Remuneration Report 2017 Executive Board

The Hague, March 2018

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Executive Board Remuneration in 2017

The following section describes how the Company applies the principles of good governance relating to Directors remuneration. It was prepared by the Remuneration Committee of Aegon N.V. (the Committee) in accordance with the Dutch Code (the Dutch Code), and was approved by Aegon N.V.'s Supervisory Board.

Executive Board remuneration

Aegon's Executive Board is remunerated on the basis of the principles described in Aegon's GRF. Aegon's remuneration policy for members of the Executive Board is derived from this framework and sets out terms and conditions for members of the Company's Executive Board.

The Executive Board Remuneration Policy was adopted at the General Meeting of Shareholders on May 12, 2011. The Policy will remain in force until such time as the Supervisory Board proposes changes or amendments. Any material changes in the Executive Board Remuneration Policy will be referred to the General Meeting of Shareholders for adoption. The implementation of the current policy during 2017 is described in the Executive Board Remuneration Report on pages 132-133 of the Annual Report.

In determining the expected level of pay for each Executive Board member, scenarios have been considered in which the minimum, maximum and at target pay was assessed. In these scenario's the share component in the variable pay element has been assessed at the plan year's grant price.

In addition to the pay-out scenario, the committee has considered the ratio of the average employee pay expense (excluding CEO expense) versus the expense of the CEO pay elements based on costs recognized under IFRS. For 2017 this ratio is 41.7 (2016: 41.9; 2015: 44.0). The committee is conscious of the significant difference in the geographical footprint of the Company's employee population, which may impact the outcome of the ratio. The composition of the Company and the way this is affected by restructuring and other organisational changes (e.g. major acquisitions or divestments) will also have an impact.

Through the implementation of the Executive Board Remuneration policy, the Company is able to reward the members of the Executive Board in line with the Aegon Group Remuneration Principles, as described earlier. In particular, the variable compensation element in the remuneration ensures a clear link between individual pay and (both short- and long-term) company performance. The objectives set for each Executive Board member are derived from the Company's strategy (including the long-term value creation objective embedded therein) and focussed on the role of the Executive. The targets support the achievement of the operational- and financial- goals to which the Company has committed itself. Performance is assessed following the year. Pay-out of variable compensation is based on the assessed performance.

The amount of variable compensation actually allocated in relation to the performance delivered during 2017 is based on the achievement against the objectives and targets that were set at the start of the year. The objectives are an elaborate set of financial IFRS (non-Risk adjusted), financial market Consistent (risk-adjusted), and non-financial, personal-, and strategic, sustainability measures linked to the Company strategy. These include Underlying Earnings, ROE, MCVNB, Capital Generation, ROERC (pre-tax), Cultural transformation, responsible business and control environment.

The actual target levels are regarded commercially sensitive and are therefore not disclosed on an objective by objective basis. Instead, the performance on the 2017 mix of financial- and non-financial targets is disclosed. For Mr. Wynaendts this was 28.7% (of 32.5% possible) for the financial objectives and 61.7% (of 67.5% possible) for the non-financial objectives. For Mr. Rider this was 28.7% (of 32.5% possible) for the financial objectives and 60.4% (of 67.5% possible) for the non-financial objectives.

Role of the Remuneration Committee

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

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

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

Review of the Remuneration Policy

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

Ensuring pay remains competitive

The Company regularly compares its levels of executive remuneration with those of other comparable companies. Companies included in the peer group are chosen according to the following criteria:

- Industry (preferably life insurance);
- Size (companies with similar number of employees, assets, revenue and market capitalization);
- Geographic scope (preferably the majority of revenues generated outside of the country of origin); and
- Location (companies based in Europe).

The peer group was updated in 2015. It comprises the following fourteen companies: Allianz, Aviva, Axa, CNP Assurances, Generali, Legal & General, Mapfre, Münchener Rückversicherung, NN Group, Old Mutual, Prudential plc., Standard Life, Swiss Re and Zurich Financial Services.

In addition, a reference group is used in order to monitor alignment with the general industry in the Netherlands. This is comprised of the 12 leading companies listed on Euronext Amsterdam, excluding financial services providers. The Supervisory Board regularly reviews the composition of the two groups in order to ensure that they continue to provide a reliable and suitable basis for comparison.

Total compensation

For each member of the Executive Board, Aegon's Supervisory Board determines a maximum total compensation, reflecting the specific roles and responsibilities of the individual. Each year, the Supervisory Board reviews total compensation levels to ensure they remain competitive and to provide proper, risk-based incentives to members of Aegon's Executive Board. To ensure Executive Board members are compensated in accordance with the desired market positioning, alignment to the desired market position needs to be addressed over time, in accordance with applicable rules, regulations and codes.

Consistent with the Executive Board Remuneration Policy, the total direct compensation for Executive Board members consists of fixed compensation and variable compensation.

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

Fixed compensation

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

Variable compensation

Aegon believes that variable compensation strengthens the commitment of Executive Board members to the Company's objectives, business strategy, risk tolerance and long-term performance. Variable compensation is based on a number of individual and company performance indicators that are linked to these items. The indicators are regularly evaluated by experts in the Company's Finance, Risk Management, Business Control, Audit, Human Resources and Compliance departments to ensure alignment with the Company's objectives, business strategy, risk tolerance and long-term performance remains strong.

Performance is determined by using a mix of financial and non-financial indicators. For the CEO and CFO the mix of individual and company performance measures is 37.5% to 62.5% and 27.5% to 72.5% respectively. The type of performance indicators are selected in accordance with the long-term goals of the Company. The level of the indicators should be challenging but achievable. The targets and levels are agreed by the Supervisory Board.

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

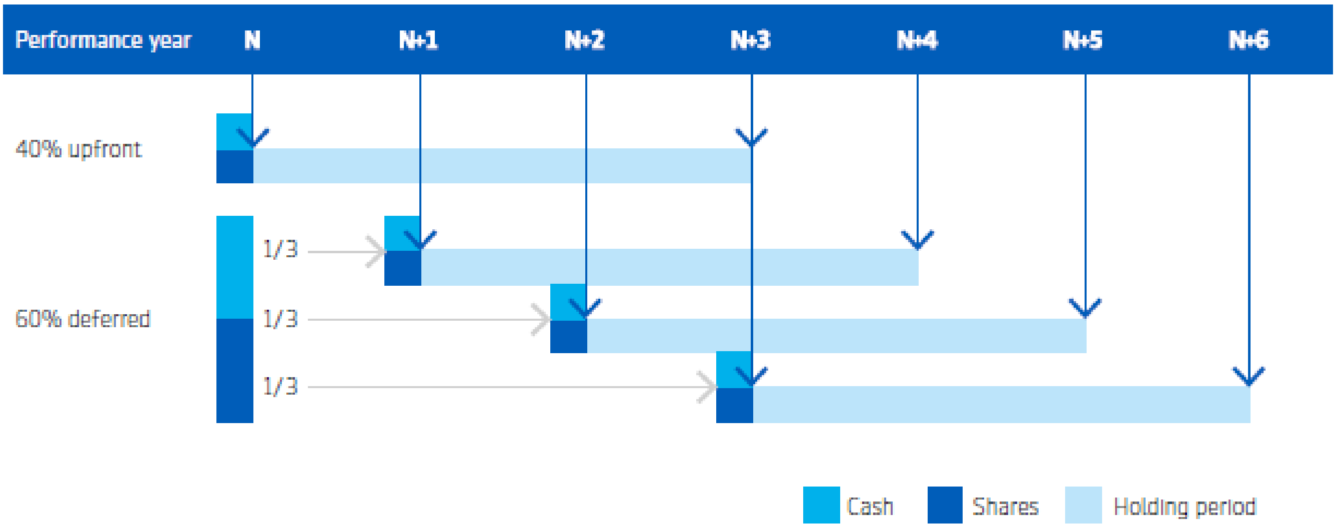
All variable compensation is conditionally granted at the beginning of each performance period. The number of conditionally granted shares is calculated using the value of one Aegon share at the beginning of this period. This value is equal to the volume weighted average price on the Euronext Amsterdam stock exchange for the period December 15 to January 15. After the performance year, the Company assesses the realized performance against the performance indicators and compares the minimum, target and maximum levels of the performance indicators with the realized performance. The amount of conditional variable compensation that can be allocated is then established. Variable compensation is allocated once the accounts for the financial year in question have been adopted by the Company's general meeting of shareholders and after an ex-ante assessment.

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

The deferred parts vest in equal tranches over a three-year period. After an ex-post assessment, which may lower the vesting parts, these individual parts are paid 50% in cash and 50% in shares. The shares are restricted for a further period of three years (with the exception of shares withheld to cover for the payment of any applicable taxes, social security premiums and possible other deductions by the government due for which the Company holds a withholding obligation in connection with the vesting of the shares).

The variable compensation payout can be illustrated by the following example and the table below. For every 1,000 variable compensation that is allocated following the performance period, 400 is paid out/vested in the year following that performance year (N in the following table). This part will be paid 50% in cash (=200) and 50% in shares vesting immediately (=200 / 5.246 = 38 shares). The remaining 600 is deferred and vests according to a pre-defined schedule.

Information on the expenses recognized for variable compensation and the status of awards are provided in note 53 of the report.



Variable compensation over 2017

At an aggregated level, payments are made as follows[1].

- 50% of base salary if the threshold target is reached. This results in the allocation of EUR 317,370 and 60,497 shares for Mr. Wynaendts and EUR 225,002 and 42,889 shares for Mr. Rider;
- 80% of base salary if the pre-determined performance targets are met. This results in the allocation of EUR 507,791 and 96,795 shares for Mr. Wynaendts and EUR 360,000 and 68,623 shares for Mr. Rider;
- Up to 100% of base salary if the targets are exceeded. This results in the allocation of EUR 634,739 and 120,994 shares for Mr. Wynaendts and EUR 450,000 and 85,779 shares for Mr. Rider;
- If at an aggregated level the threshold target is not reached, no variable compensation related to the performance period will be made available.

Objectives	Performance indicator	Maximum % of variable compensation	
		Mr. Wynaendts	Mr. Button
Group financial IFRS based	Group underlying earnings after tax, return on equity	15.0%	15.0%
Group financial risk adjusted based	Group market consistent value of new business	17.5%	17.5%
	Normalized operational free cash flow		
	Group pre-tax return on economic required capital		
Group non financial business indicators	Objective measuring corporate responsibility strategy implementation and sustainability	30.0%	40.0%
	Objectives measuring Aegon's control environment		
Personal objectives	Individual basket of strategic and personal objectives related to Aegon's strategy	37.5%	27.5%

1 Mr. Rider was appointed as CFO and member of Aegon's Executive Board on May 19, 2017. Conditional variable compensation is disclosed on an annualized basis for Mr. Rider.

Risk adjustment methodology (ex-ante)

At the end of the performance period, but prior to allocation of variable compensation, the Supervisory Board assesses whether (downward) modifications are needed. For this purpose, quantitative and qualitative measures at group, regional unit and individual level are taken into account, such as:

- Breaches of laws and regulations;
- Breaches of internal risk policies (including compliance);
- Significant deficiencies or material weaknesses relating to the Sarbanes-Oxley Act; and
- Reputation damage due to risk events.

Ex-post assessment and discretionary adjustments

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

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

Implementation of this authority is on the basis of criteria such as:

- The outcome of a re-assessment of the performance against the original financial performance indicators;
- A significant downturn in the Company's financial performance;
- Evidence of misbehavior or serious error by the participant;
- A significant failure in risk management; and
- Significant changes in the Company's economic or regulatory capital base.

The Supervisory Board asks the Remuneration Committee to review these criteria in detail prior to each vesting and to document its findings. Based on this analysis, the Committee may then put forward a proposal to the Supervisory Board to adjust unvested variable compensation. Deferred variable compensation may only be adjusted downwards. Ex-post, risk-based assessments concern deferred variable compensation, not fixed compensation.

Circuit breaker

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

Claw-back provision

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

Pension arrangements

Members of Aegon's Executive Board are offered pension arrangements and retirement benefits. Benefits offered are consistent with Executive Board members' agreements. Details on the pension contributions to the Executive Board over the course of 2017 can be found in the Remuneration of members of the Executive Board on page 306 of the Annual Report.

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

Loans

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

Terms of Engagement Agreement

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

Both Executive Board members have an Engagement Agreement with Aegon N.V., rather than a contract of employment.

Members of the Executive Board may terminate their engagement agreement with a notice period of three months. The Company may terminate the board agreement by giving six months' notice if it wishes to terminate the agreement of Mr. Wynaendts, and three months' notice if it wishes to terminate the agreement of Mr. Rider.

The arrangements with current members of the Executive Board contain provisions for severance payments in the event that their agreement is terminated as a result of a merger or takeover. The Supervisory Board has taken appropriate steps to ensure the arrangements of members of the Executive Board are in line with the Executive Board Remuneration Policy.

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

Executive Board Remuneration Report

At the end of December 2017, Aegon's Executive Board had two members:

- Alex Wynaendts, Chief Executive Officer and Chairman of the Executive Board. Mr. Wynaendts was appointed as a member of the Executive Board in 2003 for four years, and re-appointed in 2007, 2011 and most recently in 2015. Mr. Wynaendts' current term ends at the General Meeting of Shareholders 2019.
- Matthew J. Rider, Chief Financial Officer and member of the Executive Board, was appointed as a member of the Executive Board for four years at the Annual General Meeting of Shareholders on May 19, 2017. Mr. Rider's current term ends at the General Meeting of Shareholders 2021.

Fixed compensation

Mr. Wynaendts' fixed compensation remained unchanged in 2017 at EUR 1,269,478. The annual fixed compensation of Aegon's CFO was agreed at EUR 900,000, and remained unchanged in 2017.

Conditional variable compensation awards 2017

Subject to the adoption of the annual accounts at the General Meeting of Shareholders on May 18, 2018, variable compensation for Executive Board members is set in cash and shares, based on both their individual and the Company's performance. Targets for the performance indicators have been set in line with the agreed variable compensation targets and 2017 company budgets.

Performance as reported on the financial and non-financial Group performance indicators and targets resulted in a performance score of 56.6% (maximum 62.50%) for Mr. Wynaendts and 64.4% (maximum 72.5%) for Mr. Rider. The performance on individual (strategic) objectives resulted in a pay-out of 33.8% and 24.8% for Mr. Wynaendts and Mr. Rider respectively (maximum 37.50% and 27.50% respectively). The amounts and number of shares below are reflective of period for which Mr. Rider has been part of the Executive Board.

Over the performance year 2017, Mr. Wynaendts was awarded EUR 1,147,100 in total conditional variable compensation. Mr. Rider was awarded EUR 498,783.

Forty percent of variable compensation related to performance year 2017 is payable in 2018. This is split 50/50 in a cash payment and in an allocation of shares.

In 2018, Mr. Wynaendts and Mr. Rider are eligible to receive a cash payment of EUR 229,420 and EUR 99,758 respectively.

The number of shares to be made available in 2018 is 43,732 for Mr. Wynaendts and 19,017 for Mr. Rider. With regard to vested shares (with the exception of shares withheld to cover for the payment of any applicable taxes, social security premiums and possible other deductions by the government due for which the Company holds a withholding obligation in connection with the vesting of the shares), a retention (holding) period of a further three years is applicable before they are at the disposal of the Executive Board members.

The remaining part of variable compensation for the performance year 2017 (60% of the total, which for Mr. Wynaendts equates to EUR 344,130 and 65,598 shares, and for Mr. Rider equates to EUR 149,633 and 28,522 shares) is to be paid out in future years, subject to ex-post assessments, which may result in downward adjustments and be subject to meeting additional conditions. In each of the years 2019, 2020 and 2021, 20% of the total variable compensation may be made available. Any payout is split 50/50 in a cash payment and an allocation of shares (vesting). After vesting (with the exception of shares withheld to cover for the payment of any applicable taxes, social security premiums and possible other deductions by the government due for which the Company holds a withholding obligation in connection with the vesting of the shares), a retention (holding) period is applicable for a further three years, before shares are at the disposal of the Executive Board members.

Impact of ex-ante and ex-post assessment on attribution of variable compensation

No variable compensation from previous performance years payable in 2017 has been adjusted downwards in 2017.

No circumstances have been identified to lower payout of the deferred payment from prior performance years that vest in 2017 (the so called 'ex-post assessment') or to lower the payout of the up-front payment of the 2016 performance year variable compensation that vests in 2017 (the so called 'ex-ante assessment').

Future changes

No material changes to the executive board remuneration policy are foreseen for 2018. Compensation for individuals in the financial sector, in particular for those that materially influence the risk profile of the organization, does however continue to be a focus of regulatory attention. Aegon will ensure compliance if and when new regulations are approved. Any such regulations may require further deferral and the extension of holding periods, which Aegon will apply to new allocations of variable compensation going forward.