Remuneration Report 2018 Executive Board

The Hague, March 2019

AEGON

Executive Board Remuneration Policy 2018

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

The Executive Board Remuneration Policy that has been applied in 2018 was adopted at the General Meeting of Shareholders on May 12, 2011. This policy has been subject to annual reviews by the Supervisory Board.

Annual Remuneration Policy review

The Supervisory Board has the overall responsibility for the company's Remuneration Policies, including the Executive Board Remuneration Policy. The Supervisory Board established the Remuneration Committee from among its members. This committee has to ensure that the remuneration policies are consistent with the longer-term strategy of the company and the longer-term interest of its shareholders, investors and other stakeholders, as well as the public at large. For this purpose, the Remuneration Committee reviews the Executive Board Remuneration Policy each year and may recommend policy changes to the Supervisory Board. When these recommendations are supported by the Supervisory Board, the policy changes are proposed to the General Meeting of Shareholders for adoption.

Future changes

Compensation for individuals in the financial sector, in particular for those who could materially influence the risk profile of the organization such as the Executive Board members, continue to be a focus of political and regulatory attention. Aegon will ensure compliance if and when new remuneration regulations come into force.

Aegon took note of the implementation of the Shareholder Rights Directive in the Netherlands per 2019. This will likely require Aegon to amend the current Executive Board Remuneration Policy in the near future.

Total compensation

Total compensation for Executive Board members is defined in the Executive Board Remuneration Policy as a combination of fixed compensation, variable compensation, pension and other benefits.

In line with this policy, the Supervisory Board has determined a maximum total compensation level for each Executive Board member, reflecting the specific roles, responsibilities, qualifications, experience and expertise of the individual. In addition to that, the Remuneration Committee conducts regular scenario analyses to determine the long-term effect of the level and structure of compensation granted to each Executive Board member and reports their findings to the Supervisory Board.

Each year, the Remuneration Committee reviews these total compensation levels of the Executive Board members to ensure they remain competitive and provide proper and risk-based incentives.

In order for the Remuneration Committee to assess the competitiveness, they gather benchmark data on compensation levels at comparable companies, in accordance with the applicable rules and regulations. These comparable companies form a peer group and have been selected by 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).

Based on these criteria the current peer group consists of the following 14 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 Remuneration Committee and the Supervisory Board regularly review the composition of the two groups in order to ensure that they continue to provide a reliable and suitable basis for comparison. The last change to these two groups as a result of this review was in 2015.

Based on the results of the annual competitiveness review and discussions with the Executive Board members regarding their remuneration level and structure, the Remuneration Committee may recommend changes to the compensation levels of the Executive Board members. These recommendations are subsequently discussed by the Supervisory Board, which can approve, revise or reject them.

The Supervisory Board, based on the Remuneration Committee review, discussed and approved the 2018 total compensation for the Executive Board.

Fixed compensation

The fixed compensation for the Executive Board members is paid in monthly installments.

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. The variable compensation award is based on annual performance against a number of individual and Group performance indicators

- These performance indicators are a mix of financial and non-financial indicators with a one-year performance horizon.
- The result of an individual performance indicator must exceed a predefined threshold level, before this indicator contributes to the overall performance result. When an indicator result is below this threshold, the contribution of this indicator to the overall performance result is zero (i.e. a circuit breaker).
- In case the performance of an indicator exceeds the target, the contribution of this indicators is capped once it reaches a predefined maximum level. This means that strongly exceeding performance on one specific indicator can only contribute up to a certain level to the overall performance result (i.e. a contribution cap).
- These 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.

At the start of the performance year, the Remuneration Committee drafts a recommendation on which performance indicators apply to each Executive Board member, as well as what the threshold, target and maximum levels are per indicator. This recommendation is subsequently reviewed by the Company’s Risk Management team (i.e the ex-ante risk assessment) before it is send to the Supervisory Board. The Supervisory Board can approve, revise or reject the recommendation, taking the results of the risk assessment into account.

Once the Supervisory Board has approved the performance indicators for each Executive Board member, the Executive Board members are granted their conditional variable compensation award for that performance year. This conditional award is equal to their at target variable compensation level, which consists of 50% cash and 50% Aegon shares.

After the completion of the performance year, the Remuneration Committee prepares a recommendation for the allocation of a variable compensation award to each Executive Board member. This recommendation is based on the results on each of the applicable performance indicators, related threshold, target and maximum levels and another ex-ante risk assessment by the Company's Risk Management team. This risk assessment looks into whether there are reasons for a downward adjustment of the intended variable compensation award. 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.

Based on this risk-assessment, the Remuneration Committee can include a proposal to adjust an intended variable compensation in their recommendation. This adjustment can only be downwards. The Remuneration Committee sends its recommendation and the ex-ante risk assessment to the Supervisory Board, which – based on its informed judgement – can approve, revise or reject the recommendation. This Supervisory Board decision includes validating that, when taken together, the results of the performance indicators represent a fair reflection of the overall performance of the Executive Board member over the performance year.

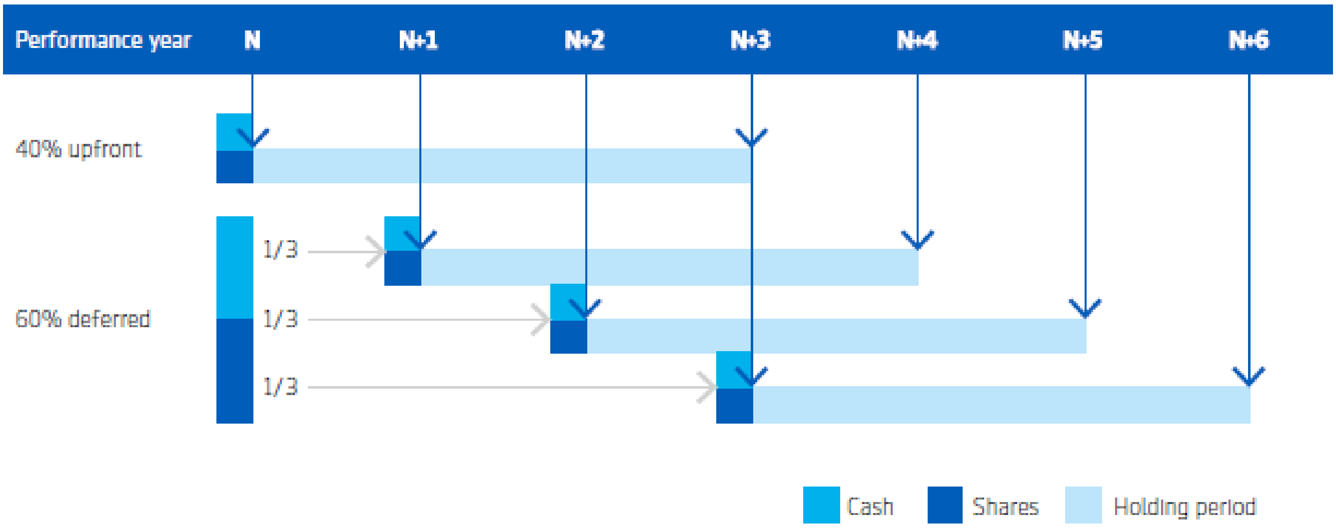
In line with the applicable rules and regulations, the allocated variable compensation award is split into equal parts of cash and Aegon shares, of which 40% is paid out (or vests) in the year following the performance year, and 60% is deferred to later years. This deferred portion remains conditional until it vests.

The deferred parts vest in equal tranches over a three-year period. After an ex-post risk 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 in variable compensation that is allocated following the performance year, 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/Aegon share price at grant = number of allocated shares). The remaining 600 is deferred and vests according to a pre-defined schedule.

For the calculation of the conditionally granted and allocated shares, the company applies the share price at grant. This grant price is equal to the volume weighted average price on the Euronext Amsterdam stock exchange for the period December 15 to January 15.

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



Ex-post risk assessment

After the completion of the performance year, the Remuneration Committee also prepares a recommendation on whether there are reasons for a downward adjustment of deferred variable compensation, before it is paid or vests. This recommendation is based on the ex-post risk assessment by the Company's Risk Management team, which takes into account significant and exceptional circumstances which were not (sufficiently) reflected in the initial performance assessment and/or the ex-ante risk assessment related the deferred variable compensation award in scope.

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 Remuneration Committee sends its recommendation and the ex-post risk assessment to the Supervisory Board. The Supervisory Board can approve, revise or reject the recommendation. When this recommendation includes a proposal to adjust unvested deferred variable compensation, this adjustment can only be downwards.

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

The Executive Board members are offered pension arrangements and retirement benefits. These benefits are in line with the Executive Board Remuneration Policy. Details on the pension contributions to the Executive Board over the course of 2018 can be found in note 53 of the Annual Report.

The arrangements with Mr. Wynaendts include retirement provisions that allow benefits to be taken at the end of the term. These retirement arrangements 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 105,075 (2018 threshold) base salary and a defined contribution plan for the amount above EUR 105,075. Details are not disclosed due to the individual nature of such arrangement.

Other benefits

Other benefits include non-monetary benefits (e.g. company car), social security contributions by the employer, and tax expenses borne by the Group.

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 an employment contract.

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 by giving three months' notice if it wishes to terminate the agreement of Mr. Rider.

The arrangements with the current Executive Board members contain provisions for severance payments in the event that their agreement is terminated as a result of a merger or takeover. These arrangements do not exceed one year's fixed remuneration. The Supervisory Board has taken appropriate steps to ensure the arrangements of Executive Board members are in line with the Executive Board Remuneration Policy.

Executive Board Remuneration Report 2018

At the end of December 2018, Aegon's Executive Board had two members:

- Alexander R. 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. He was re-appointed in 2007, 2011 and most recently in 2015. In 2019 the General Meeting of Shareholders will be asked to re-appoint Mr. Wynaendts for four years.
- 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 increased with 2% in 2018 to EUR 1,294,867. The annual fixed compensation of Mr. Rider increased with 2% to EUR 918,000.

Conditional variable compensation 2018

In 2018, Mr. Wynaendts and Mr. Rider both had an (at target) conditional variable compensation level of 80% of their annual fixed compensation, which was split into equal parts of cash and shares. However, their actual variable compensation award depended on their results on the performance indicators and related target levels, which had been approved by the Supervisory Board at the start of 2018. As a result they would receive:

- 50% of their annual fixed compensation if the results of the performance indicators reached the threshold level. This would result in the allocation of EUR 323,717 and 59,892 shares for Mr. Wynaendts and EUR 229,500 and 42,460 shares for Mr. Rider;
- 80% of their annual fixed compensation if the results of the performance indicator met their target levels. This would result in the allocation of EUR 517,947 and 95,827 shares for Mr. Wynaendts and EUR 367,200 and 67,937 shares for Mr. Rider;
- Up to 100% of their annual fixed compensation if the results of the performance indicators exceeded their target levels. This would result in an allocation up to EUR 647,434 and 119,784 shares for Mr. Wynaendts and up to EUR 459,000 and 84,921 shares for Mr. Rider;
- If at an aggregated level the threshold target was not reached, no variable compensation related to 2018 would be made available.

In 2018, the actual variable compensation awards of Mr. Wynaendts and Mr. Rider were based on the 2018 performance of the following individual and Group performance indicators:

Objectives	Performance indicator	Maximum % of variable compensation	
		Mr. Wynaendts	Mr. Rider
Group financial IFRS based	Group underlying earnings after tax and return on equity	15.0%	15.0%
Group financial risk adjusted based	Group market consistent value of new business, normalized capital generation and pre-tax return on economic required capital	17.5%	17.5%
Group non financial business indicators	Group new business strain, customer engagement, employee engagement, control environment and digitally connected customers	32.5%	32.5%
Personal objectives	Individual basket of strategic and personal objectives related to Aegon's strategy	35.0%	35.0%

Provisional allocation variable compensation 2018

Subject to the adoption of the annual accounts at the General Meeting of Shareholders on May 17, 2019, the variable compensation award for Executive Board members will be allocated in cash and shares, based on results of the performance indicators listed above.

The results of the financial and non-financial Group performance indicators led to a performance score of 54.8% (out of a maximum of 65%) for Mr. Wynaendts and 54.8% (out of 65%) for Mr. Rider. The results of their individual (strategic) performance indicators was 27.3% (out of 35%) and 28.0% (out of 35%) for Mr. Wynaendts and Mr. Rider respectively.

As a result, Mr. Wynaendts has been awarded EUR 1,062,438 in conditional variable compensation for the 2018 performance year and Mr. Rider EUR 759,645.

Of this award 20% will be paid in upfront cash and 20% in upfront shares. For Mr. Wynaendts this will be EUR 212,490 in cash and 39,314 shares, where for Mr. Rider this will be EUR 151,931 in cash and 28,110 shares.

The remaining 60% of the 2018 variable compensation will be deferred, vesting in equal tranches over a three-year period. Each of these tranches will be split equally in cash and shares (for Mr. Wynaendts EUR 318,729 and 58,968 shares in total, and for Mr. Rider EUR 227,892 and 42,162 shares in total).

Once the upfront and deferred shares have vested, they will remain subject to a three-year retention period.

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

In line with the Aegon Group Global Remuneration Framework, it was agreed to adjust Mr Wynaendts' 2014 variable compensation award downwards by 3,388 shares and EUR 22,832 to reflect the outcome of a regulatory matter relating to the company. No other circumstances have been identified to lower payout of the deferred payment from prior performance years that vest in 2018 (the so called 'ex-post assessment') or to lower the payout of the upfront payment of the 2017 performance year variable compensation that vests in 2018 (the so called 'ex-ante assessment').

Pay ratio

The Remuneration 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 2018 this ratio was 42.2 (2017: 41.7; 2016: 41.9). The Remuneration Committee took note that certain factors may have influenced this ratio, such as the significant difference in the geographical footprint of the Company's employee population, and the way the Company was affected by restructuring and other organizational changes in 2018 (e.g. major acquisitions or divestments).