

AEGON NV  
Form 6-K  
February 17, 2017  
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# Securities and Exchange Commission

Washington, D.C. 20549

## Form 6-K

Report of Foreign Issuer

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

the Securities Exchange Act of 1934

February 2017

## AEGON N.V.

Aegonplein 50

2591 TV THE HAGUE

The Netherlands

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Aegon's condensed consolidated interim financial statements Q4 2016, dated February 17, 2017, are included as appendix and incorporated herein by reference.

SIGNATURE

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

AEGON N.V.

(Registrant)

Date: February 17, 2017

By /s/ J.H.P.M. van Rossum  
J.H.P.M. van Rossum  
Executive vice president and Head of Corporate

Financial Center

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## 2 Condensed Consolidated Interim Financial Statements Q4 2016

**Condensed consolidated income statement**

<i>EUR millions</i>	Notes	Q4 2016	Q4 2015	FY 2016	FY 2015
Premium income	4	6,118	5,409	23,453	22,925
Investment income	5	1,927	2,153	7,788	8,525
Fee and commission income		607	607	2,408	2,438
Other revenues		3	3	7	14
<b>Total revenues</b>		<b>8,654</b>	<b>8,173</b>	<b>33,655</b>	<b>33,902</b>
Income from reinsurance ceded		1,011	781	3,687	3,321
Results from financial transactions	6	429	5,369	15,949	401
Other income	7	2	67	66	83
<b>Total income</b>		<b>10,097</b>	<b>14,390</b>	<b>53,357</b>	<b>37,707</b>
Benefits and expenses	8	9,453	13,839	51,550	36,052
Impairment charges / (reversals)	9	41	1,234	95	1,251
Interest charges and related fees		89	104	347	412
Other charges	10	18	12	700	774
<b>Total charges</b>		<b>9,601</b>	<b>15,189</b>	<b>52,693</b>	<b>38,489</b>
Share in profit / (loss) of joint ventures		34	30	137	142
Share in profit / (loss) of associates		1	-	3	5
<b>Income / (loss) before tax</b>		<b>531</b>	<b>(769)</b>	<b>805</b>	<b>(634)</b>
Income tax (expense) / benefit		(61)	189	(219)	111
<b>Net income / (loss)</b>		<b>470</b>	<b>(580)</b>	<b>586</b>	<b>(523)</b>
<b>Net income / (loss) attributable to:</b>					
Equity holders of Aegon N.V.		470	(581)	586	(524)
Non-controlling interests		-	-	-	1
<b>Earnings per share (EUR per share)</b>	17				
Basic earnings per common share		0.21	(0.29)	0.22	(0.31)
Basic earnings per common share B		0.01	(0.01)	0.01	(0.01)
Diluted earnings per common share		0.21	(0.29)	0.22	(0.31)
Diluted earnings per common share B		0.01	(0.01)	0.01	(0.01)

Amounts for 2015 have been restated to reflect the voluntary change in accounting policies for deferred cost of reinsurance that was adopted by Aegon effective January 1, 2016. Furthermore a voluntary change in insurance

accounting for business in United Kingdom was adopted by Aegon effective January 1, 2016 as well. Refer to note 2.1 Voluntary changes in accounting policies for details about these changes.

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**Condensed consolidated statement of comprehensive income**

<i>EUR millions</i>	Q4 2016	Q4 2015	FY 2016	FY 2015
Net income / (loss)	470	(580)	586	(523)
<b>Other comprehensive income:</b>				
<b>Items that will not be reclassified to profit or loss:</b>				
Changes in revaluation reserve real estate held for own use	6	8	8	13
Remeasurements of defined benefit plans	912	(16)	(392)	240
Income tax relating to items that will not be reclassified	(250)	(15)	86	(77)
<b>Items that may be reclassified subsequently to profit or loss:</b>				
Gains / (losses) on revaluation of available-for-sale investments	(2,508)	(1,068)	854	(2,175)
Gains / (losses) transferred to the income statement on disposal and impairment of available-for-sale investments	(7)	(160)	(2,122)	(485)
Changes in cash flow hedging reserve	(782)	(95)	(54)	446
Movement in foreign currency translation and net foreign investment hedging reserve	988	350	69	1,419
Equity movements of joint ventures	1	(5)	9	(8)
Equity movements of associates	-	-	3	(1)
Disposal of group assets	-	6	-	(544)
Income tax relating to items that may be reclassified	1,089	404	225	783
Other	1	-	4	9
Other comprehensive income / (loss) for the period	(551)	(593)	(1,309)	(380)
<b>Total comprehensive income / (loss)</b>	<b>(81)</b>	<b>(1,173)</b>	<b>(723)</b>	<b>(903)</b>
<b>Total comprehensive income / (loss) attributable to:</b>				
Equity holders of Aegon N.V.	(81)	(1,174)	(729)	(903)
Non-controlling interests	-	1	7	-

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Amounts for 2015 have been restated to reflect the voluntary change in accounting policies for deferred cost of reinsurance that was adopted by Aegon effective January 1, 2016. Furthermore a voluntary change in insurance accounting for business in United Kingdom was adopted by Aegon effective January 1, 2016 as well. Refer to note 2.1 Voluntary changes in accounting policies for details about these changes.

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## 4 Condensed Consolidated Interim Financial Statements Q4 2016

**Condensed consolidated statement of financial position**

		Dec. 31, 2016	Dec. 31, 2015
<i>EUR millions</i>	Notes		
<b>Assets</b>			
Intangible assets	11	1,820	1,901
Investments	12	156,813	160,792
Investments for account of policyholders	13	203,610	200,226
Derivatives	14	8,318	11,545
Investments in joint ventures		1,614	1,561
Investments in associates		270	242
Reinsurance assets		11,208	11,257
Deferred expenses	16	11,423	10,997
Assets held for sale	19	8,705	-
Other assets and receivables		10,805	7,615
Cash and cash equivalents		11,347	9,594
<b>Total assets</b>		<b>425,935</b>	<b>415,729</b>
<b>Equity and liabilities</b>			
Shareholders' equity		20,913	22,684
Other equity instruments		3,805	3,800
<b>Issued capital and reserves attributable to equity holders of Aegon N.V.</b>		<b>24,718</b>	<b>26,485</b>
Non-controlling interests		16	9
<b>Group equity</b>		<b>24,734</b>	<b>26,494</b>
Subordinated borrowings		767	759
Trust pass-through securities		156	157
Insurance contracts		119,569	123,042
Insurance contracts for account of policyholders		120,929	112,679
Investment contracts		19,572	17,718
Investment contracts for account of policyholders		84,774	90,119
Derivatives	14	8,878	10,890
Borrowings	18	13,153	12,445
Liabilities held for sale	19	8,816	-
Other liabilities		24,588	21,427
<b>Total liabilities</b>		<b>401,201</b>	<b>389,236</b>

**Total equity and liabilities**

**425,935 415,729**

Amounts for 2015 have been restated to reflect the voluntary change in accounting policies for deferred cost of reinsurance that was adopted by Aegon effective January 1, 2016. Furthermore a voluntary change in insurance accounting for business in United Kingdom was adopted by Aegon effective January 1, 2016 as well. Refer to note 2.1 Voluntary changes in accounting policies for details about these changes.

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**Condensed consolidated statement of changes in equity**

<i>EUR millions</i>	Share capital <sup>1</sup>	Retained earnings	Revaluation reserves	Remeasurement of defined benefit plans	Other reserves	Other equity instruments	Issued capital and reserves	Non-controlling interests	Total
<b>Year ended December 31, 2016</b>									
At beginning of year	8,387	8,075	6,471	(1,532)	1,283	3,800	26,485	9	26,494
Net income / (loss) recognized in the income statement	-	586	-	-	-	-	586	-	586
<b>Other comprehensive income:</b>									
<b><i>Items that will not be reclassified to profit or loss:</i></b>									
Changes in revaluation reserve real estate held for own use	-	-	8	-	-	-	8	-	8
Remeasurements of defined benefit plans	-	-	-	(392)	-	-	(392)	-	(392)
Income tax relating to items that will not be reclassified	-	-	(3)	89	-	-	86	-	86
<b><i>Items that may be reclassified subsequently to profit or loss:</i></b>									
Gains / (losses) on revaluation of available-for-sale investments	-	-	854	-	-	-	854	-	854
Gains / (losses) transferred to income statement on	-	-	(2,122)	-	-	-	(2,122)	-	(2,122)

disposal and impairment of available-for-sale investments									
Changes in cash flow hedging reserve	-	-	(54)	-	-	-	(54)	-	(54)
Movement in foreign currency translation and net foreign investment hedging reserves	-	-	(38)	16	91	-	69	-	69
Equity movements of joint ventures	-	-	-	-	9	-	9	-	9
Equity movements of associates	-	-	-	-	3	-	3	-	3
Income tax relating to items that may be reclassified	-	-	264	-	(39)	-	225	-	225
Other	-	(2)	-	-	-	-	(2)	6	4
<b>Total other comprehensive income</b>	-	(2)	(1,090)	(288)	64	-	(1,315)	6	(1,309)
<b>Total comprehensive income / (loss) for 2016</b>	-	<b>584</b>	<b>(1,090)</b>	<b>(288)</b>	<b>64</b>	-	<b>(729)</b>	<b>7</b>	<b>(723)</b>
Shares issued	1	-	-	-	-	-	1	-	1
Shares withdrawn	(10)	(372)	-	-	-	-	(382)	-	(382)
Issuance and purchase of (treasury) shares	-	(27)	-	-	-	-	(27)	-	(27)
Dividends paid on common shares	(186)	(304)	-	-	-	-	(490)	-	(490)
Dividend withholding tax reduction	-	(2)	-	-	-	-	(2)	-	(2)
Coupons on non-cumulative subordinated notes	-	(28)	-	-	-	-	(28)	-	(28)
Coupons on perpetual securities	-	(105)	-	-	-	-	(105)	-	(105)
Incentive plans	-	(9)	-	-	-	(3)	(12)	-	(12)
Participations	-	-	-	-	-	8	8	-	8
<b>At end of period</b>	<b>8,193</b>	<b>7,812</b>	<b>5,381</b>	<b>(1,820)</b>	<b>1,347</b>	<b>3,805</b>	<b>24,718</b>	<b>16</b>	<b>24,734</b>
<b>Year ended December 31, 2015</b>									
At beginning of year (as previously stated)	8,597	9,076	8,308	(1,611)	(77)	3,827	28,120	9	28,129
Changes in accounting policies relating to deferred cost of reinsurance	-	(101)	-	-	(9)	-	(110)	-	(110)
At beginning of year (restated)	8,597	8,975	8,308	(1,611)	(86)	3,827	28,010	9	28,019
	-	(524)	-	-	-	-	(524)	1	(523)

Net income / (loss)  
recognized in the income  
statement

**Other comprehensive  
income:**

**Items that will not be  
reclassified to profit or  
loss:**

Changes in revaluation reserve real estate held for own use	-	-	13	-	-	-	13	-	13
Remeasurements of defined benefit plans	-	-	-	240	-	-	240	-	240
Income tax relating to items that will not be reclassified	-	-	(2)	(75)	-	-	(77)	-	(77)

**Items that may be  
reclassified subsequently  
to profit or loss:**

Gains / (losses) on revaluation of available-for-sale investments	-	-	(2,175)	-	-	-	(2,175)	-	(2,175)
Gains / (losses) transferred to income statement on disposal and impairment of available-for-sale investments	-	-	(485)	-	-	-	(485)	-	(485)
Changes in cash flow hedging reserve	-	-	446	-	-	-	446	-	446
Movement in foreign currency translation and net foreign investment hedging reserves	-	-	-	(86)	1,505	-	1,419	-	1,419
Equity movements of joint ventures	-	-	-	-	(8)	-	(8)	-	(8)
Equity movements of associates	-	-	-	-	(1)	-	(1)	-	(1)
Disposal of group assets	-	-	(468)	-	(76)	-	(544)	-	(544)

Income tax relating to items that may be reclassified	-	-	836	-	(52)	-	783	-	783
Other	-	10	-	-	-	-	10	(1)	9
<b>Total other comprehensive income</b>	-	<b>10</b>	<b>(1,837)</b>	<b>79</b>	<b>1,369</b>	-	<b>(379)</b>	<b>(1)</b>	<b>(380)</b>
<b>Total comprehensive income / (loss) for 2015</b>	-	<b>(514)</b>	<b>(1,837)</b>	<b>79</b>	<b>1,369</b>	-	<b>(903)</b>	-	<b>(903)</b>

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Shares issued	1	-	-	-	-	-	1	-	1
Issuance and purchase of (treasury) shares	-	52	-	-	-	-	52	-	52
Dividends paid on common shares	(211)	(292)	-	-	-	-	(503)	-	(503)
Dividend withholding tax reduction	-	1	-	-	-	-	1	-	1
Coupons on non-cumulative subordinated notes	-	(28)	-	-	-	-	(28)	-	(28)
Coupons on perpetual securities	-	(111)	-	-	-	-	(111)	-	(111)
Share options and incentive plans	-	(7)	-	-	-	(27)	(33)	-	(33)
<b>At end of period</b>	<b>8,387</b>	<b>8,075</b>	<b>6,471</b>	<b>(1,532)</b>	<b>1,283</b>	<b>3,800</b>	<b>26,485</b>	<b>9</b>	<b>26,494</b>

<sup>1</sup> For a breakdown of share capital please refer to note 17.

<sup>2</sup> Issued capital and reserves attributable to equity holders of Aegon N.V.

Amounts for 2015 have been restated to reflect the voluntary change in accounting policies for deferred cost of reinsurance that was adopted by Aegon effective January 1, 2016. Furthermore a voluntary change in insurance accounting for business in United Kingdom was adopted by Aegon effective January 1, 2016 as well. Refer to note 2.1 Voluntary changes in accounting policies for details about these changes.

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<i>EUR millions</i>	FY 2016	FY 2015
<b>Cash flow from operating activities</b>	<b>3,311</b>	<b>914</b>
Purchases and disposals of intangible assets	(22)	(52)
Purchases and disposals of equipment and other assets	(66)	(83)
Purchases, disposals and dividends of subsidiaries, associates and joint ventures	(990)	749
<b>Cash flow from investing activities</b>	<b>(1,078)</b>	<b>615</b>
Issuance and purchase of (treasury) shares	(623)	(213)
Dividends paid	(306)	(292)
Issuances, repurchases and coupons of perpetuals	(140)	(148)
Issuances, repurchases and coupons of non-cumulative subordinated notes	(38)	(38)
Issuances and repurchases subordinated perpetual liabilities (participations)	8	-
Issuances and repayments of borrowings	641	(2,095)
<b>Cash flow from financing activities</b>	<b>(457)</b>	<b>(2,785)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>1,776</b>	<b>(1,257)</b>
Net cash and cash equivalents at January 1	9,593	10,649
Effects of changes in foreign exchange rates	(23)	200
<b>Net cash and cash equivalents at end of period</b>	<b>11,346</b>	<b>9,593</b>
Cash and cash equivalents	11,347	9,594
Cash and cash equivalents classified as Assets held for sale	-	-
Bank overdrafts classified as other liabilities	(1)	-
<b>Net cash and cash equivalents</b>	<b>11,346</b>	<b>9,593</b>

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**Notes to the Condensed consolidated interim financial statements****Amounts in EUR millions, unless otherwise stated**

Aegon N.V., incorporated and domiciled in the Netherlands, is a public limited liability company organized under Dutch law and recorded in the Commercial Register of The Hague under number 27076669 and with its registered address at Aegonplein 50, 2591 TV, The Hague, the Netherlands. Aegon N.V. serves as the holding company for the Aegon Group and has listings of its common shares in Amsterdam and New York.

Aegon N.V. (or the Company) and its subsidiaries (Aegon or the Group) have life insurance and pensions operations in more than 20 countries in the Americas, Europe and Asia and are also active in savings and asset management operations, accident and health insurance, general insurance and to a limited extent banking operations. Headquarters are located in The Hague, the Netherlands. The Group employs over 29,000 people worldwide.

**1. Basis of presentation**

The Condensed consolidated interim financial statements as at, and for the three months period and year ended, December 31, 2016, have been prepared in accordance with IAS 34 Interim Financial Reporting, as adopted by the European Union (hereafter IFRS). They do not include all of the information required for a full set of financial statements prepared in accordance with IFRS and should therefore be read together with the 2015 consolidated financial statements of Aegon N.V. as included in Aegon's Annual Report for 2015 and the disclosures provided in note 2.1 of this report which disclose the impact of voluntary changes in accounting policies that were made by Aegon effective January 1, 2016. Aegon's Annual Report for 2015 is available on its website (aegon.com).

The Condensed consolidated interim financial statements have been prepared in accordance with the historical cost convention as modified by the revaluation of investment properties and those financial instruments (including derivatives) and financial liabilities that have been measured at fair value. Certain amounts in prior periods may have been reclassified to conform to the current year presentation. Except for the voluntary accounting changes implemented as of the first of January 2016, these reclassifications had no effect on net income, shareholders' equity or earnings per share. The Condensed consolidated interim financial statements as at, and for the period ended December 31, 2016, were approved by the Executive Board on February 16, 2017.

The Condensed consolidated interim financial statements are presented in euro (EUR) and all values are rounded to the nearest million unless otherwise stated. The consequence is that the rounded amounts may not add up to the rounded total in all cases.

The published figures in these Condensed consolidated interim financial statements are unaudited.

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**2. Significant accounting policies**

All accounting policies and methods of computation applied in the Condensed consolidated interim financial statements are the same as those applied in the 2015 consolidated financial statements, except for the newly applied accounting policies as described in note 2.1.

*New IFRS accounting standards effective*

The following standards, interpretations, amendments to standards and interpretations became effective in 2016:

- t IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception;
- t IFRS 11 Joint Arrangements Amendment Accounting for Acquisition of Interests in Joint Operations;
- t IFRS 14 Regulatory Deferral Accounts;
- t IAS 1 Amendment Disclosure Initiative;
- t IAS 27 Separate Financial Statements Amendment Equity method in Separate Financial Statements;
- t IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortization;
- t Annual improvements 2012-2014 Cycle.

None of these revised standards and interpretations had a significant effect on the Condensed consolidated interim financial statements as at and for the three months period and year ended December 31, 2016.

For a complete overview of IFRS standards, published before January 1, 2016, that will be applied in future years, and were not early adopted by the Group, please refer to Aegon's Annual Report for 2015.

*Future adoption of IFRS accounting standards*

The IASB has issued an amendment related to IFRS 4 Insurance Contracts. The objective of these amendments is to address the temporary accounting consequences of the different effective dates of IFRS 9 - Financial Instruments and the forthcoming insurance contracts Standard. The amendments permit entities whose predominant activities are connected with insurance, to defer the application of IFRS 9 until 2021 (the temporary exemption); and permit all issuers of insurance contracts to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts Standard is issued (the overlay approach). Aegon has decided to make use of the temporary exemption to defer the application of IFRS 9 until 2021, as it meets the underlying qualifying criteria for doing so.

For these amendments EFRAG has issued a positive endorsement advice to the EU and expects the EU to come to a final endorsement decision in 2017.

*Taxes*

Taxes on income for the year, ended December 31, 2016, are calculated using the tax rate that is estimated to be applicable to total annual earnings.

*Judgments and critical accounting estimates*

Preparing the Condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions, including the likelihood, timing or amount of future transactions or events, that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from the estimates made.

In preparing the Condensed consolidated interim financial statements, significant judgments made by management in applying the Group's accounting policies and the key sources of estimating uncertainty were not significantly different than those that were applied to the consolidated financial statements as at and for the year ended December 31, 2015, other than mentioned in the following paragraph Actuarial assumptions and model updates .

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*Actuarial assumption and model updates*

Actuarial assumptions are reviewed and updated periodically, typically in the third quarter, based on historical experience and observable market data, including market transactions such as acquisitions and reinsurance transactions. As of Q3 2016 reporting of assumption updates has been changed in Aegon's segment reporting. The results from assumption updates will be reported as part of Other income / (charges), refer to note 3.2. Performance measure.

*Exchange rates*

Assets and liabilities are translated at the closing rates on the reporting date. Income, expenses and capital transactions (such as dividends) are translated at average exchange rates or at the prevailing rates on the transaction date, if more appropriate. The following exchange rates are applied for the Condensed consolidated interim financial statements:

## Closing exchange rates

			USD	GBP
December 31, 2016	1	EUR	1.0548	0.8536
December 31, 2015	1	EUR	1.0863	0.7370
Weighted average exchange rates				

			USD	GBP
Year ended				
December 31, 2016	1	EUR	1.1069	0.8187
Year ended				
December 31, 2015	1	EUR	1.1100	0.7256

**2.1 Voluntary changes in accounting policies**

On January 13, 2016, Aegon adopted voluntary changes in accounting policies, effective January 1, 2016, which are applied retrospectively for all periods presented. Firstly, Aegon adopted a group-wide accounting policy for reinsurance transactions that are entered into as part of a plan to exit a business. Also, Aegon made two voluntary accounting policy changes that better reflect its business strategy after restructuring in the United Kingdom. The changes in the United Kingdom do not impact other reporting units within Aegon as these are changes specific to Aegon UK. However, these changes do increase alignment with other reporting units within Aegon.

In the paragraphs below, details are provided for the changes in accounting policies including the impact on shareholders equity and net income.

[Accounting related to certain reinsurance transactions](#)

Aegon adopted one single group-wide accounting policy for reinsurance transactions that are entered into as part of a plan to exit a business. The previous accounting policy recorded a deferred cost of reinsurance which was subsequently amortized. Under the new accounting policy, when the Company enters into a reinsurance contract as part of a plan to exit a business, an immediate gain or loss will be recognized in the income statement.

For purposes of this accounting policy, a business is defined as designated insurance liabilities to be disposed of through reinsurance transactions . The insurance liabilities are designated according to their homogenous risk profiles, possible examples include but are not limited to geographical area, product type, distribution channel, policyholder profiles, and policy form or riders.

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The accounting policy on Deferred cost of reinsurance effective as of January 1, 2016 is as follows:

A deferred cost of reinsurance is established when Aegon enters into a reinsurance transaction, except for reinsurance transactions that are entered into as part of a plan to exit a business. When Aegon enters into a reinsurance contract as part of a plan to exit a business, an immediate loss is recognized in the income statement. Upon reinsurance, Aegon is not relieved of its legal liabilities, so the reserves relating to the underlying reinsured contracts will continue to be reported in the consolidated statement of financial position during the contractual term of the underlying contracts.

When losses on buying reinsurance are deferred, the amortization is based on the assumptions of the underlying insurance contracts. The amortization is recognized in the income statement.

#### **Insurance accounting for business in United Kingdom**

In January 2016, Aegon announced the restructuring of its business and operations in the UK. This involves splitting the Aegon UK business into three components: the annuity business, the traditional pension book and the new digital solutions platform. By extracting the digital solutions platform from the rest of the business, management aims to ensure the focus and separate culture required to successfully build a viable and sustainably growing business over the longer term.

Aegon adopts two voluntary accounting policy changes that better reflect its business strategy after restructuring in the United Kingdom, only affecting Aegon UK. The changes involve the aggregation level at which the liability adequacy test is carried out and the definition of when a substantially modified contract will be derecognized.

The adjusted accounting policy effective on Liability adequacy testing as of January 1, 2016 for Aegon as a group and including insurance accounting for business in United Kingdom is as follows:

At each reporting date, the adequacy of the life insurance liabilities (including life insurance contracts for account of policyholders), net of VOBA (Value of business acquired) and DPAC (Deferred policy acquisition costs), is assessed using a liability adequacy test.

All tests performed within the Group are based on current estimates of all contractual future cash flows, including related cash flows from policyholder options and guarantees. A number of valuation methods are applied, including discounted cash flow methods, option pricing models and stochastic modelling. Aggregation levels are set either on geographical jurisdiction or at the level of portfolio of contracts that are subject to broadly similar risks and managed together as a single portfolio. Specifically, in the Netherlands the liability adequacy test is performed on a consolidated basis for all life and non-life business, whereas in the Americas and the UK it is performed at the level of the portfolio of contracts. To the extent that the tests involve discounting of future cash flows, the interest rate applied is based on market rates or is based on management's expectation of the future return on investments. These future returns on investments take into account management's best estimate related to the actual investments and, where applicable, reinvestments of these investments at maturity. Aegon the Netherlands, as required locally, adjusts the outcome of the liability adequacy test for the difference between the fair value and the book value of the assets that are

measured at amortized cost in the balance sheet.

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To the extent that the account balances are insufficient to meet future benefits and expenses, any resulting deficiency is recognized in the income statement, initially by impairing the DPAC and VOBA and subsequently by establishing an insurance liability for the remaining loss, unless shadow loss recognition has taken place. In the Netherlands, in situations where market interest rates for the valuation of debt securities leads to a change in the revaluation reserve, and where the result of using the same assumptions for the liabilities could lead to a deficiency in the liability adequacy test that should be recognized in the income statement, shadow loss recognition is applied. Shadow loss recognition is applied to the extent that the deficiency of the insurance liabilities relates to the revaluation of debt securities as a result of movements in interest rates, the addition to the insurance liabilities is then off set against the revaluation reserve. If in subsequent periods such a deficiency of the insurance liability is no longer applicable, shadow loss recognition is reversed via the revaluation reserve.

The adequacy of the non-life insurance liability is tested at each reporting date. Changes in expected claims that have occurred, but that have not been settled, are reflected by adjusting the liability for claims and future benefits. The reserve for unexpired risk is increased to the extent that the future claims and expenses in respect of current insurance contracts exceed the future premiums plus the current unearned premium reserve.

*Level of aggregation*

The previous accounting policy for the level of aggregation for the liability adequacy test in the United Kingdom was on a geographical basis, therefore the total Aegon UK book was considered as one population. After the announced restructuring, Aegon's business in the United Kingdom has been split into different portfolios that are managed independently from one another. Management is of the opinion that the liability adequacy test should be disaggregated to a portfolio level to reflect this change in strategy. This change in the definition of portfolio for Aegon UK better aligns with other reporting units in the Group where insurance contracts are grouped consistent with the Company's manner of acquiring, servicing and measuring the profitability of its insurance contracts.

*Substantial modification*

The previous accounting policy for Aegon's business in the United Kingdom is to derecognize insurance contracts when legal extinguishment occurs. As the annuity business, the traditional pension book and the new digital solutions platform will be managed separately post-restructuring, Aegon has decided to change its accounting policy for Aegon UK to one that considers criteria from IAS 39 contract modification. Under these criteria a change should be significant enough to be considered an extinguishment of the existing contract and the issuance of a new contract. Aegon considers that this change in accounting policy is preferred as introducing a more sophisticated approach to contract modification is consistent with how the business will be managed post-restructuring. Furthermore, it will provide the user with information that is more relevant and that reliably reflects the economic substance of our transactions with our upgraded policyholders, as required by IFRS 4 and IAS 8, in relation to the nature of contract modifications. The change in accounting policy on Substantial modification effective as of January 1, 2016 is as follows: Within the United States, the Netherlands and the United Kingdom, substantially modified contracts are accounted for as extinguishment of the original liability and the recognition of a new liability.

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Details of the impact of the adjustments on comparative periods are provided in the following tables:

**Impact of voluntary changes in accounting policies on condensed consolidated income statement**

		FY 2015 (as previously reported)	<sup>1</sup> Change in accounting policy		FY 2015 (restated)
	Notes		Deferred cost of reinsurance	Insurance accounting in UK	
<i>EUR millions</i>					
Premium income	4	20,311	-	2,614	22,925
Benefits and expenses	8	33,325	(36)	2,763	36,052
Impairment charges / (reversals)	9	(22)	-	1,274	1,251
Income tax (expense) / benefit		(134)	(26)	270	111
<b>Impact on net income</b>			<b>10</b>	<b>(1,153)</b>	
<b>Earnings per share (EUR per share)</b>	17				
Basic earnings per common share		0.23	-	(0.54)	(0.31)
Basic earnings per common share B		0.01	-	(0.01)	(0.01)
Diluted earnings per common share		0.23	-	(0.54)	(0.31)
Diluted earnings per common share B		0.01	-	(0.01)	(0.01)
<b>Earnings per share calculation</b>	17				
Net income / (loss) attributable to equity holders of Aegon N.V.		619	10	(1,153)	(524)
Coupons on other equity instruments		(139)	-	-	(139)
Earnings attributable to common shares and common shares B		479	10	(1,153)	(663)
Weighted average number of common shares outstanding (in million)		2,101	-	-	2,101
Weighted average number of common shares B outstanding (in million)		584	-	-	584

<sup>1</sup>As reported in Aegon's 2015 Annual Report dated March 25, 2016.

### Impact of voluntary changes in accounting policies on condensed consolidated income statement

		Q4 2015 (as previously reported)		Q4 2015 (restated)	
		Change in accounting policy		Insurance	
	Notes	Deferred cost of reinsurance	accounting in UK		
<i>EUR millions</i>					
Premium income	4	4,901	-	508	5,409
Benefits and expenses	8	13,305	(7)	541	13,839
Impairment charges / (reversals)	9	(40)	-	1,274	1,234
Income tax (expense) / benefit		(52)	(6)	247	189
<b>Impact on net income</b>			<b>1</b>	<b>(1,059)</b>	
<b>Earnings per share (EUR per share)</b>	17				
Basic earnings per common share		0.21	-	(0.50)	(0.29)
Basic earnings per common share B		0.01	-	(0.01)	(0.01)
Diluted earnings per common share		0.21	-	(0.50)	(0.29)
Diluted earnings per common share B		0.01	-	(0.01)	(0.01)
<b>Earnings per share calculation</b>	17				
Net income / (loss) attributable to equity holders of Aegon N.V.		477	1	(1,059)	(581)
Coupons on other equity instruments		(35)	-	-	(35)
Earnings attributable to common shares and common shares B		442	1	(1,059)	(616)
Weighted average number of common shares outstanding (in million)		2,109	-	-	2,109
Weighted average number of common shares B outstanding (in million)		585	-	-	585

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**Impact of voluntary changes in accounting policies on condensed consolidated statement of comprehensive income**

	FY 2015 (as previously reported)	<sup>1)</sup> Change in accounting policy		FY 2015 (restated)
		Deferred cost of reinsurance	Insurance accounting in UK	
<i>EUR millions</i>				
Net income	619	10	(1,153)	(523)
<b>Items that may be reclassified subsequently to profit or loss:</b>				
Movement in foreign currency translation and net foreign investment hedging reserves	1,414	(12)	18	1,419
<b>Impact on comprehensive income</b>		<b>(2)</b>	<b>(1,135)</b>	
<b>Total comprehensive income / (loss) attributable to:</b>				
Equity holders of Aegon N.V.	234	(2)	(1,135)	(903)
Non-controlling interests	-	-	-	-

<sup>1</sup> As reported in Aegon's 2015 Annual Report dated March 25, 2016.**Impact of voluntary changes in accounting policies on condensed consolidated statement of comprehensive Income**

	Q4 2015 (as previously reported)	Change in accounting policy		Q4 2015 (restated)
		Deferred cost of reinsurance	Insurance accounting in UK	
<i>EUR millions</i>				
Net income	478	1	(1,059)	(580)

**Items that may be reclassified subsequently to profit or loss:**

Movement in foreign currency translation and net foreign investment hedging reserves	337	(3)	17	350
<b>Impact on comprehensive income</b>		<b>(2)</b>	<b>(1,042)</b>	
<b>Total comprehensive income / (loss) attributable to:</b>				
Equity holders of Aegon N.V.	(129)	(2)	(1,042)	(1,174)
Non-controlling interests	1	-	-	1

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**Impact of voluntary changes in accounting policies on the condensed consolidated statement of financial position**

		December 31, 2015 (as previously reported) <sup>1)</sup>	Change in accounting policy Insurance Deferred cost of reinsurance	accounting in UK	December 31, 2015 (restated)
<i>EUR millions</i>	Notes				
<b>Assets</b>					
Intangible assets	11	2,110	-	(210)	1,901
Deferred expenses	16	12,547	(358)	(1,192)	10,997
<b>Equity and liabilities</b>					
Shareholders' equity		23,931	(112)	(1,135)	22,684
Insurance contracts		123,042	-	-	123,042
Investment contracts		17,718	-	-	17,718
Other liabilities		21,940	(247)	(266)	21,427

<sup>1)</sup> As reported in Aegon's 2015 Annual Report dated March 25, 2016.

**Impact of voluntary changes in accounting policies on condensed consolidated statement of changes in equity**

		December 31, 2015 (as previously reported) <sup>1)</sup>	Change in accounting policy Insurance Deferred cost of reinsurance	accounting in UK	December 31, 2015 (restated)
<i>EUR millions</i>					
Share capital		8,387	-	-	8,387
Retained earnings		9,319	(91)	(1,153)	8,075
Revaluation reserves		6,471	-	-	6,471

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Remeasurement of defined benefit plans	(1,532)	-	-	(1,532)
Other reserves	1,286	(21)	18	1,283
<b>Shareholders' equity</b>	<b>23,931</b>	<b>(112)</b>	<b>(1,135)</b>	<b>22,684</b>

<sup>1</sup> As reported in Aegon's 2015 Annual Report dated March 25, 2016.

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**3. Segment information****3.1 Income statement**

The following table presents Aegon's segment results after reflecting the voluntary changes in accounting policies (as presented in note 2.1) that came into effect as of January 1, 2016 and the impact of the change in the measurement of actuarial and economic assumption updates, as described in 3.2 and implemented in Q3 2016. Also refer to paragraph 3.4 for an overview of the impact on the comparative numbers of the changes in Aegon's segment reporting in 2016.

	Americas	Netherlands	Kingdom	Europe	Portugal	Europe	Asia	Management	Eliminations	Eliminations	Joint ventures and associates	Consolidated	
<i>EUR millions</i>													
<b>Three months ended December 31, 2016</b>													
<b>Underlying earnings before tax</b>	<b>388</b>	<b>134</b>	<b>23</b>	<b>14</b>	<b>3</b>	<b>174</b>	<b>13</b>	<b>35</b>	<b>(54)</b>	<b>(3)</b>	<b>554</b>	<b>17</b>	<b>571</b>
Fair value items	(226)	202	(31)	-	(1)	171	(11)	-	53	-	(13)	(22)	(35)
Realized gains / (losses) on investments	(18)	47	4	-	1	52	2	-	-	-	36	(1)	35
Impairment charges	(3)	(8)	-	(1)	-	(9)	-	(5)	-	-	(17)	-	(17)
Impairment reversals	8	8	-	-	-	8	-	-	-	-	16	-	16
Other income / (charges)	(27)	34	(20)	(23)	-	(9)	-	(1)	(1)	-	(38)	-	(38)
Run-off businesses	(1)	-	-	-	-	-	-	-	-	-	(1)	-	(1)
<b>Income / (loss) before</b>	<b>121</b>	<b>418</b>	<b>(24)</b>	<b>(10)</b>	<b>3</b>	<b>387</b>	<b>5</b>	<b>28</b>	<b>(2)</b>	<b>(3)</b>	<b>536</b>	<b>(5)</b>	<b>531</b>

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<b>tax</b>													
Income tax (expense) / benefit	35	(91)	19	(8)	(2)	(81)	(14)	(10)	4	-	(66)	5	(61)
<b>Net income / (loss)</b>	<b>157</b>	<b>326</b>	<b>(4)</b>	<b>(18)</b>	<b>1</b>	<b>306</b>	<b>(9)</b>	<b>18</b>	<b>2</b>	<b>(3)</b>	<b>470</b>	<b>-</b>	<b>470</b>
<i>Inter-segment underlying earnings</i>	<i>(53)</i>	<i>(25)</i>	<i>(17)</i>	<i>(3)</i>	<i>-</i>	<i>(45)</i>	<i>18</i>	<i>60</i>	<i>20</i>				
<b>Revenues</b>													
Life insurance gross premiums	1,958	400	2,739	102	58	3,299	309	-	-	(21)	5,546	(112)	5,433
Accident and health insurance	548	29	8	-	-	37	24	-	(4)	-	605	(1)	604
General insurance	-	36	-	44	23	103	-	-	1	(1)	103	(23)	80
<b>Total gross premiums</b>	<b>2,506</b>	<b>465</b>	<b>2,746</b>	<b>147</b>	<b>81</b>	<b>3,439</b>	<b>333</b>	<b>-</b>	<b>(2)</b>	<b>(22)</b>	<b>6,254</b>	<b>(137)</b>	<b>6,118</b>
Investment income	970	487	396	12	16	910	62	1	102	(101)	1,944	(16)	1,927
Fee and commission income	408	88	30	9	4	131	15	157	-	(62)	649	(42)	607
Other revenues	2	-	-	-	1	1	-	-	1	-	4	(1)	3
<b>Total revenues</b>	<b>3,886</b>	<b>1,040</b>	<b>3,172</b>	<b>168</b>	<b>101</b>	<b>4,482</b>	<b>410</b>	<b>157</b>	<b>101</b>	<b>(185)</b>	<b>8,851</b>	<b>(197)</b>	<b>8,654</b>
<i>Inter-segment revenues</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>1</i>	<i>20</i>	<i>62</i>	<i>103</i>				

	Americas	Netherlands	Kingdom	Europe	Portugal	Europe	Asia	Management	activities	Eliminations	total	Eliminations	Consolidated
			Central & Spain					Holding and Asset other			Segment	ventures and associates	Joint
		The	United	Eastern	&								

*EUR millions*

**Three months  
ended  
December 31,  
2015**

<b>Underlying earnings before tax</b>	<b>291</b>	<b>135</b>	<b>(9)</b>	<b>13</b>	<b>3</b>	<b>142</b>	<b>3</b>	<b>38</b>	<b>(39)</b>	<b>-</b>	<b>435</b>	<b>8</b>	<b>443</b>
Fair value items	(64)	(71)	(28)	-	-	(99)	6	-	(1)	-	(159)	(15)	(174)



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Realized gains / (losses) on investments	(22)	33	46	1	-	79	1	-	-	-	58	-	58
Impairment charges	(11)	(8)	-	(1)	-	(9)	-	-	-	-	(20)	(21)	(41)
Impairment reversals	83	2	-	-	-	2	-	-	-	-	84	-	84
Other income / (charges)	(10)	93	(1,260)	(2)	17	(1,152)	(18)	(1)	-	-	(1,181)	21	(1,160)
Run-off businesses	21	-	-	-	-	-	-	-	-	-	21	-	21
<b>Income / (loss) before tax</b>	<b>288</b>	<b>183</b>	<b>(1,251)</b>	<b>12</b>	<b>19</b>	<b>(1,038)</b>	<b>(8)</b>	<b>37</b>	<b>(40)</b>	<b>-</b>	<b>(762)</b>	<b>(7)</b>	<b>(769)</b>
Income tax (expense) / benefit	(43)	(43)	263	(2)	(1)	216	-	(12)	20	-	182	7	189
<b>Net income / (loss)</b>	<b>245</b>	<b>140</b>	<b>(988)</b>	<b>9</b>	<b>18</b>	<b>(821)</b>	<b>(8)</b>	<b>25</b>	<b>(20)</b>	<b>-</b>	<b>(580)</b>	<b>-</b>	<b>(580)</b>
<i>Inter-segment underlying earnings</i>	<i>(58)</i>	<i>(13)</i>	<i>(16)</i>	<i>(3)</i>	<i>-</i>	<i>(33)</i>	<i>19</i>	<i>70</i>	<i>2</i>				
<b>Revenues</b>													
Life insurance gross premiums	1,844	483	1,940	108	49	2,579	356	-	1	(27)	4,752	(106)	4,646
Accident and health insurance	560	36	10	-	-	47	23	-	2	(2)	630	(1)	629
General insurance	-	92	-	41	22	155	-	-	1	-	156	(22)	134
<b>Total gross premiums</b>	<b>2,404</b>	<b>612</b>	<b>1,950</b>	<b>149</b>	<b>71</b>	<b>2,781</b>	<b>379</b>	<b>-</b>	<b>4</b>	<b>(29)</b>	<b>5,538</b>	<b>(129)</b>	<b>5,409</b>
Investment income	919	558	612	11	10	1,191	53	1	102	(102)	2,165	(12)	2,153
Fee and commission income	417	91	24	9	4	127	12	173	-	(75)	654	(47)	607
Other revenues	1	-	-	-	1	-	-	(1)	5	-	5	(1)	3
<b>Total revenues</b>	<b>3,741</b>	<b>1,260</b>	<b>2,586</b>	<b>168</b>	<b>85</b>	<b>4,099</b>	<b>444</b>	<b>172</b>	<b>111</b>	<b>(206)</b>	<b>8,362</b>	<b>(188)</b>	<b>8,173</b>
<i>Inter-segment revenues</i>	<i>7</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>26</i>	<i>69</i>	<i>104</i>				

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<i>EUR millions</i>	America	The Netherlands	United Kingdom	Central & Eastern Europe	Spain & Portugal	Europe	Management	Holding and Asset other	Eliminations	Segment total	Joint ventures and associates	Consolidated	
<b>Year ended December 31, 2016</b>													
<b>Underlying earnings before tax geographically</b>	<b>1,249</b>	<b>534</b>	<b>59</b>	<b>55</b>	<b>8</b>	<b>655</b>	<b>21</b>	<b>149</b>	<b>(162)</b>	<b>-</b>	<b>1,913</b>	<b>48</b>	<b>1,960</b>
Fair value items	(521)	(33)	(7)	-	(1)	(41)	(9)	-	(74)	-	(645)	(72)	(717)
Realized gains / (losses) on investments	(13)	189	153	-	(1)	342	8	3	-	-	340	(6)	334
Impairment charges	(72)	(29)	-	1	-	(27)	(1)	(5)	(7)	1	(113)	-	(112)
Impairment reversals	42	17	-	-	-	17	-	-	-	(1)	58	-	58
Other income / (charges)	(100)	44	(678)	(23)	-	(658)	(5)	(2)	(6)	-	(771)	-	(771)
Run-off businesses	54	-	-	-	-	-	-	-	-	-	54	-	54
<b>Income / (loss) before tax</b>	<b>638</b>	<b>721</b>	<b>(474)</b>	<b>34</b>	<b>6</b>	<b>288</b>	<b>14</b>	<b>145</b>	<b>(249)</b>	<b>-</b>	<b>836</b>	<b>(31)</b>	<b>805</b>
Income tax expense) / benefit	(80)	(155)	18	(15)	(8)	(161)	(27)	(48)	65	-	(250)	31	(219)
<b>Net income / (loss)</b>	<b>558</b>	<b>566</b>	<b>(456)</b>	<b>19</b>	<b>(2)</b>	<b>127</b>	<b>(13)</b>	<b>97</b>	<b>(183)</b>	<b>-</b>	<b>586</b>	<b>-</b>	<b>586</b>
<i>Inter-segment underlying earnings</i>	<i>(194)</i>	<i>(95)</i>	<i>(87)</i>	<i>(14)</i>	<i>(1)</i>	<i>(197)</i>	<i>74</i>	<i>234</i>	<i>84</i>				
<b>Revenues</b>													
Life insurance gross premiums	7,363	2,015	9,888	399	191	12,493	1,121	-	6	(84)	20,898	(498)	20,400
Accident and health insurance	2,204	210	36	1	73	320	104	-	(4)	-	2,624	(15)	2,609
General insurance	-	266	-	179	92	536	-	-	5	(5)	536	(92)	444
	<b>9,567</b>	<b>2,491</b>	<b>9,924</b>	<b>578</b>	<b>355</b>	<b>13,348</b>	<b>1,225</b>	<b>-</b>	<b>7</b>	<b>(89)</b>	<b>24,058</b>	<b>(606)</b>	<b>23,453</b>

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	Americas	The Netherlands	Central & United Kingdom	Eastern Europe	Spain & Portugal	Europe	Management	Active	Eliminations	Segment total	Joint ventures and associates	Consolidated	
<i>EUR millions</i>													
<b>Total gross premiums</b>													
Investment income	3,717	2,135	1,661	45	45	3,886	232	3	406	(403)	7,841	(54)	7,788
Fee and commission income	1,651	350	95	36	14	495	61	632	-	(242)	2,596	(188)	2,408
Other revenues	4	-	-	-	2	2	-	1	3	-	11	(4)	7
<b>Total revenues</b>	<b>14,940</b>	<b>4,976</b>	<b>11,680</b>	<b>659</b>	<b>416</b>	<b>17,732</b>	<b>1,517</b>	<b>636</b>	<b>416</b>	<b>(734)</b>	<b>34,507</b>	<b>(852)</b>	<b>33,655</b>
<i>Inter-segment revenues</i>	-	3	-	-	-	3	79	243	409				
<b>Underlying earnings before tax geographically</b>	<b>1,278</b>	<b>537</b>	<b>(27)</b>	<b>37</b>	<b>12</b>	<b>559</b>	<b>20</b>	<b>170</b>	<b>(163)</b>	<b>2</b>	<b>1,867</b>	<b>34</b>	<b>1,901</b>
Fair value items	(691)	7	(25)	-	-	(18)	7	-	(68)	-	(771)	(59)	(830)
Realized gains / (losses) on investments	(74)	306	103	2	-	411	7	3	-	-	346	(8)	338
Impairment charges	(43)	(25)	-	(2)	-	(27)	-	-	-	-	(70)	(21)	(91)
Impairment reversals	114	5	-	-	-	5	-	-	-	-	119	-	119
Other income / (charges)	(913)	27	(1,247)	(2)	17	(1,205)	(61)	(1)	-	-	(2,180)	21	(2,159)
Run-off businesses	88	-	-	-	-	-	-	-	-	-	88	-	88
<b>Income / (loss) before tax</b>	<b>(241)</b>	<b>857</b>	<b>(1,196)</b>	<b>35</b>	<b>29</b>	<b>(275)</b>	<b>(27)</b>	<b>172</b>	<b>(230)</b>	<b>2</b>	<b>(601)</b>	<b>(33)</b>	<b>(634)</b>
Income tax expense) / benefit	6	(196)	268	(11)	(7)	54	(3)	(50)	71	-	78	33	111
<b>Net income / (loss)</b>	<b>(235)</b>	<b>661</b>	<b>(928)</b>	<b>24</b>	<b>22</b>	<b>(221)</b>	<b>(30)</b>	<b>121</b>	<b>(159)</b>	<b>2</b>	<b>(523)</b>	<b>-</b>	<b>(523)</b>
<i>Inter-segment underlying earnings</i>	(220)	(55)	(63)	(14)	-	(131)	77	264	10				
<b>Revenues</b>													
Life insurance gross premiums	7,046	2,240	8,465	477	174	11,356	1,713	-	4	(106)	20,013	(431)	19,583
Accident and health insurance	2,266	234	47	1	64	345	105	-	6	(6)	2,717	(14)	2,703
General insurance	-	473	-	164	80	717	-	-	2	-	720	(80)	640
	<b>9,312</b>	<b>2,947</b>	<b>8,512</b>	<b>642</b>	<b>317</b>	<b>12,419</b>	<b>1,819</b>	<b>-</b>	<b>13</b>	<b>(112)</b>	<b>23,450</b>	<b>(524)</b>	<b>22,925</b>

<b>Total gross premiums</b>													
Investment income	3,680	2,277	2,331	45	41	4,693	194	7	392	(391)	8,576	(51)	8,525
Fee and commission income	1,704	351	98	39	13	501	62	650	-	(284)	2,633	(195)	2,438
Other revenues	9	-	-	-	2	2	-	-	7	-	19	(5)	14
<b>Total revenues</b>	<b>14,705</b>	<b>5,575</b>	<b>10,941</b>	<b>726</b>	<b>373</b>	<b>17,615</b>	<b>2,076</b>	<b>657</b>	<b>412</b>	<b>(787)</b>	<b>34,677</b>	<b>(775)</b>	<b>33,902</b>
Inter-segment revenues	24	2	-	-	-	2	101	261	399				
<i>Impact from 2016 assumption and model updates</i>													

In 2016 a charge of EUR 118 million (2015: EUR 131 million charge) has been recorded in other income/ (charges) in respect of model and assumption updates. The impact is mainly attributable to Aegon's business in the Americas and the Netherlands. Assumption changes and model updates in the Americas from long-term care led to a net negative impact of EUR 100 million. These were the result of experience updates including morbidity, termination rates and utilization assumptions. For the other business lines in the Americas, assumption changes and model updates largely offset each other. The main items were the refinement of modelling of crediting rates on indexed universal life policies and management actions, which together offset lower lapse assumptions on certain secondary guarantee universal life insurance blocks. A review of expenses led to an update of the expense assumption in VA Europe leading to a loss of DAC recoverability resulting in a EUR 31 million adverse impact. In the Netherlands, model updates in the guarantee provision resulted in a benefit of EUR 56 million.

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**3.2 Performance measure**

Aegon's segment information is prepared by consolidating on a proportionate basis Aegon's joint ventures and associated companies.

*Performance measure*

A performance measure of reporting segments utilized by the Company is underlying earnings before tax. Underlying earnings before tax reflects Aegon's profit from underlying business operations and excludes components that relate to accounting mismatches that are dependent on market volatility, updates to best estimate actuarial and economic assumptions and model updates or events that are considered outside the normal course of business. As of Q3 2016 results from assumption updates will no longer be reported as part of underlying earnings but as part of Other income / (charges) refer to the paragraph below Change in measurement of Performance measure below.

Aegon believes that its performance measure, underlying earnings before tax, provides meaningful information about the underlying results of Aegon's business, including insight into the financial measures that Aegon's senior management uses in managing the business. Among other things, Aegon's senior management is compensated based in part on Aegon's results against targets using underlying earnings before tax. While many other insurers in Aegon's peer group present substantially similar performance measures, the performance measures presented in this document may nevertheless differ from the performance measures presented by other insurers. There is no standardized meaning to these measures under IFRS or any other recognized set of accounting standards.

The reconciliation from underlying earnings before tax to income before tax, being the most comparable IFRS measure, is presented in the tables in this note.

The items that are excluded from underlying earnings before tax as described further below are: fair value items, realized gain or losses on investments, impairment charges/reversals, other income or charges, run-off businesses and share in earnings of joint ventures and associates.

*Change in measurement of Performance measure*

As of Q3 2016, Aegon changed the measurement of underlying earnings before tax to exclude the impact of actuarial assumption updates. In addition, the impact from updates to actuarial assumptions, as well as model updates and updates to economic assumptions previously recorded in fair value items, are recorded in Other income / (charges) as of this quarter. The impact of assumption updates are reflected as part of other income/(charges) rather than as part of underlying earnings before tax or fair value items. Following this change all management best estimate assumptions, both actuarial and economic, will continue to be reflected in underlying earnings. However, updates to these assumptions, often representing the present value of multiple performance years, either retrospectively or prospectively, will not. Actuarial assumption updates result from experience studies or market observable data (e.g. third party expert judgments), which are usually performed on an annual basis. These experience studies and judgments may or may not result in resetting management's expectations in regard to actuarial assumptions (e.g.

mortality rates, lapse rates, expenses, management actions etc.), deviating from initial or historic assumptions applied in determining the Company's financial results. The impact of such updates could be either positive or negative on the Company's financial results. Since Q3 2015, management already reported the impact of model updates in other income/(charges). By presenting the impacts from assumption and model updates in one place, management believes it increases the transparency of Aegon's results.

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For segment reporting purposes, the impact of this change in measurement for assumption updates on full year 2015 would have been an increase in Aegon Group consolidated underlying earnings before tax of EUR 77 million and a decrease in fair value items of EUR 151 million, resulting in an increase in other income/ (charges) of EUR 74 million. There is no impact on net income in any of the reporting periods. Comparative numbers have been restated in Aegon's segment reporting note, enabling a like for like comparison. The presentation of the items in the IFRS income statement will remain unchanged and continue to be part of the line "Policyholder claims and benefits". Refer to paragraph 3.4.3. for the impact for year ended December 31, 2015.

*Fair value items*

Fair value items include the over- or underperformance of investments and guarantees held at fair value for which the expected long-term return is included in underlying earnings before tax.

In addition, hedge ineffectiveness on hedge transactions, fair value changes on economic hedges without natural offset in earnings and for which no hedge accounting is applied and fair value movements on real estate are included under fair value items.

Certain assets held by Aegon are carried at fair value and managed on a total return basis, with no offsetting changes in the valuation of related liabilities. These include assets such as investments in hedge funds, private equities, real estate (limited partnerships), convertible bonds and structured products. Underlying earnings before tax exclude any over- or underperformance compared to management's long-term expected return on assets. Based on current holdings and asset returns, the long-term expected return on an annual basis is 8-10%, depending on asset class, including cash income and market value changes. The expected earnings from these asset classes are net of deferred policy acquisition costs (DPAC) where applicable.

In addition, certain products offered by Aegon Americas contain guarantees and are reported on a fair value basis and the total return annuities and guarantees on variable annuities. The earnings on these products are impacted by movements in equity markets and risk-free interest rates. Short-term developments in the financial markets may therefore cause volatility in earnings. Included in underlying earnings before tax is a long-term expected return on these products and excluded is any over- or underperformance compared to management's expected return.

The fair value movements of certain guarantees and the fair value change of derivatives that hedge certain risks on these guarantees of Aegon the Netherlands, VA Europe (included in United Kingdom) and Japan are excluded from underlying earnings before tax, and the long-term expected return for these guarantees is set at zero. In addition, fair value items include market related results on our loyalty bonus reserves in the United Kingdom. The value of these reserves are directly related to policyholder investments which value is directly impacted by movements in equity and bond markets.

Holding and other activities include certain issued bonds that are held at fair value through profit or loss (FVTPL). The interest rate risk on these bonds is hedged using swaps. The fair value movement resulting from changes in Aegon's credit spread used in the valuation of these bonds are excluded from underlying earnings before tax and

reported under fair value items.

*Realized gains or losses on investments*

Includes realized gains and losses on available-for-sale investments, mortgage loans and other loan portfolios.

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*Impairment charges/reversals*

Impairment charges include impairments on available-for-sale debt securities, shares including the effect of deferred policyholder acquisition costs, mortgage loans and other loan portfolios at amortized cost, joint ventures and associates. Impairment reversals include reversals on available-for-sale debt securities.

*Other income or charges*

Other income or charges includes: a) items which cannot be directly allocated to a specific line of business; b) the impact of assumption and model updates used to support calculations of our liabilities for insurance and investment contracts sold to policyholders and related assets; and c) items that are outside the normal course of business, including restructuring charges. In the Condensed consolidated interim financial statements, these restructuring charges are included in operating expenses. Actuarial assumption and model updates are recorded in Claims and Benefits in the IFRS income statement.

*Run-off businesses*

Includes underlying results of business units where management has decided to exit the market and to run-off the existing block of business. Currently, this line includes results related to the run-off of the institutional spread-based business, structured settlements blocks of business, bank-owned and corporate-owned life insurance (BOLI/COLI) business, and the sale of the life reinsurance business in the United States. Aegon has other blocks of business for which sales have been discontinued and of which the earnings are included in underlying earnings before tax.

*Share in earnings of joint ventures and associates*

Earnings from Aegon's joint ventures in the Netherlands, Mexico, Spain, Portugal, China and Japan and Aegon's associates in India, Brazil, the Netherlands, United Kingdom, Mexico and France are reported on an underlying earnings before tax basis.

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**3.3 Investments**

Amounts included in the tables on investments are presented on an IFRS basis.

EUR millions											
December 31, 2016								Holdings		Total EUR	
	America	The Netherlands	United Kingdom	Central & Europe	Eastern Spain & Portugal	Europe	Asia	Management	Asset and other activities		Eliminations
<b>Investments</b>											
Shares	793	334	84	35	4	457	-	2	62	-	1,314
Debt securities	70,766	23,741	2,036	633	683	27,093	5,310	-	-	-	103,169
Loans	10,820	28,627	-	303	45	28,975	18	-	-	-	39,812
Other financial assets	9,924	358	115	10	-	483	-	88	23	-	10,519
Investments in real estate	743	1,238	-	3	15	1,256	-	-	-	-	1,999
<b>Investments general account</b>	<b>93,046</b>	<b>54,298</b>	<b>2,236</b>	<b>983</b>	<b>747</b>	<b>58,264</b>	<b>5,328</b>	<b>90</b>	<b>85</b>	<b>-</b>	<b>156,813</b>
Shares	-	9,689	15,503	295	13	25,499	-	-	-	(7)	25,492
Debt securities	4,779	15,434	9,847	235	10	25,526	-	-	-	-	30,305
Unconsolidated investment funds	102,534	-	36,600	879	64	37,543	-	-	-	-	140,077
Other financial assets	27	2,862	4,150	9	1	7,022	-	-	-	-	7,049
Investments in real estate	-	-	686	-	-	686	-	-	-	-	686
<b>Investments for account of policyholders</b>	<b>107,341</b>	<b>27,985</b>	<b>66,786</b>	<b>1,418</b>	<b>88</b>	<b>96,276</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(7)</b>	<b>203,610</b>
<b>Investments on balance sheet</b>	<b>200,387</b>	<b>82,283</b>	<b>69,021</b>	<b>2,401</b>	<b>834</b>	<b>154,540</b>	<b>5,328</b>	<b>90</b>	<b>85</b>	<b>(7)</b>	<b>360,423</b>
<b>Off balance sheet investments third parties</b>	<b>240,072</b>	<b>952</b>	<b>5,333</b>	<b>3,154</b>	<b>507</b>	<b>9,946</b>	<b>2,734</b>	<b>130,889</b>	<b>-</b>	<b>(864)</b>	<b>382,776</b>
	<b>440,458</b>	<b>83,235</b>	<b>74,354</b>	<b>5,556</b>	<b>1,342</b>	<b>164,487</b>	<b>8,061</b>	<b>130,979</b>	<b>85</b>	<b>(871)</b>	<b>743,200</b>

<b>Total revenue generating investments</b>												
<b>Investments</b>												
Available-for-sale	77,918	23,044	2,152	660	687	26,544	5,289	87	23	-	-	109,860
Loans	10,820	28,627	-	303	45	28,975	18	-	-	-	-	39,812
Financial assets at fair value through profit or loss	110,906	29,374	66,183	1,436	88	97,080	21	4	62	(7)	(7)	208,066
Investments in real estate	743	1,238	686	3	15	1,942	-	-	-	-	-	2,685
<b>Total investments on balance sheet</b>	<b>200,387</b>	<b>82,283</b>	<b>69,021</b>	<b>2,401</b>	<b>834</b>	<b>154,540</b>	<b>5,328</b>	<b>90</b>	<b>85</b>	<b>(7)</b>	<b>(7)</b>	<b>360,423</b>
Investments in joint ventures	7	877	-	-	495	1,373	134	99	-	-	-	1,614
Investments in associates	95	21	8	2	-	30	21	125	(1)	-	-	270
Other assets	31,003	15,260	12,718	293	170	28,426	3,122	293	31,107	(30,338)	(30,338)	63,627
<b>Consolidated total assets</b>	<b>231,493</b>	<b>98,441</b>	<b>81,747</b>	<b>2,696</b>	<b>1,500</b>	<b>184,370</b>	<b>8,604</b>	<b>607</b>	<b>31,192</b>	<b>(30,345)</b>	<b>(30,345)</b>	<b>425,935</b>

EUR millions										
December 31, 2015	Holdings						Assets and other			Total
	America	The Netherlands	Central & Eastern Europe	United Kingdom	Spain & Portugal	Europe	Asia	Management	Other	EUR
<b>Investments</b>										
Shares	652	136	506	38	2	682	-	2	124	1,460
Debt securities	65,284	23,370	13,185	525	636	37,715	4,391	-	-	107,390
Loans	10,062	28,007	-	340	62	28,409	19	-	88	38,577
Other financial assets	10,783	335	160	6	2	503	-	72	18	11,376
Investments in real estate	840	1,148	-	2	-	1,150	-	-	-	1,990
<b>Investments general account</b>	<b>87,620</b>									