

AEGON NV
Form 6-K
August 16, 2018
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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

August 2018

AEGON N.V.

Aegonplein 50

2591 TV THE HAGUE

The Netherlands

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Aegon's condensed consolidated interim financial statements 1H 2018, dated August 15, 2018, 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: August 16, 2018

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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Condensed consolidated income statement

<i>EUR millions</i>	Notes	First half 2018	First half 2017
Premium income	4	9,929	11,479
Investment income	5	3,510	3,866
Fee and commission income		1,312	1,252
Other revenues		2	5
Total revenues		14,752	16,602
Income from reinsurance ceded	6	1,700	2,745
Results from financial transactions	7	948	9,332
Other income	8	-	327
Total income		17,401	29,006
Benefits and expenses	9	16,484	27,596
Impairment charges / (reversals)	10	19	10
Interest charges and related fees		231	205
Other charges	11	103	4
Total charges		16,837	27,815
Share in profit / (loss) of joint ventures		99	73
Share in profit / (loss) of associates		2	5
Income / (loss) before tax		665	1,268
Income tax (expense) / benefit		(174)	(362)
Net income / (loss)		491	907
Net income / (loss) attributable to:			
Owners of Aegon N.V.		491	907
Non-controlling interests		-	-
Earnings per share (EUR per share)	18		
Basic earnings per common share		0.21	0.41
Basic earnings per common share B		0.01	0.01
Diluted earnings per common share		0.21	0.41
Diluted earnings per common share B		0.01	0.01

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Condensed consolidated statement of comprehensive income

<i>EUR millions</i>	First half 2018	First half 2017
Net income / (loss)	491	907
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Changes in revaluation reserve real estate held for own use	(10)	1
Remeasurements of defined benefit plans	205	282
Income tax relating to items that will not be reclassified	(40)	(69)
Items that may be reclassified subsequently to profit or loss:		
Gains / (losses) on revaluation of available-for-sale investments	(1,057)	1,563
Gains / (losses) transferred to the income statement on disposal and impairment of available-for-sale investments	42	(1,123)
Changes in cash flow hedging reserve	(159)	(755)
Movement in foreign currency translation and net foreign investment hedging reserve	368	(1,297)
Equity movements of joint ventures	6	(6)
Equity movements of associates	(5)	(2)
Disposal of group assets	36	-
Income tax relating to items that may be reclassified	225	175
Other	(4)	5
Total other comprehensive income / (loss) for the period	(393)	(1,228)
Total comprehensive income / (loss)	98	(322)
Total comprehensive income / (loss) attributable to:		
Owners of Aegon N.V.	99	(321)
Non-controlling interests	(1)	(1)

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Condensed consolidated statement of financial position

		Jun. 30, 2018	Dec. 31, 2017
<i>EUR millions</i>	Notes		
Assets			
Cash and cash equivalents		9,585	10,768
Assets held for sale	26	-	5,249
Investments	12	138,105	137,172
Investments for account of policyholders	13	193,211	194,063
Derivatives	14	6,144	5,912
Investments in joint ventures		1,673	1,712
Investments in associates		303	308
Reinsurance assets		19,885	19,202
Deferred expenses	16	10,743	10,135
Other assets and receivables		7,599	10,137
Intangible assets	17	1,643	1,633
Total assets		388,891	396,291
Equity and liabilities			
Shareholders' equity		20,469	20,573
Other equity instruments	19	3,310	3,794
Issued capital and reserves attributable to owners of Aegon N.V.		23,779	24,366
Non-controlling interests		19	20
Group equity		23,798	24,386
Subordinated borrowings	20	1,335	764
Trust pass-through securities		131	133
Insurance contracts	21	112,815	110,818
Insurance contracts for account of policyholders	22	124,135	122,168
Investment contracts	23	17,490	16,943
Investment contracts for account of policyholders	24	71,745	74,434
Derivatives	14	6,122	7,130
Borrowings	25	13,421	13,635
Liabilities held for sale	26	-	5,003
Other liabilities		17,898	20,878
Total liabilities		365,092	371,904

Total equity and liabilities

388,891

396,291

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Condensed consolidated statement of changes in equity

<i>EUR millions</i>	Share capital ¹	Retained earnings	Revaluation reserves	Remeasurement of defined benefit plans	Other reserves	Other equity instruments	Issued capital and reserves ²	Non-controlling interests	Total
Six months ended June 30, 2018									
At beginning of year	8,053	9,659	4,920	(1,669)	(390)	3,794	24,366	20	24,386
Net income / (loss) recognized in the income statement	-	491	-	-	-	-	491	-	491
Other comprehensive income:									
<i>Items that will not be reclassified to profit or loss:</i>									
Changes in revaluation reserve real estate held for own use	-	-	(10)	-	-	-	(10)	-	(10)
Remeasurements of defined benefit plans	-	-	-	205	-	-	205	-	205
Income tax relating to items that will not be reclassified	-	-	2	(42)	-	-	(40)	-	(40)
<i>Items that may be reclassified subsequently to profit or loss:</i>									
Gains / (losses) on revaluation of available-for-sale	-	-	(1,057)	-	-	-	(1,057)	-	(1,057)

investments									
Gains / (losses)									
transferred to income									
statement on disposal									
and impairment of									
available-for-sale									
investments	-	-	42	-	-	-	42	-	42
Changes in cash flow									
hedging reserve	-	-	(159)	-	-	-	(159)	-	(159)
Movement in foreign									
currency translation and									
net foreign investment									
hedging reserves	-	-	53	(17)	332	-	368	-	368
Equity movements of									
joint ventures	-	-	-	-	6	-	6	-	6
Equity movements of									
associates	-	-	-	-	(5)	-	(5)	-	(5)
Disposal of group assets	-	-	-	-	36	-	36	-	36
Income tax relating to									
items that may be									
reclassified	-	-	246	-	(20)	-	225	-	225
Other	-	(3)	-	-	-	-	(3)	(1)	(4)
Total other	-	(3)	(883)	146	349	-	(392)	(1)	(393)
comprehensive income									
Total comprehensive									
income / (loss) for 2018	-	487	(883)	146	349	-	99	(1)	98
Issuance and purchase									
of (treasury) shares	-	137	-	-	-	-	137	-	137
Other equity									
instruments redeemed	-	2	-	-	-	(471)	(468)	-	(468)
Dividends paid on									
common shares	(119)	(167)	-	-	-	-	(286)	-	(286)
Coupons on									
non-cumulative									
subordinated notes	-	(11)	-	-	-	-	(11)	-	(11)
Coupons on perpetual									
securities	-	(46)	-	-	-	-	(46)	-	(46)
Incentive plans	-	-	-	-	-	(13)	(12)	-	(12)
At end of period	7,934	10,062	4,037	(1,523)	(42)	3,310	23,779	19	23,798
Six months ended									
June 30, 2017									
At beginning of year	8,193	7,812	5,381	(1,820)	1,347	3,797	24,710	23	24,734
	-	907	-	-	-	-	907	-	907

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	-	-	1	-	-	-	1	-	1
Remeasurements of defined benefit plans	-	-	-	282	-	-	282	-	282
Income tax relating to items that will not be reclassified	-	-	-	(69)	-	-	(69)	-	(69)

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

Gains / (losses) on revaluation of available-for-sale investments	-	-	1,563	-	-	-	1,563	-	1,563
Gains / (losses) transferred to income statement on disposal and impairment of available-for-sale investments	-	-	(1,123)	-	-	-	(1,123)	-	(1,123)
Changes in cash flow hedging reserve	-	-	(755)	-	-	-	(755)	-	(755)
Movement in foreign currency translation and net foreign investment hedging reserves	-	-	(250)	61	(1,108)	-	(1,297)	-	(1,297)
Equity movements of joint ventures	-	-	-	-	(6)	-	(6)	-	(6)
Equity movements of associates	-	-	-	-	(2)	-	(2)	-	(2)
Income tax relating to items that may be reclassified	-	-	128	-	47	-	175	-	175
Other	-	5	-	-	-	-	5	(1)	5
Total other comprehensive income	-	5	(437)	274	(1,070)	-	(1,228)	(1)	(1,228)

- **912** **(437)** **274** **(1,070)** - **(321)** **(1)** **(322)**

**Total comprehensive
income / (loss) for 2017**

Issuance and purchase of (treasury) shares	-	142	-	-	-	-	142	-	142
Dividends paid on common shares	(122)	(143)	-	-	-	-	(265)	-	(265)
Coupons on non-cumulative subordinated notes	-	(15)	-	-	-	-	(15)	-	(15)
Coupons on perpetual securities	-	(49)	-	-	-	-	(49)	-	(49)
Incentive plans	-	4	-	-	-	(19)	(15)	-	(15)
At end of period	8,071	8,663	4,944	(1,546)	278	3,779	24,188	23	24,211

¹ For a breakdown of share capital please refer to note 18.

² Issued capital and reserves attributable to owners of Aegon N.V.

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Condensed consolidated cash flow statement

<i>EUR millions</i>	First half 2018	First half 2017
Cash flow from operating activities	(973)	728
Purchases and disposals of intangible assets	(16)	(4)
Purchases and disposals of equipment and other assets	(14)	(36)
Purchases and disposals of businesses and subsidiaries	12	(1,021)
Purchases, disposals and dividends joint ventures and associates	(70)	(4)
Cash flow from investing activities	(89)	(1,066)
Issuance of treasury shares	-	2
Dividends paid	(167)	(143)
Issuances, repurchases and coupons of perpetuals	(62)	(65)
Issuances, repurchases and coupons of non-cumulative subordinated notes	(285)	(19)
Issuances and repayments of borrowings	106	2,231
Cash flow from financing activities	(407)	2,005
Net increase / (decrease) in cash and cash equivalents	(1,469)	1,668
Net cash and cash equivalents at January 1	11,026	11,347
Effects of changes in foreign exchange rates	28	(138)
Net cash and cash equivalents at end of period	9,585	12,876
Cash and cash equivalents	9,585	12,880
Bank overdrafts classified as other liabilities	-	(4)
Net cash and cash equivalents	9,585	12,876

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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 almost 26,000 people worldwide.

1. Basis of presentation

The condensed consolidated interim financial statements as at, and for the six months period ended, June 30, 2018 (first half 2018), have been prepared in accordance with IAS 34 Interim Financial Reporting, as adopted by the European Union (hereafter IFRS-EU). They do not include all of the information required for a full set of financial statements prepared in accordance with IFRS-EU and should therefore be read together with the 2017 consolidated financial statements of Aegon N.V. as included in Aegon's Annual Report for 2017. Aegon's Annual Report for 2017 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. 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 six-month period ended June 30, 2018, were approved by the Supervisory Board on August 15, 2018.

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 2017 consolidated financial statements.

New IFRS accounting standards effective

The following standards, interpretations, amendments to standards and interpretations became effective in 2018 and have been endorsed by the European Union:

IFRS 15 Revenue from Contracts with Customers, including Clarifications to IFRS 15 as issued in 2016;

IFRS 2 Clarifications of Classification and measurement of Share Based Payments Transactions;

IAS 40 Investment property, amendments regarding the transfer of property;

IFRIC 22 Foreign currency transactions and advance consideration; and

Annual improvements 2014-2016 Cycle.

None of these revised standards and interpretations are significantly impacting the financial position or the condensed consolidated interim financial statements.

For a complete overview of IFRS standards, published before January 1, 2018, that will be applied in future years, and were not early adopted by the Group, please refer to Aegon's Annual Report for 2017.

Future adoption of IFRS accounting standards

In May 2017, the IASB has issued IFRS 17 Insurance Contracts. IFRS 17 will be mandatorily effective for annual reporting periods beginning on or after January 1, 2021. It aims to provide a more consistent accounting model for insurance contracts among entities issuing insurance contracts globally. The endorsement process of the European Union of the new standard has started in 2017. A final endorsement decision is not expected to be made in 2018.

Application of IFRS 9 is required for annual periods beginning on or after January 1, 2018. However, the IASB issued an amendment to IFRS 4 Insurance Contracts (the predecessor standard to IFRS 17) that provides for a qualifying insurer a temporary exemption that permits, but does not require, the insurer to apply IAS 39 Financial Instruments:

Recognition and Measurement rather than IFRS 9 for annual periods beginning before January 1, 2021 (i.e. a temporary exemption of IFRS 9). This amendment was endorsed by the European Union in November 2017. As Aegon meets the requirements for the temporary exemption, it chose not to implement IFRS 9 until January 1, 2021.

IFRS 17, together with IFRS 9 Financial Instruments, will fundamentally change the accounting in IFRS financial statements of insurance companies. Aegon has started its implementation project on both standards. Aegon expects the impact of these standards to be significant.

In January 2016, the IASB issued IFRS 16 Leases. This Standard was endorsed by the European Union in October 2017. IFRS 16 will be mandatorily effective for annual reporting periods beginning on or after January 1, 2019. Aegon is evaluating the impact that adoption of this Standard is expected to have on the Group's financial statements.

Taxes

Taxes on income for the six-month period ended June 30, 2018, are calculated using the tax rate that is estimated to be applicable to total annual earnings.

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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, 2017.

Exchange rates

Assets and liabilities of foreign operations are translated to the presentation currency 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 (most important rates) are applied for the condensed consolidated interim financial statements:

Closing exchange rates

			USD	GBP
June 30, 2018	1	EUR	1.1676	0.8843
December 31, 2017	1	EUR	1.2008	0.8877

Weighted average exchange rates

			USD	GBP
Six months ended June 30, 2018	1	EUR	1.2113	0.8794
Six months ended June 30, 2017	1	EUR	1.0822	0.8596

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3. Segment information

3.1. Income statement

<i>in</i> <i>EUR millions</i>	Americas	Netherlands	Central & United Kingdom	Spain & Portugal	Europe	Management	Asset	other	Eliminations	Segment total	Joint ventures and associates	Consolidated	
Underlying earnings before tax	602	318	69	41	7	435	31	83	(88)	-	1,064	26	1,090
air value items	(75)	81	(4)	-	-	76	(2)	-	(3)	-	(3)	(51)	(5)
Realized gains / (losses) on investments	(124)	39	21	2	-	61	(9)	2	3	-	(67)	(2)	(6)
Impairment charges	(17)	(4)	-	(1)	-	(4)	-	-	(5)	-	(26)	-	(2)
Impairment reversals	21	4	-	1	-	5	-	-	-	-	26	-	2
Other income / (charges)	(87)	27	(182)	(6)	(19)	(179)	(5)	(1)	(21)	-	(294)	1	(29)
Spin-off businesses	(7)	-	-	-	-	-	-	-	-	-	(7)	-	(7)
Income / (loss) before tax	313	466	(97)	38	(12)	395	15	83	(113)	-	692	(27)	665
Income tax expense / benefit	(74)	(98)	-	(5)	(4)	(106)	(14)	(27)	21	-	(201)	27	(17)
Net income / (loss)	239	368	(97)	33	(16)	288	1	55	(92)	-	491	-	448
Inter-segment	(28)	(52)	(44)	(7)	(2)	(104)	(2)	98	37	-	-	-	-
Underlying													

Earnings

Revenues

Life insurance													
Gross premiums	3,392	902	3,900	205	116	5,124	440	-	4	(3)	8,956	(313)	8,643
Accident and health insurance	810	152	15	1	94	262	50	-	-	-	1,123	(24)	1,099
Property & casualty insurance	-	70	-	116	56	243	-	-	1	(1)	243	(56)	187
Total gross premiums	4,202	1,125	3,915	322	267	5,629	490	-	5	(4)	10,322	(393)	9,929
Investment income	1,494	1,109	765	24	18	1,915	128	3	135	(136)	3,539	(29)	3,510
Fee and commission income	951	98	105	24	7	234	30	326	-	(102)	1,440	(128)	1,312
Other revenues	2	-	-	-	-	-	1	1	2	-	5	(4)	1
Total revenues	6,650	2,332	4,785	370	292	7,779	649	330	141	(242)	15,307	(554)	14,753
Inter-segment revenues	-	1	-	-	-	1	-	102	139				

	Americas	The Netherlands	Central & United Kingdom	Spain & Portugal	Europe	Management	Holding and Asset other	Eliminations	Segment total	Joint ventures and associates	Consolidated
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in EUR millions
ended June 30,
2017

Underlying Earnings

Before tax													
Geographically	653	273	68	36	6	383	23	69	(88)	1	1,041	25	1,066
Fair value items	(53)	(202)	(48)	-	-	(250)	-	-	30	-	(273)	(47)	(320)
Realized gains / (losses) on investments	29	147	6	2	-	156	(1)	2	-	-	187	(3)	184
Impairment charges	(11)	(2)	-	(3)	-	(4)	-	-	(2)	-	(18)	-	(16)
Impairment reversals	12	7	-	-	-	7	-	-	-	-	19	-	19
Other income / (charges)	226	(8)	80	-	-	72	-	(1)	-	-	297	-	296
Spin-off businesses	41	-	-	-	-	-	-	-	-	-	41	-	41
	897	215	107	36	6	363	22	71	(60)	1	1,294	(25)	1,269

Income / (loss)													
Income before tax													
Income tax expense) /													
Benefit	(257)	(45)	(44)	(5)	(4)	(98)	(26)	(22)	15	-	(387)	25	(36)
Net income / (loss)	641	170	63	31	2	265	(4)	49	(45)	1	907	-	90
Inter-segment													
Underlying earnings	(36)	(59)	(47)	(6)	(1)	(113)	(2)	114	37				
Revenues													
Life insurance													
Gross premiums	3,832	1,052	4,474	203	105	5,835	552	-	4	(5)	10,217	(327)	9,890
Accident and health insurance	1,122	140	16	1	83	240	55	-	-	-	1,417	(15)	1,402
Property & casualty													
Insurance	-	77	-	110	49	237	-	-	1	(1)	237	(49)	188
Total gross premiums	4,954	1,270	4,490	314	237	6,312	607	-	4	(5)	11,871	(392)	11,479
Investment													
Income	1,810	1,117	796	24	18	1,955	125	2	156	(154)	3,893	(28)	3,865
Commission													
Income	802	175	122	20	7	324	30	300	-	(118)	1,336	(84)	1,252
Other revenues	2	-	-	-	3	3	-	-	2	-	8	(2)	8
Total revenues	7,567	2,561	5,409	357	266	8,593	762	301	162	(277)	17,108	(506)	16,602
Inter-segment													
Revenues	-	-	-	-	-	-	2	118	157				

3.2. Performance measure

3.2.1. Measurement of performance measure

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

Performance measure

A non-IFRS 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.

Aegon believes that its non-IFRS performance measure, underlying earnings before tax, provides meaningful supplemental 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.

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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.

Fair value items

Fair value items include the over- or underperformance of investments and guarantees held at fair value for which management's best estimate investment 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 in the Americas and the Netherlands 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 consumer loans, 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 best estimate investment return on assets. Based on current holdings and asset returns, management's best estimate investment return on an annual basis is 3-10%, 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, including 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 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. For Aegon the Netherlands, the expected impairments on alternative assets classes (e.g. illiquid investments including consumer loans and catastrophe bonds and residential real estate) are allocated to underlying earnings in order to present management's best estimate investment return in underlying earnings. Deviations from the expected impairments are presented as part of impairment charges / (reversals) in non-underlying earnings.

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 actuarial and economic 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 results of business units where management in earlier years has decided to exit the market and to run-off the existing block of business. This line only includes results related to the run-off of the institutional spread-based business, structured settlements blocks of business, the life reinsurance business and the bank-owned and corporate-owned life insurance (BOLI/COLI) 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.

3.2.2. Change in measurement of performance measure

Aegon has changed the measurement of underlying earnings before tax for its real estate investments portfolio held by Aegon the Netherlands. Previously, direct returns on these investments were reported as part of underlying earnings before tax and the fair value movements were reported as part of Fair value items. From January 1, 2018, fair value items include the over- or underperformance for the real estate investments of Aegon the Netherlands, for which management's best estimate is included in underlying earnings before tax. In addition, Aegon the Netherlands started to record its management's best estimate investment return on consumer loan investments (net of expected

impairments) in underlying earnings before tax, where previously the gross returns were recorded in underlying earnings before tax and the impairments in the impairment line. All other alternative investments are reported similarly with management's best estimate investment return being included in underlying earnings before tax and the over- or underperformance in Fair value items.

For segment reporting purposes, the impact of this change in measurement on full year 2017 was an increase in consolidated underlying earnings before tax of EUR 37 million and a decrease in fair value items of EUR 61 million and a decrease in impairment charges of EUR 24 million. For the first half of 2017, the impact was an increase of EUR 19 million of underlying earnings, a decrease of EUR 29 million of fair value items and a decrease of EUR 10 million of impairment charges. There is no impact on net income in any of the reporting periods. Comparative numbers have been restated in Aegon's segment reporting note. The presentation of the items in the IFRS income statement remains unchanged and continue to be part of the line Investment income .

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3.3. Investments

Amounts included in the tables on investments are presented on an IFRS basis, which means that investments in joint ventures and associates are not consolidated on a proportionate basis. Instead, these investments are included on a single line using the equity method of accounting.

											<i>EUR millions</i>
June 30, 2018	America	The Netherlands	United Kingdom	Central & Eastern Europe	Spain & Portugal	<i>Europe</i>	Asia	Management	Holdings Asset and other activities	Eliminations	Total
Investments											
Shares	577	1,161	4	66	11	1,241	7	3	126	-	1,955
Debt securities	52,784	21,922	1,515	672	670	24,780	5,418	10	3	-	82,995
Loans	9,279	31,618	-	264	46	31,927	15	-	13	-	41,235
Other financial assets	8,735	27	414	5	-	447	56	156	13	-	9,406
Investments in real estate	612	1,884	-	4	15	1,902	-	-	-	-	2,514
Investments general account	71,986	56,612	1,933	1,011	742	60,298	5,497	169	155	-	138,105
Shares	-	9,001	15,578	206	14	24,800	-	-	-	(6)	24,794
Debt securities	2,081	12,120	7,663	185	8	19,976	-	-	-	-	22,058
Unconsolidated investment funds	100,642	847	34,248	779	84	35,958	108	-	-	-	136,708
Other financial assets	301	4,067	4,630	9	1	8,707	-	-	-	-	9,007
Investments in real estate	-	-	644	-	-	644	-	-	-	-	644
Investments for account of policyholders	103,024	26,036	62,763	1,181	106	90,085	108	-	-	(6)	193,211
Investments on balance sheet	175,010	82,648	64,696	2,191	848	150,383	5,605	169	155	(6)	331,317
	214,825	1,735	116,586	5,193	533	124,047	2,765	152,441	-	(852)	493,226

Off balance sheet investments third parties Total revenue generating investments	389,835	84,383	181,282	7,385	1,380	274,430	8,370	152,610	155	(858)	824,543
Investments Available-for-sale	57,472	20,323	1,867	731	681	23,601	5,460	149	20	-	86,702
Loans	9,279	31,618	-	264	46	31,927	15	-	13	-	41,235
Financial assets at fair value through profit or loss	107,647	28,824	62,185	1,193	106	92,308	130	20	122	(6)	200,221
Investments in real estate	612	1,884	644	4	15	2,546	-	-	-	-	3,158
Total investments on balance sheet	175,010	82,648	64,696	2,191	848	150,383	5,605	169	155	(6)	331,317
Investments in joint ventures	3	917	-	-	483	1,400	142	127	1	-	1,673
Investments in associates	69	76	8	6	-	90	11	124	8	-	303
Other assets	35,571	13,248	3,057	344	190	16,826	2,553	375	29,914	(29,651)	55,599
Consolidated total assets	210,653	96,889	67,760	2,541	1,520	168,699	8,312	795	30,078	(29,657)	388,891

<i>EUR millions</i>											
December 31, 2017	Americas	The Netherlands	Central & United Kingdom	Eastern Europe	Spain & Portugal	Europe	Asia	Management	Holdings Asset and other activities	Eliminations	Total
Investments											
Shares	567	859	5	54	5	924	1	2	57	-	1,551
Debt securities	54,535	21,411	1,779	712	646	24,548	5,252	9	-	-	84,344
Loans	8,831	30,557	-	275	54	30,886	6	-	13	-	39,736
Other financial assets	8,904	21	228	10	-	259	67	146	20	-	9,395
Investments in real estate	633	1,495	-	4	15	1,513	-	-	-	-	2,147
Investments general account	73,469	54,343	2,011	1,055	720	58,130	5,326	157	91	-	137,172
Shares	-	9,262	15,856	244	14	25,376	-	-	-	(6)	25,370
Debt securities	3,116	13,370	8,125	216	9	21,720	-	-	-	-	24,836
Unconsolidated investment funds	99,426	276	33,476	873	81	34,706	-	-	-	-	134,132
Other financial assets	422	3,788	4,850	11	1	8,650	-	-	-	-	9,072
	-	-	655	-	-	655	-	-	-	-	655

Investments in real estate											
Investments for account of policyholders	102,964	26,697	62,961	1,343	105	91,105	-	-	-	(6)	194,063
Investments on balance sheet	176,434	81,040	64,972	2,398	825	149,235	5,326	157	91	(6)	331,236
Off balance sheet investments third parties	212,736	1,759	114,906	5,709	528	122,902	2,718	143,923	-	(981)	481,297
Total revenue generating investments	389,170	82,799	179,878	8,107	1,353	272,137	8,043	144,079	91	(987)	812,533
Investments											
Available-for-sale	59,459	19,841	2,007	756	651	23,256	5,299	137	20	-	88,170
Loans	8,831	30,557	-	275	54	30,886	6	-	13	-	39,736
Financial assets at fair value through profit or loss	107,511	29,147	62,310	1,363	105	92,925	21	20	57	(6)	200,528
Investments in real estate	633	1,495	655	4	15	2,168	-	-	-	-	2,801
Total investments on balance sheet	176,434	81,040	64,972	2,398	825	149,235	5,326	157	91	(6)	331,236
Investments in joint ventures	6	1,008	-	-	480	1,488	118	99	1	-	1,712
Investments in associates	77	74	7	6	-	88	14	122	8	-	308
Other assets	35,728	15,221	8,352	383	189	24,131	2,347	242	29,836	(29,263)	63,034
Consolidated total assets	212,245	97,343	73,331	2,787	1,494	174,941	7,805	620	29,936	(29,270)	396,291

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4. Premium income and premiums paid to reinsurers

<i>EUR millions</i>	First half 2018	First half 2017
Premium income		
Life insurance	8,644	9,890
Non-life insurance	1,285	1,590
Total premium income	9,929	11,479
Accident and health insurance	1,099	1,402
Property & casualty insurance	187	187
Non-life Insurance premium income	1,285	1,590
Premiums paid to reinsurers ¹		
Life insurance	1,293	1,813
Non-life insurance	75	120
Total premiums paid to reinsurers	1,369	1,933
Accident and health insurance	70	114
Property & casualty insurance	5	6
Non-life Insurance paid to reinsurers	75	120

¹ Premiums paid to reinsurers are recorded within Benefits and expenses in the income statement - refer to note 9 - Benefits and expenses.

Premium income has decreased in the first half of 2018 mainly driven by a reduction of upgraded Life insurance policies to the retirement platform in the UK, which represents EUR 1,771 million (First half 2017: EUR 2,193 million) of the total premium income Life insurance. In addition, there is an additional negative impact from foreign exchange rates translation adjustments and product exits in Non-life insurance.

The decrease of EUR 0.5 billion in Premium paid to reinsurers Life compared to first half 2017 is mainly driven by the divestment of the pay-out annuity and BOLI/COLI businesses in the Americas and annuity portfolio in the United Kingdom, in 2017. In addition, the balance is affected by currency translation adjustments.

5. Investment income*EUR millions*

	First half 2018	First half 2017
Interest income	2,799	3,148
Dividend income	643	650
Rental income	68	68
Total investment income	3,510	3,866
Investment income related to general account	2,523	2,828
Investment income for account of policyholders	987	1,037
Total	3,510	3,866

The decrease in investment income for the first half of 2018, mainly relates to a decrease in interest income driven by investment markets in the US and also specifically by the unfavorable currency translation effect.

6. Income from reinsurance ceded

The income from reinsurance ceded decreased by EUR 1,045 million for the first half of 2018 compared to the first half of 2017. This is mainly the result of the reinsurance transactions related to the pay out annuity business and BOLI/COLI in the US and the annuity business in the UK which occurred in 2017.

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7. Results from financial transactions

<i>EUR millions</i>	First half 2018	First half 2017
Net fair value change of general account financial investments at FVTPL other than derivatives	(12)	84
Realized gains /(losses) on financial investments	(70)	220
Gains /(losses) on investments in real estate	118	50
Net fair value change of derivatives	106	(1,296)
Net fair value change on for account of policyholder financial assets at FVTPL	752	10,267
Net fair value change on investments in real estate for account of policyholders	11	15
Net foreign currency gains /(losses)	26	(7)
Net fair value change on borrowings and other financial liabilities	17	-
Realized gains /(losses) on repurchased debt	-	(1)
Total	948	9,332

The decrease in results from financial transactions is driven by the lower net fair value change on for account of policyholder financial assets at FVTPL for the first half of 2018 compared to the first half of 2017. The decrease is mainly driven by equity markets and interest rate movements. Net fair value change on for accounts of policyholder financial assets at FVTPL is offset by amounts in the Claims and benefits line reported in note 9 Benefits and expenses.

8. Other income

Other income in the first half of 2017 mainly related to a book gain of EUR 231 million (USD 250 million) related to the divestment of the payout annuity business and the Bank Owned Life Insurance / Corporate Owned Life Insurance business (BOLI/COLI) in the US. Furthermore, a release of an expense reserve of EUR 82 million (GBP 71 million) was recorded that was embedded in the liabilities for insurance contracts following the completion of the Part VII transfer of the annuities business to Rothesay Life. An insurance business transfer scheme under Part VII of the United Kingdom Financial Services and Markets Act 2000 allows an insurer to transfer policies as at a fixed time and date to another insurer, along with related contracts with other parties (including reinsurance).

9. Benefits and expenses

<i>EUR millions</i>	First half 2018	First half 2017
Claims and benefits	14,665	25,845
Employee expenses	1,049	1,159
Administration expenses	688	719
Deferred expenses	(417)	(521)
Amortization charges	500	395
Total	16,484	27,596

The following table provides an analysis of claims and benefits :

<i>EUR millions</i>	First half 2018	First half 2017
Benefits and claims paid life	9,974	11,723
Benefits and claims paid non-life	846	1,000
Change in valuation of liabilities for insurance contracts	3,517	10,798
Change in valuation of liabilities for investment contracts	(2,262)	(976)
Other	(8)	(23)
Policyholder claims and benefits	12,066	22,523
Premium paid to reinsurers	1,369	1,933
Profit sharing and rebates	11	12
Commissions	1,219	1,377
Total	14,665	25,845

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The lines change in valuation of liabilities for insurance contracts and change in valuation of liabilities for investment contracts reflect changes in technical provisions resulting from net fair value changes on for account of policyholder financial assets at FVTPL included in Results from financial transactions (note 7) of EUR 752 million for the first half of 2018 (First half 2017: EUR 10,267 million). In addition, the line change in valuation of liabilities for insurance contracts includes an increase of technical provisions for life insurance contracts of EUR 793 million (First half 2017: decrease of EUR 355 million).

10. Impairment charges/(reversals)

<i>EUR millions</i>	First half 2018	First half 2017
Impairment charges / (reversals) comprise:		
Impairment charges on financial assets, excluding receivables	30	28
Impairment reversals on financial assets, excluding receivables	(26)	(19)
Impairment charges / (reversals) on non-financial assets and receivables	16	1
Total	19	10
Impairment charges on financial assets, excluding receivables, from:		
Shares	3	-
Debt securities and money market instruments	1	11
Loans	20	14
Investments in associates	6	2
Total	30	28
Impairment reversals on financial assets, excluding receivables, from:		
Debt securities and money market instruments	(19)	(11)
Loans	(6)	(7)
Other	(1)	(1)
Total	(26)	(19)

Impairment charges/(reversals) on non-financial assets and receivables increased to EUR 16 million in the first half of 2018 (First half 2017: EUR 1 million) due to updated valuations on various real estate properties in the Americas.

11. Other charges

Other charges of EUR 103 million mainly relate to the loss of EUR 93 million (GBP 82 million) from the divestment of Aegon Ireland Plc For more details on the divestment of Aegon Ireland Plc. refer to note 29

Acquisitions/divestments.

12. Investments

<i>EUR millions</i>	Jun. 30, 2018	Dec. 31, 2017
Available-for-sale (AFS)	86,702	88,170
Loans	41,235	39,736
Financial assets at fair value through profit or loss (FVTPL)	7,653	7,119
Financial assets, for general account, excluding derivatives	135,591	135,026
Investments in real estate	2,514	2,147
Total investments for general account, excluding derivatives	138,105	137,172

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Financial assets, for general account, excluding derivatives

<i>EUR millions</i>	AFS	FVTPL	Loans	Total
Shares	517	1,438	-	1,955
Debt securities	79,069	3,926	-	82,995
Money market and other short-term investments	6,152	308	-	6,460
Mortgages loans	-	-	35,091	35,091
Private loans	-	-	3,870	3,870
Deposits with financial institutions	-	-	149	149
Policy loans	-	-	1,932	1,932
Other	964	1,982	192	3,138
June 30, 2018	86,702	7,653	41,235	135,591
	AFS	FVTPL	Loans	Total
Shares	490	1,062	-	1,551
Debt securities	80,200	4,144	-	84,344
Money market and other short-term investments	6,690	119	-	6,809
Mortgages loans	-	-	33,930	33,930
Private loans	-	-	3,642	3,642
Deposits with financial institutions	-	-	139	139
Policy loans	-	-	1,897	1,897
Other	791	1,795	127	2,713
December 31, 2017	88,170	7,119	39,736	135,026

[13. Investments for account of policyholders](#)

<i>EUR millions</i>	Jun. 30, 2018	Dec. 31, 2017
Shares	24,794	25,370
Debt securities	22,058	24,836
Money market and short-term investments	2,074	2,340
Deposits with financial institutions	2,980	2,946
Unconsolidated investment funds	136,708	134,132

Other	3,953	3,786
Total investments for account of policyholders at fair value through profit or loss, excluding derivatives	192,568	193,409
Investment in real estate	644	655
Total investments for account of policyholders	193,211	194,063

14. Derivatives

The movements in fair value of derivatives on both the asset and liability side of the condensed consolidated statement of financial position mainly result from changes in interest rates and other market movements during the period, as well as purchases, disposals and maturities.

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15. Fair value

The following tables provide an analysis of financial instruments recorded at fair value on a recurring basis by level of the fair value hierarchy:

Fair value hierarchy

<i>EUR millions</i>	Level I	Level II	Level III	Total
As at June 30, 2018				
Financial assets carried at fair value				
Available-for-sale investments				
Shares	77	162	278	517
Debt securities	25,310	52,359	1,400	79,069
Money markets and other short-term instruments	1,522	4,630	-	6,152
Other investments at fair value	-	365	598	964
Total Available-for-sale investments	26,909	57,517	2,276	86,702
Fair value through profit or loss				
Shares	228	247	963	1,438
Debt securities	1,854	2,068	4	3,926
Money markets and other short-term instruments	17	291	-	308
Other investments at fair value	1	636	1,345	1,982
Investments for account of policyholders ¹	114,567	76,238	1,762	192,568
Derivatives	31	6,054	59	6,144
Total Fair value through profit or loss	116,698	85,534	4,133	206,365
Total financial assets at fair value	143,607	143,051	6,410	293,068
Financial liabilities carried at fair value				
Investment contracts for account of policyholders ²	-	36,359	203	36,562
Borrowings ³	-	532	-	532

Derivatives	97	4,570	1,455	6,122
Total financial liabilities at fair value	97	41,461	1,658	43,216

As at December 31, 2017**Financial assets carried at fair value****Available-for-sale investments**

Shares	51	151	288	490
Debt securities	26,338	52,415	1,447	80,200
Money markets and other short-term instruments	1,664	5,026	-	6,690
Other investments at fair value	-	208	583	791
Total Available-for-sale investments	28,053	57,800	2,318	88,170

Fair value through profit or loss

Shares	226	232	604	1,062
Debt securities	1,964	2,175	4	4,144
Money markets and other short-term instruments	17	102	-	119
Other investments at fair value	1	539	1,255	1,795
Investments for account of policyholders ¹	115,323	76,302	1,784	193,409
Derivatives	68	5,787	57	5,912
Total Fair value through profit or loss	117,599	85,137	3,705	206,440
Total financial assets at fair value	145,652	142,937	6,022	294,610

Financial liabilities carried at fair value

Investment contracts for account of policyholders ²	-	36,950	219	37,169
Borrowings ³	-	536	-	536
Derivatives	34	5,251	1,845	7,130
Total financial liabilities at fair value	34	42,738	2,064	44,835

¹ The investments for account of policyholders included in the table above represents only those investments carried at fair value through profit or loss.

² The investment contracts for account of policyholders included in the table above represents only those investment contracts carried at fair value.

³ Total borrowings on the statement of financial position contain borrowings carried at amortized cost that are not included in the above schedule.

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Significant transfers between Level I, Level II and Level III

Aegon's policy is to record transfers of assets and liabilities between Level I, Level II and Level III at their fair values as of the beginning of each reporting period.

The table below shows transfers between Level I and II for financial assets and financial liabilities recorded at fair value on a recurring basis during the six month period ended June 30, 2018.

Fair value transfers	First half		Full Year	
	2018		2017	
<i>EUR millions</i>	Transfers		Transfers	
	Level I to Level II	Level II to Level I	Level I to Level II	Level II to Level I
Financial assets carried at fair value				
Available-for-sale investments				
Shares	-	-	1	1
Debt securities	-	-	12	-
Money markets and other short-term instruments	-	-	-	1,664
Total	-	-	13	1,666
Fair value through profit or loss				
Shares	-	-	124	19
Investments for account of policyholders	-	(5)	12	30
Total	-	(5)	136	49
Total financial assets at fair value	-	(4)	149	1,714

Financial liabilities carried at fair value

Investment contracts for account of policyholders	-	-	1	-
Total financial liabilities at fair value	-	-	1	-

Transfers are identified based on transaction volume and frequency, which are indicative of an active market.

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Movements in Level III financial instruments measured at fair value

The following table summarizes the change of all assets and liabilities measured at estimated fair value on a recurring basis using significant unobservable inputs (Level III), including realized and unrealized gains (losses) of all assets and liabilities and unrealized gains (losses) of all assets and liabilities still held at the end of the respective period.

Roll forward of Level III financial instruments

EUR millions	January 1, 2018	Total gains / losses in OCI ¹	Purchases	Sales	Settlements	Net exchange differences	Reclassification	Transfers from Level I and Level II	Transfers to Level II	Disposal	Total unrealized gains and losses for the period recorded in the P&L for instruments held at		
											June 30, 2018 ²	June 30, 2018 ³	
Financial assets carried at fair value													
available-for-sale investments													
Shares	288	13	(2)	7	(36)	-	6	2	-	-	-	278	-
Debt securities	1,447	24	17	305	(46)	(247)	32	1	26	(160)	-	1,400	-
Other investments at fair value	583	(65)	12	65	(9)	(7)	17	2	-	-	-	598	-
	2,318	(27)	27	377	(90)	(255)	55	6	26	(160)	-	2,276	-
Fair value through profit or loss													
Shares	604	50	-	321	(50)	-	2	35	-	-	-	963	51
Debt securities	4	-	-	-	-	-	-	-	-	-	-	4	-
Other investments at fair value	1,255	42	-	138	(131)	-	37	-	63	(59)	-	1,345	44

Investments for account of policyholders	1,784	25	-	138	(251)	-	6	56	4	-	-	1,762	31
Derivatives	57	79	-	-	(78)	-	-	-	-	-	-	59	82
	3,705	195	-	597	(509)	-	45	92	67	(59)	-	4,133	208

Financial liabilities carried at fair value

Investment contracts for account of policyholders	219	(5)	-	-	(13)	-	2	-	-	-	-	203	2
Derivatives	1,845	(396)	-	-	8	-	(2)	-	-	-	-	1,455	(407)
	2,064	(402)	-	-	(4)	-	-	-	-	-	-	1,658	(405)

EUR millions	January 1, 2017	Total gains / losses in OCI	Purchases	Sales	Settlements	Net exchange differences	Reclassification	Level II	Transfers from Level I and Level II groups	Transfers to Level I and Level II groups	December 31, 2017	Total unrealized gains and losses for the period recorded in the P&L for instruments held at December 31, 2017	
												2017	3

Financial assets carried at fair value

available-for-sale investments

Shares	393	54	(46)	68	(112)	(35)	(34)	-	-	-	-	288	-
Debt securities	1,966	39	(2)	678	(149)	(890)	(186)	-	203	(211)	-	1,447	-
Other investments at fair value	754	(112)	(109)	194	(48)	(9)	(87)	-	1	-	-	583	-
	3,112	(19)	(158)	939	(309)	(935)	(307)	-	205	(211)	-	2,318	-

Fair value through profit or loss

Shares	50	(11)	-	583	(18)	-	-	-	-	-	-	604	(11)
Debt securities	6	-	-	-	-	-	(1)	-	-	-	-	4	1
Other investments at fair value	1,257	23	-	378	(350)	-	(162)	-	341	(233)	-	1,255	20
Investments for account of policyholders	1,726	11	-	671	(622)	-	(27)	-	32	(8)	-	1,784	30
Derivatives	108	(33)	-	-	-	-	(2)	(16)	-	-	-	57	(21)
	3,146	(10)	-	1,633	(989)	-	(191)	(16)	374	(241)	-	3,705	19

**Financial
liabilities carried
at fair value**

Investment contracts for account of policyholders	176	7	-	60	(21)	-	(12)	-	10	(2)	-	219	(2)
Derivatives	2,467	(828)	-	-	300	-	(75)	10	-	-	(30)	1,845	(745)
	2,643	(821)	-	60	279	-	(87)	10	10	(2)	(30)	2,064	(747)

¹ Includes impairments and movements related to fair value hedges. Gains and losses are recorded in the line item results from financial transactions of the income statement.

² Total gains and losses are recorded in line items Gains/ (losses) on revaluation of available-for-sale investments and (Gains)/ losses transferred to

the income statement on disposal and impairment of available-for-sale investment of the statement of other comprehensive income.

³ Total gains / (losses) for the period during which the financial instrument was in Level III.

During the first six months of 2018, Aegon transferred certain financial instruments from Level I and II to Level III of the fair value hierarchy. The reason for the change in level was that the market liquidity for these securities decreased, which led to a change in market observability of prices. Prior to transfer, the fair value for the Level II securities was determined using observable market transactions or corroborated broker quotes respectively for the same or similar instruments. The amount of assets and liabilities transferred to Level III was EUR 93 million (FY 2017: EUR 588 million). Since the transfer, all such assets have been valued using valuation models incorporating significant non market-observable inputs or uncorroborated broker quotes.

Similarly, during the first six months of 2018, Aegon transferred EUR 219 million (FY 2017: EUR 454 million) of financial instruments from Level III to other levels of the fair value hierarchy. The change in level was mainly the result of a return of activity in the market for these securities and that for these securities the fair value could be determined using observable market transactions or corroborated broker quotes for the same or similar instruments.

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The following table presents information about the significant unobservable inputs used for recurring fair value measurements for certain Level III financial instruments.

Overview of significant unobservable inputs

<i>EUR millions</i>	Valuation technique ¹	Carrying amount June 30, 2018	Significant unobservable input ²	Range (weighted average)
Financial assets carried at fair value available-for-sale investments				
Shares	Net asset value ⁴	235	n.a.	n.a.
	Other	43	n.a.	n.a.
		278		
Debt securities				
	Broker quote	1,062	n.a.	n.a.
	Discounted cash flow	19	Credit spread	3.45%
	Other	319	n.a.	n.a.
		1,400		
Other investments at fair value				
Tax credit investments	Discounted cash flow	533	Discount rate	6.0%
Investment funds	Net asset value ⁴	37	n.a.	n.a.

Other	Other	28	n.a.	n.a.
June 30, 2018		598		

**Fair value
through profit or
loss**

Shares	Other	963	n.a.	n.a.
Debt securities	Other	4	n.a.	n.a.
		967		

Other
investments at fair
value

Investment funds	Net asset value ⁴	1,330	n.a.	n.a.
Other	Other	15	n.a.	n.a.
		1,345		

Derivatives

Longevity swap	Discounted cash flow	46	Mortality	n.a.
Other	Other	11	n.a.	n.a.
June 30, 2018		57		
Total financial assets at fair value ³		4,645		

**Financial
liabilities carried
at fair value**

Derivatives				
Embedded derivatives in insurance contracts	Discounted cash flow	1,442	Own Credit spread	0.25% - 0.35% (0.25%)
Longevity swap	Discounted cash flow	5	Mortality	n.a.
Other	Other	8	n.a.	n.a.
Total financial liabilities at fair value		1,455		

¹ Other in the table above (column Valuation technique) includes investments for which the fair value is uncorroborated and no broker quote is received.

² Not applicable (n.a.) has been included when no significant unobservable assumption has been identified.

³

Investments for account of policyholders are excluded from the table above and from the disclosure regarding reasonably possible alternative assumptions. Policyholder assets, and their returns, belong to policyholders and do not impact Aegon's net income or equity. The effect on total assets is offset by the effect on total liabilities.

Derivatives exclude derivatives for account of policyholders amounting to EUR 2 million.

⁴ Net asset value is considered the best approximation to the fair value of these financial instruments.

The description of Aegon's methods of determining fair value is included in the consolidated financial statements for 2017. For reference purposes, the valuation techniques included in the table above are described in more detail on the following pages.

Shares

When available, Aegon uses quoted market prices in active markets to determine the fair value of its investments in shares. Fair values for unquoted shares are estimated using observations of the price/earnings or price/cash flow ratios of quoted companies considered comparable to the companies being valued. Valuations are adjusted to account for company-specific issues and the lack of liquidity inherent in an unquoted investment. Adjustments for illiquidity are generally based on available market evidence. In addition, a variety of other factors are reviewed by management, including, but not limited to, current operating performance, changes in market outlook and the third-party financing environment.

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Available-for-sale shares include shares in a Federal Home Loan Bank (FHLB) for an amount of EUR 206 million (December 31, 2017: EUR 204 million) that are measured at par and which are reported as part of Net asset value in the column Valuation technique. FHLB has implicit financial support from the United States government. The redemption value of the shares is fixed at par and they can only be redeemed by the FHLB.

Debt securities

Aegon's portfolio of debt securities can be subdivided in Residential mortgage-backed securities (RMBS), Commercial mortgage-backed securities (CMBS), Asset-backed securities (ABS), Corporate bonds and Government debt. Below relevant details in the valuation methodology for these specific types of debt securities are described.

Valuations of RMBS, CMBS and ABS are monitored and reviewed on a monthly basis. Valuations per asset type are based on a pricing hierarchy which uses a waterfall approach that starts with market prices from indices and follows with third-party pricing services or brokers. The pricing hierarchy is dependent on the possibilities of corroboration of the market prices. If no market prices are available, Aegon uses internal models to determine fair value. Significant inputs included in the internal models are generally determined based on relative value analyses, which incorporate comparisons to instruments with similar collateral and risk profiles. Market standard models may be used to model the specific collateral composition and cash flow structure of each transaction.

Valuations of corporate bonds are monitored and reviewed on a monthly basis. The pricing hierarchy is dependent on the possibility of corroboration of market prices when available. If no market prices are available, valuations are determined by a discounted cash flow methodology using an internally calculated yield. The yield is comprised of a credit spread over a given benchmark. In all cases, the benchmark is an observable input. The credit spread contains both observable and unobservable inputs. Aegon starts by taking an observable credit spread from a similar bond of the given issuer, and then adjusts this spread based on unobservable inputs. These unobservable inputs may include subordination, liquidity and maturity differences. The weighted average credit spread used in valuation of corporate bonds has increased to 3.5% (December 31, 2017: 2.6%).

If available, Aegon uses quoted market prices in active markets to determine the fair value of its Government debt investments. If Aegon cannot make use of quoted market prices, market prices from indices or quotes from third-party pricing services or brokers are used.

Tax credit investments

The fair value of tax credit investments is determined by using a discounted cash flow valuation technique. This valuation technique takes into consideration projections of future capital contributions and distributions, as well as future tax credits and the tax benefits of future operating losses. The present value of these cash flows is calculated by applying a discount rate. In general, the discount rate is determined based on the cash outflows for the investments and the cash inflows from the tax credits/tax benefits (and the timing of those cash flows). These inputs are unobservable in the market place. The discount rate used in valuation of tax credit investments increased to 6.0% (December 31, 2017: 5.8%).

Investment funds

Investment funds include real estate funds, private equity funds and hedge funds. The fair values of investments held in non-quoted investment funds are determined by management after taking into consideration information provided by the fund managers. Aegon reviews the valuations each month and performs analytical procedures and trending analyses to ensure the fair values are appropriate.

Derivatives

Where quoted market prices are not available, other valuation techniques, such as option pricing or stochastic modeling, are applied. The valuation techniques incorporate all factors that a typical market participant would consider and are based on observable market data when available. Models are validated before they are used and calibrated to ensure that outputs reflect actual experience and comparable market prices.

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Fair values for exchange-traded derivatives, principally futures and certain options, are based on quoted market prices in active markets. Fair values for over-the-counter (OTC) derivatives represent amounts estimated to be received from or paid to a third party in settlement of these instruments. These derivatives are valued using pricing models based on the net present value of estimated future cash flows, directly observed prices from exchange-traded derivatives, other OTC trades, or external pricing services. Most valuations are derived from swap and volatility matrices, which are constructed for applicable indices and currencies using current market data from many industry standard sources. Option pricing is based on industry standard valuation models and current market levels, where applicable. The pricing of complex or illiquid instruments is based on internal models or an independent third party. For long-dated illiquid contracts, extrapolation methods are applied to observed market data in order to estimate inputs and assumptions that are not directly observable. To value OTC derivatives, management uses observed market information, other trades in the market and dealer prices.

Some OTC derivatives are so-called longevity derivatives. The payout of longevity derivatives is linked to publicly available mortality tables. The derivatives are measured using the present value of the best estimate of expected payouts of the derivative plus a risk margin. The best estimate of expected payouts is determined using best estimate of mortality developments. Aegon determined the risk margin by stressing the best estimate mortality developments to quantify the risk and applying a cost-of-capital methodology. The most significant unobservable input for these derivatives is the (projected) mortality development.

Aegon normally mitigates counterparty credit risk in derivative contracts by entering into collateral agreements where practical and in ISDA (International Swaps and Derivatives Association) master netting agreements for each of the Group s legal entities to facilitate Aegon s right to offset credit risk exposure. Changes in the fair value of derivatives attributable to changes in counterparty credit risk were not significant.

Embedded derivatives in insurance contracts including guarantees

All bifurcated guarantees for minimum benefits in insurance and investment contracts are carried at fair value. These guarantees include guaranteed minimum withdrawal benefits (GMWB) in the United States, United Kingdom and Japan which are offered on some variable annuity products and are also assumed from a ceding company; minimum investment return guarantees on insurance products offered in the Netherlands, including group pension and traditional products; variable annuities sold in Europe and Japan.

Since the price of these guarantees is not quoted in any market, the fair values of these guarantees are based on discounted cash flows calculated as the present value of future expected payments to policyholders less the present value of assessed rider fees attributable to the guarantees. Given the complexity and long-term nature of these guarantees which are unlike instruments available in financial markets, their fair values are determined by using stochastic models under a variety of market return scenarios. A variety of factors are considered including credit spread, expected market rates of return, equity and interest rate volatility, correlations of market returns, discount rates

and actuarial assumptions. The most significant unobservable factor is discount rate. The credit spread used in the valuations of embedded derivatives in insurance contracts increased to 0.3% (December 31, 2017: 0.2%).

The expected returns are based on risk-free rates. Aegon added a premium to reflect the credit spread as required. The credit spread is set by using the credit default swap (CDS) spreads of a reference portfolio of life insurance companies (including Aegon), adjusted to reflect the subordination of senior debt holders at the holding company level to the position of policyholders at the operating company level (who have priority in payments to other creditors). Aegon's assumptions are set by region to reflect differences in the valuation of the guarantee embedded in the insurance contracts.

Since many of the assumptions are unobservable and are considered to be significant inputs to the liability valuation, the liability included in future policy benefits has been reflected within Level III of the fair value hierarchy.

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Effect of reasonably possible alternative assumptions

The effect of changes in unobservable inputs on fair value measurement were not significantly different than those that were applied to the consolidated financial statements as at and for the year ended December 31, 2017.

Fair value information about financial instruments not measured at fair value

The following table presents the carrying values and estimated fair values of financial assets and liabilities, excluding financial instruments which are carried at fair value on a recurring basis.

Fair value information about financial instruments not measured at fair value

<i>EUR millions</i>	Carrying amount		Total estimated fair value	
	July 31, 2018	June 30, 2018	December 31, 2017	December 31, 2017
Assets				
Mortgage loans - held at amortized cost	35,091	39,066	33,930	38,076
Private loans - held at amortized cost	3,870	4,450	3,642	4,181
Other loans - held at amortized cost	2,273	2,273	2,164	2,164
Liabilities				
Subordinated borrowings - held at amortized cost	1,335	1,434	764	953
Trust pass-through securities - held at amortized cost	131	131	133	137
Borrowings - held at amortized cost	12,889	13,263	13,099	13,499
Investment contracts - held at amortized cost	17,246	17,447	16,665	17,031

Financial instruments for which carrying value approximates fair value

Certain financial instruments that are not carried at fair value are carried at amounts that approximate fair value, due to their short-term nature and generally negligible credit risk. These instruments include cash and cash equivalents, short-term receivables and accrued interest receivable, short-term liabilities, and accrued liabilities. These instruments are not included in the table above.

16. Deferred expenses

<i>EUR millions</i>	Jun. 30, 2018	Dec. 31, 2017
Deferred policy acquisition costs (DPAC) for insurance contracts and investment contracts with discretionary participation features	10,293	9,688
Deferred cost of reinsurance	28	41
Deferred transaction costs for investment management services	422	406
Total deferred expenses	10,743	10,135

Deferred expenses are predominantly impacted by regular amortizations, adjustments for differences between projections versus realization of deferral schemes and changes in foreign exchange rates.

17. Intangible assets

<i>EUR millions</i>	Jun. 30, 2018	Dec. 31, 2017
Goodwill	296	293
VOBA	1,160	1,153
Future servicing rights	94	99
Software	59	51
Other	33	36
Total intangible assets	1,643	1,633

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18. Share capital

<i>EUR millions</i>	Jun. 30, 2018	Dec. 31, 2017
Share capital - par value	322	322
Share premium	7,612	7,731
Total share capital	7,934	8,053
Share capital - par value		
Balance at January 1	322	