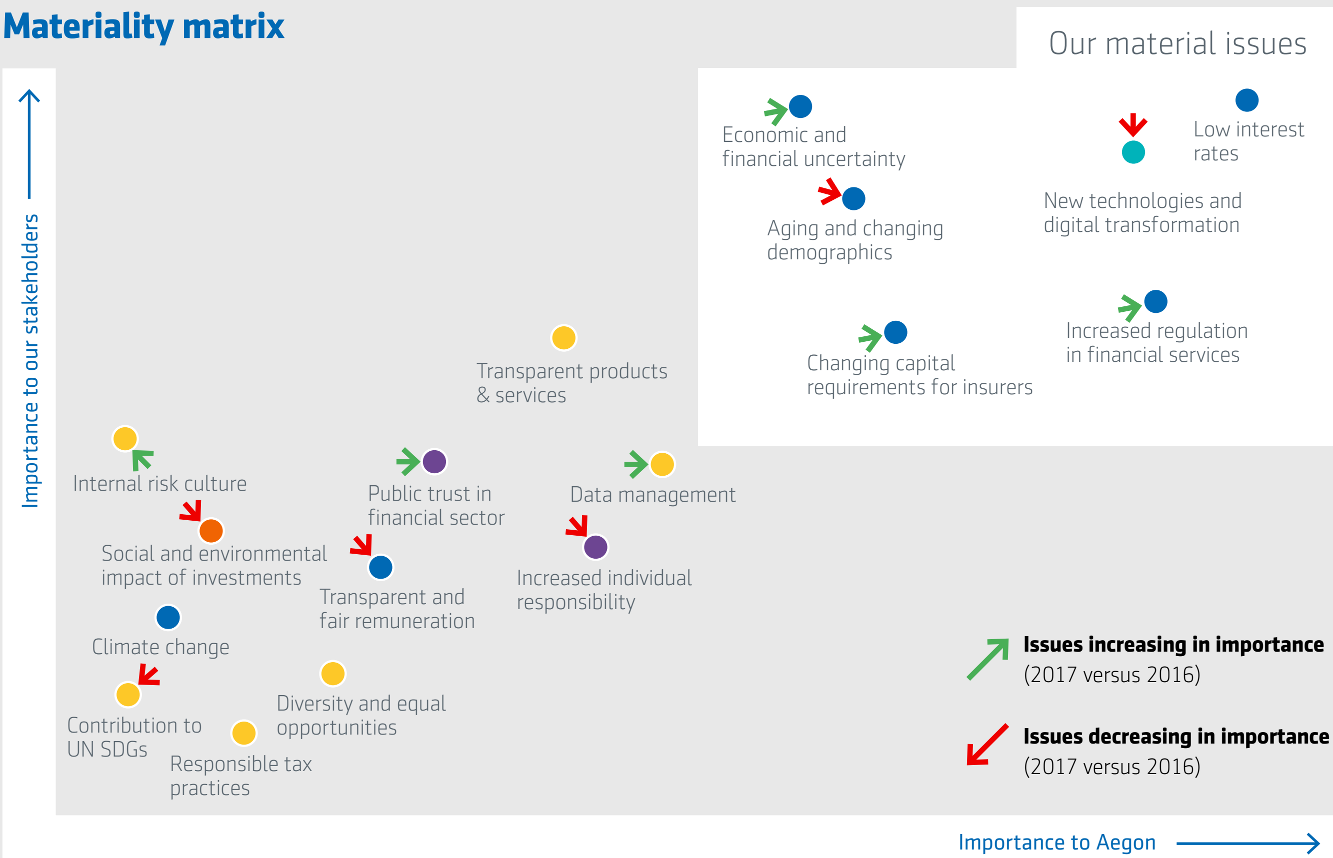
| | Our stakeholders provide us with: | In return, we provide them with: |
|---|---|---|
| **Customers**<br>Individual customers, groups and corporate clients | Fees, premiums and deposits | Protection and long-term financial security |
| **Business partners**<br>Distributors, joint venture partners, reinsurers, and suppliers of goods and services | Distribution, goods and services, reinsurance | Financial support, expertise and a reliable, professional relationship |
| **Investors**<br>Shareholders, bondholders, financial analysts and portfolio managers | Cash through investment in bonds and shares | Attractive long-term returns |
| **Employees**<br>Employees, tied agents, trade unions and other representative groups | Time, resources, skills and knowledge | Salaries and benefits, training, career development |
| **Wider community**<br>Governments, regulators, charities, community groups, NGOs, academics, experts, and other public institutions | Public services, infrastructure, access to labor and markets, license to operate[2] | Payment of taxes, community investment, expertise on aging and retirement issues and responsible approach to investment |

[1] *Markets in Financial Instruments Directive II*, introduced in January 2018. MiFID II is a set of financial rules aimed at making Europe's market for financial services safer, more efficient and more transparent. GDPR is due to come into force in May 2018. IFRS 9 and IFRS 17 refer to new accounting rules for financial instruments and insurance contracts respectively.
[2] License to operate refers to the general acceptance or approval by stakeholders for a company to continue its business operations in their community or communities.

Every year, we carry out a materiality assessment. This helps us identify the issues that have the most impact on our business, profitability and reputation.

To conduct our materiality assessment, we look first at the main economic, financial, regulatory, climate-related and social factors affecting our environment. We survey both our own senior management and a cross-section of our stakeholders to determine which of these factors are the most important, or most *material*. The results are plotted on a materiality matrix (below) and fed into our reporting and strategy processes. Last year's survey took place in January/February 2017. This assessment helps with strategy implementation, and ensures we continue to respond quickly to social and economic change. The exercise gave us five material issues: low interest rates, the advance of new technologies, aging populations, economic and financial uncertainty and tighter regulations (including changing capital requirements; we decided to combine these two issues). Over the next several pages, we'll look at how these five issues will affect our business, the risks and opportunities they'll bring and the actions we're taking.

## Materiality matrix




### Ability to control or influence

As part of our materiality assessment, we also look at our ability to control or influence the economic, social or regulatory issues affecting our business. In each case, we assess our impact – whether decisions we take can directly affect the underlying issue. It's clear that some lie within our control, such as our internal risk culture. Others – like interest rates or regulation – we have very little or no *direct* influence, but can manage, or mitigate, the effect on both our business and our stakeholders.

**Direct control**
Issue is entirely within the company's control.

**Shared control**
Control of the issue is shared with, or exercised through, another company, organization or third party.

**Strong influence**
Company has ability to influence the issue within its own businesses and value chain.

**Some influence**
Company has ability to influence, but only within its own businesses (not its wider value chain).

**No influence**
Company has little or no meaningful control or influence over the issue.

Materiality is an important concept in integrated and sustainability reporting. It helps ensure that this report reflects Aegon's main economic, environmental and social impacts, as well as those issues most likely to impact the company's stakeholders. The materiality assessment is an integral part of Aegon's strategy review cycle, which begins in the first quarter and runs through to the end of each year.

## Low interest rates

### Our influence and control

We have no influence over the future course of interest rates. Benchmark interest rates are the responsibility primarily of central banks and governments. Longer-term rates are determined by financial markets. Over the past year, rates have remained at historic lows, despite recent (modest) increases in the US and UK. Given current political and economic uncertainty, it's unclear when rates will recover in any meaningful way. Our role is to help protect customers, where possible, from the effects of low interest rates on long-term savings and investments.

### Our risks

Low interest rates have a negative effect on both our earnings and revenue. This is largely because low interest rates mean lower returns on our investments. In some cases, we may find that these lower returns aren't sufficient to meet long-term guarantees given on some of our products. Low interest rates may also deter savers.

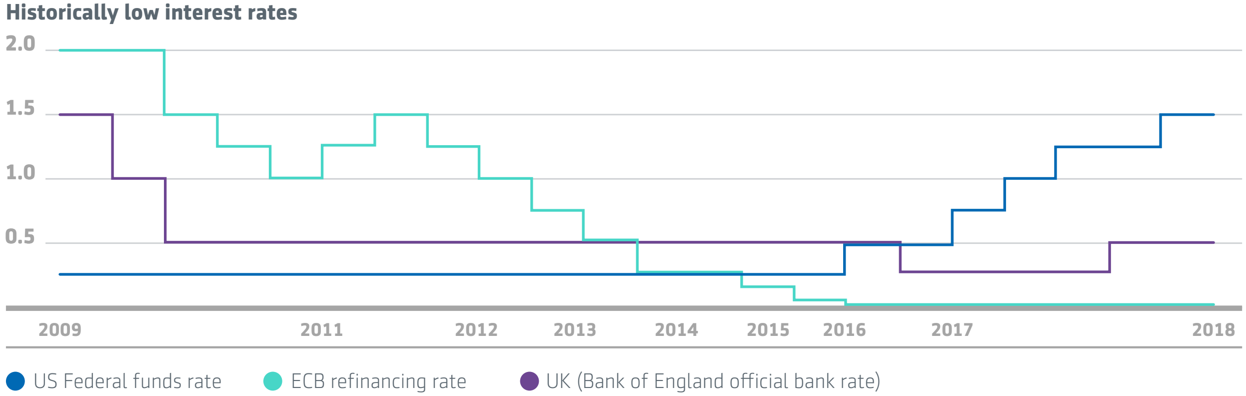
### Our opportunities

Low interest rates may increase demand for some products – for example, alternatives to annuities at retirement. We also have an opportunity to refinance our corporate debt at a lower rate. For 2018, many economists are predicting an increase in interest rates. This would be positive for earnings and revenue; it would also strengthen our capital position. If rates rise too quickly, however, that may have adverse effects – we may see customers switch out of some products in search of better yields elsewhere.

### What we're doing about it

We've invested more in fee-based businesses, which are not directly dependent on interest rates. Last year, earnings from fees accounted for 45% of our overall earnings. This switch to fee-based is part of our long-term strategy – our goal is to have a better balance between fee income and earnings from our mainstream insurance businesses. At the same time, we've scaled back our annuities business in both the UK and US, which makes us less vulnerable to movements in interest rates. Where it makes sense, we also hedge our exposure – and continue carefully to manage our long-term assets and liabilities. Where appropriate, we've advised customers to take steps to protect their investments and savings – in the Netherlands, for example, many customers are now extending their investments at retirement rather than taking annuities at low rates of return.

**Historically low interest rates**




Sources: US Federal Reserve, European Central Bank and Bank of England.
Note that, from December 2008, the US Federal Reserve switched to a 25 basis point target range. Chart above shows the upper end of this range.

## New technologies and digital transformation

### Our influence and control

New technologies are transforming the finance and insurance industry. These technologies are changing the way financial products and services are sold. They're also changing the way companies themselves manage their businesses and the kind of skills they need in their workforces. Customers are more demanding; they want speed, ease of use and accessibility. Aegon has direct control over the way it uses (and invests in) new technologies, but we also have to respond to the deeper changes these technologies are bringing to everything from healthcare and travel, to the way we work, do business and live our lives.

### Our risks

Technology makes it easier for us to move into new markets. But if it's easier for us, it's easier for others too. That means increased competition, not just from our peers, but also from new disruptors. We can be more flexible with our workforce – more home-working, for example. We also know there are other big changes ahead. These include increased automation and use of artificial intelligence, which will almost certainly mean further job losses in some areas. We also see a growing need for new and different skills. There's more emphasis now on digital and analytics; more of our business will be directly customer-facing.

### Our opportunities

In many parts of our business, we're able to lower costs. New technologies also allow us to get much closer to our customers – in an industry where, traditionally, there has been very little direct interaction. More touchpoints will help us understand our customers better, respond to their needs, and build lasting customer loyalty. We need to do more to protect our own and our customers' data – but that data also gives us new insights and enables us to develop new products and services.

### What we're doing about it

We're putting more money and resources into new business models. Knab, our Dutch online bank, already has more than 175,000 customers. Meanwhile, our joint venture site Go Bear is now active across south-east Asia. We've appointed a Group Chief Technology Officer to drive digitization and, through our corporate venture fund, we're investing in new fintech. Internally, we have our own Center of Excellence for Digital and, in the US, we have the Transamerica Innovation Lab. We're also working to speed up the adoption of new technologies and solutions, including blockchain (see page 21). Internally, we've put digital at the heart of our Future Fit corporate culture program.

## Aging and changing demographics

### Our influence and control

The world is getting older. By 2050, according to the UN, more than 1.5 billion people will be aged 65 or over, up from approximately 600 million today. Former pay-as-you-go pension systems, particularly in Europe, are under severe strain. This means individuals will have to take more personal responsibility for their retirement. And with life expectancy in many places at 80-85, retirement savings have to last much longer than they did a generation ago. Aging has also led to a shift in attitudes. In the US, Europe and parts of Asia, many expect to work longer and, in some cases, not to retire at all. As individuals, we're becoming more flexible, and more likely to see retirement as a new, active and exciting phase of our lives.

### Our risks

Generally, as people get older we pay out more in pensions and other benefits. This longevity risk is a natural part of our business. As well as our pensions activities, we also have long-term care in the US. Our customers may spend thirty years or more in retirement, and we have to meet our commitments to them during that time. To plan and price our products, we make assumptions about life expectancy. Any underestimation has an effect on our earnings and, ultimately, on our capital position.

### Our opportunities

In many markets, aging has led to increased demand for certain products, particularly those that help manage assets and savings after retirement. There's a growing need for healthcare and social care, as people inevitably experience the health problems associated with old age. We're also seeing changes in legislation. In some countries, governments are phasing in higher retirement ages; in others, they're taking steps to free up the market for at-retirement products – in the UK, for example. These changes may bring new opportunities for providers like Aegon.

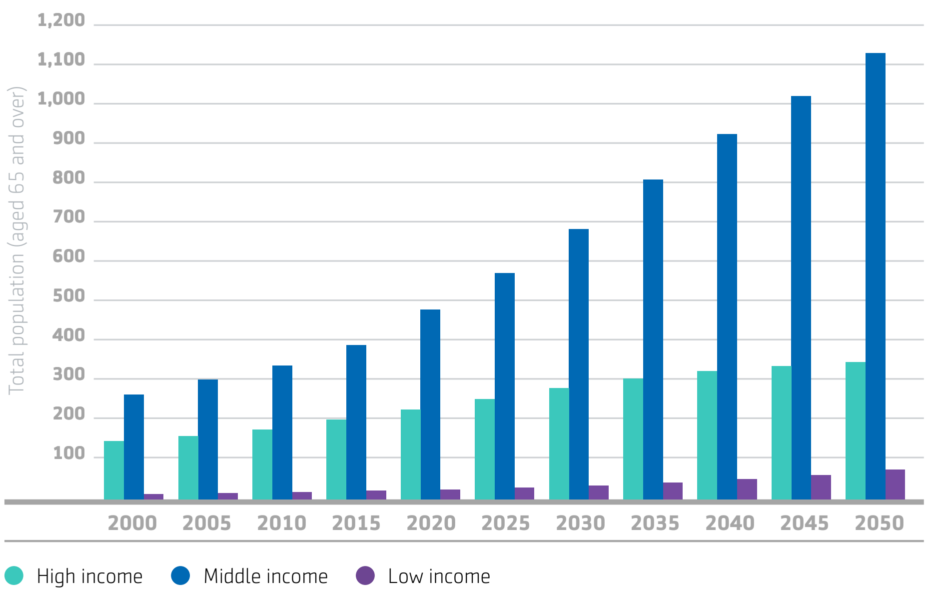
### What we're doing about it

We've been reducing the risk to our business from increasing life expectancy. This has been partly through financial products like longevity swaps, partly through divestments. In the UK, for example, the sale of our annuities business led to a significant reduction in longevity risk. We're also offering new products and services – like Managed Advice in the US, which helps our customers manage their investments and savings during longer retirement and at a time of low interest rates and market volatility. In the UK, we introduced flexi-access drawdown to take advantage of new pension legislation. At the same time, we're making targeted investments – in care homes for the elderly, for example, in both the UK and the Netherlands. In the UK, we have a £70 million fund investing in healthcare. We're also putting more into research through the Aegon Center for Retirement and Longevity. Age-proofing society is an integral part of our new Responsible Business approach.

**Most of the world's pensioners live in middle income countries**

(Estimated population 65+ in millions)

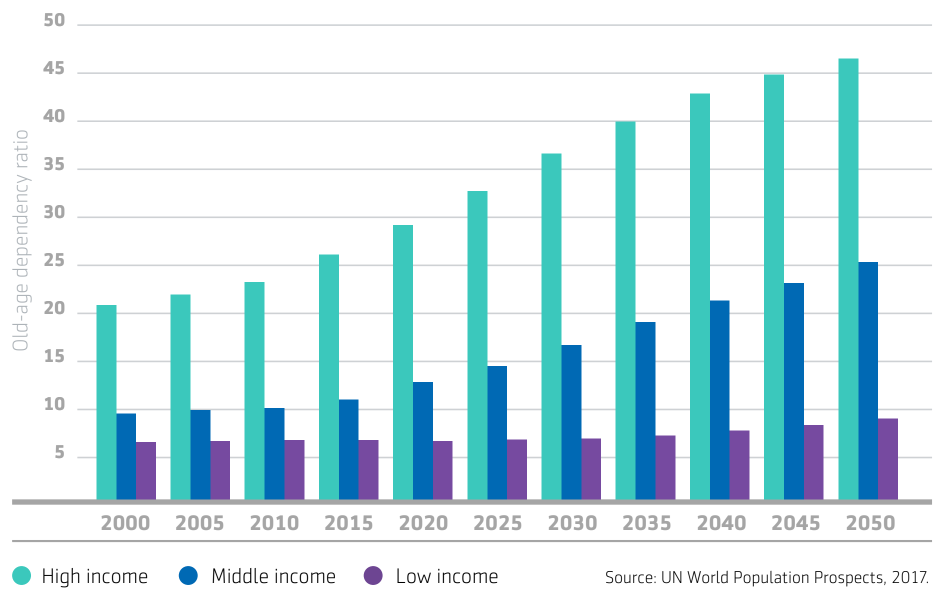
The population of over 65s is growing in all parts of the world, but most of the increase is taking place in middle-income countries.




**The pension burden is heaviest in high-income countries, but growing elsewhere**

(Old-age dependency ratio – proportion of over 65s vs. working-age population, aged 15-64)

Workers are supporting more retired people than ever before – this is particularly true in high-income countries.




Source: UN World Population Prospects, 2017.

## Increased economic and financial uncertainty

### Our influence and control

No business likes uncertainty. Currently, we're seeing significant economic risks. Asset prices are rising. At the same time, inflation in many countries remains below target – a sign that there is still slack in the global economy. As we've seen, there is also increased political uncertainty – a rise in populism in the US and Europe, continued tensions in the Middle East and the Korean peninsula, fears over international terrorism and the impact of climate change. Over the past year, we've seen growing political and economic uncertainty in several of our key markets – notably, the US, Turkey, Spain, and the UK, following the 2016 vote for Brexit.

### Our risks

Uncertainty is often bad news for the economy. It hampers long-term investment, can disrupt financial markets and dent consumer confidence. If financial markets go down, that directly affects both our earnings and the value of the assets we hold. Declining markets may also reduce demand for investment and savings products. There's currency risk – we saw, with Brexit, a sharp fall in the value of UK sterling[1]. New governments also bring new ideas. Changes to legislation can affect us – not only financial regulation but also rules affecting pensions, data protection, tax, and the terms of trade in financial services.

### Our opportunities

Despite current fears, financial markets have risen sharply. In 2017, share markets hit all-time highs, which helped lift our earnings. Economies in the US, Europe and Asia are continuing to expand. In the US, there has been strong business growth – partly as a result of consumer spending and the prospect of tax cuts. Uncertainty is also boosting demand for some financial products, particularly among consumers who want greater income security.

### What we're doing about it

First, we make sure we have a very solid capital position. Last year, we revised up our solvency targets. This gives us a buffer against increased financial market volatility. Strong risk management is also important. Aegon has risk policies that apply across the group, and a risk management framework that operates at all levels. As part of that, we avoid risk concentration – we spread our risk across different assets and investments. And we keep our capital in various currencies to mitigate movements in exchange rates. In addition, we hedge, which limits our exposure to sharp movements in currencies or financial markets.

## Increased regulation in financial services

### Our influence and control

Over the past several years, we've seen an increase in the amount of financial regulation. Much of this has been to strengthen the protection of consumers following the 2008 financial crisis. Extra regulation could discourage innovation, though some regulators are now addressing this issue through special innovation hubs and regulatory sandboxes (which offer more neutral testing grounds for new business models). In our markets, we've seen the end of commissions for brokers in the UK and the Netherlands[2], and the continued reform of pension systems in parts of Central & Eastern Europe. Arguably the most important change, however, has been Solvency II – the biggest overhaul of Europe's capital rules for more than forty years, which came into force at the beginning of 2016. What's more, we're also seeing regulation in new areas, like data security and non-financial reporting.

### Our risks

Changes in regulation can have a profound effect on our business. New regulation may result in changes to pricing, product development, even to the way we manage risk and capital. Adapting to these changes is often expensive. We may have to train staff or invest in new processes and systems. Occasionally, it's not only we who have to bear the costs, but also our customers, especially when changes are made to tax liabilities. Regulation can reshape entire markets, drive investment, or occasionally prompt us to invest our money elsewhere.

### Our opportunities

New legislation also brings opportunities; it may have the effect of increasing demand for some financial products, or help existing markets expand. In recent years, we've redefined the relationship with our brokers and financial advisors as a result of changes in rules governing commission payments. Consequently, we're now much closer to our customers. Effective regulation should also strengthen trust in the financial sector. Solvency II, for example, has taken several years to implement, but we believe it will lead to better protection for policyholders. Changes may also have a direct effect on our financial position – we expect recent cuts in US corporate tax, for example, to increase both earnings and return on equity from next year.

### What we're doing about it

We make sure we're ready for any changes in regulation. We have a dedicated Global Government and Public Affairs department. Its aim is to support regulators and lawmakers, and help them understand the impact of any changes on the industry and consumer. We want them to bring forward laws and regulations that are effective and meaningful. Our research into aging helps in this respect; it tracks changes in attitudes towards aging and retirement, which we hope will influence long-term policy. Internally, we invest in training and new skills. We ensure proper compliance and embed changes in our frameworks for risk and capital management. We've also included the idea of reasonable distribution in our Pricing and Product Development Policy; the aim is to ensure that returns on our products are shared fairly between customers, intermediaries and shareholders; this helps head off the risk of unacceptably low returns to customers.

1 From the UK's Brexit vote (in June 2016) to the end of 2017, sterling lost almost 14% of its value against the euro and almost 9% against the US dollar.

2 The US is also planning new rules to extend the concept of fiduciary duty to advisors on retirement plans. These rules would strengthen the requirement that advisors act always in the best interest of their clients, and would effectively eliminate payments of commissions. Implementation is currently scheduled for June 2019.

# Key events of 2017

Last year was an important one for Aegon. We made new acquisitions in the UK, sold run-off businesses in the US and injected additional capital into our Dutch operations.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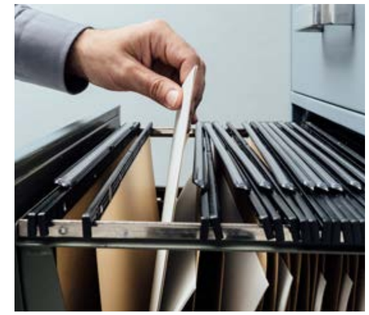


## First quarter

We became the UK's #1 investment platform after completing our acquisition of **Cofunds** and the worksite pensions business belonging to **BlackRock**.

Together with Dutch pension fund PFZW, we invested another €200 million in small-scale assisted living.

We announced further funding for **auxmoney**, the German peer-to-peer online lending platform.

## Second quarter

We finalized the sale in the US of our **pay-out annuity** and **BOLI-COLI**[1] businesses. Both had already been placed in run-off.

Matt Rider became our new **Chief Financial Officer**, joining the company's Executive Board.

Two new appointments were made to Aegon's **Supervisory Board**: William Connelly, former Management Board member at ING, and Mark Ellman, previously with Bank of America Merrill Lynch.

Shemaya Levy stepped down after twelve years on Aegon's Supervisory Board. He was formerly Chairman of the Board's Risk Committee.

## Third quarter

We injected **€1 billion in capital** into our Dutch business, using proceeds from divestments.

At the same time, we announced the sale of our Dutch financial advisory business **UMG** to Aon Groep Nederland for €295 million.

AGER Bermuda Holding agreed to buy **Aegon Ireland**, which sells unit-linked investments and offshore bonds, mainly in the UK.

## Fourth quarter

William Connelly was elected as Aegon's **new Supervisory Board Chairman**. He'll take over from Rob Routs, who is stepping down as Chairman at the company's May 2018 AGM.

We ended our **joint venture in Mexico** with insurer Seguros Argos, and placed our **Aegon Insights** business in Asia into run-off.

We announced the sale of a further tranche of our US run-off **life reinsurance business** to the French group SCOR.

We further expanded our **asset management** activities, opening a new office in Frankfurt and setting up a new joint venture in Mexico with Administradora Akaan.

## Post 2017

We **outsourced administration** of around 10 million policies in the US to save costs and help us focus on growing our US businesses.

We launched a $100 million **US affordable housing** fund to finance loans across 13 states.

Aegon's **Center for Longevity and Retirement** published its latest report: *LGBT Retirement Preparations Amid Social Progress*.

**Dirk Verbeek** announced he will step down at the 2018 AGM after ten years as a member of Aegon's Supervisory Board.

[1] Bank-Owned and Company-Owned life insurance.

## **Accountability** means...

**"Owning the problem, the solution and the end-result."**

Our societies are aging rapidly, with all the economic and social consequences that brings. Clearly, as a pension company, we have a key role to play. That's why we're putting more resources into research through our Center for Longevity and Retirement, and our institutes in the US and Brazil. It's also why we're investing in care homes for the elderly in both the UK and the Netherlands. In the US, with rising healthcare costs, we're putting particular emphasis on wealth + health – helping customers live well and live healthily.

$400 trillion

Globally, we're not saving enough for retirement. The World Economic Forum estimates that, by 2050, the shortfall will be around $400 trillion – $137 trillion in the US alone.

Source: World Economic Forum (May 2017[1]).

# Take **responsibility**

[1] Estimate covers the following countries: US, UK, Japan, Netherlands, Canada, Australia, China and India.

# Our strategy

As we've seen, our operating environment is changing, and changing rapidly. We need to make sure our business is in shape to meet these changes, and that it continues to grow and prosper.

Our strategy is about reorganizing, investing more in fee-based businesses, selling off operations that are no longer core, and expanding in new areas that will bring future growth. It's about becoming more efficient – that means not just cutting costs, but also investing in new digital technologies that will transform our customer service. It's about being a more agile organization – sourcing new skills, tightening controls and improving internal processes where possible. It's also about maintaining a strong capital position, so we're better placed to ride out fluctuations in financial markets. As part of our strategy, we've set clear targets for 2018 with respect to sales, return on equity, expenses and capital position (see page 28). With this approach, we'll be able to free up more cash and improve returns. We'll also reinvest in our business and give money back to our shareholders through dividends.

Our strategy isn't just about profits and capital. We've set out new responsible business objectives: to help customers improve their financial security and well-being, to be a leader in retirement and healthy aging, and, through our investments, to help take better care of the environment. We track progress against our material issues (see table below). This helps us ensure our strategy is advancing, and that we're adapting to the new business environment and continuing to deliver value for our stakeholders and society.

## Tracking progress with material issues

| Our material issues | Strategic importance | Performance indicators |
|---|---|---|
| **Low interest rates** | We're looking to shield our own business against the effect of low interest rates – and also help customers protect the value of their savings and investments. | • % of earnings accounted for by fee-based businesses<br>*Performance: Fees now account for around 45% of our overall earnings; in 2010, that figure was approximately 15%.* |
| **New technologies and digital transformation** | We're investing in new technologies and new business models to allow customers quicker, easier access to financial services. | • Number of connected customers<br>• Net Promoter Score<br>*Performance: At the end of 2017, we had 4.2 million connected customers (ahead of our target of 4.1 million). Our NPS scores have made significant progress over the past three years – more than 60% of our businesses (where NPS was measured) are now placed in the first or second quartiles in their respective markets.* |
| **Increased economic and financial uncertainty** | We maintain a strong capital position to guard against fluctuations in financial markets and protect our customers, employees, business partners and other stakeholders. | • Solvency II ratio<br>• Excess cash<br>*Performance: Our Solvency II ratio at the end of 2017 stood at 201%, just above our 150%-200% target. Excess cash at our holding company in 2017 totaled €1.4 billion, well within our target range of €1.0 billion – €1.5 billion.* |
| **Increased regulation in financial services** | We're working with regulators, improving internal processes and controls to safeguard the interests of customers and other stakeholders. | • Control Environment Index<br>*Performance: Our Control Environment Index measures the strength and effectiveness of our risk controls and reporting. It is used internally for management purposes, but not communicated externally (for reasons of commercial sensitivity).* |
| **Aging and changing demographics** | We pay out pensions and other benefits to help customers achieve financial security – and invest in research to increase wider understanding of aging as a social and economic issue. | • Total customer claims, benefits and pension withdrawals<br>*Performance: Last year, we paid out just over €48 billion to our customers in claims, benefits and pensions.* |

### Repositioning our businesses

This is what we call optimizing our portfolio. It's one of our four strategic objectives[1]. The idea is simple: we want to put more of our resources into businesses that will bring us future earnings and growth. Over the past few years, we've been shifting more toward businesses that pay fees or earn us money from our insurance margins, rather than those dependent on investment spreads. There are several reasons for this: it reduces our financial risk, which, in turn, reduces the amount of capital we have to set aside to cover those risks. It also makes us less reliant on the performance of financial markets – important in a time of market uncertainty. Fee businesses now account for 45% of our earnings, compared with around 15% in 2010.

We've been selling some businesses, and expanding others, so we can build up sources of growth for the future. Last year, we sold UMG, our advisory business in the Netherlands. We also sold our Irish operations and our UK annuities book. In the US, we sold several businesses already placed in run-off; these included our pay-out annuity and BOLI-COLI businesses, as well as another tranche of our US life reinsurance business. These sales reduced risk and freed up capital. Ninety percent of our capital is now invested in our core businesses; in 2010, it was just two-thirds. Elsewhere, we're looking to expand. We want to increase earnings from our asset management activities, for example. In the UK, we've made acquisitions in pensions and investments. By expanding our asset management operations and investing more in fee businesses, we're aiming for average annual sales growth of 10% between 2016 and 2018.

### Generating capital

Thanks to recent changes, Aegon's businesses are also generating more capital. In 2018, we expect capital generation of €1.4 billion[2] a year, most from the US. At the same time, recent divestments have reduced our need for capital; the sale of two of our US run-off businesses alone freed up an additional $700 million. Management actions have also helped: switching into fee businesses, cutting costs and risk, and investing more in products and services that don't require so much capital. Last year, we injected €1 billion into our Dutch business; this money came partly from divestments, partly from other units. It's put our Dutch business on a much more solid footing – we're now expecting Aegon the Netherlands to begin *generating* significant capital from 2018.

As a result of these changes, among others, we were also able to increase our capital target in 2017. Our aim is to have, at any moment, between 150% and 200% of the capital required under Solvency II – in other words up to double what is necessary to comply with the new rules. At the end of 2017, our ratio stood at 201%, above the upper end of the range and a significant increase from 157% the previous year. A strong capital position protects both our business and our policyholders, particularly in the event of a sharp drop in world financial markets. Under Solvency II, the amount of capital we need depends on both the quantity of risk we have on our books and the nature of that risk. That means measures to reduce risk also bring down our requirement for capital.

### Greater efficiency

Our businesses need to be as efficient as possible. We've made progress in this regard, but there's more to be done. Our aim is to cut costs by €350 million by the end of 2018. We're on course to meet that target. In the US, we've been through significant restructuring, simplifying our business, closing offices in California and Ohio. We'll also be outsourcing administration of around 10 million US insurance and annuity policies. Cost reductions are also underway in the Netherlands. Being more efficient isn't just about cutting costs. We're also investing in new technologies, overhauling processes and organizing ourselves better, so we have a more customer-facing business. As part of our reorganization in the US, we've created new jobs in customer advice and digital. Ultimately, this strategy will allow us to price our products better, grow our business and return money to our shareholders. By the end of 2018, we want to increase return on equity from our businesses to 10%. We're also aiming to give back a total of €2.1 billion to Aegon shareholders – €1.7 billion in the form of dividends, and another €400 million they received as part of our 2016 share buy-back.

[1] These four strategic objectives are: loyal customers, operational excellence, empowered employees and optimized portfolio. These objectives have been in place since 2012.
[2] Not including funding for the holding company or operational expenditure.

## Blockchain's potential

Nobody quite knows yet what the impact of blockchain will be. But it's clear it has the potential to transform the finance and insurance industry. In 2016, Aegon set up the Blockchain Insurance Industry Initiative (B3i) with four other insurers. B3i's aim is to develop uses for blockchain technology in insurance. The initiative's first project – a common platform for reinsurance – launched a prototype in December 2017. Blockchain works by creating a digital ledger, each transaction in the ledger representing a separate block of data, with its own code and time-stamp. Using blockchain has several advantages: it's quicker, easier and more efficient than the current pen-and-paper approach, so it should lower costs.
More importantly, it's secure. Once data is verified and stored in its block, it can't be changed, which should help further strengthen trust in financial services. Reinsurance is an ideal starting point for our work on blockchain; it's a business-to-business industry, involving a relatively small number of players. But there's no reason why blockchain, once tried and tested, shouldn't also revolutionize other parts of the insurance industry.

**Responsible Business**
Last year, we re-examined our approach to sustainability, and the important social, environmental and economic aspects of our operations. As a result, we introduced Responsible Business. This looks specifically at where, as a company, we can create value for society. Our focus is on the link between long-term financial security and well-being. As part of Responsible Business, we've identified three main objectives – and have initiatives to support each of these objectives: investing more in sustainable real estate, for example, and developing products and services to help customers manage their finances and lifestyles more effectively:

**1 To help our customers improve their financial security and well-being.**
This goes to the very heart of our purpose as a company. We want our customers to have financial security, and we want them to be healthy, so they can enjoy that security. Indeed, there's a clear correlation between financial and personal well-being – both require discipline and long-term thinking. For individuals, health issues can also be a major cause of financial headaches, particularly in the US.

**2 To be a leader in retirement and healthy aging.**
We know that aging will bring profound social change. Where possible, we want to help age-proof society, so it can adapt to these changes. That's why we're investing in retirement research, and in working closely with government, multi-lateral organizations and policymakers.

**3 To help take care of the environment.**
We have a responsibility to act where we can on climate change. As an office-based company, we don't have a big carbon footprint. But as an investor we can make a difference, through engagement with other companies, and by choosing to invest more in clean, renewable energy and energy-efficient real estate. A cleaner environment also means fewer health problems.

## How we repositioned our US and UK businesses

Over the past year, we've repositioned our businesses in the US and the UK. These changes have been disruptive at times, particularly for our employees. But, as a result, we're in a much stronger position; we can commit more resources to what's important: growing our businesses, and helping our customers save, plan and invest for the future.

**Outsourcing in the US**
In the US, we're outsourcing administration of our life, health, annuities and workplace businesses to Tata Consultancy Services (TCS)[1]; the agreement with TCS covers around 10 million policies. Outsourcing should save some $70 million a year (eventually rising to $100 million). The alternative – to update our own administration systems – would have proved too costly. TCS' know-how and use of technology should mean better, faster, more responsive customer service. As part of the agreement, TCS will offer jobs to 2,100 Transamerica employees, minimizing disruption. In some places, we'll be sharing office space. TCS will also site its North American headquarters in Cedar Rapids (Iowa), Transamerica's home city.

**Acquisitions in the UK**
In the UK, we sold off our annuities book, and made two important acquisitions: Cofunds and Blackrock's UK worksite pensions business. Together, these acquisitions brought £90 billion onto our UK investment platform, making it the biggest in the country. Through the platform, we're able to offer funds, savings products and pensions to customers, their employers and financial advisors. We're now working to upgrade our UK back-book – by converting pre-existing customers to newer, better products. With these changes, we've shifted Aegon UK from being an insurer to a long-term savings business; as a result, we're much better placed to benefit from forecast UK market growth[2].

[1] Our agreement with TCS was announced in January 2018. All figures refer to 2018 onwards.
[2] Over the next few years, the UK investment platform market is expected to grow quickly. Research forecasts that, by 2021, the market will have surpassed £1.2 trillion (source: Fundscape five-year platform projections – January 2017, NMG adviser survey, Platforum).

## **Agility** means...

**"Looking at things in a different way."**
In several of our businesses, we're using financial robotics to speed up customer service. For example, in the Netherlands, for customers getting divorced it used to take two and a half hours to update our systems with new personal details. We've cut that down to just 20 minutes. We're also looking at automating more complicated processes: one possibility is the process we use to register new company pension plans in the UK. If successful, robotics could cut processing times in this area by a remarkable 75%. In the US, meanwhile, our SNAP initiative is doing the same with both case management and underwriting. Agility also means doing business differently, which is why we're simplifying our operations, making them more flexible and bringing them closer to our customers.

# Think **differently**

16

Based in the US, Transamerica Ventures has nearly $140 million to invest in start-ups and new technologies. It focuses on several areas, including fintech, Big Data and analytics, digital marketing, social media and IT. By the end of 2017, it had made 16 separate investments.

# How we share value with our customers

Most of our products and services are about protecting what's important for our customers – themselves, their loved ones, and their property. Our purpose is to help our customers achieve a lifetime of financial security.

Last year, we paid out just over €48 billion in claims, benefits, and withdrawals from pensions and savings plans. That money allows our customers to plan and build for the future. It provides peace of mind; a source of income; it helps meet school fees, cover the cost of long-term care or repair damage to homes. It also supports broader economic growth, especially if we include the investments we administer on behalf of our policyholders, which at the end of last year totaled nearly €200 billion.

The relationship with our customers is changing. This is partly because of new technologies. Customers need simpler products; they want products they can buy online quickly and easily, and they want efficient, frictionless customer service. It's also because of new regulations – the end of commissions for brokers in the UK and the Netherlands, and our own decision to move to more fee-based products. Both require a closer, more direct relationship with customers.

### Connecting our customers

In response to these changes, we're investing in new digital platforms. We're also adapting our internal processes and systems to become more responsive. We're automating processes in pricing and customer service, and making more use of artificial intelligence (AI). In the Netherlands, for example, we're deploying AI to speed up change of address and bank account requests. We're also bringing different skills into Aegon: we're hiring more staff specialized in digital, IT and customer relationship management – to become a more outward-facing, customer-focused company.

There's also an opportunity to develop new business models – models that wouldn't have been possible just a few years ago. These models offer customers new, more efficient ways of buying insurance and other financial products. They also provide add-on services, which help us forge closer relations with customers – important in an industry where the majority of sales are still made through intermediaries. In Asia, for example, we have our joint venture Go Bear, a comparison site with over 15 million users, and Futuready, an e-insurance broker, combining financial and personal well-being.

Just over four million of our insurance and investment customers are now connected; they have a regular and active account on one of our digital platforms. More frequent contact means we'll understand our customers better and be better placed to respond to their needs. Though direct-to-customer sales are increasing, most of our products and services are still sold through intermediaries, and often the customers' closest relationship is with their broker or agent rather than with Aegon.

## Serving customers throughout their lives

**Working life**

Early in their working lives, customers are developing careers, starting families, and making new homes.

We protect customers' lives, property and other assets, and help them manage their education and pension pots.

**Saving & investment**

As their working lives progress, our customers are saving and investing for the future.

We manage customers' assets and provide advice on savings and investments.

**At and after retirement**

At retirement, customers are looking for ways to convert savings into income and transfer wealth to the next generation.

Finally, we help customers manage their income and savings in retirement.

**Customer loyalty**

Through our products and services, we want our customers to stay with us for as long as possible. We want them to recommend us to their friends and family. This is not just about offering quality products - though that is important. It's also about creating a positive customer experience. We measure customer loyalty through what's called the Net Promoter Score, or NPS[1]. NPS is based on customer recommendations, rather than satisfaction. The importance of NPS isn't just in the score. It's in the way it can change perspectives internally and drive improvements in customer service. That's why our businesses also measure touchpoint or transactional NPS. This gives us feedback for specific events or transactions. And, because it does that, it enables us to pinpoint potential improvements, which we can feed directly into our customer service, or sales and marketing processes. We measure Relational NPS (which covers all aspects of a customer's relationship with us) for 97% of our customers. We also use our NPS performance to help determine variable pay for senior management. We still have work to do but, over the past three years, we've seen a significant improvement in our overall NPS scores. Last year, 61% of our businesses, where measured, were placed in the top two quartiles in their respective markets. In 2015, that figure was just 12% (see chart adjacent).

[1] © Reichheld and Bain & Co.

**NPS performance vs. peers**
(2015-2017, in %)

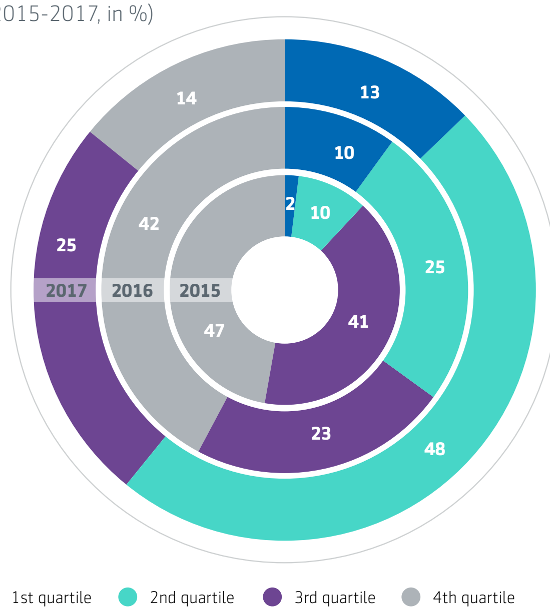



Chart shows NPS performance benchmarked against peers for Aegon businesses in US, Netherlands, UK and Hungary. Figures show percentage of businesses by quartile (weighted by IFRS capital).

## Extending the insurance safety net

Insurance acts as a safety net, and it's important that we extend that safety net where we can. In many countries, we offer products specifically for those on low incomes or who otherwise have difficulty accessing insurance. In Romania, for example, we have low-cost accident and hospitalization cover. And, in Brazil, our *My Family* product provides basic life insurance for small business owners, previously outside the insurance net. Aegon companies also offer coverage against the consequences of serious illnesses. In India, we have a diabetes insurance – directly linked, via an app, to customers' management of the disease. In China, our flagship critical illness insurance offers protection against both diabetes and cancer, including those affecting women only (breast and cervical cancers).

## Ethical investing

We offer customers a number of specific ethical investment funds. Typically, these Socially Responsible Investment (SRI) funds focus on the most sustainable companies in each sector or exclude certain sectors and activities that don't meet minimum social and environmental standards (this may include companies with poor human rights records, or those involved in arms, alcohol or gambling). Demand for these investments is growing: by the end of last year, our funds in the UK, Netherlands and Hungary had more than €3 billion under management, more than double what these funds were managing five years before. Our largest SRI funds are in the UK; at the end of 2017, our UK funds had nearly €2.9 billion in investments. In addition to the UK, Hungary and the Netherlands, Aegon also has separate green and sustainability funds in China; these funds have another €1.2 billion under management.

**Total assets under management in Aegon SRI funds**
(2012-2017, € billion)

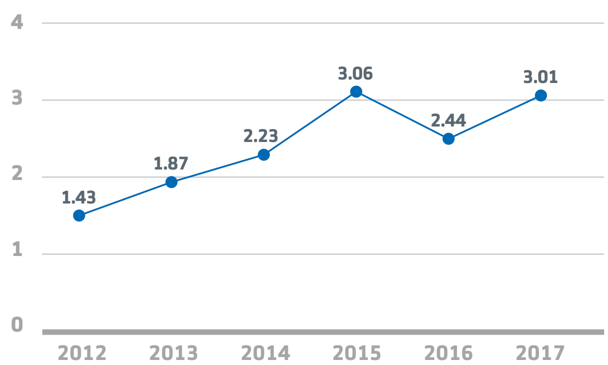



Chart shows total assets under management in our socially-responsible investment funds in the UK, Netherlands and Hungary. Funds in China are not included; this is because of differences in investment requirements.

# How we share value with our business partners

We work with lots of different business partners. They play a vital role in helping us develop, market and sell our products and services. Most Aegon products are distributed via independent agents, banks, brokers and other financial intermediaries. We also work closely with reinsurers – last year, we paid €3.4 billion in reinsurance premiums (and in return received just under €4.3 billion in claims). Our goal is to create partnerships that help grow our business, and also bring value to the organizations we work with.

### Joint ventures

In a number of countries, we operate through joint ventures. Usually, these joint ventures help us enter new markets, particularly where a local brand is better known than Aegon, or rules make it difficult for us to operate on our own. In China, for example, where there are restrictions on foreign ownership, we have Aegon THTF, a joint venture with Tsinghua Tongfang, a Chinese software and consumer electronics firm associated with Tsinghua University. Joint ventures also help expand our distribution networks. We have a long-term partnership in place with Banco Santander; this allows us to sell through the bank's retail branches and helps Banco Santander offer its customers both life and non-life insurance alongside its own banking services. Recently, we extended the partnership to cover health insurance as well. Today, our Banco Santander partnership covers nearly 3,400 bank branches in Spain and Portugal.

We're also using joint ventures to expand the reach of our asset management business – in China with local investment firm Industrial Securities and, in France, with La Banque Postale, the banking arm of the French post office. Our partnership with La Banque Postale means that, via our joint venture, we can now sell through the post office's more than 17,000 branches across France (those 17,000 branches make La Poste the largest retail network of any kind in France, and one of the largest in Europe).

### Distribution

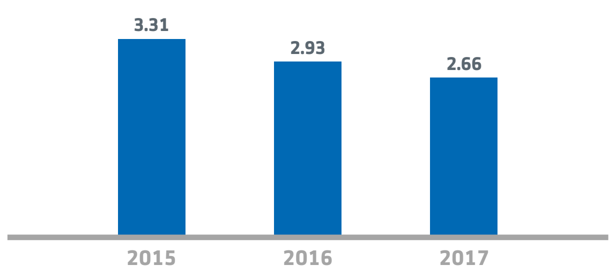
To distribute many of our products and services, we work with financial intermediaries. These may be brokers, agents, financial advisors or banks. Often, markets have different local traditions. In Spain and France, for example, most insurance is bought through banks. In the UK, it tends to be through independent financial advisors. We maintain close relations with our distributors and provide in-depth training, so they understand our products and, where relevant, are able to support our customers more effectively. Recently, in China, we launched Zeus – a new application which allows agents to complete digital underwriting in less than five minutes. Our asset management business also uses distribution partners, including independent investment advisors and third-party investment platforms. In the UK, we have an advisory board for intermediaries, with representatives from 30 different firms. The Board helps us understand the concerns and priorities of the advisors we work with.

In recent years, we've seen a shift in distribution. This is the result, partly, of new technologies. These technologies are shortening the distance between finance companies and their customers (in effect, making it easier for companies to reach those customers directly). Overall, we are selling more direct, online and through our tied agents – though the majority of our products and services are sold through intermediaries, and they remain a valuable and important long-term sales channel for us. Because of regulation changes, life insurance and pensions intermediaries in the UK and Netherlands now generally receive fees, paid by customers, rather than commissions. In the Netherlands, we sold our own distribution business UMG though we continue to sell Aegon products through UMG. Commissions to intermediaries last year totaled €2.7 billion.

### Suppliers

As a finance company, we don't have a particularly long or complex supply chain. We do buy in goods and services, however. These include management services from outside consultants and advisors, as well as utilities and office equipment. We work particularly closely with our auditors, PwC. Last year, we paid €46 million in audit fees. We have a Sustainable Procurement Policy, which applies worldwide. Under this policy, our businesses regularly assess their suppliers against minimum social and environmental standards. Failure to meet these policy standards may mean we refuse to work with specific suppliers. Our Global Procurement function is also currently taking measures to strengthen awareness among suppliers of Aegon's Code of Conduct.

**Lower commissions**
(Commissions paid to brokers and other financial intermediaries, 2015-2017, € billion)



# How we share value with our investors

We have thousands of investors around the world. These investors own either Aegon shares or bonds. The capital they provide enables us to operate our business. Our goal is to ensure they have a consistent and attractive return on their investment.

- **Shareholders** receive returns through dividends. These are paid twice a year: an interim dividend payable after half-year results, and a final dividend, paid after the company's AGM. Shareholders can opt for payment either in cash or shares. In 2017, our dividend payments to Aegon shareholders totaled just under €440 million.
- Unlike shareholders, **bondholders** receive their returns through regular interest payments or coupons. Last year, Aegon paid €282 million in coupons to its bondholders. These coupons are determined at the moment the bond is issued and continue to be paid through to the bond's maturity.

### Dividend policy

Payment of dividends to shareholders depends, ultimately, on the company's capital position and cash flow. Over the next few years, we're expecting our business to generate more capital. Part will be used to meet the operating expenses of our holding company. We'll also re-invest in our businesses and, as we've seen, for the period 2016-2018, we expect to pay back €2.1 billion to our shareholders through dividends and the share buy-back we carried out two years ago[1]. It's important that, as a listed company, we offer shareholders regular, stable dividend payments. Since 2012, we have increased dividends every year consistently by either one or two cents a share – equivalent to a 29% increase over five years.

### Share price performance

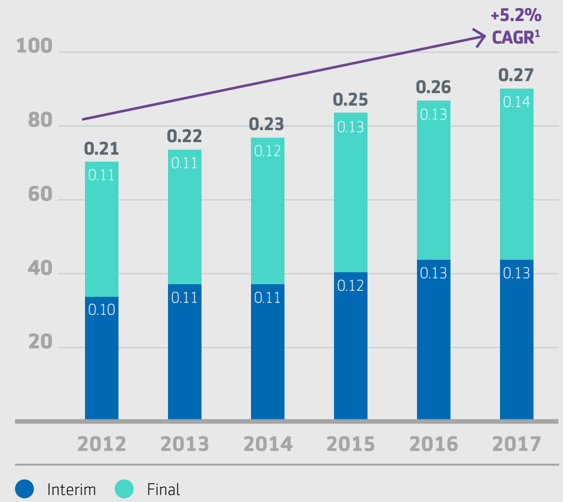
Shareholders may also derive value from the performance of Aegon shares. Our stock price is determined, in part, by our financial performance. That said, the value of our shares is also strongly influenced by other factors, including economic conditions, which may push financial markets either up or down. Last year, Aegon's share price rose just under 2%. That was behind the insurance sector as a whole (by comparison, the Eurostoxx 600 index of leading insurance stocks was up 6.3%). In 2017, total shareholder return for Aegon (which takes into account dividends paid as well as share price performance) came to 7%.

### Communications with investors

We keep financial markets as fully informed as possible of our strategy and performance. We have a dedicated Investor Relations team. Every year, Aegon's senior management meet with hundreds of investors and financial analysts in the US, Europe and Asia. We also hold regular conferences and roadshows to explain the benefits of investing in Aegon. In 2017, we organized meetings with some 900 different investors and analysts. In addition, shareholders meet at least once a year at the company's AGM in The Hague. We also communicate on our financial performance. From 2018, we'll be releasing results every six months, instead of quarterly, to encourage investors to take a longer-term view of the company.

[1] Share buy-backs increase returns for shareholders in two ways: first, by reducing the number of outstanding shares, they effectively increase earnings per share, which results in a higher market value for the remaining shares; second, share buy-backs reduce equity and therefore increase the company's return on equity (assuming returns remain the same). Our share buy-back was completed in May 2016.

**Increasing dividends**
(2012-2017, € per share)




[1] Compound annual growth rate.

Over the past several years, we've steadily increased dividends to our shareholders. We use cash from our business to fund our holding company expenses, execute on our strategy and pay dividends. Our final dividend for 2017 is subject to approval by Aegon's annual General Meeting of Shareholders, to be held in May 2018.

# Our financial performance

| | | 2017 (€ million) | 2016 (€ million) | % change |
|---|---|---|---|---|
| **Total income** | We have three main sources of revenue: fees and commissions, income from the investments we make and – by far the most important – premium payments from our policyholders. We may also have other income from financial transactions (which varies depending on market conditions), or from reinsurance we've bought to cover our own risk. | **57,910** | 53,357 | +8.5% |
| **Total charges** | From this income, we subtract costs. These include claims and benefits paid to our policyholders. We also have our own operating expenses and the commissions we pay when brokers and other intermediaries sell products on our behalf. | **55,689** | 52,693 | +5.7% |
| **Net income** | Before we get to net income, we also have to account for any profit or loss from our associates and joint ventures. Our net income also includes an estimate of our corporate income tax for the year. | **2,361** | 586 | +303% |
| **Underlying earnings before tax** | Alongside net income, we also publish underlying earnings before tax. This strips out variables such as impairments, fair value items, earnings from run-off operations and any gains or losses we make on investments, as well as other income or charges outside the normal course of business. This measure helps investors understand how our businesses themselves are performing. | **2,103** | 1,913 | +9.9% |

## Financial targets 2018

We're on course to meet most of our 2018 financial targets. We've already achieved 80% of our planned cost reductions, and we're ahead of our targets on Solvency II, sales and return of capital to shareholders. That said, there's still work to be done on return on equity (RoE). Our RoE is increasing, and selling our run-off businesses removes a significant drag on returns. We also expect a boost from recent cuts in US tax rates.

| | Target | Progress by end 2017 | Current status |
|---|---|---|---|
| Return on equity | 10% by 2018 | 8.2% | ● (orange) |
| Reduction in operating expenses[1] | €350 million by 2018 | €280 million | ● (green) |
| Returning capital to shareholders | €2.1 billion by 2018 | €1.5 billion | ● (green) |
| Average annual sales growth | 10% by 2018 | 23% | ● (green) |
| Solid capital position | Solvency II ratio of 150%-200% | 201% | ● (green) |

1 Based on run-rate annualized expense savings. Figure for end-2017 includes Aegon's recent agreement in US with Tata Consultancy Services.

### 2017 financial performance

We had a strong financial performance last year. This was due mainly to earnings growth from our main businesses as a result of very favorable financial markets, reductions in expenses and better claims experience in the US. Our businesses in the Americas, Europe and Asia all reported increases in underlying earnings before tax. Net income rose significantly – in part thanks to a one-off gain from the recent cut in US corporate tax rates. Gross deposits were up substantially in 2017 (+44%) – a reflection of the expansion in our UK platform activities and continued growth in our asset management business, though there were net outflows in the US as a result of some contracts being discontinued following our 2015 acquisition of Mercer's retirement plan business. Our businesses are also generating more capital. By the end of 2017, we had excess cash in our holding company of €1.4 billion; this gives us flexibility when it comes to dividends, share buy-backs, new acquisitions or debt repayments.

### Note on US tax cuts

Late last year, corporate tax rates in the US were reduced from 35% to 21%. We expect the reduction to have a significant positive effect, particularly on Aegon's earnings and return on equity.

- The cut reduces the amount of (net) tax we're likely to pay in the future; we already booked part of this gain in the fourth quarter of 2017.
- We expect effective tax rates in the US to come down to 16%-18%; benefits will start flowing through to our earnings from 2018. Based on our 2017 results, we expect an increase in our net underlying earnings of approximately $140 million a year.
- Lower tax rates are also expected to generate an extra $100 million a year in capital, and push up return on equity by 55 basis points.
- Tax cuts may mean a one-time increase in our US capital requirements, but we still expect our overall solvency ratio to remain in the upper half of our 150%-200% target range.

# How we share value with our employees

As an employer, our role is to provide a safe, productive workplace – one where employees can learn, and develop their skills and talent. Around the world, we employ just over 28,300 people, approximately 60% in the US, the Netherlands and the UK.

Over the past three years, while the overall size of our workforce in these markets has been reduced, we've taken on employees elsewhere, particularly in Asia and Asset Management. We make an important contribution to local economies through the salaries and benefits we pay to our employees. In 2017, these totaled €2.2 billion.

### New technologies, new skills

Across the finance sector, we're seeing a reshaping of workforces. New technologies mean some jobs will be lost. Most of these will be in back-office areas that can be easily automated – in pricing, sales or claims processing, for example. At the same time, there's increased demand for new skills. It's important that, as an employer, we continue to attract people with digital and marketing skills, for example.

Through new technologies, we can reduce costs and, more importantly, give customers quicker, easier access to our products and services. But we recognize that the introduction of new technologies will also bring disruption to employees who lose their jobs or have to switch to new functions. Our approach is two-fold. First, to invest in the new technical capabilities we'll require. Second, to make sure employees have the skills they will need in their future careers, whether within Aegon or outside.

We've identified capabilities that we believe are vital to Aegon's future: these include digital skills, marketing and customer analytics. It's clear that, in some of these areas, we will have to bring in skills from outside. But first we're looking to develop the skills we already have. We've set up our own Analytical Academy, for example, and run regular two-day Digital Acceleration programs to bring managers up to speed with the latest technology. We're also investing in specialist training – in Europe, we have a digital marketing course, which will soon be extended to Asia and Brazil.

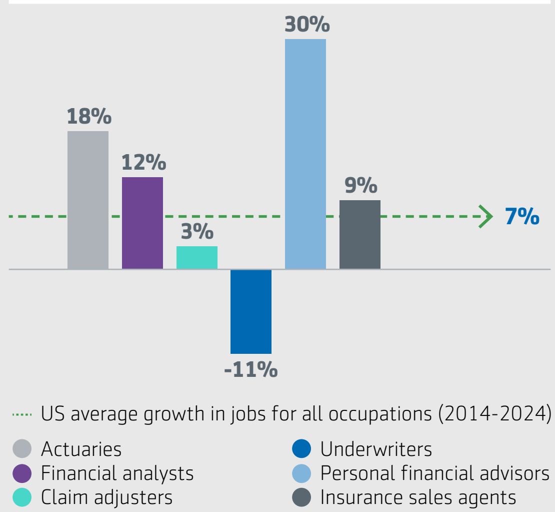
Just as important is changing the mindset within Aegon. With new technologies, we need to build a more flexible, collaborative workplace, where ideas and skills are shared horizontally between teams and departments. We've made Agility an integral part of Future Fit, our strategy for transforming Aegon. We're encouraging new ways of working, and greater accountability (where employees own both problem and solution). In the Netherlands, we now have development teams that are self-organizing, and decide their own goals and working methods. Future Fit also means putting away older, less effective working practices – where too much work was done in silos, and internal processes drove decisions, rather than the needs of our customers.

When restructuring, we keep redundancies to a minimum. In Europe and Asia, we work through trade unions. And, where possible, we reassign staff within the company, and provide support, training and advice to those leaving. In 2017, some 5,400 employees left Aegon – partly as a result of recent divestments. Another 4,689 joined the company – most in the US. Under our recent US outsourcing agreement, in 2018, around 2,100 employees will be offered positions at Tata Consultancy Services in their home cities. Across the group, turnover last year was 25%, still high; this is mainly because of restructuring in some of our main businesses.

## Job losses in the insurance sector – and new jobs being created

Because of automation, many insurers are cutting jobs. Most at risk are jobs with clearly-defined processes, like claims adjusters and underwriters. Insurance is one of the sectors most susceptible to automation, along with manufacturing and retail. Recently, PwC estimated that nearly a third of jobs in the UK's finance and insurance industry were "at potential high risk" of automation[1]. Low interest rates, in particular, mean insurers are under increased pressure to find savings – new technologies are giving them the opportunity to do so. While jobs are lost, the insurance industry as a whole is doing well – and expecting to grow in the years ahead. That means, while overall employment is reduced, jobs are being created elsewhere. There's growing demand for new digital skills, for example, particularly in customer relations and analytics, and for softer, more 'human' skills, in sales and financial advice. In the US, for example, research from Mercer shows the number of financial advisors and actuaries are forecast to grow substantially over the next few years (see below):

**Projected change in employment**
(US insurance sector, 2014-2024)




Source: Mercer Research.

[1] Source: PwC (UK Economic Outlook, March 2017).

### Employee engagement

Ultimately, it's employees who drive the performance of our company. The more engaged and motivated they are, the better our performance. That's why, several years ago, we made employee engagement one of our four strategic objectives. And why we've built it into pay incentives for senior management. We measure employee engagement every year. Our latest survey was carried out in November 2017. It showed an overall engagement score of 65%, an increase of two points from the previous survey. The survey helps us pinpoint possible improvements for us as an employer; we use it to assess our performance in areas like work-life balance and career development. The survey also allows us to track our Future Fit program. Through the survey, we measure both employee awareness and progress against the four Future Fit themes (Acting as ONE, Accountability, Agility and Customer Centricity)[1]. Eighty-five percent of our employees took part in our last employee engagement survey.

### Employee welfare and development

To attract and retain the best people, we need to provide the right working environment. We offer benefits like part-time and flexible working, health checks, parental leave and, of course, company retirement plans. We also allow paid time-off for volunteering because we think it's important our employees continue to feel a strong connection with their local communities. Aegon employees work within a Code of Conduct, which sets out clearly what we expect of them, and what they can expect of us[2]. We also have company policies covering human rights, non-discrimination and health & safety in the workplace. We encourage greater diversity through local initiatives such as the LGBTQ group Aegon Proud and the Women's Network in the US – because we believe diversity makes for better decision-making and brings us closer to our customers. We also have programs to reduce stress in the workplace, an important issue for office-based companies like ours. Last year, we spent €14 million on training; this includes online, specialist, management and awareness training. Aegon has a Learning Catalog, open to all employees.

### Salaries and incentives

Attracting and retaining talented staff isn't all about pay, but pay is important. We have a Global Remuneration Framework, which sets out our approach in this area[3]. This framework applies to all employees worldwide; it ensures that pay is linked to performance – that incentives and bonuses, for example, don't encourage excessive risk-taking. Currently, more than 17,000 Aegon employees are eligible for performance pay. That's approximately 73% of our workforce. Last year, we paid out €197 million in performance-linked pay. For our executives, bonuses are tied directly to Aegon's financial and non-financial performance[4]. Executive pay is subject to assessment by the Supervisory Board's Remuneration Committee. At €1.5 billion, pay is an important cost for us. There is pressure, as with any listed company, to restrict employee expenses to increase profits and returns for shareholders. We try, as much as we can, to get the balance right, and ensure we pay fair wages, and continue to have access to the best and most talented people.

**Gains in employee engagement**
(Results from Aegon's global employee survey, 2017)

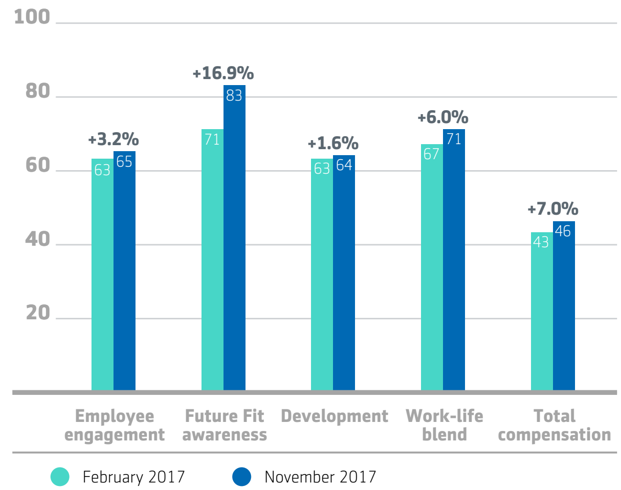



Chart shows selected results from our latest employee engagement survey, conducted in November 2017 (compared with previous survey in February 2017). Based on Culture Amp methodology. Internally, results are benchmarked against scores for the professional services and finance sectors.

## Our Analytical Academy

Aegon's *Analytical Academy* has now been running for three years. Its role is to develop new talent in data science, a critical function for our business. The Academy provides an intensive three-year program, focusing on all areas of data science, including advisory skills and analytics. The benefits of the Academy are flowing through to our business. We estimate savings already of €8.5 million thanks to improvements in pricing, risk modeling and better fraud detection. The Academy operates alongside other initiatives, including the Aegon University, as well as the company's Leadership Development Center and its dedicated People Management Program.

1 Our last survey showed a Future Fit awareness score of 83% (compared with 71% during the previous survey in February 2017).
2 Aegon also has an Ethics Line, which allows both employees and external parties to report in confidence any issues of concern relating to the company's operations, decision-making and policies.
3 Please note that Aegon is exempt from certain Dutch rules limiting variable compensation because more than three-quarters of the company's employees work outside the Netherlands.
4 Variable pay for Aegon's Executive Board is based on a number of indicators, including underlying earnings after tax, return on equity, capital generation, value of new business, return on economic required capital and metrics covering corporate responsibility, strategy and sustainability. For more details, please refer to Aegon's 2017 Annual Report.

# How we share value with the wider community

Insurance plays a very important social and economic role. It protects people, property and assets. By doing so, it allows individuals and businesses to take risks; savings products help them invest and plan for the future. Without insurance, consumers would be less confident spending their money, and businesses would be reluctant to expand and invest in new activities.

Insurance isn't only a driver of growth, it's also a source of social and economic stability. Insurers are natural long-term investors since, through their products, they also have long-term liabilities. Insurers also strengthen social cohesion by sharing the cost of protection across large groups – in effect, using income from the majority to cover losses suffered by a minority. Long-term savings and investment products, meanwhile, help create greater financial security – and help people provide independently for retirement.

As an insurer and financial services company, we have a number of social and economic levers. We're a significant employer, especially in the US, Netherlands and the UK, and we also contribute to society through our tax payments, support for our local communities and, most importantly, through the money we invest, both for our own account and on behalf of our customers. Our role is to be a responsible corporate citizen – fully aware of the impact our business has on those around us, not only financially, but also socially and environmentally.

### Responsible investment

Aegon manages revenue-generating investments worth more than €817 billion. We have a duty to invest that money responsibly. That means delivering the financial returns expected by our customers and shareholders. But it also means investing, where we can, for the good of society and the environment. Since 2011, we've had a Responsible Investment Policy. The aim of this is to ensure we take environmental, social and governance (ESG) factors into account when making our investment decisions. The policy applies to all our businesses and to all major asset classes, including both fixed income and equity. We're working now on sector-by-sector guidelines to help investment managers apply our policy consistently.

Aegon's approach to responsible investment is overseen by a Responsible Investment Strategy Committee; this is backed up by a technical committee, which looks after operational issues. There's mandatory ESG training for our portfolio managers, and we've taken steps, over the past few years, to build responsible investment into our investment mandates and into our formal risk management framework[1]. Our investment teams also include ESG on their *tear sheets* – the analysis they make before deciding where to invest.

As part of our policy, we've decided to exclude some investments[2]. For example, we won't invest in controversial weapons, such as cluster bombs and anti-personnel mines – both the subject of international treaties. Nor will we invest in countries where there are systematic breaches of human rights. In 2017, we excluded mining companies that derive 30% or more of their revenue from coal – to support the fight against climate change. We also decided to stop investments in tobacco groups because of the link between smoking and cancer, heart disease and other long-term illnesses. This means selling our general account equity investments and stopping new fixed income investments in tobacco groups. We currently exclude 120 companies, the majority involved in tobacco and coal mining[3].

Though we exclude some investments, our preference is to engage directly with the companies we invest in. We have an active engagement program; last year alone, we engaged with 335 companies on environmental, social and governance issues[4]. We've been especially active on climate change, where we've pressed companies on scenario analysis, disclosure and transparency, and water management – to better understand climate-related risk. Our aim, in engaging with all these companies, is to improve their business practice, and to reduce risk for both society as a whole and for ourselves as investors. Most of our investments are in debt securities, mainly corporate bonds. But we also invest in shares and funds, and have significant investments in real estate and mortgages.

### Responding to climate change

Climate change is already having a significant effect on our lives. Recent years have witnessed an increase in the frequency and severity of natural disasters. 2017 alone saw floods in India, Nepal and Bangladesh, flooding and mudslides in Colombia and Sierra Leone, and hurricanes across the Caribbean and southern US. Climate change has been a priority for our investment strategy since 2014. Last year, we also made it an integral part of Responsible Business, promising to invest in a "clean and healthy environment".

1 Through Aegon's Investment & Counterparty Risk Policy, or ICRP.
2 Exclusions apply to our general account only, with the exception of the Netherlands, where exclusions apply to all investments.
3 Listed companies only.
4 Of this engagement, approximately 40% focused on social and/or environmental issues; the remaining 60% dealt with governance issues.

As part of this approach to climate change, we've sold off investments in coal, and invested more in renewable energy, green bonds and new environmentally-cleaner technologies.

Currently, we have more than €800 million in green investments[1]. And we've said that, by 2025, we'll double our investments to support the energy transition. In our view, it's important that financial markets understand climate risk, and shift investments to lower-carbon alternatives, so we can begin to put the global economy on a more sustainable footing. In 2017, we set up a dedicated Climate Working Group to make sure climate is embedded in our approach to both investment and risk management. Part of this group's work will be to look at how Aegon can implement recommendations from the Financial Stability Board's recent Task Force on Climate-Related Financial Disclosures (TCFD)[2]. The Working Group's initial risk assessment showed there are only minor risks to Aegon's business from climate change; our main risks are reputational. We'll continue to monitor and manage these risks as part of our overall approach to risk management.

### Impact investments

We also make investments that bring specific social and environmental (as well as financial) returns. By the end of 2017, these impact investments totaled just under €8.1 billion (that's up from €7.2 billion the year before). In the US, UK and Netherlands, for example, we've invested nearly €5 billion in helping tackle shortfalls in affordable housing. We've also invested in renewable energy, micro-finance and care homes for the elderly. In the Netherlands, we recently set up a new fund, known as GRIF[3]. At least 50% of this fund's investments will be in projects with direct social and environmental benefits. And, in the UK, we signed a partnership with Funding Circle, an online lending platform. During the first year of this partnership, we expect to approve loans to more than 2,600 small businesses.

| | Amount invested | | | |
|---|---|---|---|---|
| **Investment** | **End 2017** | **End 2016** | **Trend** | **Impact** |
| Affordable housing – US, UK, Netherlands[4] | **€5.0 billion** | €4.8 billion | ↑ | Financing for just over 9,500 homes and 14,380 new jobs. |
| Renewable energy (solar tax credits and wind power) – US, UK and Netherlands | **€436 million** | €309 million | ↑ | Investment in clean power, which reduces impact of energy use on the environment. |
| Care homes for the elderly – Netherlands, UK | **€325 million** | €213 million | ↑ | Specialized accommodation and assisted living for the elderly in the US, UK and Netherlands. |
| International development banks – International | **€1.8 billion** | €1.6 billion | ↑ | Development banks support job creation and poverty relief in developing countries. |
| Green bonds – International | **€226 million** | €119 million | ↑ | Funding for environment and climate-related projects around the world. |
| Student loans and sports facilities – US | **€131 million** | €106 million | ↑ | Support for US Federal Family Education Loan Program which helps millions of low and middle-income Americans get to university. |
| Green residential mortgage-backed securities (RMBS) – International | **€138 million** | €57 million | ↑ | Securities include residences that emit approximately 14% less $CO_2$ a year than traditional housing. |
| Micro-finance – International | **€74 million** | €43 million | ↑ | Loans and savings accounts for an estimated 3.2 million people without access to traditional financial services. |
| Sustainable timber – US | **€9 million** | €14 million | ↓ | Investment in more than 430,000 acres of sustainable timberland, helping take approximately 367,000 metric tons of $CO_2$ a year out of the atmosphere. |

Please note that amounts above include some investments made on behalf of clients and other third parties. Our investments in sustainable timber are currently in run-off.

We also sponsor sports, including golf in the US and rowing in the Netherlands. These sponsorships have a commercial purpose. But they bring other benefits too – they provide crucial funding, and help sports find a wider audience. For nine years, we also sponsored UK tennis. Our sponsorship included an extensive schools and grassroots program. Last year, we decided to end the sponsorship. In future, we'll focus our marketing on employers and financial advisors, more in keeping with our new business model in the UK.

[1] This figure includes current investments in renewable energy, green bonds and sustainable timber. It does not include investments in sustainable real estate.
[2] The TCFD published its final recommendations in June 2017. Details are available on the FSB's website. The report recommends disclosures in four main areas: Governance (how climate-related risks and opportunities are managed), Strategy (impact of climate on businesses, strategy and financing), Risk Management (processes used to identify, assess and manage climate risks and opportunities) and Metrics & Targets (those used to assess and manage climate risks and opportunities).
[3] Government Related Investment Fund. GRIF invests in private placements and bonds issued mainly by European public entities (including housing authorities and local government).
[4] Investments in US made through the Low-Income Housing Tax Credit program, a 'dollar-for-dollar' tax credit program to encourage private sector investment in affordable, quality housing for families on low incomes.

## Responsible tax

We are firmly committed to making a valuable economic and social contribution to the communities in which we operate, both through our own tax payments and through collection and payments of third party taxes. We seek to pay 'fair taxes', which for us means paying the right amount of tax in the right places.

It is our policy to allocate profits where value is created through our commercial business activities. For us, tax follows business, which means that our decisions are taken for business reasons and not for tax advantages. We won't, for example, set up artificial tax structures or base business in countries simply to reduce the amount of tax we pay.

Following discussion with stakeholders, we published our Global Tax Policy online. This policy outlines Aegon's approach to responsible tax, which seeks to align the long-term interests of all our stakeholders, including customers, employees, business partners, investors, and wider society. We also hold regular meetings with NGOs to discuss Aegon's tax strategy and policy.

In our relationship with tax authorities we strive to work together in a constructive and transparent manner. Our Horizontal Monitoring agreement with the Dutch tax authorities shows our commitment to this principle. This includes public discussion and disclosure of policies and principles, as well as the overall governance and oversight of our tax position.

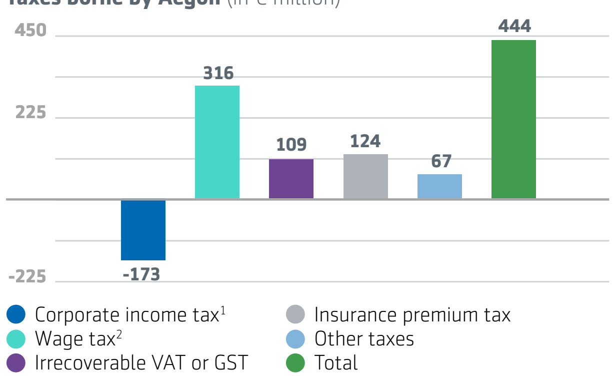
Disclosures are provided in our financial statements and cover tax payments in our main markets. Additionally, we provided country-by-country tax reporting in a transparent and accurate manner to the tax authorities in 2017. We are currently assessing the value that public disclosure of this information might have for our business and our stakeholders.

As we did in the 2016 Review, we also provide details of our total tax contribution company-wide and by region in the charts below. Taxes borne are a cost of business and affect our financial results. Taxes collected are not a direct cost of business but are collected on behalf of government from others. The reported numbers are on cash payment or accrual basis.

Aegon's tax function maintains an adequate staff of qualified and trained tax professionals to provide timely and high-quality tax support to our commercial-decision-makers. In this regard, proper governance and procedures are in place to ensure that:

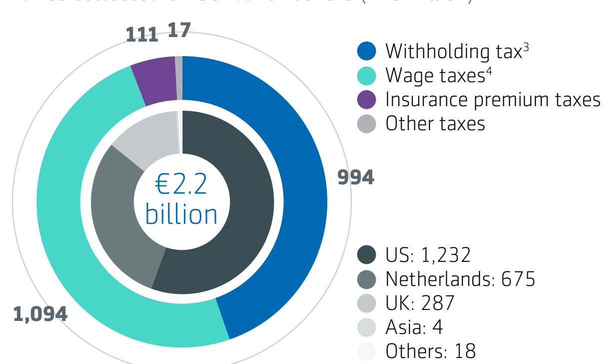
1) the tax team understands and is engaged in the tax effects of day-to-day business operations and involved in all significant business developments, investments and transactions.
2) the tax consequences are considered as part of every major business decision.
3) Aegon's tax control framework is constantly evolving to a higher maturity level.

**Taxes borne by Aegon** (in € million)




[1] Includes state and withholding tax.
[2] Related to company's own personnel (including social security tax).

**Taxes collected on behalf of others** (in € million)




[3] Includes dividends, interest, royalties and other.
[4] Policyholders (including social security tax).

Please note in charts above negative numbers indicate credit or amounts received from relevant tax authorities.
Some numbers may not add because of rounding. For breakdown of taxes paid by country/region please see page 40.

Aegon's tax function reports regularly to the Executive and Management Boards on day-to-day operations and the status and effectiveness of the function. At least once a year, the tax function reports to the Supervisory Board's Audit Committee.

## Investing in local communities

Every year, we support local charities and other good causes. Last year, we donated a total of €8.9 million. Most went to charities in our three focus areas: health, welfare and literacy. We also encourage our employees to volunteer. More than 96% of our staff can now claim paid time-off to work with local communities. In 2017, Aegon employees gave just over 21,000 hours, equivalent to €0.8 million, based on average salaries.

For Aegon, there are clear business benefits in supporting local causes: it brings us closer to our communities; it helps us understand their needs and expectations, and gives employees an opportunity to share knowledge and expertise. Currently – through cash donations and volunteering – we support more than 600 separate charities and good causes, including Habitat for Humanity and United Way in the US, as well as cancer research and the Alzheimer Center at VUMC in the Netherlands.

Key to our approach in this area is the issue of aging. In recent years, we've been working hard to put aging on the global policy agenda. We want to see more done to integrate aging into laws, regulations and employment practices. We publish regular research in this area through our Aegon Center for Longevity & Retirement. The Center works closely with affiliated organizations in the US and Brazil. Through these organizations, we measure retirement readiness and make policy recommendations for individuals, employers and governments. We're also studying the close connection between aging, finance and health. The Center's main 2017 report focused on Healthy Aging and Financial Security.

In 2017, our Retirement Readiness Index reached its highest-ever level. In general, people feel more positive about their financial outlook thanks to stronger economic growth and rising stock markets. Those 'readiest' for retirement are currently in the US and in middle income countries like China, India and Brazil.

## Sustainable development agenda

Since 2015, we've seen the emergence of a new international sustainable development agenda, with the adoption of the UN's 2030 Sustainable Development Goals (SDGs) and the Paris Agreement on Climate Change. Like other companies, we have a responsibility to support this agenda. We recognize that sustainable development is clearly in the long-term interests of business and the global economy. We also see that achieving genuine sustainable development won't be possible without the public and private sectors working together. Aegon can contribute positively as a financial services provider and investor; we've identified three areas for us (see chart below), where we believe our business can directly support the UN's goals and targets[1]: provision of supplemental health insurance, and investment in renewable energy and affordable homes for those on low incomes.

To implement the sustainable development agenda successfully, we'll need partnerships between government, the private sector and civil society. We have a number of partnerships that support implementation of the SDGs. We're signatories to both the UN's Principles for Sustainable Insurance (PSI) and its Principles for Responsible Investment (PRI); we're members of CDP (formerly, the Carbon Disclosure Project) and the Extractives Industry Transparency Initiative, which works for greater transparency on reporting financial flows from the global mining and energy industries. We're founding signatories to the Global Coalition on Aging – a private sector group that promotes new thinking on related issues like healthcare and retirement. Aegon is also a signatory to the Paris Pledge for Action, announced at the 2015 UN Climate Change Conference in Paris.

UN Sustainable Development Goals were formally adopted in September 2015. There are 17 SDGs in total. Underpinning each of these goals is a series of specific targets and indicators. In the table below, we've selected the targets and indicators that are: a) most relevant to our business, and b) on which we have a direct and measurable impact.

**Sustainable Development Goals**

1 No poverty | 2 Zero hunger | 3 Good health and well-being | 4 Quality education | 5 Gender equality | 6 Clean water and sanitation | 7 Affordable and clean energy | 8 Decent work and economic growth | 9 Industry, innovation and infrastructure | 10 Reduced inequalities | 11 Sustainable cities and communities | 12 Responsible consumption and production | 13 Climate action | 14 Life below water | 15 Life on land | 16 Peace, justice and strong institutions | 17 Partnerships for the goals

### 3 GOOD HEALTH AND WELL-BEING

Ensure healthy lives and promote well-being for all at all ages

**Goals and targets**

Achieve universal health coverage, including financial risk protection and access to quality healthcare (goal 3.8)

Aegon supports this goal by:
- Providing low-cost supplemental health insurance in most of our markets
- Investing in healthcare, new health technologies and care homes for the elderly
- Funding international research into healthy aging.

**Indicator**

Number of people covered by health insurance or a public health system per 1,000 population (3.8.2)

Every year, Aegon provides supplemental health insurance to more than 3.5 million people worldwide.

### 7 AFFORDABLE AND CLEAN ENERGY

Ensure access to affordable, reliable, sustainable and modern energy for all

**Goals and targets**

By 2030, increase substantially the share of renewable energy in the global energy mix (7.2)

Aegon supports this goal by investing in renewable energy, including wind power and solar.

**Indicator**

Renewable energy share in the total final energy consumption (7.2.1)

At the end of 2017, we had €436 million in renewable energy investments.

### 11 SUSTAINABLE CITIES AND COMMUNITIES

Make cities inclusive, safe, resilient and sustainable

**Goals and targets**

By 2030, ensure access for all to adequate, safe and affordable housing (11.1)

Aegon supports this goal by investing in affordable, social housing in the US, UK and Netherlands.

**Indicator**

Proportion of urban population living in slums, informal settlements or inadequate housing (11.1.1)

Currently, we have almost €5 billion invested in affordable homes, most in the US.

[1] For more information on our reporting against the SDGs, please see Aegon's 2017 Reporting Supplement.

# Interview with our Chairman

Supervisory Board Chairman Rob Routs gives his view on Aegon's progress, and explains why recapitalization of the company's Dutch business was top of the Board's agenda last year.

**Rob Routs**
Supervisory Board Chairman

"We represent all stakeholders, not just shareholders."

**Just as with other listed companies based in the Netherlands, Aegon has a two-tier board structure. What are the most important tasks that the Supervisory Board performs?**
The two most important things we do are provide oversight and challenge. That means examining actions management has undertaken in the past, and also looking at what they are planning on doing in the future. At the top of our list, not surprisingly, is the execution of Aegon's strategy – as this determines so much of what happens across the company – in addition to human resources, succession planning and financial performance.

**How do you ensure that management focuses on non-financial performance in addition to meeting its financial targets?**
The governance system and the codes that we're required to adhere to mean that we have to represent all stakeholders. And by that I mean everyone from policyholders and shareholders to employees and wider society. Something a lot of people outside the financial world may not know is that regulations for financial institutions in the Netherlands require that at least 50% of the targets we set are non-financial in nature, such as the Net Promoter Score for customers. These targets are hugely important in terms of determining activity across Aegon's businesses.

**How are Supervisory Board members able to get a complete picture of what is happening across the company?**
We examine all the strategically important issues that the company faces. Last year, for example, we spent a lot of time discussing the recapitalization of our Dutch business, as it was a key concern for the market and our regulator. On top of meetings with the Management Board, and one-on-one meetings with management, we also have a series of committees that focus on audit, risk, remuneration and nomination & governance matters. This means we're able to really get deep into subjects. At least once a year we meet at one of Aegon's businesses. By doing so, we can speak face to face with local management, and we're always able to pick up the phone and speak to anyone at the company we wish. What's more, if we need additional assistance, we can always get that externally.

**The professional background of Supervisory Board members has changed during your tenure on the board. Why has this been so important?**
For me, it's about having the right combination of experience and expertise. People with different professional backgrounds bring very different perspectives and different ideas. On the Supervisory Board, we have a real mix of professional backgrounds – from former CEOs to people with experience in insurance, HR, accounting and the world of politics – and we have very diverse opinions. Until recently, for a company with over 60% of its business in the US, our Board was underrepresented in terms of experience in North America, so that is something that we've addressed through our most recent appointments.

**Could you give a flavor of the atmosphere at meetings between the Supervisory Board and the Management Board? Is there ever any tension?**
Of course there have been tense moments, and that should always be the case! If the two boards were just to sit around a table, smile at one another and exchange compliments then you're not going to make much progress. Sometimes you have to be tough and challenge why management is operating in a certain way, and on the flipside management has the opportunity to challenge the Supervisory Board as to why we've focused on certain issues. So yes, there is some tension at times. But I call that positive tension, because without it we wouldn't take the company forward.

**You're stepping down at the AGM in May 2018 after ten years on the Supervisory Board. Looking back, what are you most pleased with?**
Well, it's been a fascinating time, particularly when you consider the journey Aegon has made, from navigating through the financial crisis in 2008 to where it is today. Together we had to make a series of tough decisions, for instance no longer competing in certain markets. These actions have enabled us to create a more flexible, more financially strong and more transparent company that understands its business – and by that I mean how to serve millions of customers around the world. Aegon has a sound strategy and the priority now is to continue to execute.

"There are some tense moments at times in our discussions with the Management Board – but that should always be the case."

**Rob Routs**
Supervisory Board Chairman

## **Customer centricity** means...

**"Combining digital with a human touch."**
Last year, we launched Pulse – a project aimed at making our customer contact centers future fit. The first step of the new project was to assess current levels of service and identify priorities for improvement. Since then, we've been looking at ways to speed up our processes – through voice recognition technology, for instance, or new, more advanced chatbots. Thanks to these new technologies, customers get faster service – and our customer service reps get more time to provide a personal touch where it's most needed.

# Delight **customers**

61%

We've seen a big improvement in our customer loyalty scores over the past few years. Sixty-one percent of our businesses now rank in the top 50% for customer loyalty in their respective markets.

# Notes on reporting principles, scope and process

### Principles

- Our aim in producing this Review is to provide a balanced, concise and comprehensive view of the company's operations, performance and impact.
- This Review is prepared in accordance with GRI Standards, published by the Global Reporting Initiative, as well as guidelines from the International Integrated Reporting Council (IIRC). Aegon has been using GRI reporting standards since its first corporate responsibility report in 2003. Details of our compliance with GRI standards may be found in our 2017 Reporting Supplement. We have included references to specific GRI Standards in the data tables on pages 39 and 40. These are for reference purposes only, and do not indicate any particular degree of materiality.
- This Review is based on extensive reporting from Aegon country and operating units around the world. All content is reviewed by the company's Disclosure Committee and is subject to formal approval by Aegon's Management, Executive and Supervisory Boards before publication. For our 2017 Review, we decided not to seek external assurance. This will allow time for further improvements to be made to our reporting, and internal data collection processes. Previous Aegon Reviews were verified by external auditors.
- Our Review covers the full year 2017 (January-December), unless otherwise stated. All necessary notes, explanations and definitions are provided in the text or accompanying tables. Aegon's previous Review was published in March 2017 and is available online.

### Scope

We use a materiality test to determine the scope and content of our integrated report. We include only *material* information – in other words, information that relates to issues we believe have, or will have, a significant long-term impact on our profitability, operations or reputation. This test applies to both our own businesses, and to other parts of our value chain such as our relations with business partners, suppliers or the companies in which we invest. To help determine materiality, we look at a number of factors, including potential risks, impact on earnings, brand, reputation, strategy, customer loyalty and recruitment, as well as the company's ability to deliver long-term growth and returns to investors. In addition to the data in this Review, we collect other non-financial performance data for management purposes (this includes data on working conditions, work-related injuries and illnesses, use of social media in customer support, financial literacy programs, consumption of both gas and electricity, incidents of fraud etc.).

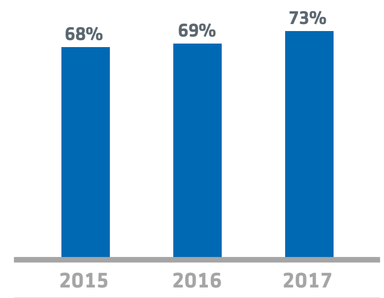
All information in this Review covers our three largest operating units (the US, Netherlands and UK). With regard to other units, we have included only information that we believe has, or may have, a material impact. For joint ventures, we report proportionally based on Aegon's share of ownership (unless indicated otherwise). For more details, please see our Reporting Supplement online.

## Human & intellectual capital[1]

| | 2017 | 2016 | Change | 2015 | Reference: GRI Standards |
|---|---|---|---|---|---|
| Total number of employees | **28,318** | 29,380 | -3.6% | 31,530 | 102-7, 102-8 |
| New hires | **4,689** | 4,121 | +14% | 5,111 | 401-1 |
| Turnover[2] | **25%** | 26% | -3.8% | 15% | 401-1 |
| Voluntary turnover | **17%** | 17% | Unchanged | 10% | 401-1 |
| Involuntary turnover | **7%** | 6% | +17% | 4% | 401-1 |
| Absentee rate | **2.4%** | 2.0% | +20% | 2.4% | 403-2 |
| % of women in workforce | **53%** | 53% | Unchanged | 52% | 102-8 |
| % of women in senior management | **28%** | 27% | +3.7% | 27% | 102-8 |
| Employee engagement score[3] | **65** | 63[4] | +3.2% | 71 | 102-8 |
| Total employment costs | **€2.23 billion** | €2.29 billion | -2.6% | €2.28 billion | 201-1 |
| Of which, salaries | **€1.5 billion** | €1.5 billion | Unchanged | €1.5 billion | 201-1 |
| % of workforce eligible for variable compensation | **73%** | 69% | +5.8% | 68% | |
| Ratio of median to CEO salary[5] | **42:1** | 42:1 | Unchanged | 44:1 | 102-38, 102-39 |

1 Data on our environmental, social and governance performance has been grouped, where appropriate, according to the IIRC's six capitals (financial, human, intellectual, manufactured, natural and social & relationship). A full description of these capitals and their relevance may be found on the IIRC's website at www.integratedreporting.com. For more information on GRI references, please see our Reporting Supplement, available online.
2 Does not include Transamerica Life Advisors in the US, or Aegon operations in Brazil, India, Japan or Turkey.
3 Based on index developed by Culture Amp. Employee engagement measures the degree of employee motivation and commitment to the company. Score is out of 100. Please note that Aegon's 2015 score is based on a different methodology (Hay index).
4 Survey conducted in February 2017.
5 Based on information disclosed in Aegon's Annual Report. Figures cover all employment costs relating to both staff and CEO. Figures for 2016 and 2015 have been restated to reflect this new methodology. Previously, figures were calculated using fixed salaries only.
Some figures may not add due to rounding.

**Percentage of Aegon workforce eligible for variable compensation**
(2015-2017)

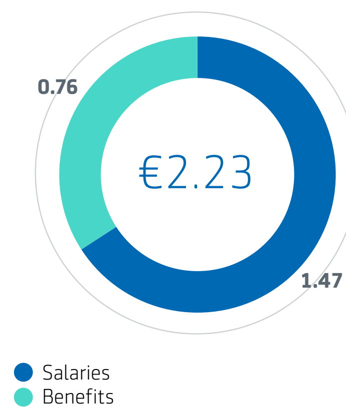



## Social & relationship capital

| | 2017 | 2016 | Change | 2015 | Reference: GRI Standards |
|---|---|---|---|---|---|
| Net Promoter Score: % of Aegon businesses by quartile[6] | | | | | |
| 1st quartile | **13%** | 10% | +30% | 2% | |
| 2nd quartile | **48%** | 25% | +92% | 10% | |
| 3rd quartile | **25%** | 23% | +8.7% | 41% | |
| 4th quartile | **14%** | 42% | -67% | 47% | |
| Total number of customer complaints[7] | **66,496** | 75,575 | -12% | 88,447 | |
| Total claims, benefits and plan withdrawals[8] | **€48.1 billion** | €59.0 billion | -18% | €45.9 billion | 201-1 |
| Total donations to charities and other good causes | **€8.9 million** | €8.8 million | +1.1% | €8.6 million | 201-1 |
| Cash | **€8.1 million** | €7.8 million | +3.8% | €7.6 million | 201-1 |
| Volunteering[9] | **€0.8 million** | €1.0 million | -20% | €1.0 million | |
| Total donations as % of net income | **0.4%** | 1.5% | -73% | 1.4% | |
| Volunteering hours[10] | **21,156** | 23,353 | -9.4% | 21,364 | |
| Amount spent on goods and services | **€1.4 billion** | €1.3 billion | +7.7% | €1.3 billion | 201-1 |

6 Figures show NPS benchmarked against peers (by quartile, first quartile representing the top 25% performers, fourth quartile the bottom 25%). Percentage of Aegon businesses is weighted by IFRS capital allocated. Figures cover the following countries only: US, Netherlands, UK and Hungary (where benchmarking against peers took place).
7 Includes all written and verbal complaints. Figures for 2015 showed an unusual increase in complaints in the UK; this followed significant changes in regulation governing the UK pension industry.
8 Total for 2016 included a one-off item relating to the acquisition of Mercer US' defined contribution pension business.
9 Based on average employee expenses across the company.
10 Number of hours spent by Aegon employees volunteering on local community projects during the year.

**Employment costs**
(in € billion, 2017)



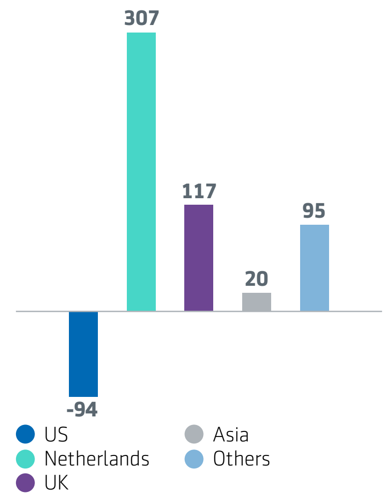
## Financial capital

| | 2017 | 2016 | Change | 2015 | Reference: GRI Standards |
|---|---|---|---|---|---|
| Total revenue-generating investments | **€817.4 billion** | €743.2 billion | 10% | €710.5 billion | 102-7, 203-1 |
| Impact investments[1] | **€8.1 billion** | €7.2 billion | +13% | €7.6 billion | 203-1 |
| Investments held in ethical or socially-responsible investment (SRI) funds[2] | **€3.0 billion** | €2.4 billion | +25% | €3.1 billion | 203-1 |
| Payments to investors (in the form of dividends and interest[3]) | **€721 million** | €774 million | -6.8% | €824 million | |
| Closing Aegon NV share price (Amsterdam) | **€5.32** | €5.23 | +1.7% | €5.13 | |
| Total dividend payments[4] | **€439 million** | €491 million | -11% | €503 million | 201-1 |
| Total dividend payments due/share[4] | **€0.27** | €0.26 | +3.8% | €0.25 | |
| Total coupon payments to bondholders | **€282 million** | €283 million | -0.4% | €321 million | 201-1 |
| Total corporate income tax paid[5] | **(€173 million)** | €116 million | NA | €405 million | 201-1 |
| Americas | **(€293 million)** | €55 million | NA | €312 million | |
| Netherlands | **€70 million** | €63 million | +11% | €16 million | |
| UK | **€33 million** | (€8 million) | NA | €72 milllion | |
| Others | **€17 million** | €6 million | +183% | €7 million | |

1. Impact investments are defined as investments that meet minimum financial return requirements, but which also deliver specific social and/or environmental benefits.
2. Excludes separate green or SRI funds managed by AIFMC in China.
3. Does not include impact of share buy-backs.
4. Aegon's final dividend for 2017 is subject to approval by the company's General Meeting of Shareholders, due to take place in May 2018. Calculation reflects IFRS accounting of the inventory effects of share repurchases relating to dividends paid in shares. Figures include both interim and final dividends for each year.
5. Please note there is often no direct correlation between tax on earnings for any given year and amounts paid or received in tax. Part of the explanation for this is that certain tax-deductible items are not recognized in the company's profit & loss statement but directly in equity. Amounts may also include payments from other years. Negative amounts denote credits or amounts received from relevant tax authorities.

NA - not applicable

**Taxes borne by Aegon**
(by country, in € million)



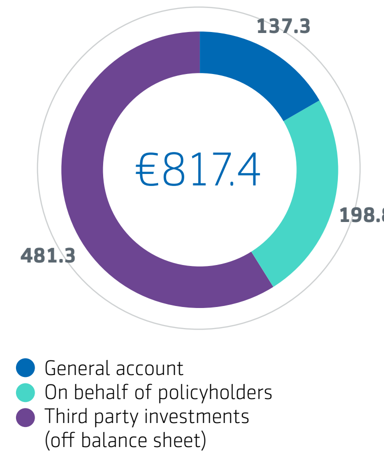

Please note that, in chart above, negative numbers indicate credit or amounts received from relevant tax authorities. Numbers may not add due to rounding.

## Natural capital[6]

| | 2017 | 2016 | Change | 2015 | Reference: GRI Standards |
|---|---|---|---|---|---|
| Total $CO_2$ emissions (gross, metric tons) | **59,491** | 69,213 | -14% | 68,283 | 305-2 |
| Total $CO_2$ emissions (net, metric tons) | **50,295** | 60,193 | -16% | 57,679 | 305-2 |
| $CO_2$ emissions/employee (net, metric tons)[7] | **2.7** | 3.0 | -10% | 2.8 | 305-4 |

6. Gross figure for emissions excludes effect of renewable energy purchased in the UK and Netherlands. Renewable energy accounts for just over 26% of Aegon's total energy consumption. Under the Greenhouse Gas Protocol guidelines for Scope 2 emissions, net $CO_2$ emissions are calculated using the market-based method, while gross emissions are calculated using the location-based method. Emissions by employees are weighted by revenue and cover workforce in US, UK, Netherlands and at Aegon's asset management business only. Please note that Aegon has been carbon neutral since August 2016 (by reducing emissions from the company's own operations and supporting offset projects in China, India and Turkey. The offset projects were selected in cooperation with NGO ClimateCare). The significant decrease in emissions in 2017 was due mainly to reductions in business operations.
7. Please note that figures for $CO_2$ emissions per employee for 2015 and 2016 have been restated following a reassessment of employee numbers for these years.

**Aegon revenue-generating investments**
(in € billion, 2017)



# Consolidated income statement

## For the year ended December 31

| Amounts in EUR million (except per share data) | 2017 | 2016 | 2015 |
|---|---|---|---|
| Premium income | 22,826 | 23,453 | 22,925 |
| Investment income | 7,338 | 7,788 | 8,525 |
| Fee and commission income | 2,802 | 2,408 | 2,438 |
| Other revenues | 7 | 7 | 14 |
| **Total revenues** | **32,973** | **33,655** | **33,902** |
| Income from reinsurance ceded | 4,288 | 3,687 | 3,321 |
| Results from financial transactions | 20,108 | 15,949 | 401 |
| Other income | 540 | 66 | 83 |
| **Total income** | **57,910** | **53,357** | **37,707** |
| Premiums paid to reinsurers | 3,431 | 3,176 | 2,979 |
| Policyholder claims and benefits | 45,599 | 41,974 | 26,443 |
| Profit sharing and rebates | 23 | 49 | 31 |
| Commissions and expenses | 5,925 | 6,351 | 6,598 |
| Impairment charges / (reversals) | 42 | 95 | 1,251 |
| Interest charges and related fees | 435 | 347 | 412 |
| Other charges | 235 | 700 | 774 |
| **Total charges** | **55,689** | **52,693** | **38,489** |
| **Income before share in profit / (loss) of joint ventures, associates and tax** | **2,221** | **665** | **(781)** |
| Share in profit / (loss) of joint ventures | 161 | 137 | 142 |
| Share in profit / (loss) of associates | 11 | 3 | 5 |
| **Income / (loss) before tax** | **2,393** | **805** | **(634)** |
| Income tax (expense) / benefit | (32) | (219) | 111 |
| **Net income / (loss)** | **2,361** | **586** | **(523)** |
| **Net income / (loss) attributable to:** | | | |
| Owners of Aegon N.V. | 2,361 | 586 | (524) |
| Non-controlling interests | - | - | 1 |
| **Earnings per share (EUR per share)** | | | |
| Basic earnings per common share | 1.08 | 0.22 | (0.31) |
| Basic earnings per common share B | 0.03 | 0.01 | (0.01) |
| Diluted earnings per common share | 1.08 | 0.22 | (0.31) |
| Diluted earnings per common share B | 0.03 | 0.01 | (0.01) |

# Consolidated statement of financial position

As at December 31

| Amounts in EUR million | 2017 | 2016 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | 10,768 | 11,347 |
| Assets held for sale | 5,249 | 8,705 |
| Investments | 137,172 | 156,813 |
| Investments for account of policyholders | 194,063 | 203,610 |
| Derivatives | 5,912 | 8,318 |
| Investments in joint ventures | 1,712 | 1,614 |
| Investments in associates | 308 | 270 |
| Reinsurance assets | 19,202 | 11,208 |
| Defined benefit assets | 55 | 51 |
| Deferred tax assets | 79 | 87 |
| Deferred expenses | 10,135 | 11,423 |
| Other assets and receivables | 10,002 | 10,667 |
| Intangible assets | 1,633 | 1,820 |
| **Total assets** | **396,291** | **425,935** |
| **Equity and liabilities** | | |
| Shareholders' equity | 20,573 | 20,913 |
| Other equity instruments | 3,794 | 3,797 |
| **Issued capital and reserves attributable to owners of Aegon N.V.** | **24,366** | **24,710** |
| Non-controlling interests | 20 | 23 |
| **Group equity** | **24,386** | **24,734** |
| Subordinated borrowings | 764 | 767 |
| Trust pass-through securities | 133 | 156 |
| Insurance contracts | 110,818 | 119,569 |
| Insurance contracts for account of policyholders | 122,168 | 120,929 |
| Investment contracts | 16,943 | 19,572 |
| Investment contracts for account of policyholders | 74,434 | 84,774 |
| Derivatives | 7,130 | 8,878 |
| Borrowings | 13,635 | 13,153 |
| Provisions | 210 | 173 |
| Defined benefit liabilities | 4,005 | 4,817 |
| Deferred gains | 13 | 64 |
| Deferred tax liabilities | 1,112 | 2,318 |
| Liabilities held for sale | 5,003 | 8,816 |
| Other liabilities | 15,208 | 16,978 |
| Accruals | 329 | 237 |
| **Total liabilities** | **371,904** | **401,201** |
| **Total equity and liabilities** | **396,291** | **425,935** |

# Forward-looking statements

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

- Changes in general economic conditions, particularly in the United States, the Netherlands and the United Kingdom;
- Changes in the performance of financial markets, including emerging markets, such as with regard to:
  - The frequency and severity of defaults by issuers in Aegon's fixed income investment portfolios;
  - The effects of corporate bankruptcies and/or accounting restatements on the financial markets and the resulting decline in the value of equity and debt securities Aegon holds; and
  - The effects of declining creditworthiness of certain public sector securities and the resulting decline in the value of government exposure that Aegon holds;
- Changes in the performance of Aegon's investment portfolio and decline in ratings of Aegon's counterparties;
- Consequences of a potential (partial) break-up of the euro;
- Consequences of the anticipated exit of the United Kingdom from the European Union;
- The frequency and severity of insured loss events;
- Changes affecting longevity, mortality, morbidity, persistence and other factors that may impact the profitability of Aegon's insurance products;
- Reinsurers to whom Aegon has ceded significant underwriting risks may fail to meet their obligations;
- Changes affecting interest rate levels and continuing low or rapidly changing interest rate levels;
- Changes affecting currency exchange rates, in particular the EUR/USD and EUR/GBP exchange rates;
- Changes in the availability of, and costs associated with, liquidity sources such as bank and capital markets funding, as well as conditions in the credit markets in general such as changes in borrower and counterparty creditworthiness;
- Increasing levels of competition in the United States, the Netherlands, the United Kingdom and emerging markets;
- Changes in laws and regulations, particularly those affecting Aegon's operations' ability to hire and retain key personnel, taxation of Aegon companies, the products Aegon sells, and the attractiveness of certain products to its consumers;
- Regulatory changes relating to the pensions, investment, and insurance industries in the jurisdictions in which Aegon operates;
- Standard setting initiatives of supranational standard setting bodies such as the Financial Stability Board and the International Association of Insurance Supervisors or changes to such standards that may have an impact on regional (such as EU), national or US federal or state level financial regulation or the application thereof to Aegon, including the designation of Aegon by the Financial Stability Board as a Global Systemically Important Insurer (G-SII);
- Changes in customer behavior and public opinion in general related to, among other things, the type of products Aegon sells, including legal, regulatory or commercial necessity to meet changing customer expectations;
- Acts of God, acts of terrorism, acts of war and pandemics;
- Changes in the policies of central banks and/or governments;
- Lowering of one or more of Aegon's debt ratings issued by recognized rating organizations and the adverse impact such action may have on Aegon's ability to raise capital and on its liquidity and financial condition;
- Lowering of one or more of insurer financial strength ratings of Aegon's insurance subsidiaries and the adverse impact such action may have on the premium writings, policy retention, profitability and liquidity of its insurance subsidiaries;
- The effect of the European Union's Solvency II requirements and other regulations in other jurisdictions affecting the capital Aegon is required to maintain;
- Litigation or regulatory action that could require Aegon to pay significant damages or change the way Aegon does business;
- As Aegon's operations support complex transactions and are highly dependent on the proper functioning of information technology, a computer system failure or security breach may disrupt Aegon's business, damage its reputation and adversely affect its results of operations, financial condition and cash flows;
- Customer responsiveness to both new products and distribution channels;
- Competitive, legal, regulatory, or tax changes that affect profitability, the distribution cost of or demand for Aegon's products;
- Changes in accounting regulations and policies or a change by Aegon in applying such regulations and policies, voluntarily or otherwise, which may affect Aegon's reported results and shareholders' equity;
- Aegon's projected results are highly sensitive to complex mathematical models of financial markets, mortality, longevity, and other dynamic systems subject to shocks and unpredictable volatility. Should assumptions to these models later prove incorrect, or should errors in those models escape the controls in place to detect them, future performance will vary from projected results;
- The impact of acquisitions and divestitures, restructurings, product withdrawals and other unusual items, including Aegon's ability to integrate acquisitions and to obtain the anticipated results and synergies from acquisitions;
- Catastrophic events, either manmade or by nature, could result in material losses and significantly interrupt Aegon's business;
- Aegon's failure to achieve anticipated levels of earnings or operational efficiencies as well as other cost saving and excess cash and leverage ratio management initiatives; and
- This press release contains information that qualifies or may qualify as inside information within the meaning of Article 7(1) of the EU Market Abuse Regulation (596/2014).

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

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This is Aegon's 2017 Review. Alongside this Review, Aegon also publishes an Annual Report, the company's main regulatory reporting document. The Annual Report provides full analysis of Aegon's financial performance, as well as its approach to risk and capital management, remuneration and corporate governance. Aegon's 2017 Annual Report is also available online.